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ANNUAL REPORT

For 2014-15 Fiscal Year
With Data for 2015-16 Fiscal Year

2011 Tax Allocation Bonds
Series A & B

Reedley Successor Agency

Reedley Redevelopment Project

March 2016

Section A - Introduction

In February 2011, the former Reedley Redevelopment Agency issued its 2011 Tax Allocation Bonds, Series A and B (Bonds) in the amount of $8,825,000. As part of the issuance of the Bonds, the Agency executed a Continuing Disclosure Certificate. The Disclosure Certificate was executed and delivered by the Agency for the benefit of the holders and beneficial owners of the bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

The Disclosure Certificate requires the Agency to file an Annual Report with the MSRB on the EMMA web-site no later than eight months after the close of the fiscal year. The Annual Report must therefore be filed by March 31 of each year.

The Annual Report needs to contain or incorporate by reference the following financial information or operating data on the Reedley Redevelopment Project Area (Project Area):

- The ten major secured assessees in the Project Area, including name, type of use, secured value and percent of total value;
- Discussion of any property tax appeals by any of the ten major secured assessees which could have a material adverse effect on Tax Revenues (as defined in the Indenture of Trust dated February 1, 2011);
- Annual tax increment revenues, Tax Revenues and coverage ratio of Tax Revenues to debt service on the Bonds and all Parity Debt (as defined in the Indenture);

The Annual Report must also contain the Audited Financial Statements of the Agency prepared in accordance with generally accepted accounting principles. Because of the Dissolution Act (described below), there are not separate audited financial statements prepared for the Agency. Commencing with the Comprehensive Annual Financial Report (i.e., audited financial statements) for the City for the fiscal year ended June 30, 2013, the activities of the Agency are reported as a fiduciary trust fund as part of the City's Comprehensive Annual Financial Report, which is in accordance with guidance issued by the California Department of Finance (DOF) and available on the DOF's website (www.dof.ca.gov) as of December 20, 2013. The Agency financials are reported in the audited financial statements under "Successor Agency Private-Purpose Trust Fund". This fund reports the assets, liabilities and activities of the Successor Agency.

This Annual Report (Report) provides the required information for the Agency's fiscal year ending June 30, 2015 and includes data on annual tax increment revenues for the 2014-15, 2015-16 and future fiscal years. The balance of this Report shows the required financial information and operating data and was provided by Fraser & Associates, the Agency's redevelopment consultant. The Audited Financial Statements have been submitted under separate cover.

The original redevelopment plan for the Project Area was adopted in July 1991. The Redevelopment Plan was amended in July 1996 to add territory and extend certain time limits. For the balance of this Report, the original portion of the Project Area is referred to as the Original Area and the territory added in 1996 as the Amended Area.

The value and revenue estimates contained in the following section of this Report are based upon information and data which the Agency believes to be reasonable and accurate. To a certain extent, the estimates of revenue are based on assumptions that are subject to a degree of uncertainty and variation and therefore are not represented as results that will actually be achieved. However, Fraser & Associates has conscientiously prepared them for the Agency on the basis of their experience in the field of financial analysis for redevelopment agencies.

Redevelopment Dissolution Act

In December 2011, the California Supreme Court issued its opinion in the case of *California Redevelopment Association, et al., v. Matosantos, et al.* The Court upheld the right of the state to dissolve redevelopment agencies pursuant to AB 26 which along with subsequent amendments pursuant to AB 1484 is referred to herein as the Dissolution Act. Based on modified time lines approved by the Court, all redevelopment agencies, including the Reedley Redevelopment Agency, were dissolved effective February 1, 2012. The City of Reedley has assumed the role of Successor Agency and is charged with winding down the affairs of the former Agency and to make payments due on enforceable obligations, as defined in the Dissolution Act. The Bonds are an enforceable obligation under the Dissolution Act.

While the intent of the Dissolution Act is to protect the repayment of enforceable obligations, the practical implementation of the legislation changes the flow of funds from that which existed at the time the Bonds were sold, as described herein. Under the Dissolution Act, tax increment is no longer deemed to flow to the Successor Agency. Rather, all funds are considered property taxes. The obligation to deposit a portion of the tax increment into a low and moderate income housing fund is also no longer required. Given this, the financial information on tax increment provided in the Official Statement for the Bonds now varies from the way in which property tax funds are allocated under the Dissolution Act.

Under the Dissolution Act, the County Auditor-Controller is to determine the amount of property taxes that would have been allocated to each redevelopment agency had the agency not been dissolved. All former tax increment monies go into a Redevelopment Property Tax Trust Fund (Trust Fund or RPTTF) which is controlled by the County Auditor-Controller.

The money in the Trust Fund is used as follows:

1. Allocate to the County property tax administrative fees and other costs needed to implement the Dissolution Act.
2. Pay all pass-through payments to the taxing entities. The former Project Area has an obligation to make payments required pursuant to negotiated agreements pursuant to former Section 33401 of the Community Redevelopment Law and also payments per Section 33607.5 and 33607.7 of the CRL. Some of the Section 33401 payments are subordinate to debt service on the Bonds, but the Dissolution Act has reordered this obligation so that it gets paid first. The Dissolution Act does provide that if there are insufficient funds to meet bond debt service payments, then the subordinate pass through payment amount may be used to close any shortfalls.
3. Pay obligations required per the Recognized Obligation Payment Schedule (ROPS). The senior obligation payable from former Tax Revenues and housing set-aside revenues listed on the ROPS is payment of debt service on the Bonds.
4. Pay the administrative allowance, which goes to the Successor Agency to be used to wind down the affairs of the former redevelopment agency.
5. Distribute the balance to the taxing entities pursuant to Section 34183 and 34188 of the Dissolution Act.

Since a portion of both the Series A and B Bonds were payable from the housing set-aside, and there is no longer a separate allocation of those revenues into a low and moderate income housing fund, those bond payments are an enforceable obligation and are payable from the Trust Fund.

The allocations from the Trust Fund take place in two six-month installments, in January and June of each year. The Successor Agency prepares a forward-looking ROPS to cover the subsequent six-month period. Starting with the ROPS that was submitted on February 1, 2016 the ROPS has been converted to an annual process. Once approved by the Oversight Board and the state Department of Finance (DOF), the County Auditor-Controller releases the Trust Fund revenues to pay for the obligations on the ROPS. By way of illustration, funds released in June 2015 generally reflect property taxes that were collected during the period from January through May 2015. The approved ROPS covered costs that were paid during the period from July through December 2015. Any excess Trust Fund revenue not needed to meet the various obligations shown in items 1 through 4 above would be reallocated to the taxing entities. The six-month allocation system in the Dissolution Act can cause a problem in meeting debt service payments, since semiannual debt service payments on the Bonds are uneven. Interest payments are made in May each year, while principal and interest payments are made in November. Beginning in 2013-14, there was sufficient RPTTF in each ROPS period to meet debt service. The section on Tax Revenue and Coverage below includes a description and a table that shows how this works.

Financial and Operating Data

This section of the Report includes the Top Ten Assessees and information on assessment appeals in the Project Area. It also includes information on annual tax increment revenues, Tax Revenues and coverage ratios on the Bonds.

Top Ten Assessees

The Top Ten Assessees in the Project Area are summarized on Table 1. The table includes the name of each major assessee, the use of the property, the 2015-16 value of the assessee and the percentage each represents to the total value of the Project Area for 2015-16. The taxable value for the Top Ten Assessees represents 16.33 percent of the total value of the Project Area and 30.52 percent of the incremental value of the Project Area.

Assessment Appeals

Taxpayers may appeal their property tax assessments. As required for the Annual Report, the Agency has requested information on recently resolved and open appeals for the Top Ten Assessees. There are no open appeals for the Top Ten in the Project Area.

Proposition 8 Appeals

A number of counties in California, including Fresno County, had processed temporary assessed value reductions for certain properties (Proposition 8 reductions) where the assessed values exceeded the current market value of properties as of January 1, 2012 without prompting from individual taxpayers. A portion of these reductions have been reversed. As of 2014-15, 625 parcels remained under a Proposition 8 reduction with a potential value recapture in the future of $34 million.

Annual Tax Increment Revenues

Table 2 provides information on the annual tax increment revenues of the Project Area for 2015-16. The 2015-16 value of secured and unsecured property shown on Table 2 is based on information derived from the records of Fresno County. Taxable values for 2015-16 have increased by 2 percent from their 2014-15 levels. Tax increment generated from the application of the one percent tax rate to incremental taxable value for 2015-16 is estimated at $2.9 million.

Tax Revenues

The tax increment revenues of the Project Area are subject to certain adjustments and liens, as described in this section. The adjustments and liens were to be paid prior to the payment of debt service on the Bonds.

Adjustments to Tax Increment

There are two adjustments to the tax increment revenues shown on Table 2: property tax administrative fees and allocations pursuant to former Section 33676 of the Community Redevelopment Law.

State law allows counties to charge taxing entities, including redevelopment agencies, for the cost of administering the property tax collection system. The fees have been estimated and shown on Table 2 based on 2 percent of tax increment.

For project areas adopted prior to January 1994, taxing entities could elect to receive additional property taxes above the base year revenue amount so long as they had not entered into a pass through agreement with an agency under former Section 33401 of the Health & Safety Code. Such amounts are calculated by increasing the real property portion of base year values by an inflation factor of up to 2 percent annually. Taxing entities can receive a proportionate share of such revenues if they elected to do so prior to adoption of the redevelopment plan. The City of Reedley elected to receive additional allocations of property taxes generated in the Original Area. Such amounts have been shown on Table 2.

Senior Obligations

Housing Set-Aside

Redevelopment agencies were required to deposit not less than 20 percent of the tax increment generated in a project area into a special fund to be used for qualified low and moderate income housing programs. The Agency restricted a portion of a prior bond issue (that was refunded with the Bonds) to eligible housing activities. Therefore, a portion of bond debt service was being made from the housing set-aside revenues of the Project Area.

Tax Sharing Payments

The Agency has entered into tax sharing agreements with the County of Fresno and the Fresno County Library District that provide for the Agency to allocate to the County and the Library 100 percent of the County's and Library's share of the taxes attributable to the one-percent increment levy on the Original Area.

The Agency also has an agreement with the Consolidated Mosquito Abatement District that provides for the Agency to allocate to the District an amount equal to .205 percent of the annual net tax increment received by the Agency for each fiscal year from the Original Area. Net tax increment is defined as the Agency's tax increment less property tax administrative costs charged by the County of Fresno.

Pursuant to AB 1290, which was passed in 1994, the Agency is required to make payments to those affected taxing entities that have not entered into a tax sharing agreement in the Original Area. These payments are required because the Agency extended the debt incurrence time limit by ten years. Payments are calculated based on increases in tax increment revenues attributable to assessed value growth above the 2011-12 assessed values. This is referred to as the AB 1290 Base Year. The payments are based on a three tier formula. All payments are made after the required 20 percent deposit to the housing set-aside fund. For purposes of the table below, we have reduced the percentage of tax increment that must be allocated to the taxing entities by the 20 percent housing set aside. The Agency is also required to make these payments to all taxing entities for tax increment received from the Amendment Area.

Tier	Payment Required
Tier 1	Original Area: 20% of tax increment attributable to assessed value growth above the amount of assessed value in the AB 1290 Base Year during the remaining term the Agency receives tax increment. Amendment Area: 20% of total tax increment received by the Agency during the entire term the Agency receives tax increment.
Tier 2	Original Area: Beginning in the 11th year after the AB 1290 Base Year, an additional payment equal to 16.8% of the tax increment attributable to assessed value growth above levels in the 10th year. Amendment Area: Beginning in 2008-09, an additional payment equal to 21% of the tax increment attributable to assessed value growth above year 2007-08.
Tier 3	Original Area: no Tier 3 Payments are due since this area will no longer receive tax increment in the year in which this tier is triggered. Amendment Area: Beginning in 2028-29, an additional payment equal to 11.2% of the tax increment attributable to assessed value growth above levels in 2027-28.

The following taxing entities are eligible to receive such payments for the Original Area:

- Reedley Cemetery District
- Sierra Kings Hospital District
- Fresno County Fire District
- Kings River Conservation
- City of Reedley (Tier 1 only)

After payment of the above, Tax Revenues for 2015-16 are estimated at $1,175,682.

The Agency also has agreements with the Kings Canyon Unified School District, the Fresno County Superintendent of Schools, and the State Center Community College District. Payments under those agreements are subordinate to debt service on the Bonds and have been shown on Table 2 as subordinate.

Tax Revenues and Coverage

Table 3 provides information on Tax Revenues and coverage prior to the Dissolution Act. As shown on Table 3, Tax Revenues provided coverage at 157 percent of debt service and are projected to provide coverage at 164 percent of debt service in 2015-16. Housing Tax Revenues provided coverage at 635 percent for 2014-15 and are projected to provide coverage at 664 percent for 2015-16.

Table 4 reflects the estimated impact of the Dissolution Act on Bond debt service payments. The table shows the actual or estimated tax increment that is available, the obligations that are deducted prior to paying debt service (including administrative fees and senior and subordinate pass through payments) and the payment of bond debt service. Actual coverage was 211 percent for 2014-15 and is estimated at 217 percent for 2015-16. Under the provisions of the Dissolution Act, funds that are not needed to meet enforceable obligations or to pay for administrative costs are redistributed to the other taxing entities.

Table 1
Reedley Successor Agency
Reedley Redevelopment Project

TEN MAJOR PROPERTY TAX ASSESSEES FOR 2015-16 (1)

Assessee	Type of Use	Secured	Unsecured	Total Value	%of Total Value (2)	%of Inc Value (2)
1) Ito Packing	Industrial	$9,090,151	$5,819,600	$14,909,751	2.74%	5.12%
2) Otani Properties	Commercial	13,503,982	0	13,503,982	2.48%	4.63%
3) Gerawan Farming	Industrial	12,409,600	0	12,409,600	2.28%	4.26%
4) Meadowbrook Reedley	Residential	10,077,038	0	10,077,038	1.85%	3.46%
5) Reedley Center Inc.	Commercial	7,873,800	0	7,873,800	1.45%	2.70%
6) Reedley Properties	Commercial	7,262,252	0	7,262,252	1.33%	2.49%
7) Maxco Supply	Industrial	6,822,005	0	6,822,005	1.25%	2.34%
8) Ahdi and Ibtisam Nashashibi Trustees	Commercial	6,250,000	0	6,250,000	1.15%	2.14%
9) Aslan Cold Storage LLC	Industrial	4,938,919	0	4,938,919	0.91%	1.69%
9) Georgia-Pacific Corrugated LLC	Industrial	4,882,334	0	4,882,334	0.90%	1.68%
Total Valuation		**83,110,081**	**5,819,600**	**88,929,681**	**16.33%**	**30.52%**

(1) Based on ownership of locally-assessed secured and unsecured property.
(2) Based on 2015-16 Project Area taxable value of $544,470,667 and incremental value of $297,415,647.

Source: Records of Fresno County

Table 2
Reedley Successor Agency
Reedley Redevelopment Project

ESTIMATE OF TAX INCREMENT REVENUE FOR FISCAL YEAR 2015-16 (1)

Local Secured	
Land	$147,169,883
Improvements	410,451,133
Personal Property	13,132,920
Gross Local Secured	570,753,936
Exempt	55,924,804
Net Local Secured	514,829,132
State Assessed	127,129
Unsecured	
Land	0
Improvements	11,297,496
Personal Property	18,528,010
Total Unsecured	29,825,506
Exempt	311,100
Net Unsecured	29,514,406
Total Value	**544,470,667**
Base Year Taxable Value	253,055,020
Incremental Taxable Value	291,415,647
Total Tax Increment Revenue	**2,914,156**
Adjustments to Tax Increment Revenue:	
Property Tax Administration Fees (2)	14,571
Section 33676 Allocations (3)	184,449
Liens on Tax Increment	
Housing Set-Aside (4)	545,941
Senior Negotiated Tax Sharing (5)	936,833
Statutory Tax Sharing Payments (6)	48,941
Tax Revenue	**$1,183,421**
Subordinate Negotiated Tax Sharing (7)	161,264
Net Tax Increment	**1,022,157**

(1) Based on taxable values per Fresno County.
(2) Estimated based on 2% of tax increment.
(3) Allocations to the City per former Section 33676 of the CRL.
(4) Based on 20 percent of total tax increment revenue net of Section 33676 Allocations. A portion of debt service on the Bonds is payable from the Housing Set-Aside.
(5) Payments per tax sharing agreements from the Orginal Area that that are senior to debt service.
(6) Based on provisions of AB 1290 for Amendment Area. Original Area AB 1290 payments have been triggered as of 2011-12 but the Original Area values are below the adjusted base year value.
(7) Payments per tax sharing agreements from the Orginal Area that are subordinate to debt service.

Table 3
Reedley Successor Agency
Reedley Redevelopment Project

PROJECTED TAX REVENUES AND DEBT SERVICE COVERAGE - PRIOR TO DISSOLUTION ACT
(000's Omitted)

Fiscal Year Ending	Tax (1) Revenues	Series A Annual Debt Service	Series B Annual Debt Service	Total Debt Service	Coverage	Housing Tax (1) Revenue	Series A Annual Debt Service	Series B Annual Debt Service	Total Debt Service	Coverage
2015	$1,123,278	$713,609	$0	$713,609	157%	$515,036	$81,075	$0	$81,075	635%
2016	1,183,421	716,859	0	716,859	165%	545,941	81,955		81,955	666%
2017	1,183,421	719,059	0	719,059	165%	545,941	82,520		82,520	662%
2018	1,183,421	715,219	0	715,219	165%	545,941	81,290		81,290	672%
2019	1,183,421	720,594	0	720,594	164%	545,941	82,788		82,788	659%
2020	1,183,421	719,669	0	719,669	164%	545,941	82,409		82,409	662%
2021	1,183,421	717,669	0	717,669	165%	545,941	81,700		81,700	668%
2022	1,183,421	719,544	0	719,544	164%	545,941	82,046		82,046	665%
2023	1,183,421	719,075	0	719,075	165%	545,941	81,808		81,808	667%
2024	1,183,421	722,575	0	722,575	164%	545,941	82,736		82,736	660%
2025	1,183,421	654,700	0	654,700	181%	545,941	15,689		15,689	3480%
2026	1,183,421	640,263	0	640,263	185%					
2027	1,183,421	640,825	0	640,825	185%					
2028	1,183,421	640,075	0	640,075	185%					
2029	1,183,421	638,275	0	638,275	185%					
2030	1,183,421	640,425	0	640,425	185%					
2031	1,183,421	641,175	0	641,175	185%					
2032	1,183,421	645,525	0	645,525	183%					
2033	1,183,421	642,325	0	642,325	184%					
2034	1,183,421	642,675	0	642,675	184%					
2035	1,183,421	646,213	0	646,213	183%					
2036	1,183,421	647,575	0	647,575	183%					
2037	1,183,421	646,763	0	646,763	183%					
2038	1,183,421	648,775	0	648,775	182%					
2039	1,183,421	648,250	0	648,250	183%					
2040	1,183,421	650,188	0	650,188	182%					
2041	1,183,421	654,225	0	654,225	181%					
Total	**31,892,215**	**18,152,121**	**0**	**18,152,121**		**5,974,450**	**836,016**	**0**	**836,016**	

(1) The amount for 2014-15 is an actual number. Starting with 2015-16, reflects Tax Revenues and Housing Tax Revenues from Table 2.

Table 4
Reedley Successor Agency
Reedley Redevelopment Project

BOND DEBT SERVICE COVERAGE UNDER DISSOLUTION ACT

	2014-15			2015-16		
Category	January-June 2015	July - December 2015	Total	January-June 2016	July - December 2016	Total
Tax Increment	1,307,127	1,268,055	2,575,182	1,364,735	1,364,972	2,729,707
Supplemental / Other Taxes	0	0	0	0	0	0
Total Tax Increment / Trust Fund (1)	1,307,127	1,268,055	2,575,182	1,364,735	1,364,972	2,729,707
Obligations						
Property Tax Administration Fees (2)	1,351	268	1,619	1,610	12,961	14,571
Tax Sharing Payments (3)	535,092	535,291	1,070,383	559,315	587,723	1,147,038
Tax Revenues for Debt Service	**$770,684**	**$732,496**	**$1,503,180**	**$803,810**	**$764,288**	**$1,568,098**
Series A Bond Debt Service	281,804	431,804	713,608	278,429	438,429	716,858
Series B Bond Debt Service	0	0	0	0	0	0
Total Debt Service (4)	**281,804**	**431,804**	**713,608**	**278,429**	**438,429**	**716,858**
Remaining Revenue	**488,880**	**300,692**	**789,572**	**525,381**	**325,859**	**851,240**
Coverage	**273%**	**170%**	**211%**	**289%**	**174%**	**219%**

(1) Reflects actual receipts based on the records of the Agency for 2014-15 and January 2016. July to December 2016 numbers are estimates. Amounts are net of Section 33676 allocations.
(2) Actual amount for 2014-15 and estimated amount for 2015-16 at .5 percent of tax increment.
(3) Payments due under individual tax sharing agreements, including those that are subordinate.
(4) Bond year debt service for the Bonds.