



City of Calimesa
Regular Meeting of the City Council
AGENDA

Monday, May 5, 2014

6:00 p.m.

Norton Younglove Multipurpose Senior Center
908 Park Avenue, Calimesa, CA 92320

William Davis, Mayor ♦ Jeff Hewitt, Mayor Pro Tem
Jim Hyatt, Council Member ♦ Joyce McIntire, Council Member ♦ Ella Zanowic, Council Member
Randy Anstine, City Manager ♦ Kevin Ennis, City Attorney

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in a City meeting or other services offered by this City, please contact the City Clerk's Office, (909) 795-9801. Notification of at least 48 hours prior to the meeting or time when services are needed will assist the City staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting or service.

Any public writings distributed by the City to at least a majority of the Council Members regarding any item on this regular meeting agenda will be made available at the public counter at City Hall located at 908 Park Avenue, Calimesa, CA 92320

ANNOUNCEMENT REGARDING SPEAKER SLIPS

Anyone wishing to address the City Council either during "Communications from the Public" or on any item on the agenda should fill out a **blue speaker slip** and give that slip to the City Clerk **prior to the item being heard**. Please write the number of the agenda item or the subject of your presentation on the slip. **Please observe a time limit of three (3) minutes when giving your presentation**. When called upon, please step forward to the microphone, state your name for the record, whom you represent and any statement you wish to make. **Please be advised that you may not defer your three (3) minutes to another speaker.**

CALL TO ORDER

ROLL CALL: MAYOR DAVIS, MAYOR PRO TEM HEWITT, COUNCIL MEMBER HYATT, COUNCIL MEMBER MCINTIRE, COUNCIL MEMBER ZANOWIC.

STAFF: CITY MANAGER ANSTINE, CITY ATTORNEY ENNIS, CITY CLERK GERDES, ASSISTANT CITY MANAGER/FINANCE DIRECTOR JOHNSON, PUBLIC WORKS DIRECTOR FRENCH, COMMUNITY DEVELOPMENT DIRECTOR EVANS, CITY ENGINEER THORNTON, FIRE CHIEF GREGG AND POLICE CHIEF RAYA.

PLEDGE OF ALLEGIANCE

PRESENTATIONS

Proclamation – May is Mental Health Month – Mark Miller, Desert Regional Mental Health Board Chair

COP Swearing In of New Members – Don Kline, COP Commander

Yucaipa Valley Water District – Joe Zoba, General Manager

COMMUNICATIONS FROM THE PUBLIC

Anyone wishing to address the Council on any item within the Council's jurisdiction that is not on the agenda may do so at this time. This is not a time for Council Member comment or action, but the Council may ask questions for clarification or make a referral to staff for factual information to be reported back to the Council at a later meeting.

APPROVAL OF THE AGENDA

RECOMMENDATION: Move to approve the agenda

Motion _____ Second _____ Vote _____

CONSENT CALENDAR

The following Consent Calendar items are expected to be routine and non-controversial. Council will act upon them at one time without discussion. Any Council Member or staff member may request removal of an item from the Consent Calendar for discussion.

1. APPROVAL OF CITY COUNCIL ACTION MINUTES. [Page 4](#)
 - a. **City Council Action Minutes of April 21, 2014 Regular Meeting.**
2. RECEIVE AND FILE CITY COMMISSION & BOARD MINUTES. [Page 11](#)
 - a. **There are no minutes ready for approval at this time**
3. APPROVAL OF WARRANT REGISTERS. [Page 12](#)
 - a. **Check Register Report with a total of \$292,602.61 (Check Nos. 27967 to 27990)**
 - b. **April 24, 2014 Payroll of \$26,655.45.**
4. WAIVE FULL READING OF ANY PROPOSED ORDINANCES ON THE AGENDA. [Page 17](#)

This permits reading the title only in lieu of reciting the entire text of the Ordinances. This does not take policy action on the Ordinances or approve or disapprove any Ordinances on the agenda.

CHIEF OF POLICE COMMENTS & REPORTS

FIRE CHIEF COMMENTS & REPORTS

MAYOR & COUNCIL MEMBER REPORTING OF COUNTY & REGIONAL MEETINGS

CONVENE JOINT CITY COUNCIL AND CALIMESA FINANCING AUTHORITY MEETING

JOINT MEETING BUSINESS ITEM

1. TAX-ADVANTAGE BONDS POST-ISSUANCE COMPLIANCE PROCEDURES. [Page 18](#)

RECOMMENDATION: That the City Council adopt Resolution No. 2014-14, Adopting Tax-Advantaged Bonds Post-Issuance Compliance Procedures.
2. REAPPROVING THE FORM OF THE PRELIMINARY OFFICIAL STATEMENT FOR THE AUTHORITY'S TAX ALLOCATION REFUNDING REVENUE BONDS. [Page 30](#)

RECOMMENDATION: That the Authority Board of Directors adopt CFA Resolution No. 2014-03, Reapproving the form of the Preliminary Official Statement for the Authority's Tax Allocation Refunding Revenue Bonds (Calimesa Redevelopment Project No. 1 and Project No. 5), Series 2014, to Deem it final under Rule 15c2-12 and authorizing certain other matters relating thereto.

ADJOURN THE CALIMESA FINANCING AUTHORITY MEETING AND RECONVENE CITY COUNCIL

COUNCIL MEMBERS' COMMENTS & REPORTS

This is the time for additional general comments, announcements, reports on meetings attended at public expense as required by AB 1234, requests of staff, and other issues of concern to Council Members may be presented briefly at this time. The Council may not legally take action on any item presented at this time other than to direct staff to investigate a complaint or place an item on a future agenda unless (1) by a majority vote, the Council determines that an emergency situation exists, as defined by Government Code § 54956.5 or (2) by a four-fifths vote, the Council determines that there is a need for immediate action and the need for action arose subsequent to the agenda being posted as required by Government Code § 54954.2(b).

CITY MANAGER COMMENTS & REPORTS

ADJOURNMENT

Adjourn to the Regular Meeting of the City Council on Monday, May 19, 2014 at 6:00 p.m.

Agenda Item No. 1



STAFF REPORT

CITY OF CALIMESA CITY COUNCIL MEETING

SUBJECT: Approval of City Council Meeting Minutes

MEETING DATE: May 5, 2014

PREPARED BY: Darlene Gerdes, City Clerk

RECOMMENDATION: That the City Council approve the action minutes as presented for the Regular City Council meeting of April 21, 2014.

ATTACHMENTS:

Attachment A: City Council minutes of April 21, 2014 Regular Meeting.

City Of Calimesa
City Council Minutes of Regular Meeting
 April 21, 2014

CALL TO ORDER 6:00 p.m. by Mayor Davis.

ROLL CALL: MAYOR DAVIS, COUNCIL MEMBER HYATT, COUNCIL MEMBER MCINTIRE AND COUNCIL MEMBER ZANOWIC.

ABSENT: MAYOR PRO TEM HEWITT.

MOTION BY COUNCIL MEMBER HYATT, SECONDED BY COUNCIL MEMBER ZANOWIC, CARRIED 4-0 TO EXCUSE THE ABSENCE OF MAYOR PRO TEM HEWITT.

STAFF: CITY MANAGER ANSTINE, CITY ATTORNEY ENNIS, CITY CLERK GERDES, ASSISTANT CITY MANAGER/FINANCE DIRECTOR JOHNSON, PUBLIC WORKS DIRECTOR FRENCH, FIRE CHIEF GREGG AND POLICE CHIEF RAYA.

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Mike Barron.

COMMUNICATIONS FROM THE PUBLIC

Steve Mehlman, representative of the No Way Gateway Committee, distributed to the Council a document containing statistics obtained by the South Coast Air Quality Management District of the sources of pollution. He further expressed his concerns of the pollution that would be brought with the Gateway Project.

APPROVAL OF THE AGENDA

MOTION BY COUNCIL MEMBER HYATT, SECONDED BY COUNCILMEMBER ZANOWIC, CARRIED 4-0(MAYOR PRO TEM HEWITT WAS ABSENT) TO APPROVE THE AGENDA AS PRESENTED.

Mayor Davis asked if there were any items to be removed from the consent calendar for discussion. Council Member McIntire requested that Item No. 8 be removed from the consent calendar for discussion.

CONSENT CALENDAR

1. APPROVAL OF CITY COUNCIL ACTION MINUTES.
 - a. *City Council Action Minutes of March 17, 2014 Regular Meeting.*
 - b. *City Council Action Minutes of April 7, 2014 Regular Meeting.*
2. RECEIVE AND FILE CITY COMMISSION & BOARD MINUTES.
 - a. *Planning Commission Action Minutes of 2/10/2014 Regular Meeting*
 - b. *Planning Commission Action Minutes of 3/10/2014 Regular Meeting*

3. APPROVAL OF WARRANT REGISTERS.
 - a. *Check Register Report with a total of \$244,410.725 (Check Nos. 27938 to 27966)*
 - b. *April 10, 2014 Payroll of \$21,388.63*
4. WAIVE FULL READING OF ANY PROPOSED ORDINANCES ON THE AGENDA.

This permits reading the title only in lieu of reciting the entire text of the Ordinances. This does not take policy action on the Ordinances or approve or disapprove any Ordinances on the agenda.
5. TRAVEL EXPENSES

RECOMMENDATION: *That the City Council move to approve the Travel Expenses Report for March 2014.*
6. APPROVAL OF RESOLUTION NO. 2014-11, APPOINTING A CITY TREASURER

RECOMMENDATION: *That the City Council adopt Resolution No. 2014-11, A Resolution of the City Council of the City of Calimesa, California, appointing Bonnie Johnson as City Treasurer and rescinding Resolution No. 2013-13.*
7. APPROVAL OF RESOLUTION NO. 2014-12, AUTHORIZING OFFICIALS OF THE CITY TO MAKE DEPOSITS AND WITHDRAWS OF INVESTMENTS IN THE LOCAL AGENCY INVESTMENT FUND.

RECOMMENDATION: *That the City Council adopt Resolution No. 2014-12, A Resolution of the City Council of the City of Calimesa, California authorizing Randy Anstine, Bonnie Johnson and William Davis as authorized officials of the City to make deposits and withdraws of investments in the Local Agency Investment Fund, and rescinding Resolution No. 2013-26 in its entirety.*

MOTION BY COUNCIL MEMBER HYATT, SECONDED BY COUNCIL MEMBER ZANOWIC, CARRIED 4-0(MAYOR PRO TEM HEWITT WAS ABSENT) TO APPROVE ITEM NO'S 1 – 7 OF THE CONSENT CALENDAR AS PRESENTED.

ITEMS REMOVED FROM THE CONSENT CALENDAR FOR DISCUSSION

8. ADOPTION OF RESOLUTION NO. 2014-13 INITIATING PROCEEDINGS FOR THE APPROVAL OF A REQUEST BY CR&R INC., FOR AN INFLATIONARY INCREASE TO EXISTING SOLID WASTE COLLECTION FEES AND THE ADDITION OF THREE (3) NEW SOLID WASTE COLLECTION SERVICE FEES TO BE EFFECTIVE JULY 1, 2014 AND SETTING THE DATE AND TIME FOR A PUBLIC HEARING TO CONSIDER PROTESTS THERETO

RECOMMENDATION: *That the City Council adopt Resolution No. 2014-13, A Resolution of the City Council of the City of Calimesa, California, initiating proceedings for the approval of a request by CR&R, Incorporated, for an inflationary increase to existing solid waste collection fees and the addition of three (3) new solid waste collection service fees to be effective July 1, 2014 and setting the date and time for a public hearing to consider protests thereto.*

Council Member McIntire questioned whether the increase was good for one year or five years, she requested clarification of the 5 year period as indicated in the staff report.

City Attorney Ennis explained that Government Code Section 53756 provides for refuse collection services to adopt a schedule of fees or charges for property-related services for a period not to exceed five years. He further explained that the increases would annually be increased by the adjustment in the CPI, but that a public hearing would not be held each year for those five years.

Ray Pocta, Calimesa resident questioned whether oil could still be picked up at the residence.

Mark Moreau of CR&R stated that CR&R still provides that service, as long as the resident calls to schedule for a pick-up.

MOTION BY COUNCIL MEMBER MCINTIRE, SECONDED BY COUNCIL MEMBER HYATT, CARRIED 4-0(MAYOR PRO TEM HEWITT WAS ABSENT) TO APPROVE THE STAFF RECOMMENDATION.

CHIEF OF POLICE COMMENTS & REPORTS

Police Chief Raya stated that he had nothing of significance to report.

Mayor Davis stated that he attended the Sharondale Home Owners Association Meeting and thanked Chief Raya for the department's attendance and presentation that was given in regards to scams, adding that it was a good presentation.

FIRE CHIEF COMMENTS & REPORTS

Fire Chief Gregg stated that Council should have received his report, adding that there was nothing of significance to report. He further stated that calls for service were as usual.

MAYOR & COUNCIL MEMBER REPORTING OF COUNTY & REGIONAL MEETINGS

Council Member McIntire reported that she attended the Yucaipa State of the City, adding that it was well attended and was a nice program.

Council Member Zanowic reported that she attended a meeting of the RCTC where they discussed improving the air quality and the goods movement. She further reported that she attended a League of California Cities Executive Committee meeting and announced that the next Riverside Division League meeting would be held in Indian Wells on May 12, 2014. She further reported that she attended a meeting of the RCA as Marion Ashley's alternate.

Mayor Davis reported that he attended the League of California Cities Mayor's meeting.

BUSINESS ITEMS

9. CONTINUED DISCUSSION AND REVIEW OF THE CURRENT CITY COMMISSIONS AND POSSIBLE FUTURE AMENDMENTS TO THE CALIMESA MUNICIPAL CODE RELATING TO THE ELIMINATION, CONSOLIDATION AND CREATION OF CERTAIN CITY COMMISSIONS

RECOMMENDATION: *That the City Council continue its discussion of, and provide direction to staff, regarding the potential reorganization of City Commissions.*

City Clerk Gerdes presented the agenda report.

Ray Pocta, 998 Fremont Street, Calimesa stated that he would like to see the Trails, Open Space and Beautification Commission stay as is.

Council Member McIntire made a motion that the Trails, Open Space and Beautification Commission stay as it is currently established. The motion died due to a lack of second.

After further Council discussion the following action was taken:

MOTION BY COUNCIL MEMBER HYATT, SECONDED BY COUNCIL MEMBER ZANOWIC, CARRIED 3-1-1-0(COUNCIL MEMBER MCINTIRE VOTED NOE AND MAYOR PRO TEM HEWITT WAS ABSENT) TO DISSOLVE THE TRAILS, OPEN SPACE AND BEAUTIFICATION COMMISSION AS ESTABLISHED AND PLACE THEM AS A STANDING ADVISORY COMMITTEE UNDER THE PLANNING COMMISSION, KEEPING THE CURRENT APPOINTED MEMBERS.

Mike Barron, 670 W. Avenue L, Calimesa spoke in regards to the Mobile Home Preparedness Program, stating that when he was the Chairperson of the Public Works and Safety Commission, he volunteered his time and completed the servicing on the equipment provided to the Mobile Home Parks, adding that it was his understanding that after he left the Commission, the next Chairperson would continue that practice and complete a needs assessment survey.

City Manger Anstine stated that staff could reach out to the Mobile Home Parks in regards to the equipment and see how and if the equipment is being maintained.

After further Council discussion the following action was taken:

MOTION BY COUNCIL MEMBER HYATT, SECONDED BY COUNCIL MEMBER ZANOWIC, CARRIED 4-0-1-0(MAYOR PRO TEM HEWITT WAS ABSENT) TO DISSOLVE THE PUBLIC WORKS & SAFETY COMMISSION.

COUNCIL MEMBERS' COMMENTS & REPORTS

This is the time for additional general comments, announcements, reports on meetings attended at public expense as required by AB 1234, requests of staff, and other issues of concern to Council Members may be presented briefly at this time. The Council may not legally take action on any item presented at this time other than to direct staff to investigate a complaint or place an item on a future agenda unless (1) by a majority vote, the Council determines that an emergency situation exists, as defined by Government Code § 54956.5 or (2) by a four-fifths vote, the Council determines that there is a need for immediate action and the need for action arose subsequent to the agenda being posted as required by Government Code § 54954.2(b).

Council Member Zanowic announced that she made a presentation at the Yucaipa Women's Club, along with Yucaipa Council Member Bobby Duncan of a "Tale of Two Cities". She thanked Public Works Director French and City Engineer Thornton for providing her with the information she needed for the presentation. She announced that the Mobile Fresh Bus was at the Plantation on the Lakes and will be there every other Wednesday. She further announced that she attended the Yucaipa State of the City, adding that she enjoyed the animation of the potential roundabouts at Calimesa Blvd and County Line Road that they had on display. She stated that the Calimesa Street Fair was a great success; the weather was beautiful and thanked the Sheriff and Fire Departments for their participation. She announced that the next street fair would be held on October 11, 2014.

Council Member Hyatt questioned whether the Sergeant Shredder would be at the next street fair as well. Chief Raya replied that the department would hold the event again in October.

Council Member McIntire stated that she attended the Calimesa Street Fair and brought boxes of documents to the shredder and expressed her appreciation. She announced that the Smiles for Seniors would be holding their annual Umbrella Awards on Saturday, April 26, 2014 at the Calimesa Country Club.

Mayor Davis spoke about a letter he received from South Mesa Water Company in regards to AB2443, recycled water use.

Council Member Hyatt questioned whether Joe Zoba of Yucaipa Valley Water District could come and make a presentation in regards to the recycled water.

City Manager Anstine stated that he provided a request to Joe Zoba and is awaiting a response.

CITY MANAGER COMMENTS & REPORTS

City Manager Anstine provided a reminder of the sexual harassment training that would be taking place on Tuesday, April 22, 2014 at 5:30 p.m.

City Manager Anstine reported to the Council that the city-owned radio repeater had been stolen on March 17, 2014. He stated that the Public Works Director was informed of the theft right-away and that an investigation was done by the Sheriff's department. City Manager Anstine expressed his concerns of rumblings within the Citizens on Patrol members of accusations that staff was not addressing the situation and that the members safety was at risk without the use of radios. He stated that estimates had been obtained, adding that it would cost approximately \$18,000 to replace. He further stated that the claims have been submitted to the City's insurance carrier and staff is waiting for a determination.

Mayor Davis requested that an update be provided on a future agenda.

Mike Simon offered 2-way radios to the Citizen on Patrol for their use at the Memorial Day Event at Desert Lawn Memorial Park.

ADJOURNMENT

Meeting adjourned at 7:15 p.m. to the Regular meeting of the City Council on Monday May 5, 2014, at 6:00 p.m.

Respectfully Submitted,

Darlene Gerdes, City Clerk

Agenda Item No. 2

APPROVAL OF CITY COMMISSION MINUTES

There are no minutes ready for approval at this time.



STAFF REPORT

CITY OF CALIMESA CITY COUNCIL MEETING

SUBJECT: Approval of Warrant Register

MEETING DATE: May 5, 2014

PRESENTED BY: Bonnie Johnson, Assistant City Manager/Finance Director

RECOMMENDATION: Staff requests that the City Council move to approve the Check Register Report.

SUMMARY: The attached Check Register Report for City Council's approval is as follows:

- a. Check Register Report with a total of \$292,602.61 (Check Nos. 27967 to 27990)
- b. April 24, 2014 Payroll of \$26,655.45

Council Date - May 5, 2014

Accounts Payable - Checks # 27967 thru 27990
Fund Distribution Breakdown

General - Fund #01	\$ 23,370.95
CDBG - Fund #15	\$ 9,363.75
Park & Rec Grants - Fund #17	\$ 208,928.75
GP Update Grant - Fund #29	\$ 2,195.00
SCE Grant - Fund #30	\$ 9,702.63
Admin Facility Fees - Fund 33	\$ 5,490.45
MSHCP - Fund 42	\$ 29,070.00
CFD 1 - Fund #51	\$ 1,002.48
CFD 2012-1 - Fund #53	\$ 541.81
CFD 2013-1A - Fund #54	\$ 322.49
CFD 2012-1B Fund #55	\$ 541.81
CFD 2013-1B - Fund #56	\$ 322.49
Successor Agency - Fund #67	\$ 1,750.00
Grand Total	\$ 292,602.61

Check Register Report

Check Number	Check Date	Vendor Name	Check Description	Amount	01	14	15	17	19	21	24	25	28	29	30	32	33	36	38	41	42	43	51	67	99
27967	04/23/2014	HAMEL CONSTRUCTION	4th St Park Progress Payment #3	206,107.25				X																	
27968	04/23/2014	BILL DAVIS	Cell Phone Reimb MAY 14	40.00	X																				
27969	04/23/2014	BUCKLE & BELTS	2 Embroidered Table Cloths	150.00	X																				
27970	04/23/2014	CALPERS	Health Premium MAY 14	120.01	X																				
27971	04/23/2014	COMTRONIX COMMUNICATIONS	Radio Repeater W/Duplexer	18,062.74	X																				
27972	04/23/2014	CSC-CONSULTANTS	Online Permitting Server & IT Support	9,517.63	X										X										
27973	04/23/2014	DARLENE GERDES	Reimbursement-Harassment Training Refreshments	154.93	X																				
27974	04/23/2014	DEPARTMENT OF CONSERVATION	SMIP JAN-MAR 14	435.95	X																				
27975	04/23/2014	DIVISION OF THE STATE	Business License CASP Fees 2013 & 1st Qtr 2014	204.90	X																				
27976	04/23/2014	ELLA ZANOWIC	Cell Phone Reimb MAY 14	40.00	X																				
27977	04/23/2014	JEFF HEWITT	Cell Phone Reimb MAY 14	40.00	X																				
27978	04/23/2014	JIM HYATT	Cell Phone Reimb MAY 14	40.00	X																				
27979	04/23/2014	JON DAVID CICCHETTI	Park Grant-Const. Phase MAR 14	2,699.20				X																	
27980	04/23/2014	K-LOG, INC	Office Furniture	5,490.45													X								
27981	04/23/2014	KOPPEL & GRUBER PUBLIC FINANCE	CFD Services JAN-MAR 14	2,731.08																			X		
27982	04/23/2014	LEAD TECH ENVIRONMENTAL	LBP Inspection 205 Summit View	630.00			X																		
27983	04/23/2014	MEGAN TOBIN-PETTY CASH	Petty Cash Receipts #642-649	231.42	X																				
27984	04/23/2014	PMC	Planning Services MAR 14	11,313.75			X							X	X										
27985	04/23/2014	QUALITY FIRST AID & SAFETY	Safety Vests & Gloves	274.00	X																				
27986	04/23/2014	RIVERSIDE CO. SHERIFF DEPT	COP Live Scan	32.00	X																				
27987	04/23/2014	SOUTH MESA WATER	Gasket & Flange-4th St Park Water Meter	122.30				X																	
27988	04/23/2014	THE BANK OF NEW YORK MELLON	Tax Alloc Bonds Series 2008 APR-MAR 15	1,750.00																				X	
27989	04/23/2014	WRRCRA	MSHCP Fees MAR 14	29,070.00																	X				
27990	04/24/2014	SOCAL CODE SERVICES, INC	Code Enforcement	3,345.00	X																				
Total Checks - 24				292,602.61																					

Liability	Taxes Debited				
Recap	Federal Income Tax			3,768.02	
	Earned Income Credit Advances			.00	
	Social Security - EE			298.86	
	Social Security - ER			298.86	
	Social Security Adj - EE			.00	
	Medicare - EE			398.13	
	Medicare - ER			398.13	
	Medicare Adj - EE			.00	
	Medicare Surtax - EE			.00	
	Medicare Surtax Adj - EE			.00	
	COBRA Premium Assistance Payments			.00	
	Federal Unemployment Tax			28.92	
	State Income Tax			1,194.47	
	State Unemployment Insurance - EE			.00	
	State Unemployment/Disability Ins - ER			298.86	
	State Unemployment Insurance Adj - EE			.00	
	State Disability Insurance - EE			274.19	
	State Disability Insurance Adj - EE			.00	
	Workers' Benefit Fund Assessment - EE			.00	
	Workers' Benefit Fund Assessment - ER			.00	
	Local Income Tax			.00	
	School District Tax			.00	
	Total Taxes Debited	Acct. No. XXXXXX5405	Tran/ABA XXXXXXXXXX		6,958.44
Other Transfers	ADP Direct Deposit	Acct. No. XXXXXX5405	Tran/ABA XXXXXXXXXX	16,634.76	
	ADP Check	Acct. No. XXXXXX5405	Tran/ABA XXXXXXXXXX	3,062.25	
	Total Amount Debited From Your Accounts			26,655.45	
Bank Debits and Other Liability	Adjustments/Prepay/Voids			.00	
Taxes - Your Responsibility	None This Payroll				
					Total Liability 26,655.45 26,655.45 26,655.45

Net Pay	Checks	3,062.25	
	Direct Deposits	16,634.76	
	Subtotal Net Pay		19,697.01
	Adjustments	.00	
	Total Net Pay Liability (Net Cash)		19,697.01

Taxes		You are responsible for Depositing these amounts		Amount debited from your account		
Federal	Agency	Rate	EE withheld	ER contrib.	EE withheld	ER contrib.
	Federal Income Tax				3,768.02	
	Earned Income Credit Advances					
	Social Security				298.86	298.86
	Medicare				398.13	398.13
	Medicare Surtax					
	Federal Unemployment Tax					28.92
	Subtotal Federal				4,465.01	725.91
	Cobra Premium Assistance Payments					
	Total Federal				4,465.01	725.91
						5,190.92
State	CA State Income Tax				1,194.47	
	CA State Unemployment/Disability Ins-ER 6.2000					298.86
	CA State Disability Insurance-EE				274.19	
	Subtotal CA				1,468.66	298.86
						1,767.52
	Total Taxes		.00	.00	5,933.67	1,024.77
						6,958.44

Amount ADP Debited From Account XXXXXX5405 Tran/ABA XXXXXXXXXX **6,958.44**

Excludes Taxes That Are Your Responsibility

Other	ADP Direct Deposit	16,634.76	
Transfers	ADP Check	3,062.25	
	Amount ADP Debited From Account XXXXXX5405 Tran/ABA XXXXXXXXXX		19,697.01

8 Employee Transactions

Total Amount ADP Debited From Your Accounts 26,655.45

Agenda Item No. 4

**WAIVE FULL READING OF ANY PROPOSED
ORDINANCES ON THE AGENDA**

This permits reading the title only in lieu of reciting the entire text of the Ordinances. This does not take policy action on the Ordinances or approve or disapprove any Ordinances on the agenda.



Joint Meeting Agenda Item No. 1

STAFF REPORT

CITY OF CALIMESA CITY COUNCIL MEETING

SUBJECT: Tax-Advantaged Bonds Post-Issuance Compliance Procedures

MEETING DATE: May 5, 2014

PREPARED BY: Bonnie Johnson, Assistant City Manager/Finance Director

RECOMMENDATION: That City Council adopt Resolution 2014-14 Adopting Tax-Advantaged Bonds Post Issuance Compliance Procedures

DISCUSSION: Bonds that are issued by municipalities to finance or refinance public capital improvements or, under certain prescribed circumstances, to provide short term operating cash flow, are generally provided preferential treatment under federal tax laws. Such bonds include tax-exempt bonds and tax credit bonds and are commonly referred to by the Internal Revenue Service as "tax-advantaged bonds." These bonds are subject to federal tax requirements both at the time the bonds are issued and for as long as they remain outstanding. Failure by a municipality to comply with any applicable federal tax requirement with respect to tax-advantaged bonds jeopardizes their preferential treatment and could subject the issuer of non-compliant bonds to IRS penalties or civil liability.

Recently, the IRS has placed new focus on the importance for issuers to establish and adopt written procedures to monitor post-issuance compliance of tax-advantaged bonds, which focus is reflected in the recently amended IRS form to be filed upon the closing of a tax-exempt bond issue.

The Calimesa Financing Authority Tax Allocation Refunding Revenue Bonds (Calimesa Redevelopment Project No. 1 and Project No. 5), Series 2014, which will refinance prior debt of the Calimesa Redevelopment Agency as recently approved by the California Department of Finance, are an example of tax-exempt bonds. In the future, the City or another related entity of the City may issue other tax-advantaged bonds to finance public capital improvements within the City. Related entities of the City, such as the Calimesa Financing Authority and the Successor Agency to the Calimesa Redevelopment Agency, are considered subordinate entities of the City for federal tax purposes and thus will follow the City's compliance procedures.

City staff currently monitors post-issuance compliance with federal tax requirements of outstanding bonds and refers questions on an as-needed basis to the City's financial advisor

and bond counsel. Approval of this item would formalize and aid the City's monitoring process with written procedures that can be used as a checklist.

The attached post-issuance compliance procedures will help the City monitor compliance with applicable federal tax requirements as long as any tax-advantaged bonds to be issued in the future by the City, the Calimesa Financing Authority, or any other related entity of the City are outstanding. These procedures advance recent IRS objectives and serve as a measure of added internal controls to assist the City in preventing violations from occurring, or timely correcting identified violations, to ensure the continued tax-advantaged status of the bonds.

FISCAL IMPACT: None.

ATTACHMENTS:

Attachment A: Resolution No. 2014-14

RESOLUTION NO. 2014-14

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALIMESA, CALIFORNIA, ADOPTING TAX-ADVANTAGED BONDS POST-ISSUANCE COMPLIANCE PROCEDURES

RECITALS:

WHEREAS, the City of Calimesa (the "City"), a municipal corporation duly formed and existing under the laws of the State of California, has issued bonds or otherwise incurred bonded indebtedness ("Tax-Exempt Bonds"), the interest on which is excluded from gross income for owners thereof for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the City intends to issue additional Tax-Exempt Bonds from time to time; and

WHEREAS, the City may also, in the future, issue bonds or incur bonded indebtedness ("Tax Credit Bonds," and together with Tax-Exempt Bonds, "Tax-Advantaged Bonds") that entitle the City, the owners of the Tax Credit Bonds or another party to either a credit against federal income tax liability or a refundable credit from the United States Treasury; and

WHEREAS, issuers of Tax-Advantaged Bonds are required to comply with certain post issuance requirements in accordance with the Code; and

WHEREAS, as a matter of internal controls, the City desires to adopt the Tax-Advantaged Bonds Post-Issuance Compliance Procedures (the "Procedures"), as set forth in Exhibit A hereto;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CALIMESA DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. The above recitals, and each of them, are true and correct.

Section 2. The Procedures, as set forth in Exhibit A, are hereby approved and adopted and shall be made applicable to all Tax-Advantaged Bonds issued by or on behalf of the City and its related entities (such as the Calimesa Financing Authority and the Successor Agency to the Calimesa Redevelopment Agency).

Section 3. The City Manager, in consultation with bond counsel, is hereby authorized to amend the Procedures from time to time as necessary or appropriate.

Section 4. The City Manager, the Finance Director, and all other officers of the City are hereby authorized and directed, jointly and severally, to do any and all things, to effectuate the purposes of this Resolution and to implement the Procedures any such actions previously taken by such officers are hereby ratified and confirmed.

Section 5. This Resolution shall take effect immediately upon adoption.

PASSED, APPROVED AND ADOPTED this 5th day of May 2014.

WILLIAM DAVIS, MAYOR

ATTEST:

DARLENE GERDES, CITY CLERK

EXHIBIT A

City of Calimesa
Tax-Advantaged Bonds Post-Issuance Compliance Procedures

(attached)

EXHIBIT A

CITY OF CALIMESA

TAX-ADVANTAGED BONDS POST-ISSUANCE COMPLIANCE PROCEDURES

1. BACKGROUND AND TRAINING

Bonds that receive preferential treatment under federal law are commonly referred to by the Internal Revenue Service as “tax-advantaged bonds”. These bonds are issued by or on behalf of state and local governments, such as the City of Calimesa and its related public entities such as the Calimesa Financing Authority and the Successor Agency to the Calimesa Redevelopment Agency. These bonds are subject to federal tax requirements both at the time the bonds are issued and for as long as they remain outstanding. An issuer’s (or other party’s) failure to comply with any applicable federal tax requirement with respect to these bonds jeopardizes their preferential treatment.

While compliance with applicable federal tax requirements normally occurs at closing, other federal tax requirements require on-going monitoring after the issuance of the bonds. These requirements include filing a Form 8038 information return (8038-G for fully tax-exempt bonds, 8038-GC for fully tax-exempt bonds with an issue price of less than \$100,000, 8038 for tax-exempt (“qualified”) private activity bonds, 8038-B for Build America Bonds, or 8038-TC for tax credit bonds, such as qualified school construction bonds) and the issuer having reasonable expectations of on-going, post-issuance compliance.

Post-issuance federal tax requirements generally fall into two categories: (1) the use of proceeds and the use of bond-financed property; and (2) arbitrage yield restriction on investments and rebate. Use requirements require monitoring of the various direct and indirect uses of bond-financed property over the life of the bonds and calculations of the percentage of nonqualified uses. Arbitrage requirements also require monitoring over the life of the bonds to determine whether both the yield on investments acquired with bond proceeds are properly restricted and whether the City must file a Form 8038-T to pay a rebate or a yield reduction payment.

Post-issuance compliance procedures will help the City monitor compliance as long as the bonds remain outstanding and improve the City’s ability to identify noncompliance and prevent violations from occurring, or timely correct identified violations, to ensure the continued tax-advantaged status of the bonds.

The designated officer or employee (described in Section 2.A, below) and anyone assigned particular responsibilities in connection with the procedures described below must read the certificate regarding compliance with certain tax matters (commonly referred to as the “tax certificate”) that is executed by the City in connection with each bond issue for a more complete explanation of the matters described in these Procedures. In addition, the designated officer or employee and anyone assigned particular responsibilities, should discuss these matters with bond counsel and must meet with bond counsel for training related to these Procedures.

2. GENERAL ADMINISTRATION

A. Responsible Officers or Employees. The City Manager will designate the officer (e.g., the Finance Director) or employee who will be responsible for compliance with each of the procedures set forth below. The City Manager will notify the current holder of that office, or the employee, of the responsibilities and provide that person a copy of these Procedures. The holder of the office, or the employee, may in turn designate other officers or employees and assign to them particular responsibilities for certain of these Procedures. Qualified consultants may assist in conducting the compliance procedures. The City Manager will be notified in writing of all such designations and assignments.

B. Reassignment of Responsibilities. Upon the transition of a designated officer or employee, the City Manager will advise the new officer or employee of the responsibilities under these procedures. If officer or employee positions are restructured or eliminated, the City Manager, or his or her designee will reassign responsibilities as necessary to ensure that all of the procedures listed below have been appropriately assigned.

C. Periodic Reviews. The designated officer or employee will conduct periodic reviews of compliance with these procedures and with the terms of any existing tax certificate relating to outstanding tax-advantaged bonds, such as fully tax-exempt bonds or Build America Bonds, to determine whether any violations have occurred. Such periodic reviews will occur at least once every six months. In the event that violations have occurred, bond counsel will be contacted immediately so that violations can be remedied through the remedial actions set forth in Section 1.141-12 of the Treasury Regulations, the Voluntary Closing Agreement Program described in IRS Notice 2008-31, or further guidance as may be provided by the IRS. Where necessary, violations will be reported to the IRS by submitting a VCAP request within 90 days after identification of the violation.

D. Changes or Modifications to Bond Terms. If any change or modification to the terms of tax-advantaged bonds is contemplated, the designated officer or employee will immediately contact bond counsel (a change or modification could result in a reissuance, which in the case of BABs, for example, would constitute a refunding of the BABs and thereby jeopardize their status).

E. Recordkeeping. For each issue of tax-advantaged bonds, the designated officer or employee will:

- (1) maintain a copy of the transcript of the documents relating to the bonds.
- (2) maintain records of all facilities and other costs (e.g., issuance costs, credit enhancement fees and capitalized interest) and uses (e.g., deposits to project funds and reserve funds) for which bond proceeds were spent or used (in the case of a qualified private activity bond, the conduit borrower will be responsible for providing the City with this information);
- (3) maintain records of investments and expenditures of bond proceeds, rebate exception analyses, rebate calculations, Forms 8038-T, and rebate and yield reduction payments, and any other records relevant to compliance with arbitrage restrictions (in the case of a qualified

private activity bond, the borrower will be responsible for providing the City with this information in the event it is not otherwise available to the City);

(4) maintain all records described in these Procedures while any bonds of the issue are outstanding and during the three-year period following the final maturity or redemption of the bond issue or, if later, while any bonds that refund bonds of that original issue are outstanding and for the three year period following the final maturity or redemption date of the latest refunding bond issue; and

(5) maintain copies of all of the following contracts or arrangements with non-governmental persons or organizations or with the federal government: (a) the sale of any bond-financed facility; (b) the lease of any bond-financed facility (other than individual tenant leases in the case of qualified private activity multifamily rental housing bonds); (c) management or service contracts relating to a bond-financed facility (other than those entered into in connection with qualified private activity bonds); (d) research contracts involving research undertaken in a bond-financed facility (other than those entered into in connection with qualified private activity bonds); and (e) any other contracts involving “special legal entitlements” (such as naming rights or exclusive provider arrangements) with respect to a bond-financed facility (other than those entered into in connection with qualified private activity bonds).

3. IRS INFORMATION RETURN FILING

In cooperation with bond counsel, the designated officer or employee will ensure that the Form 8038-G (or other applicable Form 8038) is timely filed (on or before the 15th day of the second calendar month after the end of the quarter in which the bonds were issued) with respect to each tax-advantaged bond issue, including any required schedules and attachments.

4. INVESTMENT AND EXPENDITURE OF BOND PROCEEDS AND REBATE

A. Track Investments and Expenditures. The designated officer or employee will ensure the existence of an established accounting procedure for tracking the investment and the timely expenditures of bond proceeds, including investment earnings.

B. Reimbursement. Upon issuance of the bonds, the designated officer or employee will allocate bond proceeds to reimbursement of prior expenditures (assuming, if required, an appropriate declaration of intent to reimburse has been adopted). In the case of qualified private activity bonds, the designated officer or employee shall rely on information provided by the conduit borrower.

C. Final Allocations. The designated officer or employee will ensure that a final allocation of bond proceeds (including investment earnings) to qualifying expenditures is made if bond proceeds are to be allocated to project expenditures on a basis other than “direct tracing” (direct tracing means treating the bond proceeds as spent as shown in the accounting records for bond draws and project expenditures). This allocation must be made within 18 months after the later of the date the expenditure was made or the date the project was placed in service, but not later than the earlier of five years and 60 days after the issuance date of the bonds or 60 days after the bond issue is retired. In the case of qualified private activity bonds, the designated

officer or employee shall rely on information provided by the conduit borrower, which shall be required to provide such information within the timeframe described in the preceding section.

D. Timely Expenditure of Bond Proceeds. Mindful of the expectations regarding the timing of the expenditures of bond proceeds set forth in the tax certificate, the designated officer or employee will monitor expenditures of bond proceeds, including investment earnings, against issuance date expectations for satisfaction of three-year (or five-year) temporary period from yield restriction on investment of bond proceeds. In the case of qualified private activity bonds, the conduit borrower shall be required to comply with this section.

E. Yield. The designated officer or employee will make note of the “yield” of the bond issue, as shown on the Form 8038-G, 8038-B or other applicable Form 8038.

F. Temporary Periods and Yield Restriction. The designated officer or employee will review the tax certificate to determine the “temporary periods” for the bond issue, during which periods various categories of gross proceeds of the bond issue may be invested without restriction as to yield. In the case of qualified private activity bonds, the conduit borrower shall be required to comply with this section.

G. Investment of Proceeds and Yield Restriction. The designated officer or employee will ensure that bond proceeds are not invested in investments with a yield above the bond yield following the end of the applicable temporary period unless yield reduction payments are to be made. In the case of qualified private activity bonds, the conduit borrower shall be required to comply with this section.

H. Bidding Requirements. If purchasing investments other than publicly traded securities for immediate delivery (for example, a guaranteed investment contract or certificates of deposit), the designated officer or employee will consult with bond counsel to ensure that investments of bond proceeds satisfy IRS regulatory safe harbors for establishing fair market value (e.g., through the use of bidding procedures), and maintain records to demonstrate satisfaction of such safe harbors. In the case of qualified private activity bonds, the conduit borrower shall be required to comply with this section.

I. Credit Enhancement and Hedging Transactions. The designated officer or employee will consult with bond counsel before engaging in credit enhancement or hedging transactions with respect to a bond issue. The designated officer or employee will maintain copies of all contracts and certificates relating to credit enhancement and hedging transactions.

J. Debt Service Fund. After all proceeds of a bond issue have been spent, the designated officer or employee will ensure that the debt service fund meets the requirements of a “bona fide debt service fund,” i.e., one used primarily to achieve a proper matching of revenues with debt service that is depleted at least once each bond year, except for a reasonable carryover amount not to exceed the greater of (i) the investment earnings on the fund for the immediately preceding bond year; or (ii) one-twelfth of the debt service on the bond issue for the immediately preceding bond year. To the extent that a debt service fund qualifies as a bona fide debt service fund for a given bond year, the investment of amounts held in that fund is not subject to yield restriction for that year. The designated officer or employee will consult with bond counsel

before creating separate additional funds that are expected to be used to pay debt service on the bonds. In the case of qualified private activity bonds, the conduit borrower shall be required to comply with this section.

K. Reserve Fund. The designated officer or employee will ensure that amounts of bond proceeds invested in any reasonably required reserve fund do not exceed the least of (each determined at the time of issuance of the bonds): (i) ten percent of the stated principal amount of the bonds (or the sale proceeds of the bond issue if the bond issue has original issue discount or original issue premium that exceeds two percent of the stated principal of the bond issue plus, in the case of premium, reasonable underwriter's compensation); (ii) maximum annual debt service on the bond issue; or (iii) 125 percent of average annual debt service on the bond issue. In the case of qualified private activity bonds, the conduit borrower shall be required to comply with this section.

L. Escrow Fund. For an advance refunding escrow (where the escrow is established 90 or more days before the refunded bonds are to be redeemed) funded with taxable open market securities earning yields higher than the yield of the advance refunding bonds, assure that all or part of the escrow is invested in zero interest rate SLGS issued by the U.S. Treasury Department if needed to blend down the yield.

M. Gifts for Bond-Financed Projects. Before beginning a campaign that may result in gifts that will be restricted for use relating to a bond-financed facility (or, in the absence of such a campaign, upon the receipt of such restricted gifts), the designated officer or employee will consult with bond counsel to determine whether replacement proceeds may result.

N. Performance of Rebate Calculations. Subject to the small issuer exception and the exceptions described in the tax certificate, investment earnings on bond proceeds at a yield in excess of the bond yield generally must be rebated to the United States. The designated officer or employee will ensure that rebate calculations will be timely performed and payment of rebate amounts, if any, will be timely made. Rebate payments are generally due 60 days after the fifth anniversary of the issuance date of the bond issue, then in succeeding installments every five years. The final rebate payment is due 60 days after retirement (or early redemption) of the last bond of the issue. In the case of qualified private activity bonds, the conduit borrower shall be required to comply with this section.

O. Rebate Consultant. The designated officer or employee will engage the services of an experienced rebate consultant to undertake rebate calculations described above for each bond issue. In the case of qualified private activity bonds, the conduit borrower shall be required to comply with this section.

P. Spending Exceptions. If the six-month, 18-month, or 24-month spending exceptions from the rebate requirement (as described in the tax certificate) apply to the bond issue, the designated officer or employee will ensure that the spending of bond proceeds is monitored prior to semi-annual spending dates for the applicable exception.

Q. Follow-up on Rebate. After all bond proceeds have been spent, the designated officer or employee will ensure compliance with rebate requirements for any reserve fund and

any debt service fund that is not exempt from the rebate requirement. In the case of qualified private activity bonds, the conduit borrower shall be required to comply with this section.

R. Filing of 8038-T. The designated officer or employee will make rebate and yield reduction payments timely and file Form 8038-T.

5. PRIVATE BUSINESS USE

A. Private Business Use. Use of bond proceeds or bond-financed property by a nongovernmental person (including the federal government) in furtherance of a trade or business activity is considered private business use. Any activity carried on by other than a natural person (individual acting as a member of the general public) is treated as a trade or business. Indirect uses of bond proceeds must also be considered in determining whether more than ten percent of the proceeds of a bond issue will be for a private business use. For example, a facility is treated as being used for a private business use if it is sold or leased to a nongovernmental person and the nongovernmental person's use is in a trade or business. The designated officer or employee will analyze any private business use of bond-financed facilities and, for each issue of bonds, determine whether the ten percent limit on private business use (five percent in the case of "unrelated or disproportionate" private business use) is exceeded and immediately contact bond counsel if either of these limits is exceeded. This section shall not apply to qualified private activity bonds.

B. Management and Service Agreements. Management contracts between governmental entities and certain private parties under which private parties receive compensation for services provided with respect to a bond-financed facility may result in private business use. Before entering into any new management agreement or service agreement relating to bond-financed facilities, the designated officer or employee will immediately contact bond counsel to review any such agreement to determine whether it may result in private business use. This section shall not apply to qualified private activity bonds.

C. Special Legal Entitlements. Before entering into any agreement providing special legal entitlements relating to a bond-financing facility, the designated officer or employee will immediately contact bond counsel to review such agreement. This section shall not apply to qualified private activity bonds.

6. PROCEDURES RELATING ONLY TO BUILD AMERICA BONDS AND TAX CREDIT BONDS

A. Limit on Premium. The designated officer or employee will consult with the financial advisor to ensure that the premium on each maturity (stated as a percentage of principal amount) does not exceed one-quarter of one-percent multiplied by the number of complete years to the earlier of the final maturity or, generally, the earliest optional redemption date for the bonds.

B. Two Percent Costs of Issuance Limitation. The designated officer or employee will consult with the financial advisor to ensure that the excess of the issue price (*i.e.*, the stated principal amount of the bonds plus the original issue premium or less the original issue discount) over the price at which the bond issue is sold to the investors at the initial bond offering, when

combined with other issuance costs paid from bond proceeds, does not exceed two percent of the sale proceeds.

C. Review of Market Availability. The designated officer or employee will ensure that the financial advisor reviews the market trading activity after their sale date but before their issuance date to determine whether the market pricing is consistent with the issue price reported by the underwriter or original purchaser as of their sale date. Market trading information is generally available through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System (EMMA) (<http://www.emma.msrb.org>). A record of such determination, including copies of the market trading information, will be maintained.

D. Monitor Interest For Refundable Credit. In the case of BABs or tax credit bonds, the designated officer or employee will monitor the amount of interest payable on each interest payment date to ensure that the proper amount of direct payment (refundable credit) is requested on each Form 8038-CP.

E. Filing of 8038-CP. In the case of BABs or tax credit bonds, the designated officer or employee will ensure that IRS Form 8038-CP is timely filed with respect to each interest payment date (or each quarter in the case of certain variable rate bond issues).

F. Refundable Credit Payments to Proper Person. In the case of BABs or tax credit bonds, if the direct payments (refundable credits) to be made by the federal government with respect to the bonds will be paid to a person other than the issuer (*e.g.*, the bond trustee or the state or local government entity on whose behalf an authority issued the bonds, such as the California Statewide Communities Development Authority), the designated officer or employee will obtain and record the contact information of that person, and ensure that it is properly shown on Form 8038-CP so that the direct payment (refundable credit) will be made to the proper person.

G. Follow-up on Two Percent Costs of Issuance Limitation. In the case of BABs or tax credit bonds, in cooperation with the financial advisor, the designated officer or employee will ensure that no more than two percent of the sale proceeds are used to pay issuance costs.

H. Available Project Proceeds. In the case of BABs or tax credit bonds, the designated officer or employee will ensure that all of the sale proceeds and investment earnings, other than (i) sale proceeds used to pay issuance costs (up to the two percent limit described above) or (ii) deposited in a reasonably required reserve fund, are allocated to capital expenditures.



Joint Meeting Agenda Item No. 2

STAFF REPORT

CITY OF CALIMESA FINANCING AUTHORITY BOARD MEETING

SUBJECT: Reapproving The Form of The Preliminary Official Statement for The Authority's Tax Allocation Refunding Revenue Bonds

MEETING DATE: May 5, 2014

PRESENTED BY: Bonnie Johnson, Assistant City Manager/Finance Director
Doug Anderson, Financial Advisor, Urban Futures, Inc.

RECOMMENDATION: That the Authority Board approve and adopt CFA Resolution 2014-03 Reapproving the Form of The Preliminary Official Statement for the Authority's Tax Allocation Refunding Revenue Bonds (Calimesa Redevelopment Project No. 1 And Project No. 5), Series 2014, to Deem It Final Under Rule 15c2-12 And Authorizing Certain Other Matters Relating Thereto

BACKGROUND/DISCUSSION: On March 28, 2008, the Calimesa Financing Authority issued Tax Allocation Revenue Bonds in the amount of \$4,260,000 (the "2008 Bonds") to fund two loans (the "2008 Loans") to the Calimesa Redevelopment Agency for the purpose of financing redevelopment activities with respect to Calimesa Redevelopment Project No. 1 and Project No. 5 (the "Project Areas").

On February 3, 2014, the City Council of the City, the Calimesa Financing Authority, and the Successor Agency to the Calimesa Redevelopment Agency approved, respectively, Resolution No. 2014-02, CFA Resolution No. 2014-02, and CSA Resolution No. 2014-01 to approve and authorize the refinancing, for savings, of the 2008 Loans by the Calimesa Financing Authority's proposed issuance of its Tax Allocation Refunding Revenue Bonds (Calimesa Redevelopment Project No. 1 and Project No. 5), Series 2014 Bonds (the "2014 Bonds"). The refinancing of the 2008 Loans will concurrently achieve the refunding of the 2008 Bonds.

On February 4, 2014, the Oversight Board to the Successor Agency to the Calimesa Redevelopment Agency approved OB Resolution No. 2014-02, to approve the incurrence by the Successor Agency of two 2014 loans (the "2014 Loans") in connection with the issuance of the 2014 Bonds, for the purpose of refunding the 2008 Loans to achieve debt service savings, in accordance with the Dissolution Act.

In accordance with the Dissolution Act, notification of the adoption of OB Resolution No. 2014-02 was sent to the California Department of Finance ("DOF") on February 4, 2014. The Dissolution Act provides DOF with 60 days (after a five business day initial review period) to review any actions of the Oversight Board relative to refunding debt issues. On April 7, 2014, DOF notified the Successor Agency in writing of DOF's approval of OB Resolution No. 2014-02 approving the incurrence of the 2014 Loans for refunding purposes.

The Preliminary Official Statement is the offering document that will be presented to potential investors in the 2014 Bonds. It includes information about the terms and payment obligations of the Successor Agency and Authority in connection with the 2014 Bonds, the Successor Agency, the Project Areas, and the tax revenues of the Project Areas which secure the repayment of the 2014 Bonds. The initial form of the Preliminary Official Statement was approved by the Authority on February 3, 2014, by CFA Resolution No. 2014-02.

Section 7 of CFA Resolution No. 2014-02 also specifies that the Preliminary Official Statement be updated and revised under the supervision of the Chief Administrative Officer of the Authority and, after DOF approval is secured, presented again to the Authority for the purpose of deeming it final for the purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 ("Rule 15c2-12"). Rule 15c2-12 permits the Preliminary Official Statement to omit certain information that rely on the ultimate sale terms, as well as rating information, also known as "permitted omissions." As contemplated by CFA Resolution No. 2014-02, the Preliminary Official Statement will be brought into the form of a final Official Statement upon successful sale of the 2014 Bonds and execution of the Purchase Contract (as defined in CFA Resolution No. 2014-02), and subject to the parameters and limitations on the terms of the sale of Bonds contained in CFA Resolution No. 2014-02 (including, but not limited to Section 10).

Now that the DOF has provided its written approval of OB Resolution No. 2014-02, staff recommends that the Authority approve the attached resolution to facilitate the marketing and sale of the 2014 Bonds for the purposes of achieving debt service savings, as contemplated by and in furtherance of CFA Resolution No. 2014-02.

FISCAL IMPACT: The proposed 2014 Bonds will generate an estimated total debt service savings of \$374,000 net of all costs of issuance, and the City's general fund share of the estimated total savings would be approximately \$174,000. All costs of issuance on the 2014 Bonds will be paid from net bond proceeds. The term of the 2014 Bonds will not exceed the term of the 2008 Bonds being refunded. The source of repayment of the 2014 Bonds would be limited to tax revenues (in amounts equivalent to the former tax increment revenues) generated in the Project Areas and deposited by the County into the Successor Agency's Redevelopment Property Tax Trust Fund, payable from the Successor Agency to the Financing Authority under the 2014 loan agreements, and the 2014 Bonds would not be a debt of the City.

ATTACHMENTS:

Attachment A: CFA Resolution 2014-03
Attachment B: Preliminary Official Statement Tax Allocation Refunding Bonds Series 2014

CFA RESOLUTION NO. 2014-03

A RESOLUTION OF THE CALIMESA FINANCING AUTHORITY REAPPROVING THE FORM OF THE PRELIMINARY OFFICIAL STATEMENT FOR THE AUTHORITY'S TAX ALLOCATION REFUNDING REVENUE BONDS (CALIMESA REDEVELOPMENT PROJECT NO. 1 AND PROJECT NO. 5), SERIES 2014, TO DEEM IT FINAL UNDER RULE 15c2-12 AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO

RECITALS:

WHEREAS, the Calimesa Financing Authority (the "Authority") is a joint powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement (the "Agreement") dated February 4, 2008, by and between the City of Calimesa (the "City") and the Calimesa Redevelopment Agency, as succeeded by the Successor Agency to the Calimesa Redevelopment Agency (the "Agency"), and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), and is authorized pursuant to Article 4 of the Act to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of the City and the Agency in order to provide financing for public capital improvements of the City and refinancing for public capital improvements of the Agency; and

WHEREAS, the Authority Commission has previously approved the form of the Preliminary Official Statement for the Authority's proposed Tax Allocation Refunding Revenue Bonds (Calimesa Redevelopment Project No. 1 and Project No. 5), Series 2014 (the "Bonds") at its meeting on February 3, 2014 by the adoption of CFA Resolution No. 2014-02; and

WHEREAS, in accordance with the provisions of Section 7 of CFA Resolution No. 2014-02, the Authority desires at this time to reapprove the Preliminary Official Statement for the purpose of deeming it final within the meaning of Rule 15c2-12 promulgated under the Securities and Exchange Act of 1934 ("Rule 15c2-12");

NOW, THEREFORE, THE CALIMESA FINANCING AUTHORITY DOES HEREBY RESOLVE, DETERMINE, AND ORDER AS FOLLOWS:

Section 1 Recitals. The above recitals, and each of them, are true and correct.

Section 2 Preliminary Official Statement. The Preliminary Official Statement relating to the Bonds (the "Preliminary Official Statement"), in the form presented at this meeting and on file with the Secretary, is hereby approved and deemed final for the purposes of Rule 15c2-12. The Underwriter (as defined in CFA Resolution No. 2014-02) is hereby authorized to distribute to potential purchasers of the Bonds copies of the Preliminary Official Statement, in substantially the form hereby approved, together with such additions thereto and changes therein as are determined necessary by the Chief Administrative Officer to make the Preliminary

Official Statement final as of its date for purposes of Rule 15c2-12, including but not limited to such additions and changes as are necessary to make all information set forth therein accurate and not misleading.

Section 3 Other Acts. The Authorized Officers (as defined in CFA Resolution No. 2014-02) and all other officers of the Authority are hereby authorized and directed, jointly and severally, to do any and all things, to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds, or otherwise to effectuate the purposes of this Resolution and CFA Resolution No. 2014-02, and any such actions previously taken by such officers are hereby ratified and confirmed.

Section 4 Effective Date. This Resolution shall take effect immediately upon adoption.

PASSED, APPROVED AND ADOPTED this 5th day of May, 2014.

WILLIAM DAVIS, CHAIRPERSON

ATTEST:

DARLENE GERDES, SECRETARY

NEW ISSUE – BOOK ENTRY ONLY
(BANK QUALIFIED)

[RATING: S&P: “_____”][NOT RATED]

See “CONCLUDING INFORMATION – [No] Rating” herein.

In the opinion of Richards, Watson & Gershon, A Professional Corporation, Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and the Bonds are qualified tax-exempt obligations as that term is defined in Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, and (ii) interest on the Bonds is exempt from personal income taxation by the State of California. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. See “CONCLUDING INFORMATION – Tax Exemption” herein for a discussion of the effect of certain provisions of the Code on Owners of the Bonds.

\$3,045,000*

**CALIMESA FINANCING AUTHORITY
TAX ALLOCATION REFUNDING REVENUE BONDS
(CALIMESA REDEVELOPMENT PROJECT NO. 1 AND PROJECT NO. 5)
SERIES 2014**

Dated: Delivery Date

Due: December 1, as shown on inside cover

The above-captioned bonds (the “Bonds”) are being issued by the Calimesa Financing Authority (the “Authority”) pursuant to an Indenture of Trust, dated as of May 1, 2014 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). Proceeds of the Bonds will be used to fund (i) a loan (the “2014 Project No. 1 Loan”) to the Successor Agency to the Calimesa Redevelopment Agency (the “Agency”) with respect to the Calimesa Redevelopment Project Area No. 1 (“Project No. 1”), and (ii) a loan (the “2014 Project No. 5 Loan”; and together with the 2014 Project No. 1 Loan, the “2014 Loans”), to the Agency with respect to the Calimesa Redevelopment Project Area No. 5 (“Project No. 5”; and together with Project No. 1, the “Project Areas”), pursuant to the terms of, respectively, a Loan Agreement, dated as of May 1, 2014, with respect to Project No. 1, by and among the Authority, the Agency, and the Trustee (the “2014 Project No. 1 Loan Agreement”), and a Loan Agreement, dated as of May 1, 2014, with respect to Project No. 5, by and among the Authority, the Agency, and the Trustee (the “2014 Project No. 5 Loan Agreement”; and together with the 2014 Project No. 1 Loan Agreement, the “2014 Loan Agreements”). The proceeds of the 2014 Loans will be used to (i) refinance the outstanding obligations of the Agency under a loan agreement dated as of March 1, 2008 (the “2008 Project No. 1 Loan Agreement”), with respect to the Calimesa Redevelopment Project Area No. 1 (“Project No. 1”); (ii) refinance the outstanding obligations of the Agency under a loan agreement dated as of March 1, 2008 (the “2008 Project No. 5 Loan Agreement”; and together with the 2008 Project No. 1 Loan Agreement, the “2008 Loan Agreements”), with respect to the Calimesa Redevelopment Project Area No. 5 (“Project No. 5”); (iii) fund reserve subaccounts for the 2014 Loans; and (iv) pay the costs of issuing the Bonds.

The Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to ultimate purchasers (“Beneficial Owners”) in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bond certificates representing their ownership interest in the Bonds. The principal of, premium if any, and semiannual interest (due June 1 and December 1 of each year, commencing December 1, 2014) on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Bonds (see “THE BONDS—Book-Entry System” herein).

The Bonds are subject to optional and mandatory redemption prior to their maturity under certain conditions as described herein, including mandatory redemption upon acceleration of the payments due under a 2014 Loan Agreement (as defined herein) upon the occurrence of certain events of default under such 2014 Loan Agreement. See “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE 2014 LOAN AGREEMENTS – The Loan Agreement-Events of Default and Remedies.”

The Bonds are special obligations of the Authority and payable from and equally and ratably secured by a first pledge of Revenues (as defined herein) consisting primarily of certain property tax revenues to be derived from the Project Areas, received by the Agency, and paid to the Authority as 2014 Loan payments pursuant to the 2014 Loan Agreements. Taxes levied on the property within the Project Areas on that portion of the taxable valuation over and above the taxable valuation of the respective base year property tax roll to the extent they constitute Pledged Tax Revenues, shall be deposited in the Redevelopment Obligation Retirement Fund, held and administered by the Agency and transferred to the Revenue Fund held by the Trustee, in accordance with the Indenture.

This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Bonds. Attention is hereby directed to certain Risk Factors more fully described herein.

Neither the Bonds, nor the obligations of the Agency under the 2014 Loan Agreements, are a debt of the City of Calimesa (the “City”), the State of California (the “State”) or any of its political subdivisions (except the Agency and the Authority, as applicable) and neither said City, said State or any of its political subdivisions (except the Agency and the Authority, as applicable) is liable therefor. The principal of, premium, if any, and interest on the Bonds ultimately are payable from and secured by the Pledged Tax Revenues allocated to the Agency from the Project Areas and payable by the Agency to the Authority under the 2014 Loan Agreements. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

The Bonds are offered, when, as and if issued, subject to the approval of Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, Bond Counsel and Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by Quint & Thimmig LLP, Larkspur, California, Underwriter’s Counsel. It is anticipated that the Bonds will be available for delivery to DTC in New York, New York, on or about May 28, 2014.

[LOGO FOR JEFFERIES LLC]

Dated: May ___, 2014

* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the dated date of the Official Statement in its final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

\$3,045,000*
CALIMESA FINANCING AUTHORITY
TAX ALLOCATION REFUNDING REVENUE BONDS
(CALIMESA REDEVELOPMENT PROJECT NO. 1 AND PROJECT NO. 5)
SERIES 2014

MATURITY SCHEDULE*
(Base CUSIP[†] 130836)

\$1,675,000 Serial Bonds

Maturity Date (December 1)	Principal Amount	Interest Rate	Yield	CUSIP[†] Suffix
2014	\$155,000			
2015	90,000			
2016	90,000			
2017	95,000			
2018	95,000			
2019	100,000			
2020	95,000			
2021	105,000			
2022	110,000			
2023	110,000			
2024	115,000			
2025	120,000			
2026	125,000			
2027	135,000			
2028	135,000			

\$800,000 ____% Term Bonds due December 1, 2033 - Yield – ____% - CUSIP[†] Suffix ____
\$570,000 ____% Term Bonds due December 1, 2038 - Yield – ____% - CUSIP[†] Suffix ____

[†] CUSIP® Copyright 2014, CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP® data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the Authority nor the Underwriter guarantees the accuracy of the CUSIP® data.

* Preliminary; subject to change.

CALIMESA FINANCING AUTHORITY

Authority Commission / Successor Agency Board of Directors / City Council Members

William "Bill" Davis, *President / Chair / Mayor*
Jeffrey Hewitt, *Vice President / Vice-Chair / Mayor Pro Tem*
Jim Hyatt, *Authority Commissioner / Director / Council Member*
Joyce McIntire, *Authority Commissioner / Director / Council Member*
Ella Zanowic, *Authority Commissioner / Director / Council Member*

Authority / Agency / City Staff

Randy Anstine, *Chief Administrative Officer / Executive Director / City Manager*
Bonnie Johnson, *Assistant City Manager / Finance Director*
Darlene Gerdes, *Authority Secretary / Agency Secretary / City Clerk*
Kevin G. Ennis, Esq., *Authority Counsel / Agency Counsel / City Attorney*

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Richards, Watson & Gershon,
A Professional Corporation
Los Angeles, California

Financial Advisor / Continuing Disclosure Dissemination Agent

Urban Futures, Inc.
Orange, California

Trustee / Escrow Agent

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

Underwriter

Jefferies LLC
San Francisco, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized by the Authority or the Agency to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been given or authorized by the Authority, the Agency or the Underwriter.

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds described in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement does not constitute a contract between any Bond owner and the Authority, the Agency or the Underwriter.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure made by the Agency, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Agency, or the other parties described in this Official Statement, since the date of this Official Statement.

Document Summaries. All summaries of the Indenture, the 2014 Loan Agreements, or other documents contained in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions. All references in this Official Statement to the Indenture, the 2014 Loan Agreements, and such other documents are qualified in their entirety by reference to such documents, which are on file with the Agency.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

No Registration with the SEC. The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

Public Offering Prices. The Underwriter may over allot or take other steps that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. If commented, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and the Underwriter may change those public offering prices from time to time.

Web Page. The City of Calimesa maintains a website. However, the information maintained on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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\$3,045,000*
CALIMESA FINANCING AUTHORITY
TAX ALLOCATION REFUNDING REVENUE BONDS
(CALIMESA REDEVELOPMENT PROJECT NO. 1 AND PROJECT NO. 5)
SERIES 2014

INTRODUCTION

This introduction does not purport to be complete, and reference is made to the cover page, the body of this Official Statement, the appendices hereto, and the documents referred to herein for more complete information with respect to matters concerning the Bonds. Potential investors are encouraged to read the entire Official Statement. Definitions of certain terms used in this Official Statement are set forth in “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE 2014 LOAN AGREEMENTS.”

Authority for Issuance

The Authority is a joint powers authority, duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement dated February 4, 2008 (the “Joint Powers Agreement”), by and between the City of Calimesa, California (the “City”), and the Calimesa Redevelopment Agency (the “Prior Agency”), as succeeded by the Successor Agency to the Calimesa Redevelopment Agency (the “Agency”), and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”), and is authorized pursuant to Article 4 of the Act (the “Bond Law”) to borrow money and loan the proceeds to the Agency for the purpose of financing and refinancing public capital improvements of the Agency.

The above-captioned bonds (the “Bonds”) are being issued in accordance with the Bond Law, a resolution (the “Authority Resolution”) adopted by the Authority on February 3, 2014 and an Indenture of Trust, dated as of May 1, 2014 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds are limited obligations of the Authority entitled, ratably and equally, to the benefits of the Indenture and are payable solely from and secured by an assignment and pledge of Revenues, consisting primarily of the Authority’s interest in certain loan repayments to be made by the Agency under two separate 2014 Loan Agreements (herein defined). The Agency’s obligations under the 2014 Loan Agreements are secured by a pledge of “Pledged Tax Revenues,” consisting of certain property tax revenues derived from taxes assessed on property within the two project areas of the Agency (the “Project Areas”, as described herein) and other amounts allocated and paid to the Agency. See “SECURITY FOR THE BONDS” herein.

Purpose

Proceeds of the Bonds will be used to fund (i) a loan (the “2014 Project No. 1 Loan”) to Agency with respect to the Calimesa Redevelopment Project Area No. 1 (“Project No. 1”), and (ii) a loan (the “2014 Project No. 5 Loan”; and together with the 2014 Project No. 1 Loan, the “2014 Loans”), to the Agency with respect to the Calimesa Redevelopment Project Area No. 5 (“Project No. 5”), pursuant to the terms of, respectively, a Loan Agreement, dated as of May 1, 2014, with respect to Project No. 1, by and among the Authority, the Agency, and the Trustee (the “2014 Project No. 1 Loan Agreement”), and a Loan Agreement, dated as of May 1, 2014, with respect to Project No. 5, by and among the Authority, the Agency, and the Trustee (the “2014 Project No. 5 Loan Agreement”; and together with the 2014 Project

* Preliminary; subject to change.

No. 1 Loan Agreement, the “2014 Loan Agreements”). The proceeds of the 2014 Loans will be used to (i) refinance the outstanding obligations of the Agency under a loan agreement dated as of March 1, 2008 (the “2008 Project No. 1 Loan Agreement”), with respect to the Calimesa Redevelopment Project Area No. 1 (“Project No. 1”); (ii) refinance the outstanding obligations of the Agency under a loan agreement dated as of March 1, 2008 (the “2008 Project No. 5 Loan Agreement”; and together with the 2008 Project No. 1 Loan Agreement, the “2008 Loan Agreements”), with respect to the Calimesa Redevelopment Project Area No. 5 (“Project No. 5”); (iii) fund reserve subaccounts for the 2014 Loans; and (iv) pay the costs of issuing the Bonds. The loan provided by the Authority to the Agency under the 2008 Project No. 1 Loan Agreement and the loan provided by the Authority to the Agency under the 2008 Project No. 5 Loan Agreement are referred to herein as, respectively, the “2008 Project No. 1 Loan” and the “2008 Project No. 5 Loan”, and together as the “2008 Loans”. See “PLAN OF REFUNDING” and “SOURCES AND USES OF FUNDS.”

The 2014 Loans are authorized pursuant to the Constitution and laws of the State of California (the “State”), including Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the “Refunding Law”) and the provisions of California Health and Safety Code Section 34177.5, and the 2014 Loan Agreements. The 2014 Loans and the 2014 Loan Agreements were approved by CSA Resolution No. 2014-01 adopted by the Agency on February 3, 2014, and by OB Resolution No. 2014-02 adopted by the Oversight Board for the Agency (the “Oversight Board”) on February 4, 2014 (the “Oversight Board Resolution”). Written notice of the Oversight Board Resolution was provided to the State Department of Finance pursuant to the Dissolution Act (as defined herein) on February 4, 2014, and the State Department of Finance requested review within five business days of such written notice. On April 7, 2014, the State Department of Finance provided a letter to the Agency stating that based on such department’s review and application of the law, the Oversight Board Resolution approving the refinancing of the 2008 Loans is approved by the State Department of Finance and that the letter constitutes the department’s determination with respect to the Oversight Board action taken pursuant to the Oversight Board Resolution (the “DOF Determination Letter”). The DOF Determination Letter provides that the approval therein is conditioned on the understanding that the refunding obligations meet the limitations in California Health and Safety Code Section 34177.5(a), which as described above in this paragraph is one of the authorizing laws pursuant to which the 2014 Loans are being incurred to refund the 2008 Loans, which effects a refunding of the 2008 Bonds. A copy of the DOF Determination Letter is set forth as APPENDIX H hereto.

The City and the Agency

The City of Calimesa (the “City”), California is located in northwestern Riverside County (the “County”), along Interstate 10 and bordering the County of San Bernardino, within the Yucaipa Valley of the San Gorgonio Pass Area. The City was incorporated in 1990. It maintains a council-manager form of government, with the Councilmembers elected at-large for staggered four-year terms. The Mayor is elected annually by a vote of the City Council. For certain information regarding the City, see “APPENDIX A – GENERAL INFORMATION REGARDING THE CITY OF CALIMESA.”

The Calimesa Redevelopment Agency (the “Prior Agency”) was established on May 18, 1992 by the City Council of the City with the adoption of Ordinance No. 92-9, pursuant to the Community Redevelopment Law (Part 1, Division 25, commencing with Section 33000 of the Health and Safety Code of the State) (the “Redevelopment Law”). On June 29, 2011, Assembly Bill No. 26 (“AB X1 26”) was enacted as Chapter 5, Statutes of 2011, together with a companion bill, Assembly Bill No. 27 (“AB X1 27”). A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al., v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. 2011), challenging the constitutionality of AB X1 26 and AB X1 27. In its December 29, 2011 decision in that lawsuit, the California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and

enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Prior Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions enacted by AB X1 26 relating to the dissolution and wind down of former redevelopment agency affairs are Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 (“AB 1484”), enacted as Chapter 26, Statutes of 2012 (as amended from time to time, the “Dissolution Act”).

On August 15, 2011, pursuant to Resolution No. 2011-30 and Section 34173 of the Dissolution Act, the City Council of the City elected to serve as successor agency to the Prior Agency and, on February 6, 2012, established rules and regulations for the operations of the Successor Agency to the Calimesa Redevelopment Agency (the “Agency”) to assume these successor functions pursuant to CSA Resolution No. 2012-01, adopted by the City Council as the governing body of the Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Prior Agency will not be transferred to the City nor will the assets of the Prior Agency become assets of the City.

Pursuant to Article 1 of the Act, the Authority is a separate public entity from its members, the City and the Agency. As authorized by the Act, the Joint Powers Agreement provides that the debts, liabilities, and obligations of the Authority will not be the debts, liabilities, and obligations of the City or the Agency, except as specifically provided in the Joint Powers Agreement. The Indenture provides that the Bonds are special obligations of the Authority, payable from and secured by a first pledge of Revenues, consisting primarily of certain loan repayments to be made by the Agency under the two 2014 Loan Agreements. Thus, although the Agency is not directly obligated to repay the Bonds, through the provisions of the Indenture and the 2014 Loan Agreements, the repayment of principal and interest on the Bonds relies upon payments made by the Agency to the Authority pursuant to the 2014 Loan Agreements. See “SECURITY FOR THE BONDS” and “THE AUTHORITY” herein.

The Project Areas

Pursuant to the Redevelopment Law, the City Council, on behalf of the Prior Agency, established two redevelopment projects within the City, both of which generate Pledged Tax Revenues which are pledged to the repayment of the 2014 Loans, and which are referred to herein collectively as the “Project Areas.” The redevelopment plan for Calimesa Redevelopment Project Area No. 1 (“Project No. 1”) was approved by Ordinance No. 93-23 of the City adopted on December 30, 1993, and has been amended thereafter in accordance with the Redevelopment Law as described further under the caption “THE PROJECT AREAS.” The redevelopment plan for Calimesa Redevelopment Project Area No. 5 (“Project No. 5”) was approved by Ordinance No. 188 of the City adopted on June 18, 2001, and has been amended thereafter in accordance with the Redevelopment Law as described further under the caption “THE PROJECT AREAS.” The redevelopment plans for the Project Areas are referred to herein collectively as the “Redevelopment Plans.”

Tax Allocation Financing

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable

valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations.

The Dissolution Act authorizes refunding indebtedness, including the 2014 Loans, to be secured by a pledge of monies deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects. Under each 2014 Loan Agreement, Pledged Tax Revenues consist of the amounts deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to and as provided in the Dissolution Act. See “SECURITY FOR THE BONDS – Tax Increment Financing” herein for additional information.

Under the Indenture, the Bonds are secured by “Revenues,” consisting primarily of the loan repayments to be made by the Agency under the 2014 Loan Agreements, and therefore ultimately are payable from and secured by the Pledged Tax Revenues allocated to the Agency from the Project Areas. See “SECURITY FOR THE BONDS – The Indenture” and “– Loan Agreements.”

Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See “RISK FACTORS.”

Security for the Bonds

The Bonds are limited obligations of the Authority entitled to the benefits of the Indenture and are payable solely from and secured by Revenues (as defined therein), monies on deposit (including in the accounts and subaccounts therein) in the Revenue Fund (including but not limited to the Reserve Account therein established by the Indenture and the Reserve Subaccounts therein established by the 2014 Loan Agreements), held by the Trustee pursuant to the Indenture, and by an assignment and pledge of the Authority’s interest in the payments of principal and interest made by the Agency under the 2014 Loan Agreements. See “SECURITY FOR THE BONDS – The Indenture.”

The Dissolution Act requires the Riverside County Auditor-Controller (the “County Auditor-Controller”) to determine the amount of property taxes that would have been allocated to the Prior Agency had the Prior Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Agency established and held by the County Auditor-Controller (the “Redevelopment Property Tax Trust Fund”) pursuant to the Dissolution Act. The Dissolution Act provides that any bonds or other indebtedness authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if the bonds or other indebtedness had been issued prior to effective date of AB X1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Agency’s Recognized Obligation Payment Schedule (see “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE 2014 LOAN AGREEMENTS” and “SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule”).

The Dissolution Act further provides that bonds or other indebtedness authorized thereunder to be issued by the Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds or other indebtedness authorized under the Dissolution Act, such as the 2014 Loans, are taxes allocated to the Agency pursuant to the provisions of the Redevelopment Law and the State Constitution which provided for the allocation of tax increment revenues under the Redevelopment Law, as described in the foregoing paragraph.

In accordance with the Dissolution Act, “Pledged Tax Revenues” are defined under each 2014 Loan Agreement as the monies deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of Section 34172 of the Dissolution Act, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act. If, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then the 2014 Loan Agreements each state that Pledged Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution.

Each 2014 Loan is payable from and secured by (i) an irrevocable pledge of the Pledged Tax Revenues on a parity with the other 2014 Loan, (ii) an irrevocable first pledge, on a parity with the other 2014 Loan, of all of the monies in the Redevelopment Obligation Retirement Fund established and held by the Agency pursuant to the Dissolution Act, and (iii) an irrevocable first pledge and lien on respective Bond Fund and respective Reserve Subaccount established pursuant to the applicable 2014 Loan Agreement. Taxes levied on the property within each Project Area on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to such Project Area, to the extent they constitute Pledged Tax Revenues, as described herein, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Agency’s Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Agency’s Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act (see “SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule”).

Under the 2014 Loan Agreements, the Agency covenants and agrees to that it will take all actions required under the Dissolution Act to include scheduled debt service on the 2014 Loans, as well as any amount required under the Indenture to replenish the Reserve Account, in Recognized Obligation Payment Schedules for each six-month period so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Agency’s Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Agency to pay principal of, and interest on, the 2014 Loans coming due in the respective six-month period. Monies deposited by the County Auditor-Controller into the Agency’s Redevelopment Obligation Retirement Fund will be transferred by the Agency to the Authority for deposit in the respective Bond Funds established under the 2014 Loan Agreements, and therefrom, transferred by the Authority to the Trustee for deposit in the Revenue Fund established under the Indenture and administered by the Trustee in accordance with the Indenture. See “SECURITY FOR THE BONDS.”

Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See “RISK FACTORS.”

Reserve Account

In order to further secure the payment of principal of and interest on the Bonds, a Reserve Account within the Revenue Fund is created and held under the Indenture in an amount equal to the Reserve Requirement. "Reserve Requirement" means, as of the date of computation, an amount equal to the least of (i) Maximum Annual Debt Service, (ii) 10% of the initial principal amount of the Bonds and of any Additional Authority Bonds, or (iii) 125% of average Annual Debt Service. See "SECURITY FOR THE BONDS – Reserve Account."

Additional Authority Bonds; Parity Debt

The Indenture allows for the issuance of Additional Authority Bonds secured on a parity with the Bonds under the Indenture (see "SECURITY FOR THE BONDS – Additional Authority Bonds"), and the 2014 Loan Agreements allows for the incurrence by the Agency of Parity Debt secured under the 2014 Loan Agreements on a parity with the 2014 Loans (see "SECURITY FOR THE BONDS – Additional Obligations on a Parity with a 2014 Loan").

Further Information

Brief descriptions of the Bonds, the Indenture, the 2014 Loans, the 2014 Loan Agreements, the Authority, the Agency, the Prior Agency and the City are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the 2014 Loan Agreements, the Bond Law, the Refunding Law, the Redevelopment Law, the Dissolution Act, the Constitution and the laws of the State as well as the proceedings of the Prior Agency, the Agency and the City are qualified in their entirety by reference to such documents. References herein to the Bonds are qualified in their entirety by the form thereof included in the Indenture and the information with respect thereto included herein, copies of which are all available for inspection at the offices of the Authority. During the period of the offering of the Bonds, copies of the forms of all documents mentioned herein are available from the Authority Secretary, c/o the City Clerk's office, City of Calimesa, 908 Park Avenue, Calimesa, California 92320.

PLAN OF REFUNDING

The Authority will loan the proceeds of the Bonds to the Agency pursuant to the 2014 Loan Agreements. The Agency will use a portion of the proceeds of the 2014 Project No. 1 Loan to prepay amounts that remain due with respect to the 2008 Project No. 1 Loan Agreement. The Agency will use a portion of the proceeds of the 2014 Project No. 5 Loan to prepay amounts that remain due with respect to the 2008 Project No. 5 Loan Agreement. The Authority will use those prepaid loan amounts to currently refund and defease all of the Calimesa Financing Authority Tax Allocation Revenue Bonds (Calimesa Redevelopment Project No. 1 and Project No. 5), Series 2008 (the "2008 Bonds"), currently outstanding in the aggregate principal amount of \$2,785,000, in order to discharge the pledge of the lien securing the 2008 Bonds. See "SOURCES AND USES OF FUNDS."

Concurrently with the issuance of the Bonds, the Authority and the Agency will enter into an Escrow Agreement, dated as of May 1, 2014 (the "Escrow Agreement"), with The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as escrow agent (the "Escrow Agent"). Under the Escrow Agreement, the Escrow Agent will create and establish an escrow fund (the "Escrow Fund"). The amounts deposited in the Escrow Fund will be held uninvested and will be used to pay the redemption price on the outstanding 2008 Bonds, including any accrued and unpaid interest with respect thereto, on May 28, 2014.

The monies deposited in the Escrow Fund will be held solely for the benefit of the owners of the 2008 Bonds and will not serve as a security or be available for payment of principal of, or interest on, or premium, if any, on the Bonds or any amounts due under the 2014 Loan Agreements.

As a result of the deposit and application of funds pursuant to the Escrow Agreement, as of the date of issuance of the Bonds, the lien upon the Pledged Tax Revenues of the 2008 Loans, and therefore of the 2008 Bonds, will be discharged, and the 2008 Loans and 2008 Bonds will no longer have any claim against the Pledged Tax Revenues.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are summarized as follows:

	Project No. 1 2014 Loan	Project No. 5 2014 Loan	Authority Bond Totals
<u>Sources of Funds:</u>			
Par Amount of Bonds/2014 Loans	\$	\$	\$
Plus/(Less): Net Original Issue Premium/(Discount)			
Total Sources:	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>Uses of Funds:</u>			
Underwriter's Discount	\$	\$	\$
Deposit to Escrow Fund ⁽¹⁾			
Deposit to Reserve Subaccounts of the Reserve Account ⁽²⁾			
Deposit to Costs of Issuance Fund ⁽³⁾			
Deposits to Loan Fund Subaccounts ⁽⁴⁾			
Total Uses:	<u>\$</u>	<u>\$</u>	<u>\$</u>

(1) See "PLAN OF REFUNDING."

(2) In total, an amount equal to the Reserve Requirement as described in "SECURITY FOR THE BONDS – Reserve Account."

(3) To be used to pay Costs of Issuance (as defined in the Indenture), which include Trustee fees, Bond Counsel and Disclosure Counsel fees, Financial Advisor fees, printing costs, and other related costs.

(4) To be disbursed on the date of issuance of the Bonds to fund the 2014 Loans.

THE BONDS

Authority for Issuance

The Bonds are authorized for issuance pursuant to the Indenture, the Authority Resolution, and the Bond Law.

Description of the Bonds

The Bonds will be registered initially in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York ("DTC"), which has been appointed as securities depository for the Bonds, and registered ownership may not be transferred thereafter except as provided in the Indenture. Purchasers will not receive certificates representing their interests in the Bonds. Principal of and interest on the Bonds will be paid by the Trustee to DTC, which in turn is obligated to remit such principal and interest to its Participants for subsequent disbursement to beneficial owners of the Bonds as described herein. See "THE BONDS – Book-Entry System" below.

The Bonds will be issued in the aggregate principal amount set forth on the cover hereof as fully registered bonds. The Bonds will be delivered only in denominations of \$5,000 or integral multiples thereof. The Bonds will be dated their date of delivery (the “Date of Delivery”). Interest on the Bonds will be payable on June 1 and December 1 of each year (each an “Interest Payment Date”), commencing on December 1, 2014. Interest with respect to each Bond will be payable to the person whose name appears on the Bond Register as the Owner thereof as of the close of business on the fifteenth calendar day of the month preceding each Interest Payment Date, whether or not such fifteenth calendar day is a Business Day (each, a “Record Date”). Principal of the Bonds will be payable on December 1 in each of the years and in the amounts shown on the inside cover page hereof.

Interest on the Bonds is payable by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the owners of the Bonds at their respective addresses shown on the Bond Register kept by the Trustee as of the applicable Record Date. The payment of interest to each registered owner of \$1,000,000 or more aggregate principal amount of Bonds may be made by wire transfer to an account designated by such owner in a written request filed with the Trustee prior to such Record Date. Principal of the Bonds is payable in lawful money of the United States by check of the Trustee upon presentation and surrender thereof at the corporate trust office of the Trustee in Los Angeles, California.

The Bonds will bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) from the Interest Payment Date next preceding the date of authentication thereof, unless (i) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event such Bond will bear interest from such Interest Payment Date, or (ii) a Bond is authenticated on or before the first Record Date, in which event such Bond will bear interest from the Date of Delivery, or (iii) interest on any Bond is in default as of the date of authentication thereof, in which event interest will be payable on each Interest Payment Date from the date to which interest has been paid in full.

While the Bonds are held in the book-entry only system of DTC, all payments on the Bonds will be made to Cede & Co., as the registered owner of the Bonds. See “THE BONDS – Book-Entry System” below. Principal of, and redemption premium (if any), on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at maturity or earlier redemption at the corporate trust office of the Trustee indicated in the Indenture. See “APPENDIX D – BOOK-ENTRY ONLY SYSTEM.”

Book-Entry System

DTC, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. While the Bonds are held in the book-entry only system of DTC, all payments on the Bonds will be made to Cede & Co., as the registered owner of the Bonds. See “APPENDIX D – BOOK-ENTRY ONLY SYSTEM.”

Optional Redemption

The Bonds maturing on or before December 1, 20__ are not subject to optional redemption prior to maturity. The Bonds maturing on or after December 1, 20__ may be redeemed at the option of the Authority prior to maturity on any date on or after December 1, 20__ as a whole, or in part from such maturities as are selected by the Authority, and by lot within a maturity, from funds made available to the

Authority resulting from optional prepayment of 2014 Loan Agreements, at the par amount of the Bonds being redeemed, without premium together with accrued interest thereon to the date of redemption.

Sinking Fund Redemption of Term Bonds*

The Bonds maturing on December 1, 2033 and December 1, 2038 (collectively, the “Term Bonds”) are subject to mandatory redemption, in whole or in part, by lot prior to maturity, from sinking account payments as shown on the following tables, at a redemption price equal to 100% of the principal amount plus accrued interest, if any, to the redemption date, without premium.

Term Bonds Maturing December 1, 2033

Sinking Fund Payment Date (December 1)	Principal Amount To Be Redeemed
2029	\$145,000
2030	150,000
2031	160,000
2032	170,000
2033 (maturity)	175,000

Term Bonds Maturing December 1, 2038

Sinking Fund Payment Date (December 1)	Principal Amount To Be Redeemed
2034	\$185,000
2035	195,000
2036	60,000
2037	65,000
2038 (maturity)	65,000

Mandatory Redemption Upon Acceleration of a 2014 Loan

The Bonds are also subject to mandatory redemption in whole or in part among maturities, from such maturities as selected by the Authority, on any date, from amounts credited towards the payment of principal of any 2014 Loan coming due and payable solely by reason of acceleration of such 2014 Loan upon default, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, together with accrued interest thereon to the redemption date. Pursuant to the Indenture and the 2014 Loan Agreements, the Bonds shall be subject to redemption under this provision solely from amounts credited towards the payment of principal of any 2014 Loan which has become due and payable by reason of acceleration, and shall not be subject to redemption from any amounts credited towards the payment of matured principal which has become due and payable.

* Preliminary; subject to change.

Purchase of Bonds

In lieu of the mandatory sinking fund redemption of the Bonds, Revenues on deposit in the Revenue Fund which are to be transferred to the Principal Account may also be used and withdrawn by the Trustee at any time, upon the written request of the Authority, for the purchase of the Bonds at public or private sale as and when and at such prices (which including brokerage and other charges shall not be in excess of the principal amount thereof of the Bond being purchased) as the Authority may in its discretion determine.

General Redemption Provisions

Notice of Redemption; Rescission. Notice of redemption prior to maturity shall be given by first class mail, postage prepaid not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the registered owner of each such Bond at the address shown on the Bond Register of the Trustee. Neither the failure to receive such notice nor any defect in any notice mailed shall affect the sufficiency of the proceedings for the redemption of any Bonds. No notice of optional redemption or notice of mandatory redemption upon acceleration of a loan shall be mailed until such time as there is on deposit moneys sufficient to redeem that portion of the Bonds as set forth in the notice, unless all such amounts are to be paid with the proceeds of refunding bonds.

The actual receipt by the Bondowner of notice of redemption shall not be a condition precedent to redemption, and failure to receive notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of the Bonds or the cessation of interest on the redemption date. Notice of redemption of Bonds shall be given by the Trustee on behalf of the Agency and at the request and expense of the Agency. A certificate by the Trustee that notice of redemption has been given in accordance with the Indenture shall be conclusive as against all parties, and no Bondowner whose Bond is called for redemption may object to the redemption or the cessation of interest on the redemption date by claiming or showing that it failed to receive actual notice of call and redemption.

The Authority shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Authority and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the registered owner, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered and of the same interest rate and same maturity. A partial redemption shall be valid upon payment of the amount required to be paid to the registered owner, and the Authority and the Trustee shall be released and discharged from all liability to the extent of such payment.

Effect of Redemption. Notice of redemption having been duly given as described above, and moneys for payment of the principal of, premium, if any, and interest payable upon redemption of the Bonds being set aside as described above, the Bonds, or parts thereof, called for redemption shall, on the redemption date, become due and payable at the redemption price specified in the notice. Interest on the Bonds, or parts thereof, as the case may be, called for redemption shall cease to accrue and be payable from and after the redemption date. The Bonds, or parts thereof redeemed, shall cease to be entitled to any lien, benefit or security under the Indenture, and the Owners of the Bonds shall have no rights except

to receive payment of the redemption price upon surrender of the Bonds, and, in the case of partial redemption of Bonds, also to receive a new Bond or Bonds for the unredeemed balance as provided above.

Transfer or Exchange

Any Bond may, in accordance with its terms, be transferred, upon the registration books of the Trustee, upon surrender of such Bond to the Trustee at its corporate trust office in Los Angeles, California (or such other place as may be designated by the Trustee) for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond or Bonds shall be surrendered for registration of transfer, the Authority shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds, of like series, interest rate, maturity and principal amount of authorized denomination.

All exchanges shall be made in such a manner and upon such reasonable terms and conditions as may be determined and prescribed by the Authority and communicated to the Trustee. No transfer or exchange of Bonds for which notice of redemption has been given shall be made after the date of mailing of such notice. No Bond may be exchanged during the fifteen days prior to the selection of Bonds for redemption. The person, firm or corporation requesting the registration or exchange shall pay any tax or governmental charge that may be imposed in connection with the registration or exchange. The Authority shall pay all other registration and exchange costs and charges including the cost of printing new Bonds.

Events of Default and Acceleration of Bonds

The following events constitute “Events of Default” under the Indenture:

(a) Default in the due and punctual payment of the principal of any Bond or Additional Authority Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) Default in the due and punctual payment of any installment of interest on any Bond or Additional Authority Bond when and as such interest installment shall become due and payable;

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or contained in the Bonds or Additional Authority Bonds, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds and Additional Authority Bonds at the time Outstanding; provided that such default (other than a default arising from nonpayment of the Trustee’s fees and expenses, which must be cured within such 60-day period unless waived by the Trustee) shall not constitute a Event of Default hereunder if the Authority shall commence to cure such default within said sixty (60) day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time; or

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

Upon the occurrence of an event of default, the Trustee may and shall, at the direction of a majority of the Bondowners, by written notice to the Agency, declare the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding.

The declaration may be rescinded by the Owners of not less than a majority of the Bonds then outstanding provided the Agency cures the default or defaults and deposits with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to the declaration and all matured installments of interest (if any) upon all the Bonds so that the Agency is currently in compliance with all payment, deposit and transfer provisions of the Indenture, and has paid or provided for the payment of any fees and expenses incurred by the Trustee in connection with the default.

Following the occurrence of an Event of Default, all amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture relating to the Bonds and Additional Authority Bonds shall be applied by the Trustee in the following order upon presentation of the several Bonds and Additional Authority Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid —

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of the Indenture, including reasonable compensation to its agents, attorneys and counsel, and to the payment of any fees and expenses of the Trustee then outstanding in connection with the performance of its duties and obligations under the Indenture and the Loan Agreements, including any related fees and expenses of its legal counsel then outstanding; and

Second, to the payment of the whole amount of interest on and principal of the Outstanding Bonds and any Outstanding Additional Authority Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds or Additional Authority Bonds, as applicable; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

- i first, to the payment of all installments of interest on the Outstanding Bonds and any Outstanding Additional Authority Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full,
- i second, to the payment of principal of all installments of the Outstanding Bonds and any Outstanding Additional Authority Bonds then due and unpaid, excluding principal having come due and payable solely by reason of acceleration pursuant to a 2014 Loan Agreement, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full, and
- i third, to the payment of interest on overdue installments of principal and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

SECURITY FOR THE BONDS

The Indenture

The Bonds are limited obligations of the Authority entitled to the benefits of the Indenture and are payable solely from and secured by Revenues (as defined therein), monies on deposit (including in the accounts and subaccounts therein) in the Revenue Fund (including but not limited to the Reserve Account therein established by the Indenture and the Reserve Subaccounts therein established by the 2014 Loan Agreements), held by the Trustee pursuant to the Indenture, and by an assignment and pledge of the Authority's interest in the payments of principal and interest on the 2014 Loans made by the Agency under the 2014 Loan Agreements. As defined in the Indenture, "Revenues" consist primarily of the loan repayments to be made by the Agency on the 2014 Loans under the 2014 Loan Agreements, and therefore ultimately are payable from and secured by the Pledged Tax Revenues allocated to the Agency from the Project Areas. See "APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE 2014 LOAN AGREEMENTS - The Indenture".

The 2014 Loans are secured by a pledge of the Pledged Tax Revenues. See "SECURITY FOR THE BONDS – Loan Agreements" and "– Tax Increment Financing" below.

Loan Agreements

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Prior Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Prior Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if the bonds had been issued prior to effective date of AB X1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the Agency's Recognized Obligation Payment Schedule (see "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE 2014 LOAN AGREEMENTS" and "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule").

The Dissolution Act further provides that bonds authorized thereunder to be issued by the Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized to be issued by the Agency under the Dissolution Act, including the Bonds, are taxes allocated to the Agency pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution.

Pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State and as provided in each Redevelopment Plan, taxes levied upon taxable property in the Project Areas each year by or for the benefit of the State, any city, county, city and county, district, or other public corporation (herein sometimes collectively called “taxing agencies”) after the effective date of the ordinance approving the applicable Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the Project Area, as applicable, are to be divided as follows:

(a) *To Taxing Agencies:* That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of the ordinance adopting the Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the Project Area, as applicable (each, a “base year valuation”), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and

(b) *To the Prior Agency/Agency:* Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency, that portion of the levied taxes each year in excess of such amount, annually allocated within the Plan Limit following the Delivery Date, when collected will be paid into a special fund of the Prior Agency. Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the Agency to pay the debt service on indebtedness incurred by the Prior Agency or the Agency to finance or refinance the redevelopment projects of the Prior Agency.

That portion of the levied taxes described in paragraph (b) above, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the County Auditor-Controller, constitute the amounts required under the Dissolution Act to be deposited by the County Auditor-Controller into the Redevelopment Property Tax Trust Fund. In addition, Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date from paragraph (b) above.

“Pledged Tax Revenues” are defined under the 2014 Loan Agreements as the monies deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of Section 34172 of the Dissolution Act, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act; provided, if, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then Pledged Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to California Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution. The 2014 Loans are payable from and secured by the Pledged Tax Revenues to be derived from the Project Areas.

Each 2014 Loan is payable from and secured by (i) an irrevocable pledge of the Pledged Tax Revenues on a parity with the other 2014 Loan, (ii) an irrevocable first pledge, on a parity with the other

2014 Loan, of all of the monies in the Redevelopment Obligation Retirement Fund established and held by the Agency pursuant to the Dissolution Act, and (iii) an irrevocable first pledge and lien on respective Bond Fund and respective Reserve Subaccount established pursuant to the applicable 2014 Loan Agreement. The Dissolution Act provides for only a single Redevelopment Property Tax Trust Fund into which property taxes that would have been allocated to the Prior Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) must be deposited by the County Auditor-Controller had the Prior Agency not been dissolved pursuant to the operation of AB X1 26. This legal requirement is notwithstanding the fact that such revenues derive from more than one Project Area. Similarly, the Dissolution Act provides for the establishment and maintenance by the Agency of a single Redevelopment Obligation Retirement Fund, into which property taxes required for the payment of enforceable obligations of the Agency are transferred by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund. Nonetheless, the Dissolution Act contains some ambiguities regarding the treatment of project areas, and since the dissolution of the Prior Agency to date, the County Auditor-Controller has also provided to the Agency information regarding property tax revenues allocated to the Redevelopment Property Tax Trust Fund for the Agency in a format that accounts separately for the revenues derived from each Project Area. Accordingly, although each 2014 Loan is payable from and secured by an irrevocable pledge of the Pledged Tax Revenues and all of the monies in the Redevelopment Obligation Retirement Fund on a parity with the other 2014 Loan, the utilization of separate 2014 Loan Agreements and 2014 Loans, including the utilization of a “Pro Rata Share” therein (including but not limited to replenishment of the Reserve Account), facilitates revenue projections and bookkeeping on a basis consistent with historical and expected future reporting of Pledged Tax Revenues, as well as the various distributions required to be made by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund. See “SECURITY FOR THE BONDS – Tax Increment Financing” below for additional information regarding certain distributions required to be made from the Redevelopment Property Tax Trust Fund under the Dissolution Act.

Taxes levied on the property within the Project Areas on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Project Areas, to the extent they constitute Pledged Tax Revenues, as described herein, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Agency’s Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Agency’s Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act (see “SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule”). Monies deposited by the County Auditor-Controller into the Agency’s Redevelopment Obligation Retirement Fund will be transferred by the Agency to the Authority for deposit in the respective Bond Funds established under the 2014 Loan Agreements, and therefrom, transferred by the Authority to the Trustee for deposit in the Revenue Fund established under the Indenture and administered by the Trustee in accordance with the Indenture (See “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE 2014 LOAN AGREEMENTS”).

The Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Pledged Tax Revenues available in any six-month period to pay the scheduled principal of and interest on the 2014 Loans, and therefore Revenues pledged by the Authority for payment of the principal of and interest on the Bonds (see “SECURITY FOR THE BONDS – Tax Increment Financing” and “– Recognized Obligation Payment Schedule” and “RISK FACTORS”).

Neither the Bonds, nor the obligations of the Agency under the 2014 Loan Agreements, are a debt of the City, the State of California or any of its political subdivisions (except the Agency and the Authority, as applicable) and neither said City, said State or any of its political subdivisions (except the Agency and the Authority, as applicable) is liable therefor. The principal of, premium, if any, and interest

on the Bonds ultimately are payable from and secured by the Pledged Tax Revenues allocated to the Agency from the Project Areas and payable by the Agency to the Authority under the 2014 Loan Agreements. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Tax Increment Financing

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations.

The Dissolution Act authorizes refunding bonds or other indebtedness, including the 2014 Loans, to be secured by a pledge of monies deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the county auditor-controller. Under the 2014 Loan Agreements, Pledged Tax Revenues consist of the amounts deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to and as provided in the Dissolution Act. Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See “RISK FACTORS.”

Prior to the dissolution of redevelopment agencies, tax increment revenues from one project area could not be used to repay indebtedness incurred for another project area. However, the Dissolution Act has only required that county auditor-controllers establish a single Redevelopment Property Tax Trust Fund with respect to each former redevelopment agency within the respective county. Additionally, the Dissolution Act now requires that all revenues equivalent to the amount that would have been allocated as tax increment to the former redevelopment agency will be allocated to the Redevelopment Property Tax Trust Fund of the applicable successor agency, and this requirement does not require funds derived from separate project areas of a former redevelopment agency to be separated. In effect, in situations where a former redevelopment agency had established more than one redevelopment project area, the Dissolution Act combines the property tax revenues derived from all project areas into a single trust fund, the Redevelopment Property Tax Trust Fund, to repay indebtedness of the former redevelopment agency or the successor agency. To the extent the documents governing outstanding bonds of a redevelopment agency have pledged revenues derived from a specific project area, the Dissolution Act states, “It is the intent . . . that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge.” The implications of these provisions of the Dissolution Act are not entirely clear when a former redevelopment agency has established more than one redevelopment project area, as is the case with the Prior Agency, which has established Project No. 1 and Project No. 5. However, as required by Section 34177.5(g) of the Dissolution Act, the “Pledged Tax Revenues” that secure, and are pledged for repayment of, each 2014 Loan consist of the monies deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of Section 34172 of the

Dissolution Act, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act. Thus, each 2014 Loan is secured by such Pledged Tax Revenues on a parity with the other 2014 Loan.

The Redevelopment Law authorized redevelopment agencies to make payments to school districts and other taxing agencies to alleviate any financial burden or detriments to such taxing agencies caused by a redevelopment project. The Prior Agency entered into several agreements for this purpose (the “Pass-Through Agreements”). Additionally, Section 33607.5 and 33607.7 of the Redevelopment Law required mandatory tax sharing applicable to redevelopment projects adopted after January 1, 1994, or amended thereafter in certain manners specified in such statutes (the “Statutory Pass-Through Amounts”). The Dissolution Act requires the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed under the Pass-Through Agreements and for Statutory Pass-Through Amounts to the taxing entities for each six-month period before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Agency’s Redevelopment Obligation Retirement Fund each January 2 and June 1, unless (i) passthrough payment obligations have previously been made subordinate to debt service payments for the bonded indebtedness of the Prior Agency, as succeeded by the Agency, (ii) the Agency has reported, no later than the December 1 and May 1 preceding the January 2 or June 1 distribution date, that the total amount available to the Agency from the Redevelopment Property Tax Trust Fund allocation to the Agency’s Redevelopment Obligation Retirement Fund, from other funds transferred from the Prior Agency, and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Agency’s enforceable obligations, pass-through payments, and the Agency’s administrative cost allowance for the applicable six-month period, and (iii) the State Controller has concurred with the Agency that there are insufficient funds for such purposes for the applicable six-month period.

The Dissolution Act provides for a procedure by which the Agency may make Statutory Tax Sharing Amounts subordinate to the Bonds, but the Agency has determined not to undertake such procedure, and therefore, Statutory Tax Sharing Amounts are not subordinate to the Bonds (see “THE PROJECT AREAS – Statutory Pass-Throughs”). Moreover, as described in “THE PROJECT AREAS – Pass-Through Agreements,” the payments to the taxing entities under the Pass-Through Agreements are not subordinate to indebtedness of the Agency. Therefore, the Dissolution Act, as applied to the Agency and the 2014 Loans, provides without exception that the County Auditor-Controller distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed under the Pass-Through Agreements and for Statutory Pass-Through Amounts to the taxing entities for each six-month period before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Agency’s Redevelopment Obligation Retirement Fund each January 2 and June 1.

See “THE PROJECT AREAS – Pass-Through Agreements” and “– Statutory Pass-Throughs” for additional information regarding the Pass-Through Agreements and the Statutory Tax Sharing Amounts applicable to the Agency and the revenues derived from the Project Areas.

Recognized Obligation Payment Schedule

ROPS Process Under the Dissolution Act

Before each six-month period, the Dissolution Act requires successor agencies to prepare and submit to the successor agency’s oversight board and the State Department of Finance for approval a Recognized Obligation Payment Schedule (the “Recognized Obligation Payment Schedule”) pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. As defined in the Dissolution Act, “enforceable obligation” includes bonds, including the required debt service, reserve set-

asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and amounts borrowed from the Low and Moderate Income Housing Fund. A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following six-month period (see “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE 2014 LOAN AGREEMENTS – Covenants of the Agency”).

Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a Recognized Obligation Payment Schedule are the following: (i) the Low and Moderate Income Housing Fund, (ii) bond proceeds, (iii) reserve balances, (iv) administrative cost allowance, (v) the Redevelopment Property Tax Trust Fund (but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or (vi) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former redevelopment agency, as approved by the oversight board).

The Dissolution Act provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Agency from the funds specified in the Recognized Obligation Payment Schedule.

The Recognized Obligation Payment Schedule with respect to the six-month period of January 1, 2013 through June 30, 2013 was required to be submitted by the Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller no later than September 1, 2012. For each subsequent six-month period, the Recognized Obligation Payment Schedule must be submitted by the Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller by 90 days before the date of the next January 2 or June 1 property tax distribution. If the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by such deadlines, the City will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, the Agency’s administrative cost allowance is reduced by 25% if the Agency did not submit an Oversight Board-approved Recognized Obligation Payment Schedule by September 11, 2012, with respect to the Recognized Obligation Payment Schedule for the six-month period of January 1, 2013 through June 30, 2013, or by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for subsequent six-month periods commencing with the period of July 1, 2013 through December 31, 2013.

The Dissolution Act requires the State Department of Finance to make a determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than 45 days after the Recognized Obligation Payment Schedule is submitted. Within five business days of the determination by the State Department of Finance, the Agency may request additional review by the department and an opportunity to meet and confer on disputed items, if any. The State Department of Finance will notify the Agency and the County Auditor-Controller as to the outcome of its review at least 15 days before the January 2 or June 1 date of property tax distribution, as applicable. Additionally, the County Auditor-Controller may review a submitted Recognized Obligation Payment Schedule and object

to the inclusion of any items that are not demonstrated to be enforceable obligations and may object to the funding source proposed for any items, provided that the County Auditor-Controller must provide notice of any such objections to the Agency, the Oversight Board, and the State Department of Finance at least 60 days prior to the January 2 or June 1 date of property tax distribution, as applicable.

In connection with the allocation and distribution by the County Auditor-Controller of property tax revenues deposited in the Redevelopment Property Tax Trust Fund, under the Dissolution Act the County Auditor-Controller must prepare estimates of the amounts of (i) property tax to be allocated and distributed and (ii) the amounts of passthrough payments to be made in the upcoming six-month period, and provide those estimates to the entities receiving the distributions and the State Department of Finance no later than October 1 and April 1 of each year, as applicable. With respect to the Recognized Obligation Payment Schedule for January 1, 2015 through July 31, 2015, the County Auditor-Controller must provide such estimate to the Agency by October 1, 2014. If, after receiving such estimate from the County Auditor-Controller, the Agency determines and reports, no later than December 1 or May 1, as applicable (i.e., by December 1, 2014 with respect to the Recognized Obligation Payment Schedule for January 1, 2015 through July 31, 2015), that the total amount available to the Agency from the Redevelopment Property Tax Trust Fund allocation to the Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Prior Agency, and from funds that have or will become available through asset sales and all redevelopment operations, is insufficient to fund the payment of passthrough obligations, for Agency enforceable obligations listed on the Recognized Obligation Payment Schedule, and for the Agency's administrative cost allowance, the County Auditor-Controller must notify the State Controller and the State Department of Finance no later than 10 days from the date of the Agency's notification. If the State Controller concurs that there are insufficient funds to pay required debt service, the Dissolution Act provides for certain adjustments to be made to the estimated distributions, as described in more detail under "SECURITY FOR THE BONDS – Tax Increment Financing" above.

The Agency timely submitted to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller its Oversight Board-approved Recognized Obligation Payment Schedules for the six-month periods of January 1, 2013 through June 30, 2013, July 1, 2013 through December 31, 2013, January 1, 2014 through June 30, 2014, and July 1, 2014 through December 31, 2014.

Amounts Received for Six-Month Periods in 2013 and for January 1, 2014 through June 30, 2014

Pursuant to this process, the Agency received \$242,094 on January 2, 2013 for its enforceable obligations for January 1, 2013 through June 30, 2013, including the interest payments due six business days prior to June 1, 2013 on the 2008 Loans; \$242,094 on June 1, 2013 for its enforceable obligations for July 1, 2013 through December 31, 2013, including the principal and interest payments due six business days prior to December 1, 2013 on the 2008 Loans; and \$240,744 on January 2, 2014 for its enforceable obligations for January 1, 2014 through June 30, 2014, including the interest payments due six business days prior to June 1, 2014 on the 2008 Loans. The estimate provided by the County Auditor-Controller on April 1, 2014 for the amount of the property tax distribution expected to be paid to the Agency on June 1, 2014 is sufficient for the Agency to meet its enforceable obligations for the six-month period commencing July 1, 2014 through December 1, 2014, including the principal and interest payments due six business days prior to December 1, 2014 on the 2014 Loans. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on 2014 Loans, and therefore, on the Bonds, see "RISK FACTORS – Recognized Obligation Payment Schedule."

Statutory Limitations on Review of Bonds on ROPS by DOF

The Dissolution Act provides that any bonds or other indebtedness authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if the bonds or other indebtedness had been issued prior to effective date of AB X1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Agency's Recognized Obligation Payment Schedule. Section 34177.5(f) of the Dissolution Act additionally provides that if the State Department of Finance has requested review of the Oversight Board Resolution and, after review, has approved the resolution, the scheduled payments on the 2014 Loans shall be listed in the Recognized Obligation Payment Schedule and will not be subject to further review and approval by the State Department of Finance or the State Controller.

Further, the Agency has covenanted in the 2014 Loan Agreements to take all actions required under the Dissolution Act to include scheduled debt service on the 2014 Loans, as well as any amount required under the Indenture to replenish the Reserve Account of the Revenue Fund, in Recognized Obligation Payment Schedules for each six-month period so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Agency to pay principal of, and interest on, the 2014 Loans coming due in the respective six-month period, including listing a reserve on the Recognized Obligation Payment Schedule to the extent required by the 2014 Loan Agreements or when the next property tax allocation is projected to be insufficient to pay all obligations due under the provisions of the 2014 Loan Agreements for the next payment due in the following six-month period (see "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE 2014 LOAN AGREEMENTS – Covenants of the Agency").

Reserve Account

Under the Indenture, the Trustee shall establish and maintain a separate account within the Revenue Fund known as the "Reserve Account," with separate subaccounts therein known as the "Project No. 1 Reserve Subaccount" and the "Project No. 5 Reserve Subaccount" (together, the "Reserve Subaccounts").

The Reserve Account shall be held by the Trustee in trust. The amount on deposit in each of the Reserve Subaccounts shall be maintained at the applicable Pro Rata Share of the Reserve Requirement at all times prior to the payment of the Bonds in full, except to the extent required for the purposes set forth in the Indenture. As defined in the Indenture and in the 2014 Loan Agreements, "Reserve Requirement" means as of the date of computation, an amount equal to the least of (i) Maximum Annual Debt Service, (ii) 10% of the initial principal amount of the Bonds and of any Additional Authority Bonds, or (iii) 125% of average Annual Debt Service, and the computation shall be made with respect to all Bonds and Additional Authority Bonds Outstanding at the time of such computation.

As defined in the Indenture and 2014 Loan Agreements, "Maximum Annual Debt Service" means, as of the date of calculation, the largest amount obtained by totaling, for the current or any future Bond Year, the sum of (a) the amount of interest payable on the Bonds and any Additional Authority Bonds to be Outstanding in such Bond Year, assuming that principal thereof is paid as scheduled and that any mandatory sinking fund payments are made as scheduled, and (b) the amount of principal payable on the Bonds and on any Additional Authority Bonds to be Outstanding in such Bond Year, including any principal required to be prepaid by operation of mandatory sinking fund payments.

In the event that the Authority shall fail to deposit with the Trustee the full amount required to be deposited pursuant to each of the 2014 Loan Agreements on or before the fifth (5th) Business Day

preceding any Interest Payment Date, on or before the fourth (4th) Business Day preceding such Interest Payment Date, the Trustee shall withdraw from each of the Reserve Subaccounts and transfer to the Interest Account and the Principal Account, in such order, a Pro Rata Share of the difference between the amount required to be deposited pursuant to this section and the amount actually deposited by the Authority. As defined in the Indenture and the 2014 Loan Agreements, “Pro Rata Share” means:

- (i) 36.76% with respect to the 2014 Project No. 1 Loan Agreement; and
- (ii) 63.24% with respect to the 2014 Project No. 5 Loan Agreement.

The Pro Rata Share is calculated based on a ratio of the initial principal amount of each 2014 Loan to the aggregate initial principal amount of both 2014 Loans (e.g., the initial principal amount of the Bonds) and maintains the same respective percentages as the “Pro Rata Share” from 2008 Loan Agreements to achieve same percentage of savings per Project Area as a result of the refunding accomplished by the incurrence of the 2014 Loans and issuance of the Bonds.

In the event that the amount on deposit in each of the Reserve Subaccounts shall at any time be less than the applicable Pro Rata Share of the Reserve Requirement, the Trustee shall promptly notify the Authority and the Agency of the amount required to be deposited therein to restore the balance to the applicable Pro Rata Share of the Reserve Requirement, such notice to be given by telephone, telefax or other form of telecommunication promptly confirmed in writing. Upon receipt of any such notice, the Authority shall withdraw a Pro Rata amount of the deficiency from each of the Bond Funds established by the 2014 Loan Agreements as described below under the caption “Bond Funds” and transfer to the Trustee for deposit in the Reserve Account of the Revenue Fund an amount which when added to amounts to be transferred with respect to other 2014 Loan will be equal to the amount of money necessary to maintain the Reserve Requirement in the Reserve Account. Upon receipt of the deposit required by the 2014 Loan Agreements, the Trustee shall deposit such amounts in each of the Reserve Subaccounts to restore the amounts on deposit therein to the Pro Rata Share of the Reserve Requirement. Amounts on deposit in the Reserve Account shall not be secured or applied in any way to the payment of any obligations other than the obligations of the Authority and the Agency under the Indenture.

In the event that the cumulative amount on deposit in each of the Reserve Subaccounts on or before the sixth (6th) Business Day preceding any Interest Payment Date (other than the final Interest Payment Date) exceeds the applicable Pro Rata Share of the Reserve Requirement, the Trustee shall withdraw from each Reserve Subaccount all amounts in excess of the Pro Rata Share of the Reserve Requirement with respect to 2014 Loan Agreement and deposit such amounts in the Revenue Fund to be applied as a credit toward the applicable 2014 Loan payments. At the Request of the Agency filed with the Trustee, all amounts in each of the Reserve Subaccounts shall either (a) be credited, on or before the sixth (6th) Business Day preceding the final Interest Payment Date, to the payment of principal and interest then required to be made by the Authority pursuant to the respective 2014 Loan Agreements, or (b) transferred, following the final Interest Payment Date, to the Agency for any lawful purpose free and clear of the lien of this Indenture. Notwithstanding the foregoing provisions of the Indenture, however, no amounts shall be withdrawn from any of the Reserve Subaccounts and be deposited in the Revenue Fund or transferred to the Agency during any period in which an Event of Default shall have occurred and be continuing under the Indenture.

Under the terms of the 2014 Loan Agreements, the Agency may issue or incur Parity Debt with respect to the 2014 Loans for such purposes as are permitted under the Dissolution Act, including without limitation Section 34177.5 thereof. See “—Additional Obligations on a Parity with a 2014 Loan” herein. The Reserve Account may be maintained in the form of one or more separate sub-accounts which are established for the purpose of holding the proceeds of any Parity Debt in conformity with applicable provisions of the Internal Revenue Code of 1986, as amended.

The Authority reserves the right, with respect to all or any portion of the Reserve Requirement, to substitute at any time and from time to time and subject to any further requirements of any Parity Debt Instrument (being any resolution, indenture of trust, trust agreement or other instrument authorizing the issuance of any Parity Debt and which otherwise complies with all of the terms and conditions of the 2014 Loan Agreements), one or more Qualified Reserve Account Credit Instruments for cash or any Qualified Reserve Account Credit Instrument then on deposit in or held by the Reserve Account. See “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE 2014 LOAN AGREEMENTS” for definitions of certain terms used in this Official Statement, including, but not limited to “Qualified Reserve Account Credit Instrument.”

Bond Funds

Under the Dissolution Act, the Agency has previously established a special trust fund called the Redevelopment Obligation Retirement Fund (the “Redevelopment Obligation Retirement Fund”), which is held by the Agency and into which the County Auditor-Controller distributes property tax revenues each January 2 and June 1 from the Redevelopment Property Tax Trust Fund for the payment by the Agency of enforceable obligations pursuant to the Recognized Obligation Payment Schedule.

Each of the 2014 Loan Agreements establishes a special fund known as the “Bond Fund,” which is to be held by the Authority. The Agency will deposit all of the Pledged Tax Revenues received in any Bond Year in the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Agency and shall immediately thereafter transfer all Pledged Tax Revenues to the Authority for deposit in the applicable Bond Fund. At such time (if any) during such Bond Year as the amounts of Pledged Tax Revenues on deposit in each of the Bond Funds equal the aggregate amounts required to be transferred by the Authority to the Trustee pursuant to the applicable 2014 Loan Agreement and pursuant to any applicable Parity Debt Instrument and the Agency shall have delivered to the Trustee an Annual Loan Payment Certificate certifying that all deposits have been made to each of the Bond Funds as required by each of the 2014 Loan Agreements; that the Pledged Tax Revenues to be received with respect to such Bond Year will equal at least 125% of Annual Debt Service on the Bonds; that there is on deposit in the Reserve Account an amount equal to the Reserve Requirement; and that no event has occurred that would result in a transfer by the Trustee from the Reserve Account pursuant to the Indenture, any Pledged Tax Revenues held in the Bond Fund or thereafter received during such Bond Year in excess of such amounts shall be released from the pledge and lien under the applicable 2014 Loan Agreement and shall be returned to the Agency for any lawful purpose. In the event the Annual Loan Payment Certificate provides that Pledged Tax Revenues with respect to such Bond Year will be less than 125% of the Annual Debt Service on the Bonds an amount equal to the Pro Rata share of the difference between the amount of Pledged Tax Revenues to be received with respect to such Bond Year and 125% of Annual Debt Service on the Bonds shall be retained in each of the Bond Funds. At such time as it is determined that the aggregate Pledged Tax Revenues remaining to be received under any applicable Plan Limit is equal to or less than 125% of the aggregate debt service payable on the Bonds through maturity, all Pledged Tax Revenues shall be deposited in the Bond Fund and used solely for the payment of debt service on the Bonds. The Annual Loan Payment Certificate is a certificate of the Executive Director, Treasurer, or Secretary (or any other officer of the Agency duly authorized by the Agency for that purpose) of the Agency certifying, based on evidence of appropriate County officials and other evidence on file with the Agency, the amount of aggregate Pledged Tax Revenues to be received with respect to the current Bond Year. Prior to the payment in full of the principal of and interest and prepayment premium (if any) on the 2014 Loans and all applicable Parity Debt, the Agency shall not have any beneficial right or interest in the moneys on deposit in the related Bond Fund, except only as provided in the 2014 Loan Agreements.

The Authority shall withdraw from each of the Bond Funds and transfer to the Trustee the applicable installments of 2014 Loan payments for deposit by the Trustee in the Interest Account and

Principal Account to pay debt service on the Bonds. In addition, in the event that the Trustee shall notify the Authority, Agency pursuant to the Indenture that the amount on deposit in any of the Reserve Subaccounts is less than the applicable Pro Rata Share of the Reserve Requirement, the Authority shall immediately withdraw from the Bond Fund and transfer to the Trustee for deposit in the Reserve Account a Pro Rata Share of the amount of money necessary to maintain the Reserve Requirement in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement.

Additional Obligations on a Parity with a 2014 Loan

In addition to the 2014 Loans, the Agency may issue or incur additional obligations on a parity with the 2014 Loans (“Parity Debt”) in such principal amount as shall be determined by the Agency and for such purposes as are permitted under the Dissolution Act, including without limitation Section 34177.5 thereof.

Section 34177.5 of the Dissolution Act presently permits successor agencies to issue bonds or incurring other indebtedness secured by property tax revenues comprised of former tax increment and required to be deposited into the respective Redevelopment Property Tax Trust Fund for the applicable successor agency under limited circumstances:

- (i) to provide savings to the successor agency;
- (ii) for the purpose of financing debt service spikes, including balloon maturities; provided, (A) the existing indebtedness is not accelerated, except to the extent necessary to achieve substantially level debt service, and (B) the principal amount of the refunding bonds or the indebtedness will not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance;
- (iii) for the purpose of amending an existing enforceable obligation under which the successor agency is obligated to reimburse a political subdivision of the state for the payment of debt service on a bond or other obligation of the political subdivision or to pay all or a portion of the debt service on the bond or other obligation of the political subdivision to provide savings to the successor agency, when such amendment is in connection with a refunding of the bonds or other obligations of the separate political subdivision so that the enforceable obligation will apply to the refunding obligations of the political subdivision; or
- (iv) for the purpose of making payments under an existing enforceable obligation when the enforceable obligation includes the irrevocable pledge of property tax increment (i.e., formerly tax increment revenues prior to the effective date of the Dissolution Act) or other funds and the obligation to issue bonds secured by that pledge.

When bonds are issued or debt is incurred pursuant to the situations contemplated in clauses (i) and (iii), the following two constraints apply to the size of the financing: (A) the total interest cost to maturity on the refunding bonds or indebtedness plus the principal amount of the refunding bonds or other indebtedness shall not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (B) the principal amount of the refunding bonds or the indebtedness will not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance. If the foregoing conditions are satisfied, the initial principal amount of the refunding bonds or indebtedness may be greater than the outstanding principal amount of

the bonds or other indebtedness to be refunded. The successor agency may pledge to the refunding bonds or other indebtedness the revenues pledged to the bonds or other indebtedness being refunded, having the same lien priority as the pledge of the bonds or other obligations to be refunded.

Subject to the foregoing, the Agency may issue and deliver any Parity Debt payable from and secured by a lien and charge upon the Pledged Tax Revenues on a parity with the lien and charge securing the 2014 Loans subject to the following additional specific conditions specified in the 2014 Loan Agreements:

(a) No Event of Default shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in the 2014 Loan Agreements;

(b) The Oversight Board shall have approved the issuance of such Parity Debt;

(c) A Report shall be delivered to the Trustee stating that, based on the most recent assessed valuation of taxable property in the Project Areas as shown on the records of the County, the amount of Pledged Tax Revenues for the then current Fiscal Year, plus at the option of the Agency the Additional Allowance, is at least equal to one hundred twenty-five percent (125%) of the largest amount obtained by totaling for the current or any future Bond Year, the sum of (a) the amount of interest payable on the 2014 Loans and any Parity Debt to be Outstanding in each such Bond Year, assuming that principal thereof is paid as scheduled and that any mandatory sinking fund payments are made as scheduled, and (b) the amount of principal payable on the 2014 Loans and any Parity Debt to be Outstanding in each such Bond Year, including any principal required to be prepaid by operation of mandatory sinking fund payments. For purposes of such calculation, there shall be excluded principal and interest on amounts in a special escrow fund and the principal of and interest on any Parity Debt to the extent the proceeds thereof are then deposited in a fully self-supporting escrow fund (the fully self-supporting nature of which is evidenced by a report prepared by an Independent Financial Consultant) from which amounts may not be released to the Agency unless the amount of Pledged Tax Revenues then to be received is not less than the percentage set forth above;

(d) The related Parity Debt Instrument shall provide that interest on such Parity Debt shall be payable semiannually on June 1 and December 1 in each full calendar year during the term of such Parity Debt and the principal of such Parity Debt shall be payable on December 1 in each year principal is paid;

(e) The Agency shall deliver to the Authority and the Trustee a Certificate of the Agency certifying that the aggregate amount of principal of and interest on the 2014 Loans, all Parity Debt and all other indebtedness payable from Pledged Tax Revenues following the issuance or incurrence of such Parity Debt will not exceed the maximum amount of Pledged Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency following the issuance or incurrence of such Parity Debt;

(f) The Agency shall fund a reserve fund for such Parity Debt in an amount equal to the maximum annual debt service or such lesser amount required by the Code with respect to all Parity Debt; and

(g) The Agency shall deliver to the Authority and the Trustee a Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth in the 2014 Loan Agreements have been satisfied.

Additional Authority Bonds

Except as set forth in the Indenture, the Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of Revenues in whole or in part. In this regard, the Indenture provides that the Authority may issue Additional Authority Bonds secured on a parity with 2014 Authority Bonds (“Additional Authority Bonds”), in such principal amount as shall be determined by the Authority, pursuant to a Supplemental Indenture adopted or entered into by the Authority, and subject to the following conditions precedent:

(a) The Authority shall be in compliance with all covenants set forth in the Indenture and all Supplemental Indentures;

(b) If the proceeds of such Additional Authority Bonds shall be applied to accomplish a refunding of a portion of the 2014 Authority Bonds, there shall have been delivered to the Trustee a certificate of an Independent Financial Consultant stating that the Annual Debt Service on the Additional Authority Bonds does not exceed the Annual Debt Service on the 2014 Authority Bonds defeased or redeemed with the proceeds of such Additional Authority Bonds;

(c) Additional Authority Bonds secured on a parity with the Outstanding 2014 Authority Bonds may be issued only if there shall have been delivered to the Trustee, a written certificate of an Independent Financial Consultant stating that the requirements of Parity Debt provisions of the Loan Agreements have been met and that the Revenues will be not less than 100% of Debt Service on the 2014 Authority Bonds and all Additional Authority Bonds to be secured on a parity with the 2014 Authority Bonds. For purposes of such calculation, there shall be excluded principal and interest on amounts in a special escrow fund and the principal of and interest on any Additional Authority Bonds to the extent the proceeds thereof are then deposited in a fully self-supporting escrow fund (the fully self-supporting nature of which is evidenced by a report prepared by an Independent Financial Consultant) from which amounts may not be released to the Authority or the Agency unless the amount of Revenues then to be received is not less than the percentage set forth above;

(d) The Supplemental Indenture providing for the issuance of such Additional Authority Bonds shall provide that interest thereon shall be payable on June 1 and December 1, and principal thereof shall be payable on December 1 in any year in which principal is payable;

(e) The Supplemental Indenture providing for the issuance of such Additional Authority Bonds may provide for the establishment of separate funds and accounts; and

(f) The Authority delivers to the Trustee a written certificate of the Authority certifying that the conditions precedent to the issuance of such Additional Authority Bonds set forth in clauses (a), (b) and (c) above have been satisfied.

Bonds Not a Debt of the City of Calimesa or the State of California

Neither the Bonds, nor the obligations of the Agency under the 2014 Loan Agreements, are a debt of the City, the State of California or any of its political subdivisions (except the Agency and the Authority, as applicable) and neither said City, said State or any of its political subdivisions (except the Agency and the Authority, as applicable) is liable therefor. The principal of, premium, if any, and interest on the Bonds ultimately are payable from and secured by the Pledged Tax Revenues allocated to the Agency from the Project Areas and payable by the Agency to the Authority under the 2014 Loan Agreements. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

THE AUTHORITY

The Calimesa Financing Authority (the “Authority”) was established pursuant to a Joint Exercise of Powers Agreement dated February 4, 2008 (the “Joint Powers Agreement”), by and between the City and the Prior Agency, as succeeded by the Agency, in accordance with the provisions of the Act. The Authority was created for the purpose of assisting in the financing and refinancing of public capital improvements for the City and the Prior Agency, as succeeded by the Agency.

The Authority is governed by a five-member Authority Commission which consists of the City Council of the City, and therefore the Board Members of the Agency. See “THE SUCCESSOR AGENCY TO THE CALIMESA REDEVELOPMENT AGENCY” below for a listing of the Authority Commissioners /Agency Directors. The Mayor acts as President of the Authority, the Mayor Pro Tem acts as Vice President, the City Manager acts as its Chief Administrative Officer, the City Clerk acts as its Secretary, and the Finance Director acts as its Treasurer.

Pursuant to Article 1 of the Act, the Authority is a separate public entity from its members, the City and the Agency. As authorized by the Act, the Joint Powers Agreement provides that the debts, liabilities, and obligations of the Authority will not be the debts, liabilities, and obligations of the City or the Agency, except as specifically provided in the Joint Powers Agreement. The Indenture provides that the Bonds are special obligations of the Authority, payable from and secured by a first pledge of Revenues, consisting primarily of certain loan repayments to be made by the Agency under the two 2014 Loan Agreements. Thus, although the Agency is not directly obligated to repay the Bonds, through the provisions of the Indenture and the 2014 Loan Agreements, the repayment of principal and interest on the Bonds relies upon payments made by the Agency to the Authority pursuant to the 2014 Loan Agreements.

THE SUCCESSOR AGENCY TO THE CALIMESA REDEVELOPMENT AGENCY

The Prior Agency was established on May 18, 1992 by the City Council of the City with the adoption of Ordinance No. 92-9, pursuant to the Redevelopment Law. On June 29, 2011, AB X1 26 was enacted as Chapter 5, Statutes of 2011, together with a companion bill, AB X1 27. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al., v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. 2011), challenging the constitutionality of AB X1 26 and AB X1 27. In its December 29, 2011 decision, the California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the California Redevelopment Association case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Prior Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

On August 15, 2011, pursuant to Resolution No. 2011-30 and Section 34173 of the Dissolution Act, the City Council of the City elected to serve as successor agency to the Prior Agency and, on February 6, 2012, established rules and regulations for the operations of the Successor Agency to the Calimesa Redevelopment Agency (the “Agency”) to assume these successor functions pursuant to CSA Resolution No. 2012-01, adopted by the City Council as the governing body of the Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Prior Agency will not be transferred to the City nor will the assets of the Prior Agency become assets of the City.

The Agency is governed by a five-member Board of Directors (the “Board”) which consists of the members of the City Council of the City of Calimesa. The Mayor acts as the Chair of the Board, the City Manager as its Executive Director, the City Clerk as its Secretary and the Finance Director of the City as the Finance Officer of the Agency.

The Directors on the Board of the Agency and the expiration dates of their terms are as follows:

<u>Name and Office</u>	<u>Expiration of Term</u>
William “Bill” Davis, <i>Chair</i>	November, 2016
Jeffrey Hewitt, <i>Vice-Chair</i>	November, 2014
Jim Hyatt, <i>Director</i>	November, 2014
Joyce McIntire, <i>Director</i>	November, 2016
Ella Zanolovic, <i>Director</i>	November, 2016

Agency Powers

All powers of the Agency are vested in its five members who are elected members of the City Council. Pursuant to the Dissolution Act, the Agency is a separate public body from the City and succeeds to the organizational status of the Prior Agency but without any legal authority to participate in redevelopment activities, except to complete any work related to an approved enforceable obligation. The Agency is tasked with expeditiously winding down the affairs of the Prior Agency, pursuant to the procedures and provisions of the Dissolution Act. Under the Dissolution Act, many Agency actions are subject to approval by the Oversight Board, as well as review by the State Department of Finance. California has strict laws regarding public meetings (known as the Ralph M. Brown Act) which generally make all Agency and Oversight Board meetings open to the public in a similar manner as City Council meetings.

Under a State initiative enacted in 1974, public officials are required to make extensive disclosures regarding their financial interests by filing such disclosures as public records. As of the date of this Official Statement, the members of the City Council and the Agency, and other City and Agency officials have made the required filings.

Previously, Section 33675 of the Redevelopment Law required the Prior Agency to file not later than the first day of October of each year with the County Auditor a statement of indebtedness certified by the chief fiscal officer of the Prior Agency for each redevelopment plan which provides for the allocation of taxes (i.e., the Redevelopment Plan). The statement of indebtedness was required to contain the date on which the bonds were delivered, the principal amount, term, purposes and interest rate of the bonds and the outstanding balance and amount due on the bonds. Similar information was required to be given for each loan, advance or indebtedness that the Prior Agency had incurred or entered into which is payable from tax increment. Section 33675 also provided that payments of tax increment revenues from the County Auditor to the Prior Agency could not exceed the amounts shown on the Prior Agency's statement of indebtedness. The Dissolution Act eliminates this requirement and provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, the Recognized Obligation Payment Schedule supersedes the statement of indebtedness previously required under the Redevelopment Law, and commencing from such date, the statement of indebtedness will no longer be prepared nor have any effect under the Redevelopment Law (see “SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule”).

RISK FACTORS

The following information should be considered by prospective investors in evaluating an investment in the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

The various legal opinions to be delivered concurrently with the issuance of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights, including equitable principles.

Reduction in Taxable Value

Pledged Tax Revenues allocated to the Redevelopment Property Tax Trust Fund are determined by the amount of incremental taxable value in the Project Areas and the current rate or rates at which property in the Project Areas is taxed. The reduction of taxable values of property in one or more of the Project Areas caused by economic factors beyond the Agency's control, such as relocation out of a Project Area by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the Pledged Tax Revenues that provide for the repayment of and secure the 2014 Loans, and therefore, in the Revenues that provide for the repayment of and secure the Bonds. Such reduction of Pledged Tax Revenues could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the 2014 Loans, and therefore, on the Authority's ability to make timely payments of principal and interest on the Bonds.

As described in greater detail under the heading "PROPERTY TAXATION IN CALIFORNIA – Article XIII A of the State Constitution," Article XIII A provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the Bonds could reduce Pledged Tax Revenues securing 2014 Loans, and therefore, the Revenues securing the Bonds.

In addition to the other limitations on, and required application under the Dissolution Act of Pledged Tax Revenues on deposit in the Redevelopment Property Tax Trust Fund described herein under the heading "RISK FACTORS – Recognized Obligation Payment Schedule," the State electorate or Legislature could adopt a constitutional or legislative property tax reduction with the effect of reducing Pledged Tax Revenues allocated to the Redevelopment Property Tax Trust Fund and available to the Agency. Although the federal and State Constitutions include clauses generally prohibiting the Legislature's impairment of contracts, there are also recognized exceptions to these prohibitions. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could reduce the Pledged Tax Revenues and the Revenues and adversely affect the source of repayment and security of the 2014 Loans, and therefore, the Bonds.

Risks to Real Estate Market

The Agency's ability to make payments on the 2014 Loans will be dependent upon the economic strength of the Project Areas. The general economy of the Project Areas will be subject to all of the risks

generally associated with urban real estate markets. Real estate prices and development may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development within a Project Area could be adversely affected by limitations of infrastructure or future governmental policies, including governmental policies to restrict or control development. In addition, if there is a decline in the general economy of a Project Area, the owners of property within the Project Area may be less able or less willing to make timely payments of property taxes or may petition for reduced assessed valuation causing a delay, interruption, or reduction in the receipt of Pledged Tax Revenues by the Agency from the Project Area.

Reduction in Inflationary Rate

As described in greater detail below, Article XIII A of the State Constitution provides that the full cash value of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2 percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2 percent, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2 percent. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2 percent limitation several times but in Fiscal Year 2010-11 the inflationary value adjustment was negative for the first time at -0.237%. In Fiscal Year 2011-12, the inflationary value adjustment was 0.753%, which also is below the 2 percent limitation, but for Fiscal Year 2012-13, the inflationary value adjustment was 2.00%, which is the maximum permissible increase under Article XIII A. For Fiscal Year 2013-14, the inflationary value adjustment is 2.00%, and for Fiscal Year 2014-15, the inflationary value adjustment will be 0.454%. The Agency is unable to predict if any adjustments to the full cash value of real property within the Project Areas, whether an increase or a reduction, will be realized in the future.

Development Risks

The general economy of the Project Areas will be subject to all the risks generally associated with real estate development. Projected development within the Project Areas may be subject to unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development operations within the Project Area could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development in a Project Area is delayed or halted, the economy of the Project Area could be affected. If such events lead to a decline in assessed values they could cause a reduction in Pledged Tax Revenues. In addition, if there is a decline in the general economy of a Project Area, the owners of property within such Project Area may be less able or less willing to make timely payments of property taxes causing a delay or stoppage of the Pledged Tax Revenues received by the Agency from the Project Area. In addition, the insolvency or bankruptcy of one or more large owners of property within the Project Areas could delay or impair the receipt of Pledged Tax Revenues by the Agency.

Levy and Collection of Taxes

The Agency has no independent power to levy or collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Pledged Tax Revenues and, therefore, the Revenues, and accordingly, could have an adverse impact on

the security for and the ability of the Agency to repay the 2014 Loans and on the security for and the ability of the Authority to repay the Bonds.

Likewise, delinquencies in the payment of property taxes by the owners of land in the Project Areas, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes, could have an adverse effect on the Agency's ability to make timely payments on the 2014 Loans and, therefore, on the Authority's ability to make timely payments on the Bonds. Any reduction in Pledged Tax Revenues, whether for any of these reasons or any other reasons, could have an adverse effect on the Agency's ability to pay the principal of and interest on the 2014 Loans, and therefore, on the Authority's ability to pay the principal and interest on the Bonds.

Concentration of Ownership

Currently, the ten largest local secured taxpayers within Project No. 1 own properties constituting, in the aggregate, 59.78% of the 2013-14 secured assessed valuation of all of the property within Project No. 1. Similarly, the ten largest local secured taxpayers within Project No. 5 currently own properties constituting, in the aggregate, 46.67% of the 2013-14 secured assessed valuation of all of the property within Project No. 5. See "THE PROJECT AREAS – Largest Taxpayers." The willingness and ability of the such largest taxpayers, as well as other property owners, to pay property taxes could be adversely affected by changes in general or local economic conditions, fluctuations in the real estate market and other factors. Failure of such largest taxpayers (or any future owner of a significant amount of taxable property within the Project Areas) to pay installments of such property taxes when due could cause the depletion of the Reserve Account prior to reimbursement from the resale of foreclosed property and repayment of the delinquent property tax. In such an event, there may be insufficient Pledged Tax Revenues to meet the Agency's obligations under the 2014 Loan Agreements, which would result in insufficient Revenues to meet the Authority's obligations under the Indenture.

Time Limits on Receiving Tax Increment Revenues

Under current limitations contained in the redevelopment plans for certain of the Project Areas, the right to receive tax increment revenue and to pay debt service with a portion of such tax increment revenue will terminate prior to the final maturity date of the Bonds. The final maturity date of the Bonds is December 1, 2038. However the right to receive tax increment revenue terminates with respect to the Project Area No. 5 on December 23, 2036. See "THE PROJECT AREAS – Limitations and Requirements of the Redevelopment Plans". Upon the termination date for Project No. 5, debt service on the Bonds will become payable solely from tax increment revenues allocated to Project No. 1. Applying information currently available, the Authority has structured debt service so that the expected remaining Pledged Tax Revenues will be sufficient to pay the remaining debt service on the Bonds. However, the respective termination dates will result in a smaller number of properties generating Pledged Tax Revenues, and therefore Revenues, as the termination date is reached for Project No. 1. Because the 2014 Loans, and therefore the Bonds, are payable solely from Pledged Tax Revenues, the credit quality of the Bonds at any one time depends upon the credit quality of the remaining Project Area that generates Pledged Tax Revenues. In addition, unanticipated adverse events affecting the remaining properties subject to taxation could impair the Agency's ability to pay, when due, the remaining debt service on the 2014 Loans, and therefore the Authority's ability to pay, when due, the remaining debt service on the Bonds. See "THE PROJECT AREAS – Limitations and Requirements of the Redevelopment Plan."

State Budget Issues

AB X1 26 and AB 1484 were enacted by the State Legislature and Governor as trailer bills necessary to implement provisions of the State's budget acts for its fiscal years 2011-12 and 2012-13,

respectively. The 2011-12 State budget included projected State savings estimated to aggregate \$1.7 billion in 2011-12 associated with AB X1 27, which would have allowed redevelopment agencies to continue in operation provided their establishing cities or counties agreed to make an aggregate \$1.7 billion in payments to K-12 schools. However, AB X1 27 was found in December 2011 by the California Supreme Court to violate the State Constitution, which altered this budgetary plan of the State. According to the State's Summary of the 2012-13 State budget, AB 1484 implements a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs (projected savings of \$1.5 billion for the fiscal year).

For 2013-14, the State budget implemented a number of changes, unrelated to redevelopment dissolution, to help the State work toward (on a multiyear basis) a \$1 billion reserve, such as extending certain medical fees and taxes and continuing the use of miscellaneous State highway account revenues to pay transportation bond debt service. The 2013-14 budget summary additionally describes Proposition 98 (schools) General Fund savings estimated at \$2.1 billion in 2012-13 and \$1.1 billion in 2013-14 as a result of monies generated by redevelopment agency dissolution in those years, a portion of which are one-time savings generated from the distribution of unencumbered funds held by former redevelopment agencies. The Governor's Budget Summary for the Governor's proposed 2014-15 budget cautions that although cities, counties, special districts and schools are estimated to receive over \$7 billion in revenues between 2011-12 and 2014-15 that previously would have been allocated to redevelopment agencies, recent court decisions, if finalized and upheld, could put more than \$3 billion of these funds at risk. The Governor's proposed 2014-15 budget also proposes to allocate \$1.591 billion to the State's "Rainy Day Fund," which would constitute the State's first deposit into that fund since 2007, attributed in part to a capital gains "windfall" from State investments due to a strong stock market in 2013, as well as debt reduction strategies in the State's budgets adopted since Governor Brown took office in 2011. Nonetheless, there can be no assurance that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or Pledged Tax Revenues.

The full text of each State Assembly bill cited above may be obtained from the "Official California Legislative Information" website maintained by the Legislative Counsel of the State of California pursuant to State law, at the following web link: <http://www.leginfo.ca.gov/bilinfo.html>.

Information about the State budget and State spending is available at various State maintained websites. Text of the 2014-15 Budget Summary for the proposed budget, the current State budget, and other documents related to the State budget may be found at the website of the State Department of Finance, www.dof.ca.gov. A nonpartisan analysis of the budget is posted by the Legislative Analyst's Office at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, www.treasurer.ca.gov.

None of the websites or webpages referenced above is in any way incorporated into this Official Statement. They are cited for informational purposes only. The Authority makes no representation whatsoever as to the accuracy or completeness of any of the information on such websites.

Recognized Obligation Payment Schedule

The Dissolution Act provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each six-month period, the Dissolution Act requires successor agencies to prepare and

approve, and submit to the successor agency's oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Pledged Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Agency's Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the January 2 or June 1 distribution dates, as applicable. See "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule" and "PROPERTY TAXATION IN CALIFORNIA – Property Tax Collection Procedures – Recognized Obligation Payment Schedule." In the event the Agency were to fail to file a Recognized Obligation Payment Schedule with respect to a six-month period, the availability of Pledged Tax Revenues to the Agency could be adversely affected for such period.

In the event a successor agency fails to submit to the State Department of Finance an oversight board-approved Recognized Obligation Payment Schedule complying with the provisions of the Dissolution Act within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations, the State Department of Finance may determine if any amount should be withheld by the applicable county auditor-controller for payments for enforceable obligations from distribution to taxing entities pursuant to clause (iv) in the following paragraph, pending approval of a Recognized Obligation Payment Schedule. Upon notice provided by the State Department of Finance to the county auditor-controller of an amount to be withheld from allocations to taxing entities, the county auditor-controller must distribute to taxing entities any monies in the Redevelopment Property Tax Trust Fund in excess of the withholding amount set forth in the notice, and the county auditor-controller must distribute withheld funds to the successor agency only in accordance with a Recognized Obligation Payment Schedule when and as approved by the State Department of Finance.

Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, the County Auditor-Controller is to distribute funds for each six-month period in the following order specified in Section 34183 of the Dissolution Act: (i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act (as described above under "SECURITY FOR THE BONDS – Tax Increment Financing") and no later than each January 2 and June 1, to each local agency and school entity, to the extent applicable, amounts required for passthrough payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including pursuant to the Pass-Through Agreements and Statutory Pass-Through Amounts; (ii) second, on each January 2 and June 1, to the Agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule; (iii) third, on each January 2 and June 1, to the Agency for the administrative cost allowance, as defined in the Dissolution Act; and (iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity's share of property tax revenues in the tax rate area in that fiscal year (without giving effect to any passthrough obligations that were established under the Redevelopment Law).

If the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations and the State Department of Finance does not provide a notice to the County Auditor-Controller to withhold funds from distribution to taxing entities, amounts in the Redevelopment Property Tax Trust Fund for such six-month period would be distributed to taxing entities pursuant to clause (iv) above. However, the Agency has covenanted to take

all actions required under the Dissolution Act to include scheduled debt service on the 2014 Loans, as well as any amount required under the 2014 Loan Agreements and the Indenture to replenish the Reserve Account of the Revenue Fund, in Recognized Obligation Payment Schedules for each six-month period and to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Agency to pay principal of, and interest on, the 2014 Loans coming due in the respective six-month period, including listing a reserve on the Recognized Obligation Payment Schedule to the extent required by the 2014 Loan Agreements or when the next property tax allocation is projected to be insufficient to pay all obligations due under the provisions of the 2014 Loan Agreements for the next payment due in the following six-month period (see "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE 2014 LOAN AGREEMENTS – Covenants of the Agency").

AB 1484 also adds new provisions to the Dissolution Act implementing certain penalties in the event the Agency does not timely submit a Recognized Obligation Payment Schedule for a six-month period. Specifically, a Recognized Obligation Payment Schedule must be submitted by the Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller no later than September 1, 2012 with respect to the six-month period of January 1, 2013 through June 30, 2013 and by 90 days before the date of the next January 2 or June 1 property tax distribution with respect to each subsequent six-month period. If the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by such deadlines, the City will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, the Agency's administrative cost allowance is reduced by 25% if the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by September 11, 2012, with respect to the Recognized Obligation Payment Schedule for the first half of calendar year 2012, or by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for subsequent six-month periods. The Agency timely submitted to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller its Oversight Board-approved Recognized Obligation Payment Schedules for the six-month periods of January 1, 2013 through June 30, 2013, July 1, 2013 through December 31, 2013, January 1, 2014 through June 30, 2014, and July 1, 2014 through December 31, 2014.

AB 1484 Penalty for Failure to Remit Unencumbered Funds

AB1484 further implements certain provisions of ABX1 26, including establishing a process for determining the liquid assets that redevelopment agencies should have shifted to their successor agencies when they were dissolved, and the amount that should be available for remittance by the successor agencies to their respective county auditor-controllers for distribution to affected taxing entities within the project areas of the former redevelopment agencies. This determination process is commonly known as the "due diligence review process" and is required to be completed through the final step (review by the State Department of Finance) by November 9, 2012 with respect to affordable housing funds and by April 1, 2013 with respect to non-housing funds. Within five business days of receiving notification from the State Department of Finance, the Agency must remit to the county auditor-controller the amount of unobligated balances determined by the State Department of Finance, or it may request a meet and confer with the State Department of Finance to resolve any disputes. If there is a meet and confer process, the Agency must remit the amount of unobligated balances within five working days of receiving a subsequent notification from the State Department of Finance of the amount of unobligated balances at the conclusion of that process.

If the Agency fails to remit the amounts determined by the State Department of Finance by the respective deadlines, certain penalties and remedies apply under AB 1484. Among such penalties and remedies, if the city that established the redevelopment agency is performing the duties of the successor agency, the State Department of Finance may order an offset to the city's sales and use tax revenues equal to the amount the successor agency fails to remit. If the State Department of Finance does not order an offset, the county auditor-controller may reduce the property tax allocation of the city. Alternatively or in addition to the remedies discussed in the foregoing sentences, the State Department of Finance may direct the county auditor-controller to deduct the unpaid amount from future allocations of property tax to the successor agency under Section 34183 of the Dissolution Act until the amounts required to be remitted are paid.

Pertinent to the Bonds, if the Agency were to fail to remit to the County Auditor-Controller the amounts of unobligated balances determined by the State Department Finance within the time frames required under AB 1484, the State Department of Finance may direct the County Auditor-Controller to deduct the unpaid amount from future allocations of Pledged Tax Revenues to the Agency under Section 34183 of the Dissolution Act until the amounts required to be remitted are paid.

As to affordable housing funds, the Agency has completed the due diligence review process, and on November 7, 2012, the State Department of Finance issued a letter to the Agency making no adjustments and concurring that the Agency had \$24,005 in unencumbered affordable housing fund balances available for distribution to taxing entities. The Agency timely remitted to the County Auditor-Controller such unencumbered affordable housing fund balances within the five business day period following notification from the State Department of Finance.

As to non-housing funds, the Agency also has completed the due diligence review process, and on March 8, 2013, the State Department of Finance issued a letter to the Agency making no adjustments and concurring that the Agency has no unencumbered non-housing fund balances available for distribution to taxing entities.

On April 26, 2013, the State Department of Finance issued to the agency a "finding of completion," which confirms that the Agency has, among other things, paid in full the amounts determined during the due diligence reviews and the county auditor-controller has reported those payments to the State Department of Finance. Accordingly, based on this finding of completion, neither the Agency nor the City are subject to any AB 1484 penalties for a failure to remit unencumbered funds.

Bankruptcy and Foreclosure

The payment of property taxes from which Pledged Tax Revenues are derived and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such delay would increase the possibility of delinquent tax installments not being paid in full and thereby increase the likelihood of a delay or default in payment of the principal of and interest on the 2014 Loans, and therefore, payment of the principal of and interest on the Bonds.

Estimated Revenues

In estimating that Pledged Tax Revenues will be sufficient to pay debt service on the 2014 Loans, the Agency has made certain assumptions with regard to present and future assessed valuation in the Project Areas, future tax rates and percentage of taxes collected. The Agency believes these assumptions to be reasonable, but there is no assurance these assumptions will be realized and to the extent that the assessed valuation and the tax rates are less than expected, the Pledged Tax Revenues available to pay debt service on the 2014 Loans will be less than those projected and such reduced Pledged Tax Revenues may be insufficient to provide for the payment of principal of, premium (if any) and interest on the 2014 Loans. Accordingly, under such circumstances, Revenues available to pay debt service on the Bonds will be less than those projected and such reduced Revenues may be insufficient to provide for the payment of principal of, premium (if any) and interest on the Bonds.

Hazardous Substances

An environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the Project Areas. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. If this situation were to occur with property within a Project Area, the costs of remedying it could reduce the marketability and taxable value of the property.

Seismic Factors

The City, like most regions in the State of California, is located in an area of seismic activity and, therefore, could be subject to potentially destructive earthquakes. According to the Safety Element contained in the City's General Plan, the City is prone to significant earthquake activity from nearby faults, as it is located near the northwestern end of the San Gorgonio Pass, which is bounded by two of the most active faults in southern California: the San Andreas fault on the northeast, and the San Jacinto fault on the southwest. The San Andreas, San Gorgonio Pass, Banning, Cherry Valley, Beaumont Plain, and San Jacinto faults are most likely to cause high ground accelerations in the City. The Safety Element of the City's General Plan depicts the San Andreas fault (San Bernardino Mountains portion, to the north), the Banning fault (to the east), and the Beaumont Plain fault (to the southeast) as being located within 20 miles of the City; and the San Jacinto fault (Lytle Creek-Claremont portion, to the northwest) and the San Jacinto fault (Casa Loma-Clark portion, to the southeast), as being located within 30 miles of the City. Seismic hazards encompass liquefaction, landslides, strong ground shaking, and conceivably even surface rupture. The City is located within Seismic Zone 4 of the Uniform Building Code (UBC, 1991) and Riverside County Ground Shaking Zones IV and V, as designated in the County's General Plan (1988), with those areas of the City close to the San Andreas fault on the northeast and to the San Jacinto fault on the southwest designated as Ground Shaking Zone V. For more information see "Calimesa General Plan - Safety Element" on file with the Calimesa City Clerk.

The occurrence of severe seismic activity in the City could result in substantial damage to property located in the Project Areas, and could lead to successful appeals for reduction of assessed values of such property. Such a reduction of assessed valuations could result in a reduction of the Pledged Tax Revenues that secure the 2014 Loans, and therefore, of the Revenues that secure the Bonds.

Risk of Floods

Most precipitation in the San Gorgonio Pass region in which the City is located occurs during the winter months, between December and March, with annual precipitation ranging between 17 inches and 39 inches. Runoff is drained by several southwest-flowing drainages tributary to San Timoteo Creek that extend across the City. These tributaries are ephemeral, with rain water in the upper reaches generally infiltrating into the alluvium so that runoff decreases downstream. San Timoteo Creek drains northward into the Upper Santa Ana River, and on to the Pacific Ocean. The City has adopted a comprehensive Master Flood Control and Drainage Plan. The 1980 Flood Insurance Rate Map for the City shows 100- and 500-year flood areas along Garden Air Golf Course Wash. The Calimesa Channel was constructed to provide protection to adjacent properties from flood runoff resulting from a 100-year flood event. Storm-induced flood problems in the City, as defined in the National Flood Insurance Program in which the City has been registered since December 1990, would include flash floods in the canyon areas, saturated mudflows on hillsides, and shallow flooding of streets and residences associated with poor storm drainage. For more information see "Calimesa General Plan - Safety Element" on file with the Calimesa City Clerk.

As with seismic hazards, the occurrence of flood damage to property located in the Project Areas could lead to successful appeals for reduction of assessed values of such property and any reduction of assessed valuations could result in a reduction of the Pledged Tax Revenues that secure the 2014 Loans, and therefore, of the Revenues that secure the Bonds.

Changes in the Law

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the Dissolution Act, the Redevelopment Law or other laws or the Constitution of the State resulting in a reduction of Pledged Tax Revenues, which could have an adverse effect on the Agency's ability to pay debt service on the 2014 Loans, and therefore, on the Authority's ability to pay debt service on the Bonds.

Investment Risk

Funds held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See APPENDIX B attached hereto for a summary of the definition of Permitted Investments. The Bond Funds established under the 2014 Loan Agreements may be invested by the Authority in any investments authorized under the laws of the State of California for the moneys proposed to be invested therein, and the funds and accounts of the Agency, into which Pledged Tax Revenues are deposited, may be invested by the Agency in any investment authorized by law. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal.

Further, the Agency cannot predict the effects on the receipt of Pledged Tax Revenues if the County were to suffer significant losses in its portfolio of investments or if the County or the City were to become insolvent or declare bankruptcy. See "RISK FACTORS – Bankruptcy and Foreclosure."

Additional Obligations

The potential for the issuance of Parity Debt secured by a pledge of Pledged Tax Revenues on a parity with the 2014 Loans could, in certain circumstances, increase the risks associated with the Agency's payment of debt service on the 2014 Loans, and therefore, the Authority's payment of debt

service on the Bonds, in the event of a decrease in the Agency's collection of Pledged Tax Revenues. However, Section 34177.5 of the Dissolution Act provides limited authority for successor agencies to issue bonds, and the Agency's ability to issue Parity Debt secured by a pledge of Pledged Tax Revenues on a parity with the 2014 Loans is subject to the requirements of the Dissolution Act as in effect from time to time. For additional information, see described "SECURITY FOR THE BONDS – Additional Bonds."

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds, or, if a secondary market exists, that the Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances.

No Validation Proceeding Undertaken

California Code of Civil Procedure Section 860 authorizes public agencies to institute a process, otherwise known as a "validation proceeding," for purposes of determining the validity of a resolution or any action taken pursuant thereto. Section 860 authorizes a public agency to institute validation proceedings in cases where another statute authorizes its use. Relevant to the Bonds, California Government Code Section 53511 authorizes a local agency to "bring an action to determine the validity of its bonds, warrants, contracts, obligations or evidences of indebtedness." Pursuant to Code of Civil Procedure Section 870, a final favorable judgment issued in a validation proceeding shall, notwithstanding any other provision of law, be forever binding and conclusive, as to all matters therein adjudicated or which could have been adjudicated, against all persons: "The judgment shall permanently enjoin the institution by any person of any action or proceeding raising any issue as to which the judgment is binding and conclusive."

Neither the Authority nor the Agency has undertaken or endeavored to undertake any validation proceeding in connection with the issuance of the Bonds or incurrence of the 2014 Loans. The Authority, the Agency, and Bond Counsel have relied on the provisions of AB 1484 authorizing the issuance of the Bonds and specifying the related deadline for any challenge to the 2014 Loans to be brought. Specifically, Section 34177.5(e) of the Dissolution Act provides that notwithstanding any other law, an action to challenge the issuance of bonds, the incurrence of indebtedness (such as the 2014 Loans), the amendment of an enforceable obligation, or the execution of a financing agreement authorized under Section 34177.5, must be brought within thirty (30) days after the date on which the oversight board approves the resolution of the successor agency approving the such financing. Such challenge period expired with respect to the 2014 Loans and the Oversight Board Resolution on March 6, 2014.

It is possible that a lawsuit challenging the Dissolution Act or specific provisions thereof could be successful and that the mechanisms currently provided for under the Dissolution Act to provide for distribution of Pledged Tax Revenues to the Agency for payment on the 2014 Loans could be impeded and result in a delinquency or default in the timely payment of principal of, and interest on, the 2014 Loans and, therefore, on the Bonds.

However, each 2014 Loan Agreement additionally provides that if, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act (upon which the distribution of Pledged Tax Revenues to the Agency rely) are invalidated by a final judicial decision, then Pledged Tax Revenues shall include all tax revenues allocated to the payment of

indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution. Additionally, any action by a court to invalidate provisions of the Dissolution Act required for the timely payment of principal of, and interest on, the 2014 Loans (and therefore, on the Bonds) could raise issues regarding unconstitutional impairment of contracts or an unconstitutional taking without just compensation. The Authority believes that the aforementioned considerations would provide some protections against the adverse consequences upon the Agency and the availability of Pledged Tax Revenues for the payment of debt service on the 2014 Loans, and therefore on the availability of Revenues pledged for the payment of debt service on the Bonds, in the event of successful challenges to the Dissolution Act or portions thereof. However, the Authority does not guarantee that any lawsuit challenging the Dissolution Act or portions thereof will not result in an outcome that may have a detrimental effect on the Agency's ability to timely pay debt service on the 2014 Loans, and therefore, the Authority's ability to timely pay debt service on the Bonds.

Loss of Tax-Exemption

As discussed under the caption "CONCLUDING INFORMATION – Tax Exemption," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the Agency in violation of its covenants in the 2014 Loan Agreements, or of the Authority in the Indenture.

In addition, current and future legislative proposals, if enacted into law, may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax exempt by individuals.

Should such an event of taxability occur, the Bonds are not subject to special redemption and will remain outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

PROPERTY TAXATION IN CALIFORNIA

Property Tax Collection Procedures

Classification. In the State, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." Secured and unsecured property are entered on separate parts of the assessment roll maintained by the County assessor. The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens on the secured property arising pursuant to State law, regardless of the time of the creation of other liens.

Generally, *ad valorem* taxes are collected by a county (the "Taxing Authority") for the benefit of the various entities (cities, schools and special districts) that share in the *ad valorem* tax (each a taxing entity) and successor agencies eligible to receive distributions from the respective Redevelopment Property Tax Trust Funds.

Collections. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured

personal property taxes: (i) initiating a civil action against the taxpayer, (ii) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, (iii) filing a certificate of delinquency for record in the county recorder's office to obtain a lien on certain property of the taxpayer, and (iv) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent.

Penalty. A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is declared in default by operation of law and declaration of the tax collector on or about June 30 of each fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also applies to delinquent taxes with respect to property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning on varying dates related to the tax bill mailing date.

Delinquencies. The valuation of property is determined as of the January 1 lien date as equalized in August of each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due January 1 and become delinquent August 31.

Supplemental Assessments. California Revenue and Taxation Code Section 75.70 provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Prior to the enactment of this law, the assessment of such changes was permitted only as of the next tax lien date following the change, and this delayed the realization of increased property taxes from the new assessments for up to 14 months. This statute provides increased revenue to the Redevelopment Property Tax Trust Fund to the extent that supplemental assessments of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such supplemental assessments occur within the Project Areas, Pledged Tax Revenues may increase.

Property Tax Administrative Costs. In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each. SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 1559 amounts, to be deducted from property tax revenues before monies are deposited into the Redevelopment Property Tax Trust Fund. For Fiscal Year 2012-13, the County's administrative charge to the Prior Agency and Agency was \$12,402 total for both Project Areas, and for Fiscal Year 2013-14 the County's combined administrative charge to the Agency for both Project Areas is estimated to be \$11,845.

Negotiated Pass-Through Agreements. Prior to 1994, under the Redevelopment Law, a redevelopment agency could enter into an agreement to pay increment revenues to any taxing agency that has territory located within a redevelopment project in an amount which in the agency's determination is appropriate to alleviate any financial burden or detriment caused by the redevelopment project. These agreements normally provide for payment or pass-through of tax increment revenue directed to the affected taxing agency, and, therefore, are commonly referred to as pass-through agreements or tax

sharing agreements. The Agency agreements with affected taxing agencies are referred to herein as “Pass-Through Agreements.” See “THE PROJECT AREAS – Pass-Through Agreements” for a summary of the Pass-Through Agreements. See also “SECURITY FOR THE BONDS – Tax Increment Financing” for additional discussion of the treatment of Pass-Through Agreements under the Dissolution Act.

Statutory Pass-Throughs. The payment of Statutory Pass-Through Amounts (defined in APPENDIX B) results from (i) plan amendments which add territory in existing project areas on or after January 1, 1994 and (ii) from plan amendments which eliminates one or more limitations within a redevelopment plan (such as the removal of the time limit on the establishment of loans, advances and indebtedness). The calculation of the amount due affected taxing entities is described in Sections 33607.5 and 33607.7 of the Redevelopment Law. See “THE PROJECT AREAS – Statutory Pass-Throughs” and “SECURITY FOR THE BONDS – Tax Increment Financing” for further information regarding the applicability of the statutory pass-through provisions of the Redevelopment Law and the Dissolution Act to the various sub-areas of the Project Area.

Recognized Obligation Payment Schedule. The Dissolution Act provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each six-month period, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency’s oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Pledged Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Agency’s Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the January 2 or June 1 distribution dates, as applicable. See “SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule” and “RISK FACTORS – Recognized Obligation Payment Schedule.”

State Assessed Property

AB 454 (Statutes of 1987, Chapter 921) provided a revised method of reporting and allocating property tax revenues generated from most State-assessed unitary and operating nonunitary properties commencing with Fiscal Year 1988-89. Under AB 454, each county must establish one countywide tax rate area, and the assessed value of all unitary and operating nonunitary property is assigned to this tax rate area. No other property is assigned to the countywide tax rate area. The State reports to each county auditor-controller only the countywide taxable value of each unitary or operating nonunitary property. AB 454 provides two formulas for auditor-controllers to use in order to determine the allocation of unitary and property taxes generated by the countywide value, which are: (i) for revenue generated from the 1% tax rate, each jurisdiction is to receive up to 102% of its prior year unitary and operating nonunitary property tax revenue, exclusive of revenue attributable to levies for debt service; however, if county-wide revenues generated from unitary and operating nonunitary properties, exclusive of revenue attributable to levies for debt service, are greater than 102% of prior year revenues, exclusive of revenue attributable to levies for debt service, each jurisdiction receives a percentage share of the excess unitary and operating nonunitary property tax revenues equal to the percentage of each jurisdiction’s share of secured property taxes; (ii) for revenue generated from the application of the debt service tax rate to county-wide taxable value, each jurisdiction is to receive a percentage share of revenue based on the jurisdiction’s annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary and operating nonunitary property taxes.

The provisions of AB 454 apply to all State-assessed property, except railroads, the valuation of which will continue to be allocated to individual tax rate areas. The provisions of AB 454 do not constitute an elimination or a revision of the method of assessing utilities by the State Board of Equalization. AB 454 allows generally valuation growth or decline of State-assessed unitary and operating nonunitary property to be shared by all jurisdictions within a county.

Effective January 1, 2007, AB 2670 changes the method of assessing unitary railroad property. Before AB 2670, the assessed value of unitary railroad property was allocated to individual tax rate areas within a county where the property is located. AB 2670 has converted this method of assessment for railroad property to the countywide system. The new method involves establishing a single countywide tax rate area within each county to which the assessed value of specified unitary property of a regulated railroad company would be allocated. Revenues derived from the tax on this value are allocated among local entities in the county pursuant to a specified formula. AB 2670 also requires, with respect to a “qualified facility” as defined in Revenue and Taxation Code Section 100.11, that 80% of the value of the facility and the revenues derived from taxing this value be allocated on a countywide basis, while the remaining 20% of this value and resulting revenues be allocated exclusively to the local rate areas in the county in which the property is located. During the 2012-13 Fiscal Year, the County Auditor-Controller remitted \$1,943 in combined unitary revenues to the Agency for the Project Areas.

Article XIII A of the State Constitution

Article XIII A limits the amount of ad valorem taxes on real property to 1% of “full cash value” of such property, as determined by the county assessor. Article XIII A defines “full cash value” to mean “the County Assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value,’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” Furthermore, the “full cash value” of all real property may be increased to reflect the rate of inflation, as shown by the consumer price index, not to exceed 2% per year, or may be reduced.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances.

Article XIII A (i) exempts from the 1% tax limitation taxes to pay debt service on (a) indebtedness approved by the voters prior to July 1, 1978 or (b) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition; (ii) requires a vote of two-thirds of the qualified electorate to impose special taxes, or certain additional ad valorem taxes; and (iii) requires the approval of two-thirds of all members of the State Legislature to change any State tax laws resulting in increased tax revenues.

The validity of Article XIII A has been upheld by both the California Supreme Court and the United States Supreme Court.

In the general election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amended Article XIII A. Proposition 58 amended Article XIII A to provide that the terms “purchase” and “change of ownership,” for the purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. This amendment to Article XIII A may reduce the rate of growth of local property tax revenues.

Proposition 60 amended Article XIII A to permit the Legislature to allow persons over the age of 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence assessed value to the new residence. As a result of the Legislature's action, the growth of property tax revenues may decline.

Legislation enacted by the Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value (except as noted). Tax rates for voter-approved bonded indebtedness and pension liabilities are also applied to 100% of assessed value.

Appropriations Limitation - Article XIII B

Article XIII B limits the annual appropriations of the State and its political subdivisions to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The "base year" for establishing such appropriations limit is the 1978/79 fiscal year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Section 33678 of the Redevelopment Law provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by an agency of proceeds of taxes levied by or on behalf of an agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two California appellate court decisions. On the basis of these decisions, the Agency has not adopted an appropriations limit.

Articles XIII C and XIII D of the State Constitution

At the election held on November 5, 1996, Proposition 218 was passed by the voters of California. The initiative added Articles XIII C and XIII D to the State Constitution. Provisions in the two articles affect the ability of local government to raise revenues. The Bonds are secured by sources of revenues that are not subject to limitation by Proposition 218. See also "– Propositions 218 and 26" below.

Proposition 87

On November 8, 1988, the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the State Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on certain bonded indebtedness issued by a taxing entity (not the Prior Agency or the Agency) and approved by the voters of the taxing entity after January 1, 1989 will be allocated solely to the payment of such indebtedness and not to redevelopment agencies.

Appeals of Assessed Values

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

In the County, a property owner desiring to reduce the assessed value of such owner's property in any one year must submit an application to the County Assessment Appeals Board (the "Appeals Board"). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of each application by the staff of the County Assessor's Office, the staff makes a recommendation to the Appeals Board on each application which has not been rejected for incompleteness or untimeliness or withdrawn. The Appeals Board holds a hearing and either reduces the assessment or confirms the assessment. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as "ongoing hardship"), the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. Appeals for reduction in the "base year" value of an assessment, which generally must be made within three years of the date of change in ownership or completion of new construction that determined the base year, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. Moreover, in the case of any reduction in any one year of assessed value granted for "ongoing hardship" in the then current year, and also in any cases involving stipulated appeals for prior years relating to base year and personal property assessments, the property tax revenues from which Pledged Tax Revenues are derived attributable to such properties will be reduced in the then current year. In practice, such a reduced assessment may remain in effect beyond the year in which it is granted. See "THE PROJECT AREAS – Largest Taxpayers" for information regarding the assessed valuations of the top ten property owners within each Project Area.

Proposition 8

Proposition 8, approved in 1978 (California Revenue and Taxation Code Section 51(b)), provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions under this code section may be initiated by the County Assessor or requested by the property owner.

After a roll reduction is granted under this code section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

The Agency cannot guarantee that reductions undertaken by the County Assessor or requested by a property owner pursuant to Proposition 8 will not in the future reduce the assessed valuation of property in a Project Area and, therefore, Pledged Tax Revenues that secure the 2014 Loans or the Revenues that secure the Bonds.

Propositions 218 and 26

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIII C and XIII D to the State Constitution, imposing certain

vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. On November 2, 2010, California voters approved Proposition 26, the “Supermajority Vote to Pass New Taxes and Fees Act.” Proposition 26 amended Article XIIC of the California Constitution by adding an expansive definition for the term “tax,” which previously was not defined under the California Constitution. Revenues securing the Bonds are derived from property taxes which are outside the scope of taxes, assessments and property-related fees and charges which are limited by Proposition 218 and outside of the scope of taxes which are limited by Proposition 26.

Future Initiatives

Article XIII A, Article XIII B, Article XIIC and Article XIID and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

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THE PROJECT AREAS

General Information

Pursuant to the Redevelopment Law, the City Council, on behalf of the Prior Agency, established two redevelopment projects within the City, both of which generate Pledged Tax Revenues which are pledged to the repayment of the 2014 Loans, and which are referred to herein collectively as the “Project Areas.” The redevelopment plan for Project No. 1 was approved by Ordinance No. 93-23 of the City adopted on December 30, 1993, and has been amended thereafter in accordance with the Redevelopment Law. The redevelopment plan for Project No. 5 was approved by Ordinance No. 188 of the City adopted on June 18, 2001, and has been amended thereafter in accordance with the Redevelopment Law. The amendments to the Redevelopment Plans are described further below under the caption “THE PROJECT AREAS – Limitations and Requirements of the Redevelopment Plans.” The redevelopment plans for the Project Areas are referred to herein collectively as the “Redevelopment Plans.”

Project No. 1

Project No. 1 was formed in 1993 to eliminate blighting conditions in the area and prevent their recurrence by providing for the planning, development, replanning, redesign, clearance, reconstruction, and rehabilitation of the Project Area, and by providing for such structures and spaces as may be appropriate or necessary in the interest of the general welfare, including without limitation, recreational and other facilities incidental or appurtenant to them. Project No. 1 consists of approximately 379 acres in four non-contiguous sub-areas. The sizes of subareas A, B, C, and E are, respectively, approximately 35 acres, 32 acres, 37 acres, and 275 acres. Existing land uses are residential, commercial, and vacant.

Project No. 5

The City Council approved Ordinance No. 188 on June 18, 2001, to designate, approve, and adopt as the City and Agency’s official Redevelopment Plan for Project No. 5 a redevelopment plan previously adopted by the County Board with respect to the County Agency’s redevelopment project formerly known as the County Agency’s Project Area No. 5-1986 (now known as the County Agency’s Interstate 215 Corridor Redevelopment Project Area.” Under the Redevelopment Law, territorial jurisdiction over territory that was previously included within a county redevelopment project area that is subsequently included within the boundaries of a new city may be transferred from the county redevelopment agency to the new city’s redevelopment agency. The County Board originally formed its Project No. 5-1986 pursuant to Ordinance No. 639 adopted on December 23, 1986, and such project area included five non-contiguous sub-areas, among which one was the Calimesa sub-area.

Subsequent to the City’s incorporation in 1990, the Agency and the County Agency entered into a Jurisdictional Transfer Agreement, dated as of June 13, 2000, pursuant to Section 33216 of the Redevelopment Law. The Jurisdictional Transfer Agreement was effective as of July 1, 1999 and provided for, among other things, assumption of all rights, powers, obligations, debts and responsibilities as to the Calimesa sub-area (now known as Project No. 5) the allocation of the Project No. 5-1986 maximum tax increment limit and the maximum outstanding bonded indebtedness limit between the County Agency (as to all non-Calimesa sub-areas) and the Agency (as to Project No. 5). The result of this transfer of territorial jurisdiction of a portion of the prior County redevelopment project area is a shared redevelopment plan, but subsequent to the date of the transfer, neither the County (or County Agency) nor the City (or the Agency) have attempted to make any amendment to the shared redevelopment plan except only as to the territory under its respective jurisdiction. Pursuant to Section 33216, any amendment of such a redevelopment plan under these circumstances of jurisdictional transfer

by the creating agency (i.e., Riverside County) must be approved by the receiving agency (i.e., Calimesa) and vice versa. To date, all such amendments have been duly approved by the other agency.

Pursuant to the terms of the Jurisdictional Transfer Agreement, Project No. 5 Tax Revenues allocated to the Agency shall be available if necessary to pay any indebtedness incurred by the County Agency prior to July 1, 1999 and secured by tax increment revenues, including but not limited to indebtedness evidenced by bonds issued by the County Agency (including any refinancing after July 1, 1999). On April 22, 2014, the County certified to the Agency and the Authority that there exists no such indebtedness, or any refinancing of any such indebtedness, which is outstanding as of the date of certification and that the County has no intention to make any attempt to pledge or otherwise encumber the Project No. 5 Tax Revenues in the future.

Project No. 5 encompasses a total of approximately 190 acres in one contiguous area. Project No. 5 is characterized by vacant, commercial, and industrial land uses. Small commercial shops are located within the Project Area, as well as a 32,000 square foot shopping center known as Crown Village Plaza, which includes two restaurants (Crown Royale Restaurant and Thai Chili), Calimesa Chambers of Commerce, News Mirror newspaper, Curves, a real estate office, a dental office, Salon Tranquility, a bakery known as Cakalious, Michelle's Books, Busy Bee Quilt Shop, Rita's Hallmark, and a motorcycle equipment and goods shop known as Buckle & Belts. Project No. 5 also includes a new shopping center on the west side of Calimesa Blvd. at the intersection of Myrtlewood Drive, which includes a Fresh & Easy Market, a Walgreen's store, several restaurants including Denny's, Subway, Tang's Chinese, and a Carl's Jr. / Green Burrito, as well as various retail shops. Also within Project No. 5 is a light industrial company, Skat-Trak, that makes custom tires and exhaust for off-road vehicles and water sport motor crafts. A multi-acre light industrial complex is also located within Project No. 5.

Limitations and Requirements of the Redevelopment Plans

In 1993, the State legislature passed AB 1290, which, among other things, required redevelopment agencies to adopt time limits in each redevelopment plan specifying: 1) the last date to incur debt for a redevelopment project; 2) the last date to undertake redevelopment activity within a project area; and 3) the last date to collect tax increment revenue from a project area to repay debt.

In order to comply with AB 1290, the City adopted Ordinance No. 94-17 on December 19, 1994 with respect to the Project No. 1, and the County Board adopted its Ordinance No. 750 on November 29, 1994 with respect to Project No. 5.

In 2001, the California Legislature enacted SB 211, Chapter 741, Statutes of 2001, effective January 1, 2002 ("SB 211"). Among other things, SB 211 provides that at any time after January 1, 2002, the limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994, may be eliminated by ordinance of the legislative body. However, such elimination triggered statutory tax sharing with those taxing entities that do not have Pass-Through Agreements. Tax sharing is calculated based on the increase in assessed valuation after the year in which the limitation would otherwise have become effective. Amounts payable to taxing agencies under the AB 1290 formula are to be computed after deducting the 20% amount (the "Housing Set-Aside Amount") attributable to the increase in assessed valuation. The Housing Set-Aside Amount was required under the Redevelopment Law prior to enactment of the Dissolution Act to be set aside by the Agency into a separate fund and used for low and moderate income housing attributable to the increase in assessed valuation. On November 5, 2007, the City Council adopted Ordinance No. 274 with respect to Project No. 5, respectively, which pursuant to SB 211 eliminated the limitation on incurring indebtedness contained in the Redevelopment Plan (previously December 23, 2006).

The actions taken by the City Council to date have resulted in the time limitations set forth in the following table, with respect to each Project Area:

**Calimesa Project Areas
Redevelopment Plan Limitations**

Project Area	Maximum Tax Increment ⁽¹⁾	Maximum Bonded Debt	Last Date to Incur Debt	Plan Termination Date	Last Date to Receive Prop. Taxes/Pay Debt
Project No. 1	\$175,000,000 ⁽²⁾	\$17,500,000 ⁽³⁾	12/30/2013	12/30/2033	12/30/2043
Project No. 5	57,165,356	6,152,400	Eliminated	12/23/2026	12/23/2036 ⁽⁴⁾

- (1) In the DOF Santa Cruz Letter (as defined below), the State Department of Finance stated its position and advice to county auditor-controllers to not apply tax increment caps to bar payment of enforceable obligations approved by the State Department of Finance, unless the tax increment cap had been reached prior to the enactment of AB X1 26 in June 2011. The Authority and the Agency cannot provide any assurance that a court would concur with, or uphold, this position if a lawsuit were filed to challenge it. In addition, from time to time, the State Department of Finance changes its guidance without notice.
- (2) With respect to Project No. 1, the maximum tax increment limit is set forth in 1993 value dollars and, pursuant to the Redevelopment Plan for Project No. 1, adjusted annually in accordance with the Consumer Price Index for the nearest area to the Project Area. The adjusted maximum tax increment limit for Project No. 1, including the annual adjustment for 2014, is \$286,167,993.
- (3) With respect to Project No. 1, the maximum bonded debt limit is set forth in 1993 value dollars and, pursuant to the Redevelopment Plan for Project No. 1, adjusted annually in accordance with the Consumer Price Index for the nearest area to the Project Area. The adjusted maximum bonded debt limit for Project No. 1, including the annual adjustment for 2014, is \$28,616,799.
- (4) The right to receive property taxes with respect to Project No. 5 terminates prior to the final maturity of the Bonds. See “RISK FACTORS – Time Limits on Receiving Tax Increment Revenues.”

Source: Successor Agency to the Calimesa Redevelopment Agency

On April 2, 2014, the State Department of Finance issued a letter (the “DOF Santa Cruz Letter”) to the County Auditor-Controller for the County of Santa Cruz, in response to a request for clarification concerning the position of the State Department of Finance on the applicability of tax increment caps (i.e., the maximum tax increment allocable to a redevelopment agency under its redevelopment plan). In the DOF Santa Cruz Letter, the State Department of Finance stated its position and advice to county auditor-controllers to not apply tax increment caps to bar payment of enforceable obligations approved by the State Department of Finance, unless the tax increment cap had been reached prior to the enactment of AB X1 26 in June 2011. The Authority and the Agency cannot provide any assurance that a court would concur with, or uphold, the position of the State Department of Finance in the DOF Santa Cruz Letter if a lawsuit were filed to challenge this position. In addition, from time to time, the State Department of Finance changes its guidance without notice. As of the date of this Official Statement, the Agency has received approximately \$2,202,942 in tax increment revenues from Project No. 1 and approximately \$8,575,530 in tax increment revenues from Project No. 5. In any event, based on the estimated debt service for the 2014 Loans (and therefore, the Bonds) and the projections of Pledged Tax Revenues prepared by its financial advisor (see “PLEGGED REVENUES – Projected Taxable Valuation and Pledged Tax Revenues” and “APPENDIX G – FINANCIAL ADVISOR’S REPORT), the Agency believes that the maximum tax increment plan limit for either Project Area will not be reached during the term in which Bonds are scheduled to be outstanding.

As shown in the “Redevelopment Plan Limitations” table above, the maximum tax increment plan limit is a separate Redevelopment Plan limitation than the plan limit for the last date to receive property taxes. For further discussion of the plan limit for the last date to receive property taxes, please see footnote (4) in the Redevelopment Plan Limitations” table above and “RISK FACTORS – Time Limits on Receiving Tax Increment Revenues.”

Pass-Through Agreements

The Agency has entered into tax increment sharing agreements (“Pass-Through Agreements”) with several taxing entities which require that a portion of tax increment be allocated to such taxing entity on a basis senior to the payment of any indebtedness of the Agency. Such tax increment sharing agreements are listed as follows.

Project No. 1

The Agency has entered into eleven (11) Pass-Through Agreements for allocation and distribution of tax increment revenues with respect to the Project No. 1 as follows:

- i *Beaumont Library District.* Pursuant to its agreement with the Beaumont Library District, the Agency is to pay to the library district 100% of the district’s share of tax increment (currently 0% of the Project No. 1 basic tax levy).
- i *Beaumont Cemetery District.* Pursuant to its agreement with the Beaumont Cemetery District (now known as Summit Cemetery District), the cemetery district is to receive 100% of the district’s share of tax increment (currently 1.97% of the Project No. 1 basic tax levy).
- i *Beaumont Unified School District.* Pursuant to its agreement with the Beaumont Unified School District, the Agency is to pay to the school district an amount equal to 50% of the district’s share of tax increment (currently 2.95% of the Project No. 1 basic tax levy).
- i *Mt. San Jacinto Community College District.* Pursuant to its agreement with the Mt. San Jacinto Community College District, the Agency is to pay to the college district an amount equal to 50% of the district’s share of tax increment (currently 0.27% of the Project No. 1 basic tax levy).
- i *Riverside County Flood Control and Water Conservation District.* Pursuant to its agreement with the Riverside County Flood Control and Water Conservation District, 100% of the district’s share is allocated for district uses (currently 5.40% of the Project No. 1 basic tax levy). (The Agency is to pay to the district 50% of the district’s share of tax increment revenues, but the remaining 50% retained by the Agency must be paid into a special fund of the Agency for the sole purpose of funding district Master Drainage Plan facilities (or substitute facilities approved by the district) which benefit Project No. 1 and at the direction of and under the supervision of the district.)
- i *Riverside County Superintendent of Schools.* The Agency annually pays the district an amount equal to 60% of the district’s share of tax increment revenues (currently 2.77% of the Project No. 1 basic tax levy).
- i *San Bernardino Community College District.* Each Fiscal Year, the Agency pays to the college district an amount equal to 50% of the district’s share of tax increment (currently 4.80% of the Project No. 1 basic tax levy).
- i *San Geronio Pass Memorial Hospital.* The hospital is to receive 100% of its share of tax increment (currently 0.09% of the Project No. 1 basic tax levy).
- i *San Geronio Pass Water Agency.* The district annually receives 50% of its share of tax increment (currently 5.55% of the Project No. 1 basic tax levy).

- i *Yucaipa/Calimesa Unified School District.* The district annually receives 40% of its share of tax increment (currently 33.74% of the Project No. 1 basic tax levy).
- i *Yucaipa Valley Water District.* The district annually receives 100% of its share of tax increment (currently 5.03% of the Project No. 1 basic tax levy).

Project No. 5

The Agency has entered into seven (7) Pass-Through Agreements for allocation and distribution of tax increment revenues with respect to the Project No. 5 as follows:

- i *Beaumont Cemetery District.* Pursuant to its agreement with the Beaumont Cemetery District (now known as Summit Cemetery District), the cemetery district is to receive 100% of the district’s share of tax increment (currently 2.02% of the Project No. 5 basic tax levy).
- i *Riverside County Flood Control and Water Conversation District.* The Riverside County Flood Control and Water Conservation District is paid annually 100% of its share of tax increment (currently 5.55% of the Project No. 5 basic tax levy).
- i *Riverside County Superintendent of Schools.* The District is to be paid annually an amount equal to 29.62% of the district’s share of tax increment revenues (currently 2.77% of the Project No. 5 basic tax levy).
- i *San Bernardino Community College District.* Each Fiscal Year, the college district is to be paid 29.62% of the district’s share of tax increment (currently 5.31% of the Project No. 5 basic tax levy).
- i *San Gorgonio Pass Water Agency.* The district annually receives 100% of its share of tax increment (currently 5.67% of the Project No. 5 basic tax levy).
- i *Yucaipa/Calimesa Unified School District.* The district annually receives 29.62% of its share of tax increment (currently 37.39% of the Project No. 5 basic tax levy).
- i *Yucaipa Valley Water District.* The district annually receives 100% of its share of tax increment (currently 3.20% of the Project No. 5 basic tax levy).

See “PLEDGED REVENUES—Projected Taxable Valuation and Pledged Tax Revenues” herein for a depiction of the effects of the Pass-Through Agreements from both Project Areas upon net Pledged Tax Revenues available for debt service on the 2014 Loans, and therefore, on the Bonds.

Statutory Pass-Throughs

The enactment of AB 1290, effective in 1994, amended the Redevelopment Law to establish a statutory formula (“Statutory Tax Sharing”) for the distribution of future tax increments to other taxing agencies who collect taxes from a redevelopment project area (“Statutory Pass-Through Amounts”), to the extent no Pass-Through Agreement was entered into between the Prior Agency and such taxing agency prior to January 1, 1994. Statutory Tax Sharing applies to, among other things, a redevelopment plan adopted prior to January 1, 1994 that was amended subsequent to that date to increase or eliminate the time limit on establishing loans, advances, and indebtedness (i.e., Project No. 5). The effect of the application of the Statutory Tax Sharing statutes is that Project No. 5 is subject to Statutory Tax Sharing with taxing agencies for which no Pass-Through Agreement was entered into prior January 1, 1994.

As to Project No. 5, Statutory Tax Sharing requires a redevelopment agency to pay to affected taxing agencies aggregate amounts from tax increment (which are allocated to such agencies in proportion to the percentage share of property taxes of each affected taxing agency) as follows:

- (a) commencing with the “first fiscal year” (as defined below) continuing through the last fiscal year in which the agency receives tax increments from the redevelopment project area, an amount equal to 25% of tax increment revenues received by the agency from the redevelopment project area after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted;
- (b) in addition to amounts payable as described in (a) above and after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted, commencing in the 11th fiscal year (as determined below) and continuing through the last fiscal year in which the agency receives tax increments from the redevelopment project area, an amount equal to 21% of tax increment revenues received by the agency from the redevelopment project area, calculated by applying the tax rate against the amount of assessed value by which the current fiscal year assessed value exceeds the assessed value of the redevelopment project area in the 10th fiscal year in which the agency receives tax increments from such redevelopment project area; and
- (c) in addition to amounts payable as described in (a) and (b) above and after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted, commencing in the 31st fiscal year (as determined below) and continuing through the last fiscal year in which the agency receives tax increments from the redevelopment project area, an amount equal to 14% of tax increment revenues received by the agency from the redevelopment project area, calculated by applying the tax rate against the amount of assessed value by which the current fiscal year assessed value exceeds the assessed value of the redevelopment project area in the 30th fiscal year in which the agency receives tax increments from such redevelopment project area.

For the purposes of such calculations, (i) the “first fiscal year” shall be the first fiscal year following the fiscal year in which the limitation being amended would have taken effect without the amendment or, if more than one limitation is being amended, the first year in which one or more of the limitations would have taken effect without the amendment (the “Adjusted Base Year”), and (ii) the amounts calculated shall be calculated against the amount of assessed value by which the current year assessed value exceeds the Adjusted Base Year assessed value.

The City Council adopted Ordinance No. 274 on November 5, 2007 to eliminate the time limit to incur indebtedness (previously December 23, 2006) for Project No. 5 pursuant to SB 211. Accordingly, Statutory Tax Sharing payments with respect taxing agencies for which no Pass-Through Agreements were entered into commenced in Fiscal Year 2008-09 pursuant to Section 33607.7, except for the City. There is no Statutory Tax Sharing with respect to Project No. 1.

Under the Dissolution Act, the Agency is no longer responsible for the payment of Statutory Pass-Through Amounts. Instead, the Dissolution Act requires the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed for Statutory Pass-Through Amounts to the taxing entities for each six-month period before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Agency’s Redevelopment Obligation Retirement Fund each January 2 and June 1.

The Dissolution Act provides for a procedure by which the Agency may make Statutory Pass-Through Amounts subordinate to the 2014 Loans; however, the Agency has determined not to undertake such procedure, and therefore, Statutory Pass-Through Amounts are not subordinate to the 2014 Loans.

See “PLEDGED REVENUES—Projected Taxable Valuation and Pledged Tax Revenues” herein.

Land Uses in Project Areas

Land use for fiscal year 2013-14 in the Project Areas are shown in the following tables.

**CALIMESA REDEVELOPMENT PROJECT AREA NO. 1
Assessed Valuation and Parcels by Land Use
Fiscal Year 2013-14**

Land Use	Number of Parcels	2013-14 Secured Assessed Valuation	Percent of Secured Assessed Valuation
Commercial	46	\$23,972,819	64.51%
Single Family Residential	53	6,583,057	17.71
Vacant Agricultural	9	3,437,649	9.25
Vacant Residential	17	1,579,686	4.25
Miscellaneous	12	961,719	2.59
Multifamily Residential	4	627,440	1.69
Government	7	4	0.00
Total:	148	\$37,162,374	100.0%

Source: Urban Futures, Inc. with information from the Riverside County 2013-14 Secured Property Tax Roll.

**CALIMESA REDEVELOPMENT PROJECT AREA NO. 5
Assessed Valuation and Parcels by Land Use
Fiscal Year 2013-14**

Land Use	Number of Parcels	2013-14 Secured Assessed Valuation	Percent of Secured Assessed Valuation
Commercial	120	\$64,406,573	89.03%
Single Family Residential	53	4,891,358	6.76
Multifamily Residential	12	2,754,626	3.81
Vacant Residential	5	236,372	0.33
Miscellaneous	6	49,871	0.07
Government	5	1,151	0.00
Total:	201	\$72,339,951	100.0%

Source: Urban Futures, Inc. with information from the Riverside County 2013-14 Secured Property Tax Roll.

Largest Taxpayers

Set forth below are the ten largest taxpayers in Project No. 1 and Project No. 5, respectively, based on the 2013-14 secured property tax roll.

**CALIMESA REDEVELOPMENT PROJECT AREA NO. 1
Ten Largest Secured Property Taxpayers
2013-14 Fiscal Year**

Property Owner	Land Use	2013-14 Secured Assessed Valuation	% of Total ⁽¹⁾
1.Stater Bros Market	Commercial	\$ 5,283,521	14.22%
2.San Gorgonio Land	Agricultural	2,674,867	7.20
3.Oak Valley Partners	Commercial	2,649,174	7.13
4.McDonalds Corp	Commercial	2,278,877	6.13
5.Monte Vista Medical Center	Commercial	1,963,826	5.28
6.Masini Kelly Ann	Commercial	1,836,535	4.94
7.Saba Partners Inc	Agricultural	1,702,273	4.58
8.Calimesa Plaza	Commercial	1,312,513	3.53
9.Patel Vibhakerbhaib	Commercial	1,259,310	3.39
10.Rowland Heights Mobile Estates	Commercial	<u>1,256,428</u>	<u>3.38</u>
Total		<u>\$22,217,324</u>	<u>59.78%</u>

(1) Based on fiscal year 2013-14 total Project No. 1 secured assessed valuation of \$37,162,374.
Source: Compiled by Urban Futures, Inc. from the Riverside County 2013-14 Secured Property Tax Roll.

**CALIMESA REDEVELOPMENT PROJECT AREA NO. 5
Ten Largest Secured Property Taxpayers
2013-14 Fiscal Year**

Property Owner	Land Use	2013-14 Secured Assessed Valuation	% of Total ⁽¹⁾
1.Redus One	Commercial	\$7,259,962	10.04%
2.Walgreen Co.	Commercial	5,947,238	8.22
3.5th Street Business Park	Commercial	4,286,191	5.93
4.Learned Perry LP	Commercial	2,982,791	4.12
5.Atlas Storage	Commercial	2,652,000	3.67
6.Avakian Joseph L	Commercial	2,407,564	3.33
7.Fresh & Easy Neighborhood Markets Inc	Commercial	2,226,916	3.08
8.Maingot William George	Commercial	2,221,152	3.07
9.Tsai Yun Chih	Commercial	2,010,080	2.78
10.Jack in the Box	Commercial	<u>1,769,505</u>	<u>2.45</u>
Total		<u>\$33,763,399</u>	<u>46.67%</u>

(1) Based on fiscal year 2013-14 total Project No. 5 secured assessed valuation of \$72,339,951.
Source: Compiled by Urban Futures, Inc. from the Riverside County 2013-14 Secured Property Tax Roll.

Appeals

As previously discussed under “PROPERTY TAXATION IN CALIFORNIA – Appeals of Assessed Values,” property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

From August 1, 2007 through April 1, 2014, 43 appeals were filed by property owners with respect to assessed values of their respective parcels in Project No. 1. The aggregate assessed value of the properties subject to such appeals was \$34,873,315. Collectively, the appeals filed during this period requested reductions in assessed values in a total amount of \$17,607,788, of which amount a reduction of \$281,774, in the aggregate (amounting to 1.60% of the requested reductions and pertaining to 2 successful appeals), was allowed by the State Board of Equalization.

From August 1, 2007 through April 1, 2014, 28 appeals were filed by property owners with respect to assessed values of their respective parcels in Project No. 5. The aggregate assessed value of the properties subject to such appeals was \$47,002,621. Collectively, the appeals filed during this period requested reductions in assessed values in a total amount of \$23,181,167, of which amount a reduction of \$357,638, in the aggregate (amounting to 1.54% of the requested reductions and pertaining to 2 successful appeals), was allowed by the State Board of Equalization.

Currently, there are 16 outstanding assessed valuation appeals with respect to parcels located in Project No. 1 and 17 outstanding assessed valuation appeals with respect to parcels located in Project No. 5. The aggregate assessed value of the properties in Project No. 1 currently subject to such appeals is \$9,235,220, and collectively, the appeals have requested reductions in assessed values in a total amount of \$3,867,678. The aggregate assessed value of the properties in Project No. 5 currently subject to such appeals is \$43,057,322, and collectively, the appeals have requested reductions in assessed values in a total amount of \$18,886,157. The Authority and the Agency have no way of knowing the outcome of these appeals or their effect on the valuation in the Project Areas.

See “APPENDIX G – FINANCIAL ADVISOR’S REPORT,” for further details regarding the appeals historical and currently outstanding assessment appeals with respect to property located within the Project Areas.

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PLEGGED REVENUES

Pledged Tax Revenues (as described in the section “SECURITY FOR THE BONDS” herein) are to be deposited by the Agency in the Redevelopment Obligation Retirement Fund, and thereafter transferred by the Agency to the Authority for deposit in the respective Bond Funds established under the 2014 Loan Agreements. Monies deposited into such Bond Funds are thereafter transferred by the Authority to the Trustee for deposit in the Revenue Fund established under the Indenture and administered by the Trustee and applied to the payment of the principal of and interest on the Bonds.

Schedules of Historical Incremental Revenues

The following tables are schedules of the taxable valuations and resulting incremental revenues in each Project Area for the Fiscal Years 2010-11 through 2013-14.

Calimesa Redevelopment Project Area No. 1 Assessed Valuation and Incremental Revenues

	2010-11	2011-12	2012-13	2013-14
Assessed Valuation (AV)	\$38,090,573	\$38,791,114	\$39,639,590	\$40,074,510
Base Year Value	(18,860,692)	(18,860,692)	(18,860,692)	(18,860,692)
Incremental Value	\$19,229,881	\$19,930,422	\$20,778,898	\$21,213,818
Estimated Incremental Revenues	\$ 228,739	\$ 199,304 ⁽¹⁾	\$ 207,789 ⁽¹⁾	\$ 212,138 ⁽¹⁾
Base Year as a % of Current AV	49.52%	48.62%	47.58%	47.06%
Housing Set-Aside ⁽²⁾	\$ (45,748)	\$ (39,861)	--	--
County Administration Fees	(2,996)	(2,522)	\$ (2,522)	\$ (2,779)
Pass-Throughs ⁽³⁾	(101,636)	(88,557)	(92,327)	(94,259)
Net Available for Debt Service	\$ 78,359	\$ 68,365	\$ 112,940	\$ 115,100

(1) Estimated based on a 1.00% property tax rate, per AB 1484. Rate prior to the implementation of AB 1484 was approximately 1.19%

(2) Per AB 1484, the Successor Agency is no longer required to set aside tax revenues for housing purposes in 2012-13 and thereafter.

(3) See “THE PROJECT AREAS – Pass-Through Agreements” and “– Statutory Pass-Throughs.”

Source: Urban Futures, Inc.

Calimesa Redevelopment Project Area No. 5 Assessed Valuation and Incremental Revenues

	2010-11	2011-12	2012-13	2013-14
Assessed Valuation (AV)	\$77,627,565	\$78,162,044	\$80,983,059	\$85,570,011
Base Year Value	(16,364,744)	(16,364,744)	(16,364,744)	(16,364,744)
Incremental Value	\$61,262,821	\$61,797,300	\$64,618,315	\$69,205,267
Estimated Incremental Revenues	\$ 728,721	\$ 617,973 ⁽¹⁾	\$ 646,183 ⁽¹⁾	\$ 692,053 ⁽¹⁾
Base Year as a % of Current AV	21.08%	20.94%	20.21%	19.12%
Housing Set-Aside ⁽²⁾	\$ (145,744)	\$ (123,595)	--	--
County Administration Fees	(9,546)	(7,857)	\$ (7,857)	\$ (9,066)
Pass-Throughs ⁽³⁾	(234,683)	(202,041)	(213,020)	(230,870)
Net Available for Debt Service	\$ 338,748	\$ 284,480	\$ 425,306	\$ 452,117

(1) Estimated based on a 1.00% property tax rate, per AB 1484. Rate prior to the implementation of AB 1484 was approximately 1.19%

(2) Per AB 1484, the Successor Agency is no longer required to set aside tax revenues for housing purposes in 2012-13 and thereafter.

(3) See “THE PROJECT AREAS – Pass-Through Agreements” and “– Statutory Pass-Throughs.”

Source: Urban Futures, Inc.

Projected Taxable Valuation and Pledged Tax Revenues

The Authority has retained Urban Futures, Inc. of Orange, California to provide projections of taxable valuation and Pledged Tax Revenues the property in the Project Areas. The Authority and the Agency believe the assumptions (set forth in the footnotes below and “APPENDIX G – FINANCIAL ADVISOR’S REPORT”) upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur (see “RISK FACTORS”). Therefore, the actual Pledged Tax Revenues received during the forecast period may vary from the projections and the variations may be material. Summaries of the projected taxable valuation and projected Pledged Tax Revenues to be derived from each Project Area are as follows:

Calimesa Redevelopment Project Area No. 1 Projected Taxable Valuation and Pledged Tax Revenues

Fiscal Year Ended	Taxable Assessed Valuation ⁽¹⁾	Gross Pledged Tax Revenues ⁽¹⁾	County Admin. Fees	Pass-Through Agreements	Net Pledged Tax Revenues Available for Debt Service ⁽²⁾
2014	\$40,074,510	\$212,138	\$2,779	\$ 94,259	\$115,100
2015	40,876,000	220,153	2,884	97,821	119,448
2016	41,693,520	228,328	2,991	101,453	123,884
2017	42,527,391	236,667	3,100	105,158	128,408
2018	43,377,938	245,172	3,212	108,937	133,023
2019	44,245,497	253,848	3,325	112,792	137,730
2020	45,130,407	262,697	3,441	116,724	142,532
2021	46,033,015	271,723	3,560	120,735	147,429
2022	46,953,676	280,930	3,680	124,826	152,424
2023	47,892,749	290,321	3,803	128,998	157,519
2024	48,850,604	299,899	3,929	133,254	162,716
2025	49,827,616	309,669	4,057	137,595	168,017
2026	50,824,168	319,635	4,187	142,023	173,424
2027	51,840,652	329,800	4,320	146,540	178,939
2028	52,877,465	340,168	4,456	151,147	184,565
2029	53,935,014	350,743	4,595	155,846	190,303
2030	55,013,714	361,530	4,736	160,639	196,155
2031	56,113,989	372,533	4,880	165,528	202,125
2032	57,236,269	383,756	5,027	170,514	208,214
2033	58,380,994	395,203	5,177	175,601	214,425
2034	59,548,614	406,879	5,330	180,789	220,760
2035	60,739,586	418,789	5,486	186,080	227,222
2036	61,954,378	430,937	5,645	191,478	233,813
2037	63,193,465	443,328	5,808	196,984	240,536
2038	64,457,335	455,966	5,973	202,600	247,394

(1) Commencing Fiscal Year 2014-15, based on projected 2% annual assessed valuation growth over Fiscal Year 2013-14 actual assessed valuation and projected 2% assessed valuation growth annually thereafter.

(2) Based on the columns “Gross Pledged Tax Revenues,” less “County Admin. Fees,” and “Pass-Through Agreements.”

**Calimesa Redevelopment Project Area No. 5
Projected Taxable Valuation and Pledged Tax Revenues**

Fiscal Year Ended	Taxable Assessed Valuation ⁽¹⁾	Gross Pledged Tax Revenues ⁽¹⁾	County Admin. Fees	Statutory Pass-Throughs	Pass-Through Agreements	Net Pledged Tax Revenues Available for Debt Service ⁽²⁾
2014	\$ 85,570,011	\$ 692,053	\$ 9,066	\$23,890	\$206,981	\$452,117
2015	87,281,411	709,167	9,290	25,431	212,099	462,346
2016	89,027,039	726,623	9,519	27,004	217,320	472,781
2017	90,807,580	744,428	9,752	28,607	222,645	483,424
2018	92,623,732	762,590	9,990	30,243	228,077	494,280
2019	94,476,206	781,115	10,233	33,314	233,617	503,951
2020	96,365,731	800,010	10,480	36,445	239,269	513,816
2021	98,293,045	819,283	10,733	39,640	245,033	523,878
2022	100,258,906	838,942	10,990	42,898	250,912	534,141
2023	102,264,084	858,993	11,253	46,221	256,910	544,610
2024	104,309,366	879,446	11,521	49,611	263,027	555,287
2025	106,395,553	900,308	11,794	53,069	269,266	566,179
2026	108,523,464	921,587	12,073	56,596	275,630	577,288
2027	110,693,934	943,292	12,357	60,193	282,122	588,620
2028	112,907,812	965,431	12,647	63,863	288,743	600,178
2029	115,165,969	988,012	12,943	67,605	295,497	611,967
2030	117,469,288	1,011,045	13,245	71,423	302,386	623,992
2031	119,818,674	1,034,539	13,552	75,317	309,412	636,258
2032	122,215,047	1,058,503	13,866	79,288	316,579	648,769
2033	124,659,348	1,082,946	14,187	83,340	323,890	661,530
2034	127,152,535	1,107,878	14,513	87,472	331,346	674,546
2035	129,695,586	1,133,308	14,846	91,687	338,952	687,823
2036	132,289,497	1,159,248	15,186	95,986	346,710	701,365
2037 ⁽³⁾	--	--	--	--	--	--
2038 ⁽³⁾	--	--	--	--	--	--

- (1) Commencing Fiscal Year 2014-15, based on projected 2% annual assessed valuation growth over Fiscal Year 2013-14 actual assessed valuation and projected 2% assessed valuation growth annually thereafter.
- (2) Based on the columns “Gross Pledged Tax Revenues,” less “County Admin. Fees,” “Statutory Pass-Throughs,” and “Pass-Through Agreements.”
- (3) The right to receive property taxes with respect to Project No. 5 terminates prior to the final maturity of the Bonds. See “RISK FACTORS – Time Limits on Receiving Tax Increment Revenues.”

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Annual Debt Service

Set forth below is the annual debt service (assuming scheduled sinking fund payments) for the term of the Bonds.

**Calimesa Financing Authority
Tax Allocation Refunding Revenue Bonds
(Calimesa Redevelopment Project No. 1 and Project No. 5)
Series 2014
Annual Debt Service***

Maturity Date (December 1 of)	Principal	Interest	Total Debt Service
2014	\$ 155,000.00	\$ 64,234.27	\$ 219,234.27
2015	90,000.00	124,797.00	214,797.00
2016	90,000.00	123,735.00	213,735.00
2017	95,000.00	122,115.00	217,115.00
2018	95,000.00	120,044.00	215,044.00
2019	100,000.00	117,602.50	217,602.50
2020	95,000.00	114,792.50	209,792.50
2021	105,000.00	111,733.50	216,733.50
2022	110,000.00	107,985.00	217,985.00
2023	110,000.00	103,750.00	213,750.00
2024	115,000.00	99,273.00	214,273.00
2025	120,000.00	94,431.50	214,431.50
2026	125,000.00	89,199.50	214,199.50
2027	135,000.00	83,587.00	218,587.00
2028	135,000.00	77,390.50	212,390.50
2029	145,000.00	71,032.00	216,032.00
2030	150,000.00	63,695.00	213,695.00
2031	160,000.00	56,105.00	216,105.00
2032	170,000.00	48,009.00	218,009.00
2033	175,000.00	39,407.00	214,407.00
2034	185,000.00	30,552.00	215,552.00
2035	195,000.00	20,636.00	215,636.00
2036	60,000.00	10,184.00	70,184.00
2037	65,000.00	6,968.00	71,968.00
2038	65,000.00	3,484.00	68,484.00
Total	<u>\$3,045,000.00</u>	<u>\$1,904,742.27</u>	<u>\$4,949,742.27</u>

* Preliminary; subject to change.

Debt Service Coverage – 2014 Loans

The projected debt service coverage for the 2014 Loans, and therefore, on the Bonds, for the Bond Years ending December 1, 2014 through December 1, 2038 is set forth in the following table, based on two growth scenarios for assessed valuation within the Project Areas: (i) annual projected growth in assessed valuation of 2% in 2014-15 and 2% annually thereafter, and (ii) no growth in assessed valuation of the Project Areas from 2013-14 assessed valuation (see “PLEDGED REVENUES – Projected Taxable Valuation and Pledged Tax Revenues” and “APPENDIX G – FINANCIAL ADVISOR’S REPORT”).

Projected Debt Service Coverage on 2014 Loans and Bonds

Bond Year Ending December 1	Projected Net Pledged Tax Revenues Derived from Project No. 1 ⁽¹⁾	Projected Net Pledged Tax Revenues Derived from Project No. 5 ⁽¹⁾	Projected Total Net Pledged Tax Revenues ⁽¹⁾	2014 Project No. 1 Loan Debt Service ^{(2)*}	2014 Project No. 5 Loan Debt Service ^{(2)*}	Total Debt Service on 2014 Loans / Bonds ^{(3)*}	Projected Debt Service Coverage on 2014 Loans / Bonds (Growth Scenario) ^{(4)*}	Projected Debt Service Coverage on 2014 Loans / Bonds (No-Growth Scenario) ^{(5)*}
2014	\$115,100	\$452,117	\$567,216	\$80,590	\$138,644	\$219,234	2.59x	2.59x
2015	119,448	462,346	581,795	78,959	135,838	214,797	2.71x	2.64x
2016	123,884	472,781	596,665	78,569	135,166	213,735	2.79x	2.65x
2017	128,408	483,424	611,832	79,811	137,304	217,115	2.82x	2.61x
2018	133,023	494,280	627,303	79,050	135,994	215,044	2.92x	2.64x
2019	137,730	503,951	641,681	79,991	137,612	217,603	2.95x	2.61x
2020	142,532	513,816	656,347	77,120	132,672	209,792	3.13x	2.70x
2021	147,429	523,878	671,307	79,671	137,063	216,734	3.10x	2.62x
2022	152,424	534,141	686,565	80,131	137,854	217,985	3.15x	2.60x
2023	157,519	544,610	702,129	78,575	135,176	213,750	3.28x	2.65x
2024	162,716	555,287	718,004	78,767	135,506	214,273	3.35x	2.65x
2025	168,017	566,179	734,196	78,825	135,607	214,432	3.42x	2.65x
2026	173,424	577,288	750,713	78,740	135,459	214,199	3.50x	2.65x
2027	178,939	588,620	767,559	80,353	138,234	218,587	3.51x	2.59x
2028	184,565	600,178	784,743	78,075	134,316	212,391	3.69x	2.67x
2029	190,303	611,967	802,270	79,413	136,619	216,032	3.71x	2.63x
2030	196,155	623,992	820,148	78,554	135,141	213,695	3.84x	2.65x
2031	202,125	636,258	838,383	79,440	136,665	216,105	3.88x	2.62x
2032	208,214	648,769	856,983	80,140	137,869	218,009	3.93x	2.60x
2033	214,425	661,530	875,955	78,816	135,591	214,407	4.09x	2.65x
2034	220,760	674,546	895,307	79,237	136,315	215,552	4.15x	2.63x
2035	227,222	687,823	915,045	79,268	136,368	215,636	4.24x	2.63x
2036	233,813	701,365	935,179	70,184	--	70,184	13.32x	8.08x
2037	240,536	--	240,536	71,968	--	71,968	3.34x	1.60x
2038	247,394	--	247,394	68,484	--	68,484	3.61x	1.68x

* Preliminary; subject to change.

(1) Annual projected growth in assessed valuation is 2% in 2014-15 from 2013-14 valuation, and 2% annually thereafter.

(2) Based on Pro Rata Share (as defined in the 2014 Loan Agreements and the Indenture) of total debt service, which is the same as the “Pro Rata Share” from 2008 Loan Agreements to achieve same percentage of savings per Project Area.

(3) Includes debt service on the 2014 Project No. 1 Loan and on the 2014 Project No. 5 Loan.

(4) Projected Total Net Pledged Tax Revenues (from both Project Areas) assuming assessed valuation growth per footnote (1) above, divided by Total Debt Service on 2014 Loans. Annual Total Debt Service on 2014 Loans is equivalent to annual debt service on the Bonds for each Bond Year.

(5) Assumes assessed valuation of property within the Project Areas, and therefore, Projected Total Net Pledged Tax Revenues, remain constant through maturity of the Bonds, at 2013-14 Projected Total Net Pledged Tax Revenues amounts.

Source: Jefferies LLC as to debt service on the 2014 Loans and Bonds; Urban Futures, Inc.

CONCLUDING INFORMATION

Underwriting

The Bonds are being purchased for reoffering by Jefferies LLC (the “Underwriter”). The original purchase price (being the initial principal amount of the Bonds [plus/less] the net reoffering [premium/discount] in the amount of \$_____ and less an underwriter’s discount of \$_____) to be paid for the Bonds is \$_____. The Underwriter intends to offer the Bonds to the public initially at the yields set forth on the cover page of this Official Statement, which yields may subsequently change without any requirement of prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers.

Legal Opinion

The opinion of Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California (“Bond Counsel”), approving the validity of the Bonds and stating that interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is also exempt from personal income taxes of the State of California under present State income tax laws, will be furnished to the purchaser at the time of delivery of the Bonds at the expense of the Agency. Compensation for Bond Counsel's services is entirely contingent upon the sale and delivery of the Bonds.

A copy of the proposed form of Bond Counsel's final approving opinion with respect to the Bonds is attached hereto as APPENDIX C.

The legal opinion is only as to legality and is not intended to be nor is it to be interpreted or relied upon as a disclosure document or an express or implied recommendation as to the investment quality of the Bonds.

In addition, certain legal matters will be passed on for the Authority by Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, as Disclosure Counsel, and for the Underwriter by Quint & Thimmig LLP, Larkspur, California, as Underwriter’s Counsel.

Tax Exemption

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to their date of issue. These requirements include, but are not limited to, provisions which limit how the proceeds of the Bonds may be spent and invested, and generally require that certain investment earnings be rebated on a periodic basis to the United States of America. The District has made certifications and representations and has covenanted to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

In the opinion of Richards, Watson & Gershon, A Professional Corporation, Bond Counsel, under existing law and assuming the accuracy of such certifications and representations by the District and compliance with such covenants, (i) interest on the Bonds is excluded from gross income for Federal

income tax purposes under Section 103 of the Code, and (ii) the Bonds are not “specified private activity bonds” within the meaning of Section 57(a)(5) of the Code and, therefore, interest on the Bonds is not a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code. Bond Counsel is also of the opinion that under existing law interest on the Bonds is exempt from State of California personal income taxes. Further, Bond Counsel is also of the opinion that, under current federal income tax laws, the Bonds will qualify as qualified tax-exempt obligations under Section 265(b)(3) of the Code.

Under the Code, a portion of the interest on the Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. The exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals eligible for the earned income tax credit. Bond Counsel will express no opinion regarding these and other such consequences.

Bond Counsel has not undertaken to advise in the future whether any circumstances or events occurring after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions which could eliminate, or directly or indirectly reduce the benefit of the exclusion of interest on the Bonds from gross income for Federal income tax purposes. Certain requirements and procedures contained or referred to in relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to any Bond, or the interest thereon, if any such change occurs or action is taken upon the advice or approval of bond counsel other than Richards, Watson & Gershon, A Professional Corporation.

If the issue price of a Bond (the first price at which a substantial amount of the bonds of a maturity are to be sold to the public) is less than the stated redemption price at maturity of such Bond, the difference constitutes original issue discount, the accrual of which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant yield method over the term of each such Bond and the basis of each Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount is generally taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Purchasers who acquire Bonds with original issue discount are advised that they should consult with their own independent tax advisors with respect to the state and local tax consequences of owning such Bonds.

If the issue price of a Bond is greater than the stated redemption price at maturity of such Bond, the difference constitutes original issue premium, the amortization of which is not deductible from gross income for Federal income tax purposes. Original issue premium is amortized over the period to maturity of such Bond based on the yield to maturity of that Bond (or, in the case of a Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Bond), compounded semiannually. For purposes of determining gain or loss on the sale or other disposition of such Bond, the purchaser is required to decrease such purchaser’s adjusted basis in such Bond by the amount of premium that has amortized while the purchaser has owned the Bond.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If an owner of a Bond is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Prospective purchasers of the Bonds should consult their own independent tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Bonds at other than their original issuance at the respective prices indicated on the cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

The Internal Revenue Service has established a program to audit issues of tax-exempt bonds in order to determine whether, in its view, interest should instead be included in gross income of the Bondholders for purposes of federal income taxation. It cannot be predicted whether or not the Bonds will be subjected to such an audit. If such an audit is undertaken, it could adversely affect the market value of the Bonds until the audit is concluded, regardless of the ultimate outcome of the audit. See “RISK FACTORS – Loss of Tax-Exemption” herein.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX C.

No Litigation

There is no action, suit or proceeding known to the Authority or the Agency to be pending and notice of which has been served upon and received by the Authority or Agency, as applicable, or threatened, restraining or enjoining the execution or delivery of the Bonds, the Indenture, or the 2014 Loan Agreements or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority and the Agency taken with respect to any of the foregoing.

[No] Rating

[The Authority has not made, and does not contemplate making, application to any rating agency for the assignment of a rating to the Bonds.]

[Standard & Poor’s Credit Markets Services, a Division of The McGraw-Hill Companies, (“S&P”) has assigned their municipal bond rating of “___” to the Bonds. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating may be obtained from such rating agency at the following addresses: Standard & Poor’s Ratings Services, 55 Water Street, New York, New York 10041, (212) 438-2000. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.]

Continuing Disclosure

Pursuant to a Continuing Disclosure Agreement (the “Disclosure Agreement”) with the Trustee and Urban Futures, Inc., as dissemination agent (the “Dissemination Agent”), the Agency has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board (“MSRB”) certain annual financial information and operating data within nine (9) months after the end of the Agency’s fiscal year,

including (a) its postaudit of the financial transactions and records of the Agency for the applicable fiscal year pursuant to Section 34177(n) of the Dissolution Act, and (b) information of the type set forth in this Official Statement in the tables entitled “Assessed Valuation and Incremental Revenues” for the Project Areas under the caption “PLEGGED REVENUES – Schedule of Historical Incremental Revenues” and in the tables entitled “Ten Largest Secured Property Taxpayers” under the caption “THE PROJECT AREAS – Largest Taxpayers.”

In addition, the Agency has agreed to provide, or cause to be provided, to the MSRB in a timely manner, not in excess of ten business days after the occurrence of any such event, notice of the following “Listed Events”: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security; (7) modifications to rights of security holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the securities, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Obligated Person (as defined in “APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT”); (13) the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (“Rule 15c2-12”). The Agency may amend the Disclosure Agreement, and waive any provision thereof, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Agency or the type of business conducted thereby; (2) the Disclosure Agreement as so amended would have complied with the requirements of Rule 15c2-12 as of the date of the Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) the Agency shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Agency and the Dissemination Agent, to the same effect as set forth in clause (2) above; (4) the Agency shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Agency, to the effect that the amendment does not materially impair the interests of the Owners; and (5) the Agency shall have delivered copies of such opinion and amendment to the MSRB.

In addition, the Agency's obligations under the Disclosure Agreement shall terminate upon the defeasance or payment in full of all of the Bonds. The provisions of the Disclosure Agreement are intended to be for the benefit of the Owners and shall be enforceable by the Trustee on behalf of such Owners, provided that any enforcement action shall be limited to a right to obtain specific enforcement of the Agency's obligations under the Disclosure Agreement and any failure by the Agency to comply with the provisions thereof shall not be an event of default under the Indenture or under the 2014 Loan Agreements. See “APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT.”

Presentation of Agency Financial Statements Subsequent to Statutory Dissolution.

As previously described herein, the Prior Agency was statutorily dissolved on February 1, 2012, and the Agency commenced operations as of the same date. Therefore, the Prior Agency operated for only seven months in fiscal year ended June 30, 2012, and the Agency operated for the last five months of fiscal year ended June 30, 2012. These activities of the Prior Agency and the Agency with respect to fiscal year ended June 30, 2012 were reported in audited financial statements prepared for the Agency for such fiscal year, separately from City audited financial statements. Pursuant to the Dissolution Act, the housing assets, housing obligations, and housing activities of the Prior Agency were transferred to the City.

Commencing with fiscal year ended June 30, 2013, the Agency will no longer prepare separate audited financial statements from the City, but rather the activities of the Agency will be reported as a fiduciary trust fund as part of the City's Annual Audit Report (i.e., audited financial statements), which is in accordance with guidance issued by the State Department of Finance on September 19, 2012 and available on its website as of April 29, 2014, interpreting Section 34177(n) of the California Health and Safety Code concerning certain successor agency postaudit obligations. See "APPENDIX F – ANNUAL AUDIT REPORT FOR FISCAL YEAR ENDED JUNE 30, 2013 (EXCERPTS)," and in particular Note 10 therein regarding "Dissolution of Redevelopment Agencies in California and Resultant Successor Agency to the Former Redevelopment Agency." A complete copy of the City of Calimesa Annual Audit Report for fiscal year ended June 30, 2013 can be obtained from the City's Finance Department.

In accordance with accounting principles generally accepted in the United States of America which provide guidance for determining which governmental activities, organizations and functions should be included in the reporting entity, the Annual Audit Report presents information on the activities of the reporting entity, which includes the City (the primary government) and related but separate legal entities such as the Calimesa Financing Authority, the Prior Agency, and the Agency. Such accounting presentation, however, does not change the separate legal status of the entities. With regard to the Agency in particular, as set forth in Section 34173(g) of the Dissolution Act, "A successor agency is a separate public entity from the public agency that provides for its governance and the two entities shall not merge."

The State Department of Finance's website is not in any way incorporated into this Official Statement, and the Agency cannot take any responsibility for, nor make any representation whatsoever as to, the continued accuracy of the Internet address or the accuracy, completeness, or timeliness of information posted there. In addition, from time to time, the State Department of Finance changes its guidance without notice.

Continuing Disclosure History.

In connection with the 2008 Bonds, the Prior Agency entered into continuing disclosure obligations under Rule 15c2-12 to file annual financial statements by March 31 of each year. Prior to the printing of this Official Statement, an examination was conducted of the continuing disclosure filings by the Prior Agency and the Agency during the past five years. The result of such examination indicated a few instances of filing delays. The continuing disclosure filings for the first year after the issuance of the 2008 Bonds inadvertently were filed approximately five months after March 31. After the first year, however, the portion of the filings comprised of annually updated information of certain tables and portions of Official Statement, dated March 19, 2008, for the 2008 Bonds, have timely been filed by the applicable March 31, with the exception of the most recent filing, which was filed on April 4, 2014, due to problems experienced by the Dissemination Agent with respect to the Electronic Municipal Market Access System (the "EMMA System") of the MSRB. As to the portion of the filings comprised of the

annual financial statements, the financial statements were filed in three instances in April, when the audit reports for the respective audited financial statements were complete. In another instance, the annual financial statements were not filed until July, even though audited financial statements were completed by January, due to changes in key personnel of City's finance department, which also handles financial matters of the Prior Agency and Agency. For the most recent fiscal year, 2012-13, the City and Agency engaged a new auditor, which required additional time for the auditors to become familiar with the City and Agency accounting practices. Now that this initial process has taken place, the Agency expects that future audited financial statements will proceed with the new auditors more expediently. The Agency believes that its procedures with its Dissemination Agent are sufficient in the normal due course to assure substantial compliance with its continuing disclosure undertakings and that the above-mentioned filing delays are anomalies due to unusual circumstances.

A failure by the Agency to comply with the provisions of the Disclosure Agreement is not an event of default under the Indenture or the 2014 Loan Agreements (although the Trustee does have remedies at law and in equity). However, a failure to comply with the provisions of the Disclosure Agreement must be reported in accordance with the SEC Rule 15c2-12(b)(5) and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds. Therefore, a failure by the Agency to comply with the provisions of the Disclosure Agreement may adversely affect the marketability of the Bonds on the secondary market.

Miscellaneous

All of the preceding summaries of the Indenture, the 2014 Loan Agreements, the Escrow Agreement, the Bond Law, the Dissolution Act, the Redevelopment Law, other applicable legislation, the Redevelopment Plans for the Project Areas, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Authority for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement by its Chief Administrative Officer has been duly authorized by the Authority.

CALIMESA FINANCING AUTHORITY

By: _____
Chief Administrative Officer

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY OF CALIMESA

The following information concerning the City of Calimesa and the surrounding area is included herein only for the purpose of supplying general information regarding the community. Neither the Bonds, nor the obligations of the Agency under the 2014 Loan Agreements, are a debt of the City, the County, the State of California or any of its political subdivisions (except the Agency and the Authority, as applicable) and neither said City, said County, said State or any of its political subdivisions (except the Agency and the Authority, as applicable) is liable therefor. See the section in the forepart of this Official Statement entitled "SECURITY FOR THE BONDS."

General

The City is located in the County of Riverside in the San Gorgonio Pass area, in the highlands between Redlands and Beaumont. Situated in northwest Riverside County, the City flanks either side of Interstate 10 and borders the County of San Bernardino. The City was incorporated in December 1990 and has a general law form of government. The City Council is elected at large, and the City Council annually elects the Mayor from the councilmembers.

The City is at an elevation of 2,500 feet and encompasses approximately 15.6 square miles. The average high temperature is 79.5 degrees, and the average low temperature is 50.2 degrees. Annual precipitation ranges between 17 inches and 39 inches, with higher altitude areas generally receiving between 30 and 39 inches, and the lower elevation areas receiving between 17 and 30 inches.

Population

The City's estimated population on January 1, 2013 was 8,094. The following table shows the estimated past population data for the City.

CITY OF CALIMESA

Date	Population	Date	Population
Jan. 1, 2004	7,579	Jan. 1, 2009	7,747
Jan. 1, 2005	7,601	Jan. 1, 2010	7,847
Jan. 1, 2006	7,608	Jan. 1, 2011	7,910
Jan. 1, 2007	7,605	Jan. 1, 2012	8,022
Jan. 1, 2008	7,626	Jan. 1, 2013	8,094

Source: Demographic Research Unit, California State Department of Finance.

Assessed Valuation

A ten year history of the City's taxable assessed valuation is as follows:

	Total Assessed Value	% change from Previous Year
2004-05	\$429,748,987	10.39%
2005-06	481,420,409	12.02
2006-07	565,628,577	17.49
2007-08	628,351,796	11.09
2008-09	674,541,416	7.35
2009-10	593,585,951	-12.00
2010-11	562,563,395	-5.23
2011-12	555,699,706	-1.22
2012-13	566,297,899	1.91
2013-14	581,850,467	2.74

Source: Urban Futures, Inc.

Employment and Industry

The City is located in Riverside County. The available labor force employment and unemployment figures over the last five years for Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA), which encompasses Riverside and San Bernardino Counties, is as follows.

Riverside-San Bernardino-Ontario MSA Annual Average Labor Force and Industry Employment

Industry	2009	2010	2011	2012	2013
Total Farm	15,200	15,000	14,900	15,000	14,600
Mining and Logging	1,200	1,000	1,000	1,200	1,200
Construction	67,400	59,700	58,700	62,600	69,300
Manufacturing	88,500	85,100	85,800	86,700	86,800
Trade, Transportation and Utilities	269,700	270,800	275,100	288,200	299,300
Information	14,800	15,800	15,000	11,500	11,300
Financial Activities	43,600	41,000	39,200	40,800	42,000
Professional and Business Services	127,300	123,400	126,100	127,100	132,600
Educational and Health Services	132,600	133,800	137,900	167,200	182,000
Leisure and Hospitality	123,000	122,800	124,300	129,300	136,200
Other Services	36,700	38,200	39,300	40,100	40,800
Government	<u>227,300</u>	<u>234,300</u>	<u>227,300</u>	<u>224,600</u>	<u>225,000</u>
Total All Industries ⁽¹⁾	<u>1,147,100</u>	<u>1,140,900</u>	<u>1,144,600</u>	<u>1,194,200</u>	<u>1,241,000</u>
Total Civilian Labor Force ⁽²⁾	1,778,200	1,798,200	1,799,000	1,812,800	1,818,300
Total Unemployment	236,600	257,700	241,200	217,900	184,900
Unemployment Rate	13.3%	14.3%	13.4%	12.0%	10.2%

⁽¹⁾ Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers and workers on strike.

⁽²⁾ Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers and workers on strike.

Source: State Employment Development Department, Labor Market Information Division.

Commercial Activity

A summary of historic taxable sales within the City is shown in the following table.

CITY OF CALIMESA				
Taxable Sales (Dollars in Thousands)				
	<u>RETAIL STORES</u>		<u>TOTAL ALL OUTLETS</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2004	77	\$37,668	176	\$40,742
2005	82	42,135	172	44,642
2006	79	47,290	150	50,575
2007	87	48,683	155	51,047
2008	83	47,830	153	54,285
	<u>RETAIL AND FOOD SERVICES⁽¹⁾</u>		<u>TOTAL ALL OUTLETS</u>	
2009	105	\$43,593	155	\$53,092
2010	116	45,792	159	51,057
2011	111	53,362	151	57,965
2012 ⁽²⁾	118	56,365	165	60,894

⁽¹⁾ Reflects change in reporting by California State Board of Equalization to reflect the board's conversion of business codes of sales and use tax permit holders from a prior system to the North American Industry Classification System (NAICS) codes. As a result of the coding change, industry-level data for 2009 and later are not comparable to industry-level data for 2008 and prior years.

⁽²⁾ Latest year-end data available.

Source: California State Board of Equalization.

Construction Activity

The following is a summary of the valuation of building permits issued by the City in calendar years 2008 through 2013.

CITY OF CALIMESA						
Building Permit Valuation (Dollars in Thousands)						
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Residential:						
New single-family units	\$1,214,753.0	\$ 892,790.0	\$ 914,057.4	\$	\$	\$
New multi-family	243,741.9	75,756.1	71,151.9			
Additions, alterations	118,488.7	85,148.0	94,427.5			
Total Residential	<u>\$1,576,983.6</u>	<u>\$1,053,694.1</u>	<u>\$1,079,636.8</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Non-Residential:						
New commercial	\$ 539,943.4	\$ 94,651.4	\$ 191,323.7	\$	\$	\$
New industrial	70,410.8	12,277.6	6,685.5			
Other	138,765.2	107,332.1	98,104.6			
Additions, alterations	292,693.8	162,557.5	243,265.5			
Total Non-Residential	<u>\$1,041,813.2</u>	<u>\$ 376,818.6</u>	<u>\$ 539,379.3</u>			
Total Valuation	<u>\$2,618,796.8</u>	<u>\$1,430,512.7</u>	<u>\$1,619,016.1</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Number of New Dwelling Units:						
Single-family	3,815	3,431	4,031			
Multi-family	2,104	759	526			
Total Units	<u>5,919</u>	<u>4,190</u>	<u>4,557</u>			

Source: Construction Industry Research Board, Building Permit Summary for 2008-2010; City of Calimesa for 2011-2013.

Utilities

Water and sewer services are provided to residents by the Yucaipa Valley Water District and the South Mesa Water Company. The City contracts with CR&R Waste and Recycling Services for trash collection services. Electricity is provided by Southern California Edison, natural gas is provided by The Gas Company, and the telephone service is supplied by Verizon.

Services and Community Facilities

The City's climate, fresh air and canyon views give rise to four golf resorts and extensive hillside trail systems. Within a few minutes of the City's center are the Calimesa Country Club, Oak Valley Golf Club, Yucaipa Valley Golf Club, and the PGA Golf Club of Southern California at Oak Valley. Calimesa's hills and valleys host miles of hiking, biking, and equestrian trails and are part of a larger regional trail system, including a wide range of surfaces and elevations.

Calimesa contracts with the Riverside County Sheriff's Department for police protection and contracts with the Riverside County Fire Department for fire protection services. The City has a full time paid staff of 13, with the Development Services Department (consisting of Community Development, Engineering, and Building & Safety) contracted out.

Two school districts serve the City: the Yucaipa-Calimesa Joint Unified School District and the Beaumont Unified School District. Nearby are Mt. San Jacinto Community College, and San Bernardino Community College, and within a half hour commuting distance of Calimesa is the Riverside campus of University of California.

The Norton Younglove Multipurpose Senior Center, in cooperation with the Riverside County Office on Aging, provides hot lunches five days a week on site and delivered to seniors, as well as offering a number of services for all ages, including bingo, trips, and classes.

APPENDIX B

**SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE
AND THE 2014 LOAN AGREEMENTS**

APPENDIX C
FORM OF BOND COUNSEL OPINION

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix D concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from DTC and the Authority takes no responsibility for the completeness or accuracy thereof. The Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on

behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium (if any), and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a

successor depository is not obtained, certificates representing the Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, representing the Bonds will be printed and delivered to DTC in accordance with the provisions of the Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

APPENDIX E
FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX F
ANNUAL AUDIT REPORT FOR
FISCAL YEAR ENDED JUNE 30, 2013 (EXCERPTS)

APPENDIX G
FINANCIAL ADVISOR'S REPORT

APPENDIX H
DOF DETERMINATION LETTER