

CITY OF YUBA CITY  
STAFF REPORT

**Date:** November 17, 2015  
**To:** Honorable Director & Members of the City Council  
**From:** Finance/IT Department  
**Presentation by:** Robin Bertagna, CPA, Finance Director

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**Summary**

**Subject:** Approve draft Preliminary Official Statement for Successor Agency to the Yuba City Redevelopment Agency 2015 Tax Allocation Refunding Bonds

**Recommendation:** Approve the draft Preliminary Official Statement for the 2015 Tax Allocation Refunding Bonds

**Fiscal Impact:** Anticipated interest expense savings of \$345,000 annually from refunding the 2004 and 2007 Tax Allocation Bonds at a lower interest rate.

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**Purpose:**

Approval of draft Preliminary Official Statement for Successor Agency's issuance of 2015 Tax Allocation Refunding Bonds.

**Background:**

City Council authorized refunding of the 2004 and 2007 Tax Allocation Bonds on September 1, 2015. The Oversight Board authorized and approved the refunding on September 2, 2015 and the State of California Department of Finance approved the refunding on October 14, 2015. The one final step that remains is City Council approval of the draft Preliminary Official Statement.

The refundings bonds for the Successor Agency will be sold through negotiation with a pre-selected team of underwriters. City staff and NHA Advisors will evaluate proposals submitted from underwriters responding to the Requests for Proposal. City staff will advise City Council which underwriter was selected that proposes to sell the bonds at the lowest possible total interest cost. City Council will be advised on November 17<sup>th</sup> during the presentation when the draft official statement is presented as to which underwriting firm was selected.

**Analysis:**

A draft Preliminary Official Statement is attached to this staff report.

**Recommended Action:**

Approve the draft Preliminary Official Statement.

**Alternatives:**

Do not proceed with the refinancing and continue paying higher interest expenses each year.

Prepared By:

*Robin Bertagna*

Robin Bertagna, CPA  
Finance Director

Submitted By:

*Steven C. Kroeger*

Steven C. Kroeger  
City Manager

Reviewed By:

City Attorney

TH via email

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION OF THE SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE CITY OF YUBA CITY  
APPROVING THE OFFICIAL STATEMENT RELATING TO THE  
ISSUANCE AND SALE OF TAX ALLOCATION REFUNDING BONDS  
AND APPROVING RELATED MATTERS AND OFFICIAL ACTIONS**

**WHEREAS**, pursuant to Section 34172(a) of the California Health and Safety Code (the "Code"), the Redevelopment Agency of the City of Yuba City (the "Former Agency") has been dissolved and no longer exists as a public body, corporate and politic, and pursuant to Section 34173 of the Code, the City Council of the City of Yuba City (the "City") has elected to serve as the legislative body for the successor entity to the Former Agency (the "Successor Agency"); and

**WHEREAS**, in order to finance various programs, projects and activities of the Former Agency relating to the Yuba City Redevelopment Project, the Former Agency has previously issued the following bonds which are payable from and secured by a pledge of certain tax increment revenues derived from the Yuba City Redevelopment Project Area:

- (a) the Redevelopment Agency of the City of Yuba City, Yuba City Redevelopment Project 2004 Tax Allocation Bonds, Series A (the "2004 Series A Bonds"), which were issued by the Former Agency in the aggregate original principal amount of \$16,210,000,
- (b) the Yuba City Redevelopment Project 2004 Housing Set-Aside Revenue Bonds, Series B (the "2004 Series B Bonds"), which were issued by the Former Agency in the aggregate original principal amount of \$4,480,000, and
- (c) the Yuba City Redevelopment Project 2007 Tax Allocation Bonds (the "2007 Bonds") which were issued by the Former Agency in the aggregate original principal amount of \$16,000,000; and

**WHEREAS**, as provided in Section 34177.5(a)(1) of the Code, the Successor Agency is authorized to issue its bonds for the purpose of refunding the 2004 Series A Bonds, the 2004 Series B Bonds and the 2007 Bonds (collectively, the "Prior Bonds"), in whole or in part, under Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Bond Law"), provided that the total interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds does not exceed the total remaining interest cost to maturity on the Prior Bonds to be refunded plus the remaining principal of the Prior Bonds to be refunded (the "Minimum Savings Threshold"); and

**WHEREAS**, the Successor Agency has adopted its Resolution No. 15-055 on September 1, 2015 (the "Authorizing Resolution"), authorizing the issuance of refunding bonds in the aggregate principal amount of not to exceed \$38,000,000 (the "Refunding Bonds"), under the Refunding Bond Law for the purpose of refunding the outstanding

Prior Bonds, subject to achieving the Minimum Savings Threshold set forth in Section 34177.5(a)(1) of the Code; and

**WHEREAS**, an oversight board (the "Oversight Board") has been established for the Successor Agency pursuant to Section 34179 of the Code, and has previously adopted its Resolution No. 15-004 on September 2, 2015 (the "Oversight Board Resolution"), approving the issuance and sale of the Refunding Bonds, and such actions by the Oversight Board have been approved by the California Department of Finance; and

**WHEREAS**, the Authorizing Resolution and the Oversight Board Resolution provide that following the approval by the California Department of Finance, the Successor Agency shall approve the final form of the Official Statement relating to the Refunding Bonds, and shall take such further actions as may be required to implement the issuance, sale and delivery of the Refunding Bonds;

**NOW, THEREFORE, THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF YUBA CITY DOES HEREBY RESOLVE AS FOLLOWS:**

**Section 1. Issuance and Sale of Refunding Bonds.** The Refunding Bonds shall be issued and sold in accordance with the Authorizing Resolution. As provided in the Authorizing Resolution, the Refunding Bonds may only be issued and sold if the Minimum Savings Threshold set forth in Section 34177.5(a)(1) of the Code is met with respect to the refunding of the Prior Bonds. All actions previously taken by the Successor Agency and its authorized representatives in respect of the issuance and sale of the Refunding Bonds are hereby ratified and confirmed.

**Section 2. Approval of Official Statement.** The Successor Agency hereby approves, and deems final within the meaning of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"), the Preliminary Official Statement describing the Refunding Bonds in substantially the form on file with the Secretary of the Successor Agency. Distribution of the Preliminary Official Statement by the underwriter of the Refunding Bonds (the "Underwriter") is hereby approved. The Chair, as the presiding officer of the Successor Agency, or the Executive Director, as the chief administrative officer of the Successor Agency (each, an "Authorized Officer"), are each hereby individually authorized, at the request of the Underwriter, to execute an appropriate certificate affirming the Successor Agency's determination that the Preliminary Official Statement has been deemed final within the meaning of the Rule. An Authorized Officer is hereby individually authorized and directed to approve any changes in or additions to a final form of the Official Statement, and the execution thereof by such Authorized Officer shall be conclusive evidence of approval of any such changes and additions. The Successor Agency hereby authorizes the distribution of the final Official Statement by the Underwriter. An Authorized Officer is authorized and directed to execute and deliver the Final Official Statement for and on behalf of the Successor Agency and to execute and deliver a Continuing Disclosure Certificate to the Underwriter substantially in the form appended to the final Official Statement.

**Section 3. Official Actions.** As provided in the Authorizing Resolution, the Authorized Officers and any and all other officers and representatives of the Successor Agency are hereby authorized and directed, for and in the name and on behalf of the

Successor Agency, to do any and all things and take any and all actions, which they, or any of them, may deem necessary or advisable to implement the sale and delivery of the Refunding Bonds. Whenever in this Resolution or in the Authorizing Resolution any officer of the Successor Agency is directed to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

**Section 4. Effective Date.** This Resolution shall take effect from and after the date of its passage and adoption.

**PASSED, APPROVED AND ADOPTED** at a regular meeting of the Successor Agency to the Redevelopment Agency of the City of Yuba City on the 17th day of November, 2015, by the following vote:

AYES:

NOES:

ABSENT:

**ATTEST:**

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Chair

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Secretary

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2015****NEW ISSUE—BOOK-ENTRY****RATING: S&P: “\_\_\_\_\_”****See “CONCLUDING INFORMATION – Rating”**

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, the interest on the Bonds is exempt from California personal income taxes. See “TAX MATTERS.”*

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**SUCCESSOR AGENCY  
TO THE REDEVELOPMENT AGENCY OF  
THE CITY OF YUBA CITY  
2015 TAX ALLOCATION REFUNDING BONDS**

**Dated: Delivery Date****Due: September 1, as shown on the inside front cover**

**Purpose of the Bonds.** The Successor Agency to the Redevelopment Agency of the City of Yuba City 2015 Tax Allocation Refunding Bonds (the “Bonds”) are being issued by the Successor Agency to the Redevelopment Agency of the City of Yuba City (the “Successor Agency”), as successor to the Redevelopment Agency of the City of Yuba City (the “Former Agency”), pursuant to an Indenture of Trust dated as of December 1, 2015 (the “Indenture”), by and between the Successor Agency and MUFG Union Bank, N.A., as trustee (the “Trustee”), to refinance certain outstanding obligations of the Successor Agency.

**Book-Entry.** 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 bonds representing their ownership interest in the Bonds.

**Payments.** Semiannual interest on the Bonds due March 1 and September 1 of each year (each an, “Interest Payment Date”), commencing March 1, 2016, and principal on the Bonds due September 1 of each year, commencing September 1, 2016, will be payable by 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.”

**Record Date.** The record date for the Bonds is the 15th calendar day of the month preceding each Interest Payment Date, whether or not it is a Business Day (as defined in the Indenture).

**Redemption.** The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See “THE BONDS – Redemption.”

**Security for the Bonds.** The Bonds are payable from and secured by a pledge of the Tax Revenues (as defined in this Official Statement) which are deposited in the Redevelopment Property Tax Trust Fund and the Redevelopment Obligation Retirement Fund (as such terms are defined in this Official Statement) on a parity with the pledge and lien which secures the 2005 IBank Loan (as such term is defined in this Official Statement). In addition, the Bonds are payable from and secured by moneys in certain funds and accounts established under the Indenture, as further described in this Official Statement. See “SECURITY FOR THE BONDS.”

**Insurance Policy or Reserve Account Policy.** The Successor Agency has applied for a municipal bond insurance policy and a debt service reserve account policy and will decide whether to purchase any such municipal bond insurance policy or debt service reserve account policy in connection with the pricing of the Bonds.

**No Future Senior Debt.** The Indenture prohibits the Successor Agency from issuing additional notes, bond or other obligations which are secured by a pledge of the Tax Revenues on a basis which is senior to the Bonds so long as the Bonds are outstanding.

**Parity Debt.** The 2005 IBank Loan is outstanding in the principal amount of \$ \_\_\_\_\_ and is payable from tax increment revenues derived from the Project Area and from amounts on deposit in the Redevelopment Property Tax Trust Fund and the Redevelopment Obligation Retirement Fund on a parity with the pledge and lien which secure the Bonds. The Indenture authorizes the Successor Agency to issue additional bonds payable from Tax Revenues on a parity with the Bonds for refunding purposes only. See “THE BONDS – No Future Senior Debt; Existing and Future Parity Debt.”

**Limited Obligations.** The Bonds are special obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal and interest from Tax Revenues and other funds described in this Official Statement. The principal of and interest on the Bonds are not a debt of the City of Yuba City (the “City”), the County of Sutter (the “County”), the State of California (the “State”) or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State nor any of their political subdivisions except the Successor Agency is liable thereon. The principal of and interest on the Bonds is not payable out of any funds or properties other than those set forth in the Indenture. Neither the members of the Successor Agency, the Oversight Board of the Successor Agency, the County Board of Supervisors nor any persons executing the Bonds are liable personally on the Bonds.

*This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Attention is hereby directed to certain risk factors more fully described in this Official Statement. See “RISK FACTORS.” The Bonds are offered, when, as and if issued, subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the Successor Agency. Jones Hall, A Professional Law Corporation, is also serving as Disclosure Counsel to the Successor Agency. In addition, certain legal matters will be passed upon for the Successor Agency by the City Attorney of the City, as general counsel to the Successor Agency. Certain legal matters will be passed on for the Underwriter by \_\_\_\_\_, as Underwriter’s Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about \_\_\_\_\_, 2015.*

[Underwriter’s Logo]

The date of this Official Statement is \_\_\_\_\_, 2015.

\*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 time the Official Statement is delivered in final form. Under no circumstances will this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor will there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful.

## MATURITY SCHEDULE

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**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY  
OF THE CITY OF YUBA CITY  
2015 TAX ALLOCATION REFUNDING BONDS**

<u>Maturity Date</u> (September 1)	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP<sup>†</sup></u> (Base _____)
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\* Preliminary; subject to change.

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**SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE CITY OF YUBA CITY  
YUBA CITY, CALIFORNIA**

**CITY COUNCIL/  
SUCCESSOR AGENCY BOARD**

John Dukes, *Mayor*  
John Buckland, *Vice Mayor*  
Stanley Cleveland Jr., *Council Member*  
Preet Didbal, *Council Member*  
Kash Gill, *Council Member*

**CITY OFFICERS/  
SUCCESSOR AGENCY STAFF**

Steve Kroeger, *City Manager/Executive Director*  
Robin Bertagna, CPA, *Finance Director*  
Timothy Hayes, *City Attorney*  
Terrel Locke, *City Clerk*

**FINANCING SERVICES**

**BOND COUNSEL AND DISCLOSURE COUNSEL**

Jones Hall,  
A Professional Law Corporation  
San Francisco, California

**MUNICIPAL ADVISOR**

NHA Advisors, LLC  
San Rafael, California

**FISCAL CONSULTANT**

Fraser & Associates  
Roseville, California

**TRUSTEE**

MUFG Union Bank, N.A.  
San Francisco, California

**VERIFICATION AGENT**

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## 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 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 authorized.

**No Unlawful Offers or Solicitations.** This Official Statement does not constitute an offer to sell or the 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.

**Effective Date.** 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 Successor Agency or the Project Area since the date of this Official Statement.

**Use of this Official Statement.** This Official Statement is submitted in connection with the sale of the Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Bonds.

**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.

**Document References and Summaries.** All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

**Stabilization of and Changes to 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 commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

**Bonds are Exempt from Securities Laws Registration.** The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

**Estimates and Projections.** Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE SUCCESSOR AGENCY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

**Website.** The City maintains an Internet website, but the information on the website is not incorporated in this Official Statement.

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[Insert regional location map]

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## OFFICIAL STATEMENT

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**SUCCESSOR AGENCY  
TO THE REDEVELOPMENT AGENCY OF  
THE CITY OF YUBA CITY  
2015 TAX ALLOCATION REFUNDING BONDS**

This Official Statement, including the cover page, is provided to furnish information in connection with the sale by the Successor Agency to the Redevelopment Agency of the City of Yuba City (the “**Successor Agency**”) of the Successor Agency to the Redevelopment Agency of the City of Yuba City 2015 Tax Allocation Refunding Bonds (the “**Bonds**”).

### INTRODUCTION

*This introduction is not a summary of this Official Statement. It is only a brief description and guide to, and is qualified by, the more complete and detailed information contained in the entire Official Statement including the cover page and the appendices, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.*

### Authority and Use of Proceeds

The Successor Agency is issuing the Bonds pursuant to authority granted by the Constitution of the State of California (the “**State**”), Section 34177.5(a)(1) of the Health and Safety Code of the State, Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State (the “**Refunding Law**”) and an Indenture of Trust dated as of December 1, 2015 (the “**Indenture**”), between the Successor Agency and MUFG Union Bank, N.A., as trustee (the “**Trustee**”). See “THE BONDS – Authority for Issuance.”

The Successor Agency is issuing the Bonds in order to defease and redeem three outstanding obligations of the Redevelopment Agency of the City of Yuba City (the “**Former Agency**”), consisting of the following (collectively, the “**Prior Bonds**”) which were issued to finance and refinance redevelopment activities in the Project Area (as defined below):

- (a) the Redevelopment Agency of the City of Yuba City, Yuba City Redevelopment Project 2004 Tax Allocation Bonds, Series A (the “**2004 Series A Bonds**”), which were issued by the Former Agency in the aggregate principal amount of \$16,210,000;
- (b) the Yuba City Redevelopment Project 2004 Housing Set-Aside Revenue Bonds, Series B (the “**2004 Series B Bonds**”), which were issued by the Former Agency in the aggregate principal amount of \$4,480,000; and

- (c) the Yuba City Redevelopment Project 2007 Tax Allocation Bonds (the “**2007 Bonds**”) which were issued by the Former Agency in the aggregate principal amount of \$16,000,000.

The remaining proceeds of the Bonds will be used to (i) establish a debt service reserve account by depositing funds in such account in an amount equal to a portion of the Reserve Requirement (as defined below) or by paying for a portion of the fees for a debt service reserve insurance policy for the Bonds and (ii) pay the costs of issuing the Bonds. The remainder of funds required to establish a debt service reserve account or pay the fees for a debt service reserve insurance policy, in either case, totaling \$478,000 will be derived from funds on hand of the Successor Agency representing tax increment from the Project Area from prior fiscal years.

### **The City and the Successor Agency**

**The City.** The City of Yuba City (the “**City**”) is located along U.S. Highway 99 in the County of Sutter (the “**County**”), approximately 40 miles north of Sacramento in north-central California.

The City operates under the council-manager form of government, with a City Council (the “**City Council**”) comprised of five members elected at large to serve overlapping four-year terms. The Mayor and Vice Mayor are elected by a majority vote of a quorum of the City Council. The City Council, which acts as the City's legislative and policy-making body, also selects the City Manager. As the City's chief administrator, the City Manager is responsible for implementing the policies established by the City Council.

See “APPENDIX G – SUPPLEMENTAL INFORMATION – CITY OF YUBA CITY AND COUNTY OF SUTTER.” The Bonds are not an obligation of the City or the County.

**Former Agency.** The Successor Agency is the successor entity to the Former Agency which was dissolved under the Dissolution Act (as described below). The Former Agency was a redevelopment agency with all of the powers vested in such organizations under the California Community Redevelopment Law (as amended or supplemented from time to time, the “**Redevelopment Law**”). The members of the City Council of the City sat as the governing board of the Former Agency. Certain City staff also served as staff of the Former Agency.

**Dissolution Act.** On June 29, 2011, Assembly Bill No. 26 (“**AB X1 26**”) was enacted, together with a companion bill, Assembly Bill No. 27 (“**AB X1 27**”). The provisions of AB X1 26 provided for the dissolution of all redevelopment agencies statewide as of February 1, 2012. The provisions of AB X1 27 permitted redevelopment agencies to avoid such dissolution by the payment of certain amounts. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al., v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. Dec. 29, 2011), challenging the constitutionality of AB X1 26 and AB X1 27. 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 Former 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 found in Parts 1.8 (commencing with Section 34161)

and 1.85 (commencing with Section 34170) of Division 24 of the California 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 and as further amended on September 22, 2015 by Senate Bill 107 (“**SB 107**”), enacted as Chapter 325, Statutes of 2015. The provisions of Part 1.85 as amended by AB 1484 and SB 107 are referred to in this Official Statement as the “**Dissolution Act**.”

**Successor Agency.** Pursuant to Section 34173 of the Dissolution Act, the City made an election to act as the successor agency to the Former Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public and legal entity from the City, that the two entities shall not merge, and that the liabilities of the Former Agency will not be transferred to the City nor will the assets of the Former Agency become assets of the City.

### **The Redevelopment Plan and the Project Area**

**Redevelopment Plan.** The City Council of the City established the Yuba City Redevelopment Project (the “**Project Area**”) and approved a redevelopment plan for the Project Area (the “**Original Redevelopment Plan**”) pursuant to Ordinance No. 1073, adopted on July 17, 1989. The Original Redevelopment Plan was amended several times, including in 2001, when it was amended and restated pursuant to the First Amended and Restated Redevelopment Plan for the Yuba City Redevelopment Plan (the “**Amended and Restated Redevelopment Plan**”) approved pursuant to Ordinance No. 05-01, adopted on July 7, 2001. The Original Redevelopment Plan as amended from time to time, including as amended and restated pursuant to the Amended and Restated Redevelopment Plan, is hereinafter referred to as the “**Redevelopment Plan**.” See “THE PROJECT AREA – The Redevelopment Plan” for more information about the Redevelopment Plan.

**Project Area.** The Project Area encompasses approximately 912 acres of land located in the central and southeastern portions of the City and includes the City’s traditional downtown. The Project Area is irregular in shape and with a few exceptions lies mostly within the boundaries of the Feather River to the east, State Highway 99 to the west, Bird Avenue to the north and Garden Highway to the south. Land within the Project Area is used for residential, commercial and industrial purposes. See “THE PROJECT AREA – Project Description” for further information regarding the Project Area.

Below is a map of the City and the Project Area.

[Insert map of City and Project Area]

## **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, and the Sutter County Auditor-Controller (the “**County Auditor-Controller**”) apportioned tax increment revenue to all redevelopment agencies as described in the Redevelopment Law. 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 adopted the redevelopment plan became the base year valuation. Assuming the taxable valuation never dropped below the base year level, the taxing agencies receiving property taxes thereafter received only 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 of property taxes 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 redevelopment agency obligations.

## **Authority to Issue Refunding Bonds**

Section 34177.5(a)(1) authorizes the issuance of refunding bonds to provide debt service savings, provided that (i) the total interest cost to maturity on the refunding bonds or other indebtedness plus the principal amount of the refunding bonds or other indebtedness does 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 (ii) the principal amount of the refunding bonds or other indebtedness does 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.

The Dissolution Act authorizes each successor agency to issue refunding bonds secured by a pledge of, and lien on, the revenues that were pledged to the bond or other indebtedness being refunded as well as from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund (defined below) established by the county auditor-controller for the successor agency by the Dissolution Act. See “SECURITY FOR THE BONDS.”

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

## **Security for the Bonds**

The Bonds are payable only from Tax Revenues which are deposited in the Redevelopment Property Tax Trust Fund and the Redevelopment Obligation Retirement Fund (as such terms are defined below) and moneys in certain funds and accounts established and held by the Trustee under the Indenture, as further described in this Official Statement. See “Limited Obligation” below.

The Dissolution Act requires the County Auditor-Controller to annually determine the amount of property taxes that would have been allocated to the Former Agency from the Project Area had the Former 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 Successor 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 authorized thereunder to be issued



by the Successor Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same lien priority and legal effect as if such bonds had been issued prior to the 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 Successor Agency's Recognized Obligation Payment Schedule (see "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedules").

The Dissolution Act further provides that property tax revenues pledged to any bonds authorized under the Dissolution Act, such as the Bonds, are taxes allocated to the successor agency pursuant to the provisions of the Redevelopment Law and the State Constitution.

Under the Dissolution Act, property tax revenues are allocated to the Successor Agency on a semi-annual basis (on January 2 and June 1) based on a Recognized Obligation Payment Schedule submitted by the Successor Agency to an oversight board established for the Successor Agency (the "**Oversight Board**") and the State Department of Finance (the "**DOF**"). Pursuant to SB 107, the functions of the Oversight Board will be assumed by an oversight board established for all successor agencies within the County commencing on July 1, 2018. The County Auditor-Controller distributes funds from the Redevelopment Property Tax Trust Fund for each six-month period in the order specified in the Dissolution Act. See "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedules."

In accordance with the Dissolution Act, the term "**Tax Revenues**" is defined under the Indenture to mean all amounts deposited from time to time in the Redevelopment Property Tax Trust Fund as provided in Section 34183(a)(2) of the Redevelopment Law, excluding (a) administrative fees payable to the County under Section 34182 of the Redevelopment Law, and (b) amounts which are required to be paid to other public agencies under the Tax Sharing Agreements (as such term is defined below) or the Tax Sharing Statutes, unless subordinated to the payment of debt service on the Bonds, the 2005 IBank Loan (as such term is defined below) or any Parity Debt pursuant to Sections 33607.5(e) and 34177.5(c) of the Redevelopment Law. If and to the extent the provisions of Section 34172 or Section 34183(a)(2) of the Redevelopment Law are invalidated by a final judicial decision, the Indenture provides that term "Tax Revenues" shall mean all taxes annually allocated to the Successor Agency with respect to the Project Area under Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State of California and as provided in the Redevelopment Plan.

The Indenture defines "**Redevelopment Obligation Retirement Fund**" to mean the fund established and held by the Successor Agency pursuant to Section 34170.5(a) of the Redevelopment Law.

In addition, the Indenture defines "**Tax Sharing Statutes**" to mean the provisions of the Redevelopment Law, including but not limited to Sections 33607.5, 33607.7 and 33676 thereof, under which a taxing entity is entitled to receive any portion of Tax Revenues by operation of such statutory provisions.

See "SECURITY FOR THE BONDS – Tax Sharing Agreements," "– Section 33676 Payments" and "– Statutory Pass-Through Payments" for information regarding the Successor Agency's tax sharing agreements and statutory pass-through obligations.

## **No Future Senior Debt; Existing and Future Parity Debt**

**No Future Senior Debt.** The Indenture prohibits the Successor Agency from issuing any additional notes, bonds or other obligations which are secured by a pledge of the Tax Revenues on a basis which is senior to the Bonds so long as the Bonds remain Outstanding. See "THE BONDS – No Future Senior Debt; Future Parity and Subordinate Debt."

**Existing and Future Parity Debt.** Prior to dissolution, the Former Agency entered into a Tax Allocation Loan Agreement dated as of June 1, 2005, between the Former Agency and the California Infrastructure and Economic Development Bank (the "**Infrastructure Bank**") under which the Infrastructure Bank made a loan to the Former Agency (the "**2005 IBank Loan**") in the aggregate principal amount of \$1,905,700. The 2005 IBank Loan is outstanding in the principal amount of \$1,418,847.71 and is payable from tax increment revenues derived from the Project Area and from amounts on deposit in the Redevelopment Property Tax Trust Fund and the Redevelopment Obligation Retirement Fund on a parity with the pledge and lien which secure the Bonds. See "THE BONDS – No Future Senior Debt; Existing and Future Parity Debt."

The Indenture authorizes the Successor Agency to issue additional bonds and other indebtedness payable from Tax Revenues on a parity with the Bonds for refunding purposes only. See "THE BONDS – No Future Senior Debt; Existing and Future Parity Debt."

## **Limited Obligation**

The Bonds are special obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal and interest from, Tax Revenues which are deposited in the Redevelopment Property Tax Trust Fund and the Redevelopment Obligation Retirement Fund and moneys in certain funds and accounts established and held by the Trustee under the Indentures. The principal of and interest on the Bonds are not a debt of the City, the County, the State or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State nor any of their political subdivisions except the Successor Agency are liable thereon. The principal of and interest on the Bonds are not payable out of any funds or properties other than those set forth in the Indenture. No member, officer, agent or employee of the City, the Successor Agency, the Oversight Board, the City Council, the Board of Supervisors of the County or any person executing the Bonds is liable personally on the Bonds by reason of their issuance.

## **Debt Service Reserve Account**

The "**Reserve Requirement**" (as defined below) for the Bonds will be satisfied by the deposit of \$\_\_\_\_\_ representing a portion of the proceeds of the Bonds and \$478,000 from funds on hand of the Successor Agency representing tax increment from the Project Area from prior fiscal years (such amount is referred into the Indenture as, the "**Reserve Account Cash Contribution**"); in the alternative, the Reserve Requirement may be met with the deposit of funds on hand of the Successor Agency representing tax increment from the Project Area from prior fiscal years and a municipal debt service reserve insurance policy. See "SECURITY FOR THE BONDS – Debt Service Reserve Account."

## **Application for Bond Insurance and Reserve Policy**

The Successor Agency has made application for bond insurance for the Bonds and for a municipal debt service reserve policy. Should the Successor Agency select a bond insurer and/or municipal debt service reserve policy provider, then the Successor Agency will release such information prior to the offering of the Bonds, and the Official Statement, including the summary of legal documents included in Appendix A, will be revised to reflect the terms of the commitment to issue such policies.

## **Professionals Involved in the Offering**

Fraser & Associates, Roseville, California, has acted as fiscal consultant to the Successor Agency (the “**Fiscal Consultant**”) and advised the Successor Agency as to the taxable values within the Project Area and Tax Revenues projected to be available to pay debt service on the Bonds as described in this Official Statement. The report prepared by the Fiscal Consultant is referred to herein as the “**Fiscal Consultant’s Report**” and is attached as Appendix H.

NHA Advisors, San Rafael, California, has acted as municipal advisor to the Successor Agency (the “**Municipal Advisor**”).

\_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, is acting as Verification Agent with respect to the proposed redemption and defeasance or refunding, as applicable, of the Prior Obligations (the “**Verification Agent**”).

MUFG Union Bank, N.A., San Francisco, California, will act as Trustee with respect to the Bonds.

\_\_\_\_\_ (the “**Underwriter**”), is underwriting the Bonds.

All proceedings in connection with the issuance of the Bonds are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the Successor Agency. Jones Hall, A Professional Law Corporation, is also acting as Disclosure Counsel. The City Attorney of the City, as general counsel to the Successor Agency, will render certain opinions on behalf of the Successor Agency. Certain legal matters will be passed on for the Underwriter by \_\_\_\_\_, \_\_\_\_\_, California. *Payment of the fees and expenses of Bond Counsel, Disclosure Counsel, the Municipal Advisor and Underwriter’s Counsel is contingent upon the sale and delivery of the Bonds.*

## **Further Information**

Brief descriptions of the Redevelopment Law, the Dissolution Act, the Refunding Law, the Bonds, the Indenture, the Successor Agency, the Former Agency, the Redevelopment Plan, the Project Area, the City and the County are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references in this Official Statement to the Redevelopment Law, the Dissolution Act, the Refunding Law, the Bonds, the Indenture, the Redevelopment Plan, the Constitution and the laws of the State as well as the proceedings of the Former Agency, the Successor Agency, the City and the County are qualified in their entirety by reference to such documents and laws. References in this Official Statement to the Bonds are qualified in their entirety by the form included in the Indenture and by the provisions of the Indenture. Capitalized terms used in this Official

Statement and not otherwise defined shall have the meanings given to such terms as set forth in the Indenture.

During the period of the offering of the Bonds, copies of the draft forms of all documents are available from the Underwriter or the City Clerk of the City, 1201 Civic Center Blvd., Yuba City, California 95993.

## REFUNDING PLAN

### Redemption of the Prior Bonds

On the Closing Date, pursuant to an Escrow Agreement (the “**Escrow Agreement**”), between the Successor Agency and MUFG Union Bank, N.A., as escrow agent (in such capacity, the “**Escrow Agent**”) and as trustee for the Prior Bonds, the Successor Agency will cause to be transferred to the Escrow Agent a portion of the proceeds of the Bonds, along with other available amounts which are sufficient to redeem and defease the Prior Bonds, for deposit in an escrow fund established under the Escrow Agreement (the “**Escrow Fund**”).

The Escrow Agent will invest a portion of the funds on deposit in the Escrow Fund in certain United States Treasury Securities, and will hold the balance in cash, uninvested. Pursuant to the Escrow Agreement, the Successor Agency will irrevocably elect to call the outstanding Prior Bonds as follows:

- the 2004 Series A Bonds will be redeemed in full on January \_\_, 2016, at a redemption price equal to 100% of the principal amount of 2004 Series A Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption, without premium,
- the 2004 Series B Bonds will be redeemed in full on January \_\_, 2016, at a redemption price equal to 100% of the principal amount of 2004 Series B Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption, without premium, and
- the 2007 Bonds will be redeemed in full on September 1, 2017, at a redemption price equal to 100% of the principal amount of 2007 Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption, without premium.

Amounts on deposit in the Escrow Fund will be pledged to the redemption price of the Prior Bonds on the respective redemption dates, and the sufficiency of the amounts deposited into the Escrow Fund for such purpose will be verified by the Verification Agent as described below. As a result of the deposit of funds into the Escrow Fund upon the issuance of the Bonds, the Prior Bonds will be fully defeased and will no longer be secured by a pledge of the tax increment revenues of the Project Area.

*The amounts held by the Escrow Agent in the Escrow Fund are pledged solely to the payment of principal of and interest on the Prior Bonds to and including the respective redemption dates thereof. The funds deposited in the Escrow Fund will not be available for the payment of debt service on the Bonds.*

### Verification of Mathematical Accuracy

The sufficiency of the deposits in the Escrow Fund for the purposes described above will be verified by the Verification Agent. Assuming the accuracy of the Verification Agent's computations, as a result of the deposit and application of funds as provided in the Escrow Agreement, the Successor Agency's obligations with respect to the Prior Bonds will be discharged.

The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

## Estimated Sources and Uses of Funds

The estimated sources and uses of funds are summarized below.

	<u>Amount</u>
<b>Sources:</b>	
Principal Amount	
<i>Plus:</i> [Net] Original Issue Premium	
<i>Less:</i> [Net] Original Issue Discount	
<i>Plus:</i> Prior Bonds- Available Funds	
<i>Less:</i> Underwriter's Discount	
<b>Total Sources</b>	<hr/>
<b>Uses:</b>	
Redeem 2004 Series A Bonds	
Redeem 2004 Series B Bonds	
Redeem 2007 Bonds	
[Reserve Account]	
Costs of Issuance Fund <sup>(1)</sup>	
<b>Total Uses</b>	<hr/>

(1) Costs of Issuance include fees and expenses for Bond Counsel, Disclosure Counsel, Fiscal Consultant, Municipal Advisor, Trustee, premium for bond insurance and a municipal debt service reserve insurance policy, if any, Successor Agency administrative staff, City Attorney as general counsel to the Successor Agency, printing expenses, rating fee and other costs related to the issuance of the Bonds.

## Debt Service Schedule

The following table shows the annual debt service schedule for the Bonds, assuming no optional redemption thereof.

<b>Bond Year Ending September 1</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
<b>Total</b>			

## THE BONDS

### Authority for Issuance

The issuance of the Bonds and the execution and delivery of the Indenture were authorized by the Successor Agency pursuant to Resolution No. 15-055 adopted on September 1, 2015, and approved by the Oversight Board for the Successor Agency pursuant to Resolution No. OB 15-004 adopted on September 2, 2015 (the “**Oversight Board Resolution**”).

Pursuant to the Dissolution Act, written notice of the Oversight Board Resolution was provided to the DOF.

On October 14, 2015, the DOF provided a letter to the Successor Agency stating that based on the DOF’s review and application of the law, the Oversight Board Resolution approving the Bonds is approved by the DOF. See “APPENDIX F – STATE DEPARTMENT OF FINANCE APPROVAL LETTER.”

Section 34177.5(f) of the Dissolution Act provides that when, as here, a successor agency issues refunding bonds with the approval of the oversight board and the DOF, the oversight board may not unilaterally approve any amendments to or early termination of the bonds, and the scheduled payments on the bonds shall be listed in the Recognized Obligation Payment Schedules and are not subject to further review and approval by the DOF or the California State Controller.

### Description of the Bonds

The Bonds will be issued and delivered in fully-registered form without coupons in the denomination of \$5,000 or any integral multiple thereof for each maturity, initially in the name of Cede & Co., as nominee for The Depository Trust Company (“**DTC**”), New York, New York, as registered owner of all Bonds. The initially executed and delivered Bonds will be dated the date of delivery (the “**Closing Date**”) and mature on September 1 in the years and in the amounts shown on the inside cover page of this Official Statement.

Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months at the rates shown on the inside cover page of this Official Statement, payable semiannually on March 1 and September 1 in each year (each an, “**Interest Payment Date**”), commencing on March 1, 2016, by check mailed to the registered owners thereof or upon the request of the Owners of \$1,000,000 or more in principal amount of Bonds, by wire transfer to an account in the United States which will be designated in written instructions by such Owner to the Trustee on or before the Record Date preceding the applicable Interest Payment Date. “**Record Date**” as defined in the Indenture means, with respect to any Interest Payment Date, the close of business on the fifteenth (15th) calendar day of the month preceding such Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day.

One fully-registered bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See “APPENDIX C – BOOK-ENTRY ONLY SYSTEM.”



## Redemption

**Optional Redemption.** The Bonds maturing on or before September 1, 20\_\_, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after September 1, 20\_\_, are subject to redemption in whole, or in part at the Request of the Successor Agency among maturities on such basis as shall be designated by the Successor Agency and by lot within a maturity, at the option of the Successor Agency, on any date on or after September 1, 20\_\_, from any available source of funds, at a redemption price equal to 100% of the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

**Mandatory Sinking Fund Redemption of Term Bonds.** The Bonds maturing on September 1, 20\_\_ (the “**Term Bonds**”) are also subject to redemption in part by lot, on September 1 in each of the years as set forth in the following tables, from deposits made for such purpose under the Indenture, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof shall be purchased as described below, in the aggregate respective principal amounts and on the respective dates as set forth in the following table; *provided, however*, that if some but not all of the Term Bonds have been optionally redeemed, the total amount of all future mandatory sinking fund payments with respect to the Term Bonds shall be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of \$5,000 as determined by the Successor Agency.

### **Mandatory Sinking Fund Redemption of Bonds Maturing September 1, 20\_\_**

Sinking Fund Redemption Date (September 1)	Principal Amount To Be Redeemed
--	------------------------------------

In lieu of redemption of the Term Bonds as described above, amounts on deposit in the Debt Service Fund (to the extent not required to be deposited by the Trustee in the Interest Account or the Principal Account during the current Bond Year) may also be used and withdrawn by the Successor Agency at any time for the purchase of such Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Successor Agency may in its discretion determine. The par amount of any of such Term Bonds so purchased by the Successor Agency in any twelve-month period ending on July 15 in any year shall be credited towards and shall reduce the par amount of such Term Bonds required to be redeemed as described above on the next succeeding September 1.

**Notice of Redemption.** The Trustee on behalf and at the expense of the Successor Agency shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to the Municipal Securities Rulemaking Board, at

least 30 but not more than 60 days prior to the date fixed for redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Office of the Trustee identified in such notice for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date and with regard to optional redemption in the event that funds required to pay the redemption price are not on deposit under the Indenture at the time the notice of redemption is sent, a statement to the effect that the redemption is conditioned upon the receipt of the appropriate funds required to pay the redemption price by the Trustee on or prior to the redemption date.

***Right to Rescind Notice of Redemption.*** The Successor Agency has the right to rescind any notice of the optional redemption of Bonds 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 will not constitute an Event of Default. The Successor Agency and the Trustee 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 notice of redemption was sent.

***Manner of Redemption.*** Whenever provision is made for the redemption of less than all of the Bonds of the same maturity, the Trustee shall select the Bonds of such maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

***Partial Redemption of a Bond.*** If only a portion of a Bond is called for redemption, then upon surrender of such Bond the Successor Agency will execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new Bond or Bonds of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

***Effect of Redemption.*** If notice of redemption has been duly sent and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, from and after the date fixed for redemption such Bonds shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice.

#### **No Future Senior Debt; Existing and Future Parity Debt**

***No Future Senior Debt.*** The Indenture prohibits the Successor Agency from issuing any additional notes, bonds or other obligations which are secured by a pledge of the Tax Revenues on a basis which is senior to the Bonds so long as the Bonds remain Outstanding.

**Existing and Future Parity Debt.** The 2005 IBank Loan is outstanding in the principal amount of \$1,418,847.71 and is payable from tax increment revenues derived from the Project Area and from amounts on deposit in the Redevelopment Property Tax Trust Fund and the Redevelopment Obligation Retirement Fund on a parity with the pledge and lien which secure the Bonds. The 2005 IBank Loan matures on September 1, 2034.

The Successor Agency covenants in the Indenture that, so long as the Bonds are Outstanding, the Successor Agency it will not issue any additional bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues. However, the Indenture authorizes the Successor Agency to issue and sell notes, bonds or other obligations which are issued following the Closing Date for the purpose of refunding any Bonds or other issue of Parity Debt in whole or in part as permitted by the Dissolution Act (collectively, "**Parity Debt**") on a parity with Outstanding Bonds for the purpose of refunding the Bonds, the 2005 IBank Loan or any other issue of Parity Debt, if (a) annual debt service on such Parity Debt is lower than annual debt service on the Bonds, the 2005 IBank Loan or the other Parity Debt being refunded during every year they will be Outstanding and (b) the final maturity of any such Parity Debt does not exceed the final maturity of the Bonds, the 2005 IBank Loan or the other Parity Debt being refunded. The Indenture requires that the documents providing for the issuance of any Parity Debt provide that:

- (a) interest on such Parity Debt is payable on March 1 and September 1 in each year of the term thereof, except the first twelve-month period, during which interest may be payable on any date;
- (b) the principal of such Parity Debt is payable on September 1 in any year in which principal is payable; and
- (c) the trustee for such Parity Debt is the same entity which performs the duties of Trustee for the Bonds.

## THE DISSOLUTION ACT

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Former Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Former 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 Successor 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 Successor Agency will be considered indebtedness incurred by the Former Agency, with the same lien priority and legal effect as if the bonds had been issued prior to the 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 Successor Agency's Recognized Obligation Payment Schedule (see "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedules").

The Dissolution Act further provides that bonds authorized by the Dissolution Act to be issued by the Successor 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 Successor Agency under the Dissolution Act, including the Bonds, are taxes allocated to the Successor 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 State Constitution and as provided in the Redevelopment Plan, taxes levied upon taxable property in the Project Area 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 Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the Project Area, if any, 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 applicable Project Area, if any (the "**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 Redevelopment Agency/Successor 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 limitations established by the Redevelopment Plan, following the date of issuance of the Bonds, when collected will be paid into a special fund of the Successor 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 Successor Agency to pay the debt service on indebtedness incurred by the Former Agency or the Successor Agency to finance or refinance the redevelopment projects of the Former 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. Additionally, effective September 22, 2015, debt service override revenues approved by the voters for the purpose of supporting pension programs, capital projects, or programs related to the State Water Project, that are not pledged to or needed for debt service on successor agency obligations are allocated and paid to the entity that levies the override and will not be deposited into the Redevelopment Property Tax Trust Fund. See "PROPERTY TAXATION IN CALIFORNIA – Proposition 87" for further information regarding voter approved debt service overrides.

## SECURITY FOR THE BONDS

The County Auditor-Controller will deposit property tax revenues into the Redevelopment Property Tax Trust Fund pursuant to the requirements of the Dissolution Act, including *inter alia* Health and Safety Code sections 34183 and 34170.5(b). The Bonds are payable from and secured by the Tax Revenues which are deposited in the Redevelopment Property Tax Trust Fund and the Redevelopment Obligation Retirement Fund (as such terms are defined below) and moneys in certain funds and accounts established and held by the Trustee under the Indenture as described below.

### Pledge Under the Indenture

For the security of the Bonds, pursuant to the Indenture, the Successor Agency has granted a pledge of and lien on all of the Tax Revenues which are deposited in the Redevelopment Property Tax Trust Fund and the Redevelopment Obligation Retirement Fund. Such pledge and lien shall be on a parity with the pledge and lien which secures the 2005 IBank Loan. In addition, the Bonds shall be secured by a first pledge of and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Redemption Account and the Reserve Account. Except for the Tax Revenues and such moneys, no funds of the Successor Agency are pledged to, or otherwise liable for, the payment of principal or interest or redemption premium (if any) on the Bonds.

In consideration of the acceptance of the Bonds by those who hold the same from time to time, the Indenture constitutes a contract between the Successor Agency and the Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Successor Agency are for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

### Tax Revenues

**Definition.** “Tax Revenues” is defined under the Indenture to mean, all amounts deposited from time to time in the Redevelopment Property Tax Trust Fund as provided in Section 34183(a)(2) of the Redevelopment Law, excluding (a) administrative fees payable to the County under Section 34182 of the Redevelopment Law, and (b) amounts which are required to be paid to other public agencies under the Tax Sharing Agreements or the Tax Sharing Statutes, unless subordinated to the payment of debt service on the Bonds, the 2005 IBank Loan or any Parity Debt pursuant to Sections 33607.5(e) and 34177.5(c) of the Redevelopment Law. If and to the extent the provisions of Section 34172 or Section 34183(a)(2) of the Redevelopment Law are invalidated by a final judicial decision, the term “Tax Revenues” shall mean all taxes annually allocated to the Successor Agency with respect to the Project Area under Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State of California and as provided in the Redevelopment Plan.

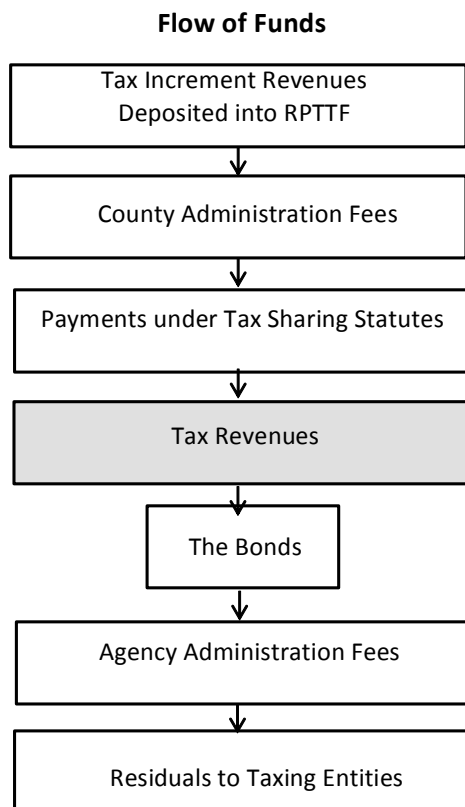
**Housing Set-Aside.** Before it was amended by the Dissolution Act, the Redevelopment Law required the Former Agency to set aside not less than 20% of all tax increment generated in the Project Area into a low and moderate income housing fund to be used for the purpose of

increasing, improving and/or preserving the supply of low and moderate income housing. These tax increment revenues were commonly referred to as “Housing Set-Aside.”

The Dissolution Act eliminates the characterization of certain tax increment revenues as Housing Set-Aside. As a result, and because the Successor Agency has no obligations that will be payable from Housing Set-Aside after the issuance of the Bonds, the former Housing Set-Aside is available to pay debt service on the Bonds; the projection of Tax Revenues prepared by the Fiscal Consultant and set forth in the section of this Official Statement entitled “THE PROJECT AREA – Projected Tax Revenues and Estimated Debt Service Coverage,” assumes the availability of the former Housing Set-Aside for this purpose.

### Flow of Funds Under the Indenture

**General.** The Successor Agency has established the Redevelopment Obligation Retirement Fund pursuant to Section 34170.5(a) of the Dissolution Act and agrees in the Indenture, so long as any of the Bonds are Outstanding, to continue to hold and maintain such fund as a separate fund in its treasury (which will be a separate account from other accounts of the Successor Agency and the City into which no other moneys will be deposited). The following diagram illustrates the flow of funds under the Indenture, which is more fully described below.



**Deposit in Redevelopment Obligation Retirement Fund; Transfer to Debt Service Fund.** The Indenture provides that the Successor Agency will deposit all of the Tax Revenues received in any Bond Year into the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Successor Agency. Amounts deposited in the Redevelopment Obligation

Retirement Fund during any Bond Year shall be applied for the following purposes in the following order of priority:

- (a) to the payment of the principal of and interest on the Bonds, the 2005 IBank Loan and all outstanding Parity Bonds coming due and payable in such Bond Year; and
- (b) to make up any deficiencies in the reserve funds established for the Bonds and any outstanding Parity Bonds, or to reimburse the issuer of a municipal debt service reserve insurance policy for the Bonds for any draws made thereunder.

Any Tax Revenues received during a Bond Year and held in the Redevelopment Obligation Retirement Fund, to the extent remaining after making the foregoing payments, shall be released from the pledge and lien under the Indenture which secures the Bonds and may be applied for any lawful purposes of the Successor Agency, including but not limited to administrative costs of the Successor Agency in excess of the amounts described above.

If the amounts on deposit in the Redevelopment Obligation Retirement Fund are at any time insufficient to enable the Successor Agency to make transfers as required under the Indenture to pay the principal of and interest on the Bonds, the 2005 IBank Loan and all outstanding Parity Debt in full when due, or to replenish the Reserve Account (including reimbursement of all amounts due and owing to the issuer of a municipal debt service reserve insurance policy for the Bonds in respect thereof) and the reserve accounts established for outstanding Parity Debt, the Successor Agency shall make such transfers on a pro rata basis, without preference or priority among the Bonds, the 2005 IBank Loan and all outstanding Parity Debt.

***Deposit of Amounts by Trustee.*** Pursuant to the Indenture, the Trustee will establish the Debt Service Fund as a special trust fund, which the Trustee shall hold in trust so long as any of the Bonds remain Outstanding. In addition to the transfers required with respect to payments of the principal of and interest on the 2005 IBank Loan and on all outstanding Parity Debt, the Successor Agency will transfer amounts on deposit in the Redevelopment Obligation Retirement Fund, to the extent such amounts are allocable to the payment of the Bonds, to the Trustee in the following amounts at the following times, for deposit by the Trustee in the following respective special accounts within the Debt Service Fund, which accounts are hereby established with the Trustee, in the following order of priority:

Interest Account. On or before the sixth Business Day preceding each date on which interest on the Bonds is due and payable, the Successor Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, equals the aggregate amount of the interest coming due and payable on the Outstanding Bonds on such date. The Trustee shall apply amounts in the Interest Account solely for the purpose of paying the interest on the Bonds when due and payable.

Principal Account. On or before the sixth Business Day preceding each date on which principal of the Bonds is due and payable, either at maturity or upon the mandatory sinking fund redemption thereof, the Successor Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to



the Trustee for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, equals the amount of principal coming due and payable on such date on the Outstanding Bonds. The Trustee will apply amounts in the Principal Account solely for the purpose of paying the principal of the Bonds at the maturity and upon mandatory sinking fund redemption.

**Reserve Account.** If the Trustee has actual knowledge that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement (including as a result of a draw under a municipal debt service reserve insurance policy for the Bonds), the Trustee shall promptly notify the Successor Agency of such fact. Upon receipt of any such notice, the Successor Agency shall transfer to the Trustee an amount of available Tax Revenues sufficient to maintain the Reserve Requirement on deposit in the Reserve Account (including the reimbursement of all amounts due and owing to the issuer of a municipal debt service reserve insurance policy for the Bonds in respect thereof).

**Redemption Account.** On or before the 6th Business Day preceding any date on which Bonds are subject to optional redemption, the Successor Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the Bonds to be so redeemed on such date. The Trustee shall apply amounts in the Redemption Account solely for the purpose of paying the principal of and premium, if any, on the Bonds upon the optional redemption thereof, on the date set for such redemption.

## **Debt Service Reserve Account**

**Definition of Reserve Requirement.** The Indenture defines “**Reserve Requirement**” to mean an amount equal the lesser of (a) 10% of the original principal amount of the Bonds, (b) 125% of average annual debt service on the Bonds, or (c) maximum annual debt service on the Bonds. The Reserve Requirement for the Bonds may be satisfied by the delivery of a municipal debt service reserve insurance policy on the Closing Date with respect to the Bonds.

**Use of Moneys in the Reserve Account.** Amounts in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account, in such order of priority, on the 6th Business Day prior to any date which the principal of or interest on the Bonds becomes due and payable under the Indenture, in the event of any deficiency at any time in any of such accounts, or at any time for the retirement of all the Bonds then Outstanding. So long as no Event of Default has occurred and is continuing, any amount in the Reserve Account in excess of the Reserve Requirement on or before the sixth Business Day preceding each Interest Payment Date shall be withdrawn from the Reserve Account by the Trustee and deposited in the Interest Account. The Reserve requirement may be initially maintained in the form of the issuance of a municipal debt service reserve insurance policy for the Bonds.

Pursuant to the Indenture, the Reserve Account Cash Contribution, including amounts received from the investment thereof, shall be withdrawn from the Reserve Fund and paid to the Successor Agency as its property free and clear of the pledge and lien which secure the Bonds, upon the receipt by the Trustee of a Certificate of the Successor Agency which states that the

amount of Tax Revenues which are expected to be received for the current Fiscal Year, based on the current assessed valuation of properties in the Project Area as evidenced in the official records of the County, excluding the Tax Revenues which are expected to be received from the top two taxpayers in the Project Area, are at least equal to 125% of the maximum amount of principal of and interest on the Bonds and all outstanding Parity Debt coming due and payable in the current or any future Bond Year.

### **Limited Obligation**

The Bonds are not a debt of the City, the County the State or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State or any of their political subdivisions except the Successor Agency are liable therefor. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. No member of the Successor Agency, the Oversight Board, the City Council or the Board of Supervisors of the County shall be individually or personally liable for the payment of the principal of or interest on the Bonds; but nothing contained in the Indenture relieves any such member, officer, agent or employee from the performance of any official duty provided by law.

### **Recognized Obligation Payment Schedules**

***Submission of Recognized Obligation Payment Schedule.*** The Dissolution Act requires successor agencies to prepare, and submit to the successor agency's oversight board and the DOF 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. Recognized Obligation Payment Schedules must be submitted for such approval not less than 90 days prior to each January 2 and June 1 up to and including 90 days prior to January 2, 2016 (or October 4, 2015 for the period covering January 2, 2016 through June 30, 2016).

Commencing on February 1, 2016, successor agencies will be transitioned to an annual Recognized Obligation Payment Schedule process pursuant to which successor agencies will be required to file Recognized Obligation Payment Schedules with the DOF for approval each February 1 for the July 1 through June 30 period immediately following such February 1 beginning on February 1, 2016 for the period commencing July 1, 2016 through June 30, 2017.

Commencing on September 22, 2015, successor agencies that have received a Finding of Completion and the concurrence of the DOF as to the items that qualify for payment, among other conditions, at their option may file a "Last and Final" Recognized Obligation Payment Schedule. If approved by the DOF, the Last and Final Recognized Obligation Payment Schedule will be binding on all parties and the Successor Agency will no longer submit a Recognized Obligation Payment Schedule to the DOF or the Oversight Board. The county auditor-controller will remit the authorized funds to the Successor Agency in accordance with the approved Last and Final Recognized Obligation Payment Schedule until each remaining enforceable obligation has been fully paid. A Last and Final Recognized Obligation Payment Schedule may only be amended twice, and only with approval of the DOF and the County Auditor-Controller.

***Payment of Amounts Listed on the Recognized Obligation Payment Schedule.*** 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 or the successor agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency or the successor 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, under certain circumstances, amounts borrowed from the successor agency's 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 a bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bonds for the next payment due in the following half of the calendar year.

***Order of Priority of Distributions from Redevelopment Property Tax Trust Fund.***

Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, a 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 (if any, as described below under "SECURITY FOR THE BONDS – Tax Sharing Agreements," "– Section 33676 Payments" and "– Statutory Pass-Through Payments") and no later than each January 2 and June 1, to each local successor agency and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including negotiated pass-through agreements and statutory pass-through obligations;

(ii) second, on each January 2 and June 1, to the successor 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 successor 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 pass-through obligations that were established under the Redevelopment Law).

***Sources of Payments for Enforceable Obligations.*** 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 (successor agencies are entitled to receive not less than \$250,000, unless that amount is reduced by the oversight board), (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 redevelopment agency, as approved by the oversight board).

The Dissolution Act provides that only those payments listed in the Recognized Obligation Payment Schedule may be made by a successor agency and only from the funds specified in the Recognized Obligation Payment Schedule.

**[Relevant Covenant by the Successor Agency.]** In the Indenture, the Successor Agency covenants to comply with all of the requirements of the Dissolution Act, including taking all actions required under the Dissolution Act to prepare and file Recognized Obligation Payment Schedules in each Bond Year so as to enable the Sutter County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund all amounts as shall be required to enable the Successor Agency to pay timely principal of, and interest on, the Bonds, the 2005 IBank Loan and all outstanding Parity Debt coming due in such Bond Year, including any amounts due and owing to the issuer of a municipal debt service reserve insurance policy for the Bonds in respect thereof, or required to replenish the Reserve Account and the respective reserve accounts established for any outstanding Parity Debt.

So long as the Dissolution Act requires the filing of Recognized Obligation Payment Schedules for Semiannual Periods, the Successor Agency will take all actions required under the Dissolution Act to include the following amounts in each of such Recognized Obligation Payment Schedules:

- (a) for the Semiannual Period ending on June 30 of a calendar year, the Successor Agency shall include in the Recognized Obligation Payment Schedule for such Semiannual Period an amount which is at least equal to 100% of the amount of principal of and interest on the Bonds, the 2005 IBank Loan and all outstanding Parity Debt coming due and payable during such calendar year;
- (b) for the Semiannual Period ending on December 31 of a calendar year, the Successor Agency shall include in the Recognized Obligation Payment Schedule for such Semiannual Period an amount which required to pay the aggregate amount of principal of and interest on all outstanding Bonds, the 2005 IBank Loan and all outstanding Parity Debt during such calendar year, to the extent not provided from amounts collected as a result of the filing made pursuant to the preceding clause (a);
- (c) any amount then required to replenish the respective reserve accounts established for the Bonds and any outstanding Parity Debt; and
- (d) any amount then required to make payments due to the issuer of a municipal debt service reserve insurance policy for the Bonds in respect thereof.

The foregoing actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and the California Department of Finance, to the extent required, the amounts to be held by the Successor Agency as a reserve until the next Semiannual Period, as contemplated by Section 34171(d)(1)(A) of

the Redevelopment Law, that are required to provide for the payment of principal of and interest on the Bonds, the Bonds, the 2005 IBank Loan and all outstanding Parity Debt coming and all outstanding Parity Debt. See “– Recognized Obligation Payment Schedules” above and “RISK FACTORS – Recognized Obligation Payment Schedules” for further discussion regarding proposed amendments to the Dissolution Act in connection with AB 113 regarding the Recognized Obligation Payment Schedule process and risks associated therewith, respectively.

The Successor Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Tax Revenues available in any six-month period (or otherwise) to pay the principal of and interest on the Bonds. See “RISK FACTORS.”] **[To be updated to reflect SB 107]**

***History of Submission of the Recognized Obligation Payment Schedules.*** The Successor Agency has procedures in place to ensure full and timely compliance with the above-described covenant. Under the direction of the Finance Director of the City, the Successor Agency has submitted its Recognized Obligation Payment Schedules on a timely basis with some exceptions as described below.

	<b>Funding Period</b>	<b>ROPS Approved by Oversight Board</b>	<b>Approved ROPS Submitted to DOF<sup>(1)</sup></b>	<b>Deadline to Submit ROPS to DOF</b>	<b>ROPS Submitted On Time?</b>
ROPS I	1/1/12-6/30/12	5/3/2012	5/21/2012	4/15/2012	No
ROPS II	7/1/12-12/31/12	5/3/2012	5/21/2012	5/15/2012	No
ROPS III	1/1/13-6/30/13	8/16/2012	8/27/2012	9/4/2012	Yes
ROPS 2013-14A	7/1/13-12/31/13	2/7/2013	3/01/2013	3/1/2013	Yes
ROPS 2013-14B	1/1/14-6/30/14	9/26/2013	9/30/2013	10/1/2013	Yes
ROPS 2014-15A	7/1/14-12/31/14	2/25/2014	2/28/2014	3/3/2014	Yes
ROPS 2014-15B	1/1/15-6/30/15	9/4/2014	9/23/2014	10/3/2014	Yes
ROPS 2015-16A	7/1/15-12/31/15	2/25/2015	2/26/2015	3/3/2015	Yes
ROPS 2015-16B	1/1/16-6/30/16	9/02/2015	9/26/2015	10/4/2015	Yes

(1) Represents date the DOF acknowledged receipt of ROPS; actual date approved ROPS was submitted by the Successor Agency to the DOF may differ.

In addition, there are strong incentives for the Successor Agency to submit Recognized Obligation Payment Schedules on time. If the Successor Agency does not submit a Recognized Obligation Payment Schedule to the Oversight Board and the DOF at least 90 days prior to each January 2 and June 1 up to and including January 2, 2016 and each February 1 commencing February 1, 2016 (unless the Successor Agency elects to file a Last and Final Recognized Obligation Payment Schedule), then the Successor Agency will be subject to a \$10,000 per day civil penalty for every day the schedule is late. See “SECURITY FOR THE BONDS – Recognized Obligation Payment Schedules for discussion regarding submission of Last and Final Recognized Obligation Payment Schedule. Additionally, if the Successor Agency does not submit a Recognized Obligation Payment Schedule to the Oversight Board and the DOF at least 80-days prior to each January 2 and June 1 up to and including January 2, 2016 and each February 1 commencing February 1, 2016 (unless the Successor Agency elects to file a Last and Final Recognized Obligation Payment Schedule), then the Successor Agency’s administrative cost allowance may be reduced by up to 25%. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications for the Bonds, see “RISK FACTORS – Recognized Obligation Payment Schedules.”

## Tax Sharing Agreements

The Redevelopment Law authorized the Former Agency to enter into tax sharing agreements with taxing agencies whose territory was located within the Project Area to alleviate the financial burden or detriment caused by the Project Area. The Redevelopment Law as amended by ABx1 26 and AB 1484 requires that the County calculate and pay the tax sharing obligations of the former redevelopment agencies as part of the process of allocating revenue from the Redevelopment Property Tax Trust Fund each January 2 and June 1. The legislation requires that the calculations be done in the same manner as prior to January 1, 2011. The Former Agency entered into three tax sharing agreements (collectively, the “**Tax Sharing Agreements**”) as further described below.

**Agreement with the County and the Sutter County Water Agency.** The Former Agency entered into an agreement dated July 11, 1989 (the “**County Agreement**”), with the County and the Sutter County Water Agency (the “**Water Agency**”), as permitted by Section 33401 of the Redevelopment law, for the purpose of alleviating the fiscal impact to the County and the Water Agency as a result of the creation of the Project Area. Under the County Agreement, the Former Agency agreed to pay to the County and the Water Agency a percentage of their respective share of tax increment revenues based upon the actual aggregate tax increment revenues received by the Former Agency. The percentage of the County’s and Water Agency’s share increases based on the cumulative amount of tax increment revenues collected by the Former Agency (and the Successor Agency as successor thereto), as shown in the table below.

Aggregate Tax Increment Receipts	Percentage of Tax Increment Pass Through
\$0 - 27,000,000	52%
\$27,000,000 - 51,000,000	56
\$51,000,000 - 87,000,000	60
\$87,000,000 - 139,000,000	64
\$139,000,000+	100

According to the Fiscal Consultant, the County and the Water Agency collectively are currently receiving 60% of aggregate tax increment receipts. The Fiscal Consultant estimates that such percentage will increase to 64 percent and 100 percent in fiscal years 2022-23 and 2031-32 respectively (assuming 2% annual real property growth in fiscal year 2016-17 and in each fiscal year thereafter as well as certain other assumptions as more particularly described in the Fiscal Consultant’s Report). Should growth of taxable values exceed projections, the percentage of tax increment required to be paid to the County and the Water Agency pursuant to the County Agreement may increase sooner.

The County Agreement permits the County and the Water Agency to subordinate their respective rights to receive payments pursuant to the County Agreement. [The County and the Water Agency have subordinated their respective rights to receive payments pursuant to the County Agreement to the payment of debt service on the Bonds.] **[To be confirmed]**

**Agreement with Gilsizer Drainage District.** The Former Agency entered into an agreement dated October 12, 1989 (the “**Gilsizer Drainage District Agreement**”), with the Gilsizer Drainage District, as permitted by Section 33401 of the Redevelopment Law. The Gilsizer Drainage District Agreement currently requires the Former Agency (and Successor Agency as successor to the Former Agency) to make payments equal to 56% of the Gilsizer Drainage District’s share of net tax increment. Net tax increment is defined in the Gilsizer Drainage District Agreement to equal total tax increment less deposits to the low and moderate income housing fund. The Gilsizer Drainage District’s percentage share is approximately 2.4% of tax increment revenues from the Project Area. The Gilsizer Drainage District Agreement requires that payments to the Gilsizer Drainage District increase to 60 percent of the District’s share in 2020-21.

The Gilzner Drainage District Agreement permits the Gilzner Drainage District to subordinate its right to receive payments pursuant to the Gilzner Drainage District Agreement. [The Gilzner Drainage District has subordinated its right to receive payments pursuant to the Gilzner Drainage District Agreement to the payment of debt service on the Bonds.] **[To be confirmed]**

**Agreement with Sutter Yuba Abatement District.** The Former Agency entered into an agreement dated October 12, 1989 (the “**Sutter Yuba Mosquito Abatement District Agreement**”), with the City and the Sutter Yuba Mosquito Abatement District, as permitted by Section 33401 of the Redevelopment Law. Pursuant to the Sutter Yuba Mosquito Abatement District Agreement, the Former Agency was required to make payments to the Sutter Yuba Abatement District through fiscal year 2001-02. Payments to the Sutter Yuba Mosquito Abatement District were no longer required commencing in fiscal year 2002-03.

## **Section 33676 Payments**

**General.** Pursuant to former Health and Safety Code Section 33676, applicable to redevelopment plans between January 1, 1984 and December 31, 1993 like the Redevelopment Plan, taxing entities were permitted to elect to receive, in addition to the taxes allocated to them pursuant to Health and Safety Code Section 33670(a), the amount of taxes that would otherwise be allocated to the Former Agency pursuant to Health and Safety Code Section 33670(b) attributable to (i) any increase in the taxing entity’s tax rate and (ii) in certain circumstances, the annual inflation adjustment in the assessed valuation of the secured property within a project area. In addition, pursuant to former Health and Safety Code Section 33676(b), local education agencies that were basic aid districts or offices at the time the ordinance adopting a redevelopment plan was adopted and received no state funding, other than pursuant to Section 6 of Article IX of the State Constitution, pursuant to Section 2558, 42238, or 84751, as appropriate, of the Education Code, are entitled to receive their share of the growth in assessed value due to inflation from project areas formed between January 1, 1984 and December 31, 1993 like the Project Area pursuant to Section 33676(b) of the Health and Safety Code.

**Effect of Section 33676.** Any payments under Section 33676 reduce the amount of tax increment allocated to the Successor Agency and, therefore, the amount of Tax Revenues.

**Relevance to the Project Area.** The City of Yuba City, the Sutter Cemetery District and the Yuba City Unified School District currently receive payments pursuant to Section 33676. No other payments consisting of tax revenues from the Project Area are being made to taxing entities pursuant to Section 33676. See “APPENDIX H – FISCAL CONSULTANT’S REPORT” for further information.

## **Statutory Pass-Through Payments**

**General.** In certain circumstances, Sections 33607.5 and 33607.7 of the Redevelopment Law require redevelopment agencies and successor agencies to make statutory pass-through payments to taxing agencies whose territory is located within a redevelopment project area, to alleviate the financial burden or detriment caused by the redevelopment project.

Generally speaking, the County Auditor-Controller is required to deduct from the Successor Agency's Redevelopment Property Tax Trust Fund to pay to the affected taxing agencies percentages of tax increment generated in a project area as follows:

Tier 1: throughout the period that the Successor Agency is eligible to receive property tax revenues from a project area, 25% of revenues in excess of revenues generated in such project area from the date the redevelopment plan for such project area was adopted, for post-1994 plans, and from the year in which one of several specified plan limitations would have been reached, in the absence of an amendment to a redevelopment plan extending or eliminating such limitation, for pre-1994 plans with such amendments, all computed as though housing set-aside is still in effect; plus,

Tier 2: for the 11th year of the receipt of tax increment and thereafter, 21% of revenues in excess of revenues based on assessed values in the project area for the 10th year of statutory pass-through payments; plus,

Tier 3: for the 31st year of the receipt of tax increment and thereafter, 14% of revenues in excess of revenues based on assessed values in the project area for the 30th year of statutory pass-through payments.

***Statutory Pass-Through Obligations in the Project Area.*** In 1993, the State Legislature enacted Assembly Bill 1290 ("**AB 1290**"), which contained several significant changes in the Redevelopment Law. Among the changes made by AB 1290 was a provision that limits the period of time for incurring and repaying loans, advances and indebtedness payable from tax increment revenues. Under AB 1290, redevelopment agencies were required to commence making pass-through payments under Section 33607.7 of the Redevelopment Law to certain taxing entities with respect to project areas formed on or before 1993, upon amendment of the related redevelopment plans to eliminate the time during which the redevelopment agency could incur debt with respect to particular project areas as set for in such redevelopment plans, to extend the life of the redevelopment plan or to increase the tax increment limit.

Under AB 1290, statutory pass-through payments were required to commence in the first year following the year in which the first of the revised limits would otherwise have gone into effect. With respect to project areas formed or territory added to existing project areas after 1993, AB 1290 required redevelopment agencies to commence making pass-through payments under 33607.7 of the Redevelopment Law upon formation of such project areas.

Statutory pass-through payments are required to be made pursuant to AB 1290 with respect to the Project Area as the Former Agency amended the Redevelopment Plan to eliminate the last day the redevelopment agency could incur debt with respect to the Project Area pursuant to AB 1290. However, payments are only required with respect to assessed values above fiscal year 2009-10 levels. As fiscal year 2015-16 assessed value are currently



below fiscal year 2009-10 assessed values, no statutory pass-through payments are currently required. See “APPENDIX H – FISCAL CONSULTANT’S REPORT” for further information.

***No Subordination of Statutory Pass-Through Payments.*** Statutory pass-through payments are payable on a senior basis to debt service on bonds under the Dissolution Act, unless the pass-through payments have been subordinated. The Redevelopment Law, as amended by the Dissolution Act, allows statutory pass-through payments to be subordinated to debt service on the Successor Agency’s bonds. **However, the Successor Agency did not seek or obtain the consent from any taxing entities to subordinate their right to receive statutory payments to the payment of debt service on the Bonds. Accordingly, statutory pass-through payments from the Project Area are payable on a senior basis to debt service on the Bonds. [To be confirmed]**

See “APPENDIX H – FISCAL CONSULTANT’S REPORT” for information about the Former Agency’s statutory pass-through obligations and the County’s payment practices with regard to statutory pass-through payments.

## 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 (e.g., 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 is 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 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 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 (Chapter 498 of the Statutes of 1983) provides for the reassessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment and is determined by applying the current year’s tax rate to the amount of increase or decrease in a property’s value and prorating

the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against real property. Since fiscal year 1984-85, revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes.

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 Area, Tax Revenues may increase.

**Property Tax Administrative Costs.** In 1990, the State Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to recover charges 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, in an amount equal to the fiscal year 1989-90 property tax administration costs, as adjusted annually.

SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. The portions of the reimbursement amount that are allocated to each taxing entity within the County are based on the percentage of the total assessed value in the County that each taxing entity's assessed value represents. Based on the County SB 2557 charge to the Successor Agency for fiscal year 2012-13 for the Project Area, the Fiscal Consultant estimates that the SB 2557 charge for fiscal year 2014-15 will be 1.54% of gross tax increment revenues.

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 2557/SB 1559 amounts, to be deducted from property tax revenues before monies are deposited into the Redevelopment Property Tax Trust Fund.

The County's administrative charge relating to the dissolution of the Former Agency was \$96,355 for the June 1, 2015 distributions from the Redevelopment Property Tax Trust Fund; the County did not assess an administrative charge relating to the dissolution of the Former Agency for the January 2, 2015 distribution. **The County's administrative charges are payable on a senior basis to debt service on the Bonds.**

**Recognized Obligation Payment Schedule.** See "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedules" and "RISK FACTORS – Recognized Obligation Payment Schedules."

## **Rate of Collections**

The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**") with respect to secured property taxes. Consequently, secured property tax revenues from the Project Area do not reflect actual collections because the County allocates property tax revenues to the Successor Agency as if 100% of the calculated property taxes were collected without adjustment for delinquencies or

redemption payment. However, the County adjusts secured property tax revenues from the Project Area for roll corrections, such as refunds of property taxes due to successfully appealed assessments. The County could elect to terminate the Teeter Plan with respect to secured property tax revenues and, in such event, the amount of the levy of secured property tax revenue that could be allocated to the Successor Agency would depend upon the actual collections of secured taxes within the Project Area. Substantial delinquencies in the payment of secured property taxes could impair the timely receipt by the Successor Agency of Tax Revenues. The County has not adopted the Teeter Plan with respect to unsecured property taxes and therefore, unsecured property tax revenues in the Project Area reflect actual collections on a county-wide basis and roll corrections.

### **Unitary Property**

Legislation enacted in 1986 and 1987 provided for a modification of the distribution of tax revenues derived from utility property assessed by the State Board of Equalization (“**SBE**”), other than railroads. Prior to fiscal year 1988-89, property assessed by the SBE was assessed statewide and was allocated according to the location of individual components of a utility in a tax rate area.

Assembly Bill (“**AB**”) 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with fiscal year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) is to be allocated county-wide as follows: (i) each taxing entity will receive the same amount as in the previous year plus an increase for inflation of up to 2%; (ii) if utility tax revenues are insufficient to provide the same amount as in the previous year, each taxing entity's share would be reduced pro rata county wide; and (iii) any increase in revenue above 2% would be allocated in the same proportion as the taxing entity's local secured taxable values are to the local secured taxable values of the county. Additionally, the lien date on State-assessed property is changed from March 1 to January 1.

AB 454 (Statutes of 1987, Chapter 921) further modified Chapter 1457 regarding the distribution of tax revenues derived from property assessed by the SBE. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenue derived from State-assessed property to taxing jurisdictions within each county in accordance with a new formula. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of a project area; therefore, the base year value of the Project Area has been reduced by the amount of utility value that existed originally in the base year.

### **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 State 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 State Legislature’s action, the growth of property tax revenues may decline.

Legislation enacted by the State 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.

Each year the SBE announces the applicable adjustment factor. Since the adoption of Proposition 13, inflation has, in most years, exceeded 2% and the announced factor has reflected the 2% cap. The changes in the California Consumer Price Index from October of one year and October of the next year are used to determine the adjustment factor for the January assessment date. Through fiscal year 2010-11 there were six occasions when the inflation factor was less than 2%. Until fiscal year 2010-11 the annual adjustment never resulted in a reduction to the base year values of individual parcels; however, the factor that was applied to real property assessed values for the January 1, 2010 assessment date was -0.237% and this resulted in reductions to the adjusted base year value of parcels. The table below reflects the

inflation adjustment factors for the current fiscal year, the 10 prior fiscal years and the adjustment factor for fiscal year 2015-16.

#### **Historical Inflation Adjustment Factors**

<u>Fiscal Year</u>	<u>Inflation Adj. Factor</u>
2005-06	2.000
2006-07	2.000
2007-08	2.000
2008-09	2.000
2009-10	2.000
2010-11	-0.237
2011-12	0.753
2012-13	2.000
2013-14	2.000
2014-15	0.454
2015-16	1.998

#### **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 a redevelopment agency of proceeds of taxes levied by or on behalf of a redevelopment 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 Successor Agency has not adopted an appropriations limit.

#### **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 (other than the Former Agency or the Successor 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. Effective September 22, 2015, the Dissolution Act provides that such debt service override revenues approved by the voters for the purpose of supporting pension programs, capital projects, or programs related to the State Water Project that are not pledged to or not needed for debt service on successor agency obligations will be allocated and paid to the entity that levies the override.

## **Appeals of Assessed Values**

Pursuant to State 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 SBE, 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 four 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 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 AREA – Appeals of Assessed Values; Proposition 8 Reductions; Exemptions" for information regarding historical and pending appeals of assessed valuations by property owners in the 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.

See “THE PROJECT AREA – Appeals of Assessed Values; Proposition 8 Reductions; Exemptions” for information regarding recent history of Proposition 8 reductions in the Project Area.

### **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 XIII C of the State Constitution by adding an expansive definition for the term “tax,” which previously was not defined under the State Constitution.

Tax Revenues securing the Bonds are derived from property taxes that are outside the scope of taxes, assessments and property-related fees and charges which are limited by Proposition 218 and Proposition 26.

### **Future Initiatives**

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



## **THE SUCCESSOR AGENCY**

As described in "INTRODUCTION," the Dissolution Act dissolved the Former Agency as of February 1, 2012. Thereafter, pursuant to Section 34173 of the Dissolution Act, the City became the Successor Agency to the Former Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Former Agency will not be transferred to the City nor will the assets of the Former Agency become assets of the City. The City Council of the City convenes as the governing board of the Successor Agency. City staff serves as staff to the Successor Agency.

### **Successor Agency Powers**

All powers of the Successor Agency are vested in its seven members who are elected members of the City Council. Pursuant to the Dissolution Act, the Successor Agency is a separate public body from the City and succeeds to the organizational status of the Former Agency but without any legal authority to participate in redevelopment activities, except to complete any work related to an approved enforceable obligation. The Successor Agency is tasked with expeditiously winding down the affairs of the Former Agency, pursuant to the procedures and provisions of the Dissolution Act. Under the Dissolution Act, substantially all Successor Agency actions are subject to approval by the Oversight Board, as well as review and approval by the DOF.

### **Status of Compliance with Dissolution Act**

The Dissolution Act requires a due diligence review to determine the unobligated balances of each successor agency that are available for transfer to taxing entities. The due diligence review involves separate reviews of each successor agency's low and moderate income housing fund and of all other funds and accounts. Once a successor agency completes the due diligence review and any transfers to taxing entities, the DOF will issue a finding of completion that expands the authority of each successor agency in carrying out the wind down process. A finding of completion allows a successor agency to, among other things, retain real property assets of the dissolved redevelopment agency and utilize proceeds derived from bonds issued prior to January 1, 2011.

The Successor Agency has completed the due diligence process and received its Finding of Completion on September 16, 2013.

After receiving a finding of completion, each successor agency is required to submit a Long Range Property Management Plan detailing what it intends to do with its inventory of properties. Successor agencies are not required to immediately dispose of their properties but are limited in terms of what they can do with the retained properties. Permissible uses include: sale of the property, use of the property to satisfy an enforceable obligation, retention of the property for future redevelopment, and retention of the property for governmental use. These plans must be filed by successor agencies within six months of receiving a finding of completion, and the DOF will review these plans as submitted on a rolling basis.

The DOF approved the Successor Agency's Long Range Property Management Plan on September 8, 2015.

## THE PROJECT AREA

### Project Description

The Project Area includes approximately 912 acres of land located in the central and southeastern portions of the City and encompasses the City's traditional downtown along with other commercial and industrial uses. The Project Area also contains pockets of residential uses. The Project Area is irregular in shape and with a few exceptions lies mostly within the boundaries of the Feather River to the east; State Highway 99 to the west, Bird Avenue to the north; and Garden Highway to the south.

### Land Use

The following tables summarize the current land use in the Project Area by the number of parcels and by assessed value for fiscal year 2015-16. The assessed values shown have been reduced to reflect non-homeowner exemptions. As shown in the table below, the majority of the land within the Project Area (approximately 57% in terms of assessed valuation) is currently used for commercial purposes.

**TABLE 1**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY OF THE CITY OF YUBA CITY**  
**Land Use by Assessed Value**  
**Fiscal Year 2015-16**

Category	No. of Parcels	Taxable Value	% of Total FY 2015-16 Assessed Value
Residential	658	\$ 75,117,208	14.25%
Commercial	337	299,606,547	56.83
Industrial	90	32,423,014	6.15
Vacant Land	127	13,693,731	2.60
Other	80	1,523,635	0.29
Total Secured	1,292	422,364,135	
Unsecured/State Assessed		104,816,337	19.88%
<b>Grand Total</b>		<b>527,180,472</b>	<b>100.00%</b>

Source: *Fraser & Associates.*

### The Redevelopment Plan

**General.** The Project Area was formally established with the adoption by the City Council of the Original Redevelopment Plan pursuant to Ordinance No. 1073, adopted on July 17, 1989. Since adoption, the Original Redevelopment Plan has been amended several times, including in 2001, when it was amended and restated pursuant to the Amended and Restated Redevelopment Plan.

**SERAF.** Pursuant to Assembly Bill 26 4x, the State Legislature authorized amendments of redevelopment plans in connection with the payment of Supplemental Educational Revenue Augmentation Fund (“**SERAF**”) shifts for fiscal years 2009-10 and 2010-11.

The Former Agency made a SERAF payment of \$1,349,289 in fiscal year 2009-10 and a SERAF payment of \$277,528 in fiscal year 2010-11, but did not adopt any related amendments to any of the Redevelopment Plans. The Former Agency borrowed from its Low and Moderate Income Housing Fund to make the SERAF payments.

**Plan Limits.** The Redevelopment Plan includes certain caps and limits on tax increment. However, SB 107 clarifies that former tax increment limits set forth in redevelopment plans such as the Redevelopment Plan no longer apply for purposes of paying approved enforceable obligations such as the Bonds.

### Historical and Estimated Assessed Values and Tax Revenues

The table below shows the historical secured, unsecured and state-assessed values for the Project Area for fiscal years 2006-07 to fiscal year 2015-16 based upon the County Auditor-Controller’s equalized rolls.

**TABLE 2**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY OF THE CITY OF YUBA CITY**  
**Historical Assessed Values FY 2006-07 - FY 2015-16**

FY	Secured Assessed Value	Unsecured Assessed Value	State- Assessed Value	Total Taxable Value	% Change
2006-07	\$404,180,825	\$152,543,275	\$ 269,292	\$556,993,392	—
2007-08	389,574,854	156,789,976	269,292	546,634,122	-1.86%
2008-09	443,376,798	145,399,407	2,838,741	591,614,946	8.23
2009-10	456,668,824	138,816,694	2,838,741	598,324,259	1.13
2010-11	449,627,171	139,127,271	2,838,741	591,593,183	-1.12
2011-12	426,755,052	122,729,090	2,838,741	552,322,883	-6.64
2012-13	429,969,651	121,454,918	2,733,041	554,157,610	0.33
2013-14	413,833,589	104,829,481	2,733,041	521,396,111	-5.91
2014-15	416,071,269	104,389,821	2,767,018	523,228,108	0.35
2015-16	422,364,135	102,049,319	2,767,018	527,180,472	0.76

*Source: County Assessor; Fraser & Associates*

As shown in the table above, during the past 10 fiscal years, total assessed values within the Project Area:

- Increased by approximately \$41.33 million or 7.4% from fiscal year 2006-07 to fiscal year 2009-10;
- Decreased by approximately \$76.9 million or 12.9% from fiscal year 2009-10 through fiscal year 2013-14; and
- Increased by approximately \$5.8 million or 1.11% from fiscal year 2013-14 through fiscal year 2015-16.

The pattern of total assessed values within the Project Area is reflective of declines in assessed values experienced statewide commencing in fiscal year 2009-10 and the subsequent period of recovery that the real estate market is currently experiencing.

In particular, the decrease in total assessed values within the Project Area commencing in fiscal years 2009-10 through 2013-14 of approximately \$76.9 million was due primarily to a decrease in total secured assessed values in the Project Area of approximately \$42.8 million during such period. The Fiscal Consultant reports that such decrease was due primarily to (i) decreases in total secured assessed values of residential property within the Project Area resulting from reductions pursuant to Proposition 8 (which reduced total secured assessed values within the Project Area by approximately \$12.5 million), (ii) a successful appeal by the owner of the Yuba City Mall (which reduced total secured assessed values within the Project Area by approximately \$10 million) and (iii) increases in exemptions from property taxes for two medical facilities within the Project Area (which reduced total secured assessed values within the Project Area by approximately \$14.5 million).

The Fiscal Consultant further notes that the decrease in total assessed values within the Project Area commencing in fiscal years 2009-10 through 2013-14 of approximately \$76.9 million was also due to a decrease in total unsecured values in the Project Area of approximately \$34 million. The Fiscal Consultant notes that such decrease was due primarily to reductions pursuant to Proposition 8 of a co-generation energy plant owned by Greenleaf Unit Two (the “**Greenleaf Plant**”) and a co-generation energy plant owned by Yuba City Energy Center (the “**YC Energy Plan**”) (which collectively reduced total unsecured assessed values within the Project Area by approximately \$26.1 million). The plants reside within leased parcels and therefore are included on the unsecured roll. The table below shows the historical assessed values for the Greenleaf Plant and the YC Energy Plant for fiscal years 2009-10 to 2015-16 based upon the County Auditor-Controller’s equalized rolls.

**TABLE 3**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY OF THE CITY OF YUBA CITY**  
**Historical Assessed Values of Co-generation Plants**

Fiscal-Year	Historical Values - Co-Generation Plants			
	Greenleaf Plant	Change	YC Energy Plant	Change
2009-10	\$35,947,530	N/A	\$33,875,436	N/A
2010-11	35,093,985	(853,545)	33,695,632	(179,804)
2011-12	34,909,706	(184,279)	21,451,904	(12,243,728)
2012-13	34,048,593	(861,113)	20,088,408	(1,363,496)
2013-14	25,364,970	(8,683,623)	18,354,056	(1,734,352)
2014-15	24,366,818	(998,152)	18,272,945	(81,111)
2015-16	22,342,039	(2,024,779)	18,500,195	227,250
Total Value Change		(\$13,605,491)		(\$15,375,241)

*Source: County Assessor; Fraser & Associates.*

See “APPENDIX H – FISCAL CONSULTANT’S REPORT” and “THE PROJECT AREA – Appeals of Assessed Values; Proposition 8 Reductions; Exemptions” for further discussion

regarding historical assessed values within the Project Area (including historical assessed values of the Greenleaf and YC Energy Plant) and historical reductions of assessed values within the Project Area pursuant to Proposition 8, respectively.

The table below shows the historical assessed valuations for the Project Area for fiscal years 2011-12 to 2015-16 based upon the County Auditor-Controller's equalized rolls. The table below also calculates available Tax Revenues from the Project Area for each of the past four fiscal years and an estimate for fiscal year 2015-16.

**TABLE 4**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY OF THE CITY OF YUBA CITY**  
**Historical and Estimated Tax Revenues**

Category	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
<b>Taxable Values</b>					
Secured	\$426,755,052	\$429,969,651	\$413,833,589	\$416,071,269	\$422,364,135
SBE	2,838,741	2,733,041	2,733,041	2,767,018	2,767,018
Unsecured	122,729,090	121,454,918	104,829,481	104,389,821	102,049,319
Total	552,322,883	554,157,610	521,396,111	523,228,108	\$527,180,472
Percent Change	-6.64%	0.33%	-5.91%	0.35%	0.76%
Base Year Value	179,021,281	179,021,281	179,021,281	179,021,281	179,021,281
Incremental Value	373,301,602	375,136,329	342,374,830	344,206,827	348,159,191
Tax Increment <sup>(1)</sup>	\$4,098,081	\$3,732,114	\$3,799,362	\$3,460,841	\$348,159,191
Supplemental Taxes	34,098	20,757	30,463	(16,513)	--
Pilot Payments <sup>(2)</sup>	138,613	138,264	138,263	145,595	143,000
Total Tax Increment	4,270,792	3,891,135	3,968,088	3,589,922	3,624,592
<i>Adjustments to Tax Revenue:</i>					
Property Tax Administration Fees	137,894	135,228	129,010	108,332	98,430
<i>Liens on Tax Increment:</i>					
Section 33676 Payments	465,995	476,821	505,563	505,563	595,660
Former Housing Set-Aside	733,237	--	--	--	--
<b>Tax Revenue</b>	<b>\$3,279,086</b>	<b>\$3,333,515</b>	<b>\$2,976,027</b>	<b>\$2,899,401</b>	<b>2,930,501</b>
Tax Sharing Payments <sup>(3)</sup>	614,711	628,492	567,578	588,363	607,134

(1) Reflects actual receipts based on the records of the Successor Agency.

(2) Represents Pilot Payments required to be paid by Sutter North in connection with the Sutter North Medical Facility. See "THE PROJECT AREA – Appeals of Assessed Values; Proposition 8 Reductions; Exemptions."

(3) Represents payments required pursuant to the Tax Sharing Agreements which payments are subordinate to the payment of debt service on the Bonds. See "SECURITY FOR THE BONDS – Tax Sharing Agreements."

Source: County Assessor; Fraser & Associates.

As shown in the table above, total assessed values within the Project Area decreased by approximately \$25.1 million or 4.55% from fiscal years 2011-12 through 2015-16. Such decrease was due primarily to a decrease in total unsecured assessed values within the Project Area of approximately \$20.7 million during such period. The Fiscal Consultant reports that such decrease was due primarily to reductions of assessed values of residential property within the Project Area pursuant to Proposition 8 through fiscal year 2014-15 of approximately \$15.5 million attributable to the Greenleaf Plant and the YC Energy Plant. See "APPENDIX H – FISCAL CONSULTANT'S REPORT" and "THE PROJECT AREA – Appeals of Assessed

Values; Proposition 8 Reductions; Exemptions” for further discussion regarding historical assessed values within the Project Area and historical reductions of assessed values within the Project Area pursuant to Proposition 8, respectively.

## Unitary Property

As the result of the enactment of Assembly Bill 2890 (Chapter 1457, Statutes of 1986) and Assembly Bill 454 (Chapter 921, Statutes of 1987), a portion of the County-wide unitary values assigned to public utilities is allocated to the Project Area. Any substantial reduction in the values of public utility properties, either because of deregulation of a utility industry or for any other reason, will have an adverse impact on the amount of tax increment revenues. However, any such impact with respect to utility properties within the Project Area will be lessened because the impact will be spread on a County-wide basis.

The Fiscal Consultant reports that no unitary revenues are generated from the Project Area.

## Major Taxable Property Owners

The following table lists the 10 largest payers of property taxes in the Project Area for fiscal year 2015-16. The total assessed valuation of the top 10 property taxpayers accounted for 29.23% of the total assessed valuation of the Project Area and 44.26% of the incremental assessed value of the Project Area for fiscal year 2015-16. The Fiscal Consultant reports that none of the 10 largest payers of property taxes in the Project Area had pending assessment appeals as of the date of this Official Statement.

**TABLE 5  
SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE CITY OF YUBA CITY  
Largest Fiscal Year 2015-16 Local Property Taxpayers**

Property Owner	Type of Use	Secured Assessed Value	Unsecured Assessed Value	Total Assessed Value	% of Total Assessed Value	% of Incremental Value
1) Sutter Medical Foundation	Medical	\$32,311,758	\$ --	\$32,311,758	6.13%	9.28%
2) CSFB 2005 C1 Colusa Retail	Yuba City Mall	24,950,514	--	24,950,514	4.73%	7.17%
3) Greenleaf Unit Two Associates	Co-generation Plant	--	22,342,039	22,342,039	4.24%	6.42%
4) Yuba City Energy Center LLC	Co-generation Plant	0	18,500,195	18,500,195	3.51%	5.31%
5) Geweke-Yuba Properties LP	Retail	13,260,881	21,769	13,282,650	2.52%	3.82%
6) Target Corporation	Commercial	12,347,573	--	12,347,573	2.34%	3.55%
7) Comcast Corporation	Cable TV	827,054	8,593,185	9,420,239	1.79%	2.71%
8) G & B Investments	Commercial	7,224,911	--	7,224,911	1.37%	2.08%
9) Kohls Department Store	Retail	6,903,797	62,957	6,966,754	1.32%	2.00%
10) Tomlinson 97 Rev Trust ETAL	Medical	6,763,281	--	6,763,281	1.28%	1.94%
<b>Total Valuation</b>		<b>\$104,589,769</b>	<b>\$49,520,145</b>	<b>\$154,109,914</b>	<b>29.23%</b>	<b>44.26%</b>

**Total Fiscal Year 2015-16 Total AV: \$527,180,472**

**Total Fiscal Year 2015-16 Incremental AV: \$348,159,191**

*Source: County Assessor; Fraser & Associates*

## Tax Rates

Tax rates will vary from area to area within the State, as well as within a community and a redevelopment project area. The tax rate for any particular parcel is based upon the jurisdictions levying the tax rate for the area where the parcel is located. The tax rate consists of the general levy rate of \$1.00 per \$100 of taxable value and any over-ride tax rate. The over-ride rate is that portion of the tax rate that exceeds the general levy tax rate and is levied to pay voter approved indebtedness or contractual obligations that existed prior to the enactment of Proposition XIII.

Section 34183(a)(1) of the Dissolution Act requires the County Auditor-Controller to allocate all revenues attributable to tax rates levied to make annual repayments of the principal of and interest on any bonded indebtedness for the acquisition or improvement of real property to the taxing entity levying the tax rate. As a result, the tax increment revenues being deposited into the Redevelopment Property Tax Trust Fund include only revenues derived from the general 1% levy and includes no revenues derived from over-ride tax rates that had been included in tax increment revenues prior to the dissolution of redevelopment agencies. The Fiscal Consultant's projections of tax increment available to pay debt service on the Bonds are based only on revenue derived from the general levy tax rate.

## Teeter Plan

As previously indicated, the County has adopted the Teeter Plan with respect to secured property taxes only. See "PROPERTY TAXATION IN CALIFORNIA – Rate of Collections" for a discussion of the Teeter Plan as adopted and applied by the County.

The following table provides data regarding collections by the County under the Teeter Plan within the Project Area for fiscal years 2009-10 through 2014-15.

**TABLE 6**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY OF THE CITY OF YUBA CITY**  
**Collections By County Under Teeter Plan**

Fiscal Year	Levy per County <sup>(1)</sup>	Tax Increment Collected Less Supplemental Taxes <sup>(2)</sup>	% of Levy Collected	Supplemental Taxes	Total Tax Increment Collected	% of Levy Collected
2009-10	\$3,669,490	\$3,672,124	100.07%	\$31,464	\$3,703,588	100.93%
2010-11	3,659,724	3,632,086	99.24	34,098	3,666,184	100.18
2011-12	3,261,819	3,255,293	99.80	20,757	3,276,050	100.44
2012-13	3,243,876	3,293,799	101.54	30,463	3,324,262	102.48
2013-14	2,918,585	2,955,278	101.26	(16,513)	2,938,764	100.69
2014-15	2,875,899	2,843,210	98.86	6,524	2,849,734	99.09
Average Receipts to Levy			<b>100.11%</b>			<b>100.66%</b>

(1) Levy reported by County Assessor prior to reductions for administrative fees and payments required pursuant to the Tax Sharing Agreements.

(2) Prior to reductions for administrative fees of County Assessor and tax increment required to make payments pursuant to Tax Sharing Agreements.

Source: County Assessor; Fraser & Associates

## **Appeals of Assessed Values; Proposition 8 Reductions; Exemptions**

***Appeals of Assessed Values.*** Pursuant to State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the SBE, with the appropriate county board of equalization or assessment appeals board.

After the applicant and the assessor have presented their arguments, the Appeals Board makes a final decision on the proper assessed value. The Appeals Board may rule in the assessor's favor, in the applicant's favor, or the Board may set their own opinion of the proper assessed value, which may be more or less than either the assessor's opinion or the applicant's opinion.

Any reduction in the assessment ultimately granted applies to the year for which the application is made and may also affect the values in subsequent years. Refunds for taxpayer overpayment of property taxes may include refunds for overpayment of taxes in years after that which was appealed. Current year values may also be adjusted as a result of a successful appeal of prior year values. Any taxpayer payment of property taxes that is based on a value that is subsequently adjusted downward will require a refund for overpayment.

Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Appeals may also be filed under Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Significant reductions have taken place in some counties due to declining real estate values. Reductions made 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 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 it 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. See "PROPERTY TAXATION IN CALIFORNIA" above.

The Fiscal Consultant reports that the County allocates refunds related to appeals to the Project Area based on its proportionate share of all refunds county-wide (calculated based on tax increment revenues from the Project Area as a percentage of total county-wide property taxes). Therefore, refunds from appeals that occur outside the Project Area could negatively affect future tax increment revenues. The Fiscal Consultant notes that because collections by the County under the Teeter Plan within the Project Area for fiscal years 2009-10 through 2014-15 had only a minor impact on the collection of tax increment revenues in such period and no appeals of property owned by the 10 largest property owners within the Project Area are currently pending, the Fiscal Consultant has not reduced projected Tax Revenues for assessment appeals. See "THE PROJECT AREA – Projected Tax Revenues and Estimated



Debt Service Coverage” and see “APPENDIX H – FISCAL CONSULTANT’S REPORT” for further information regarding assessment appeals.

**Proposition 8 Reductions.** As discussed in “PROPERTY TAXATION IN CALIFORNIA – Proposition 8” above, Proposition 8 allows a temporary reduction in assessed value when the current market value of a property is less than the current assessed value as of the lien date.

The Fiscal Consultant reports that through fiscal year 2014-15, the County reduced the assessed values of 161 residential properties within the Project Area pursuant to Proposition 8 resulting in reductions in assessed values within the Project Area of approximately \$13 million. The Fiscal Consultant further reports that as of the beginning of fiscal year 2015-16, a total of 155 parcels remained subject to Proposition 8 reductions with a total assessed value of approximately \$12.8 million below Proposition 13 values. According to the Fiscal Consultant, the County partially reversed the assessed value of each of the 155 remaining parcels by approximately \$1 million in fiscal year 2015-16.

The Fiscal Consultant also reviewed sales data for the Project Area for calendar year 2014 and January through June of 2015 to determine the likelihood of future Proposition 8 reductions. Based on its review, the Fiscal Consultant reports that sale prices of property within the Project Area exceeded assessed values by approximately 23.8% and 26.4% in calendar year 2014 and January through June of 2015, respectively. The Fiscal Consultant notes that as sale prices of property within the Project Area in calendar year 2014 and January through June of 2015 exceeded assessed values and the County has begun to reverse the prior residential Proposition 8 reductions, the Fiscal Consultant has assumed that no further Proposition 8 reductions would occur in fiscal year 2015-16 and future fiscal years for purposes of projections of Tax Revenues. See “THE PROJECT AREA – Projected Tax Revenues and Estimated Debt Service Coverage.”

See “APPENDIX H – FISCAL CONSULTANT’S REPORT” for further information regarding Proposition 8 reductions and increases.

**Exemptions.** The Sutter North Medical Foundation facility (the “**Sutter North Medical Facility**”) owned by Sutter North Medical Corporation (“**Sutter North**”) has been granted an exemption as a non-profit facility and therefore four of five parcels owned by Sutter North do not generate tax increment revenues. However, pursuant to an owner participation agreement with the Former Agency, Sutter North is required to make payments to the Successor Agency in lieu of tax increment in an amount equal to 32.5 percent of the annual secured and unsecured property taxes that would otherwise be assessed absent the exemption (“**Pilot Payments**”). The projections of Tax Revenues set forth below in “THE PROJECT AREA – Projected Tax Revenues and Estimated Debt Service Coverage” and in the Fiscal Consultant’s Report include such Pilot Payment. See “APPENDIX H – FISCAL CONSULTANT’S REPORT” for further information regarding Pilot Payments.

### **Projected Tax Revenues and Estimated Debt Service Coverage**

The Fiscal Consultant prepared projections of Tax Revenues for the Project Area and they are shown in Tables 7. The projections in Table 7 assume 0% inflationary assessed value growth in fiscal year 2016-17 and each fiscal year thereafter. Other assumptions made by the Fiscal Consultant in calculating the projected Tax Revenues are described in the Fiscal Consultant’s Report. See “APPENDIX H – FISCAL CONSULTANT’S REPORT.” Housing Set-Aside is not shown as a separate category of revenues because the former Housing Set-Aside

is included in Tax Revenues. See “SECURITY FOR THE BONDS – Tax Revenues –Housing Set-Aside.”

The Fiscal Consultant has also prepared projections of Tax Revenues for the Project Area assume 2% annual real property assessed value growth beginning in fiscal year 2016-17. These projections are shown in the Fiscal Consultant’s Report. See “APPENDIX H – Fiscal Consultant’s Report” for such projections.

Table 8 below shows the projected debt service coverage based on total debt service of the Bonds and the 2005 IBank Loan assuming a 0% growth rate.

**TABLE 7**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY OF THE CITY OF YUBA CITY**  
**Projection of Incremental Value and Tax Revenues**  
**(000's Omitted)**

Fiscal Year	Gross Tax Increment <sup>(1)</sup>	Plus Pilot Payments <sup>(2)</sup>	Less Admin. Fees <sup>(3)</sup>	Less Section 33676 <sup>(4)</sup>	Tax Revenues
2016-17	\$3,482	\$143	\$98	\$596	\$2,931
2017-18	3,482	143	98	596	2,931
2018-19	3,482	143	98	596	2,931
2019-20	3,482	143	98	596	2,931
2020-21	3,482	143	98	596	2,931
2021-22	3,482	143	98	596	2,931
2022-23	3,482	143	98	596	2,931
2023-24	3,482	143	98	596	2,931
2024-25	3,482	143	98	596	2,931
2025-26	3,482	143	98	596	2,931
2026-27	3,482	143	98	596	2,931
2027-28	3,482	143	98	596	2,931
2028-29	3,482	143	98	596	2,931
2029-30	3,482	143	98	596	2,931
2030-31	3,482	143	98	596	2,931
2031-32	3,482	143	98	596	2,931
2032-33	3,482	143	98	596	2,931
2033-34	3,482	143	98	596	2,931
2034-35	3,482	143	98	596	2,931
2035-36	3,482	143	98	596	2,931
2036-37	3,482	143	98	596	2,931
2037-38	3,482	143	98	596	2,931
2038-39	3,482	143	98	596	2,931
<b>Total</b>	<b>\$440,578</b>	<b>\$10,365</b>	<b>\$12,369</b>	<b>\$90,343</b>	<b>\$348,233</b>

(1) Calculated as 1% of assessed values of all Project Areas on an aggregate basis less aggregate base year assessed value for the Project Area of \$179,021,281.

(2) Represents Pilot Payments required to be paid to the Successor Agency in connection with the Sutter North Medical Facility.

(3) Estimated based on 2.71% of total tax increment, which is the percent such fee represented in fiscal year 2015-16.

(4) Represents payments payment pursuant to Section 33676 of the Redevelopment Law with respect to the Project Area.

Source: Fraser & Associates

**TABLE 8**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY OF THE CITY OF YUBA CITY**  
**Estimated Debt Service Coverage**  
**(000's Omitted)**

Fiscal Year	Tax Revenues	Debt Service Bonds <sup>*(1)</sup>	Debt Service 2005 IBank Loan	Total Debt Service*	Debt Service Coverage on Bonds*
2016-17	\$2,931	\$ 300,000	\$102,055	\$ 402,055	7.29
2017-18	2,931	2,105,000	101,866	2,206,866	1.33
2018-19	2,931	2,105,000	101,671	2,206,671	1.33
2019-20	2,931	2,105,000	101,470	2,206,470	1.33
2020-21	2,931	2,105,000	101,263	2,206,263	1.33
2021-22	2,931	2,105,000	101,051	2,206,051	1.33
2022-23	2,931	2,105,000	100,832	2,205,832	1.33
2023-24	2,931	2,105,000	100,609	2,205,609	1.33
2024-25	2,931	2,105,000	100,375	2,205,375	1.33
2025-26	2,931	2,105,000	100,136	2,205,136	1.33
2026-27	2,931	2,105,000	99,890	2,204,890	1.33
2027-28	2,931	2,105,000	99,637	2,204,637	1.33
2028-29	2,931	2,105,000	99,377	2,204,377	1.33
2029-30	2,931	2,105,000	99,109	2,204,109	1.33
2030-31	2,931	2,105,000	98,833	2,203,833	1.33
2031-32	2,931	2,105,000	98,549	2,203,549	1.33
2032-33	2,931	2,105,000	98,257	2,203,257	1.33
2033-34	2,931	2,105,000	97,956	2,202,956	1.33
2034-35	2,931	2,105,000	97,646	2,202,646	1.33
2035-36	2,931	2,105,000	97,328	2,202,328	1.33
2036-37	2,931	2,105,000	--	2,105,000	1.39
2037-38	2,931	2,105,000	--	2,105,000	1.39
2038-39	2,931	2,105,000	--	2,105,000	1.39
<b>Total</b>	<b>\$348,233</b>	<b>\$48,715,000</b>	<b>\$1,997,912</b>	<b>\$50,712,912</b>	

(1) Represents bond year debt service.

\* Preliminary; Subject to change.

Source: Fraser & Associates; NHA Advisors, LLC

The Fiscal Consultant also reviewed deposits to and distributions from the Redevelopment Property Tax Trust Fund for fiscal years 2014-15 and estimated deposits to and distributions for 2015-16 (before and after giving effect to the refunding of the Prior Bonds). Such deposits and distributions are summarized in Table 9 below. As shown in Table 9, prior to the refunding of the Prior Bonds, tax increment revenues from the Project Area were insufficient to pay debt service on all of the Successor Agency's debt obligations and make the payments required pursuant to Section 33676 of the Redevelopment Law and the Tax Sharing Agreements. Therefore, a portion of such debt service was paid through the use of funds on hand representing tax increment revenues from the Project Area generated in a previous fiscal year that the DOF expressly authorized the Successor Agency to hold in anticipation of such payments. As further illustrated in the table below, after the issuance of the Bonds, the Successor Agency anticipates then current tax increment revenues being sufficient to satisfy its debt service obligations, Section 33676 payments and obligations under the Tax Sharing Agreements.

**TABLE 9  
SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE CITY OF YUBA CITY  
Redevelopment Property Tax Trust Fund Distributions**

Category	2014-15			2015-16 - Prior to Refunding			2015-16 - Post Refunding		
	Actual	Actual	Total	Estimated	Estimated	Total	Estimated	Estimated	Total
	January- June 2015	July - December 2015		January- June 2016	July - December 2016		January- June 2016	July - December 2016	
Beginning Cash Balance <sup>(1)</sup>	\$ 778,075	\$ 791,897	\$ 778,075	\$ 478,427	\$ 465,918	\$ 478,427	\$ 478,427	\$ 443,707	\$ 478,427
<b>Revenues</b>									
Tax Increment	1,743,996	1,099,214	2,843,210	1,760,418	1,125,513	2,885,931	1,760,418	1,125,513	2,885,931
Pilot Payment	--	146,000	146,000	--	146,000	146,000	--	146,000	146,000
Supplemental / Other Taxes	--	6,524	6,524	--	--	--	--	--	--
Total Tax Increment / Trust Fund <sup>(2)</sup>	1,743,996	1,251,738	2,995,734	1,760,418	1,271,513	3,031,931	1,760,418	1,271,513	3,031,931
<b>Obligations</b>									
Property Tax Administration Fees <sup>(3)</sup>	--	96,355	96,355	--	98,430	98,430	--	98,430	98,430
Tax Sharing Payments <sup>(4)</sup>	363,749	224,614	588,363	370,352	236,782	607,134	370,352	236,782	607,134
<b>Tax Revenues for Debt Service</b>	<b>1,380,247</b>	<b>930,769</b>	<b>2,311,016</b>	<b>1,390,066</b>	<b>936,300</b>	<b>2,326,367</b>	<b>1,390,066</b>	<b>936,300</b>	<b>2,326,367</b>
Non Housing Bond Debt Service	796,639	1,351,638	2,148,277	783,333	1,368,333	2,151,665	--	--	--
Housing Bond Debt Service	114,332	189,332	303,664	112,457	192,457	304,914	--	--	--
Bond Debt Service*	--	--	--	--	--	--	691,000	1,426,000	2,117,000
2005 IBank Loan	11,398	81,269	92,667	20,786	81,913	102,699	20,786	81,913	102,699
Other Obligations	31,056	35,000	66,056	50,000	35,000	85,000	35,000	35,000	70,000
<b>Total Debt Service / Other <sup>(5)</sup></b>	<b>953,425</b>	<b>1,657,239</b>	<b>2,610,664</b>	<b>966,575</b>	<b>1,677,702</b>	<b>2,644,278</b>	<b>746,786</b>	<b>1,542,913</b>	<b>2,289,699</b>
<b>Annual Remaining Revenue</b>	<b>426,822</b>	<b>(726,470)</b>	<b>(299,648)</b>	<b>423,491</b>	<b>(741,402)</b>	<b>(317,911)</b>	<b>643,280</b>	<b>(606,613)</b>	<b>36,668</b>
Reserve for Bond Debt Service <sup>(6)</sup>	<b>(413,000)</b>	<b>413,000</b>	<b>--</b>	<b>(436,000)</b>	<b>436,000</b>	<b>--</b>	<b>(678,000)</b>	<b>678,000</b>	<b>--</b>
Net Remaining Revenue	<b>13,822</b>	<b>(313,470)</b>	<b>(299,648)</b>	<b>(12,509)</b>	<b>(305,402)</b>	<b>(317,911)</b>	<b>(34,720)</b>	<b>71,387</b>	<b>36,668</b>
<b>Ending Cash Balance <sup>(7)</sup></b>	<b>\$ 791,897</b>	<b>\$ 478,427</b>	<b>\$ 478,427</b>	<b>\$ 465,918</b>	<b>\$ 160,516</b>	<b>\$ 160,516</b>	<b>\$ 443,707</b>	<b>\$ 515,094</b>	<b>\$ 515,094</b>

(1) Represents actual cash available per Successor Agency records.

(2) Reflects actual receipts based on the records of the Successor Agency through June 2015 net of Section 33676 of the Redevelopment Law revenues.

(3) Represents actuals per the County for fiscal year 2014-15; Fiscal year 2015-16 amounts are estimates.

(4) Represents payments due under the Tax Sharing Agreements.

(5) Represents bond year debt service for the Prior Bonds and the 2005I Bank Loan; debt service for the 2015 Bonds is an estimate and reflects the first full year of debt service for fiscal year 2016-17.

(6) Represents amount of remaining revenues that was set-aside as a reserve for the fall debt service payments.

(7) Coverage for the January to June period calculated without deducting amounts required to replenish the Reserve for Bond Debt Service; coverage for the July to December period calculated inclusive of the Reserve for Bond Debt Service. **[DISCUSS]**

\* Preliminary; Subject to change.

Source: Fraser & Associates; NHA Advisors, LLC

## **RISK FACTORS**

*The following information should be considered by prospective investors in evaluating 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.

### **Recognized Obligation Payment Schedules**

The Dissolution Act provides that only those payments listed in a Recognized Obligation Payment Schedule may be made by a successor agency from the funds specified in the Recognized Obligation Payment Schedule. Pursuant to Section 34177 of the Dissolution Act, not less than 90-days prior to each January 2 and June 1 up to and including January 2, 2016, and not less than 90-days prior to each February 1 commencing February 1, 2016, the Successor Agency shall submit to the Oversight Board and the DOF, a Recognized Obligation Payment Schedule unless, at the option of the Successor Agency and subject to DOF approval and satisfaction of certain other conditions, a Last and Final Recognized Obligation Payment Schedule is filed in which event no such periodic filing requirements apply. In instances where a Last and Final Recognized Obligation Payment Schedule is not filed, for each semiannual or annual period, as applicable, the Dissolution Act requires each successor agency to prepare and approve, and submit to the successor agency's oversight board and the DOF 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. Consequently, in instances where a Last and Final Recognized Obligation Payment Schedule is not filed, Tax Revenues will not be withdrawn from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller and remitted to the Successor Agency without a duly approved and effective Recognized Obligation Payment Schedule to pay debt service on the Bonds and to pay other enforceable obligations. In the event the Successor Agency were to fail to file a Recognized Obligation Payment Schedule with respect to a six-month or twelve-month period, as applicable, the following half of the calendar year or twelve-month period, the availability of Tax Revenues to the Successor Agency could be adversely affected for such period. See "SECURITY FOR THE BONDS –Recognized Obligation Payment Schedules."

In instances where a Last and Final Recognized Obligation Payment Schedule is not filed, if a successor agency does not submit a 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 DOF 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 or twelve-month period, as applicable, would be distributed to taxing entities as more fully described in the section of this Official Statement entitled, "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedules."

AB 1484 also added provisions to the Dissolution Act implementing certain penalties in the event a successor 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 successor agency to the oversight board, to the county administrative officer, the county auditor-controller, the DOF, and the State Controller no later than 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 a successor agency does not submit a Recognized Obligation Payment Schedule by such deadlines, the city or county that established the redevelopment agency will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the DOF. Additionally, a successor agency's administrative cost allowance is reduced by 25% if the successor agency does not submit an oversight board-approved Recognized Obligation Payment Schedule 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.

### **Challenges to Dissolution Act**

Several successor agencies, cities and other entities have filed judicial actions challenging the legality of various provisions of the Dissolution Act. One such challenge is an action filed on August 1, 2012, by Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, "**Syncora**") against the State, the State Controller, the State Director of Finance, and the Auditor-Controller of San Bernardino County on his own behalf and as the representative of all other County Auditors in the State (Superior Court of the State of California, County of Sacramento, Case No. 34-2012-80001215). Syncora are monoline financial guaranty insurers domiciled in the State of New York, and as such, provide credit enhancement on bonds issued by state and local governments and do not sell other kinds of insurance such as life, health, or property insurance. Syncora provided bond insurance and other related insurance policies for bonds issued by former California redevelopment agencies.

The complaint alleged that the Dissolution Act, and specifically the "Redistribution Provisions" thereof (i.e., California Health and Safety Code Sections 34172(d), 34174, 34177(d), 34183(a)(4), and 34188) violate the "contract clauses" of the United States and California Constitutions (U.S. Const. art. 1, §10, cl.1; Cal. Const. art. 1, §9) because they unconstitutionally impair the contracts among the former redevelopment agencies, bondholders and Syncora. The complaint also alleged that the Redistribution Provisions violate the "Takings Clauses" of the United States and California Constitutions (U.S. Const. amend. V; Cal Const. art. 1 § 19) because they unconstitutionally take and appropriate bondholders' and Syncora's contractual right to critical security mechanisms without just compensation.

After hearing by the Sacramento County Superior Court on May 3, 2013, the Superior Court ruled that Syncora's constitutional claims based on contractual impairment were premature. The Superior Court also held that Syncora's takings claims, to the extent based on the same arguments, were also premature. Pursuant to a Judgment stipulated to by the parties, the Superior Court on October 3, 2013, entered its order dismissing the action. The Judgment, however, provides that Syncora preserves its rights to reassert its challenges to the Dissolution Act in the future. The Successor Agency does not guarantee that any reassertion of challenges by Syncora or that the final results of any of the judicial actions brought by others challenging the Dissolution Act will not result in an outcome that may have a material adverse effect on the Successor Agency's ability to timely pay debt service on the Bonds.

## **Concentration of Property Ownership**

The risk of reduction in assessed value as a result of factors described herein may generally increase where the assessed value within the Project Area is concentrated among a relatively few number of property owners. Ownership of property in the Project Area is highly concentrated, with the ten largest property owners accounting for 44.26% of incremental value for fiscal year 2015-16. Significant reduction in the assessed values of these property owners could, by itself or in combination with other factors, have a material adverse effect on the Successor Agency's ability to pay debt service on the Bonds as such payments become due and payable.

## **Reduction in Taxable Value**

Tax increment revenue available to pay principal of and interest on the Bonds are determined by the amount of incremental taxable value in the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property in the Project Area caused by economic factors beyond the Successor Agency's control, such as relocation out of the 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 tax increment available to pay debt service on the Bonds. Such reduction of tax increment available to pay debt service on the Bonds could have an adverse effect on the Successor Agency's ability to make timely payments of principal of 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 tax increment available to pay debt service on the Bonds.

In addition to the other limitations on, and required application under the Dissolution Act of Tax Revenues on deposit in the Redevelopment Property Tax Trust Fund, the State electorate or State Legislature could adopt a constitutional or legislative property tax reduction with the effect of reducing Tax Revenues allocated to the Redevelopment Property Tax Trust Fund and available to the Successor Agency. Although the federal and State Constitutions include clauses generally prohibiting the California Legislature's impairment of contracts, there are also recognized exceptions to these prohibitions. There is no assurance that the State electorate or State Legislature will not at some future time approve additional limitations that could reduce the tax increment available to pay debt service on the Bonds and adversely affect the source of repayment and security of the Bonds.

## **Risks to Real Estate Market**

The Successor Agency's ability to make payments on the Bonds will be dependent upon the economic strength of the Project Area. The general economy of the Project Area 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 the 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 significant decline in the general economy of any Project Area, the owners of property within such 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 or interruption in the receipt of Tax Revenues by the Successor Agency from the Project Area. See “THE PROJECT AREA – Projected Tax Revenues and Estimated Debt Service Coverage” for a description of the debt service coverage on the Bonds.

### **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% 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%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. The Successor Agency is unable to predict if any further adjustments to the full cash value base of real property within the Project Area, whether an increase or a reduction, will be realized in the future.

### **Levy and Collection of Taxes**

The Successor 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 Tax Revenues, and accordingly, could have an adverse impact on the security for and the ability of the Successor Agency to repay the Bonds.

Although delinquencies in the payment of property taxes by the owners of land in the Project Area, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes as described below, could have an adverse effect on the Successor Agency’s ability to make timely payments on the Bonds, the Successor Agency believes any such adverse impact is unlikely in light of the debt service coverage provided by net tax increment. See “THE PROJECT AREA – Projected Tax Revenues and Estimated Debt Service Coverage” for a description of the debt service coverage on the Bonds. See also “PROPERTY TAXATION IN CALIFORNIA – Rate of Collections” for a discussion of the Teeter Plan as adopted and applied by the County.

### **Bankruptcy and Foreclosure**

The payment of the property taxes from which 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 with respect to unsecured property taxes (and therefore, not subject to the Teeter Plan) 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 Bonds.

### **Estimated Revenues**

In estimating that net tax increment will be sufficient to pay debt service on the Bonds, the Successor Agency and Fiscal Consultant have made certain assumptions with regard to present and future assessed valuation in the Project Area, future tax rates and percentage of taxes collected. The Successor 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 net tax increment available to pay debt service on the Bonds will be less than those projected and such reduced net tax increment may be insufficient to provide for the payment of principal of, premium (if any) and interest on the Bonds.

See "THE PROJECT AREA – Projected Tax Revenues and Estimated Debt Service Coverage" above.

### **Hazardous Substances**

An additional 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 Area. In general, the owners and operators of 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. The effect, therefore, should any of the property within the Project Area be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition.

### **Natural Disasters**

The value of the property in the Project Area in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements, landslides and floods and climatic conditions such as droughts. In the event that one or more of such conditions occur, such occurrence could cause damages of varying seriousness to the land and improvements and the value of property in the Project Area could be diminished in the aftermath of such events. A substantial reduction of the value of such properties and could affect the ability or willingness of the property owners to pay the property taxes.

**Seismic.** Within the County, two areas of faults have been identified: a series of small Quaternary faults, located in the northern section of the County within the Sutter Buttes, and the Pre-Quaternary fault, located in the southeastern corner of the County, just east of where Highway 99 enters the County. Both faults are listed as in-active, but have the potential for seismic activity. In addition, the City, like most regions in the State of California, is located near areas of seismic activity and therefore, could be subject to potentially destructive earthquakes.

The occurrence of severe seismic activity in the City could result in substantial damage to property located in the Project Area, 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 Tax Revenues.

**Flood.** The City features several large rivers and smaller tributaries, or streams, that are susceptible to annual flooding events that pose threats to life and safety and can cause significant property damage. Large rivers within the City include the Feather and Sacramento Rivers, while interior streams include Gilsizer Slough and Live Oak Canal. Snow melt from the eastern watershed contributes substantially to flooding, and ongoing development within the City continues to displace natural areas that have historically functioned as flood storage.

The occurrence of severe flooding in the City could result in substantial damage to property located in the Project Area, 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 Tax Revenues.

## **Changes in the Law**

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the State 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 tax increment available to pay debt service on the Bonds.

## **Loss of Tax-Exemption**

As discussed under the caption "TAX MATTERS," 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 Successor Agency in violation of its covenants 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.

## **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.

## TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Successor Agency comply with all requirements of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”) that must be satisfied subsequent to the issuance of the Bonds. The Successor Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond’s maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect

to State of California personal income tax and federal income tax consequences of owning such Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

## CONCLUDING INFORMATION

### Underwriting

The Bonds are being purchased by \_\_\_\_\_ (the “**Underwriter**”). The Underwriter has agreed to purchase the Bonds at a price of \$\_\_\_\_\_ (being the principal amount of the Bonds plus an original issue premium of \$\_\_\_\_\_ and less an Underwriter’s discount of \$\_\_\_\_\_). The Underwriter will purchase all of the Bonds if any are purchased.

The Underwriter may offer and sell Bonds to certain dealers and others at a price lower than the offering price stated on the inside cover page of this Official Statement. The offering price may be changed from time to time by the Underwriter.

### Legal Opinion

The final approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, will be furnished to the purchaser at the time of 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 B.

In addition, certain legal matters will be passed on by Jones Hall, A Professional Law Corporation, as Disclosure Counsel, and by \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, as Underwriter’s Counsel.

Certain legal matters will be passed on for the Successor Agency by the City Attorney of the City, as general counsel for the Successor Agency.

*Payment of the fees and expenses of Bond Counsel, Disclosure Counsel and Underwriter’s Counsel is contingent upon the sale and delivery of the Bonds.*

### Litigation

There is no action, suit or proceeding known to the Successor Agency to be pending and notice of which has been served upon and received by the Successor Agency, or threatened, restraining or enjoining the execution or delivery of the Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Successor Agency taken with respect to any of the foregoing or seeking to restrain or enjoin the repayment of the Bonds or which, in any manner, questions the right of the Successor Agency to use the Tax Revenues for repayment of the Bonds or affects in any manner the right or ability of the Successor Agency to collect or pledge the Tax Revenues. See, however, “RISK FACTORS – Challenges to Dissolution Act.” **[City Attorney to confirm]**

### Rating

Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. (“**S&P**”), has assigned its rating of “\_\_\_” to the Bonds. The rating reflects only the view of S&P as to the credit quality of the Bonds, and explanation of the significance of the ratings may be obtained from S&P.

The rating issued reflects only the view of S&P, and any explanation of the significance of such rating should be obtained from S&P. There is no assurance that such rating will be retained for any given period of time or that it will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of any rating obtained may have an adverse effect on the market price of the Bonds.

### **Continuing Disclosure**

The Successor Agency will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Successor Agency by not later than March 31 after the end of each fiscal year of the Successor Agency (currently June 30th), commencing not later than March 31, 2016 with the report for the 2014-15 fiscal year (the “**Annual Report**”), and to provide notices of the occurrence of certain listed events. The specific nature of the information to be contained in the Annual Report or the notices of listed events is summarized in “APPENDIX D – FORM OF SUCCESSOR AGENCY CONTINUING DISCLOSURE CERTIFICATE,” attached to this Official Statement. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”).

The City and certain related entities, including the Former Agency previously entered into certain disclosure undertakings under the Rule in connection with the issuance of long-term obligations. During the past five years, the City and such related entities have, in some instances, failed to comply with their undertakings. In the previous five years, specific instances of non-compliance include:

- audited financial statements for the Former Agency for fiscal years 2009-10 and 2010-11 were filed for the 2007 Bonds but were not linked on the Electronic Municipal Market Access (“**EMMA**”) to the 2004 Series A Bonds and 2004 Series B Bonds;
- certain required supplemental information for the Former Agency for fiscal years 2009-10 and 2010-11 was filed for the 2007 Bonds but was not linked on EMMA to the 2004 Series A Bonds and 2004 Series B Bonds;
- identification of improvement fund account balances relating to the City of Yuba City Community Facilities District No. 2004-1 (Sunsweet Boulevard) Special Tax Bonds Series 2005 (the “**2005 Special Tax Bonds**”) were not included as part of the required supplemental information for fiscal years 2009-10 through 2012-13;
- identification of improvement fund account balances relating to the City of Yuba City Tierra Buena Water Assessment District No. 2003-1 Limited Obligation Improvement Bonds (the “**2004 Assessment Bonds**”) were not included as part of the required supplemental information for fiscal years 2009-10 and 2010-11;
- certain required supplemental information for the 2005 Special Tax Bonds was filed 28 days late for fiscal year 2013-14;
- the comprehensive annual report for fiscal year 2009-10 due March 31, 2011 was not filed until May 2, 2013 with respect to 2004 Assessment Bonds;



- rating change notices (insured and underlying) occurring between December 2010 and February 2013 were not made or filed late;
- notices of redemption/defeasance for the City of Yuba City Buttes Vista Assessment District No. 2000-1 Limited Obligation Improvement Bonds, the City of Yuba City Buttes Vista Assessment District No. 2002-1 Limited Obligation Improvement Bonds and the 2004 Assessment Bonds were not filed; and
- notices of the dissolution of redevelopment agencies relating to the 2004 Series A Bonds and 2004 Series B Bonds were filed late.

The City has retained \_\_\_\_\_ to provide continuing disclosure services to ensure compliance with the continuing disclosure undertakings of the City and its related entities, including the Successor Agency, in the future. To further ensure such compliance, the City has appointed its \_\_\_\_\_ to coordinate the preparation of annual disclosure reports by \_\_\_\_\_ and the filing of such reports by the City's Finance Department and has adopted policies and procedures related thereto. **[Successor Agency to confirm]**

### **Audited Financial Statements**

The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014 (the "**City CAFR**") is attached as Appendix E. The City CAFR includes the Successor Agency's audited financial statements for the fiscal year ended June 30, 2014. The Successor Agency's audited financial statements were audited by Moss, Levy & Hartzheim LLP (the "**Auditor**"). The Auditor has not been asked to consent to the inclusion of the Successor Agency's audited financial statements in this Official Statement and has not reviewed this Official Statement.

As described in "SECURITY FOR THE BONDS – Limited Obligation," the Bonds are payable from and secured by a pledge of Tax Revenues and the Bonds are not a debt of the City. The City CAFR is attached as Appendix E to this Official Statement only because it includes the Successor Agency's audited financial statements.

### **Miscellaneous**

All of the preceding summaries of the Indenture, the Redevelopment Law, the Dissolution Act, other applicable legislation, the Redevelopment Plans, 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 Successor Agency 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 Executive Director has been duly authorized by the Successor Agency.

**SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE  
CITY OF YUBA CITY**

By: \_\_\_\_\_  
Executive Director

## **APPENDIX A**

### **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

**APPENDIX B**  
**FORM OF BOND COUNSEL OPINION**

## **APPENDIX C**

### **BOOK-ENTRY ONLY SYSTEM**

The information in this Appendix C concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from DTC and the Successor Agency takes no responsibility for the completeness or accuracy thereof. The Successor Agency 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 Successor 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](http://www.dtcc.com). The information set forth on such website is not incorporated herein by reference.

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 2015 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 Successor Agency 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 Successor Agency 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 Successor Agency, 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 Successor Agency 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 Successor Agency 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 Successor Agency 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 Successor Agency believes to be reliable, but the Successor Agency takes no responsibility for the accuracy thereof.

## APPENDIX D

### FORM OF SUCCESSOR AGENCY CONTINUING DISCLOSURE CERTIFICATE

\$ \_\_\_\_\_  
**SUCCESSOR AGENCY  
TO THE REDEVELOPMENT AGENCY  
OF THE CITY OF YUBA CITY  
2015 TAX ALLOCATION REFUNDING BONDS**

This CONTINUING DISCLOSURE CERTIFICATE (this “**Disclosure Certificate**”) is executed and delivered by the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF YUBA CITY (the “**Successor Agency**”) in connection with the execution and delivery of the bonds captioned above (collectively, the “**Bonds**”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of December 1, 2015, by and between the Successor Agency and MUFG Union Bank, N.A., as trustee (the “**Indenture**”).

The Successor Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Successor Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the Successor Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is nine months after the end of the Successor Agency’s fiscal year (currently March 31 based on the Successor Agency’s fiscal year end of June 30).

“*Dissemination Agent*” means, initially, \_\_\_\_\_, or any successor Dissemination Agent designated in writing by the Successor Agency and which has filed with the Successor Agency a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the Successor Agency in connection with the issuance of the Bonds.



“*Participating Underwriter*” means \_\_\_\_\_, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

### Section 3. Provision of Annual Reports.

(a) The Successor Agency shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2016, with the report for the 2014-15 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the Successor Agency shall provide the Annual Report to the Dissemination Agent (if other than the Successor Agency). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Successor Agency) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Successor Agency to determine if the Successor Agency is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Successor Agency may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the Successor Agency’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Successor Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Successor Agency hereunder.

(b) If the Successor Agency does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Successor Agency shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Successor Agency, file a report with the Successor Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The Successor Agency’s Annual Report shall contain or incorporate by reference the following:

(a) The Successor Agency’s audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Successor Agency’s audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements

contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Successor Agency for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

- (i) Principal amount of Bonds outstanding as of June 30 of the most recently-completed fiscal year.
- (ii) Balance in the Reserve Account and a statement of the Reserve Requirement as of June 30 of the most recently-completed fiscal year.
- (iii) Information for the most recently-completed fiscal year of the type included in Tables 1, 2, 3, 4, 5, 6, 7, and 8 of the Official Statement.
- (iv) Whether tax revenues from the Project Area were accounted for under the Teeter Plan (as defined in the Official Statement) during the most recently-completed fiscal year.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the Successor Agency shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Successor Agency or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Successor Agency shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Significant Events.

(a) The Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (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 Successor Agency or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the Successor Agency or an obligated person, or the sale of all or substantially all of the assets of the Successor Agency or an 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.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Successor Agency obtains knowledge of the occurrence of a Listed Event, the Successor Agency shall, or shall cause the Dissemination Agent (if not the Successor Agency) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The Successor Agency acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The Successor Agency shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the Successor Agency obtains knowledge of the occurrence of any of these Listed Events, the Successor Agency will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the Successor Agency will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Successor Agency in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Successor Agency, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Successor Agency.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Successor Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Successor Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The Successor Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be \_\_\_\_\_. Any Dissemination Agent may resign by providing 30 days' written notice to the Successor Agency.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Successor Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Successor Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Successor Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Successor Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Successor Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the Successor Agency fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Successor Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Successor Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Successor Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Successor Agency hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Successor Agency, the Bond holders or any other party. The obligations of the Successor Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the Successor Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Successor Agency, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: \_\_\_\_\_, 2015

**SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE  
CITY OF YUBA CITY**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

AGREED AND ACCEPTED:

\_\_\_\_\_,  
AS DISSEMINATION AGENT

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Successor Agency to the Redevelopment Agency of the City of Yuba City

Name of Issue: \$\_\_\_\_\_ Successor Agency to the Redevelopment Agency of the City of Yuba City 2015 Tax Allocation Refunding Bonds

Date of Issuance: \_\_\_\_\_, 2015

NOTICE IS HEREBY GIVEN that the Successor Agency has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture of Trust, dated as of December 1, 2015, by and between the Successor Agency and MUFG Union Bank, N.A., as trustee. The Successor Agency anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

DISSEMINATION AGENT:

\_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

**APPENDIX E**

**SUCCESSOR AGENCY FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2014**



## **APPENDIX F**

### **STATE DEPARTMENT OF FINANCE APPROVAL LETTER**

## APPENDIX G

### SUPPLEMENTAL INFORMATION – CITY OF YUBA CITY AND COUNTY OF SUTTER

*The following information concerning the City of Yuba City (the “**City**”) and the County of Sutter (the “**County**”) is included only for the purpose of supplying general information regarding the Project Area. The Bonds are not a debt of the City, the County, the State of California (the “**State**”) or any of its political subdivisions, except the Successor Agency, and neither the City, the County, the State nor any of its political subdivisions, except the Successor Agency, is liable therefor.*

#### **General Information**

**The City.** The City is located in Northern California and is the county seat of the County. According to the United States Census Bureau, the City has a total area of 14.7 square miles (38 km<sup>2</sup>), of which, 14.6 square miles (38 km<sup>2</sup>) of it is land and 0.1 square miles (0.26 km<sup>2</sup>) of it is water. The total area is 0.53% water. The City is the principal city of the Yuba City Metropolitan Statistical Area which encompasses all of the County and Yuba County. It is the 21st largest metropolitan area in California ranked behind Redding and Chico. Its metropolitan statistical area is part of the Greater Sacramento CSA.

The City is home to the largest dried fruit processing plant in the world, Sunsweet Growers Incorporated. In 1988, City was home to the California Prune Festival. In 2001 the name was changed to the California Dried Plum Festival and in early 2003 directors announced the end of the festival's 15-year run in the Yuba-Sutter area. This was primarily due to rise in costs, difficulty in securing sponsors, and competition from other festivals.

**The County.** Sutter County is a county in the U.S. state of California. The county seat is the City. Sutter County is included in the Yuba City, CA Metropolitan Statistical Area as well as the Sacramento-Roseville, CA Combined Statistical Area. The county is located along the Feather River in the Sacramento Valley. According to the U.S. Census Bureau, the county has a total area of 608 square miles (1,570 km<sup>2</sup>), of which 602 square miles (1,560 km<sup>2</sup>) is land and 6.1 square miles (16 km<sup>2</sup>) (1.0%) is water. It is the fourth-smallest county in California by total area. Some 88 percent of the county is prime farmland and grazing land.

Sutter County was one of the original counties of California, created in 1850 at the time of statehood. Parts of the county were given to Placer County in 1852.

## Population

Population figures for the City, the County and the State for the past five years are shown in the following table, as of January 1.

### **YUBA CITY, SUTTER COUNTY AND STATE OF CALIFORNIA Population Estimates (As of January 1)**

Calendar Year	Yuba City	Sutter County	State of California
2011	64,792	94,620	37,427,946
2012	65,337	95,120	37,668,804
2013	65,464	95,302	37,984,138
2014	65,557	95,739	38,357,121
2015	66,363	95,948	38,714,725

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

## Employment and Industry

The County, along with Yuba County, comprises the Yuba City Metropolitan Statistical Area ("MSA"). The following table summarizes the civilian labor force, employment and unemployment in the Yuba City MSA for the calendar years 2010 through 2014.

The unemployment rate in the Yuba City MSA was 9.5 percent in July 2015, down from a revised 9.6 percent in June 2015, and below the year-ago estimate of 11.6 percent. This compares with an unadjusted unemployment rate of 6.5 percent for California and 5.6 percent for the nation during the same period. The unemployment rate was 9.7 percent in the County, and 9.1 percent in Yuba County.

**City of Yuba City Metropolitan Statistical Area  
(SUTTER AND YUBA COUNTIES)  
Civilian Labor Force, Employment and Unemployment, Employment by Industry  
(Annual Average)  
(March 2014 Benchmark)**

	2010	2011	2012	2013	2014
Civilian Labor Force	74,900	74,800	74,500	73,200	72,600
Employment	61,300	61,500	62,300	62,900	63,800
Unemployment	13,600	13,300	12,100	10,300	8,800
Unemployment Rate	18.1%	17.7%	16.3%	14.0%	12.1%
<u>Wage and Salary Employment (1)</u>					
Agriculture	4,600	4,700	4,600	4,600	4,400
Manufacturing	2,000	2,100	2,100	2,200	2,100
Wholesale Trade	1,100	1,200	1,300	1,200	1,300
Retail Trade	5,500	5,400	5,500	5,500	5,600
Transportation, Warehousing & Utilities	1,200	1,300	1,300	1,400	1,500
Information	400	400	400	400	400
Financial Activities	1,400	1,300	1,400	1,400	1,400
Professional & Business Services	2,600	2,500	2,700	2,900	3,000
Educational & Health Services	6,400	6,300	6,400	7,000	7,200
Leisure & Hospitality	3,700	3,900	4,000	4,300	4,400
Other Services	1,000	1,000	1,000	1,000	1,100
Federal Government	1,600	1,600	1,500	1,400	1,500
State Government	900	900	900	900	900
Local Government	8,000	8,000	7,900	7,700	7,900
Total, All Industries (2)	42,100	42,100	42,600	43,300	44,300

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

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

Source: State of California Employment Development Department.

## Major Employers

The following tables list the major employers in the City.

### **CITY OF YUBA CITY Major Employers (As of June 30, 2014)<sup>(1)</sup>**

<b><u>Employer</u></b>	<b><u>Number of Employees</u></b>	<b><u>Percentage of Total City Employment</u></b>
Fremont Rideout Medical	1,855	9.61%
Yuba City Unified School District	1,377	7.13
County of Sutter	857	4.44
Sunsweet Growers	710	3.68
Wal-Mart	550	2.85
Sutter North Medical	450	2.33
City of Yuba City	297	1.54
Sam's Club	240	1.24
Target	200	1.04
Bel Air/Raley's	180	0.93

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*(1) Lastest data available.*

*Source: Yuba City Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014.*

The following tables list the major employers for Sutter County.

**SUTTER COUNTY  
Major Employers  
(As of September 2015)**

<b><u>Employer Name</u></b>	<b><u>Location</u></b>	<b><u>Industry</u></b>
Applebee's	Yuba City	Full-Service Restaurant
Bel Air Markets	Yuba City	Grocers-Retail
Cat Rental Store	Pleasant Grove	Contractors-Equipment & Supls-Renting
Fireye Inc	Live Oak	Fire Protection Equipment & Supls-Mfrs
Holt of California	Pleasant Grove	Industrial Equipment & Supplies (Whls)
Home Depot	Yuba City	Home Centers
Homeward Bound Golden	Elverta	Animal Shelters
Larry Geweke Ford	Yuba City	Automobile Dealers-New Cars
Legend Transportation	Yuba City	Trucking-Liquid & Dry Bulk
Los Banos	Robbins	Farm Labor
Lowe's Home Improvement	Yuba City	Home Centers
River Valley High School	Yuba City	Schools
Sam's Club	Yuba City	Wholesale Clubs
Sierra Central Credit Union	Yuba City	Credit Unions
Siller Bros Aviation Div	Yuba City	Helicopter-Charter & Rental Service
Sunsweet Growers Inc	Yuba City	Fruits-Dried (Whls)
Sutter County Jail	Yuba City	County Govt-Correctional Institutions
Sutter County Sheriff	Yuba City	Sheriff
Sysco Sacramento Inc	Pleasant Grove	Food Products (Whls)
Trees Inc	Yuba City	Tree Service
Walmart Supercenter	Yuba City	Department Stores
Winco Foods	Yuba City	Grocers-Retail
Yuba City High School	Yuba City	Schools
Yuba City Unified School Dist	Yuba City	School Districts
Yuba Skilled Nursing Ctr	Yuba City	Convalescent Homes

*Source: State of California Employment Development Department; compiled from America's Labor Market Information System Employer Database, 2015 2nd Edition.*

## Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and non-tax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), non-tax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2010 through 2014.

### YUBA CITY AND SUTTER COUNTY Effective Buying Income For Calendar Years 2010 through 2014

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2010	Yuba City	\$651,220	\$34,735
	Sutter County	1,616,788	40,278
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	Yuba City	651,548	34,851
	Sutter County	1,623,018	40,185
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	Yuba City	1,059,025	39,898
	Sutter County	1,595,020	40,712
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	Yuba City	1,141,070	42,896
	Sutter County	1,698,695	43,718
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	Yuba City	1,202,920	43,649
	Sutter County	1,803,813	44,462
	California	901,189,699	50,072
	United States	7,357,153,421	45,448

Source: The Nielsen Company (US), Inc.

## Commercial Activity

Total taxable sales reported during the first quarter of calendar year 2014 in the City were reported to be \$227,198,000, a 2.10% decrease over the total taxable sales of \$232,071,000 reported during the first quarter of calendar year 2013. The valuations of taxable transactions in the City are presented in the following table. Annual figures are not yet available for calendar year 2014.

**CITY OF YUBA CITY**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**For Calendar Years 2009 through 2013**  
**(Dollars in Thousands)**

Year	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	908	\$693,281	1,382	\$825,597
2010	934	724,869	1,399	858,552
2011	908	762,301	1,354	917,037
2012	909	788,825	1,348	958,883
2013	974	815,807	1,401	1,000,394

*Source: State Board of Equalization.*

Total taxable sales reported during the first quarter of calendar year 2014 in the County were reported to be \$319,843,000, a 2.37% decrease over the total taxable sales of \$327,617,000 reported during the first calendar year 2013. The valuations of taxable transactions in the County are presented in the following table. Annual figures are not yet available for calendar year 2014.

**SUTTER COUNTY**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**For Calendar Years 2009 through 2013**  
**(Dollars in Thousands)**

Year	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	1,268	\$854,824	1,915	\$1,180,496
2010	1,295	863,546	1,942	1,209,026
2011	1,259	928,704	1,884	1,314,154
2012	1,256	954,784	1,869	1,366,640
2013	1,308	1,007,599	1,908	1,468,038

*Source: State Board of Equalization.*



## Construction

Provided below are the building permits and valuations for the City and the County for calendar years 2010 through 2014.

### YUBA CITY Building Permit Valuation (Valuation in Thousands of Dollars)

	2010	2011	2012	2013	2014
<u>Permit Valuation</u>					
New Single-family	\$4,280.7	\$3,089.8	\$3,707.0	\$13,111.6	\$14,936.7
New Multi-family	0.0	0.0	1,533.5	0.0	1,316.8
Res. Alterations/Additions	<u>2,675.5</u>	<u>2,968.1</u>	<u>1,363.9</u>	<u>2,872.3</u>	<u>2,080.9</u>
Total Residential	6,956.2	6,057.9	6,604.4	15,983.8	18,334.4
New Commercial	2,990.1	4,588.7	2,799.4	18,978.0	5,382.9
New Industrial	0.0	0.0	247.5	0.0	180.0
New Other	2,622.9	0.0	0.0	3,540.0	4,959.6
Com. Alterations/Additions	<u>7,842.3</u>	<u>6,257.3</u>	<u>14,497.7</u>	<u>7,067.3</u>	<u>2,693.2</u>
Total Nonresidential	13,455.2	10,846.0	17,544.6	29,585.3	13,215.7
 New Dwelling Units					
Single Family	18	14	15	51	50
Multiple Family	<u>0</u>	<u>0</u>	<u>15</u>	<u>0</u>	<u>10</u>
TOTAL	18	14	30	51	60

Source: Construction Industry Research Board, Building Permit Summary.

### SUTTER COUNTY Building Permit Valuation (Valuation in Thousands of Dollars)

	2010	2011	2012	2013	2014
<u>Permit Valuation</u>					
New Single-family	\$16,093.1	6,207.8	\$6,970.2	\$15,848.0	\$21,843.0
New Multi-family	0.0	6,049.7	1,533.5	0.0	1,316.8
Res. Alterations/Additions	<u>8,290.6</u>	<u>12,502.2</u>	<u>7,380.9</u>	<u>7,010.9</u>	<u>6,276.6</u>
Total Residential	24,383.8	24,759.7	15,884.6	22,858.8	29,436.4
New Commercial	3,277.2	14,454.8	10,156.5	31,028.0	12,519.3
New Industrial	0.0	0.0	247.5	685.0	570.0
New Other	7,279.4	918.6	0.0	4,127.5	9,224.8
Com. Alterations/Additions	<u>14,878.1</u>	<u>7,834.6</u>	<u>18,192.2</u>	<u>23,391.4</u>	<u>12,810.8</u>
Total Nonresidential	25,434.6	23,208.0	28,596.2	59,231.9	35,124.9
 New Dwelling Units					
Single Family	86	21	23	61	74
Multiple Family	<u>0</u>	<u>56</u>	<u>15</u>	<u>0</u>	<u>10</u>
TOTAL	86	77	38	61	84

Source: Construction Industry Research Board, Building Permit Summary.

**APPENDIX H**  
**FISCAL CONSULTANT'S REPORT**