

In the opinion of Richards, Watson & Gershon, A Professional Corporation, Bond Counsel, under existing law, the interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the tax covenants described herein, the interest on the Series A Bonds is excluded from gross income for Federal income tax purposes and is not a specific item for purposes of the Federal alternative minimum tax. See, however, "CONCLUDING INFORMATION — Tax Matters" herein regarding certain other tax considerations.

**\$2,100,000**

**BLYTHE REDEVELOPMENT AGENCY**

**TAX ALLOCATION BONDS**

**(Redevelopment Project No.1)**

**\$1,400,000 Series A**

**\$700,000 Series B (Taxable)**

**Dated: Date of Delivery**

**Due: May 1, as shown below**

The Series A Bonds and the Series B Bonds (collectively, the "Bonds") will be delivered in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interest in the Bonds may be purchased, in denominations of \$5,000 or any integral multiple thereof, in book-entry form only as described herein. Upon receipt of payments of principal and interest, DTC will in turn remit such principal and interest to the participants in DTC (as described herein) for subsequent disbursement to the beneficial owners of the Bonds. Interest on the Bonds will be payable on May 1 and November 1 of each year commencing May 1, 2003. **The Bonds are subject to redemption prior to maturity, as described herein.**

The Bonds are being issued to finance redevelopment activities within Redevelopment Project No. 1 (the "Project") as described herein, fund the debt service reserve account requirement, and pay costs of bond issuance.

The Bonds are being sold to the Blythe Financing Authority, which will in turn sell the Bonds to the Underwriter.

The Bonds are special obligations of the Agency and are equally and ratably secured, without preference or distinction as to Series, by an irrevocable pledge of certain Tax Revenues derived from the Project and other funds as provided in the Indenture pursuant to which the Bonds are being issued, as further discussed herein. See "SECURITY FOR THE BONDS" herein. The Bonds are payable on a parity with the Agency's outstanding 1995A Bonds, 1995B Bonds, 1996A Bonds, 1996B Bonds, 1997 Bonds, 2000A Bonds, and 2000B Bonds (as defined herein).

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

THE BONDS ARE NOT A DEBT OF THE CITY OF BLYTHE, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY, AND NEITHER THE CITY OF BLYTHE, THE STATE OF CALIFORNIA NOR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY IS LIABLE THEREFOR. IN NO EVENT SHALL ANY BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AGENCY AS SET FORTH IN THE INDENTURE. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AGENCY NOR ANY PERSONS EXECUTING THE BONDS ARE LIABLE PERSONALLY ON THE BONDS BY REASON OF THEIR ISSUANCE.

**MATURITY SCHEDULES**

**\$225,000 7.00% Series A Term Bonds Due May 1, 2013 --NRO**

**\$435,000 5.375% Series A Term Bonds Due May 1, 2023 -- NRO**

**\$740,000 5.60% Series A Term Bonds Due May 1, 2033 -- NRO**

**\$375,000 8.00% Series B Term Bonds Due May 1, 2013 -- Price 100%**

**\$325,000 8.50% Series B Term Bonds Due May 1, 2018 -- Price 100%**

The Bonds are offered, when, as and if issued and accepted by the Underwriter, subject to the approval of Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the Authority and the Agency by Richards, Watson & Gershon. It is anticipated that the Bonds will be available for delivery in New York, New York through the book-entry system of DTC on or about January 30, 2003

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Agency or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth herein has been obtained from sources which are believed to be reliable. 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. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances, create any implications that there has been no change in the affairs of the Authority since the date hereof. All summaries of the Indenture or other documents are made subject to the provisions of such respective documents 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 Agency for further information in connection therewith.

The Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. Capitalized terms used herein and not otherwise defined will have the same definitions as set forth in the Indenture.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

## **BLYTHE REDEVELOPMENT AGENCY**

Robert A. Crain, Chairman  
George Thomas, Vice Chairman  
Gary Grimm, Member  
Charles Grotke, Member  
Richard Soto, Member

## **CITY COUNCIL OF THE CITY OF BLYTHE AND BLYTHE FINANCING AUTHORITY**

Robert A. Crain, Mayor and President  
George Thomas, Vice Mayor and Vice President  
Gary Grimm, Council and Boardmember  
Charles Grotke, Council and Boardmember  
Richard Soto, Council and Boardmember

## **AGENCY AND CITY STAFF**

Les Nelson, Executive Director and City Manager  
Virginia Rivera, Agency Secretary and City Clerk  
Helen Colbert, Director of Finance  
J. Scott Zundel, City Attorney

## **SPECIAL SERVICES**

### **Bond Counsel**

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

### **Financial Advisor**

A.M. Miller & Co., Inc.  
San Diego, California

### **Trustee**

U. S. Bank Trust National Association  
Los Angeles, California

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
INTRODUCTION .....	1
The Bonds .....	1
Authority and Purpose .....	1
The City and the Agency .....	2
Tax Allocation Financing .....	2
CONTINUING DISCLOSURE .....	3
THE BONDS .....	3
Authority for Issuance .....	3
Description of the Bonds .....	3
Book-Entry Only System .....	3
Redemption .....	5
Selection of Bonds .....	7
Notice of Redemption .....	7
Transfer and Exchange of Bonds .....	7
Additional Bonds .....	8
Debt Service Schedule .....	11
DISPOSITION OF BOND PROCEEDS .....	12
Redevelopment Fund .....	12
Housing Fund .....	12
Estimated Sources and Uses of Funds .....	12
SECURITY FOR THE BONDS .....	13
Pledge and Allocation of Taxes .....	13
Reserve Account .....	14
Bonds Not a Debt of City of Blythe or the State of California .....	14
RISK FACTORS .....	15
Bonds are Limited Obligations .....	15
Reduction in Tax Revenues .....	15
Development Risks .....	15
Reduction in Inflationary Rate .....	16
Levy and Collection .....	16
Bankruptcy Risks .....	16
State Budget .....	17
Secondary Market .....	17
Loss of Tax Exemption .....	17
Other Changes in Redevelopment Law .....	17
PROPERTY TAXATION .....	17
Property Tax Limitations - Article XIII A .....	17
Implementing Legislation .....	18
Property Tax Collection Procedures .....	19
Unitary Property .....	20
Appropriations Limitations: Article XIII B of the California Constitution .....	20
THE BLYTHE FINANCING AUTHORITY .....	21
THE BLYTHE REDEVELOPMENT AGENCY .....	21
Members and Officers .....	21
Agency Powers .....	22
Agency Accounting Records and Financial Statements .....	22
REDEVELOPMENT PROJECT NO. 1 .....	23
Limitations and Requirements of the Redevelopment Plan .....	25
Low and Moderate Income Housing .....	25
Agreements with Various Taxing Agencies .....	25
Tax Sharing Under AB 1290 .....	28
Largest Taxpayers .....	28
Assessed Valuation and Tax Revenues .....	29
Projected Tax Revenues .....	29
Projected Debt Service Coverage .....	30
Low and Moderate Income Housing Projects .....	30
CONCLUDING INFORMATION .....	31
Rating .....	31
Underwriting .....	31
Legal Opinions .....	31
Tax Matters .....	31
No Litigation .....	33
Qualified Tax-Exempt Obligations .....	33
Miscellaneous .....	33
APPENDIX A   GENERAL INFORMATION REGARDING THE CITY OF BLYTHE .....	A-1
APPENDIX B   SUMMARY OF THE INDENTURE .....	B-1
APPENDIX C   AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 1999 .....	C-1
APPENDIX D   FORM OF LEGAL OPINION .....	D-1
APPENDIX E   FORM OF CONTINUING DISCLOSURE AGREEMENT .....	E-1

**\$1,350,000**  
**BLYTHE REDEVELOPMENT AGENCY**  
**REDEVELOPMENT PROJECT NO. 1**  
**TAX ALLOCATION BONDS**

**\$900,000**  
**SERIES 2000A**

**\$450,000**  
**SERIES 2000B**  
**(TAXABLE)**

**INTRODUCTION**

*This Introduction is qualified in its entirety by reference to the more detailed information included and referred to elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. Terms used in this Introduction and not otherwise defined shall have the respective meanings assigned to them elsewhere in this Official Statement.*

The purpose of this Official Statement, which includes the cover page, Table of Contents and Appendices hereto (the “Official Statement”), is to provide information concerning the sale of \$900,000 aggregate principal amount of the Blythe Redevelopment Agency, Redevelopment Project No. 1 Tax Allocation Bonds, Series 2000A (the “Series A Bonds”) and \$450,000 aggregate principal amount of Blythe Redevelopment Agency, Redevelopment Project No. 1 Tax Allocation Bonds, Series 2000B (Taxable) (the “Series B Bonds”) each to be issued by the Agency. The Series A Bonds and the Series B Bonds are sometimes collectively referred to herein as the “Bonds”.

**The Bonds**

The Bonds are being issued by the Agency pursuant to the California Community Redevelopment Law, constituting Part 1, Division 24 (commencing with Section 33000) of the California Health and Safety Code (the “Redevelopment Law”), Resolution No. RA2000-83 adopted by the Agency on October 24, 2000, an Indenture dated as of February 1, 1995 by and between the Agency and Bank of America National Trust and Savings Association, as trustee, and a Third Supplemental Indenture by and between the Agency and U.S. Bank Trust National Association, as trustee, dated as of November 1, 2000 (such Indenture and Third Supplemental Indenture being referred to collectively herein as the “Indenture”).

**Authority and Purpose**

The Bonds are being issued for sale to the Blythe Financing Authority (the “Authority”) pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the California Government Code (the “Act”). The Bonds purchased by the Authority will be resold concurrently to the Underwriter. The proceeds of the Bonds will be used (i) to finance redevelopment activities of the Agency within the Agency’s Redevelopment Project No. 1 (the “Project”), (ii) to comply with the debt service reserve account requirement, and (iii) to pay costs of issuance of the Bonds.

The Bonds are payable on a parity with the Agency's \$1,610,000 outstanding principal amount of Tax Allocation Refunding Bonds, Series 1995A (the "1995A Bonds"); \$1,385,000 outstanding principal amount of Tax Allocation Refunding Bonds, Series 1995B (Taxable) (the "1995B Bonds"); \$1,140,000 outstanding principal amount of Tax Allocation Bonds, Series 1996A (the "1996A Bonds"); \$440,000 outstanding principal amount of Tax Allocation Bonds, Series 1996B (Taxable) (the "1996B Bonds") and \$3,300,000 outstanding principal amount of Tax Allocation Refunding Bonds, Series 1997 (the "1997 Bonds"), all issued for Redevelopment Project No. 1. Such outstanding issues are referred to collectively herein as the "Prior Bonds".

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

The City of Blythe (the "City") is located in Riverside County (the "County"), approximately 227 miles southeast of Los Angeles in the Palo Verde Valley along the Colorado River. Incorporated on July 21, 1916, the City encompasses an area of approximately 24.3 square miles situated 265 feet above sea level. The January 2000 population of the City was estimated to be 21,450. This includes 8,261 inmates at two State prisons which are technically within the City limits.

The Agency was established on June 27, 1984 by the City Council of the City with the adoption of Ordinance No. 604-84, pursuant to the Redevelopment Law. The five members of the City Council serve as the governing body of the Agency, and exercise all the rights, powers, duties and privileges of the Agency.

The Redevelopment Plan for Redevelopment Project No. 1 (the "Redevelopment Plan") was approved by Ordinance No. 611-84 adopted by the City Council on November 27, 1984 and was amended by Ordinance No. 657-89 adopted by the City Council on June 27, 1989, Ordinance No. 715-95 adopted by the City Council on July 18, 1995 and Ordinance No. 758-99 adopted by the City Council on June 22, 1999. Redevelopment Project No. 1 (the "Project Area") comprises about 2,989 acres. The total Project Area comprises about 19.2% of the area within the City's corporate boundaries. The Project Area is zoned for mixed land uses with commercial, industrial, residential and public facility uses.

### **Tax Allocation Financing**

Pursuant to the Redevelopment Law, a portion of all property tax revenues, including certain reimbursements by the State of California (the "State") collected by or for each taxing agency on any increase in the taxable value of certain property within the Project over that shown on the assessment roll for the base year of the Project may be pledged to the repayment of indebtedness incurred by the Agency in connection with the Project redevelopment. The aggregate assessed valuation of the combined base years for the project area and the three amendment areas for the Project is \$125,291,153, which amount reflects the years in which property in the Project was last equalized prior to the effective date of the respective ordinance approving the redevelopment plan and the amendment thereto. Under the Indenture, the Agency has pledged a portion of such tax increment revenues (which aggregate an estimated \$1,204,000 in 2000/01 prior to allocation of taxes to overlapping taxing entities pursuant to certain agreements) received over the base year value to the payment of the principal of, premium, if any, and interest on the Bonds, without preference or distinction as to Series. See "SECURITY FOR THE BONDS" herein. Under various pass-through agreements, the Agency is obligated to pay a portion of the tax increment revenues to other taxing jurisdictions. See "REDEVELOPMENT PROJECT NO. 1 - Pass-Through Agreements" herein.

## **CONTINUING DISCLOSURE**

The Agency will enter into a Continuing Disclosure Agreement with the Trustee to provide certain financial information and operating data relating to the Agency not later than December 31 in each year, (the "Annual Report"), and to provide notices of the occurrences of certain enumerated events, if material. The Annual Report will be filed by the Trustee on behalf of the Agency with each Nationally Recognized Municipal Securities Information Repository, and with the appropriate State information repository, if any. The notices of material events will be filed by the Trustee on behalf of the Agency with the Municipal Securities Rulemaking Board (and with the appropriate State information repository, if any). The purpose of this undertaking by the Agency is to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission. The form of the Continuing Disclosure Agreement is included as Appendix E to this Official Statement. The Agency is in compliance with its previous undertakings under Rule 15c2-12(b)(5).

## **THE BONDS**

### **Authority for Issuance**

The Bonds have been authorized by, and are being issued pursuant to, the Indenture and in accordance with the Redevelopment Law and other applicable laws of the State.

### **Description of the Bonds**

The Bonds will be issued in the aggregate principal amount, will be dated the date of delivery, will bear interest at the rates per annum and will mature on the dates and in the amounts set forth on the cover page hereof. Interest on the Bonds is payable on May 1 and November 1 of each year, commencing on May 1, 2001 (each an "Interest Payment Date"). Interest on the Bonds will be computed on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued and delivered in fully registered form, in the denomination of \$5,000 and integral multiples thereof for each maturity.

Interest on the Bonds will be payable to the registered owners of the Bonds as of the close of business on the 15th day of the month preceding each Interest Payment Date (the "Record Date") by wire transfer to an account in the United States of America designated in writing by such owner not later than the Record Date. Principal and premium, if any, with respect to the Bonds will be payable upon the surrender of the Bonds at the corporate trust office of the Trustee, U.S. Bank Trust, National Association, in Los Angeles, California. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) the Bond is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) the Bond is authenticated on or prior to April 15, 2001, in which event it shall bear interest from its dated date; provided, however, that if, at the time of authentication of any Bond, interest is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

### **Book-Entry Only System**

The information set forth below has been provided by DTC. The Agency and the Underwriter make no representation as to the accuracy or the completeness of such information. All Beneficial Owners should confirm the following information with DTC or the DTC Participants.

NEITHER THE AGENCY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO. OR ANY DTC PARTICIPANT WITH RESPECT TO ANY BENEFICIAL OWNERSHIP INTEREST IN THE BONDS; (ii) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE INDENTURE; (iii) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (iv) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF BONDS; OR (vi) ANY OTHER MATTER.

The Depository Trust Company, New York, New York (“DTC”) 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). One fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the 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, but Beneficial Owners are expected to receive written confirmation 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 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 Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no 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 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.

Redemption notices shall be sent to Cede & Co. 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 issue to be redeemed.

Neither DTC nor Code & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. 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 Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed or typed and delivered. The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

## **Redemption**

***Optional Redemption.*** The Bonds of each series are subject to redemption prior to their stated maturity, at the option of the Agency, as a whole or in part on any date, from any source of available funds on or after May 1, 2011, at the respective redemption prices (expressed as a percentage of the principal amount of the Bonds to be redeemed) set forth below, together with accrued interest to the redemption date:

Redemption Dates

Redemption Price

May 1, 2011 through April 30, 2012	102%
May 1, 2012 through April 30, 2013	101
May 1, 2013 and thereafter	100

***Mandatory Sinking Account Redemption.*** Series A Bonds. The Series A Term Bonds maturing on May 1, 2011 and May 1, 2031 are subject to mandatory redemption by lot prior to maturity from mandatory sinking account installments on each May 1 at the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, in accordance with the following schedules:

Series A Bonds Maturing May 1, 2011  
Sinking Account Installments

<u>Year</u> <u>(May 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Year</u> <u>(May 1)</u>	<u>Principal</u> <u>Amount</u>
2002	\$10,000	2007	\$15,000
2003	10,000	2008	15,000
2004	15,000	2009	15,000
2005	15,000	2010	20,000
2006	15,000	2011 (maturity)	20,000

Series A Bonds Maturing May 1, 2031  
Sinking Account Installments

<u>Year</u> <u>(May 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Year</u> <u>(May 1)</u>	<u>Principal</u> <u>Amount</u>
2012	\$20,000	2022	\$35,000
2013	20,000	2023	40,000
2014	25,000	2024	40,000
2015	25,000	2025	45,000
2016	25,000	2026	45,000
2017	25,000	2027	50,000
2018	30,000	2028	50,000
2019	30,000	2029	55,000
2020	30,000	2030	60,000
2021	35,000	2031 (maturity)	65,000

Series B Bonds. The Series B Term Bonds are subject to mandatory redemption by lot prior to maturity from mandatory sinking account installments on each May 1, at the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, in accordance with the following schedule:

Series B Bonds  
Sinking Account Installments

<u>Year</u> <u>(May 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Year</u> <u>(May 1)</u>	<u>Principal</u> <u>Amount</u>
2002	\$15,000	2010	\$30,000
2003	15,000	2011	35,000

2004	20,000	2012	35,000
2005	20,000	2013	40,000
2006	20,000	2014	45,000
2007	25,000	2015	45,000
2008	25,000	2016 (maturity)	50,000
2009	30,000		

In lieu of mandatory sinking account redemption, the Indenture permits a like aggregate principal amount of Bonds to be purchased on the open market. The par amount of any Series of Bonds so purchased by the Agency and surrendered to the Trustee for cancellation in any 12-month period ending sixty (60) days prior to any May 1 in any year shall be credited toward and shall reduce the principal amount of such Series of Bonds required to be redeemed on the following May 1.

### **Selection of Bonds**

Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed from all Bonds or such given portion thereof not previously called for redemption, on a pro rata basis among maturities and by lot within a maturity in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

### **Notice of Redemption**

Notice of redemption shall be mailed by first class mail, postage prepaid, not less than 30 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to certain securities depositories and information services. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the Series, CUSIP numbers and Bond numbers of the Bonds to be redeemed, the maturity or maturities of the Bonds to be redeemed and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date.

### **Transfer and Exchange of Bonds**

Bonds, upon surrender thereof at the Corporate Trust Office of the Trustee, may, at the option of the Owner and upon payment by such Owner of any charges which the Trustee may make as provided in the Indenture, be exchanged for an equal aggregate principal amount of registered Bonds of the same maturity, tenor and Series of any other authorized denominations.

Each Bond shall be transferable only upon the Registration Books which shall be kept for that purpose at the Corporate Trust Office of the Trustee, by the Owner in person or by his attorney duly authorized in writing, upon surrender of such Bond together with a written instrument of transfer

satisfactory to the Trustee duly executed by the Owner or his duly authorized attorney and upon payment by such Owner of any charges which the Trustee may make as provided in the Indenture. Upon the transfer of any such Bond the Trustee shall execute and deliver in the name of the transferee a new Bond or Bonds of the same principal amount, Series, tenor and maturity as the surrendered Bond.

The Trustee may deem and treat the person in whose name any Bond shall be registered upon the Registration Books as the absolute Owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and premium, if any, and interest with respect to such Bond and for all other purposes, and all such payments so made to any such Owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and the Trustee shall not be affected by any notice to the contrary.

The Trustee shall not be required to transfer or exchange (i) any Bond in the fifteen days prior to selection of Bonds for redemption (whether or not such Bond is thereafter selected for redemption) and (ii) any Bond selected for redemption in whole or in part.

The Trustee will keep at its Corporate Trust Office sufficient books for the registration of the ownership, transfer and exchange of the Bonds, which books shall be available for inspection by the Authority and its designated agent or any Owner or his agent duly authorized in writing at reasonable hours and under reasonable conditions; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register the ownership, transfer or exchange of the Bonds in such books as herein above provided.

In case any Bond shall become mutilated or be destroyed, stolen or lost, the Trustee shall authenticate and deliver in exchange therefor a new Bond of like maturity, Series and principal amount as the Bond so mutilated, destroyed, stolen or lost, upon filing with the Trustee evidence satisfactory to the Trustee that such Bond has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Trustee with indemnity satisfactory to the Trustee and complying with such other reasonable regulations as the Trustee may prescribe and paying such expenses as the Trustee may incur. All mutilated Bonds surrendered to the Trustee shall be cancelled and destroyed, and the Trustee shall certify in writing as to their destruction. Any new Bonds issued in substitution for Bonds alleged to be destroyed, stolen or lost shall be entitled to equal and proportionate benefits, with all other Bonds delivered under the Indenture.

### **Additional Bonds**

The Agency may at any time after the issuance and delivery of the Bonds issue Additional Bonds payable from the Tax Revenues and secured by a lien and charge upon the Tax Revenues equal to and on a parity with the lien and charge securing the Bonds, and after the following items have been delivered to the Trustee:

(a) The Agency shall be in compliance with all covenants set forth in the Indenture and any Supplemental Indentures, and a Certificate of the Agency to that effect shall have been filed with the Trustee.

(b) The issuance of such Additional Bonds shall have been duly authorized pursuant to the Law and all applicable laws, and the issuance of such Additional Bonds shall have been provided for by a Supplemental Indenture duly adopted by the Agency which shall specify the following:

(1) The purpose for which such Additional Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Additional Bonds to be applied solely for (i) the purpose of aiding in financing the Project, including payment of all costs incidental to or connected with such financing, and/or (ii) the purpose of refunding any Bonds or other indebtedness related to the Project, including payment of all costs incidental to or connected with such refunding;

(2) The authorized principal amount of such Additional Bonds;

(3) The date and the maturity date or dates of such Additional Bonds; provided that (i) principal and sinking account payment dates may occur only on Interest Payment Dates, (ii) all such Additional Bonds of like maturity shall be identical in all respects, except as to number, and (iii) fixed serial maturities or mandatory sinking account installments, or any combination thereof, shall be established to provide for the retirement of all such Additional Bonds on or before their respective maturity dates;

(4) The Interest Payment Dates, which shall be on the same semiannual dates as the Interest Payment Dates for the Bonds; provided, that such Additional Bonds may provide for compounding of interest in lieu of payment of interest on such dates;

(5) The denomination and method of numbering of such Additional Bonds;

(6) The redemption premiums, if any, and the redemption terms, if any, for such Additional Bonds;

(7) The amount and due date of each mandatory sinking account installment, if any, for such Additional Bonds;

(8) The amount, if any, to be deposited from the proceeds of such Additional Bonds in the Interest Account;

(9) The amount, if any, to be deposited from the proceeds of such Additional Bonds into the Reserve Account; provided that the amount on deposit in the Reserve Account shall be increased at or prior to the time such Additional Bonds become outstanding to an amount at least equal to the Reserve Account Requirement on all then outstanding Bonds and such Additional Bonds, which amount shall be maintained in the Reserve Account;

(10) The form of such Additional Bonds; and

(11) Such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

(c) The Tax Revenues based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll preceding the date of the Agency's adoption of the Supplemental Indenture providing for the issuance of such Additional Bonds shall be in an amount equal to at least 120% of the Maximum Annual Debt Service on all outstanding Bonds and such Additional Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law, as evidenced by a Consultant's Report.

For purposes of calculating Tax Revenues, a tax rate of \$1.00 per \$100 of assessed valuation shall be assumed and, if at the time of such calculation the taxes eligible for allocation to the Agency pursuant to the Law in connection with the original Project Area as described in the Redevelopment Plan approved and adopted by Ordinance No. 611-84 of the City are between \$800,000 and \$850,000, Tax Revenues shall be assumed to be reduced by an amount equal to twenty percent (20%) of the County's Share (as defined in the Cooperation Agreement between the County of Riverside, the Redevelopment Agency of the City of Blythe, and the City of Blythe entered into on March 5, 1985.)

The Indenture provides that for the purposes of issuance of Additional Bonds, Outstanding Bonds shall not include any Bonds the proceeds of which are deposited in an escrow fund held by the Trustee or an escrow agent, provided that the Supplemental Indenture authorizing issuance of such Additional Bonds shall provide that: (i) such proceeds shall be invested in Authorized Investments at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Annual Debt Service on the foregoing Bonds; (ii) moneys may be transferred from said escrow fund only if Tax Revenues for the then current Fiscal Year shall be at least equal to 1.20 times Maximum Annual Debt Service on all Outstanding Bonds (exclusive of disqualified Bonds described in the Indenture) less a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (iii) Additional Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

In the event such Additional Bonds are to be issued solely for the purpose of refunding and retiring any outstanding Bonds, interest and principal amounts on the outstanding Bonds to be so refunded and retired from the proceeds of such Additional Bonds being issued shall be excluded from the foregoing computation of Maximum Annual Debt Service. Nothing contained in the Indenture shall limit the issuance of any tax allocation bonds of the Agency payable from the Tax Revenues and secured by a lien and charge on the Tax Revenues if, after the issuance and delivery of such tax allocation bonds, none of the Bonds therefore issued thereunder will be outstanding nor shall anything contained in the Indenture prohibit the issuance of any tax allocation bonds or other indebtedness by the Agency secured by a pledge of tax increment revenues (including Tax Revenues) subordinate to the pledge of Tax Revenues securing the Bonds.

## Debt Service Schedule

Bond Year	Series A	Series A	Series B	Series B	2000	Prior Bonds	Total Agency
Ending May 1	Principal	Interest	Principal	Interest	Bonds Total	Debt Service(1)	Debt Service
2001	\$ —	\$ 25,025	\$ —	\$ 18,253	\$ 43,278	\$ 718,433	\$ 761,711
2002	10,000	54,600	15,000	39,825	119,425	721,076	840,501
2003	10,000	54,060	15,000	38,497	117,557	717,660	835,217
2004	15,000	53,520	20,000	37,170	125,690	718,373	844,063
2005	15,000	52,710	20,000	35,400	123,110	707,563	830,673
2006	15,000	51,900	20,000	33,630	120,530	706,161	826,691
2007	15,000	51,090	25,000	31,860	122,950	713,238	836,188
2008	15,000	50,280	25,000	29,647	119,927	713,307	833,234
2009	15,000	49,470	30,000	27,435	121,905	706,559	828,464
2010	20,000	48,660	30,000	24,780	123,440	707,968	831,408
2011	20,000	47,580	35,000	22,125	124,705	707,296	832,001
2012	20,000	46,500	35,000	19,028	120,528	709,384	829,912
2013	20,000	45,260	40,000	15,930	121,190	553,960	675,150
2014	25,000	44,020	45,000	12,390	126,410	548,180	674,590
2015	25,000	42,470	45,000	8,408	120,878	551,650	672,528
2016	25,000	40,920	50,000	4,425	120,345	548,855	669,200
2017	25,000	39,370	—	—	64,370	555,020	619,390
2018	30,000	37,820	—	—	67,820	549,545	617,365
2019	30,000	35,960	—	—	65,960	553,115	619,075
2020	30,000	34,100	—	—	64,100	549,960	614,060
2021	35,000	32,240	—	—	67,240	540,455	607,695
2022	35,000	30,070	—	—	65,070	549,910	614,980
2023	40,000	27,900	—	—	67,900	547,060	614,960
2024	40,000	25,420	—	—	65,420	332,570	397,990
2025	45,000	22,940	—	—	67,940	327,190	395,130
2026	45,000	20,150	—	—	65,150	316,210	381,360
2027	50,000	17,360	—	—	67,360	234,940	302,300
2028	50,000	14,260	—	—	64,260	232,760	297,020
2029	55,000	11,160	—	—	66,160	—	66,160
2030	60,000	7,750	—	—	67,750	—	67,750
2031	65,000	4,030	—	—	69,030	—	69,030
Totals	<u>\$ 900,000</u>	<u>\$ 1,118,595</u>	<u>\$450,000</u>	<u>\$398,803</u>	<u>\$ 2,867,398</u>	<u>\$ 16,038,398</u>	<u>\$ 18,905,796</u>

(1) Includes debt service on the 1995A Bonds, 1995B Bonds, 1996A Bonds, 1996B Bonds and 1997 Bonds.

## DISPOSITION OF BOND PROCEEDS

### Redevelopment Fund

A portion of the proceeds of the Series A and Series B Bonds will be placed in separate Project Accounts within the Redevelopment Fund and will be used by the Agency for the purpose of aiding in financing the Project. See Appendix B "SUMMARY OF THE INDENTURE - Tax Revenues; Creation of Funds — The Redevelopment Fund" herein.

### Housing Fund

A portion of the proceeds of the Series A and Series B Bonds will be placed in the Housing Fund and will be used by the Agency for the purpose of increasing and improving the supply of low and moderate income housing.

### Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the Bonds are as follows:

#### SERIES A BONDS

##### Sources

Bond Proceeds	\$ 900,000
Total Sources	<u>\$ 900,000</u>

##### Uses

Redevelopment Fund (Series A Project Account)	\$ 621,976
Housing Fund	155,494
Reserve Account (Series A Subaccount)	69,030
Costs of Issuance	40,000
Underwriter's Discount	13,500
Total Uses	<u>\$ 900,000</u>

**SERIES B BONDS**

Sources

Bond Proceeds	\$ 450,000
Total Sources	<u>\$ 450,000</u>

Uses

Redevelopment Fund (Series B Project Account)	\$ 300,800
Housing Fund	75,200
Reserve Account (Series B Subaccount)	45,000
Costs of Issuance	20,000
Underwriter's Discount	9,000
Total Uses	<u>\$ 450,000</u>

**SECURITY FOR THE BONDS**

**Pledge and Allocation of Taxes**

Under provisions of the California Constitution and the Redevelopment Law, taxes levied upon taxable property in the Project each year by or for the benefit of the State, any city, county, city and county or other public corporation (“taxing agencies”) for Fiscal Years beginning after the effective date of the ordinance approving the redevelopment plan for the Project (the “Effective Date”), are divided as follows:

1. The portion equal to the amount of those taxes which would have been produced by the current tax rate, applied to the assessed value of the taxable property in the Project as last equalized prior to the Effective Date is paid (when collected) into the funds of those respective taxing agencies as taxes by or for such taxing agencies;
2. Except as provided in subparagraph (3) below, that portion of such levied taxes each year in excess of such amount is allocated to and when collected paid into a special fund of the Agency, to the extent required to pay the principal of and interest on loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed or otherwise) incurred by the Agency to finance or refinance, in whole or in part, (i) the Agency’s redevelopment activities within the Project, and (ii) under certain circumstances, publicly owned improvements outside of the Project; and
3. That portion of the taxes identified in subparagraph (2) above that 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 principal of, and the interest on, any bonded indebtedness for the acquisition or improvement of real property approved by the voters of the taxing agency on or after January 1, 1989, shall be allocated to, and when collected shall be paid into, the fund of the taxing agency.

“Tax Revenues” means, for each Bond Year, the taxes (including all payments, reimbursements and subventions, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Agency pursuant to the Law in connection with the Project Area (excluding (a) amounts, if any received by the Agency pursuant to Section 16111 of the Government Code; and (b) amounts other than amounts required to pay principal or interest or other financing charges with respect to bonds or other obligations issued to increase, improve or preserve the supply of low and moderate income housing within or of benefit to the Project Area deposited by the Agency in the Housing Fund pursuant to Section 33334.2 or 33334.6 of the Law), as provided in the Redevelopment Plan.

Tax Revenues derived from the Project will be pledged in their entirety to the payment of the principal of, premium, if any, and interest on the Bonds, the Prior Bonds, and any Additional Bonds. The Agency has no power to levy and collect property taxes, and any legislative property tax decrease or provision of additional sources of income to taxing agencies having the effect of reducing the property tax rate would, in all likelihood, reduce the amount of tax increment revenues that would otherwise be available as Tax Revenues to pay the principal of, interest on and premium, if any, on the Bonds. Likewise, broadened property tax exemptions could have a similar effect. For a further description of factors which may result in decreased tax increment revenues, see “RISK FACTORS” herein.

### **Reserve Account**

A Reserve Account will be maintained under the Indenture for the Bonds, the Prior Bonds and any Series of Additional Bonds in an amount equal to the Reserve Account Requirement. “Reserve Account Requirement” means, as of any calculation date, with respect to each Series of Bonds, an amount equal to the least of (i) 10% of the proceeds (within the meaning of Section 148 of the Internal Revenue Code of 1986) of that portion of such Series of Bonds Outstanding with respect to which Annual Debt Service is calculated, (ii) 125% of Average Annual Debt Service of such Series or (iii) Maximum Annual Debt Service of such Series. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account and the Principal Account or Sinking Account, in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Bonds of any Series in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all the Bonds of any Series then outstanding. The Reserve Account Requirement may be satisfied by crediting to the Reserve Account moneys or a Qualified Reserve Account Credit Instrument, or any combination thereof, which in the aggregate make funds available in the Reserve Account in an amount equal to the Reserve Account Requirement. See Appendix B, “SUMMARY OF THE INDENTURE” herein.

### **Bonds Not a Debt of City of Blythe or the State of California**

The Bonds are special obligations of the Agency and as such are not a debt of the City, the State or any of its political subdivisions other than the Agency. Neither the City, the State nor any of its political subdivisions other than the Agency is liable for the payment thereof. In no event shall the Bonds be payable out of any funds or properties other than those of the Agency as set forth in the Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Agency nor any persons executing the Bonds are liable personally on the Bonds.

## **RISK FACTORS**

### **Bonds are Limited Obligations**

The Bonds and the interest thereon are limited obligations of the Agency only. See “SECURITY FOR THE BONDS” herein. No Owner of the Bonds may compel exercise of the taxing power of the City, the State of California or any of its political subdivisions or agencies to pay the principal of, premium, if any, or interest due on the Bonds. The Agency itself has no taxing power.

### **Reduction in Tax Revenues**

Tax Revenues (which constitute the source of payment of principal and interest on the Bonds, as discussed herein) are determined by the amount of incremental valuation of taxable property in the Project Area, the current rate or rates at which property in the Project Area is taxed and the percentage of taxes collected in the Project Area. The information contained under the heading “Projected Tax Revenues” assumes an annual 2% cost of living and growth adjustment to assessed valuation will be made in the Project Area.

However, several types of events which are beyond the control of the Agency could occur and cause a reduction in available Tax Revenues. First, a reduction of taxable values of property or tax rates in the Project Area caused by economic or other factors beyond the Agency’s control (such as a relocation out of the Project Area by one or more major property owners, successful appeals by property owners for a reduction in a property’s assessed value, a reduction of the general inflationary rate, a reduction in transfers of property, construction activity or other events that permit reassessment of property at lower values, or the destruction of property caused by natural or other disasters, including earthquake) could occur, thereby causing a reduction in Tax Revenues. This risk increases in proportion to the percent of total assessed value attributable to any single assessee in the Project Area. Second, the California electorate or Legislature could adopt limitations with the effect of reducing Tax Revenues payable to the Agency. Third, a reduction in the tax rate applicable to property in the Project Area by reason of discontinuation of certain override tax levies in excess of the 1% basic levy, will reduce Tax Revenues available to pay debt service. Such override can be expected to decline over time until it reaches the 1% basic levy and may be discontinued at any time, which may cause a reduction in Tax Revenues. Fourth, delinquencies in the payment of property taxes by the owners of land in the Project Area could have an adverse effect on the Agency’s ability to make timely debt service payments.

Any reduction in Tax Revenues, whether for any of the foregoing reasons or any other reason, could have an adverse effect on the Agency’s ability to pay the principal of and interest on the Bonds.

### **Development Risks**

The Agency’s collection of Tax Revenues is directly affected by the economic strength of the Project Area. Projected additional development within the Project Area will be subject to all the risks generally associated with real estate development projects, including unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in real estate market and interest rates, unexpected increases in development costs and other similar factors. Further, real estate development operations within the Project Area could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development in the Project Area is delayed or halted, the economy of the

Project Area could be affected, causing a reduction in Tax Revenues available to pay debt service on the Bonds.

### **Reduction in Inflationary Rate**

As described in greater detail below, Article XIII A of the California Constitution 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 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. The Agency has projected the assessed value with respect to the Project Area to increase by a 2% inflationary and growth factor in each fiscal year. Should the assessed value of secured property not increase at the estimated annual rate of 2%, the Agency's receipt of future Tax Revenues may be adversely affected.

### **Levy and Collection**

The Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the tax increment revenues, and accordingly, could have an adverse impact on the ability of the Agency to repay the Bonds secured by the Tax Revenues. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Agency's ability to make timely debt service payments. The County of Riverside (the "County") currently allocates 100% of the tax increment levy adjusted for tax roll corrections resulting from successful appeals, late assessments or valuation corrections, and any delinquent or impounded property taxes have no impact on the Agency's receipt of Tax Revenues. However, there is no assurance that the County will continue to allocate Tax Revenues in this manner.

To estimate the tax increment revenues available to pay debt service on the Bonds, the Agency has made certain assumptions with regard to the assessed valuation in the Project, future tax rates and percentage of taxes collected. The Agency believes these assumptions to be reasonable, but to the extent that the assessed valuation, the tax rates and the percentage of taxes collected, are less than the Agency's assumptions, the Tax Revenues available to pay debt service on the Bonds will, in all likelihood, be less than those projected herein. See "Assessed Valuation and Tax Revenues" herein.

### **Bankruptcy Risks**

The enforceability of the rights and remedies of the owners of the Bonds and the obligations of the Agency may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under the state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

## **State Budget**

In connection with its approval of the budgets for the 1992/93, 1993/94 and 1994/95 fiscal years, the State Legislature enacted legislation which, among other things, reallocated a portion of funds from redevelopment agencies to school districts by shifting each agency's tax increment, net of amounts due to other taxing agencies, to school districts. At present, the State is not requiring this reallocation to continue in the future; however, there can be no assurances that reallocations will not be required in the future.

## **Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds, or, if a secondary market exists, that such 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. Such prices could be substantially different from the original purchase price.

## **Loss of Tax Exemption**

As discussed under the caption "CONCLUDING INFORMATION — Tax Matters" herein, interest on the Series A Bonds could become includable in gross income for purposes of federal income taxation retroactively to the date the Bonds were issued as a result of future acts or omissions of the Agency in violation of its covenants contained in the Indenture. Should such an event of taxability occur, the Bonds are not subject to special redemption or any increase in interest rate and may remain outstanding until maturity.

## **Other Changes in Redevelopment Law**

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

# **PROPERTY TAXATION**

## **Property Tax Limitations - Article XIII A**

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property 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." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. The amendment further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII was adopted in June 1986 by initiative

which exempts any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property from the 1% limitation. On September 22, 1978, the California Supreme Court upheld the amendment over challenges on several State and federal constitutional grounds (*Amador Valley Joint Union School District v. State Board of Equalization*). The Court reserved certain constitutional issues and the validity of legislation implementing the amendment for future determination in proper cases. The United States Supreme Court upheld the method of assessing ad valorem taxes in June, 1992 in *Nordlinger v. Hahn*.

In the general election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which amended Article XIII A. Proposition 58 provided that the terms “purchased” and “change of ownership,” for 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.

Proposition 60 amended Article XIII A to allow persons, age 55 or older, to transfer the lower assessed value of their current home to another newly purchased home of equal or lesser value. For the exemption to apply, the new residence must be located in the same county and purchased within two years after the sale of the previous residence. Proposition 60, as such, has no direct State or local fiscal effect unless the county board of supervisors passes an ordinance implementing it.

### **Implementing Legislation**

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A, \$4.00 per \$100 assessed valuation (based on the traditional practice in California of using 25% of full cash value as the assessed value for tax purposes).

The apportionment of property taxes in Fiscal Years after 1978/79 was revised pursuant to Statutes of 1979, Chapter 282 which provided relief funds from State moneys beginning in Fiscal Year 1978/79 and was designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies. Under Chapter 282, constituent districts receive their proportionate share of the general levy; however, cities and counties receive about one-third more of the remaining property tax revenues collected under Article XIII A instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief. Chapter 282 does not affect the derivation of the base levy (\$4.00 per \$100 assessed valuation) and the bonded debt tax rate.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) is allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs except for certain utility property assessed by the State Board of Equalization which is allocated by a different method discussed herein under the caption “Unitary Property”.

## **Property Tax Collection Procedures**

**Classifications.** In California, 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 the county becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the unsecured property, but may become a lien on certain other property owned by the taxpayer.

**Collections.** The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) 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; (3) filing a certificate of delinquency for record in the county recorder’s office in order to obtain a lien on certain property of the taxpayer, and (4) seizure and sale of the 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 property securing the taxes to the State for the amount of taxes which are delinquent.

Current tax payment practices by Riverside County provide for payment to the Agency of tax increment revenues as received throughout the Fiscal Year, with the majority of tax increment revenues paid in December and April. A final reconciliation is made after the close of the Fiscal Year to incorporate all adjustments to previously reported current year taxable values. The difference between the final reconciliation and tax increment revenues previously allocated to the Agency are allocated in July.

**Penalties.** 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 on or about June 30 of the 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 and a \$15 Redemption Fee. If taxes are unpaid for a period of five years or more, the property is recorded in a “Power to Sell” status and is subject to sale by the county tax collector. A 10% penalty also applies to the delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

**Delinquencies.** The valuation of property is determined as of January 1 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.** SB 813 (Statutes of 1983, Chapter 498), provided for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next lien date following the change and thus delayed the realization of increased property taxes from the new assessments for up to 14 months. As enacted, SB 813 provided increased revenue to

redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the lien date. To the extent such supplemental assessments occur within the Project, tax increment revenues may increase.

**Tax Collection Fees.** SB 2557 (Chapter 466, Statutes of 1990), authorized county auditors to determine property tax administration costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. In Fiscal Year 1999/00 Riverside County charged administrative fees equivalent to 1.68% of Tax Revenues paid to the Agency.

### **Unitary Property**

AB 454 (Statutes of 1987, Chapter 921) provided a revised method of reporting and allocating property tax revenues generated from most State-assessed unitary properties commencing with Fiscal Year 1988/89. Under AB 454, the State reports to each county auditor-controller only the county-wide unitary taxable value of each utility, without an indication of the distribution of the value among tax rate areas. AB 454 provides two formulas for auditor-controllers to use in order to determine the allocation of unitary property taxes generated by the county-wide unitary value, which are: (i) for revenue generated from the 1% tax rate, each jurisdiction is to receive up to 102% of its prior year unitary property tax increment revenue; however, if county-wide revenues generated from unitary properties are greater than 102% of prior year revenues, each jurisdiction receives a percentage share of the excess unitary revenues equal to the percentage of each jurisdiction's share of secured property taxes; (ii) for revenue generated from the application of the debt service tax rate to county-wide unitary taxable value, each jurisdiction is to receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes.

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

### **Appropriations Limitations: Article XIII B of the California Constitution**

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIII B to the California Constitution. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State 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 appropriation 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.

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. Proceeds of taxes include, but are not limited to, all tax revenues and the proceeds to an entity of government from (1)

regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (2) the investment of tax revenues.

Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. While the tax rate is assumed to decline to 1% of taxable value and remain constant in subsequent years, current law permits taxing entities deriving revenues from the 1% rate to reduce their levies under certain circumstances. It is the apparent intent of the law to insulate the other taxing entities and redevelopment agencies from the affects of such reductions on their property tax revenues.

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 such agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt 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. The constitutionality of Section 33678 has been upheld in two California appellate court decisions *Brown v. Community Redevelopment Agency of the City of Santa Ana* and *Bell Community Redevelopment Agency v. Woosley*. On the basis of these court decisions, the Agency has not adopted an appropriations limit.

### **THE BLYTHE FINANCING AUTHORITY**

The Blythe Financing Authority (the "Authority") was created by a Joint Exercise of Powers Agreement, dated May 14, 1991, by and between the City and the Agency. Such agreement was entered into pursuant to the provisions of Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "JPA Law"). The Authority was created for the purpose of assisting the financing or refinancing of certain public capital facilities within the City. Under the JPA Law, the Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale.

The Authority is governed by a five-member Board of Authority Commissioners (the "Board") which consists of the members of the City Council of the City of Blythe. The Mayor acts as the President of the Authority, the City Manager as its Chief Administrative Officer, the City Clerk as its Secretary and the Treasurer of the City as the Treasurer of the Authority.

### **THE BLYTHE REDEVELOPMENT AGENCY**

The Agency was established on June 27, 1984 by the City Council of the City with the adoption of Ordinance No. 604-84, pursuant to the Redevelopment Law. The five members of the City Council serve as the governing body of the Agency, and exercise all the rights, powers, duties and privileges of the Agency.

#### **Members and Officers**

The members and officers of the Agency, their occupation and the expiration dates of their terms are as follows:

<u>Name and Office</u>	<u>Expiration of Term</u>
Robert A. Crain, Chairman	November 2001
George Thomas, Vice Chairman	November 2001
Gary Grimm, Member	November 2003
Charles Grotke, Member	November 2003
Richard Soto, Member	November 2001

### **Agency Powers**

All powers of the Agency are vested in its governing body. Pursuant to the Redevelopment Law, the Agency may exercise broad governmental functions and authority to accomplish its purposes, including, but not limited to, the right of eminent domain, the right to issue bonds and expend their proceeds and the right to acquire, sell, develop, administer or lease property. The Agency may demolish buildings, clear land and cause to be constructed certain improvements including streets, sidewalks, and public utilities.

The Agency may not construct or develop buildings, with the exception of public facilities and housing, but must sell or lease cleared property to redevelopers for construction and development in accordance with the Redevelopment Plan.

### **Agency Accounting Records and Financial Statements**

Every redevelopment agency is required to present an annual report to its legislative body within six months of the end of the fiscal year. The annual report is required, among other things, to include an independent financial “audit report” and a fiscal statement for the previous fiscal year. The California Health and Safety Code defines “audit report” to mean an examination of and opinion on the financial statements of the agency which presents the results of the special position of the agency. The independent financial audit is required to be conducted in accordance with generally accepted auditing standards and the rules governing audit reports promulgated by the Governmental Accounting Standards Board. The independent financial audit report is also required to include an opinion of the agency’s compliance with laws, regulations and administrative requirements governing activities of the agency. The California Health and Safety Code requires the fiscal statement to contain the following information:

1. The amount of outstanding indebtedness of the agency and each project area.
2. The amount of tax increment revenues generated in the agency and in each project area.
3. The amount of tax increment revenues paid to a taxing agency pursuant to a tax sharing agreement.
4. The financial transactions report required to be submitted to the State Controller.
5. Any other fiscal information which the agency believes is useful to describe its programs.

The Indenture requires the Agency to keep, or cause to be kept, proper books and accounts separate from all other records and accounts of the Agency and the City in which complete and correct entries are made of all transactions relating to the Redevelopment Project, the Tax Revenues and the Redevelopment Fund.

The Indenture also requires the Agency to file with the Trustee annually, within 180 days after the close of each fiscal year, so long as any of the Bonds are outstanding, its audited financial statements showing the Tax Revenues and the financial condition of the Redevelopment Project, including the balances in all funds and accounts related to the Redevelopment Project as of the end of such fiscal year. The audited financial statements are required to be accompanied by written Certificate of the Agency stating that the Agency is in compliance with its obligations under the Indenture. The Agency covenants under the Indenture to furnish a copy of such statements upon reasonable request to any Bondowner.

The Agency retained the firm of Thomas, Bigbie & Smith, Riverside, California, to examine the component unit financial statements of the Agency as of and for the Fiscal Year ended June 30, 1999, which are included as APPENDIX C. The firm's examination was made in accordance with generally accepted auditing standards and the "Guidelines for Compliance Audits of California Redevelopment Agencies" issued by the State Controller. The firm reported after their examination that the Agency's financial statements present fairly its financial position and results of operations in conformity with generally accepted accounting principles and that they noted no instances of non-compliance for the Fiscal Year ended June 30, 1999.

### **REDEVELOPMENT PROJECT NO. 1**

The Redevelopment Plan for Redevelopment Project No. 1 was adopted on November 27, 1984 by Ordinance No. 611-84 and originally consisted of approximately 509 acres. The project contains four noncontiguous areas. Area one is located along South Lovekin Boulevard and is bounded on the west by South Solano Boulevard, on the north by Donlon Street and on the south by West Wells Street. Area two is located along Donlon Street and is bounded on the south by West Wells Street, on the east by North Broadway and on the west by Main Street. Area three (the larger area) is located along Hobsonway and is bounded by Chanslor Way on the north, Interstate 10 on the south, west City limits and Ninth Street on the east. Area four located along Lovekin Boulevard between Chanslor Way on the south and Holly Lane on the North. The total Project Area, including the area added by three amendments outlined below, comprises approximately 19.2% of the area within the City's corporate boundaries.

On June 27, 1989, an amendment (the "1989 Amendment") to the Redevelopment Plan for the Project Area was adopted by Ordinance No. 657-89 to include an additional approximately 617 acres of noncontiguous land (the "1989 Added Territory") consisting of eleven (A-K) subareas generally located both north and south of Interstate 10.

Subarea A, consists of approximately 90 acres and is generally located at the most westerly portion of the City. Subarea A is located directly north of Interstate 10 and south of Hobsonway; its eastern edge interfaces with Defrain Boulevard, while its western boundary is approximately 900 feet west of Carlton Street.

Subarea B, C and D are all generally located at the northerly most portion of the City. Subarea B, which is bisected by north/south running Lovekin Boulevard, consists of a number of large parcels totaling approximately 81 acres. Subarea C, which is located approximately 600 feet east of Lovekin Boulevard contains approximately 24 acres. Subarea D, which borders Broadway Street at its easterly border and the Arizona & California Railroad right-of-way along its westerly border contains approximately 37 acres.

Subarea E, located immediately south of the I-10 freeway and immediately north of 14th Street and on either side of Lovekin Boulevard, is generally composed of commercial, industrial and residential

land uses. The Subarea totals 51.14 acres; the area west of Lovekin Boulevard is primarily residential in nature, consisting of older, detached, single family houses. The largest portion of Subarea E is located east of Lovekin Boulevard, and consists primarily of public utility, commercial and industrial land uses.

Subarea F, approximately 21 acres in size, is generally located east of Subarea E, south of the I-10 freeway, interfacing at its southern boundary with a portion of the City's southern boundary. The area is bordered on the west by South Second Street and on the east by South Third Street. Felix Appleby Elementary School is located along the northern portion of site F, the area lying north of 14th Avenue.

Subarea G, located at the northwest corner of Hobsonway and north Seventh Street, consists largely of a commercial shopping center facility which fronts Hobsonway; the twin Palms High and Ruth Brown Elementary Schools, and a district school bus garage cover the remainder of the Subarea which totals approximately 17 acres.

Subarea H, which includes approximately 20 acres, is located generally directly south of Chanslor Way and east of Earle Street.

Subarea I interfaces the I-10 freeway along its southern border, is directly adjacent to Hobsonway on the north, and interfaces South Seventh Street to the west. The Subarea contains approximately 14 acres. The primary land use occurring here is a motel facility located south of Hobsonway.

Subarea J, located directly north of 14th Avenue, south of the I-10 freeway and bisected by Intake Boulevard, contains approximately 241 acres of vacant land, as well as agricultural, residential and industrial uses.

Subarea K, which contains approximately 20 acres, is located at the southeast corner of Intake Boulevard. That portion of the Subarea that borders Hobsonway consists primarily of commercial and industrial land uses, including a motel, gas station and diesel truck repair shop.

On July 18, 1995, an amendment (the "1995 Amendment") to the Redevelopment Plan for the Project Area was adopted by Ordinance No. 715-95 to include an additional 939 acres of non-contiguous land (the "1995 Added Territory") consisting of eight (A-H) subareas generally located north and south of the central business district, north of Riverside Avenue/Chanslorway and south of 14th Avenue.

Subareas A, B, C, E and F, totalling 350 acres, are all generally located in the north-central portion of the City, between 10th Avenue on the north and Riverside Avenue/Chanslorway on the south. Land use in the entire area is principally residential.

Subarea D, comprising 405 acres, is in the south central portion of the City bounded by 14th Avenue to the north and continuing southerly beyond the City limits and including unincorporated land. Main Street and the Arizona & California Railroad bisect this subarea on a north-south axis. Land use is industrial.

Subareas G and H, totalling 184 acres, are in the northwest portion of City, beginning at the northwest corner of 6th Avenue and De Frain Boulevard. Land use in these two subareas is residential.

On June 22, 1999, an amendment (the "1999 Amendment") to the Redevelopment Plan for the Project Area was adopted by Ordinance No. 758-99 to include an additional 924 acres of non-contiguous land (the "1999 Added Territory") consisting of nine subareas.

Subareas A-F, totalling 658 acres, are all generally located north of Hobsonway, the principal east-west thoroughfare in the City. Land uses are mainly commercial and industrial, with residential in Subarea B.

Subareas H, J, and K, totalling 266 acres, are located east of central Blythe along the Colorado River. Land uses are industrial, tourist commercial and open space.

The Project Area is comprised of residential, commercial and industrial uses. Both the original Project Area and the three Added Territories were found to be in a state of physical, social and economic blight as defined by the Redevelopment Law.

The Agency intends to facilitate the planning or redesign of redevelopment areas which are presently stagnant or improperly utilized because of defective or inadequate street layout, faulty lot layout in relation to size, shape, accessibility or usefulness. In addition, the Redevelopment Plan proposes to arrest the decline and decay of blight throughout the Project Area through the restoration and revitalization of existing uses.

### **Limitations and Requirements of the Redevelopment Plan**

#### **Plan Limitations – Redevelopment Project No. 1**

	<u>Original Territory</u>	<u>1989 Additional Territory</u>	<u>1995 Additional Territory</u>	<u>1999 Additional Territory</u>
<u>Time Limits</u>				
Incur Debt	11-27-14	6-27-19	7-18-15	6-22-19
Plan Effective Until	11-27-24	6-27-29	7-18-25	6-22-29
Repay Debt	11-27-34	6-27-39	7-18-40	6-22-44
<u>Dollar Limits</u>				
Maximum Increment	\$60,000,000	\$80,000,000	No limit	No limit
Maximum Bonded Debt	\$20,000,000	\$35,000,000	\$20,000,000	\$10,000,000

In accordance with State law, unless certain findings are made, not less than 20 percent of tax increment revenues allocated to the Agency from the entire Project Area must be used to increase, improve and preserve the supply of housing for families of low or moderate income.

### **Low and Moderate Income Housing**

Chapter 1337, Statutes of 1976, added Sections 33334.2 and 33334.3 to the Redevelopment Law requiring redevelopment agencies to set aside 20% of all tax increment revenues allocated and paid to redevelopment agencies from redevelopment project areas adopted after December 31, 1976 in a low and moderate income housing fund to be expended for authorized low and moderate income housing purposes (the "Housing Set-Aside"). Amounts on deposit in the low and moderate income housing fund may also be applied to pay debt service on bonds, loans or advances of redevelopment agencies to provide financing for such low and moderate income housing purposes.

### **Agreements with Various Taxing Agencies**

The Agency has entered into tax increment sharing agreements with several taxing entities which require that a portion of tax increment be allocated to such taxing entity on a basis senior to the payment of any indebtedness of the Agency. Such tax increment sharing agreements are listed below.

**County of Riverside.** The Agency has entered into a tax increment sharing agreement with the County of Riverside relative to the original Project Area. The agreement provides that the County shall receive each year a percentage of its normal share of property tax revenues derived from the original Project Area to be applied to tax increment annually by layer based on the following formula:

<u>Gross Annual Increment</u>	<u>Pass-through to County</u>
\$0 - \$ 850,000	0%
\$850,001 - \$1,500,000	20%
\$1,500,001 - \$2,500,000	25%
\$2,500,001 and above	50%

Over the life of the Redevelopment Project for the original Project Area, the cumulative total of the County's share of tax increment to be allocated and retained by the Agency shall not exceed \$16,000,000. All moneys to be allocated and paid to the County are to be deposited in an interest-bearing trust fund to be designated by the County and such moneys, together with all interest earned thereon, are to be utilized by the County for the costs, in whole or in part, of acquiring, constructing, or improving capital facilities that will be of mutual benefit to the County and to the original Redevelopment Project.

The Agency has entered into a separate tax increment sharing agreement with the County of Riverside relative to the 1989 Amendment which added territory to the Project Area. The agreement provides that Riverside County shall receive each year a percentage of its normal share of property tax revenue derived from the 1989 Added Territory to be applied to tax increment annually by layer based on the following formula:

<u>Gross Annual Increment</u>	<u>Pass-through to County</u>
\$0 - \$100,000	0%
\$100,001 - \$200,000	20%
\$200,001 - \$300,000	25%
\$300,001 - \$400,000	50%
\$400,001 and above	100%

All County pass-through revenue from this agreement will be placed in a special account for capital projects to serve the residents of Blythe. Upon the Agency receiving \$1,500,000 of the County's share of tax increment, the County shall thereafter receive one hundred percent (100%) of the County's share of tax increment.

**Riverside County Superintendent of Schools.** The Agency has entered into a tax increment sharing agreement with the Riverside County Superintendent of Schools relative to the original Project Area. The agreement provides that the Riverside County Superintendent of Schools shall receive each year a percentage of its normal share of property tax revenue derived from the original Project Area to be applied to the tax increment annually by layer based on the following formula:

<u>Gross Annual Increment</u>	<u>Pass-through to County</u>
\$0 - \$35,000	0%
\$35,001 - \$55,000	24%
\$55,001 - \$110,000	34%
\$110,001 - \$160,000	44%
\$160,001 and above	50%

***Palo Verde Unified School District.*** The Agency has entered into a tax sharing agreement with the Palo Verde Unified School District relative to the original Project Area. The agreement provides that the Palo Verde Unified School District shall receive each year a percentage of its normal share of property tax revenue to be applied to the tax increment annually by layer based on the following formula:

<u>Gross Annual Increment</u>	<u>Pass-through to County</u>
\$0 - \$500,000	0%
\$500,001 - \$750,000	24%
\$750,001 - \$1,510,000	34%
\$1,510,001 - \$2,000,000	44%
\$2,000,001 and above	50%

The Agency has entered into a separate tax sharing agreement with the Palo Verde Unified School District relative to the 1989 Amendment which added territory to the Project Area. The agreement states that the Palo Verde Unified School District shall receive each year a percentage of its normal share of property tax revenue derived from the 1989 Added Territory to be applied to the tax increment annually by layer based on the following formula:

<u>Gross Annual Increment</u>	<u>Pass-through to County</u>
\$0 - \$100,000	23%
\$100,001 - \$350,000	30%
\$350,001 - \$600,000	40%
\$600,001 and above	50%

With respect to the 1995 Added Territory and the 1999 Added Territory, the Agency and the Palo Verde Unified School District approved cooperative agreements implementing the requirements of AB 1290 (see below).

The Agency has entered into separate tax increment sharing agreements with the Palo Verde Cemetery District, the Palo Verde Hospital District and the Palo Verde Valley Library District, respectively, each of which provide for a 100% pass-through of such district's respective share of tax increment on subordinate basis to that of the Agency's obligations existing prior to September 1, 1991.

**Tax Sharing Under AB 1290**

Pursuant to Section 33607.5 of the Redevelopment Law, the Agency must share tax increment revenues from the 1995 Amended Area and from the 1999 Amended Area with overlapping taxing entities. Generally, the formula is as follows:

	<u>Pass Through(1)</u>
Tier A (Years 1-10)	25%
Tier B (Years 11-30)	21% + Tier A
Tier C (Years 31-40)	14% + Tiers A & B

(1) Percentage of entity’s share of tax increment reduced by pro-rata share of Agency’s low and moderate housing set-aside.

**Largest Taxpayers**

**BLYTHE REDEVELOPMENT AGENCY  
REDEVELOPMENT PROJECT NO. 1  
Ten Largest Secured Property Taxpayers  
1999/00 Fiscal Year**

<u>Taxpayer</u>	<u>Property Use</u>	<u>1999/00 Secured Assessed Valuation</u>	<u>% of Total(1)</u>
K Mart Corporation	Department Store	\$ 5,108,786	3.26 %
Blythe Apartments Dev.	Apartments	4,841,867	3.09
Blythe Village Center LP	Shopping Center	4,312,456	2.75
NPG Cable of Arizona	Blythe Cablevision	3,701,794	2.36
Albertsons Inc.	Grocery Store	3,583,401	2.29
Motel 6 Operating LP	Motel 6	3,267,326	2.08
Washington Mutual Bank	Bank	3,055,630	1.95
M. Bhakta	Hampton Inn	2,680,957	1.71
Sunsetwest Ltd.	Apartments	2,418,418	1.54
Rivett Group LLC	Super 8 Motel	<u>2,330,127</u>	<u>1.49</u>
Total		<u>\$ 35,300,726</u>	<u>22.52 %</u>

(1) 1999/00 Total Project Area local secured net assessed valuation: \$156,724,109  
Source: Compiled by A. M. Miller & Co., Inc. from records of offices of Riverside County Assessor and Treasurer-Tax Collector.

**Assessed Valuation and Tax Revenues**

The base year for the Project Area, as adjusted to reflect the three Amendment Areas, is 1998/99. The Project Area adjusted base year valuation is \$125,291,153. The table below presents Project Area assessed valuation and gross tax increment revenues since 1991/92.

**BLYTHE REDEVELOPMENT AGENCY  
Redevelopment Project No. 1  
Assessed Valuations and Tax Increment**

<u>Fiscal Year</u>	<u>Secured Assessed Valuation</u>	<u>Unsecured Assessed Valuation</u>	<u>Total Assessed Valuation</u>	<u>Gross Tax Increment</u>
1991/92	\$ 87,023,968	\$ 8,243,401	\$ 95,257,369	\$ 483,375
1992/93	101,948,232	10,140,714	112,088,946	654,713
1993/94	110,082,480	9,608,424	119,823,888	659,489
1994/95	115,190,651	13,107,088	128,261,739	776,404
1995/96	122,932,275	15,171,673	138,103,948	829,412
1996/97	143,415,100	15,648,168	159,063,268	924,291
1997/98	146,261,288	20,076,125	166,337,413	979,002
1998/99	149,073,148	20,627,584	169,700,732	952,004
1999/00	156,848,143	25,132,998	181,981,141	1,070,000(1)
2000/01	218,076,450	27,577,076	245,653,526	1,204,000(1)

(1) Estimated

Sources: Riverside County Auditor Controller (Assessed Valuations) and Agency Audit Reports (Tax Revenues).

**Projected Tax Revenues**

**BLYTHE REDEVELOPMENT AGENCY  
Redevelopment Project No. 1  
Projected Tax Increment and Tax Revenues**

<u>Fiscal Year</u>	<u>Taxable Valuation(1)</u>	<u>Incremental Valuation(2)</u>	<u>Tax Increment (3)</u>	<u>Less Required Tax Sharing Payments (4)</u>	<u>Tax Revenues Available for Debt Service</u>
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2000/01	\$245,653,526	\$120,362,373	\$1,203,623	\$190,000	\$1,013,623
2001/02	252,004,000	126,712,847	1,267,128	210,000	1,057,128
2002/03	257,044,000	131,752,847	1,317,528	220,000	1,097,528
2003/04	262,185,000	136,893,847	1,368,938	230,000	1,138,938
2004/05	267,429,000	142,236,847	1,422,368	240,000	1,182,368

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- (1) Projected by the Agency to increase 2% annually, which is the inflationary growth factor of 2% as permitted by Article XIII A of the State Constitution, plus \$1,437,000 added in 2001/02 for new development that will be on property tax roll.
  - (2) Taxable valuation less adjusted Base Year valuation of \$125,291,153.
  - (3) Assumes 1.00% tax rate applied to incremental valuation.
  - (4) Payments estimated pursuant to AB 1290 and increment sharing agreements with overlapping entities.

### Projected Debt Service Coverage

Year Ending May 1	Projected Tax Revenues(1)	Reserve Account Earnings(2)	Total Available for Debt Service	Total Debt Service(3)	Debt Service Coverage
2001	\$1,013,623	\$52,625	\$1,066,248	\$761,711	1.40x
2002	1,057,128	52,625	1,109,753	840,501	1.32x
2003	1,097,528	52,625	1,150,153	835,217	1.38x
2004	1,138,938	52,625	1,191,563	844,063	1.41x
2005	1,182,368	52,625	1,234,993	830,673	1.49x

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- (1) From table above.
  - (2) Estimated interest earnings on Reserve Account for all outstanding Bonds invested at 6.25% per annum.
  - (3) From table on page 11.

### Low and Moderate Income Housing Projects

The Redevelopment Law requires that under certain circumstances a certain percentage of tax increment revenues must be set aside annually for the purpose of increasing and improving the community's supply of low and moderate income housing available at affordable housing costs to persons and families of very low, low or moderate income households. Not less than 20% of tax increment revenues must be set aside in a separate low and moderate income housing fund unless certain annual findings of the Agency are made.

The Agency will deposit a portion of the proceeds of the Bonds in the Housing Fund. The Agency intends to use such portion together with other funds provided by the Agency for the purpose of improving and constructing housing for persons of low and moderate income in and of benefit to the Project. Under the Redevelopment Law, the Agency is permitted to use tax increment revenues otherwise required to be deposited in the Housing Fund to the extent necessary to pay that portion of the Bonds which represents repayment of the Bonds proceeds deposited in the Housing Fund (including the Reserve Account and issuance costs). The Agency will transfer to the Trustee for deposit into the

Special Fund the permitted portion of annual tax increment revenues otherwise required to be deposited in the Housing Fund.

## CONCLUDING INFORMATION

### Rating

Standard & Poor's Ratings Group ("S&P") has given the Bonds a rating of "BBB". Such rating reflects the view of S&P as to the creditworthiness of the Redevelopment Project. The Agency has furnished S&P certain information and materials with respect to the Bonds. Generally, a rating agency bases its rating on such information and materials, and on investigations, studies and assumptions made by it. Any explanation of the significance of the rating must be obtained from S&P.

### Underwriting

The Series A Bonds and the Series B Bonds are being purchased for reoffering by Kinsell, Newcomb & De Dios, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Series A Bonds for \$886,500, reflecting an underwriter's discount of \$13,500. The Underwriter has agreed to purchase the Series B Bonds for \$441,000, reflecting an underwriter's discount of \$9,000. The contract of purchase pursuant to which the Underwriter is purchasing the Bonds provides that the Underwriter will purchase all the Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in such contract of purchase.

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

### Legal Opinions

Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, Bond Counsel, will render its final approving legal opinions with respect to the Series A and Series B Bonds substantially in the forms set forth in APPENDIX D hereto. The legal opinions are only as to legality of the Bonds and are not intended to be nor are they to be interpreted or relied upon as a disclosure document or an express or implied recommendation as to the investment quality of the Bonds. Richards, Watson & Gershon also currently serves as legal counsel to the Agency, providing general legal services to the Agency with respect to redevelopment matters.

### Tax Matters

#### *Series A Bonds*

The Internal Revenue Code of 1986 (the "Code") establishes certain requirements which must be met subsequent to the issuance and delivery of the Series A Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series A Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series A Bonds. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Series A Bonds are to be invested and require, under certain circumstances, that certain investment earnings on the foregoing be rebated on a periodic basis to the Treasury Department of the United States of America.

The Agency has covenanted in the Indenture to maintain the exclusion of the interest on the Series A Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

In the opinion of Richards, Watson & Gershon, A Professional Corporation, Bond Counsel, under existing law, interest on the Series A Bonds is exempt from personal income taxation of the State of California, and, assuming compliance with the aforementioned covenant, interest on the Series A Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that the Series A Bonds are not "specific private activity bonds" within the meaning of Section 57(a)(5) of the Code and, therefore, the interest on the Series A Bonds will not be treated as a preference item for the purposes of computing the alternative minimum tax imposed by Section 55 of the Code. Interest on the Series A Bonds owned by corporations will, however, be taken into account in determining the alternative minimum tax imposed by Section 55 of the Code on seventy-five percent (75%) of adjusted current earnings over alternative minimum taxable income (determined without regard to this adjustment and the alternative tax net operating loss deduction).

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

Although Bond Counsel has rendered an opinion that interest on the Series A Bonds is excluded from gross income for Federal income tax purposes, a Bond Owners' Federal tax liability may otherwise be affected by the ownership or disposition of the Series A Bonds. The nature and extent of these other tax consequences will depend upon the Bond Owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series A Bonds should be aware that (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series A Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Series A Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by fifteen percent (15%) of the sum of certain items, including interest on the Bonds, (iii) interest on the Series A Bonds earned by some corporation could be subject to the environmental tax imposed by Section 59A of the Code, (iv) interest on the Series A Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (v) passive investment income, including interest on the Series A Bonds, may be subject to Federal income taxation under Section 1375 of the Code for Subchapter C earnings and profits at the close of the taxable year if greater than twenty-five percent (25%) of the gross receipts of such Subchapter S corporation is passive investment income, and (vi) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Series A Bonds. Bond Counsel has expressed no opinion regarding any such other tax consequences. The opinion of Bond Counsel regarding exemption from personal income taxation in the State of California and the exclusion from gross income





**APPENDIX A**

**GENERAL INFORMATION REGARDING THE CITY OF BLYTHE**

## APPENDIX A

### GENERAL INFORMATION REGARDING THE CITY OF BLYTHE

*The following information concerning the City of Blythe and the surrounding area is included herein only for the purpose of supplying general information regarding the community. The Bonds are not a debt of the City of Blythe, Riverside County, the State of California, or any of its political subdivisions (other than the Agency) and neither the City, the County, the State nor any of its political subdivisions (other than the Agency) is liable therefor.*

#### **Geography/Organization**

Blythe, a general law city, was incorporated in 1916 and is located 227 miles southeast of Los Angeles and 150 miles west of Phoenix, Arizona in the Palo Verde Valley along the Colorado River. The City has a Council-Manager form of municipal government. The City Council appoints the City Manager who is responsible for the day-to-day administration of City business and the coordination of all departments of the City. The City Council is composed of five members elected biannually at large to four-year alternating terms.

The City encompasses an area of approximately 24.3 square miles situated 265 feet above sea level. Blythe enjoys a California desert climate with winter low temperatures averaging 52 degrees, and summer high temperatures averaging 92 degrees.

#### **Budgetary Process**

The City's 2000/01 Budget was adopted by the City Council on June 27, 2000. The budget totals \$25.2 million, of which \$21.6 million is for City department operations and \$3.6 million is for capital improvements.

The budget funds 118.75 full-time and part-time personnel and 34 on-call firefighters. City departments include administration, finance, development, municipal airport, police, public works and recreation and parks. Enterprises include the airport, golf course, sanitation, sewer and water.

#### **Population**

The City's population was estimated at 21,450 in January 2000, an increase of 253% over the 1990 U.S. Census (principally due to the inclusion, beginning in 1992, of inmates at two State prisons, which are technically within the City limits). Population data for the City since 1960 is included below.

#### **City of Blythe Population Statistics**

<u>Year</u>	<u>Population</u>	<u>Year</u>	<u>Population</u>
1960	6,023	1996	18,329(1)
1970	7,047	1997	20,500(1)
1980	6,805	1998	21,050(1)
1990	8,425	1999	21,050(1)
1995	16,480(1)	2000	21,450(1)

(1) Includes inmates at Chuckawalla and Ironwood State Prisons (8,261 at July 1, 2000).

Sources: 1960-1990 U.S. Census; January 1995-2000 California Department of Finance estimates.

### State Prisons

The State of California Department of Corrections operates two high security prisons on a 1,735-acre site about twenty miles from central Blythe. There are two facilities on the site, Chuckawalla which opened in December 1988 and Ironwood which opened in February 1994.

Combined, the two facilities as of July 1, 2000 had 8,261 inmates and 1,855 employees. Total 2000/01 operating budget is approximately \$145 million. The facility has been a substantial contributing factor in the growth of commercial and housing development in the City of Blythe.

### Commercial Activity

#### CITY OF BLYTHE Taxable Retail Sales (\$000)

	RETAIL STORES		TOTAL ALL OUTLETS	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
1990	142	\$88,981	259	\$101,480
1991	135	84,831	259	96,914
1992	135	83,979	251	97,178
1993	143	83,868	258	95,913
1994	140	91,372	260	103,811
1995	143	89,068	263	101,834
1996	145	87,642	138	103,017
1997	137	90,410	273	106,916
1998	157	96,740	293	111,750

Source: California State Board of Equalization.

**Direct and Overlapping Bonded Indebtedness**

The Agency's direct and overlapping bonded indebtedness for Redevelopment Project No. 1 is summarized as follows:

**BLYTHE REDEVELOPMENT AGENCY  
REDEVELOPMENT PROJECT NO. 1  
Direct and Overlapping Debt**

2000/01 Assessed Valuation	\$ 245,653,526
Base Year Valuation	\$ 125,291,153
Incremental Valuation	\$ 120,362,373

<u>Direct Debt</u>	<u>% Applicable</u>	<u>Debt 10/1/00</u>
1995 Refunding Tax Allocation Bonds	100. %	1,610,000
1995 Refunding Taxable Tax Allocation Bonds	100.	1,385,000
1996 Tax Allocation Bonds, Series A	100.	1,140,000
1996 Taxable Tax Allocation Bonds, Series B	100.	440,000
1997 Refunding Tax Allocation Bonds	100.	\$ 3,300,000
Total Direct Debt		\$ 7,875,000(1)

Ratio to Incremental Valuation: 6.54%

Overlapping Tax and Assessment Debt(2):

Palo Verde Unified School District	26.787%	\$ 2,658,549
Total Overlapping Tax and Assessment Debt		\$ 2,658,549

Overlapping General Fund Obligation Debt:

Riverside County General Fund Obligations	0.120%	\$ 774,599
Riverside County Board of Education Certificates of Participation	0.120	20,229
City of Blythe General Fund Obligations	21.201	664,863
Palo Verde Cemetery District General Fund Obligations	13.393	85,715
Total Overlapping General Fund Obligation Debt		\$ 1,545,406
Less: Riverside County Administration Center Authority (100% self-supporting from tax increment revenues)		(7,944)
Total Net General Fund Obligation Debt		\$ 1,537,462

GROSS COMBINED OVERLAPPING DEBT	\$ 12,078,955(3)
NET COMBINED OVERLAPPING DEBT	\$ 12,071,011

(1) Excludes tax allocation bonds to be sold.

(2) Based on 1999/00 ratios.

(3) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2000/01 Assessed Valuation:

Gross Direct and Overlapping Debt.....	4.92%
Net Direct and Overlapping Debt....	4.92%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/00: \$0

Source: California Municipal Statistics, Inc., Oakland, California

## Employment and Industry

The City of Blythe, located in Riverside County, is part of the Riverside-San Bernardino MSA. The distribution of employment in this area is as follows.

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

<u>Type of Employment</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Agriculture	21,800	21,300	21,700	21,600	21,600
Mining	1,100	1,200	1,200	1,000	900
Construction	43,100	46,200	52,100	60,800	70,000
Manufacturing	94,400	99,200	104,800	111,400	118,300
Transportation and Public Utilities	40,800	41,100	42,500	45,700	48,700
Wholesale & Retail Trade	205,900	210,100	217,900	223,200	231,700
Finance, Insurance & Real Estate	29,400	29,600	29,800	30,600	32,000
Services	202,600	208,700	221,500	234,900	248,800
Government	<u>162,600</u>	<u>167,300</u>	<u>171,600</u>	<u>174,700</u>	<u>183,200</u>
TOTAL	<u>801,700</u>	<u>824,700</u>	<u>863,100</u>	<u>903,900</u>	<u>955,200</u>

Source: California Employment Development Department.

The principal employers in the community are shown below.

### CITY OF BLYTHE Principal Employers

<u>Name</u>	<u>Number of Employees</u>
Ironwood State Prison	1,090
Chuckawalla State Prison	765
Palo Verde Unified School District	384
Morgan Corporation	231
Palo Verde Hospital	137
County of Riverside	120
Hi-Value Processors	120
City of Blythe	106
Palo Verde Community College District	100
Palo Verde Irrigation District	82
Toshin Trading Co.	65
Southern California Gas Co.	43
Southern California Edison Co.	25
GTE	25

Source: Blythe Chamber of Commerce, October 1997 (latest available data); State prison employment as of July 1, 2000.

## Construction Activity

The following is a five calendar year summary of the valuation of building permits issued in the City.

### CITY OF BLYTHE Building Permit Valuation (\$000)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Residential					
New single-family units	\$ 2,516	\$ 2,546	\$ 3,083	\$ 3,985	\$ 2,786
New mufti-family units	0	3,003	3,294	266	5,297
Additions, alterations	<u>1,091</u>	<u>1,398</u>	<u>456</u>	<u>664</u>	<u>2,391</u>
Total Residential	<u>\$ 3,607</u>	<u>\$ 5,947</u>	<u>\$ 6,833</u>	<u>\$ 4,915</u>	<u>\$ 10,474</u>
Non-Residential					
New commercial	\$ 7,936	\$ 1,219	\$ 3,711	\$ 2,297	\$ 174
Other	906	1,074	1,448	295	564
Additions, alterations	<u>952</u>	<u>1,712</u>	<u>1,363</u>	<u>2,182</u>	<u>2,278</u>
Total Non-Residential	<u>\$ 9,794</u>	<u>\$ 4,005</u>	<u>\$ 6,522</u>	<u>\$ 4,774</u>	<u>\$ 3,016</u>
Total Valuation	<u>\$ 13,401</u>	<u>\$ 9,952</u>	<u>\$ 13,355</u>	<u>\$ 9,689</u>	<u>\$ 13,490</u>
Number of New Dwelling Units					
Single-family dwelling	34	31	35	49	30
Mufti-family dwelling	<u>0</u>	<u>29</u>	<u>15</u>	<u>2</u>	<u>34</u>
Total Units	<u>34</u>	<u>60</u>	<u>50</u>	<u>51</u>	<u>64</u>

Source: City of Blythe

## Utilities

Southern California Edison Company provides Blythe with electric power. Natural gas is provided by Southern California Gas Company. Water and sewer services are provided by the City of Blythe.

## Transportation

Two main highways serve Blythe from four directions. U.S. Highway 95 north to Las Vegas and South to Yuma, Arizona and Interstate 10 west to Los Angeles and east to Phoenix. The Blythe Airport is a general aviation facility. Rail transportation is available from the Arizona & California Railroad which connects with the Burlington Northern Santa Fe Railway mainline, providing direct access to the Los Angeles area and the nation. Local and interurban bus transportation is provided via Greyhound and Palo Verde Valley Transit.

**APPENDIX B**

**SUMMARY OF THE INDENTURE**

**APPENDIX C**

**AUDITED FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 1999**

**APPENDIX D**  
**FORM OF LEGAL OPINION**

**APPENDIX E**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**