

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2014 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2014 Bonds is exempt from State of California personal income tax. See “TAX MATTERS.”

\$38,810,000
SUCCESSOR AGENCY TO THE
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT
GARDEN GROVE COMMUNITY PROJECT
TAX ALLOCATION REFUNDING BONDS,
ISSUE OF 2014

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

Purpose of the 2014 Bonds. The above-captioned bonds (the “2014 Bonds”) are being issued by the Successor Agency to the Garden Grove Agency for Community Development (the “Successor Agency”) for the purpose of refunding and defeasing an outstanding issue of Garden Grove Agency for Community Development, 2003 Tax Allocation Refunding Bonds (Garden Grove Community Project) which were issued by the former Garden Grove Agency for Community Development (the “Prior Agency”) in the aggregate original principal amount of \$57,025,000 (the “2003 Bonds”).

Book-Entry. The 2014 Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to ultimate purchasers (“Beneficial Owners”) in integral multiples of \$5,000, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the 2014 Bonds. Principal of, premium if any, and semiannual interest on the 2014 Bonds due April 1 and October 1 of each year, commencing October 1, 2014, will be payable by U.S. Bank National Association, as Trustee, to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the 2014 Bonds (see “THE 2014 BONDS—Book-Entry System”). See “THE 2014 BONDS.”

Redemption. The 2014 Bonds are subject to optional redemption prior to their scheduled maturity. See “THE 2014 BONDS - Redemption.”

Security for the 2014 Bonds. The 2014 Bonds are secured by and payable from “Pledged Tax Revenues.” Pledged Tax Revenues generally consist of property tax revenues to be derived from the Garden Grove Community Project (the “Project Area”) which are deposited into the Redevelopment Property Tax Trust Fund (as described more fully in this Official Statement), less unsubordinated contractual and statutory pass-through obligations. See “SECURITY FOR THE 2014 BONDS.” The receipt of Pledged Tax Revenues is subject to certain risks and limitations. See “SECURITY FOR THE 2014 BONDS” and “RISK FACTORS.”

Bond Insurance. The scheduled payment of principal of and interest on the 2014 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the 2014 Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.



Existing Obligations. The Successor Agency has previously entered into an agreement with MUFG Union Bank N.A., formerly known as Union Bank of California, N.A. and, until July 1, 2014, Union Bank, N.A., which under the terms of the Indenture is payable from the Pledged Tax Revenues deposited in the Debt Service Fund in a manner which is functionally on parity with the 2014 Bonds. See “SECURITY FOR THE 2014 BONDS – 2008 Loan” and “-Flow of Funds under the Indenture.”

Future Senior and Parity Obligations. The Indenture prohibits the Successor Agency from issuing bonds that are payable from Pledged Tax Revenues on a senior basis to the 2014 Bonds. The Indenture authorizes the Successor Agency to issue Parity Bonds payable from Pledged Tax Revenues on a parity basis to the 2014 Bonds, as well as Subordinate Debt.

Cover is a Summary. This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the 2014 Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Attention is hereby directed to certain risk factors more fully described in this Official Statement. See “RISK FACTORS”.

Limited Obligations. The 2014 Bonds are special obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal, interest and premium, if any, from Pledged Tax Revenues and other funds described in this Official Statement. The 2014 Bonds, interest and premium, if any, are not a debt of the City of Garden Grove (the “City”), the County of Orange (the “County”), the State of California (the “State”) or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State nor any of their political subdivisions except the Successor Agency is liable for payment of the 2014 Bonds. The 2014 Bonds, related interest and premium, if any, are not payable out of any funds or properties other than those set forth in the Indenture. Neither the members of the Successor Agency, the Oversight Board nor any persons executing the 2014 Bonds are liable personally on the 2014 Bonds.

The 2014 Bonds are offered, when, as and if issued, subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Los Angeles, California, Bond Counsel to the Successor Agency. Certain legal matters will be passed on for the Successor Agency by Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel. Certain legal matters will be passed on for the Successor Agency by Stradling Yocca Carlson & Rauth, a Professional Corporation, and for the Underwriter by Orrick, Herrington & Sutcliffe, Los Angeles, California, Underwriter’s Counsel. It is anticipated that the 2014 Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about July 16, 2014.



MATURITY SCHEDULE

\$38,810,000
SUCCESSOR AGENCY TO THE
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT
GARDEN GROVE COMMUNITY PROJECT
TAX ALLOCATION REFUNDING BONDS,
ISSUE OF 2014

Maturity Date (October 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† (Base 365250)
2014	\$2,505,000	1.000%	0.250%	100.156%	AA7
2015	2,360,000	3.000	0.350	103.192	AB5
2016	2,430,000	3.000	0.540	105.392	AC3
2017	2,505,000	3.000	0.890	106.658	AD1
2018	2,380,000	4.000	1.250	111.238	AE9
2019	2,685,000	4.000	1.590	111.998	AF6
2020	2,795,000	4.000	1.900	112.240	AG4
2021	2,905,000	4.000	2.190	112.006	AH2
2022	3,015,000	5.000	2.450	118.853	AJ8
2023	3,170,000	5.000	2.690	118.726	AK5
2024	3,330,000	5.000	2.870	118.728	AL3
2025	1,955,000	5.000	3.040	117.086 ^C	AM1
2026	1,955,000	5.000	3.190	115.659 ^C	AN9
2027	1,610,000	5.000	3.330	114.347 ^C	AP4
2028	1,580,000	5.000	3.420	113.513 ^C	AQ2
2029	1,630,000	5.000	3.500	112.777 ^C	AR0

C: Priced to first par call on October 1, 2024.

† Copyright 2014, CUSIP Global Services, and a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the Successor Agency nor the Underwriter assumes any responsibility for the accuracy of the CUSIP data.

**SUCCESSOR AGENCY TO THE
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT
GARDEN GROVE, CALIFORNIA**

CITY COUNCIL

Bruce Broadwater, *Mayor*
Dina Nguyen, *Mayor Pro Tem*
Steve Jones, *Council Member*
Christopher Phan, *Council Member*
Kris Beard, *Council Member*

CITY/SUCCESSOR AGENCY STAFF

Matthew J. Fertal, *Director/City Manager*
Kingsley C. Okereke, *Finance Director*
William Murray, *Director of Public Works*

SPECIAL SERVICES

Financial Advisor

Springsted Incorporated
Woodland Hills, California

Bond Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Fiscal Consultant

HdL Coren & Cone
Diamond Bar, California

Trustee

U.S. Bank National Association
Los Angeles, California

Verification Agent

Grant Thornton LLP
Minneapolis, Minnesota

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2014 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

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

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2014 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Successor Agency or the Project Area since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2014 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the 2014 Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Insurer's Disclaimer. Build America Mutual Assurance Company ("BAM") makes no representation regarding the 2014 Bonds or the advisability of investing in the 2014 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX H - Specimen Municipal Bond Insurance Policy."

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

Stabilization of and Changes to Offering Prices. The Underwriter may overallocate or take other steps that stabilize or maintain the market price of the 2014 Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the 2014 Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

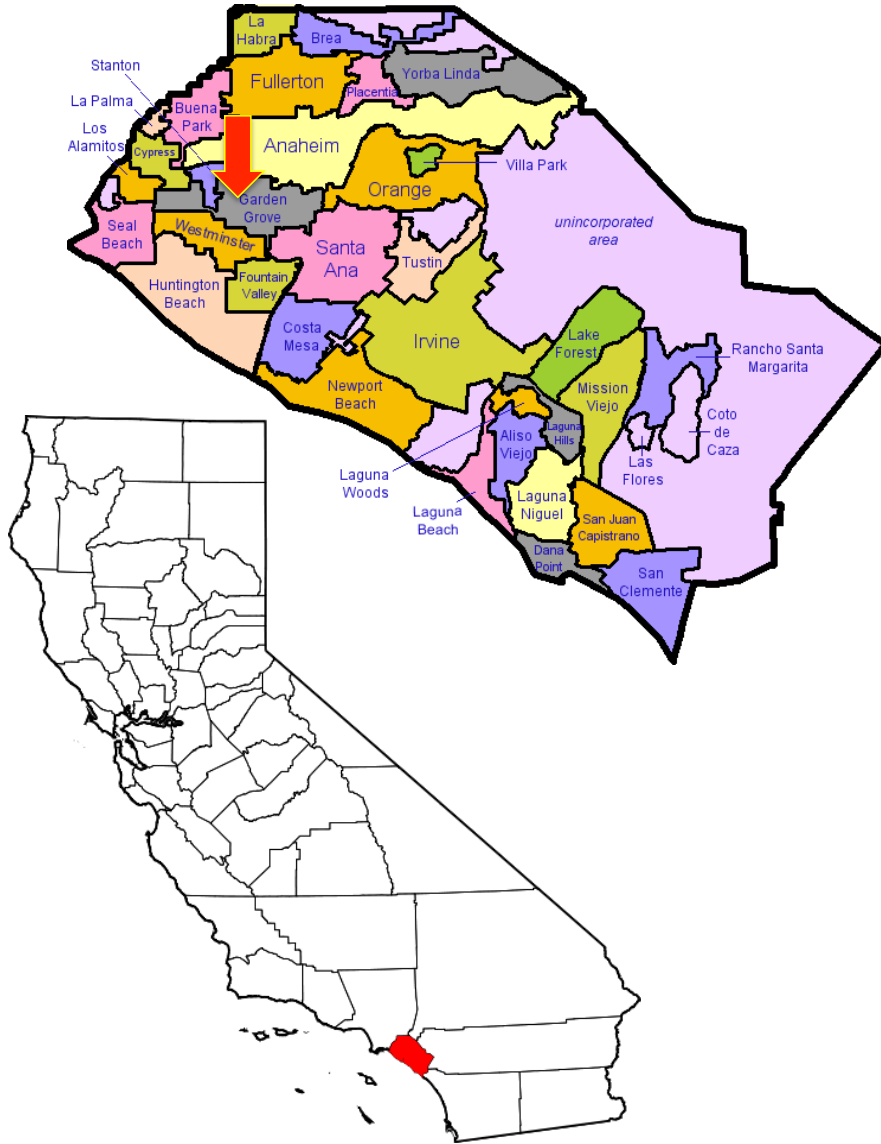
Bonds are Exempt from Securities Laws Registration. The issuance and sale of the 2014 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

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

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

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

AREA MAP



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OFFICIAL STATEMENT

\$38,810,000
SUCCESSOR AGENCY TO THE
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT
GARDEN GROVE COMMUNITY PROJECT
TAX ALLOCATION REFUNDING BONDS,
ISSUE OF 2014

INTRODUCTORY STATEMENT

This Official Statement, including the cover page, is provided to furnish information in connection with the sale by the Successor Agency to the Garden Grove Agency for Community Development (the “**Successor Agency**”) of the captioned bonds (the “**2014 Bonds**”).

Authority for Issuance

The 2014 Bonds are being issued pursuant to the Constitution and laws of the State of California (the “**State**”), including the Community Redevelopment Law, Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California (the “**Redevelopment Law**”), and an Indenture of Trust dated as of June 1, 2014, between the Successor Agency and U.S. Bank National Association, as trustee (the “**Trustee**”). See “THE 2014 BONDS – Authority for Issuance.”

Purpose

The 2014 Bonds are being issued to refund and defease the outstanding Garden Grove Agency for Community Development, 2003 Tax Allocation Refunding Bonds (Garden Grove Community Project) which were issued by the Prior Agency in the aggregate original principal amount of \$57,025,000 (the “**2003 Bonds**”). Proceeds of the Series 2014 Bonds will also be used (i) to fund a debt service reserve fund for the 2014 Bonds and (ii) to pay costs incurred in connection with the issuance, sale, and delivery of the 2014 Bonds.

The City and the Successor Agency

City. The City of Garden Grove (the “**City**”) encompasses approximately 17 square miles. As of January 1, 2013, the City had a population of approximately 173,075. The City is located in Orange County approximately 40 miles southeast of the downtown area of the City of Los Angeles. Incorporated on June 18, 1956, the City operates as a general law city under California law. The City has a council-manager form of government, with the Mayor elected at large for a two-year term and four Council members elected at large for four-year terms. The City Council acts as the governing board of the Successor Agency. See “Appendix F – Supplemental Information – City of Garden Grove and County of Orange.”

Prior Agency. The Garden Grove Agency for Community Development (the “**Prior Agency**”) was activated on November 20, 1970, by an ordinance of the City Council, at which time the City Council declared itself to be the governing board of the Prior Agency.

Dissolution Act. On June 29, 2011, Assembly Bill No. 26 (“**AB X1 26**”) was enacted together with a companion bill, Assembly Bill No. 27 (“**AB X1 27**”). The provisions of AB X1 26 provided for the dissolution of all redevelopment agencies. The provisions of AB X1 27 permitted redevelopment agencies to avoid such dissolution by the payment of certain amounts. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al., v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. Dec. 29, 2011), challenging the constitutionality of AB X1 26 and AB X1 27. The California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the California Redevelopment Association case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Prior Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

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

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

The Redevelopment Plan and the Project Area

The Garden Grove Community Project consists of several component areas resulting from a series of actions by the City Council of the City, including the project area (the “**Original Project Area**”) as originally established pursuant to the Redevelopment Plan for the Redevelopment Project known as the “**Garden Grove Community Project**” as adopted and approved by the City on June 26, 1973 by Ordinance No. 1339. The Garden Grove Community Project has been amended on a variety of occasions between 1974 and 2002. Several of these amendments expanded the Project Area. The Project Area, as so amended, consisting of several component areas, including the 1992 Original Project Area, the Area, the 1998 Area and the 2002 Area (as combined, the “**Project Area**”), includes approximately 1,975.4 acres. The Project Area is comprised of industrial, residential, commercial and public uses.

See “THE PROJECT AREA” for additional information on land use and property ownership within the Project Area.

Tax Allocation Financing

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

The Dissolution Act authorizes the issuance of refunding bonds, including the 2014 Bonds, to be secured by a pledge of, and lien on, Pledged Tax Revenues created by the Indenture. The 2014 Bonds are further secured by a pledge and lien created by Section 34177.5(g) of the Dissolution Act on monies deposited from time to time in the Redevelopment Property Tax Trust Fund (the “**Redevelopment Property Tax Trust Fund**”) which is held by the County Auditor-Controller with respect to the Successor Agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects. See “SECURITY FOR THE 2014 BONDS.”

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

Security for the 2014 Bonds

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

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

The term “Pledged Tax Revenues” is generally defined under the Indenture to mean the portion of the monies deposited from time to time in the Redevelopment Property Tax Trust Fund established under the Dissolution Act that are equal to that portion of taxes levied upon taxable property in the Project Area and received by the Successor Agency on or after the date of issue of the 2014 Bonds, within the Plan Limitations (as hereinafter defined). The term “Pledged Tax Revenues” includes the following:

- (a) all payments, subventions and reimbursements (if any) to the Successor Agency specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations; and
- (b) as to such percentage of annual debt service on any issue of Parity Bonds as shall be specified in the proceedings for such Parity Bonds, all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund in any Fiscal Year pursuant to Section 33334.3 of the Redevelopment Law.

The term “Pledged Tax Revenues” excludes the following:

- (i) all amounts of such taxes which are payable to entities other than the Successor Agency under the Tax Sharing Statutes or the Tax Sharing Agreements to the extent such Tax Sharing Statutes or Tax Sharing Agreements create a prior lien on such taxes and such entities other than the Successor Agency have not subordinated their right to receive payments,
- (ii) except as set forth above, all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund in any fiscal year under Section 33334.3 of the Redevelopment Law, and
- (iii) amounts, if any, payable by the State of California to the Successor Agency under the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the Government Code of the State of California.

See “SECURITY FOR THE 2014 BONDS – Parity Bonds.”

Municipal Bond Insurance

Concurrently with the issuance of the 2014 Bonds, Build America Mutual Assurance Company (“**BAM**”) will issue its Municipal Bond Insurance Policy for the 2014 Bonds (the “**Policy**”). The Policy guarantees the scheduled payment of principal of and interest on the 2014 Bonds when due as set forth in the form of the Policy included as APPENDIX H to this Official Statement. See “BOND INSURANCE.”

Existing Parity Obligations

The Successor Agency has not issued any notes, bonds or other obligations which are payable from and secured by a pledge of and lien on the Pledged Tax Revenues on parity with the 2014 Bonds. However, the Successor Agency has previously entered into a Credit Agreement with MUFG Union Bank N.A. (formerly known as Union Bank of California, N.A. and,

until July 1, 2014, Union Bank, N.A.), which under the Indenture and pursuant to the Bank's consent is payable from Pledged Tax Revenues deposited in the Debt Service Fund for the 2014 Bonds on a basis which is functionally on a parity with the 2014 Bonds. The Agency's obligations under the Credit Agreement are not secured by a pledge of or lien on the Pledged Tax Revenues; however, due to provisions of the Indenture which are described herein any shortfall in amounts which are available under the Dissolution Act for payment of such obligations will create a shortfall in amounts available to pay the 2014 Bonds, even though the Pledged Tax Revenues would otherwise be sufficient for payment of the 2014 Bonds when due. See "SECURITY FOR THE 2014 BONDS – 2008 Loan" and "-Flow of Funds under the Indenture" below.

Parity Bonds and Subordinate Debt

The Successor Agency is authorized by the Indenture to issue bonds in the future ("**Parity Bonds**") that would be payable from and secured by Pledged Tax Revenues on parity with the 2014 Bonds, subject to certain conditions. The Successor Agency is also authorized by the Indenture to issue bonds in the future ("**Subordinate Debt**") which is secured by Pledged Tax Revenues on a basis which is subordinate to the 2014 Bonds and any Parity Bonds. See "SECURITY FOR THE 2014 BONDS – Parity Bonds" and "- Issuance of Subordinate Debt."

Together, the 2014 Bonds and any Parity Bonds are referred to in this Official Statement as "**Bonds**."

Reserve Account

The Successor Agency will fund a debt service reserve account for the 2014 Bonds from the proceeds of the 2014 Bonds. See "SECURITY FOR THE 2014 BONDS – Reserve Account."

Limited Obligation

The 2014 Bonds are special obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal, interest and premium, if any, from Pledged Tax Revenues and other funds. The 2014 Bonds, interest and premium, if any, are not a debt of the City, the County, the State or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State nor any of their political subdivisions except the Successor Agency are liable for the payment of the 2014 Bonds. The 2014 Bonds, related interest and premium, if any, are not payable out of any funds or properties other than those set forth in the Indenture. No member of the Successor Agency, the Oversight Board or any person executing the 2014 Bonds is liable personally on the 2014 Bonds by reason of their issuance.

Professionals Involved in the Offering

Springsted Incorporated, of Woodland Hills, California, has served as financial advisor to the Successor Agency and has advised the Successor Agency with respect to the financial structure of the refinancing and as to other financial aspects of the transaction. *Payment of the fees and expenses of the financial advisor is contingent upon the sale and delivery of the 2014 Bonds.*

HdL Coren & Cone, Diamond Bar, California, has acted as fiscal consultant to the Successor Agency (the "**Fiscal Consultant**") and advised the Successor Agency as to the

taxable values and Pledged Tax Revenues projected to be available to pay debt service on the 2014 Bonds as referenced in this Official Statement. The report prepared by the Fiscal Consultant (the “**Fiscal Consultant’s Report**”) is attached to this Official Statement as Appendix G.

U.S. Bank National Association, Los Angeles, California, will act as trustee with respect to the 2014 Bonds.

All proceedings in connection with the issuance of the 2014 Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Los Angeles, California, Bond Counsel to the Successor Agency. Jones Hall, A Professional Law Corporation, San Francisco, California, is Disclosure Counsel. Stradling Yocca Carlson & Rauth, a Professional Corporation, acting as Successor Agency Counsel, will render certain opinions on behalf of the Successor Agency. Certain legal matters will be passed on for the Underwriter by Orrick, Herrington & Sutcliffe, Los Angeles, California. *Payment of the fees and expenses of Bond Counsel, Disclosure Counsel and Underwriter’s Counsel is contingent upon the sale and delivery of the 2014 Bonds.*

Further Information

Brief descriptions of the Redevelopment Law, the Dissolution Act, the 2014 Bonds, the Indenture, the Successor Agency, the Prior Agency, the County and the City are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Redevelopment Law, the Dissolution Act, the 2014 Bonds, the Indenture, the Constitution and the laws of the State as well as the proceedings of the Prior Agency, the Successor Agency, the County and the City are qualified in their entirety by reference to such documents and laws. References herein to the 2014 Bonds are qualified in their entirety by the form included in the Indenture and by the provisions of the Indenture. During the period of the offering of the 2014 Bonds, copies of the forms of all documents are available from the City Clerk, City of Garden Grove, 11222 Acacia Parkway, Garden Grove, California 92840.

REFUNDING PLAN

Estimated Sources and Uses of Funds

The estimated sources and uses of funds are summarized below.

Sources:

Principal Amount of 2014 Bonds	\$38,810,000.00
Plus: Prior Reserve Fund and Debt Service Fund	4,596,546.43
Less: Underwriter's Discount	(320,182.50)
Plus: Original Issue Premium	<u>4,736,137.00</u>
Total Sources	\$47,822,500.93

Uses:

2003 Bonds Escrow Fund	\$43,159,431.53
2014 Bond Reserve Account	3,881,000.00
Costs of Issuance ⁽¹⁾	<u>782,069.40</u>
Total Uses	\$47,822,500.93

- (1) Costs of Issuance include fees and expenses for Bond Counsel, Disclosure Counsel, Financial Advisor, Fiscal Consultant, Trustee, Successor Agency Counsel, municipal bond insurance premium, printing expenses, rating fee and other costs related to the issuance of the 2014 Bonds.

Refunding of the 2003 Bonds

The 2003 Bonds are currently subject to redemption on any date. Pursuant to such redemption provision, the Successor Agency intends to call the 2003 Bonds for redemption on August 15, 2014 (the "**Redemption Date**"), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Pursuant to an Escrow Agreement dated as of June 1, 2014 (the "**Escrow Agreement**"), between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "**Escrow Agent**"), the Successor Agency will deliver a portion of the proceeds of the 2014 Bonds to the Escrow Agent for deposit in an escrow fund established under the Escrow Agreement (the "**2003 Bonds Escrow Fund**"). The Escrow Agent will invest amounts deposited in the 2003 Bonds Escrow Fund in the United States Treasury securities set forth in the Escrow Agreement, except for a de minimus amount which will be held in uninvested cash. From the moneys on deposit in the 2003 Bonds Escrow Fund, the Escrow Agent will pay, on the Redemption Date, the outstanding principal amount of the 2003 Bonds and accrued interest to the redemption date (without premium).

Sufficiency of the deposits in the 2003 Bonds Escrow Fund for those purposes will be verified by Grant Thornton LLP, as verification agent (the "**Verification Agent**"). See "VERIFICATION OF MATHEMATICAL ACCURACY." Assuming the accuracy of the verification agent's computations, as a result of the deposit and application of funds as provided in the 2003 Bonds Escrow Fund, the Successor Agency's obligations under the Indenture related to the 2003 Bonds will be discharged.

The amounts held and invested, if invested, by the Escrow Agent in the 2003 Bonds Escrow Fund are pledged solely to the payment of amounts coming due and payable with

respect to the 2003 Bonds. Neither the funds deposited in the 2003 Bonds Escrow Fund nor interest on the invested funds, if any, will be available for the payment of debt service with respect to the 2014 Bonds.

Debt Service Schedule

The following table shows the annual debt service schedule for the 2014 Bonds and the outstanding 2008 Loan.

Table 1
Debt Service Schedule

Bond Year Ending Oct. 1	2014 Bonds Principal	2014 Bonds Interest	2014 Bonds Total	2008 Loan ⁽¹⁾	Total Debt Service
2014	\$2,505,000	\$330,573	\$2,835,573	\$4,490,378	\$7,325,951
2015	2,360,000	1,561,700	3,921,700	4,411,407	8,333,107
2016	2,430,000	1,490,900	3,920,900	4,331,389	8,252,289
2017	2,505,000	1,418,000	3,923,000	4,253,465	8,176,465
2018	2,380,000	1,342,850	3,722,850	4,174,494	7,897,344
2019	2,685,000	1,247,650	3,932,650	4,095,524	8,028,174
2020	2,795,000	1,140,250	3,935,250	2,686,402	6,621,652
2021	2,905,000	1,028,450	3,933,450		3,933,450
2022	3,015,000	912,250	3,927,250		3,927,250
2023	3,170,000	761,500	3,931,500		3,931,500
2024	3,330,000	603,000	3,933,000		3,933,000
2025	1,955,000	436,500	2,391,500		2,391,500
2026	1,955,000	338,750	2,293,750		2,293,750
2027	1,610,000	241,000	1,851,000		1,851,000
2028	1,580,000	160,500	1,740,500		1,740,500
2029	1,630,000	81,500	1,711,500		1,711,500
Totals ⁽²⁾	\$38,810,000	\$13,095,373	\$51,905,373	\$28,443,058	\$80,348,431

(1) Calculated at an assumed interest rate of 5.00%. Interest on the 2008 Loan accrues at a variable rate equal to one-month LIBOR plus 75 basis points.

THE 2014 BONDS

Authority for Issuance

The 2014 Bonds were authorized for issuance pursuant to the Indenture, the Redevelopment Law and the Dissolution Act. The issuance of the 2014 Bonds and the Indenture were authorized by the Successor Agency pursuant to Resolution No. 18-13 adopted on November 12, 2013, as corrected by Resolution No. 24-14 adopted April 8, 2014 (collectively, the “**Resolution**”), and by the Oversight Board for the Successor Agency pursuant to Resolution No. 27-13 adopted on November 13, 2013, as corrected by Resolution No. 34-14 adopted April 9, 2014 (collectively, the “**Oversight Board Resolution**”).

Pursuant to the Dissolution Act, written notice of the Oversight Board Resolution was provided to the State Department of Finance (the “**DOF**”), which requested a review of the Oversight Board Resolution. The DOF provided a letter dated February 21, 2014 to the Successor Agency stating that based on the DOF’s review and application of the law, the Oversight Board Resolution approving the 2014 Bonds was approved by the DOF. DOF has declined to review further actions taken by the Successor and the Oversight Board with respect to the 2014 Bonds, thereby affirming its earlier determination, by email correspondence with the Successor Agency on May 8, 2014. As a result of the foregoing, all approvals required of DOF for the issuance of the 2014 Bonds have been obtained.

Section 34177.5 of the Dissolution Act provides that when, as here, a successor agency issues refunding bonds with the approval of the oversight board and the Department of Finance, the oversight board may not unilaterally approve any amendments to or early termination of the 2014 Bonds, and the scheduled payments on the 2014 Bonds shall be listed in the Recognized Obligation Payment Schedule and are not subject to further review and approval by the Department of Finance or the California State Controller.

Description of the 2014 Bonds

The 2014 Bonds will be issued and delivered as one fully-registered Bond in integral multiples of \$5,000 for each maturity, initially in the name of Cede & Co., as nominee for The Depository Trust Company (“**DTC**”), New York, New York, as registered owner of all Bonds. The initially executed and delivered Bonds will be dated the date of delivery (the “**Delivery Date**”) and mature on October 1 in the years and in the amounts shown on the inside cover page of this Official Statement.

Interest on the 2014 Bonds will be calculated on the basis of 30-day months and a 360-day year at the rates shown on the inside cover page of this Official Statement, payable semiannually on April 1 and October 1 in each year, commencing on October 1, 2014, by check mailed to the registered owners or upon the request of the Owners of \$1,000,000 or more in principal amount of Bonds, by wire transfer to an account in the United States which shall be designated in written instructions by such Owner to the Trustee on or before the Record Date preceding the Interest Payment Date.

One fully-registered certificate will be issued for each maturity of the 2014 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See “APPENDIX C – Book-Entry Only System.”

Optional Redemption

The 2014 Bonds maturing on or before October 1, 2024, are not subject to optional redemption prior to maturity. The 2014 Bonds maturing on or after October 1, 2025, are subject to redemption, at the option of the Successor Agency on any date on or after October 1, 2024, as a whole, or in part among such maturities as shall be determined by the Successor Agency and by lot within a maturity from any available source of funds at a redemption price equal the principal amount thereof to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Notice of Redemption

The Trustee on behalf and at the expense of the Successor Agency shall mail (by first class mail, postage prepaid) notice of any redemption at least 30 but not more than 60 days prior to the redemption date, to (i) the Owners of any 2014 Bonds designated for redemption at their respective addresses appearing on the Registration Books, (ii) the Securities Depositories and to the Municipal Securities Rulemaking Board; *provided, however*, that such mailing shall not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein shall affect the validity of the proceedings for the redemption of the 2014 Bonds or the cessation of the accrual of interest thereon.

Notice of redemption of the 2014 Bonds shall state the redemption date and the redemption price, shall designate the CUSIP number of the 2014 Bonds to be redeemed, shall state the individual number of each 2014 Bond to be redeemed or state that all Bonds between two stated numbers (both inclusive) unless all 2014 Bonds within a maturity have been called, or shall state that all of the outstanding 2014 Bonds of one or more maturities are to be redeemed, and shall require that such 2014 Bonds be then surrendered at the Office of the Trustee for redemption at the said redemption price, giving notice also that further interest on the 2014 Bonds to be redeemed will not accrue from and after the date fixed for redemption.

Selection of Bonds for Redemption

In the event only a portion of any 2014 Bond is called for redemption, then upon surrender thereof the Successor Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new 2014 Bond or Bonds of the same interest rate and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2014 Bond to be redeemed

Conditional Notice

With respect to any notice of optional redemption of the 2014 Bonds, such notice may state that redemption is conditional upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys sufficient to pay the redemption price of the 2014 Bonds to be redeemed and upon other conditions set forth therein and that, if such moneys have not been so received and such other conditions shall not have been satisfied, the redemption notice will be of no force and effect and the Trustee shall not be required to redeem the 2014 Bonds. If any condition stated in the redemption notice for an optional redemption has not been satisfied on or prior to the redemption date: (i) the redemption notice shall be of no force and effect; (ii) the Successor Agency will not be required to redeem such 2014 Bonds; (iii) the redemption will not be made; and (iv) the Trustee will within a reasonable time thereafter give notice to the

persons in the manner in which the conditional redemption notice was given that such condition or conditions were not met and that the redemption was canceled.

Effect of Redemption

From and after the date fixed for redemption, if funds available for the payment of the redemption price of and interest on the 2014 Bonds so called for redemption have been deposited with the Trustee, such 2014 Bonds will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest will accrue thereon from and after the redemption date specified in such notice.

THE DISSOLUTION ACT

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

The Dissolution Act further provides that bonds authorized by the Dissolution Act to be issued by the Successor Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized to be issued by the Successor Agency under the Dissolution Act, including the 2014 Bonds, are taxes allocated to the Successor Agency pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution.

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

- (a) To Taxing Agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of the ordinance adopting the Redevelopment Plan, or

the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the Project Area, as applicable (each, a “**base year valuation**”), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and

- (b) To the Prior Agency/Successor Agency: Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency, that portion of the levied taxes each year in excess of such amount, annually allocated within the Plan Limitations following the Delivery Date, when collected will be paid into a special fund of the Successor Agency. Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the Successor Agency to pay the debt service on indebtedness incurred by the Prior Agency or the Successor Agency to finance or refinance the redevelopment projects of the Prior Agency and deposited in the Debt Service Fund for such purpose, subject to the parity payment provisions of the Indenture applicable to the 2008 Loan.

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

SECURITY FOR THE 2014 BONDS

The County Auditor-Controller will deposit property tax revenues into the Redevelopment Property Tax Trust Fund pursuant to the requirements of the Health and Safety Code, including *inter alia* Health and Safety Code section 34183 and 34170.5(b). The 2014 Bonds are payable from and secured by the Pledged Tax Revenues to be derived from the Project Area and deposited in the Debt Service Fund for such purpose, subject to the priority payment provisions of the Indenture applicable to the 2008 Loan.

Although the 2008 Loan is not secured by a pledge of or lien on the Pledged Tax Revenues, due to provisions of the Indenture which are described herein, any shortfall in amounts which are available under the Dissolution Act for payment of the 2008 Loan will create a shortfall in amounts available to pay the 2014 Bonds, even though the Pledged Tax Revenues would otherwise be sufficient for payment of the 2014 Bonds when due.

Pledge Under the Indenture

The 2014 Bonds are equally secured by a pledge of, security interest in, and lien on all of the Pledged Tax Revenues, and a pledge of all of the moneys in the Redevelopment Obligation Retirement Fund which has been established under Health & Safety Code Section 34170.5(a) and which is administered by the Successor Agency (the “**Redevelopment Obligation Retirement Fund**”), and all of the moneys in the Debt Service Fund (including the Interest Account, the Principal Account and the Reserve Account therein) which is established under the Indenture. See “APPENDIX A – Summary of Certain Provisions of the Indenture.”

The pledge of the Pledged Tax Revenues is on a parity with the pledge to any Parity Bonds that may be issued in the future. See “- Parity Bonds” below. In addition, the application of the Pledged Tax Revenues to make payments of principal of and interest on the 2014 Bonds is functionally on a parity with the application of Pledged Tax Revenues to make payments of principal of and interest on the 2008 Loan. See “2008 Loan” and “Flow of Funds under the Indenture” below.

Pledged Tax Revenues

The term “Pledged Tax Revenues” is generally defined under the Indenture to mean the portion of the monies deposited from time to time in the Redevelopment Property Tax Trust Fund established under the Dissolution Act that are equal to that portion of taxes levied upon taxable property in the Project Area and received by the Successor Agency on or after the date of issue of the 2014 Bonds, within the Plan Limitations (as hereinafter defined). The term “Pledged Tax Revenues” includes the following:

- (a) all payments, subventions and reimbursements (if any) to the Successor Agency specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations; and
- (b) as to such percentage of annual debt service on any issue of Parity Bonds as shall be specified in the proceedings for such Parity Bonds, all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund in any Fiscal Year pursuant to Section 33334.3 of the Redevelopment Law.

The term “Pledged Tax Revenues” excludes the following:

- (i) all amounts of such taxes which are payable to entities other than the Successor Agency under the Tax Sharing Statutes or the Tax Sharing Agreements to the extent such Tax Sharing Statutes or Tax Sharing Agreements create a prior lien on such taxes and such entities other than the Successor Agency have not subordinated their right to receive payments,
- (ii) except as set forth above, all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund in any fiscal year under Section 33334.3 of the Redevelopment Law, and
- (iii) amounts, if any, payable by the State of California to the Successor Agency under the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the Government Code of the State.

In accordance with the Dissolution Act, the 2014 Bonds and other Parity Bonds are payable from and secured by, and Pledged Tax Revenues shall include, moneys deposited, from time to time, in the Redevelopment Property Tax Trust Fund.

If, and to the extent, that the provisions of Section 34170.5, Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then Pledged Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution.

2008 Loan

The Prior Agency has previously entered into a Credit Agreement dated as of June 2, 2008 (the “**Credit Agreement**”), with MUFG Union Bank, N.A. (formerly known as Union Bank of California, N.A. and, until July 1, 2014, Union Bank, N.A.) (the “**Bank**”), under which the Bank agreed to make a loan to the Prior Agency which is currently outstanding in the aggregate principal amount of \$24,000,000 (the “**2008 Loan**”). The 2008 Loan matures in monthly principal installments of \$333,333 through the final maturity on June 2, 2020. Interest on the 2008 Loan accrues at a variable rate equal to one-month LIBOR plus 75 basis points. See “Table 1 – Debt Service Schedule” above for the estimated amount of remaining payments due on the 2008 Loan.

The Bank has agreed by written consent dated January 30, 2014 and supplemented by letter dated June 23, 2014 (collectively, “**Union Bank Consent**”), that the 2008 Loan, the 2014 Bonds and Parity Bonds shall be payable on a parity basis under the Indenture for purposes of the payment provisions set forth in the Indenture. The Credit Agreement, along with the Union Bank Consent, is referred to herein as the “**2008 Credit Agreement**.” The 2008 Loan is payable from “**2008 Loan Revenues**”, being moneys available and designated by the Successor Agency for payment of the 2008 Loan pursuant to the Dissolution Act, the Redevelopment Law and the 2008 Credit Agreement from moneys deposited in the Redevelopment Property Tax Trust Fund to pay the 2008 Loan. See “- Flow of Funds under the Indenture” below.

Pursuant to the Indenture, if the amount of 2008 Loan Revenues and Pledged Tax Revenues received is at any time insufficient to enable the Successor Agency to pay the full amount of debt service then due and payable on the 2014 Bonds and the 2008 Loan, the amount of the resulting shortfall will be applied to pay the 2008 Loan and the 2014 Bonds on a pro rata basis. As such, the 2008 Loan is functionally on a parity with the 2014 Bonds with respect to the application of Pledged Tax Revenues and 2008 Loan Revenues to pay debt service on the 2014 Bonds and the 2008 Loan. Because the payment of the 2008 Loan is an unsecured obligation of the Successor Agency, it is effectively subordinate to all outstanding Tax Sharing Agreements and is effectively on a parity with all other unsecured obligations of the Successor Agency such as the unsecured DDAs, OPAs and Stipulated Payment Obligation which are discussed below. Therefore, the ability of the Successor Agency to pay debt service on the 2014 Bonds when due is subject to additional risks arising from factors which could cause a reduction in property tax revenues which are required to pay debt service on the 2008 Loan. The projected cash flow impact of the foregoing provisions of the Indenture are described below in "TAX REVENUES AND ANNUAL DEBT SERVICE - Projected Tax Revenues and Debt Service Coverage." See also "Flow of Funds under the Indenture" below.

Parity Bonds

The Dissolution Act currently prohibits the Successor Agency from issuing obligations payable from Pledged Tax Revenues except to refinance existing obligations, and to comply with an enforceable obligation pursuant to which the Successor Agency is obligated to issue bonds. Pursuant to such provisions, the Successor Agency anticipates issuing additional tax allocation bonds (including, without limitation, bonds, notes, interim certificates, debentures or other obligations, herein referred to as "**Parity Bonds**") in a principal amount which is sufficient to provide net proceeds in the amount of approximately \$42 million, for the purpose of financing its obligations with respect to an enforceable obligation contained in the First Amended and Restated Disposition and Development Agreement between the Prior Agency and Garden Grove MXD, LLC dated as of April 13, 2010, as amended, and in a related Implementation Agreement (collectively, the "**McWhinney DDA Obligation**"). The Successor Agency anticipates issuing such Parity Bonds in the next 2-3 years.

Pursuant to the Indenture, the Successor Agency is authorized to issue Parity Bonds which are payable from and secured by Pledged Tax Revenues on parity with the 2014 Bonds, for the purpose of refunding any 2014 Bonds or Parity Bonds, all or any portion of the 2008 Loan, or for the purpose of financing the McWhinney DDA Obligation, subject to the following conditions:

- (a) The Successor Agency is in compliance with all covenants set forth in the Indenture and the 2008 Credit Agreement (unless such compliance is waived by the Bank);
- (b) The Oversight Board has approved the issuance of such Parity Bonds if and to the extent required by the Dissolution Act;
- (c) the Parity Bonds will be on such terms and conditions as may be set forth in a separate or Supplemental Indenture, which will provide for (i) bonds or other obligations substantially in accordance with the Indenture, such that the Parity Bonds are secured on a parity basis with the 2014 Bonds by Pledged Tax Revenues and funds and accounts pledged under the Indenture (except for the 2014 Bonds Reserve Account) or, with respect to

a refunding of the 2008 Loan such that the related Parity Bonds are payable on the same basis as the 2008 Loan is payable under the Indenture or otherwise in such form as may be approved by the Successor Agency so long as the parity payment provisions of the Indenture applicable to the 2008 Loan are made applicable thereto, and (ii) unless otherwise consented to by BAM, a separate reserve account deposit equal to the Reserve Requirement for such Parity Bonds shall be required for the issuance of Parity Bonds to refund in whole or in part the 2008 Loan or to fund the McWhinney DDA Obligation; provided such reserve deposit may be funded in whole or in part with a debt service surety policy on such terms as may be consented to by BAM as set forth in the Supplemental Indenture.

- (d) Receipt of a Report of an Independent Financial Consultant (as such terms are defined in the Indenture) stating:
- (i) For the current and each future Bond Year the Annual Debt Service for each such Bond Year with respect to all Bonds, Parity Bonds and 2008 Loan Annual Debt Service reasonably expected to be outstanding following the issuance of such Parity Bonds and all other payments reasonably expected to be payable by the Successor Agency (“Other Payments”) (provided the Independent Financial Consultant may rely on good faith estimates of the Successor Agency with respect to the timing and amount of Other Payments for which payments are not known as of the date of the Report);
 - (ii) For the then current Fiscal Year, the Pledged Tax Revenues to be received by the Successor Agency based upon the most recently certified assessed valuation of taxable property in the Project Area provided by the appropriate officer of the County;
 - (iii) For each future Fiscal Year, the Pledged Tax Revenues referred to in item (ii) together with (a) the amount determined in accordance with Section 51(a) of the California Revenue and Taxation Code and (b) the amount of Pledged Tax Revenues to be payable with respect to construction completed but not yet on the tax rolls, and taking into account the expiration of the time to receive Pledged Tax Revenues with respect to any portion of the Project Area and any amounts to be paid pursuant to the Pass Through Agreements and the Tax Sharing Statutes; and
 - (iv) That for the then current Fiscal Year, the Pledged Tax Revenues referred to in item (ii) and for each future Fiscal Year the Pledged Tax Revenues referred to in item (iii) are at least equal to 150% of the sum of Maximum Annual Debt Service with respect to the 2014 Bonds, any Parity Bonds and the 2008 Loan, and (y) for the then current Fiscal Year, the Pledged Tax Revenues referred to in item (ii) and for each future Fiscal Year the Pledged Tax Revenues referred to in item (iii) are at least equal to the sum of 100% of annual payments due in such Fiscal Year with respect to Other Payments and Maximum Annual Debt Service with respect to the 2014 Bonds, any Parity Bonds and

the 2008 Loan, and that the Successor Agency is entitled under the Dissolution Act, the Law and the Redevelopment Plan to receive taxes under Section 33670 of the Law in an amount sufficient to meet expected debt service with respect to all Bonds and any Parity Bonds.

- (e) Except for any obligations issued to refund the 2008 Loan, in whole or in part, which may be payable on the same dates as the 2008 Loan is payable, the Parity Bonds will mature on and interest will be payable on the same dates as the 2014 Bonds (except the first interest payment may be from the date of the Parity Bonds until either the next succeeding April 1 or October 1, as the Successor Agency may select) and Parity Bonds may be payable on any date following the final maturity of the 2014 Bonds; *provided, however*, nothing precludes the Successor Agency from issuing and selling Parity Bonds which do not pay current interest.
- (f) No Parity Bonds shall be issued without BAM's consent, except for Parity Bonds issued for the purpose of refunding the 2014 Bonds or Existing Parity Bonds or to finance the McWhinney DDA Obligation in whole or in part or subordinate Bonds.

See "APPENDIX A – Summary of Certain Provisions of the Indenture" for additional detail about the issuance of Parity Bonds.

Issuance of Subordinate Debt; Covenant Against Senior Lien Debt

In addition to the 2014 Bonds and any Parity Debt, the Indenture permits the Successor Agency to issue or incur obligations secured by Pledged Tax Revenues on a basis subordinate to the 2014 Bonds and any Parity Bonds, provided that the issuance of such Subordinate Debt shall be in compliance with the 2008 Credit Agreement and the covenant set forth in the paragraph below, and shall be in compliance with the 2008 Loan Agreement and shall not cause the Agency to exceed any applicable Plan Limitations. Any Subordinate Debt shall be payable on the same date as the 2014 Bonds, or on such other dates to which BAM shall consent. Nothing in this covenant restricts or limits Subordinate Debt coming into existence by operation of law.

The Indenture defines "Subordinate Debt" to mean any loans, advances, contracts, or indebtedness issued or incurred by the Agency in accordance with the requirements of the Indenture, which are secured by a pledge of or lien upon the Pledged Tax Revenues which is subordinate to the pledge of and lien upon the Pledged Tax Revenues under the Indenture for the security of the Bonds, other than solely by reason of a pledge of the Redevelopment Property Tax Trust Fund arising under Section 34177.5 of the Dissolution Act.

Under the Indenture, the Agency covenants that (a) to the extent permitted by law and subject to the terms of the McWhinney DDA Obligation and other existing enforceable obligations (as defined in the Dissolution Act), it will manage its affairs so as to enter into no obligations or fund any existing enforceable obligations in a manner which will cause there to be insufficient tax allocation revenues to pay the Bonds, any Parity Bonds and the 2008 Loan on a timely basis, and (b) it will not issue any obligations payable, either as to principal or interest, from the Pledged Tax Revenues which have any lien upon the Pledged Tax Revenues prior or superior to the lien of the Bonds and Parity Bonds. The Agency expects to fund the McWhinney

DDA Obligation as Subordinate Debt or on some other lawful basis in the event it is not funded through an issue of Parity Bonds.

Subordinate Debt or other unsecured debt may reduce amounts available to pay the 2008 Loan, with resultant reduction in amounts available to pay the 2014 Bonds. See “RISK FACTORS- Financial Impact of Indenture Provisions Relating to 2008 Loan.”

Flow of Funds Under the Indenture

General. The 2014 Bonds are equally secured by a pledge of, security interest in, and lien on all of the Pledged Tax Revenues, and a pledge of all of the moneys in the Redevelopment Obligation Retirement Fund which has been established under Health & Safety Code Section 34170.5(a) and which is administered by the Successor Agency (the “**Redevelopment Obligation Retirement Fund**”), and all of the moneys in the Debt Service Fund (including the Interest Account, the Principal Account and the Reserve Account therein) which is established under the Indenture.

The Successor Agency shall deposit all of the Pledged Tax Revenues received in any Bond Year from the Redevelopment Property Tax Trust Fund in accordance with the Dissolution Act in the applicable subaccount of the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Successor Agency, and promptly thereafter shall transfer amounts therein to the Trustee for deposit in the Debt Service Fund established under the Indenture, until such time that the aggregate amounts on deposit in such Debt Service Fund equal the aggregate amounts required to be deposited into the Interest Account, the Principal Account and the Reserve Account in such Bond Year under the Indenture and for deposit in such Bond Year in the funds and accounts established with respect to Parity Bonds, as provided in any Supplemental Indenture.

The Indenture establishes a special trust fund known as the “**2008 Loan Debt Service Fund**”. The Successor Agency shall deposit all of the 2008 Loan Revenues received in any Bond Year from the Redevelopment Property Tax Trust Fund for payment of the 2008 Loan in accordance with the Dissolution Act in the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Successor Agency, and promptly thereafter shall transfer amounts therein to the Trustee for deposit in the 2008 Loan Debt Service Fund established and held under the Indenture, until such time that the aggregate amounts on deposit in such 2008 Loan Debt Service Fund equal the aggregate amounts required to be deposited into the 2008 Loan Interest Account and the 2008 Loan Principal Account in such Bond Year pursuant to the 2008 Loan Credit Agreement and the Indenture. In no event are Pledged Tax Revenues pledged under the Indenture to payment of the 2008 Loan. However, amounts in the Debt Service Fund and the 2008 Loan Debt Service Fund are shared on a parity basis, as described more fully below.

Transfer of Amounts by the Trustee in Respect of the 2014 Bonds. Within the Debt Service Fund, the Indenture establishes the Interest Account, the Principal Account and the Reserve Account and subaccounts therein for each issue of Bonds and Parity Bonds. The subaccounts for the 2014 Bonds shall be known as the 2014 Bonds Interest Account, 2014 Bonds Principal Account and the 2014 Bonds Reserve Account. At the same time as moneys are transferred to the respective interest and principal accounts of the 2008 Loan Debt Service Fund pursuant to the Indenture, moneys in the Debt Service Fund will be transferred by the Trustee in the following amounts at the following times, for deposit in the following respective accounts within the Debt Service Fund, in the following order of priority:

- (a) 2014 Bonds Interest Account. On or before the 5th Business Day preceding each Interest Payment Date, the Trustee will withdraw from the Debt Service Fund and transfer to the 2014 Bonds Interest Account and related account for any Parity Bonds an amount which, when added to the amount contained in the 2014 Bonds Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the outstanding 2014 Bonds and any Parity Bonds on such Interest Payment Date. No such transfer and deposit need be made to the 2014 Bonds Interest Account and related account for any Parity Bonds from the Debt Service Fund if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the outstanding 2014 Bonds and Parity Bonds. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the 2014 Bonds and Parity Bonds as it becomes due and payable (including accrued interest on any 2014 Bonds redeemed prior to maturity under the Indenture). Amounts deposited from payments under the Policy, or from any debt service reserve insurance policy, shall only be used to secure payments due on the 2014 Bonds.
- (b) 2014 Bonds Principal Account. On or before the 5th Business Day preceding each Interest Payment Date beginning October 1, 2014, the Trustee will withdraw from the Debt Service Fund and transfer to the 2014 Bonds Principal Account and any related account for any Parity Bonds an amount equal to the principal payments becoming due and payable on outstanding 2014 Bonds and Parity Bonds on such October 1, whether by reason of maturity, early call for redemption, mandatory sinking account installments or otherwise, to the extent monies on deposit in the Redevelopment Obligation Retirement Fund are available therefor. No such transfer and deposit need be made to the 2014 Bonds Principal Account or any related account for any Parity Bonds if the amount contained therein is at least equal to the principal payments to become due on such October 1 on all outstanding 2014 Bonds and Parity Bonds. All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal payments of the 2014 Bonds and Parity Bonds as it becomes due and payable. Amounts deposited from payments under the Policy, or from any debt service reserve insurance policy, shall only be used to secure payments due on the 2014 Bonds.
- (c) 2014 Bonds Reserve Account. In the event the moneys on deposit in the Debt Service Fund five Business Days before any Interest Payment Date are less than the full amount of the interest and principal payments required to be deposited for the 2014 Bonds, the Trustee will, five Business Days before such Interest Payment Date, withdraw from the Reserve Account (and any subaccount of the Reserve Account created for Parity Bonds, if any) an amount equal to any such deficiency and will notify the Successor Agency of any such withdrawal. Promptly upon receipt of any such notice, the Successor Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Reserve Account an amount that will be sufficient to maintain the Reserve Requirement and to maintain the Reserve Requirement for Parity Bonds, if

any, in on deposit in the Reserve Account, the Reserve Account and the Reserve Account of any Parity Bonds.

So long as the 2008 Loan remains outstanding, Reserve Account shortfalls shall be funded only from the respective subaccount of the Redevelopment Obligation Retirement Fund to which such shortfall is attributable and in no event will Pledged Tax Revenues be applied to replenishment of Reserve Account shortfalls attributable to inadequate 2008 Loan Revenues to fully fund deposits to the 2008 Loan Debt Service Fund. Subject to the preceding sentence, if there is not sufficient moneys in the Redevelopment Obligation Retirement Fund to transfer an amount that, when added to the amount on deposit in the Reserve Account, will be sufficient to maintain the Reserve Requirement on deposit in the 2014 Bonds Reserve Account and the Reserve Account for any Parity Bonds, the Successor Agency will have an obligation to continue making transfers of Pledged Tax Revenues and, if applicable, 2008 Loan Revenues into the Debt Service Fund, as such revenues become available, and thereafter, as moneys become available in the Debt Service Fund, the Trustee will make transfers to the 2014 Bonds Reserve Account and the Reserve Account for any Parity Bonds until there is an amount sufficient to maintain the Reserve Requirement on deposit in the 2014 Bonds Reserve Account and the Reserve Account for any Parity Bonds. No such transfer and deposit need be made to the 2014 Bonds Reserve Account (or any subaccount therein) so long as there is on deposit therein a sum at least equal to the Reserve Requirement.

Amounts in the 2014 Bonds Reserve Account will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account, in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the 2014 Bonds then outstanding, except that so long as the Successor Agency is not in default under the Indenture, any amount in the 2014 Bonds Reserve Account in excess of the Reserve Requirement will be withdrawn from the Reserve Account semiannually on or before the 5th Business Day preceding April 1 and October 1 by the Trustee and deposited in the Interest Account. All amounts in the 2014 Bonds Reserve Account on the 5th Business Day preceding the final Interest Payment Date will be withdrawn from the Reserve Account and will be transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made or, (ii) if the Successor Agency shall have caused to be deposited with the Trustee an amount sufficient to make the deposits required by the Indenture, then at the Written Request of the Successor Agency such amount shall be transferred as directed by the Successor Agency. The prior written consent of BAM shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Reserve Account, if any.

Amounts on deposit in the 2014 Bonds Reserve Account shall be applied solely to the payment of debt service due on the 2014 Bonds.

Transfer of Amounts by the Trustee in Respect of the 2008 Loan. The Indenture creates accounts within the 2008 Loan Debt Service Fund to be known respectively as the 2008 Loan Interest Account and the 2008 Loan Principal Account. At the same time as moneys are transferred to the respective Principal Account and Interest Account of the Debt Service Fund for the 2014 Bonds as described above for the payment of the 2014 Bonds and Parity Bonds, moneys will be transferred by the Trustee in the following amounts at the following times, for deposit in the following respective accounts within the 2008 Loan Debt Service Fund, which are hereby established with the Trustee, in the following order of priority:

- (a) 2008 Loan Interest Account. On or before the 5th Business Day preceding each Interest Payment Date, the Trustee will withdraw from the 2008 Loan Debt Service Fund and transfer to the 2008 Loan Interest Account an amount which, when added to the amount contained in the 2008 Loan Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the 2008 Loan on each payment date under the 2008 Loan Agreement for the six month period following such Interest Payment Date as estimated and set forth in a Written Certificate of the Successor Agency. No such transfer and deposit need be made to the 2008 Loan Interest Account from the 2008 Loan Debt Service Fund if the amount contained therein is at least equal to the interest estimated to become due in such six month period in the Written Certificate of the Successor Agency except that the Successor Agency shall amend such Written Certificate to reflect increases in actual interest coming due on the 2008 Loan. Subject to the Indenture, all moneys in the 2008 Loan Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the 2008 Loan as it becomes due and payable (including accrued interest on the 2008 Loan payable under the 2008 Credit Agreement), pursuant to Written Certificates of the Successor Agency directing such payment and delivered at least two Business Days prior to the date of such payments.

- (b) 2008 Loan Principal Account. On or before the 5th Business Day preceding each Interest Payment Date in each calendar year beginning September 1, 2014, the Trustee will withdraw from the 2008 Loan Debt Service Fund and transfer to the 2008 Loan Principal Account an amount equal to the principal payments becoming due and payable on the 2008 Loan for the next six month period, whether by reason of maturity, or prepayment, as set forth in a Written Certificate of the Successor Agency which shall be final and conclusive, or otherwise, to the extent monies on deposit in the Redevelopment Obligation Retirement Fund are available therefor. No such transfer and deposit need be made to the 2008 Loan Principal Account if the amount contained therein is at least equal to the principal payments to become due in such six month period on all the 2008 Loan. Subject to the Indenture, all moneys in the 2008 Loan Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal payments of the 2008 Loan as it becomes due and payable pursuant to the Indenture pursuant to Written Certificates of the Successor Agency directing such payment and delivered at least two Business Days prior to the date of such payments.

Equal Rights. It is the intention of the Successor Agency that the 2014 Bonds and all Parity Bonds shall be payable from all moneys deposited in the Interest Account and the Principal Account of the Redevelopment Obligation Retirement Fund on an equal basis and that the 2008 Loan, the 2014 Bonds and Parity Bonds shall be payable on a parity basis from amounts deposited in the Redevelopment Property Tax Trust Fund. To the extent that moneys received in any 6-month period pursuant to the Recognized Obligation Payment Schedule and deposited in the Redevelopment Obligation Retirement Fund are insufficient to pay debt service on the 2014 Bonds, Parity Bonds and 2008 Loan as it becomes due, the Successor Agency shall fund deposits to the respective subaccounts of the Redevelopment Obligation Retirement Fund pro-rata and the 2014 Bonds, Parity Bonds and the 2008 Loan shall be payable on a pro-rata basis from all available moneys deposited in the respective subaccounts of the Redevelopment Obligation Retirement Fund and to the extent that moneys deposited in the respective subaccounts of the Principal Account and the Interest Account of the Debt Service Fund and the 2008 Loan Debt Service Fund are insufficient to pay debt service on the 2014 Bonds, Parity Bonds and the 2008 Loan as it becomes due, the 2014 Bonds, Parity Bonds and 2008 Loan shall be payable on a pro rata basis from all available moneys deposited in the respective subaccounts of the Principal Account and the Interest Account of the Redevelopment Obligation Retirement Fund and the 2008 Loan Debt Service Fund; in no event shall amounts in the Reserve Account be available to pay debt service on the 2008 Loan. In the event at any time the 2008 Loan is paid from amounts transferred from the Debt Service Fund, the Trustee shall be subrogated to all rights of MUFG Union Bank, N.A., under the 2008 Loan Agreement, to the maximum extent permitted by law.

Limitations on Pledged Tax Revenues. The Redevelopment Plan contains certain limits on the number of dollars of taxes which may be divided and allocated to the Successor Agency pursuant to the Redevelopment Plan, as such limitation is prescribed by Section 33333.4 of the Redevelopment Law. As defined in the Indenture, the term “**Plan Limitations**” means the limitations contained or incorporated in the Redevelopment Plan on (a) the aggregate principal amount of indebtedness payable from Tax Revenues which may be outstanding at any time, (b) the aggregate amount of taxes which may be divided and allocated to the Prior Agency (and now the Successor Agency) pursuant to the Redevelopment Plan, (c) the period of time for establishing or incurring indebtedness payable from Tax Revenues and (d) the period of time for receiving Tax Revenues for any purpose, established pursuant to Section 33333.2, 33333.4 or 33333.6 of the Law, as applicable. See “THE PROJECT AREA.”

The Successor Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies having the effect of reducing the property tax rate, could reduce the amount of Pledged Tax Revenues that would otherwise be available to pay debt service on the 2014 Bonds. Likewise, broadened property tax exemptions could have a similar effect. See “RISK FACTORS.”

Limited Obligation

The 2014 Bonds are not a debt of the City, the County, the State or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State or any of their political subdivisions except the Successor Agency are liable for payment of the 2014 Bonds. The 2014 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. No member of the Successor Agency, the Oversight Board or the Board of Supervisors of the County shall be individually or personally liable for the payment of the principal of or interest or redemption premium (if any) on the 2014 Bonds; but nothing contained in the Indenture relieves any such member, officer, agent or employee from the performance of any official duty provided by law.

Recognized Obligation Payment Schedules

Submission of Recognized Obligation Payment Schedule. Not less than 90 days prior to each to each January 2 and June 1, the Dissolution Act requires successor agencies to prepare, and submit to the successor agency's oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule (the "**Recognized Obligation Payment Schedule**") pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation.

Payment of Amounts Listed on the Recognized Obligation Payment Schedule. As defined in the Dissolution Act, "**enforceable obligation**" includes bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and, under certain circumstances, amounts borrowed from the successor agency's low and moderate income housing fund. The 2008 Loan constitutes an "enforceable obligation" as will the 2014 Bonds.

A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the 2014 Bonds for the next payment due in the following six-month period.

Order of Priority of Distributions from Redevelopment Property Tax Trust Fund. Under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, a county auditor-controller is to distribute funds for each six-month period in the following order specified in Section 34183 of the Dissolution Act:

- (i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act and no later than each January 2 and June 1, to each local successor agency and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including negotiated pass-through agreements and statutory pass-through obligations;

- (ii) second, on each January 2 and June 1, to the successor agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule;
- (iii) third, on each January 2 and June 1, to the successor agency for the administrative cost allowance, as defined in the Dissolution Act; and
- (iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity's share of property tax revenues in the tax rate area in that fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

Sources of Payments for Enforceable Obligations. Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a Recognized Obligation Payment Schedule are the following: (i) the low and moderate income housing fund, (ii) bond proceeds, (iii) reserve balances, (iv) administrative cost allowance (successor agencies are entitled to receive not less than \$250,000, unless that amount is reduced by the oversight board), (v) the Redevelopment Property Tax Trust Fund (but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or (vi) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues of the redevelopment agency, as approved by the oversight board).

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

Failure to Submit a Recognized Obligation Payment Schedule. The Recognized Obligation Payment Schedule must be approved by the oversight board and must be submitted by a successor agency to the county administrative office, the county auditor-controller, the State Department of Finance, and the State Controller no later than 90 days before the date of the next January 2 or June 1 property tax distribution. If the successor agency does not submit a Recognized Obligation Payment Schedule by the applicable deadline, the Successor Agency may not receive the property tax revenues that it otherwise would have received and the city that established the former redevelopment agency will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, the successor agency's administrative cost allowance will be reduced by 25% if the successor agency did not submit a Recognized Obligation Payment Schedule by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for the subsequent six-month period. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the 2014 Bonds, see "RISK FACTORS – Recognized Obligation Payment Schedule."

Relevant Covenant by the Successor Agency. The Successor Agency covenants in the Indenture that it will comply with all other requirements of the Dissolution Act. Without limiting the generality of the foregoing, the Successor Agency covenants and agrees to file all

required statements and hold all public hearings required under the Dissolution Act to assure compliance by the Successor Agency with its covenants under the Indenture. Further, the Successor Agency will take all actions required under the Dissolution Act to include scheduled debt service on the 2014 Bonds, any Parity Bonds, and on the 2008 Loan as well as any amount required under the Indenture to replenish the Reserve Account and to reimburse BAM for payments made in respect of a debt service reserve insurance policy (if any), in Recognized Obligation Payment Schedules for each six-month period so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Successor Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the 2014 Bonds, any Parity Bonds, and on the 2008 Loan coming due in the respective six-month period. These actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and the Department of Finance, to the extent necessary, the amounts to be held by the Successor Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to provide for the payment of principal and interest under the Indenture when the next property tax allocation is projected to be insufficient to pay all obligations due under the Indenture and the 2008 Credit Agreement for the next payment due in the following six-month period.

Tax Sharing Agreements

As required by the Redevelopment Law as modified by the Dissolution Act, the County Auditor-Controller is responsible for administering all pass through payment calculations and payments. The Dissolution Act further requires that the calculation of pass through amounts be done as it was done prior to January 1, 2011. This means that where the payments are based on revenue reduced for the Housing Set-Aside Requirement, this reduction is to continue despite the fact that the Housing Set-Aside is no longer required.

Pursuant to Section 33401 of the Redevelopment Law as in effect at the time of adoption of the Original Project Area and the amendments thereto, a redevelopment agency was authorized to enter into an agreement to pay tax increment revenues to any taxing agency that has territory located within a redevelopment project area in an amount which in the redevelopment agency's determination is appropriate to alleviate any financial burden or detriment caused by the redevelopment project. These agreements normally provide for a pass-through of tax increment revenue directly to the affected taxing agency, and are called "**Tax Sharing Agreements**" herein.

The Prior Agency did not enter into any Tax Sharing Agreements in connection with any of the component project areas except for the 1992 Amendment. Within the 1992 Amendment, various Tax Sharing Agreements require payment by the Prior Agency of significant portions of the taxes which would otherwise be allocated and paid to the Prior Agency as described above are required to be paid to certain entities.

Senior Lien Agreements. The Tax Sharing Agreements listed below are treated as having a claim on Pledged Tax Revenues which is senior in right of payment to the 2014 Bonds. Amounts payable under these agreements are excluded from the definition of Pledged Tax Revenues. The Fiscal Consultant estimates the amount payable by the Successor Agency for fiscal year 2013-14 at \$4.02 million for the agreements described below. See Table 8 herein.

Orange County Taxing Entities - This agreement encompasses the Orange County General Fund, the County of Orange Harbors, Beaches and Parks Service Area No. 26, the Orange County Flood Control District and the County of Orange Public Library. The County is required to pay each of these taxing entities 47% of their share of the 1992 Amendment general levy portion of gross tax increment revenues after provision for the Housing Set-Aside Requirement.

Garden Grove Sanitary District - The County is obligated to pay to the District 100% of the District's share of the 1992 Amendment's general levy portion of Gross Revenues net of the Housing Set-Aside Requirement and any amounts that the Successor Agency is required by the State Legislature to pay on behalf of schools (ERAF).

County Sanitation District Nos. 2 and 3 - The County is obligated pay to the District 100% of the District's share of the 1992 Amendment's general levy portion of Gross Revenues net of the Housing Set-Aside Requirement and any amounts that the Successor Agency is required by the state Legislature to pay on behalf of schools (ERAF).

Garden Grove Unified School District - Pursuant to this agreement and beginning in the 1997-98 fiscal year, the County is required to pay the School District 50% of the School District's share of general levy tax increment generated by the 1992 Amendment in excess of the amount of revenue generated within the Project Area for the 1991-92 fiscal year, after provision for the Housing Set-Aside Requirement and any ERAF payments made. In addition to the County's payment of the required portion of the annual tax increment, the Prior Agency or the Successor Agency, as applicable, shall pay to the School District the following amounts:

1992-93 through 1994-95	\$ 500,000 per year
1995-96 through 2006-07	\$1,000,000 per year
2007-08 through 2031-32	10% of the District's share of Tax Revenue produced by the Project Area for 1991-92. This amount has been calculated as \$449,945.

Huntington Beach Union High School District - The District receives 30% of its share of the 1992 Amendment's general levy portion of Gross Revenues net of Set Aside and ERAF plus 100% of its share of the annual inflation adjustment to base year real property value for that portion of the amendment area that is within the boundaries of the District.

Westminster School District - The County shall pay into a Special Fund for the benefit of the District, 50% of the District's share of general levy portion of Gross Revenues from the 1992 Amendment after provision for the Housing Set-Aside Requirement and any amount the Successor Agency is required by the state Legislature to pay on behalf of schools (ERAF).

Rancho Santiago Community College District - The agreement gives the District a choice of three optional methods for County payments into a Special Fund for each fiscal year:

1. Commencing in fiscal year 1992-93, the County pays the District the greater of 30% of its share of the general levy portion of Gross Revenues net of Set Aside and ERAF plus 100% of its share of the annual inflation adjustment to base year real property value or \$125,000 adjusted annually by the CPI; or

2. Commencing with 1992-93, but only in the event the District has established an educational facility and has it in operation within the jurisdiction of the Successor Agency, the County pays the District the greater of 30% of its share of the general levy portion of Gross Revenues net of Set Aside and ERAF plus 100% of its share of the annual inflation adjustment to base year real property value or \$150,000 adjusted annually for CPI; or
3. Commencing July 1, 1997, the District receives the greater of 30% of its share of the general levy portion of Gross Revenues net of Set Aside and ERAF plus 100% of its share of the annual inflation adjustment to base year real property value or \$125,000 with an annual CPI adjustment, or \$150,000 plus a CPI adjustment if in the opinion of the Successor Agency the District has used its best efforts to bring into operation a Garden Grove satellite campus facility within the City.

An additional provision of the agreement states that notwithstanding any other provision, the Successor Agency's obligation is limited to the amount of the general levy portion of Gross Revenues which would have been received by the District from the 1992 Amendment revenues absent the adoption of the amendment. Subsequent to entering into the tax sharing agreement, the District and the Prior Agency entered into a lease agreement whereby the District was provided leased space at no cost in return for a waiver of payments under the tax sharing agreement. For purposes of the projections, the Fiscal Consultant has shown no payment to the District

Tax Sharing Agreements Subordinate to All Bonded Indebtedness. The agreements listed below under this heading are treated as having a claim on Tax Revenues which is subordinate in right of payment to the 2014 Bonds (collectively, the “**Subordinated Tax Sharing Agreements**”). Although payments made under the Subordinate Tax Sharing Agreements are senior to the 2008 Loan, the Successor Agency believes that it will not adversely affect the ability to collect sufficient tax increment revenues to pay the 2008 Loan in full.

Orange County Water District - The County is required to pay this Water District 100% of its General Fund and Water Reserve Fund share of the 1992 Amendment general levy portion of Gross Revenues after provision for the Housing Set-Aside Requirement. Although the Water District's share includes revenue generated by debt service on Water District bonds, the Water District currently has no bonds outstanding. Payments made pursuant to this agreement are subordinate to debt service on any bonded indebtedness.

Orange County Vector Control District - This agreement requires the County to construct specified capital improvements in connection with a District facility. The County's obligation to fund the Capital Improvements shall not exceed the amount of the District's share of the 1992 Amendment's general levy portion of Gross Revenues after provision of the Housing Set-Aside Requirement. The District's share is calculated and assumed to be set aside for payment to the District or to repay the cost of the required improvements. Payments made pursuant to this agreement are subordinate to debt service on any bonded indebtedness.

Orange County Office of Education - The County shall pay to the Office of Education 30% of its share of the 1992 Amendment's general tax levy portion of Gross Revenues after provision for the Housing Set-Aside Requirement and ERAF amounts. In addition, the District

receives 100% of its share of the annual inflation adjustment to base year real property value for that portion of the amendment area that is within the boundaries of the District. Payments made pursuant to this agreement are subordinate to debt service on any bonded indebtedness.

Orange Unified School District - The County shall pay to the District 30% of the District's share of the 1992 Amendment's general tax levy portion of Gross Revenues after provision for the Housing Set-Aside Requirement and any amount the Successor Agency is required by the state Legislature to pay on behalf of schools (ERAF). In addition, the District receives 100% of its share of the annual inflation adjustment to base year real property value for that portion of the amendment area that is within the boundaries of the District. Payments made pursuant to this agreement are subordinate to debt service on any bonded indebtedness.

Coast Community College District - The County is required pursuant to the tax sharing agreement to pay the District 30% of its share of the 1992 Amendment general levy portion of Gross Revenues after provision for the Housing Set-Aside Requirement and any amount the Successor Agency is required by the state Legislature to pay on behalf of schools (ERAF). In addition the District receives 100% of its share of the annual inflation adjustment to base year real property value within that portion of the project area inside District boundaries. The tax sharing agreement has been modified through a Disposition and Development Agreement between the Prior Agency and the District whereby the Prior Agency conveyed a piece of property to the District in exchange for the District's payments. Payments made pursuant to this agreement have been determined to be payable from revenues generated from the lease of the subject property, rather than from tax increment revenues of the Successor Agency. For purposes of the projections, the Fiscal Consultant has shown no payment to the District.

North Orange County Community College District - The County shall pay to the District 30% of the District's share of the 1992 Amendment's general levy portion of Gross Revenues after provision for the Housing Set-Aside Requirement and any amount the Successor Agency is required by the state Legislature to pay on behalf of schools (ERAF). In addition the District receives 100% of its share of the annual inflation adjustment to base year real property value that exists within the District's boundaries. Payments made pursuant to this agreement are subordinate to debt service on any bonded indebtedness.

Statutory Pass-Through Payments

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

The Prior Agency incurred statutory pass-through requirements in the Project Area, which are payable on a senior basis to debt service on the 2014 Bonds. See "THE PROJECT AREA – Statutory Pass Through Requirements."

Housing Set-Aside

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

moderate income housing. These tax increment revenues were commonly referred to as “**Housing Set-Aside.**”

Impact of Dissolution Act. The Dissolution Act eliminates the characterization of certain tax increment revenues as Housing Set-Aside.

Statement of Indebtedness

Pre-Dissolution Statement of Indebtedness Requirement. Prior to adoption of the Dissolution Act, Section 33675 of the Redevelopment Law required the Prior Agency to file not later than the first day of October of each year with the County Auditor-Controller a statement of indebtedness certified by the chief fiscal officer of the Prior Agency for each redevelopment plan which provides for the allocation of taxes (i.e., the Redevelopment Plan). The statement of indebtedness was required to contain the date on which the 2014 Bonds were delivered, the principal amount, term, purposes and interest rate of the 2014 Bonds and the outstanding balance and amount due on the 2014 Bonds. Similar information was required to be given for each loan, advance or indebtedness that the Prior Agency had incurred or entered into which is payable from tax increment. Section 33675 also provided that payments of tax increment revenues from the County Auditor-Controller to the Prior Agency could not exceed the amounts shown on the Prior Agency’s statement of indebtedness.

Impact of Dissolution Act. The Dissolution Act eliminates this requirement and provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, the Recognized Obligation Payment Schedule supersedes the statement of indebtedness previously required under the Redevelopment Law, and commencing from such date, the statement of indebtedness will no longer be prepared nor have any effect under the Redevelopment Law.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the 2014 Bonds, Build America Mutual Assurance Company (“**BAM**”) will issue its Municipal Bond Insurance Policy for the 2014 Bonds (the “**Policy**”). The Policy guarantees the scheduled payment of principal of and interest on the 2014 Bonds when due as set forth in the form of the Policy included as APPENDIX H to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Insurance Company

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 1 World Financial Center, 27th Floor, 200 Liberty Street, New York, New York 10281; its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“**S&P**”). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the 2014 Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the 2014 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the 2014 Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the 2014 Bonds, nor does it guarantee that the rating on the 2014 Bonds will not be revised or withdrawn.

Capitalization of BAM. BAM’s total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2014 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$478.6 million, \$12.7 million and \$465.9 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the 2014 Bonds or the advisability of investing in the 2014 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM.

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/.

Obligor Disclosure Briefs. Subsequent to closing, BAM posts an Obligor Disclosure Brief on every issue insured by BAM, including the 2014 Bonds. BAM Obligor Disclosure Briefs provide information about the gross par insured by CUSIP, maturity and coupon; sector designation (e.g. general obligation, sales tax); a summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. The Obligor Disclosure Briefs are also easily accessible on BAM's website at buildamerica.com/obligor/.

Disclaimers. The Obligor Disclosure Briefs and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Obligor Disclosure Briefs and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Obligor Disclosure Briefs and Credit Insight videos are prepared by BAM and have not been reviewed or approved by the issuer of or the underwriter for the 2014 Bonds, and they assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the 2014 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the 2014 Bonds, whether at the initial offering or otherwise.

PROPERTY TAXATION IN CALIFORNIA

Property Tax Collection Procedures

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

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

Collections. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured personal property taxes: (i) initiating a civil action against the taxpayer, (ii) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, (iii) filing a certificate of delinquency for record in the county recorder’s office to obtain a lien on certain property of the taxpayer, and (iv) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent.

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

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

Supplemental Assessments. California Revenue and Taxation Code Section 75.70 provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Prior to the enactment of this law, the assessment of such changes was permitted only as of the next tax lien date following the change, and this delayed the realization of increased property taxes from the new assessments

for up to 14 months. This statute provides increased revenue to the Redevelopment Property Tax Trust Fund to the extent that supplemental assessments of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such supplemental assessments occur within the Project Area, Pledged Tax Revenues may increase.

Property Tax Administrative Costs. In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each. SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. The County charged the Successor Agency \$268,696 for fiscal year 2012-13 under SB 2557.

In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 1559 amounts, to be deducted from property tax revenues before monies are deposited into the Redevelopment Property Tax Trust Fund.

The County's administrative charge to the Successor Agency, together with certain charges relating to the dissolution of the Prior Agency, was \$5,676 for the January 2014 distribution from the Redevelopment Property Tax Trust Fund. In addition, an amount of \$18,965 was deducted from the Redevelopment Property Tax Trust Fund for payment of State Controller's Office invoices for audit and oversight.

The County deducts the administrative charges from the property tax revenue that would otherwise be allocated to the Successor Agency, as permitted by Section 34183 of the Dissolution Act.

Statutory Pass-Through Amounts. The Prior Agency triggered an obligation to make statutory pass-through payments (see "THE PROJECT AREA – Statutory Pass Through Requirements.")

Recognized Obligation Payment Schedule. See "SECURITY FOR THE 2014 BONDS – Recognized Obligation Payment Schedule" and "RISK FACTORS – Recognized Obligation Payment Schedule."

County Property Tax Collection Procedures

The Orange County Auditor-Controller allocates tax increment revenue based on collections and does not utilize the alternative allocation method know as the Teeter Plan. Therefore, property tax revenues in the Project Area reflect actual collections. See "PLEDGED TAX REVENUES – Historic Assessed Value and Pledged Tax Revenues" for historical collection information.

Unitary Property

Assembly Bill ("AB") 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with fiscal year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) is to be allocated county-wide as follows: (i) each tax rate area will receive that same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to

do so, in which case values will be allocated to each tax rate area on a pro-rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro-rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property is changed from March 1 to January 1.

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

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of a project area, therefore, the base year values of project areas have been reduced by the amount of utility value that existed originally in the base years. The Auditor Controller allocated an aggregate total of \$832,801 of unitary tax revenue to the Project Area for 2012-13. For purposes of the projection shown on Table 7, the Fiscal Consultant has assumed that the aggregate amount of unitary revenue for 2012-13 will continue to be allocated to the Project Area in the same amount for the life of the projection.

Article XIII A of the State Constitution

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

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

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

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

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

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

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

Appropriations Limitation - Article XIII B

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

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

Proposition 87

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

Appeals of Assessed Values

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

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

See "THE PROJECT AREA" for information regarding historical and pending appeals of assessed valuations by property owners in the Project Area.

Proposition 8

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

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

For a summary of the recent history of Proposition 8 reductions in the Project Area, see “THE PROJECT AREA – Historical Assessed Values.”

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

Propositions 218 and 26

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIII C and XIII D to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. On November 2, 2010, California voters approved Proposition 26, the “Supermajority Vote to Pass New Taxes and Fees Act.” Proposition 26 amended Article XIII C of the California Constitution by adding an expansive definition for the term “tax,” which previously was not defined under the California Constitution.

Pledged Tax Revenues securing the 2014 Bonds are derived from property taxes which are outside the scope of taxes, assessments and property-related fees and charges which are limited by Proposition 218 and Proposition 26.

Future Initiatives

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

THE SUCCESSOR AGENCY TO THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

The Prior Agency was established pursuant to the Redevelopment Law and, upon activation, the City Council declared itself to be the governing board of the Prior Agency.

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

The Successor Agency is governed by the City Council of the City of Garden Grove.

Successor Agency Powers

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

THE PROJECT AREA

The Project Area

The Project Area consists of the original Garden Grove Community Project and ten amendment areas. The Project Area's component amendment areas are listed below, along with the adoption dates and the names by which such component areas are referred to herein.

<u>Component Area</u>	<u>Adoption Date</u>	<u>Referred to As</u>	<u>Base Years</u>
Garden Grove Community Project	June 26, 1973	Original Project	1972-73
1974 Amendment Area	July 9, 1974	1974 Amendment	1973-74
Trask Avenue Project	November 25, 1975	Trask	1975-76
1976 Amendment Area	November 29, 1976	1976 Amendment	1976-77
Brookhurst/Chapman Project	March 21, 1977	Brookhurst/Chapman	1976-77
Brookhurst/Katella Project	February 21, 1978	Brookhurst/Katella	1977-78
1979 Amendment Area	October 16, 1979	1979 Amendment	1979-80
1981 Amendment ⁽¹⁾	June 9, 1981	1981 Amendment	1980-81
1992 Amendment Area	July 14, 1992	1992 Amendment	1991-92
1998 Amendment Area	December 8, 1998	1998 Amendment	1998-99
2002 Amendment Area (Added Territory)	July 9, 2002	2002 Amendment (Added Territory)	2001-02

The Project Area consists of approximately 1,975 acres and is made up of a number of contiguous and non-contiguous parcels located throughout the City and includes commercial, industrial, housing and public land uses including the City's civic center.

Original Project and 1974 Amendment. The first redevelopment project area was created with the adoption of the Redevelopment Plan for Community Project No. 1 in June 1973. One year later in 1974, following the renaming of the redevelopment agency to the Garden Grove Agency for Community Development, the Redevelopment Plan was amended to include within the project area, twelve non-contiguous parts located throughout the City representing the community's need for redevelopment at that time.

Trask. A second redevelopment project area was designed in 1975, and in November of that year, the Redevelopment Plan for the Trask Avenue Project was adopted by the City Council. The Trask Avenue Project included former State excess property located along the Garden Grove Freeway between Brookhurst Street and Magnolia Street.

1976 Amendment. On November 29, 1976, the City Council approved and adopted a second amendment to the Redevelopment Plan for the Community Project. This amendment included the addition of approximately 100 acres to the Community Center portion of the project area, added several new areas throughout the community, and connected, by way of public streets, all the previously non-contiguous portion of the project area. A total of 78 acres of land was also amended out of the Community Project.

Brookhurst/Chapman. A third redevelopment project area was formally adopted in March 1977, with the approval and adoption of the Redevelopment Plan for the Brookhurst/Chapman Project. This project area is located on the north side of Chapman

Avenue between Brookhurst Street and Gilbert Street, and includes the area previously known as Orange County Plaza, one of the first shopping centers in Orange County.

Brookhurst/Katella. A fourth redevelopment project area was adopted on February 21, 1978, when the City Council adopted the Brookhurst/Katella Project. The project area, containing approximately 16 acres of land, is located at the southwest corner of Brookhurst/Katella area and is partially improved with retail, commercial and office professional uses.

1979 Amendment and 1981 Amendment. On October 16, 1979 and on June 9, 1981, the City Council approved and adopted amendments to the Redevelopment Plan for the Community Project to be known as the Garden Grove Community Project. These amendments combined four project areas: Community Center; Trask Avenue; Brookhurst/Chapman and Brookhurst/Katella into one project as well as incorporating various commercial centers and street frontage properties.

Plan Amendments Incorporating Redevelopment Law Changes. In 1987, the City amended the Redevelopment Plan for the Garden Grove Community Project by including certain provisions required under Section 33333.4 of the Redevelopment Law. In 1988, the City Council approved and adopted an amendment to the Redevelopment Plan deleting the Newhope Condominium project and on July 14, 1992 the City Council approved an ordinance adding 574 acres to the Project Area, consolidating the four (4) pre-existing tax increment revenue limits and increasing the consolidated limit, extending the Prior Agency's eminent domain time frame, extending the life of the Redevelopment Plan, extending the time frame in which the Prior Agency could incur debt in the Project Area, increasing the limit on bonded debt that the Prior Agency could incur at one time and updating and expanding the list of public improvements the Prior Agency could implement to benefit the Project Area.

1992 Amendment. In 1992, the City approved Ordinance No. 2232, under which the Redevelopment Plan was amended to add the 1992 Area to the Project Area, to extend the term of the Redevelopment Plan and to increase the financial limitations for the Project Area, as described in the above paragraph. In 1994, under Ordinance No. 2304 of the City, the Prior Agency amended certain time limits on the incurring of debt and the receipt of tax increment revenues in accordance with AB 1290.

1998 Amendment. In 1998, under City Ordinance No. 2455, the Prior Agency added the 1998 Area to the redevelopment project area for the Garden Grove Community Project.

2002 Amendment (Added Territory). In 2002, by City Ordinance No. 2576, the Prior Agency added the 2002 Area to the redevelopment project area for the Garden Grove Community Project.

Subsequent Amendments. As authorized by Senate Bill 1045, the City Council extended the Redevelopment Plan limits on redevelopment plan effectiveness for the Original Plan and all of the amendments by one year, pursuant to Ordinance No. 2764 which was adopted on January 26, 2010. These extensions also extended the limit on receipt of tax increment revenues for repayment of indebtedness by one year. In addition, the Original Plan and all of the amendments except the 1981 Amendment, the 1992 Amendment, the 1998 Amendment and the Added Territory were also extended by two years by adoption of Ordinance Nos. 2765 and 2766.

Plan Limitations

In 1976, the Legislature enacted AB 3674 (Statutes of 1976, Chapter 1337) which added Section 33333.2, 33334.1 and 33354.6 to the Redevelopment Law. Section 33333.2 requires redevelopment plans adopted on or after October 1, 1976, to contain a time limit on the establishing of loans, advances and indebtedness to finance, in whole or in part, the redevelopment project and a time limit not to exceed twelve years for the commencement of eminent domain proceedings to acquire property within the project area.

Section 33334.1 requires a redevelopment plan adopted on or after October 1, 1976, to contain a limit on the amount of bonded indebtedness which can be outstanding at one time. Section 33354.6 provides that with respect to any amendment of a redevelopment plan (which provides for the allocation of taxes) to add new territory to a project area, the agency must follow the procedures and be subject to the same restrictions as provided in the adoption of a new redevelopment plan.

The Redevelopment Plan provides that: (i) with respect to the Project Area excepting the 1998 Area and the 2002 Area, the Prior Agency or the Successor Agency, as applicable, shall not receive tax increment revenues in excess of \$2,000,000,000; and (ii) the total amount of bonded indebtedness incurred by the Prior Agency, exclusive of other Agency contractual obligations and other forms of indebtedness of the Prior Agency or the Successor Agency, payable in whole or in part from tax increment revenues from the Project Area which can be outstanding at any one time cannot exceed \$475,000,000. The time to incur debt has been eliminated for all but the 1998 Area and the 2002 Area. See Table 2 below. Under the Redevelopment Plan, the last date upon which the Successor Agency may receive tax increment varies among the component areas comprising the Project Area as set forth in APPENDIX A — “FISCAL CONSULTANT’S REPORT.” A portion of the Project Area will expire before the 2014 Bonds mature. Components of the Project Area expire in each of the years 2026 through 2032 and thereafter, but the most financially significant components expire in 2027 and 2032. However, the final maturity of the 2014 Bonds is in October 2029. As shown on Table 8 below, the 1974 Amendment Area expiring in 2027 is expected to cause a reduction of net tax increment revenues received during such fiscal year in the amount of \$8,138,000.

It is the position of DOF that the foregoing limitations have been made inapplicable by the Dissolution Act. However, no assurance can be given that such interpretation is correct, and Bond holders should assume that such limitations will continue to apply to the Successor Agency and the Redevelopment Plan.

Assembly Bill 1290 and Time Limits for Agency Existence and Powers. In 1993, Assembly Bill 1290 (“**AB 1290**”) was passed by the California Legislature and signed into law by the Governor amending various provisions of the Redevelopment Law. Among other amendments to the Redevelopment Law, AB 1290 imposed time limits on existing redevelopment plans for the incurrence of indebtedness, the duration of the plan and the collection of the tax increment revenues. On October 18, 1994, the City Council passed Ordinance No. 2304 with respect to the Project Area which brought the Redevelopment Plans for the component project areas into full compliance with AB 1290. Table 2 below shows the time limits for each component area of the Project Area.

Senate Bill 211. The California Legislature enacted SB 211, Chapter 741, Statutes 2001, effective January 1, 2002 (“**SB 211**”). SB 211 provides, among other things, that the

limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994, may be deleted by ordinance of the legislative body.

Pursuant to the authorization contained in SB 211, the City Council on July 9, 2002 adopted Ordinance No. 2576 deleting the limits on the Prior Agency's authority to incur loans, advances and indebtedness for all component project areas adopted prior to January 1, 1994. The required statutory tax sharing payment obligation was incurred as of fiscal year 2004-05 for all of these component areas except for the 1992 Amendment. Statutory tax sharing payment obligations will be initiated in the 1992 Amendment beginning with fiscal year 2013-14.

Senate Bill 1045. Senate Bill 1045 adopted by the Legislature in connection with the State's budget for fiscal year 2003-04 provided that the termination date of redevelopment plans may be extended by one year by reason of its Education Revenue Augmentation Fund (the "ERAF") payment that redevelopment agencies were obligated to make under provisions of the 2003-04 budget legislation. By Ordinance No. 2764 adopted on January 26, 2010, the City Council amended the Redevelopment Plan, in accordance with the Law as amended by Senate Bill 1045, to extend by one year the termination date of the Redevelopment Plan and by extension, the last date to repay indebtedness on each component area of the Project Area.

Senate Bill 1096. Legislation adopted by Senate Bill 1096 in connection with the State's 2004-05 budget provided that the termination dates and last dates to repay indebtedness of redevelopment plans with less than 20 years remaining may be extended by one year for each of the two ERAF payments that redevelopment agencies were obligated to make under other provisions of the 2004-05 budget legislation.

The Original Plan and all of the amendments except the 1981 Amendment, the 1992 Amendment and the 1998 Amendment and the 2002 Amendment were extended by two years by adoption of Ordinance Nos. 2765 and 2766. The redevelopment plan for the 1992 Amendment, the 1998 Amendment and the 2002 Amendment could not be extended under Senate Bill 1096. These extensions also extended the limit on receipt of tax increment revenues for repayment of indebtedness by two years and both extensions are reflected in Table 1 below.

The redevelopment plan limits currently governing the component areas of the Project Area are summarized in Table 2 below:

Table 2
Successor Agency to the Garden Grove Agency for Community Development
Redevelopment Plan Limits

Component Area	Termination of Project Activities	Last Date to Repay Debt with Tax Revenue	Last Date to Incur Indebtedness	Tax Increment Limit	Limit on Outstanding Bonded Debt
Original Project	June 26, 2016	June 26, 2026	Eliminated		
1974 Amendment	July 9, 2017	July 9, 2027	Eliminated		
Trask	November 25, 2018	November 25, 2028	Eliminated		
1976 Amendment	November 29, 2019	November 29, 2029	Eliminated		
Brookhurst/Chapman	March 21, 2020	March 21, 2030	Eliminated		
Brookhurst/Katella	February 21, 2021	February 21, 2031	Eliminated		
1979 Amendment	October 16, 2022	October 16, 2032	Eliminated		
1981 Amendment	June 9, 2022	June 9, 2032	Eliminated		
1992 Amendment	July 14, 2033	July 14, 2043	Eliminated		
Combined Limits				\$2 Billion	
1998 Amendment	December 8, 2029	December 8, 2044	December 8, 2018	None	
2002 Amendment	July 9, 2033	July 9, 2048	July 9, 2022	None	
Combined Limits					\$475 Million

Source: HdL Coren & Cone.

The Successor Agency's current amount of outstanding bonded indebtedness is \$42,345,000, consisting of the 2003 Bonds to be refunded. The Successor Agency is expecting to increase this amount as needed to provide proceeds of approximately \$42 million in order to refund its obligations under the McWhinney DDA Obligation. See "SECURITY FOR THE 2014 BONDS – Parity Bonds" above. The addition of this bonded indebtedness amount will leave the total amount far below the limit on outstanding bonded debt of \$475 million. The Successor Agency is not currently authorized to issue any additional bonded debt.

According to the records of the Auditor-Controller, within the Project Area, excluding the 1998 Amendment and the 2002 Amendment, which have no tax increment limits, a total of \$299,702,925 in cumulative tax increment revenue through June 30, 2013 has been received. This figure is based on the gross amount of tax increment revenue allocated to the Successor Agency with no deductions. The \$2 billion tax increment limit listed above is inclusive of all tax increment revenue allocated to the former redevelopment agency and to the Successor Agency. Based on the assumptions used for the projections, the portions of the Project Area that are subject to a limitation on receipt of tax increment revenue will not approach the amount of the tax increment limit during the lifetime of the Project Area. If, however, there is unexpectedly substantial new development or increases in assessed value due to resale activity that exceeds annual growth of 7.9% per year for the remaining time that tax increment may be allocated to the Successor Agency, the limit could be reached prior to the expiration of the Successor Agency's ability to repay indebtedness and Successor Agency revenues may be affected. Once the limit on cumulative tax increment is reached, the Project Area may receive no additional tax increment revenue.

The Successor Agency covenants under the Indenture that if there is a limit on the amount of tax increment revenues that may be collected by the County under the Redevelopment Plan, the Successor Agency will not allow the aggregate amount of debt service

remaining to be paid on all outstanding Bonds, and all other bonds, notes, obligations or indebtedness of the Successor Agency to exceed 95% of the Remaining Limitation Amount. The Remaining Limitation Amount shall equal and shall be calculated as follows: (i) the aggregate amount of the tax increment revenues that are permitted to be collected under the Redevelopment Plan less (ii) the gross amount of tax increment revenues collected to the date of calculation. The Successor Agency will calculate the Remaining Limitation Amount at the beginning of each Fiscal Year and provide such calculation to BAM. In the event that such 95% limit is or will be reached or exceeded in any Fiscal Year, the Successor Agency shall (a) promptly notify BAM of such fact in writing, (b) redeem in accordance with the mandatory redemption provisions of the Indenture the amount of outstanding Bonds necessary in such Fiscal Year and in each year thereafter so that the 95% limit is no longer reached or exceeded and (c) include the mandatory redemption payments on its Recognized Obligation Payment Schedule. The foregoing mandatory redemption provisions shall be on such terms as are reasonably acceptable to BAM.

The Successor Agency is of the opinion that the limitations described herein under “Plan Limitations” will not impair its ability in the future to repay any obligation or indebtedness, including the 2014 Bonds, the 2008 Loan and all other unsecured obligations of the Successor Agency which are incurred by the Successor Agency in connection with the development of the Project Area in accordance with the Redevelopment Plan. The projection of Tax Revenues herein and in APPENDIX A — “FISCAL CONSULTANT’S REPORT” take these expiration dates into account.

Statutory Pass Through Requirements

Debt service on the 2014 Bonds is subject to the statutory pass-through requirements described below. The projected Tax Revenue and debt service coverage tables set forth in this Official Statement (Tables 8 and 9) assume that the amount of Tax Revenues available to pay debt service reflects the prior payment of the pass-through payments from tax increment generated in the Project Area.

Section 34183 of the Dissolution Act directs the County Auditor-Controller to compute the statutory pass through payments “as though the requirement to set aside funds for the Low and Moderate Income Housing Fund was still in effect”.

Generally speaking, the County Auditor-Controller is required to deduct from the Successor Agency’s Redevelopment Property Tax Trust Fund to pay to the affected taxing agencies percentages of tax increment generated in a Project Area as follows (the “**Tax Sharing Statutes**”):

Tier 1: throughout the period that the Successor Agency is eligible to receive property tax revenues from a Project Area, 25% of revenues in excess of revenues generated in the Project Area as of the initial redevelopment plan amendment that triggered the pass-through requirement computed as though housing set-aside is still in effect; plus,

Tier 2: for the 11th year of the receipt of tax increment and thereafter, 21% of revenues in excess of revenues based on assessed values in the Project Area for the 10th year; plus,

Tier 3: for the 31st year of the receipt of tax increment and thereafter, 14% of revenues in excess of revenues based on assessed values in the Project Area for the 30th year.

The Prior Agency did not enter into tax sharing agreements in connection with any of the component project areas that were adopted prior to the 1992 Amendment. By eliminating the time limit on incurring indebtedness for all component projects except the 1998 Amendment and the Added Territory, the Prior Agency was required to make statutory tax sharing payments.

Within all component project areas adopted prior to the 1992 Amendment, tax sharing payments will be made to all taxing entities in accordance with the three-tiered formulas for statutory tax sharing payments required of those project areas adopted after January 1, 1994. Since the existing time limit on incurrance of new debt for these component project areas was passed on January 1, 2004, these statutory tax-sharing payments were initiated in fiscal year 2004-05.

Beginning in 2004-05 and using each component project area's 2003-04 assessed values as a base value, the Prior Agency was, and the Successor Agency is obligated to pay the combined taxing entities 25% of the revenue generated by the component project area's annual incremental value net of the Housing Set-Aside requirement. Beginning in 2014-15 and using the project area's 2013-14 assessed values as a base value for the second tier of statutory tax sharing payments, the Successor Agency will additionally be obligated to pay the combined taxing entities 21% of the revenue generated by the component project area's annual second tier of incremental value net of the Housing Set-Aside requirement. The third tier of statutory tax sharing payments is not initiated before these project areas terminate.

Within the 1992 Amendment, these statutory tax sharing payments began in 2013-14 and use the Project Area's 2012-13 values as a base, the Successor Agency is obligated to pay those taxing entities that do not have tax sharing agreements 25% of the revenue generated by the component project area's annual incremental value net of the Housing Set-Aside requirement. Beginning in 2023-24 and using the amendment area's 2022-23 assessed values as a base value for the second tier of statutory tax sharing payments, the Successor Agency will additionally be obligated to pay those taxing entities without tax sharing agreements 21% of the revenue generated by the 1992 Amendment's annual second tier of incremental value net of the Housing Set-Aside requirement. The third tier of statutory tax sharing payments is not initiated before the 1992 Amendment redevelopment plan activities terminate. The Prior Agency entered into a number of tax sharing agreements within the 1992 Amendment. The shares of tax increment revenue represented by those taxing entities that have tax sharing agreements are 67.52% of the total tax revenue. As a result, the Successor Agency's statutory tax sharing payment obligation within the 1992 Amendment is reduced by 67.52%.

Within the 1998 Amendment and the Added Territory, statutory tax sharing payments began in the first year that these component project areas received tax increment revenue and will continue for as long as these component project areas are entitled to repay indebtedness.

Prior to incurring any loans, bonds, or other indebtedness, except loans or advances from the City, the Successor Agency may subordinate to the loans, bonds or other indebtedness the amount required to be paid to an affected taxing entity by the Tax Sharing Statutes, provided that the affected taxing entity has approved these subordinations. No such subordinations have been requested in connection with the 2014 Bonds.

The effect of payments pursuant to the Tax Sharing Statutes are addressed in Table 8 and APPENDIX A — “FISCAL CONSULTANT’S REPORT.”

Agreements with Private Entities

The Prior Agency entered into a number of agreements in order to implement the Redevelopment Plan, including disposition and development agreements (“**DDAs**”), Owner Participation Agreements (“**OPAs**”), operating covenants, real property, purchase and sale agreements, and leases. Most of these agreements now represent general obligations of the Successor Agency or are secured by real or personal property other than tax increment revenues. A few of these agreements, as described below, are secured by a pledge of tax increment that is subordinate to the 2014 Bonds, or a pledge of only that portion of tax increment required to be deposited into the Prior Agency’s low and moderate income housing fund under the California Redevelopment Law (“**Housing Funds**”), which Housing Funds are not included within Tax Revenues. In addition to the agreements noted above, the Prior Agency entered into the 2008 Loan Agreement. Repayment of the 2008 Loan does not constitute a pledge of tax increment but the Successor Agency has agreed to make the loan payments on parity with the debt service on bonded debt. See “SECURITY FOR THE 2014 BONDS – 2008 Loan” and “-Flow of Funds under the Indenture” above.

Hotel Program. A major component of Redevelopment Plan implementation in recent years has been the Prior Agency’s hotel program, pursuant to which the Prior Agency entered into DDAs with a number of developers to facilitate the acquisition, assembly, disposition and development of land as major tourist-oriented hotels. Each of these hotel DDAs (the “**Hotel DDAs**”) has utilized a similar structure, involving the acquisition formerly by the Prior Agency and currently by the Successor Agency of real property and the conveyance thereof to the developer, in exchange for the developer’s promise to develop and operate a specified hotel product thereon. As consideration for the continuous operation of the specified hotel, the Prior Agency provided and the Successor Agency provides financial assistance, generally measured by or in an amount equal to a percentage of the sum of annual sales tax, transient occupancy tax, and tax increment generated by the hotel site, which assistance payments are payable from any funds available to the Successor Agency and are not secured by a pledge of tax increment.

The Hotel DDAs represent a major financial commitment on the part of the Successor Agency. In all, the payments to be made by the Successor Agency over the course of the operating covenant periods are set forth in the Hotel DDAs, the last of which ends in fiscal year 2020-21. The amounts owed will decline substantially after fiscal year 2015-16. None of the Hotel DDAs, or the OPA with American Lodging Garden Grove Harbor relating to the development of a Hyatt Regency Hotel, involves a pledge of tax increment.

Commercial Rehabilitation Agreements. In addition to the Hotel DDAs, rehabilitation of existing commercial properties was an important focus of the Prior Agency’s redevelopment efforts. The Prior Agency entered into a number of OPAs and grant or loan agreements to achieve such rehabilitation within the Project Area. Many of these agreements call for annual payments to be made by the Successor Agency to the property owner to assist in the owner’s financing of such rehabilitation work. These rehabilitation agreements include no pledge of tax increment revenues and so all payments made pursuant to the agreements are subordinate to payment of debt service on bonded indebtedness including the 2014 Bonds.

Katella Cottages Agreement. On June 1, 2008, the Prior Agency entered into a note purchase agreement in the amount of \$2,015,000, to refund a note issued to Katella Cottages

LLC under a Disposition and Development Agreement dated May 11, 2004. Such note has an annual interest rate of 6% with principal payments due annually on October 1 through October 1, 2027. Principal payments range from \$60,000 to \$170,000. This loan is not secured by a pledge of tax increment revenues of the Successor Agency.

Litigation Settlement Obligations. In addition to the OPAs and the DDAs, the Successor Agency entered into a stipulated judgment to resolve the case *Marina Limon, et al., v. Garden Grove Agency for Community Development, et al.*, Case No. 30-2009-00291597 (the “**Stipulated Judgment**”). The Stipulated Judgment requires the Successor Agency to pay attorney fees in the amount of approximately \$800,000 and relocation payments to the named plaintiffs and others in the total amount of approximately \$140,000 (collectively, the “**Stipulated Payment Obligation**”). The Stipulated Judgment requires the Successor Agency to include the Stipulated Payment Obligation on the Recognized Obligation Payment Schedule for the period from January through June, 2015. Such obligation is an unsecured obligation of the Successor Agency. As shown in Table 10, the Successor Agency anticipates having sufficient amounts of available tax increment revenues to pay the Stipulated Payment Obligation without adversely affecting its ability to pay debt service on the 2014 Bonds and the 2008 Loan when due.

In addition to the Stipulated Payment Obligation, the Stipulated Judgment requires the Successor Agency to develop or cause to be developed approximately 38 new dwelling units as replacement housing for low- and very low-income tenants (the “**Stipulated Development Obligation**”). Such dwelling units are required to be completed by April, 2018. The Successor Agency estimates that it could cost approximately \$100,000 per unit to subsidize these levels of affordability in a development independently undertaken by a housing developer. The Successor Agency estimates it could cost significantly more (perhaps twice as much, or more) for the Successor Agency to stimulate the development of these units.

The Stipulated Judgment expressly limits the Stipulated Payment Obligation and Stipulated Development Obligation to available RPTTF moneys. Based on the projections set forth in Table 10, the Successor Agency expects to have sufficient tax revenues to perform the Stipulated Development Obligation within the next four years even assuming a cost significantly higher than the \$100,000 per unit estimate described above; however, if the Successor Agency attempted to fund all or the majority of the Stipulated Development Obligation in one year the impact on tax allocation revenues in that year would be more significant. The Successor Agency cannot predict the eventual cost or timing of its performance of the Stipulated Development Obligation. Amounts shown in Table 10 do not include any moneys to fund the Stipulated Development Obligation.

Although the Stipulated Judgment contemplates that the Stipulated Development Obligation will be funded using RPTTF moneys, the Successor Agency may be able to use other sources of funding to satisfy this obligation. The City has approximately \$2.75 million of HOME Investment Partnership Act funds received from the federal government and expects to receive an additional \$488,000 per year under the HOME Investment Partnership Act. Although the City has not committed to use these HOME funds to satisfy the Stipulated Development Obligation and cannot make such a commitment until an eligible development project is selected and ready to commence construction, the development of affordable housing units is an eligible use of such HOME funds. See “SECURITY FOR THE 2014 BONDS - Issuance of Subordinate Debt; Covenant Against Senior Lien Debt.”

Purcell Building Lease. The Successor Agency is currently obligated to make rental payments and operating expense payments under a lease agreement known as the “Purcell

Building Lease.” Such payments are not secured by a pledge of or lien on the tax increment revenues of the Successor Agency, but represent unsecured obligations which are payable from tax increment revenues. The final rental payment under the Purcell Building Lease is due in February of 2015 in the amount of \$625,450.74. The final operating expense payment under the Purcell Building Lease will come due in April or May of 2015. The total amount of such final payments is expected not to exceed \$650,000, which amount has been included in the projections of surplus tax increment revenues shown in Table 10.

Financial Implications of Existing Obligations. Although the DDAs, the OPAs, the Stipulated Payment Obligation, the Stipulated Development Obligation and the Purcell Building Lease payments are either unsecured obligations of the Successor Agency or are secured by a pledge of certain tax increment revenues which is subordinate to the pledge which secures the 2014 Bonds, all of such obligations, as well as the Subordinated Tax Sharing Agreements, are either senior to the 2008 Loan or are payable on a pro rata basis with the 2008 Loan. Likewise, the McWhinney DDA Obligation may be issued as Subordinate Debt or on a basis not comprising Subordinate Debt, if not funded through an issuance of Parity Bonds under the Indenture. All such obligations which are senior to the payment of the 2008 Loan would need to be paid in full in each year, before annual tax increment revenues would be available to pay the 2008 Loan. All such obligations which are unsecured would share any shortfall in tax increment revenues on a pro rata basis with the 2008 Loan. As such, in the event of a shortfall of total tax increment revenues to pay all of the foregoing obligations in full when due, such shortfall would cause a reduction in the amount of 2008 Loan Revenues which, in turn, would cause a shortfall in the payment of debt service on the 2014 Bonds. See “SECURITY FOR THE 2014 BONDS – 2008 Loan” and “- Flow of Funds under the Indenture” above.

Financial Statements

Included in this Official Statement as Appendix B are the audited financial statements of the Successor Agency for the year ended June 30, 2013 reproduced from the report thereon rendered by Mayer Hoffman McCann P.C., independent auditors for the City of Garden Grove (“**Auditor**”). The Auditor has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Assessed Valuations and Tax Increment Revenues

Historical Assessed Valuation. Assessed values within the Project Area followed a pattern of strong growth from 2004-05 through 2008-09 with an average growth in incremental value for this period of 11.25% annually. Due to the impact of general economic stress in California, incremental growth in the Project Area was 2.42% in 2009-10. The Project Area experienced a decline in incremental value of -4.96% for 2010-11. A further minor decline in value of -1.07% was experienced for 2011-12 and a minor (1.16%) amount of growth was realized for 2012-13. After values having been virtually flat for the past two years, growth for 2013-14 was slightly more substantial at 2.50%.

The growth in value within the Project Area was experienced among all land use categories through 2008-09. In 2009-10, residential values declined by \$58.99 million (-8.97%) while values among commercial, industrial and unsecured valuations grew by \$112.1 million (4.99%). For 2010-11, the value of parcels in the residential category increased in value by

\$32.5 million (5.42%) while commercial property values declined by \$68.4 million (-4.8%); industrial property values increased by \$20.5 million (3.4%) and unsecured values declined by \$25.5 million (-7.9%).

The growth in assessed value for 2013-14 occurred among both secured and unsecured values with secured values growing by \$63.6 million (2.39%) and unsecured values growing by \$10.0 million (3.58%). The 2013-14 value of parcels in the residential category increased by \$16.5 million (2.4%) while commercial property values increased by \$23.2 million (1.7%). Industrial property values increased by \$23.8 million (3.9%) and unsecured values increased by \$10.0 million (3.6%). The Fiscal Consultant expects that there will be a continued strengthening of the housing market and continued reduction of taxable value losses resulting from pending appeals that will allow the Project Area to continue this moderate expansion.

The assessed values within the various component project areas have maintained their values during the past two years of economic disruption. Incremental values have been slightly impacted by revisions to the Project Area base year values beginning in 2008-09. These base year value revisions have been imposed by the Auditor-Controller in each of the past three years but none of the revisions were significant in their impact on Project Area revenues. Such revisions of the base year values typically occur when properties are shifted from taxable to tax exempt status or tax exempt to taxable status as a result of sale or purchase of property by governmental entities. These changes to the base year values were most notable within the 1979 and 1992 Amendment Areas. Growth in assessed values within the component areas has followed this overall pattern with almost uniform consistency. Assessed values in the Project Area continue to benefit from new residential and commercial development.

The following were the assessed valuations and tax increment revenues for the Project Area from fiscal year 2004-05 through 2012-13.

**Table 3
Successor Agency to the Garden Grove Agency for Community Development
Garden Grove Community Project
Historical Assessed Valuation and Tax Increment Revenue**

Fiscal Year	Assessed Valuation	% of Increase in Assessed Valuation	Incremental Assessed Valuation	Gross Tax Increment	Housing Set-Aside	Senior Obligations ⁽¹⁾	Tax Revenues	% of Change in Tax Revenues
2004-05	\$2,151,253,152	--	\$1,624,832,351	\$18,034,706	\$3,606,941	\$2,388,838	\$12,038,926	--
2005-06	2,352,325,482	9.3%	1,825,904,681	20,543,029	4,108,606	3,239,981	13,194,442	9.60%
2006-07	2,526,581,323	7.4	2,000,160,522	21,545,853	4,309,171	3,627,516	13,609,167	3.14
2007-08	2,728,404,902	8.0	2,201,984,101	23,725,541	4,745,108	3,619,273	15,361,160	12.87
2008-09	3,014,189,510	10.5	2,487,790,829	27,433,100	5,486,620	4,677,955	17,268,525	12.42
2009-10	3,074,470,037	2.0	2,548,020,781	26,602,420	5,320,484	3,205,199	18,076,737	4.68
2010-11	2,945,282,546	(4.2)	2,421,671,853	24,302,465	4,860,493	3,553,005	15,888,967	-12.10
2011-12	2,918,662,608	(0.9)	2,395,670,443	26,270,964	----	3,396,469	22,874,496	77.58
2012-13	2,943,277,142	0.8	2,423,450,286	26,943,609	----	4,312,398	22,631,211	-1.06

⁽¹⁾ Inclusive of Tax Sharing Agreement Payments, County Administrative Charges and Tax Sharing Statute Payments.

Limitations on Tax Increment Revenue. The Project Area is subject to various limitations upon the receipt of tax increment revenues by the Successor Agency. See the caption “THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT — Plan Limitations.” The Fiscal Consultant’s Report includes tax collections for fiscal years 2008-09 through 2012-13 and projections of Tax Revenues for the Project Area. See APPENDIX A — “FISCAL CONSULTANT’S REPORT- Annual Receipts to Levy.”

The limitations as to receipt of tax increment revenues, which are different as to the various component areas of the Project Area, are set forth below.

Table 4
Successor Agency to the Garden Grove Agency for Community Development
Garden Grove Community Project
Projected Assessed Valuation and Tax Increment Revenue
For Fiscal Year 2013-14 (Dollars in thousands)

	Tax Revenue	Percentage of Project Area Tax Revenue	Last Date to Repay Debt with Tax Revenue
Original Project Area	\$ 196	0.84%	June 26, 2026
1974 Amendment Area	8,901	38.33	July 9, 2027
Trask Project Area	334	1.44	November 25, 2028
1976 Amendment Area	1,306	5.62	November 29, 2029
Brookhurst/Chapman Area	642	2.76	March 21, 2030
Brookhurst/Katella Area	229	0.99	February 21, 2031
1979 Amendment Area	8,300	35.75	October 16, 2032
1981 Amendment Area	3	0.01	June 9, 2032
1992 Area	2,971	12.29	July 14, 2043
1998 Area	13	0.06	December 8, 2044
2002 Area	444	1.91	July 9, 2048
Total Project Area (1)	\$23,339	100.00	

(1) May not add due to rounding.
Source: HdL Coren & Cone

The Redevelopment Plan is a general plan for redevelopment and, therefore, did not specifically define what activities or development projects will eventually occur in the Project Area. Land uses within the Project Area are shown below.

Table 5
Successor Agency to the Garden Grove Agency for Community Development
Garden Grove Redevelopment Project
Assessed Valuation by Land Use
Land Use By Secured Assessed Valuation
For Fiscal Year 2013-14

Land Use Category	Number of Parcels	2013-14 Assessed Valuation	Percentage of Total
Residential	2,465	\$ 693,141,695	22.98%
Commercial	765	1,396,971,154	46.31
Industrial	275	636,480,321	21.10
Exempt	308	0	0.00
Subtotal	3,814	\$2,726,593,170	90.38%
SBE Non-Unitary		689,138	0.02
Cross Reference		1,256,688	0.04
Unsecured		288,312,054	9.56
Subtotal		290,257,880	9.62
Totals	3,814	\$3,016,851,048	100.00%

Source: HdL Coren & Cone.

Major Taxpayers. The following table shows the ten largest taxpayers on the tax roll in the Project Area for the 2013-14 assessment year. The top ten taxpayers represent approximately 14.3% of the approximately \$3.0 billion Project Area total assessed value on the secured and unsecured roll. The top taxpayer in the Project Area is American Lodging Garden Grove, which controls ten secured parcels with a combined assessed value of \$57,443,220, representing 1.9% of the Project Area total assessed valuation. The second largest taxpayer in the Project Area is Landmark Hotels II, which controls two parcels with a combined secured assessed value of \$53,531,107, representing 1.77% of the Project Area total assessed valuation.

As shown below, four of the top ten taxpayers own property within the 1979 Amendment, three of the top ten taxpayers own property within the 1974 Amendment and one of the top ten taxpayers owns property within the 1992 Amendment. One of the top taxpayer's holdings includes property in both the 1979 and 1992 Amendments and the final top taxpayer owns property within the Brookhurst/Chapman component area. As the component project areas reach their time or tax increment limits and expire, those component project areas will no longer be included in the calculation of Gross Revenues or Tax Revenues and will no longer contribute to the Tax Revenues available for allocation through the Redevelopment Property Tax Trust Fund to the Successor Agency for use in paying debt service and other enforceable obligations. This may also result in an increase in the concentration of ownership.

The 1974 Amendment will expire after fiscal year 2026-27, however the next significant component area to expire will be the 1979 Amendment in 2030-31 (after the final maturity of the 2014 Bonds). The 1992 Amendment is not expected to expire until 2042-43 (also after the final maturity of the 2014 Bonds). The 2013-14 concentration of ownership relative to incremental value within the 1974 Amendment is 21.33%. It is not expected that the expiration of this

component area will cause the concentration of ownership in the Project Area to rise to extreme levels.

See the caption “THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT — Reduction in Taxable Value”.

Table 6
Successor Agency to the Garden Grove Agency for Community Development
Garden Grove Redevelopment Project
Top Ten Taxpayers
Based Upon 2013-14 Assessed Valuation

Property Owner	Combined Value	% of Project Area Value	% of Project Area Incremental Value	Location	Property Use
American Lodging Garden Grove	\$57,443,220	1.90%	2.30%	1979 Amendment	Hyatt Regency Hotel
Landmark Hotels II (1)	53,531,107	1.77	2.14	1979 Amendment	Embassy Suites Hotel
Landmark Marriott Suites (1)	53,094,806	1.76	2.13	1979 Amendment	Marriott Suites Hotel
New Age Garden Grove LLC(1)	44,962,363	1.49	1.80	1992 Amendment	Sheraton Garden Grove
Chatham Rigg (1)	44,414,493	1.47	1.78	1979 Amendment	Residence Inn By Marriott
HGGA Promenade	42,862,555	1.42	1.72	Brookhurst-Chapman	Retail Shop. Center
OHI Resort Hotels LLC	40,725,539	1.35	1.63	1979 and 1992 Amendments	Crowne Plaza Resort
SPS Technologies	37,259,606	1.24	1.49	1974 Amendment	High Tech Fasteners
LBA RIV-COMPANY XXVII	30,900,000	1.02	1.24	1974 Amendment	Light Industrial/Office Park
Swedlow Inc.	25,786,166	0.85	1.03	1974 Amendment	Industrial Buildings
<hr/>					
Top Property Owner Total Value	\$430,979,855				
Project Area Assessed Value	\$3,016,851,048	14.29%			
Project Area Incremental Value	\$2,497,024,192		17.26%		

⁽¹⁾ Taxpayers with pending assessment appeals.
Source: County of Orange Secured Tax Rolls.

Assessment Appeals

Proposition 8 Appeals. Most of the appeals that might be filed in the Project Area would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor under Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the

property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A of the California Constitution. The State Board of Equalization has approved this reassessment formula and such formula has been used by county assessors statewide. The reassessment formula was approved by the California of Appeal, Fourth District, in the recent case of *County of Orange et al. v Bezaire*, petition for review to the California Supreme Court denied.

The Fiscal Consultant has reviewed assessment appeals data from Orange County to determine the potential impact that pending appeals may have on the projected Tax Revenues. Within the Project Area, there are 523 pending appeals.

Four of the Project Area’s top ten taxpayers have pending appeals of their assessed value. Within the 1979 Amendment, Landmark Hotels II, Newage Garden Grove LLC and Chatham Rigg have assessment appeals pending. Within the 1992 Amendment, Landmark Marriott Suites has assessment appeals pending. The estimated impact of value losses resulting from these pending appeals has been incorporated into the projected revenues for each component project area and, cumulatively, into the projected revenues of the Project Area. The estimated impact of value losses resulting from these pending appeals has been incorporated into the projected revenues for each component project area and, cumulatively, into the projected revenues of the Project Area. See APPENDIX A — “FISCAL CONSULTANT’S REPORT.” There is no assurance that the resolution or impact of appeals will conform to historical averages. In the event reductions are greater than estimated by the Fiscal Consultant, Tax Revenues would be reduced.

The following table shows the amount of assessed value that is presently under appeal and the estimated reduction of value that has been factored into the projections for 2013-14. There are no pending appeals within Brookhurst/Chapman, 1981 Amendment or the 1998 Amendment.

Total No. of Appeals	No. of Resolved Appeals	No. of Successful Appeals	Average Reduction	No. and Value of Appeals Pending	Estimated No. of Appeals Allowed	Est. Reduction of Pending Appeals Allows (2013-14 Value Adjustment)
523	333	254	23.72%	190 (\$647,158,260)	136	\$118,128,133

Transfers Of Ownership in the Project Area. According to the Fiscal Consultant’s Report, there have been 210 transfers of ownership within the Project Area since January 1, 2013. These transfers of ownership represent a combined increase of \$15,454,077 in assessed value that is expected to be added from the tax rolls for 2014-15. Development projects continue to be constructed within the Project Area but no additional value has been added by the Fiscal Consultant in the projections.

TAX REVENUES AND ANNUAL DEBT SERVICE

Current Year Assessed Valuation

Following is the 2013-14 assessed value for the Garden Grove Community Project. Incremental taxable value is shown under the caption “THE GARDEN GROVE COMMUNITY DEVELOPMENT PROJECT — Historical Valuations and Tax Increment Revenues.” These values represent gross valuations before any adjustments are made. Please see APPENDIX A — “FISCAL CONSULTANT’S REPORT.”

Table 7
Successor Agency to the Garden Grove Agency for Community Development
Garden Grove Community Project
2013-14 Assessed Valuation (Dollars in thousands)

	Assessed Valuation
Real Property ⁽¹⁾:	\$2,824,336
Personal Property	<u>192,515</u>
Total Valuation	3,016,851
Taxable Value over Base	\$2,497,024

⁽¹⁾ Real property consists of land and improvements.
Source: HdL Coren & Cone.

Projected Tax Revenues and Debt Service Coverage

The following Table 8 shows projections of tax increment revenues, summarized from APPENDIX A — “FISCAL CONSULTANT’S REPORT.” See the Fiscal Consultant’s Report for further description of the assumptions and limiting conditions relative to these projections. The projections shown on Table 8 assume assessed valuation at a .0454% annual inflationary growth factor for fiscal year 2014-15 and at a 2% annual inflationary growth factor thereafter, for real property only, adjusted for appeals. Based on expected debt service on the 2014 Bonds, the Successor Agency expects estimated Tax Revenues based on 2013-14 assessed values to exceed two times Maximum Annual Debt Service on the 2014 Bonds at all times. Investors are cautioned that Tax Revenues will be reduced significantly when the 1974 Amendment Area expires in July of 2027, two years and three months prior to the maturity of the 2014 Bonds. See Table 4 above and “RISKS FACTORS – Expiration of Receipt of Tax Increment Revenue.”

The following Table 9 shows the amount of debt service coverage on the 2014 Bonds and the 2008 Loan, based on the amount of amount of projected tax increment shown in Table 8.

Table 8
Successor Agency to the Garden Grove Agency for Community Development
Garden Grove Community Project
Projected Tax Revenues After Payment of Senior Obligations
(000's Omitted)

Fiscal Year Ending June 30	Total Taxable Value (1)	Taxable Value over Applicable Base (2)	Gross Tax Revenue (3)	SB 2557 Charge	1992 Amend. Tax Sharing Payments(4)	1992 Amend. Garden Grove USD Payments(5)	Statutory Tax Sharing Payments(6)	Tax Revenues
2013-14	\$3,016,851	\$2,497,024	\$27,638	(\$282)	(\$501)	(\$2,095)	(\$1,421)	\$23,339
2014-15	2,933,282	2,413,455	26,741	(273)	(477)	(2,291)	(1,289)	22,411
2015-16	2,995,287	2,475,460	27,407	(280)	(495)	(2,390)	(1,400)	22,842
2016-17	3,051,342	2,531,515	28,009	(286)	(512)	(2,479)	(1,542)	23,190
2017-18	3,108,519	2,588,692	28,622	(292)	(529)	(2,570)	(1,714)	23,518
2018-19	3,166,839	2,647,012	29,248	(298)	(546)	(2,663)	(1,889)	23,852
2019-20	3,226,325	2,706,498	29,887	(305)	(563)	(2,757)	(2,068)	24,194
2020-21	3,287,001	2,767,175	30,538	(311)	(581)	(2,854)	(2,250)	24,542
2021-22	3,348,891	2,829,064	31,203	(318)	(599)	(2,952)	(2,436)	24,897
2022-23	3,412,019	2,892,192	31,880	(325)	(618)	(3,053)	(2,626)	25,259
2023-24	3,476,409	2,956,582	32,572	(332)	(637)	(3,155)	(2,832)	25,616
2024-25	3,542,087	3,022,260	33,277	(339)	(656)	(3,260)	(3,042)	25,979
2025-26	3,609,078	3,089,251	33,996	(347)	(676)	(3,366)	(3,257)	26,350
2026-27	3,652,640	3,133,419	34,464	(352)	(696)	(3,434)	(3,443)	26,539
2027-28	2,570,302	2,112,784	23,397	(239)	(716)	(1,736)	(2,305)	18,402
2028-29	2,619,975	2,162,457	23,589	(241)	(737)	(1,761)	(2,418)	18,432

(1) Fiscal Year 2013-14 assessed valuation is the final amount certified by the Orange County Auditor–Controller as of the lien date. Assessed valuation growth for fiscal year 2013-14 through 2019-20 is based on a .0454% annual inflationary growth factor for fiscal year 2014-15 and on a 2% annual inflationary growth factor thereafter for real property only, adjusted for appeals.

(2) Incremental assessed valuation for a given year is current valuation for such year, less base year assessed valuation (which has been adjusted several times).

(3) Gross tax increment is incremental assessed valuation multiplied by the tax rate of 1.0735%, plus estimated unitary tax revenues held constant at 2013-14 levels.

(4) Amounts shown are the aggregated senior pass through payments from within the 1992 Amendment.

(5) Amounts shown are the amounts payable to Garden Grove USD per its agreement with the former redevelopment agency. All payment amounts are paid from revenues of the 1992 Amendment.

(6) Amounts shown are statutory tax sharing payments from within all component project areas.

Source: HdL Coren & Cone.

Table 9
Successor Agency to the Garden Grove Agency for Community Development
Garden Grove Community Project
Debt Service Coverage
(000's Omitted)

Fiscal Year Ending June 30	Tax Revenues(1)	2014 Bonds Debt Service(2)	2008 Loan Debt Service(3)	Combined Debt Service	Debt Service Coverage
2013-14	\$23,339	\$4,338	\$4,510	\$8,848	2.64
2014-15	22,411	3,616	4,431	8,047	2.78
2015-16	22,842	3,886	4,351	8,237	2.77
2016-17	23,190	3,884	4,273	8,157	2.84
2017-18	23,518	3,885	4,194	8,079	2.91
2018-19	23,852	3,675	4,115	7,790	3.06
2019-20	24,194	3,879	3,703	7,582	3.19
2020-21	24,542	3,879	0	3,879	6.33
2021-22	24,897	3,875	0	3,875	6.42
2022-23	25,259	3,852	0	3,852	6.56
2023-24	25,616	3,852	0	3,852	6.65
2024-25	25,979	3,850	0	3,850	6.75
2025-26	26,350	2,343	0	2,343	11.25
2026-27	26,539	2,245	0	2,245	11.82
2027-28	18,402	1,811	0	1,811	10.16
2028-29	18,432	1,701	0	1,701	10.84
2029-30	17,381	1,671	0	1,671	10.40

(1) From Table 8.

(2) Amount shown for 2013-14 reflects debt service paid on the 2003 Bonds. In 2014-15 and thereafter, amounts shown are debt service on the 2014 Bonds.

(3) Calculated at an assumed interest rate of 5.00%. Interest on the 2008 Loan accrues at a variable rate equal to one-month LIBOR plus 75 basis points.

Source: *HdL Coren & Cone and the Underwriter.*

Tax Increment Revenues Available for 2008 Loan

The following Table 10 shows the amount of tax increment revenues which are projected to be available for payment of debt service on the 2008 Loan and the 2014 Bonds through fiscal year 2019-20 (which is the final year in which the 2008 Loan will be outstanding), assuming that the amount of such Tax Increment Revenues is reduced by amounts payable on all Subordinated Tax Sharing Agreements and all unsecured obligations of the Successor Agency, and by the amount of debt service payable on the 2008 Loan. This table shows that the provisions of the Indenture relating to the payment of the 2008 Loan on a parity with the 2014 Bonds are not expected to adversely affect the ability of the Successor Agency to pay debt service on the 2014 Bonds when due. See "RISK FACTORS - Financial Impact of Indenture Provisions Relating to 2008 Loan" below.

Table 10
Successor Agency to the Garden Grove Agency for Community Development
Garden Grove Community Project
Projected Tax Revenues After Payment of Certain Obligations⁽¹⁾
(000's Omitted)

Fiscal Year Ending June 30	Tax Revenues⁽²⁾	2014 Bond Debt Service ⁽³⁾	2008 Loan⁽⁴⁾	1992 Amend Pass Through Obligations ⁽⁵⁾	Other Subordinate Oblig ⁽⁶⁾	Katella Cottage Notes	Surplus Tax Revenues
2013-14	\$23,339	(\$4,338)	(\$4,510)	(\$116)	(\$5,939)	(\$181)	\$8,255
2014-15	22,411	(3,616)	(4,431)	(113)	(6,405)	(181)	7,665
2015-16	22,842	(3,886)	(4,351)	(118)	(5,964)	(181)	8,342
2016-17	23,190	(3,884)	(4,273)	(123)	(5,363)	(181)	9,366
2017-18	23,518	(3,885)	(4,194)	(128)	(4,131)	(180)	11,000
2018-19	23,852	(3,675)	(4,115)	(134)	(1,635)	(179)	14,114
2019-20	24,194	(3,879)	(3,703)	(139)	(1,644)	(183)	14,646

- (1) In addition to the subordinate and unsecured obligations shown in this table, and the Stipulated Development Obligation, the Successor Agency has other unsecured obligations the payment of which will reduce surplus tax revenues shown in the table, by an amount which the Successor Agency believes will not be material.
- (2) From Table 8.
- (3) Amount shown for 2013-14 reflects debt service paid on the 2003 Bonds. In 2014-15 and thereafter, amounts shown are estimated debt service on the 2014 Bonds.
- (4) From Table 9.
- (5) Amounts shown are the aggregated subordinate pass through payments from within the 1992 Amendment.
- (6) Amounts shown are the aggregated payment obligations of the Successor Agency resulting from several DDA and OPA obligations. Amounts payable are not pledges of tax increment and are subordinate to debt service but may be payable on a basis equal or prior to the 2008 Loan. In addition, such amounts include \$936,540 for the Stipulated Payment Obligation and \$650,000 in costs for the Purcell Building Lease in 2015. No amounts are shown for the funding of the Stipulated Development Obligation. See "THE PROJECT AREA - Agreements with Private Entities- Litigation Settlement Obligations." Amounts payable pursuant to the Hotel DDA's are estimated, and actual payments will vary. See APPENDIX A — "FISCAL CONSULTANT'S REPORT- Other Obligations of the Agency."

Source: HdL Coren & Cone and the Underwriter.

Tax Increment Limitation

Section 33333.4 of the Redevelopment Law requires redevelopment plans adopted on or after October 1, 1976 and prior to January 1, 1994 to contain, among other things, a limitation on the number of dollars in taxes that may be divided and allocated to the redevelopment agency pursuant to the plan.

Pursuant to the provisions of the Prior Agency's Redevelopment Plan, as amended, the maximum aggregate amount of tax increment revenue the Prior Agency and the Successor Agency may receive from the Project Area is \$2 billion. There is no limit with respect to the 1998 Amendment and the Amendment Area. Based on Agency records, the Prior Agency and the Successor Agency have received on a cumulative basis approximately \$299.7 million of tax increment revenue through July 2013. See "THE PROJECT AREA – Plan Limitations" above.

Bonded Indebtedness Limitation

The Redevelopment Plan limits the amount of bonded indebtedness that may be outstanding at any one time with respect to the Project Area to \$475 million.

ERAF and SERAF Housing Loans

Pursuant to Section 33690(c) of the Redevelopment Law, the Prior Agency borrowed funds (the “**ERAF Housing Loan**”) from the Low and Moderate Income Housing Fund of the Prior Agency (the “**Housing Fund**”) to make the payment on May 10, 2004 in the amount of \$863,531, on May 10, 2005 in the amount of \$1,376,340, and on May 10, 2006 in the amount of \$1,376,511 required by Section 33690(a) of the Redevelopment Law (the “**ERAF Payment**”). The Dissolution Act provides that, subject to approval by the Oversight Board, any ERAF payment is an enforceable obligation payable from property tax revenues deposited in the Redevelopment Property Tax Trust Fund. As described below, the method by which ERAF loans from the Housing Fund may be repaid has been modified by the adoption of the Dissolution Act. The requirement for repayment of these loans by certain dates has been eliminated.

Pursuant to Section 33690(c) of the Redevelopment Law, the Prior Agency borrowed funds (the “**SERAF Housing Loan**”) from the Housing Fund to make the payment on May 10, 2010 in the amount of \$7,906,610 and on May 10, 2011 in the amount of \$1,626,274 required by Section 33690(a) of the Redevelopment Law (collectively, the “**SERAF Payment**”).

Under the Dissolution Act, redevelopment agencies that borrowed from the Housing Fund to make the required ERAF and SERAF payments may only repay the borrowed amounts from annual amounts that are 50% of the increase in annual residual revenues in the Redevelopment Property Tax Trust Fund that are above the residual revenue for fiscal year 2012-13. Repayment amounts are, under current legislation, to be repaid to the Successor Housing Agency established pursuant to AB 1x 26. Because the repayment of amounts borrowed from the Housing Fund are to be repaid from growth in such residual revenue, the repayment of these amounts has no impact on the Successor Agency’s ability to repay the 2014 Bonds or the 2008 Loan.

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.

Effective September 30, 1980, the California Legislature added Section 33678 to the Redevelopment Law which provided 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 proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State of California, including Section 33678 of the Redevelopment Law. 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*. The plaintiff in *Brown v. Community Redevelopment Agency of the City of Santa Ana* petitioned the California Supreme Court for a hearing of this case. The California Supreme Court formally

denied the petition and therefore the earlier court decisions are now final and binding. On the basis of these court decisions, the Successor Agency has not adopted an appropriations limit.

RISK FACTORS

The following information should be considered by prospective investors in evaluating the 2014 Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the 2014 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

The various legal opinions to be delivered concurrently with the issuance of the 2014 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights, including equitable principles.

Financial Impact of Indenture Provisions Relating to 2008 Loan

The 2008 Loan is not secured by a pledge of or lien on the Pledged Tax Revenues. However, pursuant to the Indenture, if the amount of 2008 Loan Revenues and Pledged Tax Revenues received is at any time insufficient to enable the Successor Agency to pay the full amount of debt service then due and payable on the 2014 Bonds and the 2008 Loan, the amount of the resulting shortfall will be applied to pay the 2008 Loan and the 2014 Bonds on a pro rata basis. Therefore, any shortfall in amounts which are available under the Dissolution Act for payment of the 2008 Loan prior to June 2, 2020 (the final maturity date of the 2008 Loan), will create a shortfall in amounts available to pay the 2014 Bonds, even though the Pledged Tax Revenues would otherwise be sufficient for payment of the 2014 Bonds when due. See "SECURITY FOR THE 2014 BONDS" above.

Because the payment of the 2008 Loan is an unsecured obligation of the Successor Agency, it is effectively subordinate to all outstanding Tax Sharing Agreements and is effectively on a parity with all other unsecured obligations of the Successor Agency such as the unsecured DDAs, OPAs and Attorney Fee Payment Obligation which are discussed herein. See "THE PROJECT AREA – Agreements with Private Entities – Financial Implications of Existing Obligations" above. As a consequence, the ability of the Successor Agency to pay debt service on the 2014 Bonds when due is subject to additional risks arising from factors which could cause a reduction in property tax revenues which are required to pay debt service on the 2008 Loan. See "TAX REVENUES AND AVAILABLE DEBT SERVICE - Projected Tax Revenues and Debt Service Coverage" above.

Financial Impact of Hotel Agreements and Stipulated Judgment

As described above under "THE PROJECT AREA - Hotel Program," a major component of Redevelopment Plan implementation in recent years has been the Prior Agency's hotel program, pursuant to which the Prior Agency entered into agreements with a number of developers to facilitate the acquisition, assembly, disposition and development of land as major tourist-oriented hotels. Under these agreements, in exchange for the developer's promise to develop and operate a specified hotel, the Prior Agency agreed to provide financial assistance, generally measured by or in an amount equal to a percentage of the sum of annual sales tax,

transient occupancy tax, and tax increment generated by the hotel site, which assistance payments are payable from any funds available to the Successor Agency, including tax increment revenues from the Project Area. The last of the agreements ends in fiscal year 2020-21, and in general the amounts owed under the agreements will decline substantially after fiscal year 2015-16.

Although none of the agreements involves a pledge of tax increment, all of them create an unsecured obligation of the Successor Agency to make payments from tax increment revenues. Likewise, the McWhinney DDA Obligation may be issued as Subordinate Debt or on a basis not comprising Subordinate Debt, if not issued as Parity Bonds under the Indenture. As such, payments under the agreements have the effect of reducing the tax increment revenues which are available for payment of the 2008 Loan. As discussed above under “Financial Impact of Indenture Provisions Relating to 2008 Loan,” any shortfall in tax increment revenues to pay the 2008 Loan will, in turn, cause a shortfall in tax increment revenues which are available to pay debt service on the 2014 Bonds when due. An increase in annual sales tax and transient occupancy tax from the related hotel properties could result in increased amounts which are payable by the Successor Agency from tax increment revenues, without causing a corresponding increase in overall tax increment revenues. Because all of the related hotel properties are fully developed and have been operational for a number of years, the Successor Agency believes that the projection of tax increment revenues (as set forth in Table 10) adequately takes into account the risks of a net reduction in tax increment revenues as a result of such agreements. However, the amounts shown on Table 10 are based on certain assumptions made by the Agency, and no assurances can be made that such projected revenues will actually be realized. Amounts to fund the Stipulated Development Obligation are uncertain and no amounts are shown on Table 10 relative to such funding. The amount so funded in any year could be material to total tax allocation revenue available to pay the 2008 Loan and the 2014 Bonds. See “THE PROJECT AREA - Agreements with Private Entities-Litigation Settlement Obligations.”

Recognized Obligation Payment Schedule

The Dissolution Act provides that only those payments listed in a Recognized Obligation Payment Schedule may be made by a successor agency from the funds specified in the Recognized Obligation Payment Schedule. Before each six-month period, the Dissolution Act requires each successor agency to prepare and approve, and submit to the successor agency’s oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Consequently, Pledged Tax Revenues will not be withdrawn from the Redevelopment Property Tax Trust Fund by the county auditor-controller and remitted to the Successor Agency without a duly approved and effective Recognized Obligation Payment Schedule. See “SECURITY FOR THE 2014 BONDS – Recognized Obligation Payment Schedule” and “PROPERTY TAXATION IN CALIFORNIA – Property Tax Collection Procedures – Recognized Obligation Payment Schedule.” In the event the Successor Agency were to fail to file a Recognized Obligation Payment Schedule with respect to a six-month period, the availability of Pledged Tax Revenues or Other Revenues (to pay the 2008 Loan) to the Successor Agency could be adversely affected for such period.

AB 1484 also adds new provisions to the Dissolution Act implementing certain penalties in the event a successor agency does not timely submit a Recognized Obligation Payment Schedule for a six-month period. Specifically, a Recognized Obligation Payment Schedule must

be submitted by the successor agency to the oversight board, to the county administrative officer, the county auditor-controller, the State Department of Finance, and the State Controller no later than 90 days before the date of the next January 2 or June 1 property tax distribution with respect to each subsequent six-month period. If a successor agency does not submit a Recognized Obligation Payment Schedule by such deadlines, the city or county that established the redevelopment agency will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, a successor agency's administrative cost allowance is reduced by 25% if the successor agency does not submit an oversight board-approved Recognized Obligation Payment Schedule by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for subsequent six-month periods.

The Successor Agency covenants under the Indenture to take all actions required under the Dissolution Act to include on the Recognized Obligation Payment Schedule for each six-month period all payments to the Trustee to satisfy the requirements of the Indenture and the 2008 Credit Agreement, including any amounts required under the Indenture and to replenish the Reserve Account of the Debt Service Fund to the full amount of the Reserve Requirement.

Syncora Litigation – Challenge to Dissolution Act

With respect to California successor agencies and the Dissolution Act in general, on August 1, 2012, Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, “**Syncora**”) filed a lawsuit against the State, the State Controller, the State Director of Finance, and the Auditor-Controller of San Bernardino County on his own behalf and as the representative of all other County Auditors in the State (Superior Court of the State of California, County of Sacramento, Case No. 34-2012-80001215) (the “**Syncora Lawsuit**”). Syncora are monoline financial guaranty insurers domiciled in the State of New York, and as such, provide credit enhancement on bonds issued by state and local governments and do not sell other kinds of insurance such as life, health, or property insurance. Syncora provided bond insurance and other related insurance policies for bonds issued by former California redevelopment agencies.

The complaint alleges that the Dissolution Act, and specifically the “**Redistribution Provisions**” thereof (i.e., California Health and Safety Code Sections 34172(d), 34174, 34177(d), 34183(a)(4), and 34188) violate the “contract clauses” of the United States and California Constitutions (U.S. Const. art. 1, § 10, cl.1; Cal. Const. art. 1, § 9) because they unconstitutionally impair the contracts among the former redevelopment agencies, bondholders and Syncora. The complaint also alleges that the Redistribution Provisions violate the “Takings Clauses” of the United States and California Constitutions (U.S. Const. amend. V; Cal Const. art. 1 § 19) because they unconstitutionally take and appropriate bondholders’ and Syncora’s contractual right to critical security mechanisms without just compensation. Specifically, the complaint alleges that the security mechanism created by the irrevocable pledge of tax increment revenues to repay the redevelopment agency debts was a critical feature of the redevelopment bonds’ marketability in at least three manners:

- (i) tax increment revenues which have been previously irrevocably pledged are now subject to restrictive terms such as periodic Recognized Obligation Payment Schedules, oversight board approval, and State Department of Finance approval, that unconstitutionally impair the contract providing for such pledge;

- (ii) excess tax increment revenues previously could be held by a redevelopment agency in reserve to protect against potential future shortfalls (in contrast to the provisions under the Dissolution Act that require the County Auditor-Controller to distribute surplus monies from the Redevelopment Property Tax Trust Fund amounts to taxing entities each six-month period); and
- (iii) the pre-Dissolution Act Redevelopment Law and bond indentures or trust agreements governing redevelopment bonds typically included requirements and covenants for the redevelopment agency to use surplus tax increment revenues received in excess of amounts required for debt service on redevelopment activities, which were calculated under the Redevelopment Law to stimulate growth and general increases in assessed valuation, and therefore increase additional security for the such bonds, and such covenants have been substantially and unconstitutionally impaired by the Dissolution Act, in particular the Redistribution Provisions.

The Syncora Lawsuit was brought as a petition for writ of mandate, complaint for declaratory relief, inverse condemnation and injunctive relief. The injunctive relief sought includes an injunction enjoining the respondents from implementing enforcing, and/or carrying out the Redistribution Provisions, ordering respondents to immediately return all money remitted by successor agencies to local taxing agencies pursuant to the Redistribution Provisions, and ordering respondents to hold all future tax increment revenues in the Redevelopment Property Tax Trust Fund, or a similar fund, for the exclusive benefit of, and distribution to, bond owners until such a time when the bond owners are completely repaid.

On May 29, 2013, the Superior Court issued a preliminary ruling, in which it denied Syncora's claims that the Dissolution Act unconstitutionally impaired its contracts on the grounds that those claims are premature; the court noted that Syncora had provided no evidence that successor agencies actually are unable to meet their obligations as they become due, or that successor agencies will be prevented from ultimately paying all redevelopment obligations. The Superior Court concluded that Syncora's takings claims are not necessarily premature, but that an evidentiary hearing should be conducted to address those claims. Finally the superior court concluded that possible certification of a class of county auditor-controllers was moot because the auditor-controllers have no role or duty in connection with the alleged takings or in providing compensation for those takings.

Pursuant to a Judgment stipulated to by the parties, the Superior Court on October 3, 2013, entered its order dismissing the action. The Judgment, however, provides that Syncora preserves its rights to reassert its challenges to the Dissolution Act in the future. The Successor Agency does not guarantee that any reassertion of challenges by Syncora or that the final results of any of the judicial actions brought by others challenging the Dissolution Act will not result in an outcome that may have a material adverse effect on the Successor Agency's ability to timely pay debt service on the 2014 Bonds.

Reduction in Taxable Value

Pledged Tax Revenues available to pay principal of and interest on the 2014 Bonds are determined by the amount of incremental taxable value in the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property in the Project Area caused by a variety of factors beyond the Successor Agency's

control such as the economic conditions in the Project Area and the broader region, the reduction of inflationary factors under Article XIII A, relocation out of the Project Area by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation, the existence of hazardous substances, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the Pledged Tax Revenues that provide for the repayment of and secure the 2014 Bonds. Such reduction of Pledged Tax Revenues could have an adverse effect on the Successor Agency's ability to make timely payments of principal of and interest on the 2014 Bonds.

As described in greater detail under the heading "PROPERTY TAXATION IN CALIFORNIA – Article XIII A of the State Constitution," Article XIII A provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation several times; in fiscal year 2010-11, the inflationary value adjustment was negative for the first time at -0.237%. In fiscal year 2011-12, the inflationary value adjustment was 0.753%. For fiscal years 2012-13 and 2013-14, the inflationary value adjustment is 2.00%, which is the maximum permissible increase under Article XIII A. The fiscal year 2014-15 inflation rate is 1.00454%. Any resulting reduction in the full cash value base over the term of the 2014 Bonds could reduce Pledged Tax Revenues available to pay principal of and interest on the 2014 Bonds.

Future Limits on Receiving Tax Increment

As shown on Table 3 in "THE PROJECT AREA", the last year to repay debt with Tax Revenues in the 1974 Amendment Area is July 2027; the 1974 Amendment Area currently represents approximately 38% of Project Area Tax Revenues. The 2014 Bonds mature in October 2029, meaning that Tax Revenues will be reduced significantly when the 1974 Amendment Area expires in July of 2027. See Table 8 herein.

Risks to Real Estate Market

The Successor Agency's ability to make payments on the 2014 Bonds, the 2008 Loan, and any Parity Bonds will be dependent upon the economic strength of the Project Area. The general economy of the Project Area will be subject to all of the risks generally associated with urban real estate markets. Real estate prices and development may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development within the Project Area could be adversely affected by limitations of infrastructure or future governmental policies, including governmental policies to restrict or control development. In addition, if there is a decline in the general economy of the Project Area, the owners of property within the Project Area may be less able or less willing to make timely payments of property taxes or may petition for reduced assessed valuation causing a delay or interruption in the receipt of tax increment revenues by the Successor Agency from the Project Area to pay the 2008 Loan or the 2014 Bonds.

Reduction in Inflationary Rate

As described in greater detail below, Article XIII A of the State Constitution provides that the full cash value of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%.

Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation several times; in fiscal year 2010-11, the inflationary value adjustment was negative for the first time at -0.237%. In fiscal year 2011-12, the inflationary value adjustment was 0.753%. For fiscal years 2012-13 and 2013-14, the inflationary value adjustment is 2.00%, which is the maximum permissible increase under Article XIII A.

The Successor Agency is unable to predict if any adjustments to the full cash value of real property within the Project Area will be realized in the future, and whether any such adjustment would be an increase or a reduction. The Successor Agency caused the Fiscal Consultant to prepare two projections of Pledged Tax Revenues: one assuming a 0% inflationary increase and another assuming a 2% inflationary increase.

Development Risks

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

Levy and Collection of Taxes

The Successor Agency has no independent power to levy or collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Pledged Tax Revenues, and accordingly, could have an adverse impact on the security for and the ability of the Successor Agency to repay the 2014 Bonds.

Likewise, delinquencies in the payment of property taxes by the owners of land in the Project Area, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes, could have an adverse effect on the Successor Agency's ability to make timely payments on the 2014 Bond or the 2008 Loan. Any reduction in Pledged Tax Revenue or other property tax revenues, whether for any of these reasons or any other reasons, could have an adverse effect on the Successor Agency's ability to pay the principal of and interest on the 2014 Bonds.

Bankruptcy and Foreclosure

The payment of the property taxes from which Pledged Tax Revenues are derived and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the 2014 Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

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

Natural Disasters

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

State Budget Issues

AB X1 26 and AB 1484 were enacted by the State Legislature and Governor as trailer bills necessary to implement provisions of the State's budget acts for its fiscal years 2011-12 and 2012-13, respectively. The 2011-12 State budget included projected State savings estimated to aggregate \$1.7 billion in 2011-12 associated with AB X1 27, which would have allowed redevelopment agencies to continue in operation provided their establishing cities or counties agreed to make an aggregate \$1.7 billion in payments to K-12 schools. However, AB X1 27 was found in December 2011 by the California Supreme Court to violate the State Constitution, which altered this budgetary plan of the State. According to the State's Summary of the 2012-13 State budget, AB 1484 implements a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs (projected

savings of \$1.5 billion). There can be no assurance that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or former tax increment revenue, such as the Pledged Tax Revenues. The full text of each State Assembly bill cited above may be obtained from the "Official California Legislative Information" website maintained by the Legislative Counsel of the State of California pursuant to State law, at the following web link: <http://www.leginfo.ca.gov/bilinfo.html>.

Information about the State budget and State spending is available at various State maintained websites. Text of the 2012-13 Budget Summary, the current State budget, the Governor's proposed budget for 2013-14 and other documents related to the State budget may be found at the website of the State Department of Finance, www.dof.ca.gov. A nonpartisan analysis of the budget is posted by the Legislative Analyst's Office at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, www.treasurer.ca.gov.

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

Changes in the Law

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the Dissolution Act, the Redevelopment Law or other laws or the Constitution of the State resulting in a reduction of Pledged Tax Revenues, which could have an adverse effect on the Successor Agency's ability to pay debt service on the 2014 Bonds. Although the federal and State Constitutions include clauses generally prohibiting the Legislature's impairment of contracts, there are also recognized exceptions to these prohibitions.

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS," interest on the 2014 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2014 Bonds were issued, as a result of future acts or omissions of the Successor Agency in violation of its covenants in the Indenture.

In addition, current and future legislative proposals, if enacted into law, may cause interest on the 2014 Bonds to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax exempt by individuals.

Should such an event of taxability occur, the 2014 Bonds are not subject to special redemption and will remain outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Secondary Market

There can be no guarantee that there will be a secondary market for the 2014 Bonds, or, if a secondary market exists, that the 2014 Bonds can be sold for any particular price.

Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the 2014 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the 2014 Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the 2014 Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations.

In the opinion of Bond Counsel, the difference between the issue price of a 2014 Bond (the first price at which a substantial amount of the 2014 Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such 2014 Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2014 Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the 2014 Bond Owner will increase the 2014 Bond Owner's basis in the 2014 Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Owner of a 2014 Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the 2014 Bonds is based upon certain representations of fact and certifications made by the Agency, the City and others and is subject to the condition that the Agency comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2014 Bonds to assure that interest (and original issue discount) on the 2014 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the 2014 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2014 Bonds. The Agency will covenant to comply with all such requirements.

The amount by which a 2014 Bond Owner's original basis for determining loss on sale or exchange in the applicable 2014 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable 2014 Bond premium, which must be amortized under Section 171 of the Code; such amortizable 2014 Bond premium reduces the 2014 Bond Owner's basis in the applicable 2014 Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2014 Bond premium may result in a 2014 Bond Owner realizing a taxable gain when a 2014 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2014 Bond to the Owner.

Purchasers of the 2014 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable 2014 Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2014 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2014 Bonds might be affected as a result of such an audit of the 2014 Bonds (or by an audit of other similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2014 Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the 2014 Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 2014 BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE INTEREST ON THE 2014 BONDS OR THE MARKET VALUE OF THE 2014 BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2014 BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2014 BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE 2014 BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE 2014 BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2014 BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2014 Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the 2014 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the exclusion from gross income of interest (and original issue discount) on the 2014 Bonds for federal income tax purposes with respect to any 2014 Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the 2014 Bonds is excluded from gross income for federal income tax purposes provided that the Agency continues to comply with certain requirements of the Code, the ownership of the 2014 Bonds and the accrual or receipt of interest (and original issue discount) with respect to the 2014 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2014 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2014 Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Grant Thornton LLP, Minneapolis, Minnesota (the “**Verification Agent**”), will examine the arithmetical accuracy of certain computations included in the schedules provided by the Successor Agency relating to defeasance and redemption of the 2003 Bonds. See “REFUNDING PLAN” above.

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

AUDITED FINANCIAL STATEMENTS

The Comprehensive Annual Financial Report of the City for the year ended June 30, 2013 is attached as Appendix E (the “**City CAFR**”). The City uses a fiduciary fund to account for the Prior Agency activities. The fund is used to report resources held in trust until they are distributed to other units of the state and local government or used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

The City has not requested nor did the City obtain permission from its auditor to include the audited financial statements as an appendix to this Official Statement, and the auditor has not performed any post-audit review of the financial condition or operations of the Prior Agency or the Successor Agency.

CONCLUDING INFORMATION

Underwriting

The 2014 Bonds are being purchased by Mitsubishi UFJ Securities (USA), Inc. (the “**Underwriter**”). The Underwriter has agreed to purchase the 2014 Bonds at a price of \$43,225,954.50 (being the principal amount of the 2014 Bonds of \$38,810,000 plus an original issue premium of \$4,736,137.00 and less an Underwriter’s discount of \$320,182.50). The Underwriter will purchase all of the 2014 Bonds if any are purchased.

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

From time to time, Mitsubishi UFJ Securities (USA), Inc. and its affiliate, MUFG Union Bank, N.A., provide various services to the Successor Agency and the City including commercial banking and other services for which they receive customary compensation. In addition, MUFG Union Bank, N.A. and the Successor Agency have an existing Credit Agreement which currently has \$23,666,667 in outstanding principal.

Mitsubishi UFJ Securities (USA), Inc. and UnionBanc Investment Services LLC (UBIS) have also entered into a Distribution Agreement under which UBIS may distribute certain municipal securities offerings underwritten by Mitsubishi UFJ Securities (USA), Inc., including the 2014 Bonds. Pursuant to this agreement, Mitsubishi UFJ Securities (USA), Inc. will share a portion of its underwriting compensation with respect to the 2014 Bonds.

Legal Opinion

The final approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, will be furnished to the purchaser at the time of delivery of the 2014 Bonds.

A copy of the proposed form of Bond Counsel's final approving opinion with respect to the 2014 Bonds is attached as Appendix B.

In addition, certain legal matters will be passed on by Jones Hall, A Professional Law Corporation, as Disclosure Counsel and Orrick, Herrington & Sutcliffe LLP, as Underwriter's Counsel.

Certain legal matters will be passed on for the Successor Agency by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as special counsel for the Successor Agency.

Compensation paid to Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon the sale and delivery of the 2014 Bonds.

Litigation

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

Ratings

Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ("**S&P**"), has assigned its rating of "AA" to the 2014 Bonds, with the understanding that, upon issuance of the Series C Bonds, a policy insuring the payment when due of principal of and interest on the 2014 Bonds will be issued by BAM. In addition, S&P has assigned an underlying rating of "A" to the 2014 Bonds. The ratings reflect only the view of S&P as to the credit quality of the 2014 Bonds, and explanation of the significance of the ratings may be obtained from S&P.

There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2014 Bonds.

Continuing Disclosure

The Successor Agency will covenant for the benefit of owners of the 2014 Bonds to provide certain financial information and operating data relating to the Successor Agency by not later than March 31 after the end of each fiscal year of the Successor Agency (currently June 30th), commencing not later than March 31, 2015 with the report for the 2013-14 fiscal year (the “**Annual Report**”), and to provide notices of the occurrence of certain listed events. The specific nature of the information to be contained in the Annual Report or the notices of listed events is summarized in “APPENDIX D - FORM OF SUCCESSOR AGENCY CONTINUING DISCLOSURE CERTIFICATE,” attached to this Official Statement. These covenants have been made in order to assist the Underwriter (as defined below) in complying with Securities Exchange Commission Rule 15c2 12(b)(5) (the “**Rule**”).

The City and its related entities, including the Prior Agency and the City’s Housing Authority, previously entered into numerous disclosure undertakings under the Rule in connection with the issuance of long-term obligations. In connection with the issuance of the 2014 Bonds, the Successor Agency retained the consulting firm of Municipal Disclosure Advisors to undertake an audit of the City’s and its related entities’ compliance with their continuing disclosure obligations during the prior five years. A copy of Municipal Disclosure Advisors’ report is available upon request from the Successor Agency.

The audit uncovered a number of instances of failure by the City, the Successor Agency, the Prior Agency and the City’s Housing Authority over the past five years to materially comply with their disclosure undertakings under the Rule. Specifically, annual financial statements for the fiscal years ending on June 30 in the years 2009, 2010 and 2011 were not filed for the 2003 Bonds and various multifamily housing bond issues, the annual reports with respect to water and wastewater issues of the City did not include all required information, and the annual reports for the 2003 Bonds of the Prior Agency did not include all required information. For a number of the prior issues covered by the review, audited financial statements were filed several days late, and notices of underlying and insured rating changes were not filed or were filed late. The City and its related entities have made remedial filings and are currently in compliance with their existing undertakings under the Rule. The City and the Successor Agency plan to implement policies and procedures which are designed to ensure that they do not materially fail to comply with future continuing disclosure undertakings.

Miscellaneous

All of the preceding summaries of the Indenture, the Redevelopment Law, the Dissolution Act, other applicable legislation, the Redevelopment Plan for the Project Area, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Successor Agency for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the 2014 Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement by its Executive Director has been duly authorized by the Successor Agency.

SUCCESSOR AGENCY TO THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

By: /s/ Matthew J. Fertal
Executive Director

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture. This summary is not intended to be definitive and is qualified in its entirety by reference to the Indenture for the complete terms thereof. Copies of the Indenture are available upon request from the Community Facilities District.

DEFINITIONS

“Act” means Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code.

“Annual Debt Service” means, for any Bond Year, the principal and interest payable on the Outstanding Bonds and, as the context requires, Outstanding Parity Bonds in such Bond Year.

“BAM” means Build America Mutual Assurance Company, or any successor thereto.

“Bond Counsel” means Stradling Yocca Carlson & Rauth, a Professional Corporation, or any other attorney or firm of attorneys acceptable to the Successor Agency of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions.

“Bond”, “Bonds” or “2014 Bonds” means the Garden Grove Community Project, Tax Allocation Refunding Bonds, Issue of 2014, authorized by and at any time Outstanding pursuant to the Indenture.

“Bond Insurer” means BAM.

“Bond Year” means the twelve (12) month period commencing on October 2 of each year, provided that the first Bond Year shall extend from the Delivery Date to October 1, 2014.

“Bondowner” or “Owner”, or any similar term, means any person who shall be the registered owner or his duly authorized attorney, trustee or representative of any Outstanding Bond and as the context may require, Parity Bond.

“Business Day” means any day other than (i) a Saturday or Sunday or legal holiday or a day on which banking institutions in the city in which the Trust Office of the Trustee is located are authorized to close, or (ii) a day on which the New York Stock Exchange is closed.

“Certificate” or “Certificate of the Successor Agency” means a Written Certificate of the Successor Agency.

“Chairman” means the chairman of the Successor Agency or other duly appointed officer of the Successor Agency authorized by the Successor Agency by resolution or bylaw to perform the functions of the chairman in the event of the chairman’s absence or disqualification.

“City” means the City of Garden Grove, State of California.

“Code” means the Internal Revenue Code of 1986, as amended, and any regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

“Computation Year” means, with respect to the Bonds, the period beginning on the Delivery Date and ending on October 1, 2014, and each 12-month period ending on October 1 thereafter until there are no longer any Bonds Outstanding.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement between the Successor Agency and the dissemination agent dated the Delivery Date as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means the costs and expenses incurred in connection with the issuance and sale of the Bonds including the initial fees and expenses of the Trustee, rating agency fees, legal fees and expenses, costs of printing the Bonds and Official Statement, fees of financial consultants and other fees and expenses set forth in a Written Certificate of the Successor Agency.

“Costs of Issuance Fund” means the trust fund by that name established in the Indenture.

“County” means the County of Orange, California.

“Debt Service Fund” means the trust fund by that name established in the Indenture.

“Defeasance Securities” means (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4), pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, (5), securities eligible for “AAA” defeasance under then existing criteria of S & P or any combination, or (6) other securities approved by BAM.

“Delivery Date” means the date on which the Bonds are delivered to the initial purchaser thereof.

“Dissolution Act” means Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State of California.

“DOF” means the California Department of Finance.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Fiscal Year” means any twelve (12) month period beginning on July 1st and ending on the next following June 30th.

“Fund or Account” means any of the funds or accounts referred to in the Indenture.

“Indenture” means that certain Indenture of Trust dated as of June 1, 2014, between the Successor Agency and U.S. Bank National Association, approved by Resolution No. 18-13, as amended by Resolution No. 24-14, adopted by the Successor Agency on November 12, 2013 and April 8, 2014, respectively, and Resolution No. 27-13, as amended by Resolution No. 34-14 adopted by the Oversight Board on November 13, 2013, amended April 9, 2014, respectively, authorizing the issuance of the Bonds.

“Independent Financial Consultant” “Independent Engineer” “Independent Certified Public Accountant” or “Independent Redevelopment Consultant” means any individual or firm engaged in the profession involved, appointed by the Successor Agency, and who, or each of whom, has a favorable reputation in the field in which his/her opinion or certificate will be given, and:

- (1) is in fact independent and not under domination of the Successor Agency;
- (2) does not have any substantial interest, direct or indirect, with the Successor Agency, other than as original purchaser of the Bonds; and
- (3) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

“Insured Obligations” means the Bonds.

“Interest Account” means the account by that name referenced in the Indenture.

“Interest Payment Date” means April 1 and October 1, commencing October 1, 2014 so long as any of the Bonds remain Outstanding under the Indenture.

“Issuer” means the Successor Agency.

“Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Obligations and (b) the maximum rate permissible under applicable usury or other laws limiting interest rates and applicable to the Successor Agency. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as BAM, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to BAM shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

“Law” means the Community Redevelopment Law of the State of California as cited in the Indenture.

“Maximum Annual Debt Service” means the largest of the sums obtained for any Bond Year after the computation is made, by totaling the following for each such Bond Year:

- (1) The principal amount of all Bonds and Parity Bonds, if any, and the amount of any sinking account payments payable in such Bond Year; and

(2) The interest which would be due during such Bond Year on the aggregate principal amount of Bonds and Parity Bonds which would be outstanding in such Bond Year if the Bonds and Parity Bonds outstanding on the date of such computation were to mature or be redeemed in accordance with the maturity schedules for the Bonds and Parity Bonds. At the time and for the purpose of making such computation, the amount of term Bonds and term Parity Bonds already retired in advance of the above-mentioned schedules shall be deducted pro rata from the remaining amounts thereon; and

(3) 2008 Loan Annual Debt Service coming due and payable in such Bond Year.

“McWhinney DDA Obligation” means the obligation of the Successor Agency to fund that certain Covenant Consideration in the amount of \$42,000,000 pursuant to Sections 408 and 408.1 of that certain First Amended and Restated Disposition and Development Agreement dated as of April 13, 2010, as amended from time to time, and pursuant to that certain Implementation Agreement (Water Park DDA) dated as of October 8, 2013, as may be amended from time to time in each case by and between the Successor Agency, (as successor to the Prior Agency) and Garden Grove MXD, Inc. or its permitted successor and assigns.

“Opinion of Counsel” means a written opinion of an attorney or firm of attorneys of favorable reputation in the field of municipal bond law. Any opinion of such counsel may be based upon, insofar as it is related to factual matters, information which is in the possession of the Successor Agency as shown by a certificate or opinion of, or representation by, an officer or officers of the Successor Agency, unless such counsel knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which his or her opinion may be based, as aforesaid, is erroneous.

“Outstanding” means, when used as of any particular time with reference to Bonds or Parity Bonds, as the context may require, subject to the provisions of the Indenture, all Bonds or Parity Bonds theretofore issued and authenticated under the Indenture except:

- (a) Bonds or Parity Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds or Parity Bonds paid or deemed to have been paid; and
- (c) Bonds or Parity Bonds in lieu of or in substitution for which other Bonds or Parity Bonds shall have been authorized, executed, issued and authenticated pursuant to the Indenture.

“Oversight Board” means the oversight board to the Successor Agency duly constituted from time to time pursuant to Section 34179 of the Dissolution Act.

“Parity Bonds” means any additional tax allocation bonds (including, without limitation, bonds, notes, interim certificates, debentures or other obligations) issued by the Successor Agency as permitted by the Indenture.

“Paying Agent” means any paying agent appointed by the Successor Agency pursuant to the Indenture.

“Permitted Investments” means:

- (a) For all purposes, including defeasance investments in refunding escrow accounts.
 - (1) Defeasance Securities
- (b) For all purposes other than defeasance investments in refunding escrow accounts.
 - (1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - Export-Import Bank
 - Rural Economic Community Development Administration
 - U.S. Maritime Administration
 - Small Business Administration
 - U.S. Department of Housing & Urban Development (PHAs)
 - Federal Housing Administration -Federal Financing Bank
 - (2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
 - Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
 - Obligations of the Resolution Funding Corporation (REFCORP)
 - Senior debt obligations of the Federal Home Loan Bank System
 - Senior debt obligations of other Government Sponsored Agencies
 - (3) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks, which may include the Trustee, its parent holding company, if any, and their affiliates, which have a rating on their short term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
 - (4) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1+” by S&P and which matures not more than 270 calendar days after the date of purchase;
 - (5) Investments in a money market fund, including those of an affiliate of the Trustee rated “AAAm” or “AAAm-G” or better by S&P;
 - (6) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency,

instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

- (A) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s or S&P or any successors thereto; or
 - (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (2) of the definition of Defeasance Securities, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.
- (7) Municipal Obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by S&P.
 - (8) Investment Agreements with an entity rated “A” or higher by S&P; and;
 - (9) The Local Agency Investment Fund of the State or any state administered pooled investment fund in which the Successor Agency is statutorily permitted or required to invest will be deemed a permitted investment.
- (c) The value of the above investments shall be determined as follows:
- (1) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, and Bank of America Merrill Lynch.
 - (2) As to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest thereon; and
 - (3) As to any investment not specified above: the value thereof established by prior agreement among the Successor Agency and the Trustee.

“Plan Limitations” means the limitations contained or incorporated in the Redevelopment Plan on (a) the aggregate principal amount of indebtedness payable from Tax Revenues which may be outstanding at any time, (b) the aggregate amount of taxes which may be divided and allocated to the Prior Agency (and now the Successor Agency) pursuant to the Redevelopment Plan, (c) the period of time for establishing or incurring indebtedness payable from Tax Revenues and (d) the period of time for receiving Tax Revenues for any purpose, established pursuant to Section 33333.2, 33333.4 or 33333.6 of the Law, as applicable.

“Pledged Tax Revenues” means the portion of the monies deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of Section 34172 of the Dissolution Act, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act that are equal to that portion of taxes levied upon taxable property in the Project Area and received by the Successor Agency on or after the date of issue of the Bonds, pursuant to Article 6 of Chapter 6 of the Prior Law and Section 16 of Article XVI of the Constitution of the State, within the Plan Limitations pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State and as provided in the Redevelopment Plan, including (a) all payments, subventions and reimbursements (if any) to the Successor Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, and (b) as to such percentage of annual debt service on any issue of Parity Bonds as shall be specified in the proceedings for such Parity Bonds, all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund in any Fiscal Year pursuant to Section 33334.3 of the Redevelopment Law but excluding (i) all amounts of such taxes which are payable to entities other than the Successor Agency pursuant to the Tax Sharing Statutes or the Tax Sharing Agreements to the extent such Tax Sharing Statutes or Tax Sharing Agreements create a prior lien on such taxes and such entities other than the Successor Agency have not subordinated their right to receive payments, (ii) except as set forth in (b) above, all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund in any fiscal year pursuant to Section 33334.3 of the Redevelopment Law and (iii) amounts, if any, payable by the State to the Successor Agency under and pursuant to the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the Government Code of the State. In accordance with the Dissolution Act, the Bonds and Parity Bonds shall be payable from and secured by, and Pledged Tax Revenues shall include, moneys deposited, from time to time, in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (b) of Health & Safety Code Section 34170.5 and subdivision (c) of Health & Safety Code Section 34172, and paid to the Successor Agency as provided in paragraph (2) of subdivision (a) of Health & Safety Code Section 34183. If, and to the extent, that the provisions of Section 34170.5, Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then Pledged Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution.

“Principal Account” means the account by that name referenced in the Indenture.

“Prior Agency” means the Garden Grove Agency for Community Development.

“Prior Law” means the Community Redevelopment Law of the State of California (commencing with Health and Safety Code Section 33000) as it existed on or before June 29, 2011.

“Policy” means the Municipal Bond Insurance Policy issued by BAM that guarantees the scheduled payment of principal of and interest on the Insured Obligations when due.

“Rebate Regulations” means the final Treasury Regulations issued under Section 148(f) of the Code.

“Recognized Obligation Payment Schedule” means a Recognized Obligation Payment Schedule, each prepared and approved from time to time pursuant to subdivision (l) of Section 34177 of the Dissolution Act.

“Redevelopment Plan” means the Redevelopment Plan for the Redevelopment Project known as the “Garden Grove Community Project” as adopted and approved by the City on June 26, 1973 by Ordinance No. 1339; as amended by Ordinance No. 1388, adopted on July 9, 1974; as amended by Ordinance No. 1548, adopted on November 29, 1976; as amended by Ordinance No. 1699 adopted on October 16, 1979, and renamed “Garden Grove Community Project, As Amended”; as amended by Ordinance No. 1760 on June 9, 1981; as merged with the Redevelopment Plan for the Trask Avenue Project, adopted by Ordinance No. 1476 on November 25, 1975; as merged with the Redevelopment Plan for the Brookhurst/Chapman Project, adopted by Ordinance No. 1576 on March 21, 1977; as merged with the Redevelopment Plan for the Brookhurst/Katella Project, adopted by Ordinance No. 1642 on February 21, 1978; as merged by Ordinance No. 1699 on October 16, 1979 and Ordinance No. 1760 on June 1, 1981; as amended by Ordinance No. 2035 on February 16, 1988; as amended by Ordinance No. 2232 on July 14, 1992; as amended by Ordinance No. 2304 on October 18, 1994; as amended by Ordinance No. 2455 on December 8, 1998, and as amended by Ordinance No. 2567 on July 9, 2002.

“Redevelopment Project” means the Garden Grove Community Project established pursuant to the Redevelopment Plan.

“Redevelopment Project Area,” or “Project Area” means the area within the Garden Grove Community Project, as described in the Redevelopment Plan.

“Refunded Bonds” means the 2003 Bonds.

“Regular Record Date” means the fifteenth day of the month preceding any Interest Payment Date whether or not such day is a Business Day.

“Report” means a document in writing signed by an Independent Financial Consultant and including:

(a) A statement that the person or firm making or giving such Report has read the pertinent provisions of the Indenture to which such Report relates;

(b) A brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and

(c) A statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

“Reserve Account” means the account by that name referenced in the Indenture.

“Reserve Requirement” means, as of the date of computation and with respect to each series of Bonds or Parity Bonds for which a reserve is to be funded, an amount equal to the lesser of (i) Maximum Annual Debt Service on the Bonds or Parity Bonds exclusive of the 2008 Loan, (ii) 10% of the net proceeds of the Bonds or Parity Bonds exclusive of the 2008 Loan, or (iii) 125% of the average Annual Debt Service on the Bonds or Parity Bonds Outstanding exclusive of the 2008 Loan.

“Redevelopment Obligation Retirement Fund” means the fund by that name established pursuant to Health & Safety Code Section 34170.5(a) and administered by the Successor Agency.

“Redevelopment Property Tax Trust Fund” or “RPTTF” means the fund by that name established pursuant to Health & Safety Code Section 34170.5(b) and administered by the County auditor-controller.

“Security Documents” means the resolution, trust agreement, indenture, ordinance, loan agreement, bond, note, certificate and/or any additional or supplemental document executed in connection with the Insured Obligations.

“State” means the State of California, United States of America.

“Subordinate Debt” means any loans, advances, contracts or indebtedness issued or incurred by the Agency in accordance with the requirements of the Indenture, which are secured by a pledge of or lien upon the Pledged Tax Revenues which is subordinate to the pledge of and lien upon the Pledged Tax Revenues under the Indenture for the security of the Bonds, other than solely by reason of a pledge of the Redevelopment Property Tax Trust Fund arising under Section 34177.5 of the Dissolution Act.

“Supplemental Indenture” means any indenture then in full force and effect which has been duly adopted by the Successor Agency under the Dissolution Act, or any act supplementary thereto or amendatory thereof, at a meeting of the Successor Agency duly convened and held, of which a quorum was present and acted thereon, amendatory of or supplemental to the Indenture or any indebtedness entered into in connection with the issuance of Parity Bonds; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Certificate” means that certain Tax Certificate executed by the Successor Agency with respect to the Bonds.

“Tax Sharing Agreements” means the following agreements between the Prior Agency (now the Successor Agency) and affected taxing entities (or La Quinta Homes, LLC, in a single case), together with any permitted amendments or modifications thereof:

- Capital Facilities Agreement by and between the Garden Grove Unified School District (the “GGUS District”) and the Prior Agency, dated as of August 25, 1992;
- Tax Sharing Agreement dated as of September 29, 1992 by and among the County of Orange, the County of Orange Harbors, Beaches and Parks Service Area No. 26, the Court of Orange Flood Control District, the County of Orange Public Library;

- Tax Sharing Agreement by and between the County Sanitation District No. 2 and the Prior Agency, Dated November 24, 1992;
- Tax Sharing Agreement by and between the Garden Grove Sanitary District and the Prior Agency, dated November 10, 1992;
- Tax Sharing Agreement by and between the Huntington Beach Union High School District and the Prior Agency, dated February 9, 1993;
- Tax Sharing Agreement by and between the Orange County Vector Control District and the Prior Agency, dated as of July, 1993;
- Tax Sharing Agreement by and between the Westminster School District and the Prior Agency, dated November 10, 1992;
- Capital Facilities Agreement by and between the Rancho Santiago Community College District and the Prior Agency, dated as of August 25, 1992;
- Tax Sharing Agreement by and between the Orange County Water District and the Prior Agency, dated as of June 3, 1992;
- Tax Sharing Agreement by and between the Orange Unified School District and the Prior Agency, dated April 13, 1993;
- Tax Sharing Agreement by and between the Orange County Superintendent of Schools and the Prior Agency, dated June 8, 1993;
- Tax Sharing Agreement by and between the North Orange County Community College District and the Prior Agency, dated June 8, 1993;
- Tax Sharing Agreement by and between the Coast Community College District and the Prior Agency, dated as of July, 1993;
- Owner Participation Agreement by and between the Prior Agency and La Quinta Homes, LLC dated as of November 12, 1996; and
- Resolution of Anaheim Union High School District adopted pursuant to former Health and Safety Code Section 33676(a); and
- Resolution of Anaheim Elementary School District adopted pursuant to former Health and Safety Code Section 33676(a).

“Tax Sharing Statutes” means Sections 33607.5 and/or 33607.7 of the Law and Section 34183 of the Dissolution Act.

“Term Bonds” means any maturity of Parity Debt which is subject to mandatory sinking account redemption pursuant to the instrument authorizing the issuance thereof.

“Trust Office” means the corporate trust office of the Trustee, currently at U.S. Bank National Association, Los Angeles, California except for exchange, surrender and payment of the Bonds, in which case “Trust Office” shall refer to the corporate trust office of U.S. Bank National Association in St. Paul, Minnesota, or such other or additional offices as may be specified to the Successor Agency by the Trustee in writing.

“Trustee” means U.S. Bank National Association, a national banking association, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Indenture.

“Union Bank” means MUFG Union Bank, N.A., successor to Union Bank of California, N.A., and its permitted successors and assigns with respect to the 2008 Loan.

“Union Bank Provisions” means certain terms of the Indenture pertaining to the 2008 Loan and its parity payment terms.

“2003 Bonds” means the Prior Agency’s \$57,025,000 2003 Tax Allocation Refunding Bonds (Garden Grove Community Project).

“2003 Bonds Escrow Bank” means The Bank of New York Mellon Trust Company, N.A., a national banking association, as escrow bank under the Escrow Agreement.

“2003 Bonds Escrow Fund” means the trust fund established under the 2003 Bonds Escrow Agreement.

“2003 Bonds Escrow Agreement” means the 2003 Bonds Escrow Agreement between the Successor Agency and the 2003 Bonds Escrow Bank.

“2003 Indenture” means the Indenture of Trust dated as of May 1, 2003 providing for the issuance of the 2003 Bonds.

“2008 Credit Agreement” means the Credit Agreement dated as of June 2, 2008 between the Prior Agency and MUFG Union Bank N.A., formerly known as Union Bank of California, N.A., and that certain Union Bank Consent dated as of January 30, 2014 referenced in the recitals of the Indenture, providing for the 2008 Loan and certain parity payment treatment of the 2008 Loan under the Indenture, respectively.

“2008 Loan” means the Prior Agency’s \$32,000,000 Term Loan Facility and any Parity Bonds issued to refund the 2008 Loan in accordance with the Indenture.

“2008 Loan Annual Debt Service” means for the purpose of issuance of Parity Bonds under the Indenture and for calculation of Maximum Annual Debt Service, for any Bond Year, the scheduled principal and interest payable on the 2008 Loan and any obligations issued to refund the 2008 Loan, in whole or in part, in such Bond Year, assuming interest during any period that the 2008 Loan (or refunding loan) bears interest at a variable rate at a fixed rate to maturity equal to the average LIBO Rate (as such term is defined in the 2008 Loan Credit Agreement) applicable to one month LIBO commencing on the first business day of each month for the past 84 months for which such LIBO Rate has been reported plus the Applicable Margin (as such term is defined in the 2008

Credit Agreement) in no event less than four and one quarter percent (4.25%) per annum, as certified by the Independent Financial Consultant in connection with delivery of its certificate or opinion.

“2008 Loan Revenues” means Successor Agency moneys available and designated for payment of the 2008 Loan pursuant to the Dissolution Act, the Prior Law and the 2008 Loan Credit Agreement from moneys deposited in the Redevelopment Property Tax Trust Fund to pay the 2008 Loan or to refinance the 2008 Loan.

“Written Request of the Successor Agency” or “Written Certificate of the Successor Agency” means a request or certificate, in writing signed by the Executive Director, Secretary or Finance Officer of the Successor Agency or by any other officer of the Successor Agency duly authorized by the Successor Agency for that purpose.

COST OF ISSUANCE FUNDS; VALIDITY OF BONDS

Costs of Issuance Fund. There is established by the Indenture a separate fund to be known as the “Costs of Issuance Fund,” which shall be held by the Trustee in trust. The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Successor Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said Fund. On the date which is three (3) months following the Delivery Date, or upon the earlier Written Request of the Successor Agency, all amounts (if any) remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Debt Service Fund and the Trustee shall close the Costs of Issuance Fund.

Validity of Bonds. The validity of the authorization and issuance of the Bonds will not be dependent upon the completion of the Redevelopment Project or upon the performance by any person of his obligation with respect to the Redevelopment Project.

SECURITY OF BONDS; REBATE FUND

Security of Bonds; Equal Security. Except as provided in the Indenture, the Bonds shall be equally secured by a pledge of and lien on all of the Pledged Tax Revenues and on all of the moneys in the Redevelopment Obligation Retirement Fund and the Debt Service Fund (including the Interest Account, the Principal Account and the Reserve Account therein) on a parity (except as to the 2014 Bonds Reserve Account) with the first pledge of and lien thereon of the Parity Bonds without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery, subject to application to the purposes and in the manner described in the Indenture. Except for the Pledged Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds.

In consideration of the acceptance of the Bonds and Parity Bonds by those who shall own the same from time to time, the Indenture shall be deemed to be and shall constitute a contract between the Successor Agency and the Trustee for the benefit of the Owners from time to time of the Bonds, and Parity Bonds and the covenants and agreements set forth in the Indenture to be performed on behalf of the Successor Agency shall be for the equal and proportionate benefit, security and

protection of all Owners of the Bonds and Parity Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds or Parity Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or in the Indenture.

Rebate Fund. The Trustee shall establish the Rebate Fund and the Successor Agency shall comply with the requirements of the Indenture summarized below. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by this provisions of the Indenture summarized in this section and the applicable Tax Certificate, unless the Successor Agency obtains an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes if such requirements are not satisfied.

(a) Excess Investment Earnings

(i) Computation. Within 55 days of the end of each fifth Computation Year with respect to the Bonds, the Successor Agency shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g. the temporary investments exception of Section 148(f)(4)(B) and the construction expenditure exception of Section 148(f)(4)(C) of the Code), for this purpose treating the last day of the applicable Computation Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the “Rebatable Arbitrage”). The Successor Agency shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with the provisions of the Indenture summarized in this section.

(ii) Transfer. Within 55 days of the end of each fifth Computation Year with respect to the Bonds, upon the written direction of an authorized officer, an amount shall be deposited to the Rebate Fund by the Trustee from any legally available funds, including the other funds and accounts established in the Indenture, so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with clause (i) of this Section 4.5(a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon receipt of a Written Certificate of the Successor Agency, the Trustee shall withdraw the excess from the Rebate Fund and then credit the excess to the Debt Service Fund.

(iii) Payment to the Treasury. The Successor Agency shall direct the Trustee in writing to pay to the United States Treasury, out of amounts in the Rebate Fund.

(X) Not later than 60 days after the end of (A) the fifth Computation Year with respect to the Bonds, and (B) each applicable fifth Computation Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Computation Year; and

(Y) Not later than 60 days after the payment of all the Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Computation Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Successor Agency shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source, including the other funds and accounts established in the Indenture, equal to such deficiency in the Rebate Fund prior to the time such payment is due. Each payment required to be made pursuant to the provisions of the Indenture summarized this Subsection 4.5(a)(iii) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T prepared by the Successor Agency, or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the Bonds and the payments described in the preceding subsection, shall be transferred by the Trustee to the Successor Agency at the written direction of the Successor Agency and utilized in any manner by the Successor Agency.

(c) Survival of Defeasance. Notwithstanding anything in the Indenture to the contrary, the obligation to comply with the requirements summarized in this section shall survive the defeasance of the Bonds and any Parity Bonds.

(d) Trustee Responsible. The Trustee shall have no obligations or responsibilities under the provisions of the Indenture summarized in this section other than to follow the written directions of the Successor Agency. The Trustee shall have no responsibility to make any calculations of rebate or to independently review or verify such calculations.

OTHER COVENANTS OF THE SUCCESSOR AGENCY

Covenants of the Successor Agency. As long as the Bonds or any Parity Bonds are Outstanding and unpaid, the Successor Agency shall (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or in any Bond issued under the Indenture, including the following covenants and agreements for the benefit of the Bondowners which are necessary, convenient and desirable to secure the Bonds and the Parity Bonds and will tend to make them more marketable; provided, however, that the covenants do not require the Successor Agency to expend any funds other than the Pledged Tax Revenues and with respect to the 2008 Loan, 2008 Loan Revenues:

Use of Proceeds; Management and Operation of Properties. The Successor Agency covenants and agrees that the proceeds of the sale of the Bonds will be deposited and used as provided in the Indenture and that it will manage and operate all properties owned by it comprising any part of the Project Area in a sound and businesslike manner.

No Priority. The Successor Agency covenants and agrees that a) to the extent permitted by law and subject to the terms of the McWhinney DDA Obligation and other

existing “enforceable obligations” (as such term is defined in the Dissolution Act), it will manage its affairs so as to enter into no obligations or to fund existing enforceable obligations in a manner which will cause there to be insufficient tax allocation revenues to pay the Bonds, any Parity Bonds and the 2008 Loan on a timely basis, and b) it will not issue any obligations payable, either as to principal or interest, from the Pledged Tax Revenues which have any lien upon the Pledged Tax Revenues prior or superior to the lien of the Bonds and Parity Bonds. Except as permitted by the Indenture, it will not issue any obligations, payable as to principal or interest, from the Pledged Tax Revenues, which have any lien upon the Pledged Tax Revenues on a parity with the Bonds authorized in the Indenture. Notwithstanding the foregoing, nothing in the Indenture shall prevent the Successor Agency (i) from issuing and selling pursuant to law, refunding obligations payable from and having any lawful lien upon the Pledged Tax Revenues, if such refunding obligations are issued for the purpose of, and are sufficient for the purpose of, refunding all of the Outstanding Bonds or Parity Bonds, (ii) subject to clause (a) above from issuing and selling obligations which have, or purport to have, any lien upon the Pledged Tax Revenues which is junior or subordinate to the Bonds or which arise solely by reason of a pledge of the Redevelopment Property Tax Trust Fund under Section 34177.5 of the Dissolution Act or which are payable in whole or in part from tax allocation revenues but are not secured by a pledge thereof, or which come into existence by operation of law, or (iii) from entering into obligations that are payable from sources other than the Pledged Tax Revenues. As used in the Indenture “obligations” includes, without limitation, bonds, notes, interim certificates, debentures or other obligations.

Punctual Payment. The Successor Agency covenants and agrees that it will duly and punctually pay or cause to be paid the principal of and interest on each of the Bonds, Parity Bonds and the 2008 Loan on the date, at the place and in the manner provided in the Bonds, Parity Bonds and the 2008 Credit Agreement. Further, it will take all actions required under the Dissolution Act to include on the Recognized Obligation Payment Schedule for each six-month period all payments to the Trustee to satisfy the requirements of the Indenture and the 2008 Credit Agreement, including any amounts required under the Indenture and to replenish the Reserve Account of the Debt Service Fund to the full amount of the Reserve Requirement.

Payment of Taxes and Other Charges. The Successor Agency covenants and agrees that it will from time to time pay and discharge, or cause to be paid and discharged, all payments in lieu of taxes, service charges, assessments or other governmental charges which may lawfully be imposed upon the Successor Agency or any of the properties then owned by it in the Project Area, or upon the revenues and income therefrom, and will pay all lawful claims for labor, materials and supplies which if unpaid might become a lien or charge upon any of the properties, revenues or income or which might impair the security of the Bonds or Parity Bonds or the use of Pledged Tax Revenues or other legally available funds to pay the principal of and interest on the Bonds, all to the end that the priority and security of the Bonds and Parity Bonds shall be preserved; provided, however, that nothing in this covenant shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of the payment.

Books and Accounts; Financial Statements. The Successor Agency covenants and agrees that it will at all times keep, or cause to be kept, proper and current books and

accounts (separate from all other records and accounts) in which complete and accurate entries shall be made of all transactions relating to the Redevelopment Project and the Tax Revenues and other funds relating to the Redevelopment Project. The Successor Agency will prepare within one hundred eighty (180) days after the close of each of its Fiscal Years a complete financial statement or statements for such year, in reasonable detail covering the Tax Revenues and other funds, accompanied by an opinion of an Independent Certified Public Accountant appointed by the Successor Agency, and will furnish a copy of the statement or statements to the Trustee and any rating agency which maintains a rating on the Bonds and, upon written request, to any Bondowner. The Trustee shall have no duty to review the Successor Agency's financial statements. The Successor Agency's financial statements may be included as part of the City's Comprehensive Annual Financial Report.

Eminent Domain Proceeds. The Successor Agency covenants and agrees that if all or any part of the Redevelopment Project Area should be taken from it without its consent, by eminent domain proceedings or other proceedings authorized by law, for any public or other use under which the property will be tax exempt, it shall take all steps necessary to adjust accordingly the base year property tax roll of the Project Area.

Disposition of Property. The Successor Agency covenants and agrees that it will not dispose of more than ten percent (10%) of the land area in the Project Area (except property shown in the Redevelopment Plan in effect on the date the Indenture is adopted as planned for public use, or property to be used for public streets, public offstreet parking, sewage facilities, parks, easements or right-of-way for public utilities, or other similar uses) to public bodies or other persons or entities whose property is tax exempt, unless such disposition will not result in Pledged Tax Revenues to be less than the amount required for the issuance of Parity Bonds as provided in Section 3.4, based upon the Report of an Independent Financial Consultant appointed by the Successor Agency.

Protection of Security and Rights of Bondowners. The Successor Agency covenants and agrees to preserve and protect the security of the Bonds and any Parity Bonds and the rights of the Bondowners and to contest by court action or otherwise (a) the assertion by any officer of any government unit or any other person whatsoever against the Successor Agency that (i) the Act or the Dissolution Act is unconstitutional or (ii) that the Pledged Tax Revenues pledged under the Indenture cannot be paid to the Successor Agency for the debt service on the Bonds and any Parity Bonds or (b) any other action affecting the validity of the Bonds or diluting the security for the Bonds or any Parity Bonds, including, with respect to the Pledged Tax Revenues, the senior lien position of the Bonds and any Parity Bonds to the Tax Sharing Agreements.

Tax Covenants. The Successor Agency covenants and agrees to contest by court action or otherwise any assertion by the United States of America or any departments or agency thereof that the interest received by the Bondowners is includable in gross income of the recipient under federal income tax laws on the date of issuance of the Bonds. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest with respect to the Bonds will not be adversely affected for federal income tax purposes, the Successor Agency covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion

from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(1) Private Activity. The Successor Agency will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or of any other monies or property which would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

(2) Arbitrage. The Successor Agency will make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(3) Federal Guaranty. The Successor Agency will make no use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(4) Information Reporting. The Successor Agency will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code;

(5) Hedge Bonds. The Successor Agency will make no use of the proceeds of the Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause either any Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Successor Agency takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes; and

(6) Miscellaneous. The Successor Agency will take no action or refrain from taking any action inconsistent with its expectations stated in that certain Tax Certificate executed by the Successor Agency in connection with each issuance of Bonds and will comply with the covenants and requirements stated therein and incorporated by reference in the Indenture.

Further Assurances. The Successor Agency covenants and agrees to adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Indenture.

Continuing Disclosure. The Successor Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the Successor Agency to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, any participating underwriter, holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

THE TRUSTEE

Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Successor Agency may remove the Trustee at any time with the consent of the Bond Insurer, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Successor Agency has knowledge that the Trustee has ceased to be eligible in accordance with the provisions of the Indenture summarized in subsection (e) below, or has become incapable of acting, or has been adjudged as bankrupt or insolvent, or a receiver of the Trustee or its property has been appointed, or any public officer shall have taken control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of written notice of such removal by the Successor Agency to the Trustee acceptable to the Bond Insurer, whereupon the Successor Agency shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving prior written notice of such resignation to the Successor Agency, and by giving the Owners notice of such resignation by first class mail, postage prepaid, at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Successor Agency and the Bond Insurer shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee acceptable to the Bond Insurer shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, at the expense of the Successor Agency, or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Successor Agency and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the Written Request of the Successor Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the

right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions in the Indenture set forth. Upon request of the successor Trustee, the Successor Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in the provisions of the Indenture summarized in this subsection, the Successor Agency shall mail, with a copy to the Successor Trustee, a notice of the succession of such Trustee to the trusts under the Indenture to each rating agency which then has a current rating on the Bonds and to the Owners at their respective addresses shown on the Registration Books. If the Successor Agency fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Successor Agency. Notwithstanding any other provisions of the Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor shall be appointed.

(e) Every successor Trustee appointed under the provisions of the Indenture shall be a national banking association bank in good standing authorized to exercise trust powers or having the powers of a trust company and duly authorized to exercise trust powers within the State having assets of at least \$250,000,000, and subject to supervision or examination by federal or state authority or a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or is otherwise approved by BAM in writing. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the provisions of the Indenture summarized in this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of the Indenture summarized in this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

(f) The Trustee shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds.

(g) Before taking any action pursuant to the provisions of the Indenture relating to the Trustee at the request or direction of the Owners, the Trustee may require that an indemnity bond satisfactory to the Trustee be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or its willful misconduct in connection with any action so taken.

Merger or Consolidation. Any bank or trust company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or trust company shall be eligible under the provisions of the Indenture summarized in subsection (e) above, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Liability of Trustee.

(a) The recitals of facts in the Indenture and in the Bonds contained shall be taken as statements of the Successor Agency, and the Trustee shall not assume responsibility for the correctness of the same, nor make any representations as to the validity or sufficiency of the Indenture or of the Bonds nor shall incur any responsibility in respect thereof, other than as expressly stated in the Indenture. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. The Trustee may become the Owner of any Bonds with the same rights it would have if they were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless the Trustee shall have been negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated under the Indenture shall not be construed as a mandatory duty.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default under the Indenture unless and until it shall have actual knowledge thereof, or shall have received written notice thereof at its Trust Office. Except as otherwise expressly provided in the Indenture, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in the Indenture or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be responsible for reviewing the contents of any financial statements furnished to the Trustee pursuant to the Indenture and may rely conclusively on the certificates accompanying such financial statements to establish the Successor Agency's compliance with its financial covenants under the Indenture, including, without limitation, its covenants regarding the deposit of Pledged Tax Revenues into the Redevelopment Obligation Retirement Fund and the investment and application of moneys on deposit in the Redevelopment Obligation Retirement Fund (other than its covenants to transfer such moneys to the Trustee when due under the Indenture).

(f) No provision in the Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability under the Indenture.

(g) The Trustee may execute any of the trust or powers of the Indenture and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

(h) The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty.

(i) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties, in the absence of negligence or willful misconduct by the Trustee. The Trustee may consult with counsel, including, without limitation, counsel of or to the Successor Agency, with regard to legal questions, and, in the absence of negligence or willful misconduct by the Trustee, the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee under the Indenture in accordance therewith.

The Trustee shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is established to the satisfaction of the Trustee.

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be in the Indenture specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the Successor Agency, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Written Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Trustee may conclusively rely on any certificate of report of any Independent Accountant or Independent Redevelopment Consultant appointed by the Successor Agency.

Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject at all reasonable times during regular business hours upon reasonable notice to the inspection of the Successor Agency and any Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Compensation and Indemnification. The Successor Agency shall pay to the Trustee from time to time reasonable compensation for all services rendered under the Indenture and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under the Indenture. Upon the occurrence of an Event of Default, the Trustee shall have a first lien

on the Pledged Tax Revenues and all funds and accounts held by the Trustee under the Indenture to secure the payment to the Trustee of all fees, costs and expenses, including reasonable compensation to its experts, attorneys and counsel incurred in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture.

The Successor Agency further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against from and against any loss, expense, and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties under the Indenture, including the costs and expenses and those of its attorneys and advisors of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the Successor Agency under the provisions of the Indenture summarized in this section shall survive resignation or removal of the Trustee under the Indenture and payment of the Bonds and discharge of the Indenture.

Investment of Moneys in Funds and Accounts. Subject to the provisions of the Indenture, all moneys held by the Trustee in the Debt Service Fund, 2008 Loan Debt Service Fund, Costs of Issuance Fund and the Rebate Fund, shall, at the written direction of the Successor Agency, be invested only in Permitted Investments. If the Trustee receives no written directions from the Successor Agency as to the investment of moneys held in any Fund or Account, the Trustee shall request such written direction from the Successor Agency and, pending receipt of instructions, shall invest such moneys solely in Permitted Investments described in subsection (b) of the definition thereof.

(a) Moneys in the Redevelopment Obligation Retirement Fund shall be invested by the Successor Agency only in obligations permitted by the Law which will by their terms mature not later than the date the Successor Agency estimates the moneys represented by the particular investment will be needed for withdrawal from the Redevelopment Obligation Retirement Fund.

(b) Moneys in the Interest Account and the Principal Account of the Debt Service Fund and the 2008 Loan Debt Service Fund shall be invested only in obligations which will by their terms mature on such dates as to ensure that before each interest and principal payment date, there will be in such account, from matured obligations and other moneys already in such account, cash equal to the interest and principal payable on such payment date.

(c) Moneys in the Reserve Account shall be invested in (i) obligations which will by their terms mature on or before the date of the final maturity of the Bonds or five (5) years from the date of investment, whichever is earlier or (ii) an investment agreement which permits withdrawals or deposits without penalty at such time as such moneys will be needed or in order to replenish the Reserve Account.

(d) Moneys in the Rebate Fund shall be invested in Defeasance Securities which mature on or before the date such amounts are required to be paid to the United States.

Obligations purchased as an investment of moneys in any of the Funds or Accounts shall be deemed at all times to be a part of such respective Fund or Account and the interest accruing thereon and any gain realized from an investment shall be credited to such Fund or Account and any loss resulting from any authorized investment shall be charged to such Fund or Account without liability

to the Trustee. The Successor Agency or the Trustee, as the case may be, shall sell or present for redemption any obligation purchased whenever it shall be necessary to do so in order to provide moneys to meet any payment or transfer from such Fund or Account as required by the Indenture and shall incur no liability for any loss realized upon such a sale. All interest earnings received on any monies invested in the 2014 Bonds Interest Account, 2014 Bonds Principal Account or 2014 Bonds Reserve Account, to the extent they exceed the amount required to be in such Accounts, shall be transferred on each Interest Payment Date to the Debt Service Fund. All interest earnings received on any monies invested in the 2008 Loan Interest Account or 2008 Loan Principal Account, to the extent they exceed the amount required to be in such Accounts, shall be transferred on each Interest Payment Date to the 2008 Loan Debt Service Fund. All interest earnings on monies invested in the Rebate Fund shall be retained in such Fund and applied as set forth in the Indenture. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the provisions of the Indenture summarized in this section. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the Indenture. The Successor Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Successor Agency the right to receive brokerage confirmations of security transactions as they occur, the Successor Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Successor Agency periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee under the Indenture.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture.

The value of Permitted Investments shall be determined as follows: (i) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination; (ii) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service; (iii) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and (iv) as to any investment not specified above: the value thereof established by prior agreement between the Successor Agency and the Trustee. If more than one provision of this definition of "value" shall apply at any time to any particular investment, the value thereof at such time shall be determined in accordance with the provision establishing the lowest value for such investment; provided, notwithstanding the foregoing, in making any valuations under the Indenture, the Trustee may utilize and conclusively rely upon such pricing services as may be regularly available to it, including, without limitation, those within its regular accounting system.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts held by it established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Successor Agency at reasonable hours and under reasonable circumstances with reasonable prior notice. The Trustee shall furnish to the Successor Agency, at least quarterly, an accounting of all transactions made by the Trustee in the form of its regular account statements relating to the proceeds of the Bonds and all funds and accounts held by the Trustee pursuant to the Indenture.

Appointment of Co-Trustee or Agent. It is the purpose of the Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under the Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies in the Indenture granted to the Trustee or hold title to the properties, in trust, as in the Indenture granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee or Successor Agency appoint an additional individual or institution as a separate co-trustee. The following provisions of the provisions of the Indenture summarized in this section are adopted to these ends.

In the event that the Trustee or Successor Agency appoint an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by the Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee to exercise such powers, rights and remedies, and every covenant an obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the Successor Agency be required by the separate trustee or co-trustee so appointed by the Trustee or Successor Agency for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Successor Agency. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

In addition to the appointment of a co-trustee under the Indenture, the Trustee may, at the expense and with the prior written consent of the Successor Agency, appoint any agent of the Trustee in California for the purpose of administering the transfers or exchanges of Bonds or Parity Bonds or for the performance of any other responsibilities of the Trustee under the Indenture.

MODIFICATION OR AMENDMENT OF THE INDENTURE

Amendment Without Consent of Owners. The Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without consent of any Owners or Union Bank, to the extent permitted by law and any for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Successor Agency in the Indenture contained, other covenants and agreements thereafter to be observed or to limit or surrender any rights or power in the Indenture reserved to or conferred upon the Successor Agency; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Successor Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners; or

(c) to provide for the issuance of Parity Bonds pursuant to the Indenture, and to provide the terms and conditions under which such Parity Bonds may be issued, including but not limited to the establishment of funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of the Indenture; or

(d) to amend any provision of the Indenture relating to the requirements of or compliance with the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on any of the Bonds, in the opinion of nationally-recognized bond counsel.

Amendment With Consent of Owners; Union Bank.

Except as set forth in the provisions of the Indenture summarized in the immediately preceding section, the Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Bond Insurer and the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (i) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Successor Agency to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Bond Insurer and the Owner of such Bond, (ii) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (iii) without its written consent thereto, modify any of the rights or obligations of the Trustee or of the Bond Insurer without the Bond Insurer's written consent, or (iv) without its written consent thereto, modify any of the rights of Union Bank or provisions with respect to the 2008 Loan.

Except as set forth in the provisions of the Indenture summarized in the immediately preceding section, the Indenture and the rights and obligations of the Successor Agency and of Union Bank with respect to the Union Bank Provisions may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of Union Bank is filed

with the Trustee. No such modification or amendment shall (i) materially adversely affect the interests of the Owners of the Bonds or any Parity Bonds except as provided under the Indenture, or (ii) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties to the Indenture or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement or Replacement of Bonds After Amendment. After the effective date of any amendment or modification of the Indenture pursuant to its terms, the Successor Agency may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the Successor Agency, as to such amendment or modification and in that case upon demand of the Successor Agency, the Owners of such Bonds shall present such Bonds for that purpose at the Trust Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the Successor Agency may determine that new Bonds shall be prepared and executed in exchange for any or all of the Bonds and, in that case upon demand of the Successor Agency, the Owners of the Bonds shall present such Bonds for exchange at the Trust Office of the Trustee, without cost to such Owners.

Amendment by Mutual Consent. The provisions of the Indenture governing amendment or modification thereof shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

Opinion of Counsel. The Trustee shall be provided an opinion of counsel that any such Amendment or Supplemental Indenture entered into by the Successor Agency and the Trustee complies with the provisions of the Indenture governing amendment or modification thereof and the Trustee may conclusively rely upon such opinion.

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Events of Default and Acceleration of Maturities. The following events shall constitute Events of Default under the Indenture:

(a) if default shall be made in the due and punctual payment of the principal of or interest or redemption premium (if any) on any Bond or Parity Bonds or the 2008 Loan when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made by the Successor Agency in the observance of any of the covenants, agreements (including default by the obligor on any underlying agreement) or conditions on its part in the Indenture or in the Bonds contained or with respect to any Parity Bonds or the 2008 Loan, other than a default described in the preceding clause (a), and such default shall have continued for a period of 30 days following receipt by the Successor Agency of written notice from the Trustee or any Owner of the occurrence of such default; or

(c) if the Successor Agency shall commence a voluntary action under Title 11 of the United States Code or any substitute or successor statute;

(d) if any Parity Bonds or the 2008 Loan shall have been accelerated following default with respect thereto in accordance with their terms.

If an Event of Default has occurred and is continuing, the Trustee may, or if requested in writing by the Owners of the majority in aggregate principal amount of the Bonds and Parity Bonds then Outstanding, the Trustee shall, by written notice to the Successor Agency, (a) declare the principal of the Bonds and Parity Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, and (b) upon receipt of indemnity to its satisfaction exercise any other remedies available to the Trustee and the Owners in law or at equity.

Immediately upon becoming aware of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Successor Agency by telephone confirmed in writing. Such notice shall also state whether the principal of the Bonds and/or Parity Bonds shall have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (c) above the Trustee shall, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Successor Agency, and the Owners in the same manner as provided in the Indenture for notices of redemption of the Bonds, which shall include the statement that interest on the Bonds and Parity Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the Bonds and Parity Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid interest on the Bonds and Parity Bonds is actually paid on such date.)

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds and Parity Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Successor Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds and any Parity Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds and Parity Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law) at the net effective rate then borne by the Outstanding Bonds and Parity Bonds, and the reasonable fees and expenses of the Trustee, including but not limited to attorneys fees, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds and Parity Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds and Parity Bonds then Outstanding, by written notice to the Successor Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds and Parity Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Upon the occurrence of an event of default, the Trustee may, with the consent of the Bond Insurer and a majority of the Holders of Bonds and Parity Bonds, by written notice to the Successor Agency, declare the principal of the Bonds and Parity Bonds to be immediately due and payable,

whereupon that portion of the principal of the Bonds and Parity Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Indenture or in the Bonds or Parity Bonds to the contrary notwithstanding.

Application of Funds Upon Acceleration. All of the Pledged Tax Revenues and all sums in the funds and accounts established and held by the Trustee under the Indenture upon the date of the declaration of acceleration as provided in the provisions of the Indenture summarized in the immediately preceding section, and all sums thereafter received by the Trustee under the Indenture, shall be applied by the Trustee in the order following, upon presentation of the several Bonds and/or Parity Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture, including reasonable compensation to its agents, attorneys and counsel including all sums owed the Trustee pursuant to the Indenture; and

Second, subject to the provisions of the Indenture relating to parity payments of the 2008 Loan, to the payment of the whole amount then owing and unpaid upon the Bonds, Parity Bonds and 2008 Loan for principal and interest, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds, Parity Bonds and 2008 Loan (to the extent that such interest on overdue installments of principal and interest shall have been collected), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, Parity Bonds and 2008 Loan, then to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest or any Bond, Parity Bonds or 2008 Loan over any other Bond, Parity Bonds or 2008 Loan.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds and Parity Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds and Parity Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds and Parity Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Owner's Right to Sue. No Owner of any Bond or Parity Bonds issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in

aggregate principal amount of all the Bonds and Parity Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding, including a writ of mandamus in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared by the Indenture, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provisions of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds and Parity Bonds.

The right of any Owner of any Bond or any Parity Bonds to receive payment of the principal of (and premium, if any) and interest on such Bond or Parity Bond as provided in the Indenture, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of the provisions of the Indenture summarized in this section or any other provision of the Indenture.

Non-waiver. Nothing in the Indenture or in the Bonds or Parity Bonds, shall affect or impair the obligation of the Successor Agency, which is absolute and unconditional, to pay from the Pledged Tax Revenues and other amounts pledged under the Indenture, the principal of and interest and redemption premium (if any) on the Bonds and Parity Bonds to the respective Owners on the respective Interest Payment Dates, as provided in the Indenture, or affect or impair the right of action, which is also absolute and unconditional, of the Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and Parity Bonds.

A waiver of any default by any Owner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Dissolution Act or by the provisions of the Indenture relating to Events of Default and remedies therefor may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If a suit, action or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to the Owners, the Successor Agency and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Actions by Trustee as Attorney-in-Fact. Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is appointed by the Indenture (and the successive respective Owners by taking and holding the Bonds or Parity Bonds, as applicable, shall be conclusively deemed so to have appointed it) the true and

lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, provided the Trustee shall have no duty or obligation to enforce any such right or remedy if it has not been indemnified to its satisfaction from loss, liability or any expense including, but not limited to reasonable fees and expenses of its attorneys.

Remedies Not Exclusive. No remedy conferred in the Indenture upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture at its execution or thereafter existing, at law or in equity by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

Consent of Bond Insurer. Any reorganization or liquidation plan with respect to the Successor Agency must be acceptable to BAM. In the event of any reorganization or liquidation of the Successor Agency, BAM shall have the right to vote on behalf of all holders of the Insured Obligations absent a continuing failure by BAM to make a payment under the Policy.

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, BAM shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Obligations or the Trustee or Paying Agent for the benefit of the holders of the Insured Obligations under the Indenture. No default or event of default may be waived without BAM's written consent.

BAM as Owner. Upon the occurrence and continuance of a default or an event of default, BAM shall be deemed to be the sole owner of the Insured Obligations for all purposes under the Indenture, including, without limitations, for purposes of exercising remedies and approving amendments.

Special Provisions for Insurer Default. If an Insurer Default shall occur and be continuing, then, notwithstanding anything in paragraphs 8.8 and 8.9 above to the contrary, (1) if at any time prior to or following an Insurer Default, BAM has made payment under the Policy, to the extent of such payment BAM shall be treated like any other holder of the Insured Obligations for all purposes, including giving of consents, and (2) if BAM has not made any payment under the Policy, BAM shall have no further consent rights until the particular Insurer Default is no longer continuing or BAM makes a payment under the Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, "Insurer Default" means: (A) BAM has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) BAM shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the

rehabilitation, liquidation, conservation or dissolution of BAM (including without limitation under the New York Insurance Law).

MISCELLANEOUS

Discharge of Indenture. If the Successor Agency shall pay and discharge the entire indebtedness on all Bonds and Parity Bonds or any portion thereof in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on all Outstanding Bonds and/or Parity Bonds, including all principal, interest and redemption premiums, (if any), or;

(ii) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, is fully sufficient to pay all Outstanding Bonds and/or Parity Bonds, including all principal, interest and redemption premiums (if any), or,

(iii) by irrevocably depositing with the Trustee, in trust, Defeasance Securities in such amount as an Independent Certified Public Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds and/or Parity Bonds (including all principal, interest and redemption premiums, if any) at or before maturity and notwithstanding that any Bonds and Parity Bonds shall not have been surrendered for payment, the pledge of the Pledged Tax Revenues and other funds provided for in the Indenture and all other obligations of the Trustee and the Successor Agency under the Indenture with respect to all Outstanding Bonds and/or Parity Bonds shall cease and terminate, except only (a) the obligation of the Trustee to transfer and exchange Bonds or Parity Bonds under the Indenture and (b) the obligation of the Successor Agency to pay or cause to be paid to the Owners, from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee all fees, expenses and costs of the Trustee. Notice of such election shall be filed with the Trustee and BAM. Any funds thereafter held by the Trustee, which are not required for said purpose, shall be paid over to the Successor Agency. To accomplish defeasance, the Successor Agency shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants (“Accountant”) verifying the sufficiency of the escrow established to pay the Bonds and/or Parity Bonds in full on the maturity or redemption date (“Verification”), (ii) an Escrow Deposit Agreement, (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds and/or Parity Bonds are no longer “Outstanding” under the Indenture and (iv) a certificate of discharge of the Trustee with respect to the Bonds and/or Parity Bonds and/or Parity Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Successor Agency. At least 5 Business Days prior to any defeasance, the Issuer shall deliver to BAM copies of an escrow agreement, opinions regarding the validity and enforceability of the escrow agreement, a verification report (a “Verification Report”) of a nationally recognized independent financial analyst or firm of certified public accountants regarding sufficiency of the escrow and a defeasance legal opinion. Such opinions and Verification Report shall be addressed to BAM and shall be in form and substance satisfactory to BAM. In addition, the escrow agreement shall provide

that: a) Any substitution of securities shall require the delivery of a Verification Report, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the Insured Obligations is excludable) from gross income of the holders of the Insured Obligations of the interest on the Insured Obligations for federal income tax purposes and the prior written consent of BAM; b) The Successor Agency will not exercise any prior optional redemption of Insured Obligations secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to BAM a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption; and c) The Successor Agency shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of BAM.

Bonds and any Parity Bonds shall be deemed “Outstanding” under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

Execution of Documents and Proof of Ownership by Owners. Any request, declaration or other instrument which the Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by their attorneys appointed in writing.

Except as otherwise expressly provided in the Indenture, the fact and date of the execution by any Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

The ownership of Bonds and the amount, maturity, number and date of ownership thereof shall be provided by the Registration Books.

Any request, declaration or other instrument or writing of the Owner of any Bond or Parity Bond shall bind all future Owners of such Bond or Parity Bond in respect of anything done or suffered to be done by the Successor Agency or the Trustee in good faith and in accordance therewith.

Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds and Parity Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds or Parity Bonds which are owned or held by or for the account of the Successor Agency or the City (but excluding Bonds or Parity Bonds held in any employees’ retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided, however, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds and Parity Bonds which the Trustee knows to be so owned or held shall be disregarded.

Destruction of Canceled Bonds. Whenever in the Indenture provision is made for the surrender to the Trustee of any Bonds or Parity Bonds which have been paid or canceled pursuant to the provisions of the Indenture, the Trustee shall destroy such Bonds and Parity Bonds and upon written request of the Successor Agency, provide the Successor Agency a certificate of destruction. The Successor Agency shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds and Parity Bonds therein referred to.

Partial Invalidity. If any section, paragraph, sentence, clause or phrase of the Indenture shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of the Indenture. The Successor Agency declares in the Indenture that it would have adopted the Indenture and each and every other section, paragraph, sentence, clause or phrase of the Indenture and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses, or phrases of the Indenture may be held illegal, invalid or unenforceable. If, by reason of the judgment of any court, the Trustee is rendered unable to perform its duties under the Indenture, all such duties and all of the rights and powers of the Trustee under the Indenture shall, pending appointment of a successor Trustee in accordance with the provisions of the Indenture, be assumed by and vest in the Finance Officer of the Successor Agency in trust for the benefit of the Owners that the Finance Officer in such case shall be vested with all of the rights and powers of the Trustee under the Indenture, and shall assume all of the responsibilities and perform all of the duties of the Trustee under the Indenture, in trust for the benefit of the Bondowners, pending appointment of a successor Trustee in accordance with the provisions of the Indenture.

Payment Procedure Under the Policy. In the event that principal and/or interest due on the Insured Obligations shall be paid by BAM pursuant to the Policy, the Insured Obligations shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Issuer to the registered owners shall continue to exist and shall run to the benefit of BAM, and BAM shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Insured Obligations.

In the event that on the second (2nd) business day prior to any payment date on the Insured Obligations, the Paying Agent or Trustee has not received sufficient moneys to pay all principal of and interest on the Insured Obligations due on such payment date, the Paying Agent or Trustee shall immediately notify BAM or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent or Trustee shall so notify BAM or its designee.

In addition, if the Paying Agent or Trustee has notice that any holder of the Insured Obligations has been required to disgorge payments of principal of or interest on the Insured Obligations pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Paying Agent or Trustee shall notify BAM or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of BAM.

The Paying Agent or Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Insured Obligations as follows:

(e) If there is a deficiency in amounts required to pay interest and/or principal on the Insured Obligations, the Paying Agent or Trustee shall (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holders of the Insured Obligations in any legal proceeding related to the payment and assignment to BAM of the claims for interest on the Insured Obligations, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from BAM with respect to the claims for interest so assigned, and (iii) disburse the same to such respective holders; and

(f) If there is a deficiency in amounts required to pay principal of the Insured Obligations, the Paying Agent or Trustee shall (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holder of the Insured Obligations in any legal proceeding related to the payment of such principal and an assignment to BAM of the Insured Obligations surrendered to BAM, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefore from BAM, and (iii) disburse the same to such holders.

The Trustee shall designate any portion of payment of principal on Insured Obligations paid by BAM, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Obligations registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Obligation to BAM, registered in the name directed by BAM, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured Obligation shall have no effect on the amount of principal or interest payable by the Issuer on any Insured Obligation or the subrogation or assignment rights of BAM.

Payments with respect to claims for interest on and principal of Insured Obligations disbursed by the Paying Agent or Trustee from proceeds of the Policy shall not be considered to discharge the obligation of the Issuer with respect to such Insured Obligations, and BAM shall become the owner of such unpaid Insured Obligations and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

Irrespective of whether any such assignment is executed and delivered, the Successor Agency and the Paying Agent and Trustee agree for the benefit of BAM that: (a) they recognize that to the extent BAM makes payments directly or indirectly (e.g., by paying through the Paying Agent or Trustee), on account of principal of or interest on the Insured Obligations, BAM will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Issuer/Obligor, with interest thereon, as provided and solely from the sources stated in the Indenture and the Insured Obligations; and (b) they will accordingly pay to BAM the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Insured Obligations, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Insured Obligations to holders, and will otherwise treat BAM as the owner of such rights to the amount of such principal and interest.

Additional Payments. The Successor Agency agrees unconditionally that it will pay or reimburse BAM on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that BAM may pay or incur, including, but not limited to, fees and expenses of BAM's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Indenture ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of BAM spent in connection with the actions described in the preceding sentence. The Successor Agency agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to BAM until the date BAM is paid in full.

Notwithstanding anything in the Indenture to the contrary, the Issuer agrees to pay to BAM (i) a sum equal to the total of all amounts paid by BAM under the Policy ("BAM Policy Payment"); and (ii) interest on such BAM Policy Payments from the date paid by BAM until payment thereof in full by the Issuer, payable to BAM at the Late Payment Rate per annum (collectively, "BAM Reimbursement Amounts") compounded semi-annually. The Issuer covenants and agrees that the BAM Reimbursement Amounts are payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the Insured Obligations on a parity with debt service due on the Insured Obligations.

Exercise of Rights by BAM. The rights granted to BAM under the Security Documents to request, consent to or direct any action are rights granted to BAM in consideration of its issuance of the Policy. Any exercise by BAM of such rights is merely an exercise of the BAM's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Insured Obligations and such action does not evidence any position of BAM, affirmative or negative, as to whether the consent of the holders of the Insured Obligations or any other person is required in addition to the consent of BAM.

BAM shall be entitled to pay principal or interest on the Insured Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Successor Agency (as such terms are defined in the Policy) and any amounts due on the Insured Obligations as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not BAM has received a claim upon the Policy.

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APPENDIX B

FORM OF BOND COUNSEL OPINION

Upon issuance of the 2014 Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

_____, 2014

Successor Agency to the Garden Grove Agency for Community Development
Garden Grove, California

Re: *\$38,810,000 Successor Agency to the Garden Grove Agency for
Community Development Garden Grove Community Project, Tax
Allocation Refunding Bonds, Issue of 2014*

Honorable Members of the Successor Agency:

We have examined certified copies of proceedings of the Successor Agency to the Garden Grove Agency for Community Development (the "Successor Agency"), and other information and documents submitted to us relative to the sale and issuance by the Successor Agency of its Successor Agency to the Garden Grove Agency for Community Development Garden Grove Community Project, Tax Allocation Refunding Bonds, Issue of 2014 in the aggregate principal amount of \$38,810,000 (the "Bonds") and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we also have relied upon certain representations of fact and certifications made by the Successor Agency, the Trustee, the Underwriter of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Constitution and laws of the State of California (the "State"), including Article 11 of Chapter 3 (commencing with Section 53580) of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"), the provisions of Health & Safety Code Section 34177.5, resolutions of the Successor Agency adopted on November 12, 2013 and April 8, 2014 (collectively, the "Resolution"), and resolutions adopted by the Oversight Board for the Successor Agency adopted on November 13, 2014 and April 9, 2014 (collectively, the "Oversight Board Action") which action was approved by the California Department of Finance on January 30, 2014 and affirmed on May 8, 2014 and in accordance with the terms and conditions of an Indenture of Trust dated as of June 1, 2014 (the "Indenture"), by and between the Successor Agency and U.S. Bank National Association, as trustee (the "Trustee"). All terms not defined herein have the meanings ascribed to those terms in the Indenture.

The Bonds are dated as of their date of delivery, and mature on the dates and bear interest at the rates per annum set forth in the Indenture. The Bonds are registered Bonds in the form set forth in the Indenture, redeemable in the amounts, at the times and in the manner provided for in the Indenture.

Based upon our examination of all of the foregoing, and in reliance thereon, and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The Bonds have been duly and validly authorized by the Successor Agency and are legal, valid and binding special obligations of the Successor Agency, secured by Pledged Tax Revenues (as defined in the Indenture) and payable on a parity with certain other obligations and other sources, all as and to the extent provided for in the Indenture. The Bonds are enforceable in accordance with their terms and the terms of the Indenture, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, insolvency or other similar laws affecting creditors' rights to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California. The Bonds are special obligations of the Successor Agency but are not a debt of the County of Orange, the State of California or any other political subdivisions thereof within the meaning of any constitutional or statutory limitation, and neither the County of Orange, the State of California, or any other of its political subdivisions, except the Successor Agency, is liable for the payment thereof.

2. The Indenture has been duly authorized by the Successor Agency, is valid and binding upon the Successor Agency and is enforceable in accordance with its terms, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, insolvency or other similar laws affecting creditors' rights to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

3. The Indenture creates a valid pledge of that which the Indenture purports to pledge, subject to the provisions of the Indenture, except to the extent that such pledge may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, insolvency or other similar laws affecting creditors' rights to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

4. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds (including any original issue discount) is excluded from gross income for federal income tax purposes, and such interest (and original issue discount) is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, we note that, with respect to corporations, such interest on the Bonds will be included as an adjustment in the calculation of alternative minimum taxable income which may affect such corporation's alternative minimum tax liability.

5. Interest on the Bonds (including any original issue discount) is exempt from State of California personal income tax.

6. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond owner before receipt of cash attributable to such excludable income. The

amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond. Original issue discount that accrues to the Bond owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (as described in paragraph 4 above), and is exempt from State of California personal income tax.

7. The amount by which a Bondholder's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondholder's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondholder realizing a taxable gain when a Bond is sold by the holder for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the holder.

The opinions set forth in paragraphs 4 and 6 above are subject to the condition that the Successor Agency comply with certain covenants and the applicable requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that interest on the Bonds will remain excludable from gross income for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Successor Agency has covenanted to comply with all such requirements. We express no opinion regarding other tax consequences with respect to the Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Bond Purchase Contract dated June 26, 2014, between the Successor Agency and Mitsuishi UFJ Securities, and the Tax Certificate 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 counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the exclusion of interest on the Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

The opinions expressed herein are based on an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Such actions or events may adversely affect the value or tax treatment of the Bonds and we express no opinion with respect thereto.

We call attention to the fact that the rights and obligations under the Indenture and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and purchasers of the Bonds should not assume that we have reviewed the Official Statement on their behalf.

Respectfully submitted,

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix C concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from DTC and the Successor Agency takes no responsibility for the completeness or accuracy thereof. The Successor Agency cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2014 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2014 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2014 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2014 Bonds. The 2014 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2014 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing Successor Agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such website is not incorporated herein by reference.

Purchases of 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2014 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on

the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2014 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2014 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2014 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2014 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2014 Bond documents. For example, Beneficial Owners of 2014 Bonds may wish to ascertain that the nominee holding the 2014 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2014 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

Principal, premium (if any), and interest payments on the 2014 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Successor Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the

Successor Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the 2014 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Successor Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2014 Bonds at any time by giving reasonable notice to the Successor Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the 2014 Bonds are required to be printed and delivered.

The Successor Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, representing the 2014 Bonds will be printed and delivered to DTC in accordance with the provisions of the Indenture.

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

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the Successor Agency to the Garden Grove Agency for Community Development (the “Successor Agent”) in connection with the execution and delivery of the captioned bonds (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust dated as of June 1, 2014 (the “Indenture”), between the Successor Agency and U.S. Bank National Association, as trustee (the “Trustee”).

The Successor Agency hereby covenants and agrees as follows:

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

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

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

“*Annual Report Date*” means the date not later than nine months after the end of each fiscal year of the Successor Agency (currently June 30th), or March 30, the first being March 30, 2015.

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

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

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

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

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

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

“*Trustee*” means, initially, U.S. Bank National Association, as trustee for the Bonds, or any successor thereto.

Section 3. Provision of Annual Reports.

(a) The Successor Agency shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing not later than March 30, 2015, with the report for the 2013-14 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the Successor Agency shall provide the Annual Report to the Dissemination Agent (if other than the Successor Agency). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Successor Agency) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Successor Agency to determine if the Successor Agency is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the Successor Agency may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the Successor Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Successor Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Successor Agency hereunder.

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

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

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the Successor Agency, file a report with the Successor Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Successor Agency's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

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

- (i) information showing the total secured and unsecured assessed valuation of taxable properties in the Garden Grove Community Development Project (the "Project Area") during the most recent completed fiscal year;
- (ii) information showing the total amount of Pledged Tax Revenues derived from the Project Area during the most recent completed fiscal year;
- (iii) the total amount by which Pledged Tax Revenues derived from the Project Area during the most recent completed fiscal year provided coverage for annual debt service on the Bonds and all outstanding Parity Bonds;
- (iv) in the event the debt service coverage ratio (as disclosed pursuant to the preceding clause (iii) is less than 200% in the most recent completed fiscal year, (A) information showing the top 10 taxpayers in the Project Area during the most recent completed fiscal year, and the total assessed valuation represented thereby and the percent of the total taxable assessed value of all properties in the Project Area, and (B) information on appeals by top ten taxpayers in the Project Area, to the extent information regarding such appeals is available to the Successor Agency from appropriate officials of the County of Orange.

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

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

Section 5. Reporting of Significant Events.

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

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.

- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the Successor Agency.
- (13) The consummation of a merger, consolidation, or acquisition involving the Successor Agency or the sale of all or substantially all of the assets of the Successor Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Successor Agency in a proceeding under the

United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Successor Agency, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Successor Agency.

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

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

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

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

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Indenture for amendments to the Bond Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in

narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Successor Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

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

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

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

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

(b) The Dissemination Agent shall be paid compensation by the Successor Agency for its services provided hereunder in accordance with its schedule of fees as amended from time

to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

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

Date: June 16, 2014

**SUCCESSOR AGENCY TO THE GARDEN
GROVE AGENCY FOR COMMUNITY
DEVELOPMENT**

By: _____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Successor Agency to the Garden Grove Agency for Community Development (the "Successor Agency")

Name of Bond Issue: Successor Agency to the Garden Grove Agency for Community Development Tax Allocation Refunding Bonds, Issue of 2014

Date of Issuance: June 16, 2014

NOTICE IS HEREBY GIVEN that the Successor Agency has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of June 16, 2014. The Successor Agency anticipates that the Annual Report will be filed by _____.

Date:

SUCCESSOR AGENCY TO THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

By: _____
Authorized Officer

APPENDIX E

**CITY OF GARDEN GROVE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

City of Garden Grove, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

July 1, 2012 - June 30, 2013



The Moving Wall



Tree Lighting Celebration



Atlantis Play Center - Splash Pad



Summer Concert Series

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City of Garden Grove, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended
June 30, 2013

Department of Finance

Kingsley Okereke
Finance Director

**CITY OF GARDEN GROVE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Introductory Section



CITY OF GARDEN GROVE

Bruce A. Broadwater
Mayor
Dina Nguyen
Mayor Pro Tem
Steven R. Jones
Council Member
Christopher V. Phan
Council Member
Kris Beard
Council Member

December 4, 2013

Honorable Mayor and City Council
City of Garden Grove, California

Transmitted through the City Manager

Honorable Mayor and Council:

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Garden Grove, California, (the "City"), for the fiscal year ended June 30, 2013. Responsibility for both the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To accomplish this, City Management designed and established internal controls, which provide reasonable, but not absolute, assurance as to the effectiveness and efficiency of its operations, reliability of its financial reporting, and its compliance with applicable laws and regulations. Cost benefit considerations are weighed in meeting reasonable assurance objectives.

We believe the data, as presented, is accurate in all material respects and is presented in a manner which fairly represents the financial position, and changes in financial position of the City as measured by the financial activity of its governmental activities, business type activities, each major fund, the remaining aggregate fund information, and the Private Purpose Trust Fund. We also believe that all disclosures necessary to enable the reader to fully understand the City's financial activities have been presented. The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB) and include the unqualified opinion of Macias Gini & O'Connell LLP, independent auditors for the City of Garden Grove. The Independent Auditor's Report is presented as the first component of the financial section of this report.

The City of Garden Grove's independent audit is an element of a more comprehensive, federally mandated "Single Audit", which has been established to meet the specific needs and requirements of federal grantor agencies. Governmental Auditing Standards require the independent auditor to report on the audited government's internal controls over financial reporting and

The Honorable Mayor and Council
Transmittal Letter Fiscal-Year 2012-2013 CAFR
December 4, 2013

compliance with legal requirements in addition to compliance with federal grant awards. Reporting these requirements as well as the fair presentation of the financial statements are duties required of the independent auditor. The Single Audit report is available, as a separately issued report, upon a request to the City Clerk Office.

GAAP requires a narrative introduction, overview and analysis to accompany basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Garden Grove's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Garden Grove

The City of Garden Grove is located in central Orange County approximately twenty-five miles southeast of downtown Los Angeles with a population of approximately 173,000. It is the fifth largest City in Orange County and the twenty-fifth largest in the State of California. Despite the City's comparatively large size, it is a relatively young community, incorporated on June 18, 1956. During the late 1950's and the 1960's, Garden Grove experienced rapid growth as a significant segment of the population and suburban development moved from Los Angeles County to Orange County. In the 1970's, the initial construction boom was completed and redevelopment was actively pursued with efforts continuing through the 1980's and 1990's, and into the 2000's. There has been significant benefit from quality construction projects and an improved economic base as a result of these activities.

The City spans an area of 17.8 square miles and is the largest general law city in the State of California. It has the Council-Manager form of government, with the Mayor elected at large for a two-year term, and four council members elected at large for four-year staggered terms. The City Council engages the City Manager and City Attorney. The City Manager has the responsibility for hiring the department heads and for administering the City's programs in accordance with the policies adopted by the Council.

Garden Grove is a full service city. The services provided by the City include police, fire, paramedic, street maintenance, park maintenance, water, sewer, refuse, recreation, traffic/transportation, public improvements, planning, zoning and general administrative services. Also included in the City's overall operations are the Garden Grove Housing Authority, the Garden Grove Sanitary District, and the Garden Grove Public Financing Authority. Additional information is available on these blended component units in note A.1.a - d, in the notes to basic financial statements.

A key element of the City's financial management process is the development and approval of the annual budget. Section 2.08.150 of the Garden Grove Municipal Code requires the City Manager to prepare and submit the proposed annual budget and salary plan to the City Council for approval. The City Council conducts various public budget review sessions, as necessary, and adopts the budget at a noticed public hearing. The adopted budget is prepared pursuant to generally accepted accounting procedures (GAAP) and is balanced by fund. The City Council adopts a fund level budget annually. The City Council thus controls appropriations at the fund level. The City Manager is authorized to transfer appropriations within a fund between the various programs and/or departments. Budgetary control is maintained by a monthly financial reporting system. Unspent appropriations lapse at year-end unless specifically approved for carry-over to the subsequent year by resolution of the City Council.

Local Economy and Economic Outlook

While the economy continues to slowly recover, it still remains fragile. Recent economic forecasts for Orange County indicate a slow but steady economic growth that shows no signs of "running out of steam". Additionally, inflation appears to be less of a concern than deflation in the short term. Overall, consumer confidence continues to improve as is evidenced by 2013 housing and automobiles sales increases. However, consumer spending, a key local government revenue driver, is yet to return to its pre-recession level, and will likely remain hindered by the continuing high unemployment.

Garden Grove much like other Orange County, California cities continues to actively manage its budget and finances in the face of the slow and uncertain economic recovery. The City Council adopted the second year of a 3-Year Fiscal Plan put in place last year to help the city weather the impacts of the tepid economic recovery. The plan contemplates annual budgets that are balanced as legally required, and which includes all critical front-line services to the public. The plan also utilizes cost reduction initiatives, economic development and revenue generating priorities, and the use of reserves to close budget structural deficits over the short term. The City will continue to closely monitor its revenues and expenditures in order to make appropriate adjustments to maintain the City's financial health.

Additionally, the State of California recently announced a projected budget surplus for the new fiscal year, which spells relief for cities and other local government entities. The State's projected surplus will relieve the City of some uncertainty regarding the need to transfer resources to the State in the near future. This is good news for the City as it continues to adjust to the demise of the Redevelopment Agency and moves past the recent economic downturn. Moving forward, the City's future success will depend not only on expenditure reductions but on the eventual resumption of economic growth to

help close the structural deficit. The City will continue to actively pursue economic development and major projects and initiatives that will enhance and expand the City's economic base. With prudent fiscal management, the City Council's visionary leadership, and the dedication of our employees, the City of Garden Grove is well positioned to meet its future obligations and service goals.

Long-Term Financial Planning

For Financial Planning purposes, the City maintains a comprehensive citywide Five-Year Financial Forecast and Plan, and a focused General Fund Three-Year Budget Plan.

Five-Year Operating Plan

In accordance with the provisions of the City of Garden Grove Municipal Code, a five-year forecast covering operating revenue and expenditures, labor usage, sources and uses of funds are prepared annually based on national and local economic assumptions.

Five-Year Capital Plan

The City of Garden Grove is responsible for the planning and operation of capital improvements that lie within the public right-of-way. These improvements include streets, traffic signals and control devices, storm drains, streetlights, parks, sewers and water systems. In addition, the City must develop and maintain the elements of its own buildings and systems.

General Fund Three-Year Budget Plan

The Three-Year Budget plan articulates the City's budget cost reduction and revenue strategies designed to ride out short to medium term situations. The Budget Implementation Plan focuses on a range of temporary and permanent cost reduction initiatives, economic development and revenue generation priorities and the use of fiscal reserves to be implemented over the next three fiscal years. Addressing the situation over a three year approach allows the City to continue to provide critical services to the public while allowing the City Council to achieve its goals for public safety, improved transportation infrastructure, park improvements and enhanced long-term financial stability for the City. The FY2013-2014 budget reflects the second year of the 3-Year Plan that includes a continuation of employee furloughs, and deferrals of major expenditures on building improvements, and vehicle and equipment purchases. These adjustments enabled the City to weather the effects of tepid economic growth and loss of redevelopment revenue, while providing requisite services to its residents.

Major Initiatives

(1) Employee Development

The City continues to invest in developing its managers and staff by providing employee training and development opportunities that enhance employee skills, knowledge and organizational effectiveness. These programs include: Franklin Covey's Seven Habits for Managers and Leading at the Speed of Trust workshops; ethics, writing, public speaking and computer trainings; as well as a variety of job specific trainings and educational seminars. These training programs have allowed the City to foster an environment in which it provides efficient, quality services and improved performance while maintaining a smaller staff.

(2) Preparing Today for a Better Future

The City continues its efforts to improve the quality of life of its citizens via capital improvements, economic development, societal assistance, and cultural programs.

The City continued its Sewer System Management Plan during the year as evidenced by the completed construction of the "Chapman", "Euclid-Lampson" and "Taylor-Deannan" sewer improvement project, which consisted of 6,800 feet of new replacement sewer pipe and 24 manholes. Designs of Belgrave Pump Station Replacement Project and the Lenore-Lampson Sewer Improvement Project were also completed during the current fiscal year.

The City continues to invest in median irrigation retrofit projects, which consists of targeting median islands containing overhead sprinkler systems and water-wasting plants and retrofitting those with low-flow, sub-surface drip irrigation and drought-tolerant landscaping. The City has successfully completed over two miles of irrigation retrofits on Brookhurst Street with a portion covered by Federal funds, and in 2014, local grants were awarded for retrofitting medians located near city hall.

The City's continued economic development efforts are highlighted by the Water Park Hotel project. This development project consists of a 600-room hotel with a 100,000 square foot water park and a 20,000 square foot conference center. The project is estimated to generate new jobs and \$8 million annual revenue for the City. In addition, the Brookhurst Triangle development project is planned to consist of about 700 residential units with up to 200,000 square feet of retail/dinning/entertainment mixed commercial use. The developer has estimated to start construction on phase one, comprised of a 200-unit apartment and ancillary clubhouse with swimming pool in late December 2013.

The City continues its efforts to end homelessness by providing Emergency Solution Grant funds to Thomas House Temporary Shelter, Women's Transitional Living Center, and Interval House Crisis Shelters. Through these grant funds shelter, supportive services, education, outreach and treatment were provided to 1,386 individuals.

The City continues its efforts to bring together the community, identify a sense of place and ownership and improve Garden Grove's Downtown by creating a Vision/Master Plan for the future – "Reimagine Downtown". The City has held various brainstorming sessions and set up an interactive website for the public to share their ideas and thoughts to help create a unique identity/character for the City of Garden Grove. Although this Implementation Program and goal for the City's future downtown may take 20+ years to be fully established and completed, these developments together will generate new jobs and revenue for the City and encourage visitors from outside the City to visit and buy in Garden Grove.

Financial Policies

The City maintains financial policies over various programs and activities:

Enterprise Fund Business Principles

The City of Garden Grove maintains a set of business principles and policies for managing its enterprise fund operations. They include the following: To break even and operate efficiently; To maintain two months cash flow as well as \$500,000 in reserves for contingencies. Additionally, replacement sinking funds should approach 5% of system value, and system and facilities are maintained up to industry standards by adequately funding new Capital Improvement Programs.

Investment Policy

The City of Garden Grove maintains an investment policy that is updated annually and reviewed and approved by the City Council. The City's investment objectives as outlined in the policy are in the following order: safety of principal, liquidity and yield. To meet these objectives, the City of Garden Grove attempts to obtain the highest yield on its investments consistent with the preservation of principal and liquidity. The yield benchmark for the City is the 6-month Treasury Bill as listed in the Money Rates section of the Wall Street Journal.

Purchasing Policy

The City's centralized purchasing policy is to procure needed supplies, services, and equipment at the correct quality, within the required time, and at the best price for the City of Garden Grove in a manner consistent with legal requirements, good business practice and proper fiscal control. The goal is to

The Honorable Mayor and Council
Transmittal Letter Fiscal-Year 2012-2013 CAFR
December 4, 2013

serve the public with integrity while ensuring the receipt of the best value for the tax dollar.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Garden Grove for its comprehensive annual financial report for the fiscal year ended June 30, 2012. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

Preparation of the City's Comprehensive Annual Financial Report, in a timely manner, is an undertaking that requires the dedicated efforts of many of the staff in the Finance Department and other City departments. I would like to express my appreciation to all City and Finance department staff who assisted in, and contributed to, its preparation. I particularly would like to commend the Finance Department - Accounting Division team that led this effort. Finally, I would also like to thank the Mayor, the City Council, Board members, the City Manager and the Central Management team of the City for their continued interest and support in planning and conducting the financial operations of the City in a professional and progressive manner.



Kingsley Okereke
Finance and Economic Development Director



**The Government Finance Officers Association
of the United States and Canada**

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Kingsley Okereke
Finance Director
City of Garden Grove, California

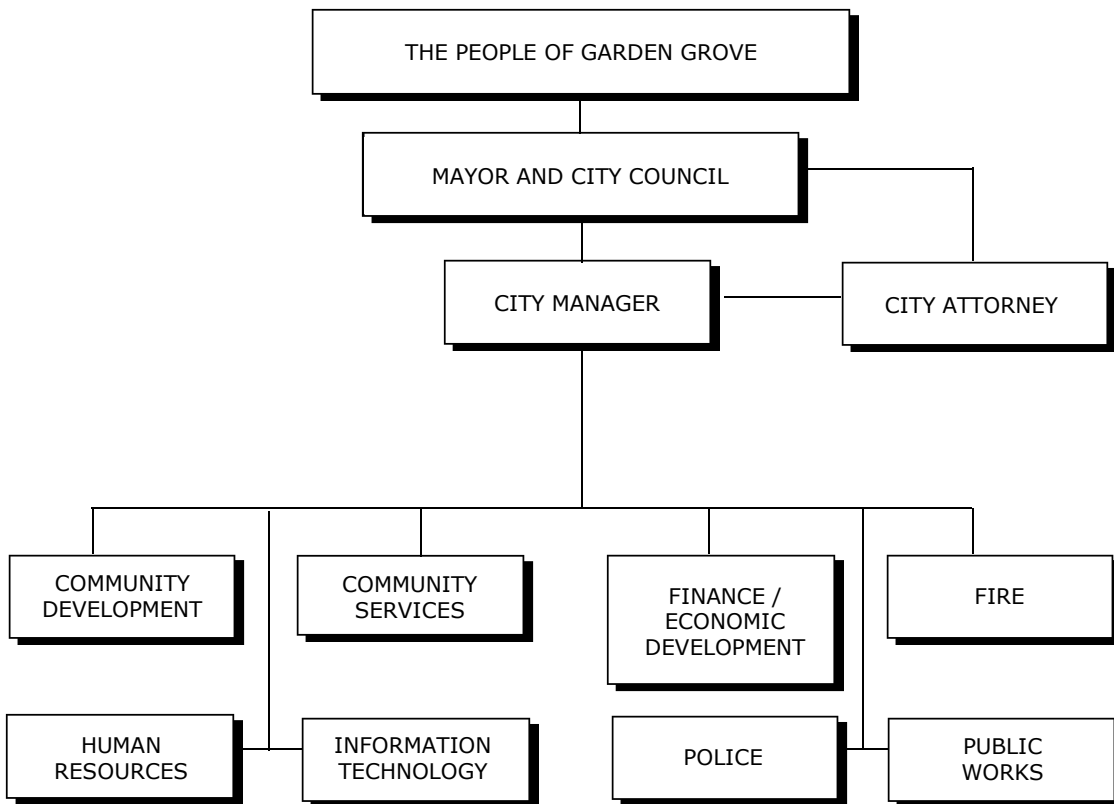


The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.

Executive Director

Date June 10, 2013

CITY OF GARDEN GROVE



CITY OF GARDEN GROVE

CITY COUNCIL

Bruce A Broadwater
Mayor

Dina Nguyen
Mayor Pro Tem

Steven R Jones
Council Member

Kris Beard
Council Member

Christopher V Phan
Council Member

CITY OFFICIALS

Matthew J Fertal
City Manager

Tom Nixon
City Attorney

Charles Kalil
Information Technology Director

Susan Emery
Community Development Director

John Clark
Human Resources Director

Kim Huy
Community Services Director

Kevin Raney
Police Chief

Kingsley Okereke
Finance and Economic Development Director

William Murray
Public Works Director

Dave Barlag
Fire Chief



Financial Section

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Garden Grove, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Garden Grove, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Change in Accounting Principle

As discussed in Note 15 to the financial statements, effective July 1, 2012, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress of the public employees retirement system and the postemployment benefits, and budgetary comparison information on pages 3–12 and 73–76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules listed as other supplementary information in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Macias Fini & O'Connell LLP

Newport Beach, California
December 4, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Garden Grove, we offer readers of the City of Garden Grove's financial statements this narrative overview and analysis of the 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

The assets and deferred outflow of resources of the City, including all component units, exceeded its liabilities and deferred inflow of resources at June 30, 2013, by \$925.8 million. Of the \$925.8 million of net position, \$740.7 million represents net investment in capital assets and \$22.1 million is restricted for specific purposes. The unrestricted balance of \$163.0 million is available to meet the City's ongoing obligations to citizens and creditors.

OVERVIEW OF THE FINANCIAL STATEMENTS

These discussions and analysis are intended to serve as an introduction to the City of Garden Grove's basic financial statements. The City's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) trust fund financial statements, and 4) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Garden Grove's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City of Garden Grove's assets, deferred outflow of resources, liabilities, and deferred inflow of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The focus of the Statement of Activities is to present the City's major program costs and their corresponding major resources. To the extent a program's cost is not recovered by grants and direct charges, it is paid from general taxes and other resources. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include Fire, Police, Traffic Safety, Public Right of Way, Drainage, Community Buildings, Community Services, Parks and Greenbelts, Community Planning and Development, and Municipal Support. The business-type activities of the City include Water Utility, Sewage Collection, Solid Waste Disposal, and Housing Authority operations.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Garden Grove, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to the government-wide financial statements to facilitate the comparison between governmental funds and governmental activities.

The City of Garden Grove maintains various individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund and HOME grant special revenue fund both of which are considered to be major funds. Data from the other fifteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Generally, the City adopts an annual appropriated budget for all of its funds. Budgetary comparison statements have been provided for the general fund and HOME grant special revenue fund as required supplementary information, and for all other governmental funds in other supplementary information, to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 13-33 of this report.

Proprietary funds. The City of Garden Grove maintains four different types of proprietary (enterprise) funds. These enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water Utility, Sewage Collection, Solid Waste Disposal and Housing Authority operations.

The City also uses internal service funds to account for its Workers' Compensation fund, Fleet Management fund, Employee Benefits fund, Information Systems fund, Warehouse Operations fund, Telephone System fund and Risk Management fund. Because all of the internal service funds provide services that predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements provide information similar to business-type activities within the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Water Utility, Sewage Collection, Solid Waste Disposal and Housing Authority. All are considered to be major funds of the City.

Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 24-31 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City of Garden Grove's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City of Garden Grove maintains one type of fiduciary fund; a private-purpose trust fund to account for the Successor Agency activities. The City elected to become the Successor Agency to the Garden Grove Agency for Community Development (Successor Agency). The fund is used to report resources held in trust until they are distributed to other units of the state and local government or used to pay enforceable obligations in existence at the date of dissolution of Garden Grove Redevelopment Agency (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). The Successor Agency will cease to exist when all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated. The fiduciary fund financial statements can be found on pages 32-33 of this report.

Notes to basic financial statements. The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to basic financial statements can be found on pages 35-72 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City of Garden Grove’s progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 73-76 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the budgetary comparison reports. Combining and individual fund statements and schedules can be found on pages 82-112 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Garden Grove, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$925.8 million at the close of the current fiscal year.

City of Garden Grove, Net Position
(in millions)

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 188.4	\$ 189.2	\$ 50.8	\$ 52.4	\$ 239.2	\$ 241.6
Capital assets	669.2	671.8	140.1	126.9	809.3	798.7
Total assets	<u>857.6</u>	<u>861.0</u>	<u>190.9</u>	<u>179.3</u>	<u>1,048.5</u>	<u>1,040.3</u>
Deferred outflow of resources	-	-	0.2	-	0.2	-
Long-term liabilities	58.9	46.4	47.1	46.7	106.0	93.1
Other liabilities	10.0	22.2	6.9	6.1	16.9	28.3
Total liabilities	<u>68.9</u>	<u>68.6</u>	<u>54.0</u>	<u>52.8</u>	<u>122.9</u>	<u>121.4</u>
Net position	<u>\$ 788.7</u>	<u>\$ 792.4</u>	<u>\$ 137.1</u>	<u>\$ 126.5</u>	<u>\$ 925.8</u>	<u>\$ 918.9</u>
Net investment in capital assets	643.1	643.3	97.6	89.6	740.7	732.9
Restricted	22.1	29.9	-	-	22.1	29.9
Unrestricted	123.5	119.2	39.5	36.9	163.0	156.1
Total net position	<u>\$ 788.7</u>	<u>\$ 792.4</u>	<u>\$ 137.1</u>	<u>\$ 126.5</u>	<u>\$ 925.8</u>	<u>\$ 918.9</u>

At the end of the current fiscal year, the City of Garden Grove is able to report positive total net position balance for the government as a whole. The largest portion of the City's net position, 80.0%, reflects its net investment in capital assets (e.g., land, street, water, sewer and storm drain systems, buildings and park assets, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$22.1 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$163.0 million, may be used to meet the government's ongoing obligations to citizens and creditors.

**City of Garden Grove, Change in Net Position
(in millions)**

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 12.4	\$ 11.9	\$ 46.9	\$ 46.6	\$ 59.3	\$ 58.5
Operating grants and contributions	10.0	19.6	30.6	30.7	40.6	50.3
Capital grants and contributions	5.8	4.8	-	-	5.8	4.8
General revenues:						
Sales taxes	19.8	18.5	-	-	19.8	18.5
Property taxes	35.0	43.9	-	-	35.0	43.9
Other taxes	21.9	19.7	-	-	21.9	19.7
Earning on investments	1.8	0.7	0.4	0.3	2.2	1.0
Other	1.2	0.6	-	0.1	1.2	0.7
Capital contributions from Successor Agency	2.4	-	-	-	2.4	-
Transfer in (out)	-	20.4	-	(20.4)	-	-
Total revenues	110.3	140.1	77.9	57.3	188.2	197.4
Expenses:						
Fire	20.3	19.5	-	-	20.3	19.5
Police	45.4	44.8	-	-	45.4	44.8
Traffic safety	3.1	3.2	-	-	3.1	3.2
Public right of way	16.5	14.8	-	-	16.5	14.8
Drainage	1.4	1.4	-	-	1.4	1.4
Community buildings	4.6	5.0	-	-	4.6	5.0
Community services	4.6	4.4	-	-	4.6	4.4
Parks and greenbelts	1.8	1.8	-	-	1.8	1.8
Community planning and development	8.0	10.9	-	-	8.0	10.9
Municipal support	6.3	6.4	-	-	6.3	6.4
Interest on Long-term debt	1.8	3.8	-	-	1.8	3.8
Water utility	-	-	26.4	24.2	26.4	24.2
Sewage collection	-	-	6.0	5.9	6.0	5.9
Solid waste disposal	-	-	2.6	1.8	2.6	1.8
Housing authority	-	-	31.6	30.9	31.6	30.9
Mobile home parks	-	-	-	-	-	-
RV park	-	-	-	0.5	-	0.5
Total expenses	113.8	116.0	66.6	63.3	180.4	179.3
Excess (deficiency) of revenues over (under) expenditures	(3.5)	24.1	11.3	(6.0)	7.8	18.1
Special Items (extraordinary gain (loss), discontinued operations)	-	(18.9)	-	(2.9)	-	(21.8)
Change in net position	(3.5)	5.2	11.3	(8.9)	7.8	(3.7)
Net position, beginning of year, as previously reported	792.5	787.2	126.5	135.4	919.0	922.6
Change in accounting principle (GASB65)	(0.3)	-	(0.7)	-	(1.0)	-
Net position, beginning of year, as restated	792.2	787.2	125.8	135.4	918.0	922.6
Net position, June 30	<u>\$ 788.7</u>	<u>\$ 792.4</u>	<u>\$ 137.1</u>	<u>\$ 126.5</u>	<u>\$ 925.8</u>	<u>\$ 918.9</u>

Governmental Activities. The City of Garden Grove governmental activities net position decreased by \$3.5 million from the prior fiscal year for an ending balance of \$788.7 million. The operating grant and contribution and property tax revenue decreased as a result of the elimination of the redevelopment agency. There were no significant changes in expenses from the prior year. The City's implementation of GASB65 resulted in a \$0.3 million change in accounting principle to adjust cost of issuance and loss on deferred refunding. See footnotes A.4.f for Deferred Outflows/Inflows of Resources and D.15 for New Accounting Standards Implemented.

Business-type activities. Business-type activities net position increased by \$11.3 million from the prior fiscal year for an ending balance of \$137.1 million. Operating revenues and expenses have stayed roughly the same as prior fiscal year. The \$0.7 million change in accounting principle was the GASB 65 adjustment of cost of issuance and loss on deferred refunding. See footnotes A.4.f for Deferred Outflows/Inflows of Resources and D.15 for New Accounting Standards Implemented.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Garden Grove uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for discretionary use. The City's governmental funds can be found on pages 16 and 20.

At the end of the current fiscal year, the City of Garden Grove's governmental funds reported combined fund balances of \$57.2 million, a decrease of \$2.0 million in comparison with the prior year. Non-spendable fund balance is \$13.4 million (23.4%), restricted fund balance is \$24.8 million (43.3%), and assigned fund balance is \$3.1 million (5.4%). The remainder of the fund balance of \$15.9 million (27.9%) represents unassigned governmental fund balance, which is available for spending at the government's discretion.

- **General fund.** The general fund is the chief operating fund of the City of Garden Grove. At the end of the fiscal year, the fund balance had a net decrease of \$2.3 million resulting in a \$32.5 million ending fund balance. The general fund continues to experience a structural fund deficit with expenses exceeding revenues by about \$3.0 million.

Proprietary funds. The City of Garden Grove's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail (see pages 24 - 27).

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. The only significant amendment during the year was the appropriation for capital outlay in community planning and development. The budget increased by \$2.4 million to appropriate funds for land purchases.

Final budget compared to actual results. The \$6.1 million increase in actual revenues over estimated revenues was primarily in taxes. Sales tax was higher than expected due to better than estimated auto sales and total taxable sales. The increase over budget in transient occupancy tax was due to both a 1.5% increase in the tax rate with Measure Y passing in November 2012 and higher than expected occupancy rates. In addition, the City received \$1.6 million in residual tax revenues in the current year.

The final budget appropriations were \$92.4 million and actual expenditures were \$90.0 million resulting in a positive balance of \$2.4 million. The \$2.4 million positive budget variance was due to overall cost reductions.

CAPITAL ASSET AND LONG-TERM DEBT

Capital assets The City of Garden Grove’s investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$809.3 million (net of accumulated depreciation). This investment in capital assets includes land, street, sewer, water and storm drain systems, buildings and structures, machinery and equipment and construction in progress. The total increase in capital assets for the current fiscal year was approximately 1.3%. The value of the City’s capital assets as of June 30, 2013 is as follows:

	Government activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 420.9	\$ 416.1	\$ 2.6	\$ 2.6	\$ 423.5	\$ 418.7
Construction in progress	7.9	3.3	19.8	14.2	27.7	17.5
Depreciable Capital Assets	240.4	252.4	117.7	110.1	358.1	362.5
Total capital assets	<u>\$ 669.2</u>	<u>\$ 671.8</u>	<u>\$ 140.1</u>	<u>\$ 126.9</u>	<u>\$ 809.3</u>	<u>\$ 798.7</u>

Major capital asset improvements and additions during the current fiscal year included the following:

- Land purchases of \$2.3 million for the City’s Site C project
- Improvements to the City water utility system of \$6.1 million
- Improvements to the City sewer system of \$1.5 million

Additional information on the City of Garden Grove’s capital assets can be found in the financial statements Note D6 of this report.

Long-term debt The City’s long-term debt was \$73.3 million at the end of the fiscal year. Debt decreased by \$4.1 million from the prior year as a result of principal reduction payments.

California statutes limit the amount of general obligation debt a governmental entity may issue to 3.75 percent of its total assessed valuation. The City of Garden Grove assessed valuation as of June 30, 2013 is \$10.2 billion. The current debt limitation for the City of Garden Grove is \$384.1 million. There are no outstanding general obligation bonds of the City for the fiscal year ended June 30, 2013.

Additional information on the City of Garden Grove’s long-term debt can be found in the financial statements Note D7 of this report.

	Government activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Certificates of participation	\$ 18.4	\$ 19.0	\$ -	\$ -	\$ 18.4	\$ 19.0
Agreements payable	6.4	7.4	-	-	6.4	7.4
Capital lease purchase	1.4	2.1	-	-	1.4	2.1
Sewer revenue COP	-	-	20.3	20.8	20.3	20.8
Water revenue bonds	-	-	26.8	28.1	26.8	28.1
Total	<u>\$ 26.2</u>	<u>\$ 28.5</u>	<u>\$ 47.1</u>	<u>\$ 48.9</u>	<u>\$ 73.3</u>	<u>\$ 77.4</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

After enduring one of the greatest economic downturns in recent history, the economy continues its slow recovery. Although the recovery is gaining pace, the economy remains fragile due to continued high unemployment and low consumer confidence.

Recent economic forecasts project growth in 2014, with housing and automobiles leading the recovery. Sales tax, the City’s largest source of revenue, is anticipated to finally return to levels before the recession. Sales tax is projected at \$20.1 million, a \$1.9 million increase from last fiscal year budget. Property tax revenue remains steady, with a \$0.7 million increase to \$12.7 million. The most improved and significant revenue source, since the economic downturn, is the transient occupancy tax. In November 2012, voters passed Measure Y, which increased the tax from 13.0% to 14.5%. The passing of Measure Y, as well as improvements in hotel occupancy rates resulted in an appreciable increase in hotel tax revenue and is estimated to provide \$14.8 million in hotel tax revenue in FY 2013-14.

In addition, the State of California recently announced a projected budget surplus for the new fiscal year, which spells relief for cities and other local governmental entities. The State has looked to local governments to help resolve state budget shortfalls. Prior take away actions by the State, including the elimination of the Redevelopment Agencies in February 2012, continues to weigh heavily on the financial outlook of the City; however, the State’s balanced budget and projected surplus will relieve the City of some uncertainty regarding the need to transfer resources to the State in the near future.

The City remains cautiously optimistic for FY 2013-14. Revenues and expenditures will be closely monitored to maintain the City's financial health. Furthermore, decisions regarding the Public Employees Retirement System (PERS) and the implementation of the Affordable Health Care Act will be carefully analyzed to determine the financial impacts that they may have. The City will continue to be aggressive in pursuing new revenue sources and cost recovery. Although the Redevelopment Agency has been eliminated, the City will continue to pursue economic development as a main avenue for the growth and expansion of the City's economic base.

The FY 2013-14 budget is balanced and includes a basic operating budget of \$94.7 million, capital budget of \$6.1 million for basic services, and \$3.0 million for economic development initiatives. The basic operation budget was balanced using \$4.7 million in reserves and transfers. The budget implements the second year of the City's 3-Year Fiscal Plan to address the continuing effects of the economic recession and loss of redevelopment revenue.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Garden Grove's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Garden Grove, Office of the Finance Director, 11222 Acacia Parkway, Garden Grove, CA, 92840.



Basic Financial Statements

**CITY OF GARDEN GROVE
STATEMENT OF NET POSITION
JUNE 30, 2013**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current Assets:			
Cash and investments	\$ 141,233,844	\$ 49,025,701	\$ 190,259,545
Cash and investments with fiscal agents	12,478	4,650,813	4,663,291
Taxes receivable	4,153,301	88,162	4,241,463
Accounts receivable	4,738,669	8,301,413	13,040,082
Interest receivable	412,835	176,109	588,944
Intergovernmental receivable	1,924,940	458	1,925,398
Internal balances	11,628,215	(11,628,215)	-
Inventory	586,282	-	586,282
Prepaid items	11,444	-	11,444
Total current assets	164,702,008	50,614,441	215,316,449
Noncurrent assets:			
Deposits	32,100	15,000	47,100
Notes receivable, net	18,601,021	9,588	18,610,609
Land held for resale	4,852,252	-	4,852,252
Prepaid insurance costs	181,742	116,048	297,790
Capital assets:			
Land	420,893,665	2,564,750	423,458,415
Construction in progress	7,864,941	19,822,527	27,687,468
Depreciable capital assets, net	240,451,894	117,744,533	358,196,427
Total noncurrent assets	692,877,615	140,272,446	833,150,061
Total assets	857,579,623	190,886,887	1,048,466,510
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts from the refunding of debt	-	229,642	229,642
Total deferred outflows of resources	-	229,642	229,642
LIABILITIES			
Current Liabilities:			
Accounts payable	3,792,087	5,096,778	8,888,865
Accrued liabilities	1,497,600	853,489	2,351,089
Refundable deposits	2,545,175	763,387	3,308,562
Interest payable	2,164,081	163,586	2,327,667
Long term liabilities due within one year	13,068,610	1,890,000	14,958,610
Total current liabilities	23,067,553	8,767,240	31,834,793
Noncurrent liabilities:			
Due in more than one year	45,799,003	45,235,483	91,034,486
Total liabilities	68,866,556	54,002,723	122,869,279
NET POSITION			
Net investment in capital assets	643,095,457	97,657,140	740,752,597
Restricted for:			
Community planning and development	4,880,775	-	4,880,775
Streets and roads	8,402,887	-	8,402,887
Public safety	2,792,942	-	2,792,942
Developer impact projects	6,037,165	-	6,037,165
Unrestricted	123,503,841	39,456,666	162,960,507
Total net position	\$ 788,713,067	\$ 137,113,806	\$ 925,826,873

The notes to the financial statements are an integral part of this statement.

**CITY OF GARDEN GROVE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenue Operating Grants and Contributions</u>
Governmental activities:			
Fire	\$ 20,273,346	\$ 1,105,917	\$ 89,492
Police	45,466,411	3,485,909	1,459,702
Traffic safety	3,097,270	1,349,360	159,072
Public right of way	16,540,421	249,086	5,024,975
Drainage	1,426,365	-	-
Community buildings	4,596,318	-	-
Community services	4,451,760	850,984	55,922
Parks and greenbelts	1,838,406	1,319,198	332,570
Community planning and development	7,937,511	1,491,550	1,958,672
Municipal support	6,344,376	2,553,000	931,416
Interest on long term debt	1,815,251	-	-
Total governmental activities	<u>113,787,435</u>	<u>12,405,004</u>	<u>10,011,821</u>
Business-type activities:			
Water utility	26,419,284	33,738,275	-
Sewage collection	6,056,345	10,078,866	-
Solid waste disposal	2,584,981	3,125,454	-
Housing authority	31,585,423	-	30,581,888
Total business-type activities	<u>66,646,033</u>	<u>46,942,595</u>	<u>30,581,888</u>
Total	<u>\$ 180,433,468</u>	<u>\$ 59,347,599</u>	<u>\$ 40,593,709</u>

General revenues:

Taxes:

- Sales taxes
- Property taxes, levied for general purposes
- Franchise taxes
- Business operation taxes
- Transient occupancy taxes
- Motor vehicle taxes, levied for general purposes
- Investment income
- Miscellaneous
- Capital asset contribution from Successor Agency

Total general revenues

Change in net position

Net position, beginning of year, as previously reported

Change in accounting principle

Net position, beginning of year, as restated

Net position, end of year

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ 2,584	\$ (19,075,353)	\$ -	\$ (19,075,353)
331,917	(40,188,883)	-	(40,188,883)
82,699	(1,506,139)	-	(1,506,139)
2,866,046	(8,400,314)	-	(8,400,314)
1,241,134	(185,231)	-	(185,231)
-	(4,596,318)	-	(4,596,318)
-	(3,544,854)	-	(3,544,854)
1,264,827	1,078,189	-	1,078,189
-	(4,487,289)	-	(4,487,289)
-	(2,859,960)	-	(2,859,960)
-	(1,815,251)	-	(1,815,251)
<u>5,789,207</u>	<u>(85,581,403)</u>	<u>-</u>	<u>(85,581,403)</u>
-	-	7,318,991	7,318,991
-	-	4,022,521	4,022,521
-	-	540,473	540,473
-	-	(1,003,535)	(1,003,535)
-	-	<u>10,878,450</u>	<u>10,878,450</u>
<u>\$ 5,789,207</u>	<u>(85,581,403)</u>	<u>10,878,450</u>	<u>(74,702,953)</u>
	19,804,727	-	19,804,727
	35,145,142	-	35,145,142
	2,506,722	-	2,506,722
	4,809,344	-	4,809,344
	14,447,817	-	14,447,817
	90,025	-	90,025
	1,757,265	437,341	2,194,606
	1,209,350	-	1,209,350
	<u>2,309,233</u>	<u>-</u>	<u>2,309,233</u>
	<u>82,079,625</u>	<u>437,341</u>	<u>82,516,966</u>
	<u>(3,501,778)</u>	<u>11,315,791</u>	<u>7,814,013</u>
	792,471,679	126,467,821	918,939,500
	<u>(256,834)</u>	<u>(669,806)</u>	<u>(926,640)</u>
	<u>792,214,845</u>	<u>125,798,015</u>	<u>918,012,860</u>
<u>\$ 788,713,067</u>	<u>\$ 137,113,806</u>	<u>\$ 925,826,873</u>	

**CITY OF GARDEN GROVE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General Fund	HOME Grant Special Revene Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash investments	\$ 18,130,206	\$ 326,657	\$ 20,292,725	\$ 38,749,588
Cash and cash investments with fiscal agents	12,478	-	-	12,478
Taxes receivable	4,134,135	-	19,166	4,153,301
Accounts receivable	3,530,336	26,876	1,007,373	4,564,585
Interest receivable	197,684	853	63,554	262,091
Intergovernmental receivable		52,492	1,872,448	1,924,940
Intercity loans receivable	37,932,999	-	13,729,748	51,662,747
Notes receivable	2,101,532	12,224,506	4,304,981	18,631,019
Allowance	(24,558,020)	-	(13,759,748)	(38,317,768)
Land held for resale		-	4,852,252	4,852,252
Total assets	<u>\$ 41,481,350</u>	<u>\$ 12,631,384</u>	<u>\$ 32,382,499</u>	<u>\$ 86,495,233</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,270,537	\$ -	\$ 914,624	\$ 2,185,161
Accrued liabilities	1,149,716	-	279,565	1,429,281
Refundable deposits	2,487,787	10,176	45,692	2,543,655
Due to other funds		-	2,090,972	2,090,972
Total liabilities	<u>4,908,040</u>	<u>10,176</u>	<u>3,330,853</u>	<u>8,249,069</u>
Deferred inflows of resources:				
Unavailable revenue	<u>4,111,063</u>	<u>12,224,506</u>	<u>4,743,775</u>	<u>21,079,344</u>
Fund balances:				
Non-Spendable				
Inter city loan	13,374,978	-	-	13,374,978
Restricted				
Police	-	-	2,792,942	2,792,942
Public Right of Way	-	-	8,432,796	8,432,796
Drainage	-	-	453,289	453,289
Community Services	-	-	650,096	650,096
Community Neighborhood	-	396,702	11,803,513	12,200,215
Municipal Support & Services	-	-	241,770	241,770
Assigned				
Post-Employment benefits	1,000,000	-	-	1,000,000
Garden Grove tourism improvement district	138,678	-	-	138,678
Property tax lawsuit	500,000	-	-	500,000
Building improvements	1,300,000	-	-	1,300,000
General Plan	132,509	-	-	132,509
Unassigned	<u>16,016,082</u>	<u>-</u>	<u>(66,535)</u>	<u>15,949,547</u>
Total fund balances	<u>32,462,247</u>	<u>396,702</u>	<u>24,307,871</u>	<u>57,166,820</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 41,481,350</u>	<u>\$ 12,631,384</u>	<u>\$ 32,382,499</u>	<u>\$ 86,495,233</u>

The notes to the financial statements are an integral part of this statement.

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**CITY OF GARDEN GROVE
RECONCILIATION OF BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2013**

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances - total governmental funds (page 16)	\$	57,166,820
Capital assets used in governmental activities are not current financial resources, and therefore are not reported in the governmental funds balance sheet.		663,102,225
Certain notes and grants receivables are not available to pay for current period expenditures, and therefore are offset by deferred inflows of resources in the governmental funds.		21,079,344
Internal service funds are used by management to charge the costs of various city activities to individual governmental and business-like funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service funds net position is:		78,405,406
The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long term debt and related items.		(31,040,728)
Net position of governmental activities	<u>\$</u>	<u>788,713,067</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF GARDEN GROVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	HOME Grant Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 74,316,362	\$ -	\$ 2,914,254	\$ 77,230,616
Licenses and permits	1,095,981	-	32,525	1,128,506
Fines, forfeits and penalties	2,123,064	-	836,833	2,959,897
Investment earnings	1,538,269	1,813	260,214	1,800,296
Charges for current services	5,409,080	-	4,675,355	10,084,435
From other agencies	307,645	52,651	12,963,656	13,323,952
Other revenues	2,279,296	124,191	928,181	3,331,668
Total revenues	<u>87,069,697</u>	<u>178,655</u>	<u>22,611,018</u>	<u>109,859,370</u>
EXPENDITURES:				
Current:				
Fire	19,953,947	-	493,118	20,447,065
Police	44,069,860	-	1,408,574	45,478,434
Traffic safety	654,746	-	1,940,467	2,595,213
Public right of way	3,596,909	-	2,133,701	5,730,610
Community buildings	3,042,643	-	39,745	3,082,388
Community services	2,729,067	-	1,724,375	4,453,442
Parks and greenbelts	1,135,994	-	790,634	1,926,628
Community planning and development	3,434,384	52,651	4,273,793	7,760,828
Municipal support	6,589,998	-	206,838	6,796,836
Capital outlay:				
Police	-	-	69,418	69,418
Traffic safety	-	-	27,801	27,801
Public right of way	75,722	-	7,027,730	7,103,452
Drainage	-	-	114,092	114,092
Community buildings	-	-	38,647	38,647
Community services	-	-	20,998	20,998
Parks and greenbelts	-	-	459,074	459,074
Community planning and development	2,533,013	-	-	2,533,013
Debt service:				
Principal retirement	1,028,580	-	910,000	1,938,580
Interest and other charges	1,181,161	-	202,307	1,383,468
Total expenditures	<u>90,026,024</u>	<u>52,651</u>	<u>21,881,312</u>	<u>111,959,987</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,956,327)</u>	<u>126,004</u>	<u>729,706</u>	<u>(2,100,617)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	808,575	-	430,500	1,239,075
Transfers out	(175,402)	-	(963,673)	(1,139,075)
Total other financing sources (uses)	<u>633,173</u>	<u>-</u>	<u>(533,173)</u>	<u>100,000</u>
Net change in fund balances	(2,323,154)	126,004	196,533	(2,000,617)
Fund balances, beginning of year	<u>34,785,401</u>	<u>270,698</u>	<u>24,111,338</u>	<u>59,167,437</u>
Fund balances, end of year	<u>\$ 32,462,247</u>	<u>\$ 396,702</u>	<u>\$ 24,307,871</u>	<u>\$ 57,166,820</u>

The notes to the financial statements are an integral part of this statement.

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**CITY OF GARDEN GROVE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 20)	\$ (2,000,617)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital expenditures exceeded depreciation in the current period.	(1,885,920)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	918,650
Some revenues recognized in governmental funds in current year were already recognized in governmental activities in prior year.	(1,652,337)
Internal service funds are used by management to charge the costs of certain activities, such as workers compensation, fleet management, employee benefits, telephones, information systems, risk management and warehouse operations to individual funds. The net revenues of these internal service funds are reported as governmental activities.	<u>1,118,446</u>
Change in net position of governmental activities	<u><u>\$ (3,501,778)</u></u>

The notes to the financial statements are an integral part of this statement.

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**CITY OF GARDEN GROVE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013**

	Business-Type Activities - Enterprise Funds	
	Water Utility	Sewage Collection
ASSETS		
Current Assets:		
Cash and cash investments	\$ 21,404,800	\$ 24,522,628
Cash and cash investments with fiscal agents	3,145,304	1,505,509
Taxes receivable	-	35,218
Accounts receivable	6,400,624	1,256,556
Interest receivable	73,351	91,016
Intergovernmental receivable	-	-
Intercity loans receivable	750,000	-
Allowance	(750,000)	-
Due from other funds	-	-
Inventory	-	-
Prepaid items	-	-
Total current assets	<u>31,024,079</u>	<u>27,410,927</u>
Noncurrent assets:		
Deposits	15,000	-
Prepaid insurance costs	40,546	75,502
Notes receivable	-	9,588
Capital assets:	-	-
Land	1,471,805	1,092,945
Construction in progress	15,260,647	4,561,880
Depreciable capital assets, net	60,012,615	57,731,368
Total noncurrent assets	<u>76,800,613</u>	<u>63,471,283</u>
Total assets	<u>107,824,692</u>	<u>90,882,210</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts from the refunding of debt	<u>229,642</u>	-
Total deferred outflows of resources	<u>229,642</u>	<u>-</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	4,722,875	303,913
Accrued liabilities	568,364	272,439
Interest payable	124,063	39,523
Refundable deposits	494,969	8,383
Current portion of long-term obligations		
Capital leases	-	-
Accrued compensated absences	-	-
Claims payable	-	-
Long-term debt	1,375,000	515,000
Total current liabilities	<u>7,285,271</u>	<u>1,139,258</u>
Noncurrent liabilities:		
Intercity loans payable	13,374,977	-
Noncurrent portion of long-term obligations:		
Capital leases	-	-
Accrued compensated absences	-	-
Claims payable	-	-
Long-term debt	25,451,738	19,783,745
Total noncurrent liabilities	<u>38,826,715</u>	<u>19,783,745</u>
Total liabilities	<u>46,111,986</u>	<u>20,923,003</u>
NET POSITION		
Net Investment in capital assets	53,063,633	44,592,957
Unrestricted	8,878,715	25,366,250
Total net position	<u>\$ 61,942,348</u>	<u>\$ 69,959,207</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
Net position of business-type activities

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Solid Waste Disposal	Housing Authority	Total	
\$ 2,788,981	\$ 309,292	\$ 49,025,701	\$ 102,484,256
-	-	4,650,813	-
52,944	-	88,162	-
634,312	9,921	8,301,413	174,084
10,024	1,718	176,109	150,744
-	458	458	-
-	-	750,000	-
-	-	(750,000)	-
-	-	-	2,090,972
-	-	-	586,282
-	-	-	11,444
<u>3,486,261</u>	<u>321,389</u>	<u>62,242,656</u>	<u>105,497,782</u>
-	-	15,000	32,100
-	-	116,048	-
-	-	9,588	-
-	-	-	-
-	-	2,564,750	-
-	-	19,822,527	-
550	-	117,744,533	6,108,275
550	-	140,272,446	6,140,375
<u>3,486,811</u>	<u>321,389</u>	<u>202,515,102</u>	<u>111,638,157</u>
-	-	229,642	-
-	-	229,642	-
68,400	1,590	5,096,778	1,606,926
12,686	-	853,489	68,319
-	-	163,586	-
-	260,035	763,387	1,520
-	-	-	167,572
-	-	-	6,267,392
-	-	-	4,593,473
-	-	1,890,000	-
<u>81,086</u>	<u>261,625</u>	<u>8,767,240</u>	<u>12,705,202</u>
-	-	13,374,977	-
-	-	-	232,412
-	-	-	1,566,848
-	-	-	16,981,527
-	-	45,235,483	-
-	-	58,610,460	18,780,787
<u>81,086</u>	<u>261,625</u>	<u>67,377,700</u>	<u>31,485,989</u>
550	-	97,657,140	5,788,172
3,405,175	59,764	37,709,904	74,363,996
<u>\$ 3,405,725</u>	<u>\$ 59,764</u>	<u>135,367,044</u>	<u>\$ 80,152,168</u>
		1,746,762	
		<u>\$ 137,113,806</u>	

**CITY OF GARDEN GROVE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Business-Type Activities - Enterprise Funds	
	Water Utility	Sewage Collection
Operating revenues:		
Charges for services	\$ -	\$ -
Water sales	33,738,275	-
Section 8 grant revenue	-	-
Solid waste disposal fees	-	-
Property assessments	-	2,564,378
Sewer user fees	-	7,332,056
Other	-	182,432
Total operating revenues	<u>33,738,275</u>	<u>10,078,866</u>
Operating expenses:		
Salaries and wages	4,084,459	2,124,434
Contractual services	4,812,702	1,434,163
Liability claims	-	-
Materials and supplies	514,364	87,276
Water production expenses	13,437,100	-
Housing assistance payment	-	-
Depreciation and amortization	2,146,798	1,546,161
Total operating expenses	<u>24,995,423</u>	<u>5,192,034</u>
Operating income (loss)	<u>8,742,852</u>	<u>4,886,832</u>
Nonoperating revenues (expenses):		
Investment income	194,806	224,024
Gain on disposal of assets	-	-
Interest expense	(1,716,899)	(967,516)
Total nonoperating revenues (expenses)	<u>(1,522,093)</u>	<u>(743,492)</u>
Income (loss) before contributions and transfers	7,220,759	4,143,340
Transfers out	-	-
Change in net position	<u>7,220,759</u>	<u>4,143,340</u>
Total net position, beginning of year, as previously reported	55,220,101	65,987,161
Change in accounting principle	<u>(498,512)</u>	<u>(171,294)</u>
Total net position, beginning of year, as restated	<u>54,721,589</u>	<u>65,815,867</u>
Total net position, end of year	<u>\$ 61,942,348</u>	<u>\$ 69,959,207</u>

Adjustment to reflect the consolidation of internal service fund activities to enterprise funds.

Change in net position of business-type activities.

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Solid Waste Disposal	Housing Authority	Total	
\$ -	\$ -	\$ -	\$ 45,278,172
-	-	33,738,275	-
-	30,557,768	30,557,768	-
1,427,445	-	1,427,445	-
349,457	-	2,913,835	-
-	-	7,332,056	-
1,348,552	24,120	1,555,104	-
<u>3,125,454</u>	<u>30,581,888</u>	<u>77,524,483</u>	<u>45,278,172</u>
453,700	2,185,813	8,848,406	33,632,562
2,130,552	63,352	8,440,769	3,176,326
-	-	-	3,680,646
179	79,772	681,591	2,258,493
-	-	13,437,100	-
-	29,249,893	29,249,893	-
550	6,593	3,700,102	1,085,169
<u>2,584,981</u>	<u>31,585,423</u>	<u>64,357,861</u>	<u>43,833,196</u>
540,473	(1,003,535)	13,166,622	1,444,976
17,554	957	437,341	161,176
-	-	-	34,039
-	-	(2,684,415)	(25,502)
<u>17,554</u>	<u>957</u>	<u>(2,247,074)</u>	<u>169,713</u>
558,027	(1,002,578)	10,919,548	1,614,689
-	-	-	(100,000)
<u>558,027</u>	<u>(1,002,578)</u>	<u>10,919,548</u>	<u>1,514,689</u>
2,847,698	1,062,342		78,637,479
-	-		-
<u>2,847,698</u>	<u>1,062,342</u>		<u>78,637,479</u>
<u>\$ 3,405,725</u>	<u>\$ 59,764</u>		<u>\$ 80,152,168</u>
		396,243	
		<u>\$ 11,315,791</u>	

**CITY OF GARDEN GROVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Business-Type Activities - Enterprise Funds	
	Water Utility	Sewage Collection
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 33,679,123	\$ 10,068,156
Payments to suppliers	(16,852,315)	(1,584,525)
Payments to employees	(3,672,718)	(1,899,343)
Receipts from user departments	-	-
Net cash provided (used) by operating activities	<u>13,154,090</u>	<u>6,584,288</u>
CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES		
Operating subsidies and transfers from other funds	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(11,082,052)	(5,330,739)
Proceeds from disposal of capital assets	-	-
Principal paid on capital debt	(1,320,000)	(495,000)
Interest paid on capital debt	(2,170,867)	(968,233)
Net cash provided (used) by capital and related financing activities	<u>(14,572,919)</u>	<u>(6,793,972)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	<u>194,681</u>	<u>243,894</u>
Net cash provided by investing activities	<u>194,681</u>	<u>243,894</u>
Net increase (decrease) in cash and cash equivalents	(1,224,148)	34,210
Cash and cash equivalents, beginning of year	<u>25,774,252</u>	<u>25,993,927</u>
Cash and cash equivalents, end of year	<u>\$ 24,550,104</u>	<u>\$ 26,028,137</u>

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Solid Waste Disposal	Housing Authority	Total	
\$ 3,136,249	\$ 30,575,096	\$ 77,458,624	\$ -
(2,131,945)	(29,423,251)	(49,992,036)	(7,214,700)
(448,010)	(2,185,813)	(8,205,884)	(33,485,839)
-	-	-	45,342,943
556,294	(1,033,968)	19,260,704	4,642,404
-	-	-	1,357,422
-	-	-	1,357,422
-	-	(16,412,791)	(402,442)
-	-	-	34,039
-	-	(1,815,000)	(419,082)
-	-	(3,139,100)	(25,502)
-	-	(21,366,891)	(812,987)
17,328	6,034	461,937	190,240
17,328	6,034	461,937	190,240
573,622	(1,027,934)	(1,644,250)	5,377,079
2,215,359	1,337,226	55,320,764	97,107,177
\$ 2,788,981	\$ 309,292	\$ 53,676,514	\$ 102,484,256

CONTINUED

**CITY OF GARDEN GROVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Business-Type Activities - Enterprise Funds	
	Water Utility	Sewage Collection
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 8,742,852	\$ 4,886,832
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	2,146,798	1,546,161
Decrease (increase) in taxes receivable	-	91,342
Decrease (increase) in accounts receivable	(86,028)	(102,052)
Decrease (increase) in notes receivable	-	(9,588)
Decrease (increase) in inventory	-	-
Decrease (increase) in prepaid expenses	-	-
Increase (decrease) in accounts payable	1,911,851	(53,498)
Increase (decrease) in accrued compensated absences	-	-
Increase (decrease) in accrued liabilities	411,741	225,091
Increase (decrease) in refundable deposits	26,876	-
Increase (decrease) in claims payable	-	-
Total adjustments	<u>4,411,238</u>	<u>1,697,456</u>
Net cash provided (used) by operating activities	<u>\$ 13,154,090</u>	<u>\$ 6,584,288</u>

There were no noncash investing, capital, or financing activities for the year ended June 30, 2013.

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
Solid Waste Disposal	Housing Authority	Total	
<u>\$ 540,473</u>	<u>\$ (1,003,535)</u>	<u>\$ 13,166,622</u>	<u>\$ 1,444,976</u>
550	6,593	3,700,102	1,085,169
14,936	-	106,278	-
(4,141)	(6,792)	(199,013)	64,771
-	-	(9,588)	-
-	-	-	140,440
-	-	-	143,539
(1,214)	(1,241)	1,855,898	858,786
-	-	-	184,282
5,690	-	642,522	(37,559)
-	(28,993)	(2,117)	-
-	-	-	758,000
<u>15,821</u>	<u>(30,433)</u>	<u>6,094,082</u>	<u>3,197,428</u>
<u>\$ 556,294</u>	<u>\$ (1,033,968)</u>	<u>\$ 19,260,704</u>	<u>\$ 4,642,404</u>

**CITY OF GARDEN GROVE
STATEMENT OF FIDUCIARY NET POSITION
CITY OF GARDEN GROVE AS SUCCESSOR AGENCY
TO THE GARDEN GROVE REDEVELOPMENT AGENCY
PRIVATE PURPOSE TRUST FUND
JUNE 30, 2013**

ASSETS

Current Assets:

Cash and cash investments	\$ 14,318,011
Cash and cash investments with fiscal agents	4,772,036
Accounts receivable	93,132
Interest receivable	5,711
Notes receivable	1,435,566
Total current assets	<u>20,624,456</u>

Noncurrent assets:

Prepaid insurance costs	521,049
Capital assets:	
Land	76,016,680
Depreciable capital assets, net	200,000
Total noncurrent assets	<u>76,737,729</u>

Total assets	<u>97,362,185</u>
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LIABILITIES

Current Liabilities:

Accounts payable	2,151,670
Accrued liabilities	10,304
Interest payable	620,427
Refundable deposits	724,930
Current portion	
of long-term obligations	<u>6,807,943</u>

Total current liabilities	<u>10,315,274</u>
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Noncurrent liabilities:

Noncurrent portion of long-term obligations:	
Long-term debt	<u>68,977,964</u>
Total noncurrent liabilities	<u>68,977,964</u>

Total liabilities	<u>79,293,238</u>
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NET POSITION

Held in trust for other purposes	<u>\$ 18,068,947</u>
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The notes to the financial statements are an integral part of this statement.

**CITY OF GARDEN GROVE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CITY OF GARDEN GROVE AS SUCCESSOR AGENCY
TO THE GARDEN GROVE REDEVELOPMENT AGENCY
PRIVATE PURPOSE TRUST FUND
JUNE 30, 2013**

ADDITIONS	
Taxes	\$ 20,003,696
Investment earnings	356,035
Other revenues	167,128
Total additions	20,526,859
 DEDUCTIONS	
Program expenses	92,032
Administrative expenses	7,137,830
Interest and fiscal agency expenses	3,597,888
Remittance to county for disbursement to taxing entities	2,359,932
Total deductions	13,187,682
 CHANGE IN NET POSITION	 7,339,177
 NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	 11,007,859
 CHANGE IN ACCOUNTING PRINCIPLE	 (278,089)
 NET POSITION, BEGINNING OF YEAR, AS RESTATED	 10,729,770
 NET POSITION - ENDING	 \$ 18,068,947

The notes to the financial statements are an integral part of this statement.

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**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2013**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Garden Grove (the "City") was incorporated June 18, 1956 as a general law full service city. The City operates under a council-manager form of government and provides the following services: public safety (police, fire, and paramedics), highways and streets, social services, culture and recreation, parks, planning, zoning, housing, water, solid waste collection and disposal, sewage services and general administration.

1. Reporting entity

Accounting principles, generally accepted in the United States of America, require that these financial statements present the City (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: the primary government is accountable for the potential component unit (e.g. the primary government appoints the voting majority of its board) and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. The component units discussed in this note are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended component units:

- a. The Successor Agency to the Garden Grove Agency for Community Development (Successor Agency) was created on February 1, 2012 to serve as a custodian for the assets and to wind down the affairs of the former Agency. The Successor Agency is a separate public entity from the City, subject to the direction of an Oversight Board and is a blended component unit of the City. The Oversight Board is comprised of seven-member representatives from local government bodies. See footnote D.18 for further detail regarding the dissolution.

In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported in a fiduciary fund (private-purpose trust fund).

- b. The Garden Grove Housing Authority (the "Housing Authority") was established in October 1975, pursuant to the provisions of the Housing and Community Development Act of 1974 and is reported as an enterprise fund as if it were part of the primary government because the City Council, although acting in a different capacity, is the governing board. Council members approve the Housing Authority budget, and the City provides staffing.
- c. The Garden Grove Sanitary District (the "Sanitary District") began its operations in 1924 as a special district operating under the authority of the State of California. The Health and Safety Code of California (the Sanitary District Act of 1923) is the governing law. The Sanitary District provides portions of the cities of Garden Grove, Fountain Valley, Westminster and County of Orange unincorporated areas with sewage collection services, maintenance and cleaning of sewage collection lines, inspection of sewage lines built within the district by developers and the provision for trash and solid waste collection and disposal for residents and commercial establishments. The district became a subsidiary district and component unit of the City of Garden Grove on May 30, 1997. The Sanitary District is reported as two enterprise funds, the Sewage Collection enterprise fund and Solid Waste Disposal enterprise fund as if it were part of the primary City government

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

because the City Council, although acting in a different capacity, is the governing board. Council members approve the Sanitary District budget and the City provides staffing.

- d. The Garden Grove Public Financing Authority (the "Authority") was established on June 22, 1993 as a joint powers agency organized under the laws of the State of California. The Authority was formed to assist in the financing of public and capital improvements. It is reported in enterprise funds as if it were part of the primary City government because the City Council, although acting in a different capacity, is the governing board. Council members approve the Authority budget and the City provides staffing.

Separate reports are not issued for the Garden Grove Housing Authority, Garden Grove Sanitary District, Garden Grove Public Financing Authority, and Successor Agency to the Garden Grove Agency for Community Development.

All components of the reporting entity are reported on a July 1 through June 30 fiscal year.

2. Government-wide and fund financial statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions that are restricted to meeting the operational requirement of a particular function or segment and 3) capital grants and contributions that are restricted to meeting the capital requirement of a particular function or segment and other miscellaneous revenues that directly benefit a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary fund. Major governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Grant funds received before the revenue recognition criteria have been met are reported as deferred revenues.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as in accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise taxes, licenses, revenues from other agencies and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General fund

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

HOME Grant special revenue fund

The HOME Grant special revenue fund is used to account for the revenues received and expenditures made for the housing assistance program, which is funded by the U.S. Department of Housing and Urban Development.

The City reports the following major enterprise funds:

Water Utility fund

The purpose of this fund is to account for the City's water system. Resources of the fund are applied to construction, operation, maintenance and debt service obligations of the water system. Financing is provided by revenue of the water utility.

Sewage Collection fund

The Garden Grove Sanitary District comprises two funds, the Sewage Collection fund and the Solid Waste Disposal fund. Resources of the Sewage Collection fund are applied to the operation and maintenance of the City's sewer system.

Solid Waste Disposal fund

The Garden Grove Sanitary District comprises two funds, the Sewage Collection fund and the Solid Waste Disposal fund. The Solid Waste Disposal fund accounts for the operation of the trash and solid waste collections and disposal services.

Housing Authority fund

The Housing Authority fund accounts for the revenues and expenses pertaining to the Federal Section 8 Housing Program.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

Additionally, the City reports the following fund types:

Internal Service funds

The internal service funds account for workers' compensation, fleet management, employee benefits, information systems, warehouse operations, telephone system, and risk management services provided to City departments on a cost reimbursement basis.

Private-Purpose Trust fund

The Private-Purpose Trust Fund accounts for the custodial responsibilities that are assigned to the Successor Agency pursuant to the Dissolution Act.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other governmental funds. Elimination of these charges would distort the direct costs and program revenues reported for the function concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) fines, forfeits and penalties, 3) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function and 4) other miscellaneous revenues that directly benefit a particular function and do not fit into any other category. General revenues include all taxes, investment income, and gain on sale of assets.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Assets, liabilities, and net position or fund balance

a. Deposits and investments

The City pools idle cash from all funds in order to maximize income from investment activities. Investments are recorded on the City's books at fair value (quoted market price or best available estimate thereof) in accordance with GASB Statement No. 31. Interest income on investments is allocated to individual funds on the basis of monthly cash and investment balances except for the Fleet Management, Employee Benefits, Warehouse Operations, and Telephone System Internal Service Funds by management decision.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

b. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter fund loans) or "intercity loan receivable/payable" (i.e., the non-current portion of inter fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Intercity loans receivable, as reported in the fund financial statements, are offset by a nonspendable fund balance in applicable governmental funds to indicate that they are not in spendable form.

Utility accounts are billed on a bi-monthly cyclical basis. Receivables are recorded at the time consumption is determined. Sanitary refuse collection accounts are billed quarterly, with the last quarterly billing completed in June covering June, July, and August services. Unbilled receivables are recorded at year end to adjust for the billing cycle and are included as accounts receivable in the Water Utility and Sanitary District funds.

c. Taxes receivable

Property taxes in California are levied in accordance with Article 13A of the State Constitution at one percent of county-wide assessed valuations. This one percent is allocated pursuant to state law to appropriate units of local government. In addition, a voter-approved property tax of two and one-half cents per hundred dollars actual value is levied against all property in the City for the purpose of providing emergency medical services.

In the governmental fund statements, property tax revenue is recognized in the fiscal year for which taxes have been levied, provided that the revenue is collected in the current period or will be collected within 60 days thereafter.

The property tax calendar is as follows:

Lien date:	January 1
Levy date:	July 1
Due date:	First installment - November 1 Second installment - February 1
Delinquent date:	First installment - After December 10 Second installment - After April 10

Taxes are collected by Orange County, and are remitted to the City periodically as follows (dates and percentages may vary slightly from year to year):

November 6, 2012	7% - 10%
December 4, 2012	5% - 10%
December 18, 2012	30% - 35%
January 15, 2013	1% - 5%
March 12, 2013	5% - 7%
April 23, 2013	30% - 35%
May 21, 2013	1% - 5%
July 16, 2013	1% - 2% (Collections through June 30)

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

d. Inventory, prepaid items and land held for resale

Inventory is valued at cost using the first in, first out (FIFO) method. Inventory in the proprietary funds consists of expendable supplies held for future consumption. The cost is recorded as an expense as inventory items are consumed.

Land held for resale is valued at lower of cost or estimated net realizable value, determined upon execution of a disposition and development agreement, at June 30, 2013 and is located in the Low and Moderate Income Housing Asset capital project fund.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

e. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, sidewalks, medians, traffic signals, storm drains), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund and fiduciary fund financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are capitalized at cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The net interest cost incurred in the financing of projects during the construction period is not capitalized, except for enterprise funds. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds of tax-exempt debt over the same period. The interest capitalized by the City during the current fiscal year was \$532,247.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

Plant, infrastructure, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	20
Street infrastructure	
Pavement	30
Curbs & gutters	50
Sidewalks	50
Medians	50
Traffic signals	20
Walls	50
Driveways	50
Storm drain infrastructure	50
Water infrastructure	
Fire hydrants	45
Pump stations	10
Reservoirs	65
Water mains	77
Water meters	25
Water pumps & meters	20
Wells	40
Sewer infrastructure	60
Vehicles	2-10
Furniture and equipment	10

f. *Deferred outflows/inflows of resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position and proprietary funds' statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position or balance sheet of governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and notes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

g. *Accrued compensated absences*

The City accounts for compensated absences (unpaid vacation, annual leave, comp time and sick leave) in an internal service (Employee Benefits) fund. A calculated fringe benefit rate, which includes accrued compensated absences, is applied to all labor charges. The resulting funds are deposited into the Employee Benefits internal service fund and are set aside for corresponding liabilities.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

h. Long term obligations

In the government-wide financial statements, proprietary fund and fiduciary fund types in the fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund and fiduciary fund type statement of net position. Bond premiums and discounts, as well as prepaid insurance costs related to bond issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Prepaid insurance costs related to bond issuance costs are reported as prepaid insurance costs and amortized over the term of the related debt.

i. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance total governmental funds and net position-governmental activities as reported in the government-wide statement of net position.

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The capital assets reported in the *Statement of Net Position* excluding internal service fund capital assets are as follows:

Capital assets	\$ 931,986,843
Accumulated depreciation	<u>(268,884,618)</u>
	<u>\$ 663,102,225</u>

Certain notes and grants receivables are not available to pay for current period expenditures, and therefore are offset by deferred revenue in the governmental funds.

Note receivables not available to pay for current period expenditures	\$ 19,581,913
Grant receivables not available to pay for current period expenditures	<u>1,497,431</u>
	<u>\$ 21,079,344</u>

Internal service funds are used by management to charge the costs of certain activities, such as workers' compensation, fleet management, employee benefits, information systems, warehouse operations, telephone system, and risk management to individual funds. The internal service funds are allocated primarily to the governmental activities.

Internal service funds net position-beginning of year	\$ 78,637,479
Change in net position	<u>1,514,689</u>
Internal service funds net position - end of year	80,152,168
Less allocation to enterprise funds	<u>(1,746,762)</u>
Adjustment to statement of net position - Governmental	<u>\$ 78,405,406</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. The details of this \$31,040,728 adjustment are as follows:

Certificates of participation	\$	18,410,000
Agreements payable		6,345,613
Capital lease		971,924
Interest payable		2,164,081
Postemployment benefit obligation		3,330,852
Prepaid insurance costs		(181,742)
	<u>\$</u>	<u>31,040,728</u>

2. Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental funds statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense". The details of this difference are as follows:

Capital outlay capitalization for year	\$	12,675,728
Current year governmental depreciation		(14,561,648)
	<u>\$</u>	<u>(1,885,920)</u>

The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The details of this adjustment are as follows:

Debt principal repayments:		
Certificates of participation	\$	560,000
Agreements payable		1,034,653
Capital lease payable		343,927
Amortization of issuance costs		(9,939)
Change in interest payable		(396,344)
Change in postemployment benefit obligation		(613,647)
Total long term debt adjustment	<u>\$</u>	<u>918,650</u>

Some revenues recognized in governmental funds in current year were already recognized in governmental activities in prior year.

Revenue from other agencies	<u>\$</u>	<u>(1,652,337)</u>
	<u>\$</u>	<u>(1,652,337)</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues of these internal service funds are reported as governmental activities.

Internal service funds change in net position	\$	1,514,689
Less change in net position allocated to enterprise funds		(396,243)
Adjustment to statement of activities - Governmental	\$	<u>1,118,446</u>

C. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. Excess of expenditures over appropriations

The following individual fund exceeded its expenditures budget:

Fund	Type of Fund	Amount over Budget
Street Lighting	Special revenue fund	\$ 46,849
Garden Grove Tourism Improvement District	Special revenue fund	102,337

The Garden Grove Street Lighting and Garden Grove Tourism Improvement District special revenue funds unbudgeted expenditures will be funded by future revenues and transfers.

2. Deficit fund equity

The following fund had a deficit at June 30, 2013:

Fund	Type of Fund	Deficit Fund Equity
Garden Grove Cable	Special Revenue	\$ 47,845
Street Lighting	Special Revenue	18,690

The deficits in the Garden Grove Cable and Street Lighting special revenue funds are expected to be eliminated with future revenues and transfers.

D. DETAILED NOTES ON ALL FUNDS

1. Cash and investments

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

Statement of net position:

City of Garden Grove:

Cash and investments	\$	190,259,545
Cash and investments with fiscal agent		4,663,291
		<u>194,922,836</u>

Successor Agency (Private Purpose Trust Fund):

Cash and investments	14,318,011
Cash and investments with fiscal agent	4,772,036
	<u>19,090,047</u>

Total cash and investments	\$	<u>214,012,883</u>
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**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	\$	43,930
Deposits with financial institutions		1,778,654
Investments		<u>212,190,299</u>
Total cash and investments	<u>\$</u>	<u>214,012,883</u>

Investments Authorized by the City's Investment Policy

The following table identifies the investment types that are authorized by the California Government Code and the City's investment policy. The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provision of the Government Code and City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of *Portfolio	Maximum Investment in One Issuer
Securities of the U.S. Government or its Agencies	5 years	None	None
Federal Home Loan Bank (FHLB)	5 years	None	None
Federal National Mortgage Association (FNMA)	5 years	None	None
Federal Farm Credit Bank (FFCB)	5 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Certificates of Deposits (CD)	N/A	30%	5%
Bankers Acceptances	180 days	30%	10%
Negotiated Certificates of Deposit	N/A	30%	5%
Commercial Paper	10 days **	15% **	None
Medium Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Mortgage-backed Securities	5 years	20%	None
Repurchase Agreement (Overnight)	30 days **	None	None
Passbook Savings Account	N/A	None	None

*Excluding amounts held by bond trustee that are not subject to City's investment policy.

** Represents where the City's investment policy is more restrictive than the California Government Code

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

Investments Authorized by Debt Agreements

Provisions of the debt agreements, rather than the City's investment policy govern investment of debt proceeds held by bond trustee. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Percentage Of *Portfolio	Investment in One Issuer
U.S. Treasury	None	None	None
Money Market Funds	N/A	None	None
Investment Contracts	30 years	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

Authorized Investment Type	Amount	Weighted Average Maturity (in years)
U.S. Treasury	\$ 49,800,200	2.15
U.S. Agency Securities		
FHLB	39,974,619	1.84
FFCB	39,722,740	1.84
FNMA	29,879,614	1.99
Local Agency Investment Fund (LAIF)	43,377,790	0.50
Held by fiscal agent:		
Investments Contracts	2,770,500	0.50
Money Market Funds	6,664,836	0.50
Total	<u>\$ 212,190,299</u>	

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type. The column marked "Exempt From Disclosure" identifies those investment types for which GASB No. 40 does not require disclosure as to credit risk:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End	
				AAA	Not Rated
U.S. Treasury	\$ 49,800,200	N/A	\$ 49,800,200	\$ -	\$ -
U.S. Agency Securities					
FHLB	39,974,619	N/A	-	39,974,619	-
FFCB	39,722,740	N/A	-	39,722,740	-
FNMA	29,879,614	N/A	-	29,879,614	-
Local Agency Investment Fund	43,377,790	N/A	-	-	43,377,790
Held by fiscal agent:					
Investment Contracts	2,770,500	N/A	-	-	2,770,500
Money Market Funds	6,664,836	AAA	-	6,664,836	-
Total	<u>\$ 212,190,299</u>		<u>\$ 49,800,200</u>	<u>\$ 116,241,809</u>	<u>\$ 46,148,290</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Investment Type
FHLB	U.S. Agency Securities	\$ 39,974,619
FFCB	U.S. Agency Securities	39,722,740
FNMA	U.S. Agency Securities	29,879,614

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment of collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institution to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The total amount invested by all public agencies in LAIF as of June 30, 2013 was \$21.3 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2013 had a balance of \$58.8 billion, of that amount, 1.96% was invested in medium-term and short-term structured notes and asset-backed securities.

2. Intercity loans receivable/payable at June 30, 2013 consisted of the following:

a. Loan from General fund to Water Utility fund

On July 1, 1998, the City established an intercity loan between the General fund and Water Utility fund in the amount of \$14,145,092 for the repayment from the Water Utility fund to the General fund for street damage repairs throughout the City that have been a benefit to the Water Utility. The loan accrues interest at 6.5% per annum. The balance will be repaid at amounts to be determined through the annual budget process.

\$13,374,979

b. Loan from General fund to the former redevelopment agency :

The General fund has loaned to the former redevelopment agency a total of \$2,863,113 to assist in funding the Agency's operating budget since 2004. The loans accrue interest at a rate of 6.5% per annum. On March 8, 2011, City Council authorized a loan amortization schedule. Principal payments ranging from \$699,984 to \$900,505 are due annually. In accordance with Assembly Bill X1 26, existing agreements between the City and the former redevelopment agency have been invalidated. Therefore, the City has set up 100% allowance for this loan on February 1, 2012.

2,539,990

c. Loan from the General fund to former redevelopment agency:

On May 21, 1984 the City Council approved an agreement between the City and the Agency for Community Development Community Project capital projects fund wherein the Agency agreed to reimburse the City \$2,405,511, plus any accruing unpaid interest at the annual rate of 10%, for capital improvements within the Agency's redevelopment area which were initially paid for by the General fund. On March 8, 2011, the City Council authorized a loan amortization schedule. Principal payments ranging from \$761,037 to \$1,114,235 are due annually. In accordance with Assembly Bill X1 26, existing agreements between the City and the former redevelopment agency have been invalidated. Therefore, the City has set up 100% allowance for this loan on February 1, 2012.

3,048,030

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

d. Loan from the General fund to the former redevelopment agency:

On February 26, 2002 the City Council approved an agreement between the City and the Agency for Community Development Community Project capital projects fund wherein the City has agreed to advance funds to the Agency for the acquisition and development of certain property within the project areas. The advance is subject to repayment on demand and bears interest at a rate of 6.5%. The Agency is responsible for making payments on the City's \$22,735,000 Certificates of Participation Series A of 2002, (the Certificates), the proceeds of which were used to fund the advances from the City to the Agency. The Agency also reimbursed the City for the \$683,739 issuance costs related to the Certificates of Participation. In accordance with Assembly Bill X1 26, existing agreements between the City and the former redevelopment agency have been invalidated. Therefore, the City has set up 100% allowance for this loan on February 1, 2012.

18,970,000

e. Loan from Water Utility fund to the former redevelopment agency:

The former redevelopment agency has a loan from the Water Utility fund in the amount of \$750,000. Interest is paid monthly at an annual rate of 10% and has no fixed amortization date. In accordance with Assembly Bill X1 26, existing agreements between the City and the former redevelopment agency have been invalidated. Therefore, the City has set up 100% allowance for this loan on February 1, 2012.

750,000

f. Loan from Low Income Housing Assets capital project fund to the former redevelopment agency:

The former redevelopment agency has five loans from the Low Income Housing Assets capital project fund, that were used to make the fiscal year 2003-04 (\$999,032), 2004-05 (\$1,680,565), and 2005-06 (\$1,517,267) mandated Educational Revenue Augmentation Fund payments and "Supplemental" Education Revenue Augmentation Fund payments for the fiscal year 2009-10 (\$7,906,610) and 2010-11 (\$1,626,274). Interest is accrued annually for the respective loans based upon the City's investment rate of return of the prior year. The rate accrued on the loans for fiscal year 2003-04 was 2.30%, 2004-05 was 1.60%, and 2005-06 was 2.28%. No interest was accrued on the 2009-10 and 2010-11. The loans are due in 10 years from the loan establishment except for 2009-10 and 2010-11 loans which are due on May 10, 2015 and June 30, 2016, respectively. The former redevelopment agency has one additional loan of \$100,000 from the Low Income Housing Assets capital project fund that was used to acquire a property held for resale. This loan is interest free and due in the fiscal year 2011-12. In accordance with Assembly Bill X1 26, existing agreements between the City and the former redevelopment agency have been invalidated. Therefore, the City has set up 100% allowance for this loan on February 1, 2012.

13,729,748

TOTAL INTERCITY LOANS RECEIVABLE

52,412,747

Less: Allowance

(39,037,768)

TOTAL INTERCITY LOANS RECEIVABLE, NET

\$13,374,979

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

3. Interfund receivables , payables, and transfers

a. The composition of interfund receivable/payable balances as of June 30, 2013 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Nonmajor governmental funds	\$ -	\$ 2,090,972
Internal service funds	2,090,972	-
Total	<u>\$ 2,090,972</u>	<u>\$ 2,090,972</u>

The interfund payable balances represent routine and temporary cash flow assistance from the Workers' Compensation internal service fund until the amounts receivable are collected to reimburse eligible expenditures.

b. The composition of interfund transfer balances for the year ended June 30, 2013 is as follows:

	<u>Transfers In</u>		
<u>Transfers out:</u>	<u>General Fund</u>	<u>Nonmajor governmental funds</u>	<u>Total</u>
General Fund	\$ -	\$ 175,402	\$ 175,402
Nonmajor governmental funds	708,575	255,098	963,673
Internal service funds	100,000	-	100,000
Total	<u>\$ 808,575</u>	<u>\$ 430,500</u>	<u>\$ 1,239,075</u>

- \$ 600,000 of \$708,575 transfer from Golf Course special revenue fund (Nonmajor governmental fund) to the General fund was to pay for administrative costs.

4. Notes receivable at June 30, 2013, consisted of the following:

a. *Neighborhood Stabilization Program (NSP) Loan:*

The City has entered into twenty-six NSP Agreements utilizing NSP funds, which are reflected in nonmajor governmental funds. These loans provide up to \$40,000 in down payment assistance in the form of silent loan that requires no payment for 30 years. The loans carry 0% interest charges. Since the note repayments are not available for current expenditures, these notes receivable are offset by unavailable revenue in other governmental funds. Revenue will be recognized when received.

1,028,638

b. *Rental rehabilitation:*

The Low and Moderate Income Housing Asset capital projects fund holds eight notes related to property rehabilitation loans, which have been used to assist developers in the rehabilitation of multifamily residential buildings located within the City for the purpose of providing adequate low income housing opportunities for City residents. Since these note repayments are not available for current expenditures, the notes receivable are offset by unavailable revenue in the governmental funds. Revenue will be recognized when received.

2,480,947

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

c. Rental rehabilitation – HOME Grant Special Revenue fund and Other nonmajor governmental funds:

The City has entered into sixteen Housing Rehabilitation Agreements utilizing CDBG, which are reflected in other governmental funds and HOME fund. These loans were for the purpose of assisting developers in the rehabilitation and operation of multifamily apartment buildings for the purpose of providing adequate low-income housing to City residents. Many of these buildings had suffered from serious structural deterioration, overcrowding and high crime. Since the note repayments are not available for current expenditures, these notes receivable are offset by unavailable revenue in other governmental funds. Revenue will be recognized when received.

13,019,902

d. Affordable housing agreement – General fund:

The City has entered into an Affordable Housing Agreement with a developer wherein the developer has agreed to comply to certain affordability covenants including the reimbursement to the City of forgone property taxes which would have been payable for the property, increasing at the rate of 2 percent annually. Since the note repayments are not available for current expenditures, the note receivable is offset by deferred revenue in the General fund. Revenue will be recognized when received.

2,101,532

e. Private Sewer Lateral Loan Agreement – Sewer fund:

The Garden Grove Sanitary District has entered into a Private Sewer Lateral Loan Agreement with The Helen Brooks Montgomery Revocable Trust on October 1, 2012. The loan is due and payable at the simple annual interest rate of 2.24%. Monthly payments in the amount of \$65.47 are required. Loan principal is amortized over the 15-year life and the principal portion of monthly payment reduces the loan payable.

9,588

TOTAL NOTES RECEIVABLE

18,640,607

Less: Allowance

(30,000)

TOTAL NOTES RECEIVABLE, NET

\$18,610,606

5. Land held for resale

The Low and Moderate Income Housing Asset capital projects fund's land held for resale is an inventory of land intended to be sold to developers. The land is carried at the lower of cost or estimated net realizable value, as determined upon execution of a disposition and development agreement. Land held for resale at June 30, 2013 is \$4,852,252.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

6. Capital assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 416,116,410	\$ 4,777,255	\$ -	\$ 420,893,665
Construction in progress	3,291,271	7,736,655	(3,162,985)	7,864,941
Total capital assets, not being depreciated	419,407,681	12,513,910	(3,162,985)	428,758,606
Capital assets, being depreciated:				
Infrastructure				
Street system	366,838,079	2,226,428	-	369,064,507
Storm drain assets	71,658,418	1,377	-	71,659,795
Buildings and park assets	49,491,883	1,051,001	-	50,542,884
Furniture and equipment	31,034,040	460,547	(476,462)	31,018,125
Total capital assets, being depreciated	519,022,420	3,739,353	(476,462)	522,285,311
Less accumulated depreciated for:				
Infrastructure				
Street system	(183,907,413)	(11,110,801)	-	(195,018,214)
Storm drain assets	(39,489,557)	(1,425,614)	-	(40,915,171)
Buildings and park assets	(21,248,424)	(1,541,989)	-	(22,790,413)
Furniture and equipment	(22,005,560)	(1,568,414)	464,355	(23,109,619)
Total accumulated depreciation	(266,650,954)	(15,646,818)	464,355	(281,833,417)
Total capital assets, being depreciated, net	252,371,466	(11,907,465)	(12,107)	240,451,894
Governmental activities capital assets, net	\$ 671,779,147	\$ 606,445	\$ (3,175,092)	\$ 669,210,500
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 2,564,750	\$ -	\$ -	\$ 2,564,750
Construction in progress	14,252,199	16,915,251	(11,344,923)	19,822,527
Total capital assets, not being depreciated	16,816,949	16,915,251	(11,344,923)	22,387,277
Capital assets, being depreciated:				
Buildings and structures	15,000	-	-	15,000
Water system	97,882,795	8,243,362	(52,518)	106,073,639
Sewer system	98,515,967	3,101,562	(129,648)	101,487,881
Machinery and equipment	383,173	29,788	-	412,961
Total capital assets, being depreciated:	196,796,935	11,374,712	(182,166)	207,989,481
Less accumulated depreciated for:				
Buildings and structures	-	-	-	-
Water system	(43,995,641)	(2,175,649)	52,518	(46,118,772)
Sewer system	(42,355,791)	(1,553,495)	129,648	(43,779,638)
Machinery and equipment	(329,725)	(16,813)	-	(346,538)
Total accumulated depreciation	(86,681,157)	(3,745,957)	182,166	(90,244,948)
Total capital assets, being depreciated, net	110,115,778	7,628,755	-	117,744,533
Business-type activities capital assets, net	\$ 126,932,727	\$ 24,544,006	\$ (11,344,923)	\$ 140,131,810
Private-purpose trust fund				
Land	\$ 77,882,295	\$ 443,618	\$ (2,309,233)	\$ 76,016,680
Capital assets, being depreciated:				
Buildings and structures	400,000	-	-	400,000
Machinery and equipment	6,609	-	-	6,609
Total capital assets, being depreciated:	406,609	-	-	406,609
Less accumulated depreciated for:				
Buildings and structures	(180,000)	(20,000)	-	(200,000)
Machinery and equipment	(6,609)	-	-	(6,609)
Total accumulated depreciation	(186,609)	(20,000)	-	(206,609)
Total capital assets, being depreciated, net	220,000	(20,000)	-	200,000
Private-purpose trust fund capital assets, net	\$ 78,102,295	\$ 423,618	\$ (2,309,233)	\$ 76,216,680

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

Depreciation expense was charged to functions/programs of the primary government as follows:

	Governmental Activities	Business-type Activities
Traffic safety	\$ 483,245	\$ -
Right of way	11,110,801	-
Drainage	1,425,614	-
Community buildings	1,541,989	-
Water	-	2,179,026
Sewage collection	-	1,559,788
Solid waste disposal	-	550
Housing Authority	-	6,593
Internal service fund	1,085,169	-
Total	<u>\$ 15,646,818</u>	<u>\$ 3,745,957</u>

7. Long-Term Debt

a. Following is a summary of long-term debt transactions for the City for the year ended June 30, 2013.

	Beginning Balance	Adjustment Per GASB 65	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities						
Certificates of participation	\$ 18,970,000	\$ -	\$ -	\$ (560,000)	\$ 18,410,000	\$ 580,000
Agreements payable	7,380,266	-	-	(1,034,653)	6,345,613	1,073,352
Capital lease payable	2,134,919	-	-	(763,009)	1,371,910	554,393
Governmental activities						
long-term debt	28,485,185	-	-	(2,357,662)	26,127,523	2,207,745
Other non-current liabilities:						
Claims payable	20,817,000	-	3,680,646	(2,922,646)	21,575,000	4,593,473
Compensated absences	7,649,958	-	8,706,063	(8,521,781)	7,834,240	6,267,392
OPEB liabilities	2,717,204	-	941,164	(327,517)	3,330,851	-
Governmental activities						
long-term liabilities	<u>\$ 59,669,347</u>	<u>\$ -</u>	<u>\$ 13,327,873</u>	<u>\$ (14,129,606)</u>	<u>\$ 58,867,614</u>	<u>\$ 13,068,610</u>
Business-type activities						
Water revenue COP	11,635,000	-	-	(765,000)	10,870,000	800,000
Add: premium	126,767	-	-	(10,564)	116,203	-
Less: deferred refunding	(431,420)	395,468	-	35,952	-	-
Water revenue bonds	15,755,000	-	-	(555,000)	15,200,000	575,000
Add: premium/discount	636,922	58,352	-	(54,739)	640,535	-
Sewer revenue COP	20,470,000	-	-	(495,000)	19,975,000	515,000
Add: premium	337,924	-	-	(14,179)	323,745	-
Business-type						
activities long-term liabilities	<u>\$ 48,530,193</u>	<u>\$ 453,820</u>	<u>\$ -</u>	<u>\$ (1,858,530)</u>	<u>\$ 47,125,483</u>	<u>\$ 1,890,000</u>
Private-purpose trust fund						
Tax allocation bonds	46,470,000	-	-	(2,020,000)	44,450,000	2,105,000
Unamortized premium	887,625	-	-	(49,313)	838,312	-
2008 Subordinate Note	1,825,000	-	-	(70,000)	1,755,000	75,000
Agreements payable	35,866,644	-	-	(7,124,049)	28,742,595	4,627,943
Private-purpose trust fund						
long-term liabilities	<u>\$ 85,049,269</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,263,362)</u>	<u>\$ 75,785,907</u>	<u>\$ 6,807,943</u>

CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013

b. *Governmental long-term debt at June 30, 2013 consisted of the following:*

Certificates of participation:

\$22,735,000 City of Garden Grove Certificates of Participation, Series A of 2002, were executed to provide funds for the acquisition of land to assist certain redevelopment activity of the Garden Grove Agency for Community development and for other improvement projects of the Agency or the City. The Certificates represent fractional interests of the owners in the lease payments, for certain real property and improvements thereon, to be made by the City, as lessee, to the Garden Grove Public Financing Authority, as lessor, under a Lease/Purchase Agreement. The leased properties consist of Garden Grove Park, Willowick Golf Course, a municipal amphitheater, a community meeting center, fire station, and related land. Lease payments are structured to be sufficient to pay, when due, the principal and interest on the Certificates. Principal payments ranging from \$410,000 to \$1,150,000 are due annually on March 1, beginning March 1, 2005, and continuing until March 1, 2032. Interest is payable semiannually, beginning on September 1, 2002, with an interest rate ranging from 3.500% to 5.125% over the life of the bond. Such bonds are subject to Federal arbitrage regulations, however, no liability is reported at June 30, 2013.

18,410,000

Agreements payable:

\$7,660,000 Federal Housing and Community Development Section 108 Loan was issued for the purpose of refinancing the \$13,380,000 Section 108 Loan that was issued for the purpose of acquisition and development of property located in the section of the City identified as the Harbor Corridor. The City has pledged future Community Development Block Grant funds including program income to satisfy the City's obligations under this loan agreement until fiscal year 2016. The remaining principal and interest requirements on the loan is \$4,744,205. Pledged revenue recognized during the year was \$1.2 million against the total debt service payment of \$1.2 million. Principal payments ranging from \$750,000 to \$1,200,000 are due annually on August 1 through the year 2016. Interest is due semi-annually on February 1 and August 1.

4,350,000

\$513,900 capital improvement loan. On July 27, 2004 the City received an energy efficiency loan from the California Energy Commission to assist in the funding of the second energy retrofit project. The loan has an annual interest rate of 3.95% with payments due semi-annually, in the amount of \$24,201, through June 22, 2018.

237,173

On December 13, 2011, the City entered into an agreement with Verde Investment, Inc. in the loan amount of \$1,837,500, in accordance with a purchase and sale agreement secured by deed of trust for the purchase of real property located on 13650 South Harbor Boulevard in Garden Grove. The loan has annual interest rate of 6.00%. Monthly installments of \$13,164 are payable until November 1, 2016. On or before the fifth anniversary of the loan issuance date, the entire remaining unpaid principal balance is due in full.

1,758,440

Total agreements payable

\$6,345,613

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

Capital leases payable:

\$2,449,937 Lease purchase of retrofit heating and air conditioning systems for City government buildings. Quarterly payments range from \$32,768 to \$80,927 including interest at 5.35% through September 2014. 381,396

In September 2004, the City entered into a lease purchase arrangement in the amount of \$1,156,741 for the retrofit of certain heating and air conditioning system of City government buildings. The interest rate is 4.51% with a quarterly payment of \$26,634 through August 2019. 577,430

In October 2008, the City entered into a capital lease arrangements in the amount of \$1,598,140 for 3 fire pumper trucks. The interest rate is 3.99% with a monthly payment of \$29,425 through October 2013. 87,692

In February 2011, the City entered into a capital lease arrangement in the amount of \$15,529 for copy machines. The interest rate is 13.83% with a monthly payment of \$360 through May 2016. 9,588

In September 2011, the City entered into a capital lease arrangement in the amount of \$18,627 for mail machines. The interest rate is 6.41% with a monthly payment of \$349 through December 2016. 13,099

In June 2012, the City entered into a capital lease arrangement in the amount of \$398,332 for office equipment. The interest rate is 3.69% with a quarterly payment of \$21,701 through March 2017. 302,705

Total capital leases payable \$1,371,910

TOTAL GOVERNMENTAL LONG TERM DEBT \$26,127,523

c. Proprietary long-term debt at June 30, 2013 consisted of the following items:

2004 Revenue certificates of participation - Water Utility enterprise fund:

\$16,845,000 Refunding Revenue Certificates of Participation, Series 2004, were issued on April 20, 2004, for a current refunding of \$20,495,000 of the Water Revenue Bonds, Series 1993. The refunding was undertaken to reduce total future debt service payments by \$2,354,695. Deferred refunding cost of \$719,034 was incurred during the refunding, which is being reported as deferred outflows of resources and amortized over the new debt's life, which is shorter than the refunded debt.

The City's previously issued \$20,495,000 Water Revenue Bonds, Series 1993, was originally issued to finance the construction of water storage and transmission facilities, and certain other city water systems. Principal payments for the Series 2004 certificates of participation range from \$435,000 to \$1,165,000 are due annually on December 15, 2004 through 2023. Interest is due semi-annually on June 15 and December 15, at rates ranging from 2.0% to 5.0% over the life of the certificate. Such certificates are

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

subject to Federal arbitrage regulations, however, no liability is reported at June 30, 2013. \$10,870,000

Unamortized bond premium 116,203

Total 2004 Revenue certificates of participation \$10,986,203

2004 Revenue certificates of participation – Water Utility enterprise fund - debt service coverage:

The Refunding Revenue Certificates of Participation were issued on April 20, 2004 for current refunding of the Water Revenue Bonds, Series 1993. These certificates of participation are to be secured and to be serviced from revenues derived by the ownership and operations of the water system including all connection charges and fees collected by the City through the fiscal year 2024. At June 30, 2013 total interest and principal remaining on the certificates is \$13,949,143. Revenue recognized during the year was \$33.74 million against debt service payments of \$1,280,762. The Utility covenants that rates and charges for the water service will be sufficient to yield net revenues equal to 125% of the debt service coming due and payable during the next succeeding bond year. The following analysis shows the test result for compliance with this covenant:

Operating revenues	\$ 33,738,275
Non-operating revenues	<u>194,806</u>
Gross revenue	33,933,081
Less: Expenses (excluding depreciation, amortization, interest and fiscal charges)	<u>(22,848,625)</u>
Net revenues	<u>\$ 11,084,456</u>
Debt service requirement for next year:	
\$1,284,462 x 125%	<u>\$ 1,605,578</u>

2010 Revenue Bonds – Water utility enterprise fund:

\$16,625,000 Revenue Bonds, Series 2010, were issued on April 30, 2010 to finance the acquisition, expansion, construction and improvement of certain additional water facilities of the water system of the City. The bonds are secured and to be serviced from net revenues derived from the ownership or operation of the water system excluding proceeds from customers' deposits and any proceeds assessments restricted by law to be used by the City to pay parity obligations or other obligations. Revenue recognized during the year was \$33.74 million against debt service payments of \$1,379,965. The remaining principal and interest requirements on the debt is \$24,129,352. The Bonds are due in annual principal installments of \$320,000 to \$1,165,000 beginning December 15, 2010 and is payable semiannually on June 15 and December 15 through December 2030.

\$15,200,000

Unamortized bond premium 640,535

Total 2010 Revenue bonds \$15,840,535

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

2006 Revenue certificates of participation – Sewage collection enterprise fund:

Garden Grove Sanitary District Revenue Certificates of Participation in the amount of \$21,845,000 were issued on April 12, 2006. The certificates are secured and to be serviced from the total revenues for the fiscal year excluding any proceeds of taxes or assessments restricted by law and less the operations and maintenance costs excluding depreciation through the fiscal year 2036. At June 30, 2013 total interest and principal remaining on the certificates is \$33,694,093. Net revenue recognized during the year was \$6.66 million against debt service payments of \$1,463,341. The Certificates were issued to (1) finance the rehabilitation, replacement and improvement of the wastewater collection system of the Garden Grove Sanitation District; (2) fund a reserve fund for the certificates; and (3) pay certain costs of issuance. The Certificates are due in annual principal installments of \$440,000 to \$1,395,000 beginning June 15, 2010 through 2036. Interest rates range from 4.0% to 4.5% and is payable semiannually on June 15 and December 15. Such certificates are subject to federal arbitrage regulations. No arbitrage liability is reported at June 30, 2013.

\$19,975,000

Unamortized bond premium

323,745

Total 2006 revenue certificates of participation

\$20,298,745

2006 Revenue certificates of participation – Sewage collection enterprise fund - debt service coverage:

The Utility covenants that rates and charges for the sewer service will be sufficient to yield net revenues equal to 115% of the debt service coming due and payable during the next succeeding bond year. The following analysis shows the test result for compliance with this covenant:

Operating revenues	\$ 10,078,866
Non-operating revenues	<u>224,024</u>
Gross revenue	10,302,890
Less: Expenses (excluding depreciation, amortization, interest and fiscal charges)	<u>(3,645,873)</u>
Net revenues	<u>\$ 6,657,017</u>
Debt service requirement for next year:	
\$1,463,541x 115%	<u>\$ 1,683,072</u>

TOTAL PROPRIETARY LONG TERM DEBT

\$47,125,483

TOTAL LONG TERM DEBT

\$73,253,006

- d. *Private-purpose trust activity long-term debt at June 30, 2013 consisted of the following items:*

Tax allocation refunding bonds issue of 2003:

\$57,025,000 Tax allocation refunding bonds were issued on August 25, 2003. The bonds were issued for the purpose of (i) refunding the former redevelopment agency's previously issued \$62,000,000 community project tax allocation bonds, Series 1993, which refunded the former redevelopment agency's previously issued \$30,000,000 community project tax allocation bonds, Series 1996 and \$10,800,000 Community Center Project 1979 tax allocation bonds; and to (ii) finance additional redevelopment activities of

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

the former redevelopment agency. The tax allocation refunding bonds were secured and to be serviced from tax increment revenues excluding dedicated housing tax increment, through the fiscal year 2029. The remaining principal and interest requirements on the debt is \$63,729,900.

Upon the dissolution of the former redevelopment agency at February 1, 2012, the outstanding balance of the bonds was transferred to the Successor Agency. Upon dissolution, former tax increment revenues are deposited into the Orange County Redevelopment Property Tax Trust Fund (RPTTF) and are distributed to Successor Agencies based on approved enforceable obligations. The City does not believe the dissolution bill changes the pledged nature of the former tax increment and considers all deposits related to 2003 tax allocation refunding bonds to the RPTTF pledge for debt service until the full debt service obligation for the fiscal year is reached. Pledged revenue recognized during the year was \$4.3 million against the total debt service payment of \$4.3 million. Principal payments ranging from \$1,625,000 to \$3,320,000 are due annually starting October 1, 2006 through the year 2022, and two lump sum payments of \$9,465,000 and \$8,375,000 due on October 1, 2024 and October 1, 2028 respectively. Interest is due semi-annually on October 1 and April 1, at rates ranging from 2.250% to 5.250%. Such bonds are subject to Federal arbitrage regulations; however, no liability is reported at June 30, 2013.

\$44,450,000

Unamortized bond premium

838,312

Total Tax allocation refunding bonds issue of 2003

\$45,288,312

Subordinate Note:

On June 1, 2008, the former redevelopment agency for Community Development entered into a note purchase agreement in the amount of \$2,015,000, to refund a note issued to Katella Cottages LLC under a Disposition and Development Agreement dated May 11, 2004. The Note has an annual interest rate of 6% with principal payments due annually on October 1 through October 1, 2027. Principal payments range from \$60,000 to \$170,000. Upon the dissolution of the former redevelopment agency at February 1, 2012, the outstanding balance of the bonds was transferred to the Successor Agency.

\$1,755,000

Agreements payable:

\$829,159 real property purchase. On March 13, 2002 the former redevelopment agency for Community Development entered into a real property purchase and sale agreement wherein the Agency assumed the balance on an existing promissory note bearing interest at an annual rate of 8.5%. Equal monthly payments in the amount of \$7,355 will continue until February 13, 2016 when all unpaid principal and interest will be due and payable. Upon the dissolution of the former redevelopment agency at February 1, 2012, the outstanding balance of the loan was transferred to the Successor Agency.

\$495,928

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

On June 2, 2008, the former redevelopment agency for Community Development entered into an agreement with Union Bank of California for a term loan in the amount of \$32,000,000 for the purpose of acquiring certain parcels of real property. The terms of the loan comprise of refunded capitalized interest rate of 4.22% for year 1 through 3, interest rate of Libor plus 0.75 basis points for year 4 and fully amortized loan with principal and interest payments of Libor plus 0.75 basis points for years 5 through 12. Upon the dissolution of the former redevelopment agency at February 1, 2012, the outstanding balance of the loan was transferred to the Successor Agency.

27,666,667

On August 24, 2009, the former redevelopment agency for Community Development entered into an agreement with M. David Paul & Associates in the loan amount of \$2,320,000, in accordance with a purchase and sale agreement secured by deed of trust for the purchase of real property located on 12900 Euclid Street in Garden Grove. The loan has annual interest rate of 5% with interest payments of \$580,000 due annually until August 25, 2013. Upon the dissolution of the former redevelopment agency at February 1, 2012, the outstanding balance of the loan was transferred to the Successor Agency.

580,000

Total Agreements payable

\$28,742,595

- e. ***The scheduled annual requirements to amortize all governmental long-term debt outstanding as of June 30, 2013, including interest payments, are as follows.***

Year Ending June 30	2002 Certificates of Participation		
	Principal	Interest	Total
2014	\$ 580,000	\$ 970,627	\$ 1,550,627
2015	620,000	944,527	1,564,527
2016	645,000	915,387	1,560,387
2017	675,000	880,719	1,555,719
2018	715,000	844,438	1,559,438
2019-2023	4,195,000	3,588,863	7,783,863
2024-2028	5,475,000	2,306,175	7,781,175
2029-2032	5,505,000	722,881	6,227,881
Total	<u>\$ 18,410,000</u>	<u>\$ 11,173,617</u>	<u>\$ 29,583,617</u>

Year Ending June 30	Agreements Payable		
	Principal	Interest	Total
2014	\$ 1,073,352	\$ 278,350	\$ 1,351,702
2015	1,148,251	232,116	1,380,367
2016	1,223,404	180,980	1,404,384
2017	2,830,780	62,528	2,893,308
2018	46,094	2,309	48,403
2019	23,732	470	24,202
Total	<u>\$ 6,345,613</u>	<u>\$ 756,753</u>	<u>\$ 7,102,366</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

Year Ending June 30	Capital leases payable		
	Principal	Interest	Total
2014	\$ 554,393	\$ 51,383	\$ 605,776
2015	252,409	30,368	282,777
2016	178,739	21,670	200,409
2017	159,633	14,102	173,735
2018	97,953	8,584	106,537
2019-2020	128,783	4,389	133,172
Total	<u>\$ 1,371,910</u>	<u>\$ 130,496</u>	<u>\$ 1,502,406</u>

f. The scheduled annual requirements to amortize all proprietary long-term debt outstanding as of June 30, 2013, including interest payments, are as follows.

Year Ending June 30	2004 Water Utility Revenue Certificates of Participation		
	Principal	Interest	Total
2014	\$ 800,000	\$ 484,462	\$ 1,284,462
2015	830,000	449,787	1,279,787
2016	865,000	413,812	1,278,812
2017	900,000	377,950	1,277,950
2018	940,000	339,413	1,279,413
2019-2023	5,370,000	984,594	6,354,594
2024	1,165,000	29,125	1,194,125
Total	<u>\$ 10,870,000</u>	<u>\$ 3,079,143</u>	<u>\$ 13,949,143</u>

Year Ending June 30	2006 Sewage Collection Revenue Certificates of Participation		
	Principal	Interest	Total
2014	\$ 515,000	\$ 948,541	\$ 1,463,541
2015	535,000	927,941	1,462,941
2016	560,000	906,541	1,466,541
2017	580,000	884,141	1,464,141
2018	605,000	860,216	1,465,216
2019-2023	3,430,000	3,892,200	7,322,200
2024-2028	4,280,000	3,043,675	7,323,675
2029-2033	5,480,000	1,850,338	7,330,338
2034-2036	3,990,000	405,500	4,395,500
Total	<u>\$ 19,975,000</u>	<u>\$ 13,719,093</u>	<u>\$ 33,694,093</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

Year Ending June 30	2010 Water Revenue Bonds		
	Principal	Interest	Total
2014	\$ 575,000	\$ 802,263	\$ 1,377,263
2015	600,000	775,890	1,375,890
2016	625,000	751,390	1,376,390
2017	650,000	722,640	1,372,640
2018	685,000	696,115	1,381,115
2019-2023	3,860,000	2,999,518	6,859,518
2024-2028	4,825,000	1,852,938	6,677,938
2029-2031	3,380,000	328,598	3,708,598
Total	<u>\$ 15,200,000</u>	<u>\$ 8,929,352</u>	<u>\$ 24,129,352</u>

g. The scheduled annual requirements to amortize all the Successor Agency long-term debt outstanding as of June 30, 2013, including interest payments, are as follows.

Year Ending June 30	Tax Allocation Refunding Bonds Issue of 2003		
	Principal	Interest	Total
2014	\$ 2,105,000	\$ 2,232,756	\$ 4,337,756
2015	2,195,000	2,130,406	4,325,406
2016	2,310,000	2,012,150	4,322,150
2017	2,430,000	1,887,725	4,317,725
2018	2,560,000	1,755,138	4,315,138
2019-2023	15,010,000	6,504,525	21,514,525
2024-2028	9,465,000	2,552,950	12,017,950
2029	8,375,000	204,250	8,579,250
Total	<u>\$ 44,450,000</u>	<u>\$ 19,279,900</u>	<u>\$ 63,729,900</u>

Year Ending June 30	2008 Subordinate Note		
	Principal	Interest	Total
2014	\$ 75,000	\$ 103,050	\$ 178,050
2015	80,000	98,400	178,400
2016	85,000	93,450	178,450
2017	90,000	88,200	178,200
2018	95,000	82,650	177,650
2019-2023	570,000	318,000	888,000
2024-2028	760,000	119,100	879,100
Total	<u>\$ 1,755,000</u>	<u>\$ 902,850</u>	<u>\$ 2,657,850</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

Year Ending June 30	Agreements Payable		
	Principal	Interest	Total
2014	\$ 4,627,944	\$ 760,981	\$ 5,388,925
2015	4,052,180	627,744	4,679,924
2016	4,395,804	513,180	4,908,984
2017	4,000,000	391,667	4,391,667
2018	4,000,000	291,667	4,291,667
2019-2020	7,666,667	283,333	7,950,000
Total	<u>\$ 28,742,595</u>	<u>\$ 2,868,572</u>	<u>\$ 31,611,167</u>

8. Compensated absences

The City accounts for compensated absences (unpaid vacation, annual leave, administrative leave, compensated time off, and sick leave) in the Employee Benefit internal service fund. The balance for accrued compensated absences at June 30, 2013 is \$7,834,240.

Vacation accrues for all employee groups other than Fire at 10 hours per month after 1 year of service, 12 hours per month after 9 years, 14 hours per month after 14 years, 17.25 hours per month after 19 years, and 20.50 hours per month after 24 years. The maximum an employee may accumulate is an amount equivalent to 2 full calendar years of service.

Annual leave accrues for all fireman at 18 hours per month from date of hire through 1 year, 22 hours per month after 1 year, 24 hours per month after 4 years, 26 hours per month after 9 years, 28 hours per month after 14 years, 30 hours per month after 19 years, and 33 hours per month after 24 years. The maximum a fireman may accumulate is an amount equivalent to 2 full calendar years of service plus 72 hours. Accumulated vacation, annual leave benefits and comp time, payable in future years when used by City employees, totaled \$4,939,456 at June 30, 2013.

Sick leave is accumulated on the basis of 8 hours for each month of service beginning from the date of hire for all employee groups other than police and fire. The City has adopted a policy for payment of unused sick leave benefits at time of retirement. Employees can be paid 50% for all unused hours up to 1000, police employees 75% of up to 1,000 unused hours, and management employees 50% of all unused hours. Fire employees do not accumulate sick leave benefits since converting to the annual leave benefit. Studies have indicated that only 28 percent of all accumulated sick leave is actually used by employees, therefore, the sick leave liability is estimated at 28 percent of the total accumulated benefit, or \$2,894,784 at June 30, 2013.

A calculated fringe benefit rate, which includes accrued compensated absences, workers' compensation, retirement and medical benefits, is applied to all labor charges. The resulting funds are deposited into internal service funds and are set aside for corresponding liabilities, which are fully funded by sufficient cash and investment in that fund.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Vacation, annual leave, benefits, and comp time	\$ 5,069,059	\$ 5,158,000	\$ (5,287,604)	\$ 4,939,455	\$ 3,951,564
Sick leave	2,580,899	3,548,063	(3,234,177)	2,894,785	2,315,828
	<u>\$ 7,649,958</u>	<u>\$ 8,706,063</u>	<u>\$ (8,521,781)</u>	<u>\$ 7,834,240</u>	<u>\$ 6,267,392</u>

9. Risk management

The City utilizes a program to self-insure for workers' compensation liability for the first \$1 million, per occurrence, for injury or occupational illness to City employees pursuant to Workers' Compensation Laws of the State of California. The City contracts with a third party who administers the program and acts as the representative of the City in claim hearings or

CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013

litigation. Excess coverage is placed with a joint powers authority for losses from \$1 million up to \$150 million per occurrence. This self-insurance program is accounted for in the Workers' Compensation internal service fund. There is an estimated liability of \$15,908,000 for claims outstanding including claims incurred but not reported on June 30, 2013, which has been included as liabilities in the Workers' Compensation internal service fund.

The City also has a self-insured program for its tort and civil liabilities. The City is self-funded for the first \$2 million of each occurrence. Excess liability insurance is carried thereafter to \$10 million per occurrence with commercial insurers. Claims administration and adjusting services are provided by contract with a third party administrator specializing in public entity liability. Representation in matters of litigation is performed through the retaining of outside law firms and is supervised by the city attorney. This self-insurance program is accounted for in the Risk Management internal service fund.

The City estimates a liability for claims outstanding, including claims incurred but not reported, on June 30, 2013, in the amount of \$5,667,000 which has been included as liabilities in the Risk Management internal service fund.

The City is a defendant in various lawsuits. Attempts are made to settle these cases via proceed to trial when the outcome is unpredictable. The City believes that it has meritorious defenses to the allegations contained in the cases. However, the City has accrued and reserved reasonable amounts based on the actuarial analysis and attorney recommendations to cover the potential losses to the extent the exposures are deemed probable and estimable.

Settled claims have not exceeded any of the City's coverage amounts in any of the last three fiscal years and there were no reductions in the City's insurance coverage during the year ended June 30, 2013. Nonincremental claims adjustment expenses have been included as part of the liability for claims and judgments. Changes in the aggregate liability for claims for fiscal year ended June 30, 2013 and June 30, 2012 are as follows:

<u>Workers' Compensation</u>	<u>2013</u>	<u>2012</u>
Liability, July 1	\$ 15,031,000	\$ 13,992,999
Costs and claims incurred	3,448,744	4,080,074
Claim payments	(2,571,744)	(3,042,073)
Liability, June 30	<u>\$ 15,908,000</u>	<u>\$ 15,031,000</u>
Due within one year	\$ 3,451,982	\$ 3,349,312
Due in more than one year	<u>12,456,018</u>	<u>11,681,688</u>
	<u>\$ 15,908,000</u>	<u>\$ 15,031,000</u>
 <u>Risk Management</u>		
Liability, July 1	\$ 5,786,000	\$ 6,715,617
Costs and claims incurred	231,902	767,795
Claim payments	(350,902)	(1,697,412)
Liability, June 30	<u>\$ 5,667,000</u>	<u>\$ 5,786,000</u>
Due within one year	\$ 1,141,491	\$ 1,444,422
Due in more than one year	<u>4,525,509</u>	<u>4,341,578</u>
	<u>\$ 5,667,000</u>	<u>\$ 5,786,000</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

10. Public Employees Retirement System

a. Plan description

The City of Garden Grove’s defined benefit pension plans, the Miscellaneous Plan of the City of Garden Grove and the Safety Plan of the City of Garden Grove, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan of the City of Garden Grove and the Safety Plan of the City of Garden Grove are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees’ Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

b. Funding policy

Active plan members in the Miscellaneous Plan of the City are required to contribute 8% of their annual covered salary for a 2.5% at 55 retirement plan. Active plan members in the Safety Plan of the City are required to contribute 9% of their annual covered salary for a 3% at 50 retirement plan. To be eligible for CalPERS retirement, employees must be at least age 55 for the Miscellaneous Plan and age 50 for Safety Plan and have five years of service credit. Upon retirement, retirement benefits are calculated using a formula that includes using years of service credit at retirement age and final compensation. Final compensation is calculated from the highest average full-time monthly pay rate for a 1-year period. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members based on the Entry Age Normal Actuarial Cost Method. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administrations. The required employer contribution rate for fiscal year ended June 30, 2013 was 18.15% for miscellaneous employees and 33.87% for public safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

The funded status of the plans based on the actuarial valuations is as follows:

Valuation Date 6/30	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability % of Payroll
<u>Miscellaneous Plan</u>						
2012	\$ 231,098,351	\$ 186,575,813	\$ 44,522,538	80.7%	\$ 26,848,493	165.8%
<u>Safety Plan</u>						
2012	\$ 387,791,595	\$ 301,757,326	\$ 86,034,269	77.8%	\$ 25,780,951	333.7%

The actuarial valuation for 6/30/2012 is the most recent valuation available.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

The Schedule of Funding progress presented as Required Supplementary Information following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Annual pension cost

For the fiscal year ended June 30, 2013, the City of Garden Grove’s annual pension cost of \$13,289,182 for CalPERS was equal to the City’s required and actual contributions. The required contribution for fiscal year ended June 30, 2013 was determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.55% to 14.45% for miscellaneous members and from 3.55% to 13.15% for safety members. Both (a) and (b) include an inflation component of 3.00%. The actuarial assumptions used for the funded status are different from those used to determine the annual required contribution. The actuarial assumptions used for the funded status included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% for miscellaneous members and from 3.30% to 12.90% for safety members; and (c) 3.00% cost of living adjustment. Both (a) and (b) include an inflation component of 2.75%.

FYE	Annual Pension Cost		% of Annual Pension Cost Contribution	Net Pension Obligation
	Miscellaneous	Safety		
6/30/2011	\$ 3,723,192	\$ 7,037,328	100%	\$ -
6/30/2012	4,773,578	8,869,317	100%	-
6/30/2013	4,485,458	8,803,724	100%	-

Initial unfunded liabilities are amortized over a closed period that depends on the plan’s date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan’s accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year closed amortization period.

11. Postemployment benefits

a. Plan Description

The City provides retiree medical benefits under the CalPERS health plan, an agent multiple-employer public employee defined postemployment benefit plan, which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

b. Eligibility

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled) and are eligible for a PERS pension. The benefits are available only to employees who retire from the City. Membership of the plan consisted of 618 eligible active employees and 245 enrolled eligible retirees at June 30, 2013. These amounts do not reflect current retirees not enrolled in the CalPERS health plan who are eligible to enroll in the plan at a later date.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

c. Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City must agree to make a defined monthly payment towards the cost of each retiree's coverage. The required contribution is based on projected pay-as-you-go financing requirements effective January 1, 2007. The City's contribution rate was \$115.00 per month for each retiree. For the year ended June 30, 2013, the City contributed \$327,517 to the plan. Plan members receiving benefits contributed \$1,795,529 (approximately 85% of total premiums) through their required contribution.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	<u>June 30, 2013</u>
Annual required contribution	\$ 925,657
Interest on net OPEB obligation	135,860
Adjustment to annual required contribution	<u>(120,353)</u>
Annual OPEB cost (expense)	941,164
Contributions made	<u>(327,517)</u>
Increase in net OPEB obligation	613,647
Net OPEB Obligation, Beginning of Year	<u>2,717,204</u>
Net OPEB Obligation, End of Year	<u><u>\$ 3,330,851</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/11	\$ 883,991	35.6%	\$ 2,141,533
6/30/12	883,991	34.9%	2,717,204
6/30/13	941,164	34.8%	3,330,851

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

d. Funding Status and Progress

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability % of Payroll
3/1/2013	\$ 10,633,859	-	\$ 10,633,859	0.0%	\$ 6,528,958	162.9%

The actuarial valuation as of 3/1/2013 is the most recent actuarial valuation available.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

e. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the entry age normal cost method. The actuarial assumptions included a 5 percent investment rate of return, which is based on assumed long-term investment returns on plan assets and on the City's assets, as appropriate, and an annual healthcare cost trend rate of 4 percent annual. Both rates included a 3 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over 30 years using a closed amortization period. It is assumed the City's payroll will increase 3 percent per year. The assumptions used for determining the contribution requirements are the same as the assumptions used in the calculation of the funded status.

12. Non-committal debt:

- a. Garden Grove Industrial Development Authority Certificate of Deposit Revenue Bonds, Issue of 1982 for \$4,555,000, were issued as an obligation of the Authority. These bonds are not reflected in the City's financial statements since the use and disposition of the bond proceeds are controlled by an outside trustee, rather than the City, and since neither the Authority, nor the City, is, in any event, liable for the payment of the principal or interest on the bonds. The bond issue was publicly offered with a letter of credit issued by the trustee as security pledged for repayment of the bond issue. The bonds were issued for the acquisition, expansion and rehabilitation of commercial property.
- b. Garden Grove Housing Authority Variable Rate Demand Multifamily Housing Revenue Bonds, Series A of 1990, for \$12,000,000 were issued as an obligation of the Housing

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

Authority. These bonds are not reflected in the City's financial statements since the use and disposition of the bond proceeds are controlled by an outside trustee, rather than the City, and since neither the Housing Authority, nor the City, is, in any event, liable for the payment of the principal or interest on the bonds. The bonds were issued to provide funds for the cost of developing the Valley View Senior Village, a multifamily rental housing project in the City.

13. Commitments and contingencies

a. Grants

Under the terms of federal, county and state grants, periodic audits are required and certain costs may be questioned as not appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. If some expenditures were disallowed, the City believes such disallowances, if any, would be immaterial.

b. Claims

There are certain claims against the City, which have been denied and referred to the City's insurance carrier. The City believes that none of these claims will exceed insurance coverage.

14. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2013, fund balance for governmental funds are made up of the followings:

- Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- Restricted Fund Balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action via an ordinance that imposed the constraint originally.
- Assigned Fund Balance – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by the City Council to which the City Council has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.
- In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

15. New Accounting Standards Implemented

Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, addresses service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This statement requires disclosures about SCAs including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. As of July 1, 2012, the City adopted this statement which did not have a significant impact to its financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and renames the resulting measure as net position rather than net assets. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. As of July 1, 2012, the City adopted the above GASB standards, which did not have a significant impact on its financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The statement also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As of July 1, 2012, the City adopted the provisions of GASB Statement No. 65 and restated the beginning net position of the governmental activities, business-type activities, and private-purpose trust fund in the amounts of \$256,834, \$669,806, and \$278,089 respectively, to write off unamortized bond issuance costs previously reported as an asset and bond issuance costs included in the unamortized loss on refunding previously reported as a contra liability. In addition, the remaining unamortized prepaid insurance costs and loss on refunding were reclassified to deferred outflows of resources.

16. Low Income Housing Loan Programs

The former Garden Grove Agency for Community Development and CDBG HOME other governmental fund provide down payment assistance to first time low or moderate income homebuyers and rental and home rehabilitation assistance to eligible low and moderate income persons. This financial assistance is provided in the form of deferred second mortgages, secured by promissory notes and deeds of trust on the property. These second mortgage loans become due upon the sale of the property or if the property no longer qualifies as the applicant's principal residence. These loans are interest-free for up to thirty years. There is an equity participation interest on some of the loans. The balance of these loans at June 30, 2013 totaled \$8,785 in HOME Grant special revenue fund, \$635,115 in the Low and Moderate Income Housing Assets capital projects fund and \$1,544,408 in the Other Grants and Contributions special revenue fund. Since the loans do not bear interest for at least thirty years, the present value of the loans is significantly less than the principal amounts. For this reason and because collection may be dependent on equity in the home when sold, the loans are not included as an asset. These loans are expensed when made and repayments are recorded as revenues in the year received.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

17. Joint Venture

The City participates in the Anaheim-Garden Grove-Orange Fire Training Facility Authority (the "Authority"), a joint powers authority created to finance fire training and dispatching facilities. The City Council of each city appoints one representative to the three-member Board of Directors. The City's proportionate share in the authority is 26.67 %. Because the City is not financially accountable, the Authority is not considered part of the City's reporting entity. Separate financial statements are not issued.

18. Successor Agency Trust For Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26 ("the Bill") that provided for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Garden Grove (City) that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provided that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On September 13, 2011, the City Council elected to become the Successor Agency to the Garden Grove Agency for Community Development (Successor Agency) in accordance with the Bill as part of City resolution number 9077-11.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new agreements, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directed the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. The State Controller review of asset transfers has been completed with no findings.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

On August 3, 2012, the Successor Agency submitted their enforceable obligations in the ROPS covering enforceable obligations payable January 1, 2013 through June 30, 2013. Subsequently, the State has reviewed the ROPS and has approved the ROPS with the exception of certain items the State determined do not meet the definition of an enforceable obligation as noted in the Health and Safety Code. The DOF denied the site C Development and Disposition Agreement (DDA) in the amount of \$48.4 million.

On February 13, 2013, the Successor Agency submitted its Oversight Board approved Recognized Obligation Payment Schedule to the State Department of Finance for the period July 1, 2013 through December 31, 2013. Upon review, the State indicated that Low and Moderate Income Housing Monitoring did not qualify as an Enforceable Obligation. Additionally, the obligation to Coast Community College District for the lease of space was reclassified to be paid using the revenue generated from the Agency's sublease of the space rather than from the Redevelopment Property Tax Trust Fund. The City will continue to pay for

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2013**

the low moderate income housing monitoring for revenue received from rental property and outstanding loans to developers.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. On May 15, 2013 the City received notice that the Department of Finance (DOF) issued the Finding of Completion for the City of Garden Grove Successor Agency. The Finding of Completion allows the Agency to place the loan agreements between the former Garden Grove Redevelopment Agency and the City of Garden Grove on the Recognized Obligation Payments Schedule (ROPS), as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes. The City plans to present these loan agreements to the oversight board in January 2014.

19. Subsequent Event

The City has evaluated subsequent events and transactions for potential recognition of disclosure through December 4, 2013, the date of the Comprehensive Annual Financial Report was issued.

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Required Supplemental Information

**CITY OF GARDEN GROVE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
June 30, 2013**

Actuarial Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded Actuarial Liability % of Payroll
<u>Miscellaneous Plan</u>						
2010	\$ 206,013,680	\$ 171,251,973	\$ 34,761,707	83.1%	\$ 27,751,566	125.3%
2011	220,262,133	179,342,749	40,919,384	81.4%	25,999,452	157.4%
2012	231,098,351	186,575,813	44,522,538	80.7%	26,848,493	165.8%
<u>Safety Plan</u>						
2010	350,374,623	278,146,251	72,228,372	79.4%	25,883,106	279.1%
2011	372,523,372	290,213,239	82,310,133	77.9%	25,796,337	319.1%
2012	387,791,595	301,757,326	86,034,269	77.8%	25,780,951	333.7%

**CITY OF GARDEN GROVE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
POSTEMPLOYMENT BENEFITS
June 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
March 1, 2009	\$ -	\$ 8,860,567	\$ 8,860,567	0.0%	\$ 5,943,594	149.1%
March 1, 2011	-	10,272,641	10,272,641	0.0%	6,127,376	167.7%
March 1, 2013	-	10,633,859	10,633,859	0.0%	6,528,958	162.9%

**CITY OF GARDEN GROVE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ 67,503,000	\$ 67,503,000	\$ 74,316,362	\$ 6,813,362
Licenses and permits	809,000	809,000	1,095,981	286,981
Fines, forfeits and penalties	2,028,000	2,028,000	2,123,064	95,064
Investment earnings	1,555,000	1,555,000	1,538,269	(16,731)
Charges for current services	5,114,980	5,114,980	5,409,080	294,100
From other agencies	265,000	265,000	307,645	42,645
Other revenues	<u>3,684,000</u>	<u>3,684,000</u>	<u>2,279,296</u>	<u>(1,404,704)</u>
Total revenues	<u>80,958,980</u>	<u>80,958,980</u>	<u>87,069,697</u>	<u>6,110,717</u>
EXPENDITURES:				
Current:				
Fire	19,492,664	19,492,664	19,953,947	(461,283)
Police	43,760,348	43,760,348	44,069,860	(309,512)
Traffic safety	1,044,790	1,044,790	654,746	390,044
Public right of way	4,399,928	4,179,428	3,596,909	582,519
Community buildings	3,569,217	3,569,217	3,042,643	526,574
Community services	2,659,484	2,659,484	2,729,067	(69,583)
Parks and greenbelts	1,151,765	1,151,765	1,135,994	15,771
Community planning and development	4,912,647	4,912,647	3,434,384	1,478,263
Municipal support	6,711,389	6,711,389	6,589,998	121,391
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	234,206	454,706	75,722	378,984
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	2,408,379	2,533,013	(124,634)
Municipal support	-	-	-	-
Debt service:				
Principal retirement	899,868	950,416	1,028,580	(78,164)
Interest and other charges	<u>1,053,287</u>	<u>1,160,712</u>	<u>1,181,161</u>	<u>(20,449)</u>
Total expenditures	<u>89,889,593</u>	<u>92,455,945</u>	<u>90,026,024</u>	<u>2,429,921</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,930,613)</u>	<u>(11,496,965)</u>	<u>(2,956,327)</u>	<u>8,540,638</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	808,575	808,575
Transfers out	-	-	(175,402)	175,402
Proceeds of Bonds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>633,173</u>	<u>983,977</u>
Net change in fund balance	(8,930,613)	(11,496,965)	(2,323,154)	9,524,615
Fund balance, beginning of year	<u>34,785,401</u>	<u>34,785,401</u>	<u>34,785,401</u>	<u>-</u>
Fund balance, end of year	<u>\$ 25,854,788</u>	<u>\$ 23,288,436</u>	<u>\$ 32,462,247</u>	<u>\$ 9,524,615</u>

See accompanying note to required supplementary information.

**CITY OF GARDEN GROVE
HOME GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	1,813	1,813
Charges for current services	-	-	-	-
From other agencies	546,942	546,942	52,651	(494,291)
Other revenues	-	-	124,191	124,191
Total revenues	<u>546,942</u>	<u>546,942</u>	<u>178,655</u>	<u>(368,287)</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	2,557,503	2,612,079	52,651	2,559,428
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>2,557,503</u>	<u>2,612,079</u>	<u>52,651</u>	<u>2,559,428</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,010,561)</u>	<u>(2,065,137)</u>	<u>126,004</u>	<u>2,191,141</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds of Bonds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(2,010,561)	(2,065,137)	126,004	2,191,141
Fund balances, beginning of year	<u>270,698</u>	<u>270,698</u>	<u>270,698</u>	<u>-</u>
Fund balances, end of year	<u>\$ (1,739,863)</u>	<u>\$ (1,794,439)</u>	<u>\$ 396,702</u>	<u>\$ 2,191,141</u>

CITY OF GARDEN GROVE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2013

The City budget report is prepared under the direction of the City Manager in accordance with generally accepted accounting principles (GAAP) and the requirements of Municipal Code Section 2.08.150. Annual budgets are legally adopted for the general fund, debt service funds, special revenue funds, and capital projects funds. These funds are budgeted based on the modified accrual basis of accounting and include proposed expenditures and an amendments to total appropriations which may be required during the year. Revenues are budgeted by source, and expenditures are budgeted based by program.

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions which alter the total appropriations of any fund must be approved by City Council.

During the year, the budget is used as a management information, planning and control device. To facilitate this process, encumbrances are recorded for commitments of the City to acquire materials, supplies and services under purchase order or contract. All unexpended appropriations at year end lapse, unless City Council Resolution specifically designates them.

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SPECIAL REVENUE FUNDS

Public Safety Fund

Revenues received from the City's share of drug forfeit and seizure money, revenues received from the state under SB172, and various police grants are accounted for in this fund. These funds are used to help support the City's public safety operations.

State Gas Tax Fund

State gasoline taxes received by the City are accounted for in this fund. Revenue received is used for street maintenance, construction, and/or right of way acquisition.

Golf Course Fund

This fund was established to account for rental payments received from the lease of the Willowick Golf Course.

Self Supporting Revenue Fund

Recreation programs that are self supporting are accounted for in this fund.

Developer Fees Fund

Traffic mitigation and developer fees used to alleviate traffic and sewer problems caused by new development, cultural art fees to be used for City cultural arts projects and programs, part fees which are to be used for park development, drainage fees which are to be used to alleviate City drainage problems, are some of the fees that are accounted for in the fund.

Garden Grove Cable Fund

This fund represents a grant from a private cable corporation of 2% and its cable usage revenue. Expenditures are for public, educational, and governmental access.

Street Lighting Fund

The purpose of this fund is to provide an accounting for the installation, operation, and maintenance of street lighting within the City. Revenues for this fund are received from property taxes collected by the County of Orange.

Park Maintenance

The purpose of this fund is to provide an accounting for the maintenance of parks within the City. Revenues for this fund are received from property taxes collected by the County of Orange.

Main Street District Fund

This fund is used to account for the maintenance of improvements on Main Street in downtown Garden Grove. Revenue for this fund are received from a property tax levy on the main street area.

Air Quality Improvement Fund

This fund is used to account for revenue received from the State of California Air Quality Management District for the primary purpose of establishing a ride share program for City employees.

Garden Grove Tourism Improvement District

This fund is used to account for the tourism marketing efforts through the Anaheim/Orange County Visitors and Convention Bureau and other activities and improvements that promote tourism in the Garden Grove Tourism Improvement District area.

SPECIAL REVENUE FUNDS (continued)

Other Grants and Contributions Fund

The City is the recipient of numerous other federal, state, and county grants, plus contributions from other sources. These grants and contributions are accounted for in this fund.

Street Rehabilitation Fund

This fund is used to account for revenues received and expenditures made for the housing assistance program, which is funded by the U.S. Department of Housing and Urban Development.

CAPITAL PROJECTS FUND

Low and Moderate Income Housing Assets Fund

Capital projects for low and moderate income housing are accounted for in this fund.

Housing Authority Assets Fund

Capital projects with the Civic Center area are accounted for in this fund.



Other Supplemental Information

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**CITY OF GARDEN GROVE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Special Revenue Funds			
	Public Safety	State Gas Tax	Golf Course	Self Supporting Revenue
ASSETS				
Cash and investments	\$ 2,675,811	\$ 5,656,083	\$ 743,626	\$ 62,094
Taxes receivable	-	-	-	-
Accounts receivable	78,539	340,114	1,774	1,574
Interest receivable	7,211	18,945	-	-
Intergovernmental receivable	183,172	-	-	-
Interfund receivable	-	-	-	-
Notes receivable	-	-	-	-
Allowance	-	-	-	-
Land held for resale	-	-	-	-
Total assets	<u>\$ 2,944,733</u>	<u>6,015,142</u>	<u>745,400</u>	<u>63,668</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 150,050	\$ 58,373	\$ -	\$ 7,650
Other accrued liabilities	1,741	197,628	858	11,705
Refundable deposits	-	-	-	44,313
Due to other funds	-	100,459	-	-
Total liabilities	<u>151,791</u>	<u>356,460</u>	<u>858</u>	<u>63,668</u>
Deferred inflows of resources:				
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted				
Police	2,792,942	-	-	-
Public Right of Way	-	5,658,682	-	-
Drainage	-	-	-	-
Community Services	-	-	-	-
Community Neighborhood	-	-	744,542	-
Municipal Support & Services	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>2,792,942</u>	<u>5,658,682</u>	<u>744,542</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,944,733</u>	<u>\$ 6,015,142</u>	<u>\$ 745,400</u>	<u>\$ 63,668</u>

Special Revenue Funds

<u>Developer Fees</u>	<u>Garden Grove Cable</u>	<u>Street Lighting</u>	<u>Park Maintenance</u>	<u>Main Street District</u>	<u>Air Quality Improvement</u>
\$ 6,057,773	\$ -	\$ -	\$ -	\$ 168,208	\$ 183,154
-	-	12,676	6,241	249	-
-	23,000	2,988	-	-	4,797
22,055	-	-	-	598	471
-	-	-	-	-	53,600
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>6,079,828</u>	<u>23,000</u>	<u>15,664</u>	<u>6,241</u>	<u>169,055</u>	<u>242,022</u>
\$ 39,504	\$ 16	\$ 10,223	\$ 3,730	\$ 1,050	\$ 252
3,314	2,028	1,731	327	-	-
-	-	-	-	-	-
-	68,801	22,400	2,029	-	-
<u>42,818</u>	<u>70,845</u>	<u>34,354</u>	<u>6,086</u>	<u>1,050</u>	<u>252</u>
-	-	-	-	-	-
-	-	-	-	-	-
179,224	-	-	-	-	-
453,289	-	-	-	-	-
-	-	-	-	-	-
5,404,497	-	-	155	168,005	-
-	-	-	-	-	241,770
-	(47,845)	(18,690)	-	-	-
<u>6,037,010</u>	<u>(47,845)</u>	<u>(18,690)</u>	<u>155</u>	<u>168,005</u>	<u>241,770</u>
<u>\$ 6,079,828</u>	<u>\$ 23,000</u>	<u>\$ 15,664</u>	<u>\$ 6,241</u>	<u>\$ 169,055</u>	<u>\$ 242,022</u>

Continued

**CITY OF GARDEN GROVE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2013**

	Special Revenue Funds		
	GG Tourism Improvement District	Other Grants and Contributions	Street Rehabilitation
ASSETS			
Cash and investments	\$ 655,044	\$ 1,346,851	\$ 2,505,328
Taxes receivable	-	-	-
Accounts receivable	196,139	338,850	-
Interest receivable	2,882	881	9,684
Intergovernmental receivable	-	460,443	1,174,257
Interfund receivable	-	-	-
Notes receivable	-	1,824,034	-
Allowance for note receivable	-	-	-
Land held for resale	-	-	-
Total assets	<u>854,065</u>	<u>3,971,059</u>	<u>3,689,269</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 471,089	\$ 132,404	\$ 33,733
Other accrued liabilities	-	3,406	54,309
Refundable deposits	-	1,379	-
Due to other funds	-	1,101,448	795,835
Total liabilities	<u>471,089</u>	<u>1,238,637</u>	<u>883,877</u>
Deferred inflows of resources:			
Unavailable revenue	<u>-</u>	<u>2,082,326</u>	<u>210,502</u>
Fund balances:			
Restricted			
Police	-	-	-
Public Right of Way	-	-	2,594,890
Drainage	-	-	-
Community Services	-	650,096	-
Community Neighborhood	382,976	-	-
Municipal Support & Services	-	-	-
Unassigned	-	-	-
Total fund balances	<u>382,976</u>	<u>650,096</u>	<u>2,594,890</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 854,065</u>	<u>\$ 3,971,059</u>	<u>\$ 3,689,269</u>

Capital Projects Funds			Total Nonmajor Governmental Funds
Low and Moderate Income Housing Assets	Housing Authority Assets		
\$ 191,355	\$ 47,398	\$ 20,292,725	
-	-	19,166	
-	19,598	1,007,373	
700	127	63,554	
976	-	1,872,448	
13,729,748	-	13,729,748	
2,480,947	-	4,304,981	
(13,759,748)	-	(13,759,748)	
4,852,252	-	4,852,252	
<u>7,496,230</u>	<u>67,123</u>	<u>32,382,499</u>	
\$ 80	\$ 6,470	\$ 914,624	
2,518	-	279,565	
-	-	45,692	
-	-	2,090,972	
<u>2,598</u>	<u>6,470</u>	<u>3,330,853</u>	
<u>2,450,947</u>	<u>-</u>	<u>4,743,775</u>	
-	-	2,792,942	
-	-	8,432,796	
-	-	453,289	
-	-	650,096	
5,042,685	60,653	11,803,513	
-	-	241,770	
-	-	(66,535)	
<u>5,042,685</u>	<u>60,653</u>	<u>24,307,871</u>	
<u>\$ 7,496,230</u>	<u>\$ 67,123</u>	<u>\$ 32,382,499</u>	

**CITY OF GARDEN GROVE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Special Revenue Funds			
	Public Safety	State Gas Tax	Golf Course	Self Supporting Revenue
REVENUES:				
Taxes	\$ 607,915	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	73,786	-	-	-
Investment earnings	15,046	22,632	33,910	-
Charges for current services	94,050	-	494,606	634,716
From other agencies	396,264	3,937,138	-	-
Other revenues	-	5,302	-	4,353
Total revenues	<u>1,187,061</u>	<u>3,965,072</u>	<u>528,516</u>	<u>639,069</u>
EXPENDITURES:				
Current:				
Fire	255,257	-	-	-
Police	695,766	-	-	-
Traffic safety	-	226,546	-	-
Public right of way	-	1,841,795	-	-
Community buildings	-	-	-	-
Community services	-	-	-	814,471
Parks and greenbelts	-	-	51,338	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	2,979,499	-	-
Drainage	-	3,176	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>951,023</u>	<u>5,051,016</u>	<u>51,338</u>	<u>814,471</u>
Excess (deficiency) of revenues over (under) expenditures	<u>236,038</u>	<u>(1,085,944)</u>	<u>477,178</u>	<u>(175,402)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	255,098	-	175,402
Transfers out	-	-	(600,000)	-
Total other financing sources (uses)	<u>-</u>	<u>255,098</u>	<u>(600,000)</u>	<u>175,402</u>
Net change in fund balances	236,038	(830,846)	(122,822)	-
Fund balances, beginning of year	<u>2,556,904</u>	<u>6,489,528</u>	<u>867,364</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 2,792,942</u></u>	<u><u>\$ 5,658,682</u></u>	<u><u>\$ 744,542</u></u>	<u><u>\$ -</u></u>

Special Revenue Funds

<u>Developer Fees</u>	<u>Garden Grove Cable</u>	<u>Street Lighting</u>	<u>Park Maintenance</u>	<u>Main Street District</u>	<u>Air Quality Improvement</u>
\$ -	\$ 11,272	\$ 13	\$ -	\$ -	\$ -
32,525	-	-	-	-	-
-	-	-	-	-	-
31,265	-	147	15	873	1,207
1,370,327	-	1,349,360	705,620	26,676	-
-	-	-	-	-	207,335
-	87,491	-	7,500	8,000	4,541
<u>1,434,117</u>	<u>98,763</u>	<u>1,349,520</u>	<u>713,135</u>	<u>35,549</u>	<u>213,083</u>
-	-	-	-	-	-
-	-	1,309,170	-	-	-
-	-	40,564	-	43,205	-
-	-	-	-	-	-
76,885	84,003	-	-	-	-
22,250	-	-	717,046	-	-
25,458	-	-	-	-	11,826
-	-	18,530	-	-	188,087
-	-	-	-	-	-
-	-	-	-	-	-
54,283	-	-	-	-	-
-	-	-	-	-	-
38,647	-	-	-	-	-
-	20,998	-	-	-	-
459,074	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>676,597</u>	<u>105,001</u>	<u>1,368,264</u>	<u>717,046</u>	<u>43,205</u>	<u>199,913</u>
<u>757,520</u>	<u>(6,238)</u>	<u>(18,744)</u>	<u>(3,911)</u>	<u>(7,656)</u>	<u>13,170</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
757,520	(6,238)	(18,744)	(3,911)	(7,656)	13,170
5,279,490	(41,607)	54	4,066	175,661	228,600
<u>\$ 6,037,010</u>	<u>\$ (47,845)</u>	<u>\$ (18,690)</u>	<u>\$ 155</u>	<u>\$ 168,005</u>	<u>\$ 241,770</u>

Continued

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Special Revenue Funds		
	GG Tourism Improvement District	Other Grants and Contributions	Street Rehabilitation
REVENUES:			
Taxes	\$ 2,295,054	\$ -	\$ -
Licenses and permits	-	-	-
Fines, forfeits and penalties	-	763,047	-
Investment earnings	5,047	2,120	14,565
Charges for current services	-	-	-
From other agencies	-	5,587,036	2,835,883
Other revenues	-	141,134	-
Total revenues	<u>2,300,101</u>	<u>6,493,337</u>	<u>2,850,448</u>
EXPENDITURES:			
Current:			
Fire	-	237,861	-
Police	-	712,808	-
Traffic safety	-	398,501	-
Public right of way	-	122,876	85,261
Community buildings	-	30,163	-
Community services	-	571,065	177,951
Parks and greenbelts	-	-	-
Community planning and development	2,602,337	1,305,801	-
Municipal support	-	-	-
Capital outlay:			
Police	-	69,418	-
Traffic safety	-	-	27,801
Public right of way	-	-	3,993,948
Drainage	-	-	110,916
Community buildings	-	-	-
Community services	-	-	-
Parks and greenbelts	-	-	-
Debt service:			
Principal retirement	-	910,000	-
Interest and other charges	-	202,307	-
Total expenditures	<u>2,602,337</u>	<u>4,560,800</u>	<u>4,395,877</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(302,236)</u>	<u>1,932,537</u>	<u>(1,545,429)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	<u>(90,000)</u>	<u>(18,575)</u>	<u>(255,098)</u>
Total other financing sources (uses)	<u>(90,000)</u>	<u>(18,575)</u>	<u>(255,098)</u>
Net change in fund balances	(392,236)	1,913,962	(1,800,527)
Fund balances, beginning of year	<u>775,212</u>	<u>(1,263,866)</u>	<u>4,395,417</u>
Fund balances, end of year	<u>\$ 382,976</u>	<u>\$ 650,096</u>	<u>\$ 2,594,890</u>

Capital Projects Funds		Total Nonmajor Governmental Funds
Low and Moderate Income Housing Assets	Housing Authority Assets	
\$ -	\$ -	\$ 2,914,254
-	-	32,525
-	-	836,833
122,831	10,556	260,214
-	-	4,675,355
-	-	12,963,656
<u>613,051</u>	<u>56,809</u>	<u>928,181</u>
<u>735,882</u>	<u>67,365</u>	<u>22,611,018</u>
-	-	493,118
-	-	1,408,574
-	6,250	1,940,467
-	-	2,133,701
9,582	-	39,745
-	-	1,724,375
-	-	790,634
136,970	191,401	4,273,793
221	-	206,838
-	-	69,418
-	-	27,801
-	-	7,027,730
-	-	114,092
-	-	38,647
-	-	20,998
-	-	459,074
-	-	910,000
-	-	202,307
<u>146,773</u>	<u>197,651</u>	<u>21,881,312</u>
<u>589,109</u>	<u>(130,286)</u>	<u>729,706</u>
-	-	430,500
-	-	(963,673)
-	-	(533,173)
589,109	(130,286)	196,533
<u>4,453,576</u>	<u>190,939</u>	<u>24,111,338</u>
<u>\$ 5,042,685</u>	<u>\$ 60,653</u>	<u>\$ 24,307,871</u>

**CITY OF GARDEN GROVE
PUBLIC SAFETY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ 490,000	\$ 490,000	\$ 607,915	\$ 117,915
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	20,000	20,000	73,786	53,786
Investment earnings	-	-	15,046	15,046
Charges for current services	50,000	50,000	94,050	44,050
From other agencies	596,627	596,627	396,264	(200,363)
Other revenues	-	-	-	-
Total revenues	<u>1,156,627</u>	<u>1,156,627</u>	<u>1,187,061</u>	<u>30,434</u>
EXPENDITURES:				
Current:				
Fire	257,097	470,752	255,257	215,495
Police	1,833,416	1,753,416	695,766	1,057,650
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	132,200	(1,455)	-	(1,455)
Police	199,571	199,571	-	199,571
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>2,422,285</u>	<u>2,422,284</u>	<u>951,023</u>	<u>1,471,261</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,265,657)</u>	<u>(1,265,657)</u>	<u>236,038</u>	<u>1,501,695</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds of Bonds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(1,265,657)	(1,265,657)	236,038	1,501,695
Fund balance, beginning of year	<u>2,556,904</u>	<u>2,556,904</u>	<u>2,556,904</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,291,247</u>	<u>\$ 1,291,247</u>	<u>\$ 2,792,942</u>	<u>\$ 1,501,695</u>

**CITY OF GARDEN GROVE
STATE GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	22,632	22,632
Charges for current services	-	-	-	-
From other agencies	2,400,000	4,900,000	3,937,138	(962,862)
Other revenues	-	-	5,302	5,302
Total revenues	<u>2,400,000</u>	<u>4,900,000</u>	<u>3,965,072</u>	<u>(934,928)</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	300,460	327,888	226,546	101,342
Public right of way	1,507,198	1,832,505	1,841,795	(9,290)
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	3,427	1,595	-	1,595
Public right of way	2,877,088	7,715,809	2,979,499	4,736,310
Drainage	3,029,125	139,502	3,176	136,326
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>7,717,298</u>	<u>10,017,299</u>	<u>5,051,016</u>	<u>4,966,283</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,317,298)</u>	<u>(5,117,299)</u>	<u>(1,085,944)</u>	<u>4,031,355</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	255,098	255,098
Transfers out	-	-	-	-
Proceeds of Bonds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>255,098</u>	<u>255,098</u>
Net change in fund balance	(5,317,298)	(5,117,299)	(830,846)	4,286,453
Fund balance, beginning of year	<u>6,489,528</u>	<u>6,489,528</u>	<u>6,489,528</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,172,230</u>	<u>\$ 1,372,229</u>	<u>\$ 5,658,682</u>	<u>\$ 4,286,453</u>

**CITY OF GARDEN GROVE
GOLF COURSE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	33,910	33,910
Charges for current services	550,000	550,000	494,606	(55,394)
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>550,000</u>	<u>550,000</u>	<u>528,516</u>	<u>(21,484)</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	69,297	69,297	51,338	17,959
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>69,297</u>	<u>69,297</u>	<u>51,338</u>	<u>17,959</u>
Excess (deficiency) of revenues over (under) expenditures	<u>480,703</u>	<u>480,703</u>	<u>477,178</u>	<u>(3,525)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	(600,000)	600,000
Proceeds of Bonds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(600,000)</u>	<u>600,000</u>
Net change in fund balance	480,703	480,703	(122,822)	596,475
Fund balance, beginning of year	<u>867,364</u>	<u>867,364</u>	<u>867,364</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,348,067</u>	<u>\$ 1,348,067</u>	<u>\$ 744,542</u>	<u>\$ 596,475</u>

**CITY OF GARDEN GROVE
 SELF SUPPORTING REVENUE SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	-	-
Charges for current services	593,000	593,000	634,716	41,716
From other agencies	-	-	-	-
Other revenues	<u>7,000</u>	<u>7,000</u>	<u>4,353</u>	<u>(2,647)</u>
Total revenues	<u>600,000</u>	<u>600,000</u>	<u>639,069</u>	<u>39,069</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	879,762	879,762	814,471	65,291
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>879,762</u>	<u>879,762</u>	<u>814,471</u>	<u>65,291</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(279,762)</u>	<u>(279,762)</u>	<u>(175,402)</u>	<u>104,360</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	175,402	175,402
Transfers out	-	-	-	-
Proceeds of Bonds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>175,402</u>	<u>175,402</u>
Net change in fund balance	(279,762)	(279,762)	-	279,762
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ (279,762)</u>	<u>\$ (279,762)</u>	<u>\$ -</u>	<u>\$ 279,762</u>

**CITY OF GARDEN GROVE
DEVELOPER FEES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	32,000	32,525	525
Fines, forfeits and penalties	32,000	-	-	-
Investment earnings	-	13,000	31,265	18,265
Charges for current services	13,000	430,000	1,370,327	940,327
From other agencies	430,000	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>475,000</u>	<u>475,000</u>	<u>1,434,117</u>	<u>959,117</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	91,195	91,195	76,885	14,310
Parks and greenbelts	56,633	56,633	22,250	34,383
Community planning and development	156,144.69	156,145	25,458	130,687
Municipal support	25,000.00	25,000	-	25,000
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	133,316	133,316.00	54,283.00	79,033
Drainage	100,000	100,000.00	-	100,000
Community buildings	-	-	38,647.00	(38,647)
Community services	20,500	20,500.00	-	20,500
Parks and greenbelts	1,051,962	1,051,962.00	459,074.00	592,888
Community planning and development	48,000	48,000.00	-	48,000
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>1,682,751</u>	<u>1,682,751</u>	<u>676,597</u>	<u>1,006,154</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,207,751)</u>	<u>(1,207,751)</u>	<u>757,520</u>	<u>1,965,271</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds of Bonds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,207,751)	(1,207,751)	757,520	1,965,271
Fund balances, beginning of year	<u>5,279,490</u>	<u>5,279,490</u>	<u>5,279,490</u>	<u>-</u>
Fund balances, end of year	<u>\$ 4,071,739</u>	<u>\$ 4,071,739</u>	<u>\$ 6,037,010</u>	<u>\$ 1,965,271</u>

**CITY OF GARDEN GROVE
GARDEN GROVE CABLE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ -	\$ -	\$ 11,272	\$ 11,272
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	-	-
Charges for current services	-	-	-	-
From other agencies	-	-	-	-
Other revenues	105,001	105,001	87,491	(17,510)
Total revenues	<u>105,001</u>	<u>105,001</u>	<u>98,763</u>	<u>(6,238)</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	105,001	105,001	84,003	20,998
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	20,998	(20,998)
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>105,001</u>	<u>105,001</u>	<u>105,001</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(6,238)</u>	<u>(6,238)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds of Bonds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	(6,238)	(6,238)
Fund deficit, beginning of year	<u>(41,607)</u>	<u>(41,607)</u>	<u>(41,607)</u>	<u>-</u>
Fund deficit, end of year	<u>\$ (41,607)</u>	<u>\$ (41,607)</u>	<u>\$ (47,845)</u>	<u>\$ (6,238)</u>

**CITY OF GARDEN GROVE
STREET LIGHTING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ -	\$ -	\$ 13	\$ 13
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	147	147
Charges for current services	1,321,361	1,321,361	1,349,360	27,999
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>1,321,361</u>	<u>1,321,361</u>	<u>1,349,520</u>	<u>28,159</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	1,277,111	1,277,111	1,309,170	(32,059)
Public right of way	28,060	28,060	40,564	(12,504)
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	16,244	16,244	18,530	(2,286)
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>1,321,415</u>	<u>1,321,415</u>	<u>1,368,264</u>	<u>(46,849)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(54)</u>	<u>(54)</u>	<u>(18,744)</u>	<u>(18,690)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds of Bonds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(54)	(54)	(18,744)	(18,690)
Fund balance, beginning of year	<u>54</u>	<u>54</u>	<u>54</u>	<u>-</u>
Fund deficit, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,690)</u>	<u>\$ (18,690)</u>

**CITY OF GARDEN GROVE
PARK MAINTENANCE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	15	15
Charges for current services	700,000	712,979	705,620	(7,359)
From other agencies	-	-	-	-
Other revenues	-	-	7,500	7,500
Total revenues	<u>700,000</u>	<u>712,979</u>	<u>713,135</u>	<u>156</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	700,000	717,046	717,046	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>700,000</u>	<u>717,046</u>	<u>717,046</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(4,067)</u>	<u>(3,911)</u>	<u>156</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds of Bonds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	(4,067)	(3,911)	156
Fund balance, beginning of year	<u>4,066</u>	<u>4,066</u>	<u>4,066</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,066</u>	<u>\$ (1)</u>	<u>\$ 155</u>	<u>\$ 156</u>

**CITY OF GARDEN GROVE
MAIN STREET DISTRICT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	873	873
Charges for current services	27,200	27,200	26,676	(524)
From other agencies	-	-	-	-
Other revenues	-	-	8,000	8,000
Total revenues	<u>27,200</u>	<u>27,200</u>	<u>35,549</u>	<u>8,349</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	136,450	136,450	43,205	93,245
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	10,000	10,000	-	10,000
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>146,450</u>	<u>146,450</u>	<u>43,205</u>	<u>103,245</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(119,250)</u>	<u>(119,250)</u>	<u>(7,656)</u>	<u>111,594</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds of Bonds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(119,250)	(119,250)	(7,656)	111,594
Fund balance, beginning of year	<u>175,661</u>	<u>175,661</u>	<u>175,661</u>	<u>-</u>
Fund balance, end of year	<u>\$ 56,411</u>	<u>\$ 56,411</u>	<u>\$ 168,005</u>	<u>\$ 111,594</u>

**CITY OF GARDEN GROVE
AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	1,207	1,207
Charges for current services	-	-	-	-
From other agencies	364,972	364,972	207,335	(157,637)
Other revenues	-	-	4,541	4,541
Total revenues	<u>364,972</u>	<u>364,972</u>	<u>213,083</u>	<u>(151,889)</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	73,357	73,357	11,826	61,531
Municipal support	291,628	291,628	188,087	103,541
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>364,985</u>	<u>364,985</u>	<u>199,913</u>	<u>165,072</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13)</u>	<u>(13)</u>	<u>13,170</u>	<u>13,183</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds of Bonds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(13)	(13)	13,170	13,183
Fund balance, beginning of year	<u>228,600</u>	<u>228,600</u>	<u>228,600</u>	<u>-</u>
Fund balance, end of year	<u>\$ 228,587</u>	<u>\$ 228,587</u>	<u>\$ 241,770</u>	<u>\$ 13,183</u>

CITY OF GARDEN GROVE
GARDEN GROVE TOURISM IMPROVEMENT DISTRICT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ 2,190,000	\$ 2,190,000	\$ 2,295,054	\$ 105,054
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	5,047	5,047
Charges for current services	-	-	-	-
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>2,190,000</u>	<u>2,190,000</u>	<u>2,300,101</u>	<u>110,101</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	2,500,000	2,500,000	2,602,337	(102,337)
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,602,337</u>	<u>(102,337)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(310,000)</u>	<u>(310,000)</u>	<u>(302,236)</u>	<u>7,764</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	(90,000)	90,000
Proceeds of Bonds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(90,000)</u>	<u>90,000</u>
Net change in fund balance	(310,000)	(310,000)	(392,236)	97,764
Fund balance, beginning of year	<u>775,212</u>	<u>775,212</u>	<u>775,212</u>	<u>-</u>
Fund balance, end of year	<u>\$ 465,212</u>	<u>\$ 465,212</u>	<u>\$ 382,976</u>	<u>\$ 97,764</u>

**CITY OF GARDEN GROVE
OTHER GRANTS AND CONTRIBUTIONS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	750,000	750,000	763,047	13,047
Investment earnings	-	-	2,120	2,120
Charges for current services	-	-	-	-
From other agencies	11,938,200	9,525,225	5,587,036	(3,938,189)
Other revenues	<u>2,392</u>	<u>2,392</u>	<u>141,134</u>	<u>138,742</u>
Total revenues	<u>12,690,593</u>	<u>10,277,617</u>	<u>6,493,337</u>	<u>(3,784,280)</u>
EXPENDITURES:				
Current:				
Fire	8,041	137,017	237,861	(100,844)
Police	1,355,881	1,935,942	712,808	1,223,134
Traffic safety	895,244	867,816	398,501	469,315
Public right of way	486,970	164,500	122,876	41,624
Drainage	-	-	-	-
Community buildings	-	20,328	30,163	(9,835)
Community services	20,328	978,028	571,065	406,963
Parks and greenbelts	891,003	-	-	-
Community planning and development	-	2,855,350	1,305,801	1,549,549
Municipal support	2,947,824	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	69,418	(69,418)
Traffic safety	-	-	-	-
Public right of way	3,242,343.00	1,342,343	-	1,342,343
Drainage	3,032,265	2,985,000	-	2,985,000
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	425,449	390,111	-	390,111
Community planning and development	96,714	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	910,000	(910,000)
Interest and other charges	-	-	202,307	(202,307)
Total expenditures	<u>13,402,062</u>	<u>11,676,435</u>	<u>4,560,800</u>	<u>7,115,635</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(711,470)</u>	<u>(1,398,818)</u>	<u>1,932,537</u>	<u>3,331,355</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	(18,575)	18,575
Proceeds of Bonds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(18,575)</u>	<u>18,575</u>
Net change in fund balances	(711,470)	(1,398,818)	1,913,962	3,349,930
Fund deficit, beginning of year	<u>(1,263,866)</u>	<u>(1,263,866)</u>	<u>(1,263,866)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (1,975,336)</u>	<u>\$ (2,662,684)</u>	<u>\$ 650,096</u>	<u>\$ 3,349,930</u>

**CITY OF GARDEN GROVE
STREET REHABILITATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	14,565	14,565
Charges for current services	-	-	-	-
From other agencies	10,390,461	10,390,461	2,835,883	(7,554,578)
Other revenues	-	-	-	-
Total revenues	<u>10,390,461</u>	<u>10,390,461</u>	<u>2,850,448</u>	<u>(7,540,013)</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	17,633	17,633	85,261	(67,628)
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	177,951	(177,951)
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	717,127	213,173	27,801	185,372
Public right of way	12,836,650	12,959,968	3,993,948	8,966,020
Drainage	-	110,916	110,916	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>13,571,410</u>	<u>13,301,690</u>	<u>4,395,877</u>	<u>8,905,813</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,180,949)</u>	<u>(2,911,229)</u>	<u>(1,545,429)</u>	<u>1,365,800</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	(255,098)	255,098
Proceeds of Bonds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(255,098)</u>	<u>255,098</u>
Net change in fund balance	(3,180,949)	(2,911,229)	(1,800,527)	1,620,898
Fund balance, beginning of year	<u>4,395,417</u>	<u>4,395,417</u>	<u>4,395,417</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,214,468</u>	<u>\$ 1,484,188</u>	<u>\$ 2,594,890</u>	<u>\$ 1,620,898</u>

CITY OF GARDEN GROVE
LOW AND MODERATE INCOME HOUSING ASSETS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	122,831	122,831
Charges for current services	-	-	-	-
From other agencies	-	-	-	-
Other revenues	200,000	200,000	613,051	413,051
Total revenues	<u>200,000</u>	<u>200,000</u>	<u>735,882</u>	<u>535,882</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	9,582	(9,582)
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	200,000	200,000	136,970	63,030
Municipal support	-	-	221	(221)
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>200,000</u>	<u>200,000</u>	<u>146,773</u>	<u>53,227</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>589,109</u>	<u>589,109</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds of Bonds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	589,109	(589,109)
Fund balance, beginning of year	<u>4,453,576</u>	<u>4,453,576</u>	<u>4,453,576</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,453,576</u>	<u>\$ 4,453,576</u>	<u>\$ 5,042,685</u>	<u>\$ (589,109)</u>

**CITY OF GARDEN GROVE
HOUSING AUTHORITY ASSET CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	50,000	50,000	10,556	(39,444)
Charges for current services	-	-	-	-
From other agencies	-	-	-	-
Other revenues	-	-	56,809	56,809
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>67,365</u>	<u>17,365</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	6,250	(6,250)
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	405,521	405,521	191,401	214,120
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>405,521</u>	<u>405,521</u>	<u>197,651</u>	<u>207,870</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(355,521)</u>	<u>(355,521)</u>	<u>(130,286)</u>	<u>225,235</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds of Bonds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(355,521)	(355,521)	(130,286)	(225,235)
Fund balance, beginning of year	<u>190,939</u>	<u>190,939</u>	<u>190,939</u>	<u>-</u>
Fund balance, end of year	<u>\$ (164,582)</u>	<u>\$ (164,582)</u>	<u>\$ 60,653</u>	<u>\$ (225,235)</u>

INTERNAL SERVICE FUNDS

Workers' Compensation Fund

The City's self-funded workers' compensation program, which is accounted for in this fund, is financed by charges to all City departments based on number and classification of employees. Expenses include operating costs and all payments relating to injured employees.

Fleet Management Fund

The costs of operating and maintaining City owned vehicles and other gasoline-powered equipment are accounted for this fund. The fund is financed by charges to the various City departments for actual cost plus a contributory sum for vehicles/equipment replacement. Actual costs include depreciation, maintenance and other factors necessary for the provision of the service.

Employee Benefits Fund

This fund encompasses all other employee benefits such as retirement contributions, health, dental, disability, life insurance, and sick leave, vacation, and other paid leaves. Revenues for this fund are derived from periodic charges to all departments based on the number of employees, length of service and insurance coverage. Funds are used to pay actual expenses and to accrue existing liabilities.

Information Systems Fund

This fund encompasses the cost of operating and maintaining the City's computer system. The fund is financed by charges to the various City departments based on computer usage.

Warehouse Operations Fund

This fund is used to account for the provision of materials and supplies to the various City departments. Financing is provided by the user City departments by payment of costs of material and supplies plus an overhead charge.

Telephone System Fund

This fund accounts for the operation of the City's telephone system. The financing comes from charges to the various City departments based on actual toll charges and the lease cost prorated on the number of instruments.

Risk Management Fund

This fund is used to account for the City's self-insured liability program and for the purchase of various types of property and casualty insurance protection as required by the City. The funds are used to pay any liability losses, program operating costs, insurance premiums and insurance deductibles. Revenues for this fund are generated from assessments made to all City departments for their pro-rata share of the total costs of the insurance administration program.

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2013**

	Workers' Compensation	Fleet Management	Employee Benefits
ASSETS			
Current Assets:			
Cash and cash investments	\$ 36,931,671	\$ 19,609,037	\$ 14,927,735
Accounts receivable	-	39,183	130,833
Interest receivable	48,238	-	-
Due from other funds	2,090,972	-	-
Inventory	-	80,165	-
Prepaid Items	-	-	-
Total current assets	<u>39,070,881</u>	<u>19,728,385</u>	<u>15,058,568</u>
Noncurrent Assets:			
Deposits	-	-	32,100
Capital assets			
Depreciable buildings, property, and equipment, net	<u>-</u>	<u>5,697,210</u>	<u>-</u>
Total assets	<u>39,070,881</u>	<u>25,425,595</u>	<u>15,090,668</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	239,103	75,069	1,111,333
Accrued liabilities	16,729	16,249	-
Refundable deposits	-	1,520	-
Current portion of long term liabilities			
Capital leases	-	87,691	-
Accrued compensated absences	-	-	6,267,392
Claims payable	<u>3,451,982</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>3,707,814</u>	<u>180,529</u>	<u>7,378,725</u>
Noncurrent liabilities:			
Capital leases	-	-	-
Accrued compensated absences	-	-	1,566,848
Claims payable - actuarially determined	<u>12,456,018</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>12,456,018</u>	<u>-</u>	<u>1,566,848</u>
Total liabilities	<u>16,163,832</u>	<u>180,529</u>	<u>8,945,573</u>
NET POSITION			
Net investment in capital assets	-	5,609,519	-
Unrestricted	<u>22,907,049</u>	<u>19,635,547</u>	<u>6,145,095</u>
Total net position	<u>\$ 22,907,049</u>	<u>\$ 25,245,066</u>	<u>\$ 6,145,095</u>

Information Systems	Warehouse Operations	Telephone System	Risk Management	Total
\$ 2,893,183	\$ 304,674	\$ 1,847,446	\$ 25,970,510	\$ 102,484,256
1,568	-	2,500	-	174,084
10,113	-	-	92,393	150,744
-	-	-	-	2,090,972
-	506,117	-	-	586,282
-	-	-	11,444	11,444
<u>2,904,864</u>	<u>810,791</u>	<u>1,849,946</u>	<u>26,074,347</u>	<u>105,497,782</u>
-	-	-	-	32,100
<u>411,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,108,275</u>
<u>3,315,929</u>	<u>810,791</u>	<u>1,849,946</u>	<u>26,074,347</u>	<u>111,638,157</u>
16,874	89,681	-	74,866	1,606,926
24,352	2,496	1,915	6,578	68,319
-	-	-	-	1,520
79,881	-	-	-	167,572
-	-	-	-	6,267,392
-	-	-	1,141,491	4,593,473
<u>121,107</u>	<u>92,177</u>	<u>1,915</u>	<u>1,222,935</u>	<u>12,705,202</u>
232,412	-	-	-	232,412
-	-	-	-	1,566,848
-	-	-	4,525,509	16,981,527
<u>232,412</u>	<u>-</u>	<u>-</u>	<u>4,525,509</u>	<u>18,780,787</u>
<u>353,519</u>	<u>92,177</u>	<u>1,915</u>	<u>5,748,444</u>	<u>31,485,989</u>
178,653	-	-	-	5,788,172
<u>2,783,757</u>	<u>718,614</u>	<u>1,848,031</u>	<u>20,325,903</u>	<u>74,363,996</u>
<u>\$ 2,962,410</u>	<u>\$ 718,614</u>	<u>\$ 1,848,031</u>	<u>\$ 20,325,903</u>	<u>\$ 80,152,168</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Workers' Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>
Operating revenues:			
Charges for services	\$ 4,607,414	\$ 7,087,208	\$ 28,916,194
Operating expenses:			
Salaries and wages	1,016,164	880,905	29,921,177
Contractual services	533,448	680,600	17,606
Liability claims	3,448,744	-	-
Materials and supplies	-	1,803,585	197,147
Depreciation	-	980,385	-
Total operating expenses	<u>4,998,356</u>	<u>4,345,475</u>	<u>30,135,930</u>
Operating income (loss)	<u>(390,942)</u>	<u>2,741,733</u>	<u>(1,219,736)</u>
Nonoperating revenues (expenses):			
Investment income	-	-	-
Gain (loss) on disposal of assets	-	34,039	-
Interest expense	-	(10,939)	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>23,100</u>	<u>-</u>
Income (loss) before transfers	(390,942)	2,764,833	(1,219,736)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(390,942)	2,764,833	(1,219,736)
Total net position, beginning of year	<u>23,297,991</u>	<u>22,480,233</u>	<u>7,364,831</u>
Total net position, end of year	<u>\$ 22,907,049</u>	<u>\$ 25,245,066</u>	<u>\$ 6,145,095</u>

Information Systems	Warehouse Operations	Telephone System	Risk Management	Total
\$ 2,125,957	\$ 234,926	\$ 600,913	\$ 1,705,560	\$ 45,278,172
1,270,375	116,418	72,387	355,136	33,632,562
161,703	36,865	420,024	1,326,080	3,176,326
-	-	-	231,902	3,680,646
254,600	336	-	2,825	2,258,493
104,784	-	-	-	1,085,169
<u>1,791,462</u>	<u>153,619</u>	<u>492,411</u>	<u>1,915,943</u>	<u>43,833,196</u>
334,495	81,307	108,502	(210,383)	1,444,976
16,170	-	-	145,006	161,176
-	-	-	-	34,039
<u>(14,563)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,502)</u>
1,607	-	-	145,006	169,713
336,102	81,307	108,502	(65,377)	1,614,689
-	-	-	(100,000)	(100,000)
336,102	81,307	108,502	(165,377)	1,514,689
<u>2,626,308</u>	<u>637,307</u>	<u>1,739,529</u>	<u>20,491,280</u>	<u>78,637,479</u>
<u>\$ 2,962,410</u>	<u>\$ 718,614</u>	<u>\$ 1,848,031</u>	<u>\$ 20,325,903</u>	<u>\$ 80,152,168</u>

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Workers' Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from user departments	\$ 4,607,414	\$ 7,087,208	\$ 28,867,900
Payments to suppliers	(2,756,717)	(2,463,067)	481,764
Payments to employees	(1,047,590)	(880,728)	(29,736,895)
Net cash provided (used) by operating activities	<u>803,107</u>	<u>3,743,413</u>	<u>(387,231)</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers to/ from other funds	<u>1,457,422</u>	-	-
Net cash provided (used) by non capital financing activities	<u>1,457,422</u>	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(402,442)	-
Payments on lease purchase agreement	-	(342,161)	-
Interest paid	-	(10,939)	-
Proceeds from disposal of capital assets	-	34,039	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(721,503)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	-	-	-
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	2,260,529	3,021,910	(387,231)
Cash and cash equivalents, July 1	<u>34,671,142</u>	<u>16,587,127</u>	<u>15,314,966</u>
Cash and cash equivalents, June 30	<u>\$ 36,931,671</u>	<u>\$ 19,609,037</u>	<u>\$ 14,927,735</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ (390,942)</u>	<u>\$ 2,741,733</u>	<u>\$ (1,219,736)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	-	980,385	-
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	-	-	(48,294)
(Increase) decrease in inventory	50,555	(12,749)	-
(Increase) decrease in prepaid expense	147,026	-	-
Increase (decrease) in accounts payable	150,894	33,867	696,517
Increase (decrease) in compensated absences	-	-	184,282
Increase (decrease) in other accrued liabilities	(31,426)	177	-
Increase (decrease) in claims payable	877,000	-	-
Total adjustments	<u>1,194,049</u>	<u>1,001,680</u>	<u>832,505</u>
Net cash provided (used) by operating activities	<u>\$ 803,107</u>	<u>\$ 3,743,413</u>	<u>\$ (387,231)</u>

There were no noncash investing, capital, or financing activities for the year ended June 30, 2013.

Information Systems	Warehouse Operations	Telephone System	Risk Management	Total
\$ 2,125,957	\$ 234,926	\$ 600,913	\$ 1,818,625	\$ 45,342,943
(399,429)	(3,223)	(420,024)	(1,654,004)	(7,214,700)
<u>(1,276,696)</u>	<u>(116,831)</u>	<u>(72,082)</u>	<u>(355,017)</u>	<u>(33,485,839)</u>
449,832	114,872	108,807	(190,396)	4,642,404
-	-	-	(100,000)	1,357,422
-	-	-	(100,000)	1,357,422
-	-	-	-	(402,442)
(76,921)	-	-	-	(419,082)
(14,563)	-	-	-	(25,502)
-	-	-	-	34,039
<u>(91,484)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(812,987)</u>
17,571	-	-	172,669	190,240
<u>17,571</u>	<u>-</u>	<u>-</u>	<u>172,669</u>	<u>190,240</u>
375,919	114,872	108,807	(117,727)	5,377,079
2,517,264	189,802	1,738,639	26,088,237	97,107,177
<u>\$ 2,893,183</u>	<u>\$ 304,674</u>	<u>\$ 1,847,446</u>	<u>\$ 25,970,510</u>	<u>\$ 102,484,256</u>
\$ 334,495	\$ 81,307	\$ 108,502	\$ (210,383)	\$ 1,444,976
104,784	-	-	-	1,085,169
-	-	-	113,065	64,771
-	102,634	-	-	140,440
-	-	-	(3,487)	143,539
16,874	(68,656)	-	29,290	858,786
-	-	-	-	184,282
(6,321)	(413)	305	119	(37,559)
-	-	-	(119,000)	758,000
<u>115,337</u>	<u>33,565</u>	<u>305</u>	<u>19,987</u>	<u>3,197,428</u>
<u>\$ 449,832</u>	<u>\$ 114,872</u>	<u>\$ 108,807</u>	<u>\$ (190,396)</u>	<u>\$ 4,642,404</u>

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Statistical Section

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**SCHEDULE I
CITY OF GARDEN GROVE
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(In Thousands)**

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities:				
Net investment in capital assets	\$ 669,375	\$ 668,448	\$ 667,547	\$ 666,751
Restricted	40,237	42,863	48,109	52,214
Unrestricted	2,604	15,484	23,592	35,623
Total governmental activities net position	<u>712,216</u>	<u>726,795</u>	<u>739,248</u>	<u>754,588</u>
Business-type activities:				
Net investment in capital assets	\$ 59,287	\$ 60,506	\$ 66,085	\$ 64,996
Restricted	-	-	-	-
Unrestricted	3,872	2,603	4,256	14,855
Total business-type activities net position	<u>\$ 63,159</u>	<u>\$ 63,109</u>	<u>\$ 70,341</u>	<u>\$ 79,851</u>
Primary government:				
Net investment in capital assets	\$ 728,662	\$ 728,954	\$ 733,632	\$ 731,747
Restricted	40,237	42,863	48,109	52,214
Unrestricted	6,476	18,087	27,848	50,478
Total primary government net position	<u>\$ 775,375</u>	<u>\$ 789,904</u>	<u>\$ 809,589</u>	<u>\$ 834,439</u>

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 662,476	\$ 661,323	\$ 553,141	\$ 560,993	\$ 643,306	\$ 643,095
79,980	68,985	94,568	97,634	29,976	22,114
13,004	22,510	129,445	129,866	119,190	123,504
<u>755,460</u>	<u>752,818</u>	<u>777,154</u>	<u>788,493</u>	<u>792,472</u>	<u>788,713</u>
\$ 65,581	\$ 75,932	\$ 85,079	\$ 88,713	\$ 89,607	\$ 97,657
-	-	-	-	-	-
26,444	25,543	28,226	45,395	36,861	39,457
<u>\$ 92,025</u>	<u>\$ 101,475</u>	<u>\$ 113,305</u>	<u>\$ 134,108</u>	<u>\$ 126,468</u>	<u>\$ 137,114</u>
\$ 728,057	\$ 737,255	\$ 638,220	\$ 649,706	\$ 732,913	\$ 740,752
79,980	68,985	94,568	97,634	29,976	22,114
39,448	48,053	157,671	175,261	156,051	162,961
<u>\$ 847,485</u>	<u>\$ 854,293</u>	<u>\$ 890,459</u>	<u>\$ 922,601</u>	<u>\$ 918,940</u>	<u>\$ 925,827</u>

The City of Garden Grove implemented GASB 34 for the fiscal year ended June 30, 2002 and implemented GASB 63 and GASB 65 for the fiscal year ended June 30, 2013.

Source: Finance Office, City of Garden Grove

**SCHEDULE II
CITY OF GARDEN GROVE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(In Thousands)**

	Fiscal Year				
	2004	2005	2006	2007	2008
Expenses:					
Governmental activities:					
Municipal support	\$ 5,224	\$ 6,967	\$ 7,700	\$ 6,678	\$ 8,405
Fire	14,048	16,288	18,152	17,465	19,778
Police	29,078	33,519	36,207	38,013	45,333
Traffic safety	2,500	2,309	2,956	3,264	3,273
Public right of way	12,419	13,910	14,677	15,073	13,989
Drainage	1,411	871	1,479	1,538	1,372
Community buildings	2,580	1,818	(288)	97	4,442
Community services	3,319	3,377	3,132	3,629	4,383
Parks and greenbelts	1,338	1,526	3,648	1,787	2,016
Community planning and development	36,715	40,820	47,611	42,847	46,061
Interest on long-term debt	8,018	5,585	6,730	6,854	7,768
Total governmental activities expenses	<u>116,650</u>	<u>126,990</u>	<u>142,004</u>	<u>137,245</u>	<u>156,820</u>
Business-type activities:					
Water	19,141	20,066	19,673	20,398	20,557
Housing authority	-	-	-	-	-
Sanitary District	9,576	10,010	11,482	11,188	13,295
Mobile home parks/RV park	1,483	1,498	1,965	2,079	2,339
Total business-type activities expenses	<u>30,200</u>	<u>31,574</u>	<u>33,120</u>	<u>33,665</u>	<u>36,191</u>
Total primary government expenses	<u>146,850</u>	<u>158,564</u>	<u>175,124</u>	<u>170,910</u>	<u>193,011</u>
Program revenues:					
Governmental activities:					
Charges for services:					
Municipal support	1,912	1,974	2,375	2,464	2,223
Fire	793	663	712	705	884
Police	2,958	3,144	3,509	3,100	3,564
Traffic safety	1,326	1,324	1,318	1,306	1,314
Public right of way	229	413	314	350	291
Drainage	-	-	-	-	90
Community services	884	923	841	855	849
Parks and greenbelts	1,406	1,372	1,424	1,457	1,394
Community planning and development	1,887	1,879	3,324	2,449	1,403
Operating grants and contributions	38,267	38,343	41,590	43,709	42,980
Capital grants and contributions	3,099	7,442	10,931	2,534	4,890
Total governmental activities program revenues	<u>52,761</u>	<u>57,477</u>	<u>66,338</u>	<u>58,929</u>	<u>59,882</u>
Business-type activities:					
Charges for services:					
Water	18,828	17,899	18,413	20,786	25,573
Sanitary District	10,238	10,311	12,563	16,941	16,445
Mobile home parks	1,975	2,063	2,761	2,699	3,033
Operating grants and contributions	526	595	732	538	804
Capital grants and contributions	356	300	5,317	754	-
Total business-type activities program revenues	<u>31,923</u>	<u>31,168</u>	<u>39,786</u>	<u>41,718</u>	<u>45,855</u>
Total primary government program revenues	<u>84,684</u>	<u>88,645</u>	<u>106,124</u>	<u>100,647</u>	<u>105,737</u>
Net revenues (expenses):					
Governmental activities	(63,889)	(69,513)	(75,666)	(78,316)	(96,938)
Business-type activities	1,723	(406)	6,666	8,053	9,664
Total net revenues (expenses)	<u>(62,166)</u>	<u>(69,919)</u>	<u>(69,000)</u>	<u>(70,263)</u>	<u>(87,274)</u>

Fiscal Year					
2008	2009	2010	2011	2012	2013
General revenue					
\$ 8,405	\$ 8,543	\$ 5,157	\$ 3,154	\$ 6,443	\$ 6,344
19,778	21,279	18,756	18,710	19,497	20,273
45,333	47,004	42,554	44,898	44,751	45,467
3,273	4,135	3,570	2,905	3,197	3,097
13,989	14,859	16,143	13,013	14,768	16,541
1,372	1,482	1,352	1,374	1,417	1,426
4,442	4,268	4,519	4,319	4,961	4,596
4,383	4,702	4,388	4,088	4,430	4,452
2,016	1,628	2,098	1,584	1,785	1,838
46,061	44,429	44,682	49,088	10,945	7,938
7,768	8,161	5,795	5,132	3,783	1,815
<u>156,820</u>	<u>160,490</u>	<u>149,016</u>	<u>148,265</u>	<u>115,977</u>	<u>113,787</u>
20,557	24,339	25,251	26,152	24,213	26,419
-	-	-	-	30,894	31,586
13,295	13,418	13,088	8,709	7,672	8,641
2,339	2,172	2,205	1,497	565	-
<u>36,191</u>	<u>39,929</u>	<u>40,544</u>	<u>36,358</u>	<u>63,344</u>	<u>66,646</u>
<u>193,011</u>	<u>200,419</u>	<u>189,560</u>	<u>184,623</u>	<u>179,321</u>	<u>180,433</u>
2,223	2,384	5,729	2,636	2,540	2,553
884	1,377	1,115	3,400	1,051	1,106
3,564	3,431	3,592	3,607	3,321	3,486
1,314	1,341	1,350	1,342	1,343	1,349
291	157	117	146	137	249
90	-	-	-	-	-
849	849	878	915	856	851
1,394	1,382	1,368	1,368	1,346	1,319
1,403	1,179	1,114	1,384	1,303	1,491
42,980	36,053	42,980	46,464	19,574	10,012
4,890	9,599	14,462	6,361	4,847	5,789
<u>59,882</u>	<u>57,752</u>	<u>72,705</u>	<u>67,623</u>	<u>36,318</u>	<u>28,206</u>
25,573	27,846	28,878	30,261	34,318	33,738
16,445	16,208	16,848	12,187	12,294	13,204
3,033	2,910	3,027	318	1	-
804	785	-	-	30,662	30,582
-	-	2,038	-	-	-
<u>45,855</u>	<u>47,749</u>	<u>50,791</u>	<u>42,766</u>	<u>77,275</u>	<u>77,524</u>
<u>105,737</u>	<u>105,501</u>	<u>123,496</u>	<u>110,389</u>	<u>113,593</u>	<u>105,730</u>
(96,938)	(102,738)	(76,310)	(80,642)	(79,659)	(85,581)
9,664	7,820	10,247	6,408	13,931	10,878
<u>(87,274)</u>	<u>(94,918)</u>	<u>(66,063)</u>	<u>(74,234)</u>	<u>(65,728)</u>	<u>(74,703)</u>

Continued

**SCHEDULE II
CITY OF GARDEN GROVE
CHANGES IN NET POSITION (Continued)
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(In Thousands)**

	Fiscal Year			
	2004	2005	2006	2007
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 27,468	\$ 31,070	\$ 34,439	\$ 36,251
Sales taxes	18,556	19,492	19,453	19,696
Transient occupancy taxes	8,628	9,820	11,411	12,180
Other taxes	4,361	4,438	4,729	4,952
Motor vehicle in lieu, unrestricted	7,598	14,494	13,129	13,603
Investment income	2,460	3,963	3,248	4,747
Other general revenues	1,271	746	1,642	3,095
Gain on disposal of assets	-	-	-	-
Transfers	70	70	70	70
Capital Contribution from Successor Agency	-	-	-	-
Total governmental activities	<u>70,412</u>	<u>84,093</u>	<u>88,121</u>	<u>94,594</u>
Business-type activities:				
Investment income	274	424	637	1,527
Gain on disposal of assets	-	-	-	-
Other general revenues	-	-	-	-
Discontinued operations	-	-	-	-
Transfers	(70)	(70)	(70)	(70)
Total business-type activities	<u>204</u>	<u>354</u>	<u>567</u>	<u>1,457</u>
Total primary government	<u>70,616</u>	<u>84,447</u>	<u>88,688</u>	<u>96,051</u>
Changes in net position				
Governmental activities	70,412	84,093	88,121	94,594
Business-type activities	<u>204</u>	<u>354</u>	<u>567</u>	<u>1,457</u>
Total primary government	<u>\$ 70,616</u>	<u>\$ 84,447</u>	<u>\$ 88,688</u>	<u>\$ 96,051</u>

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 39,144	\$ 43,786	\$ 42,212	\$ 52,268	\$ 43,920	\$ 35,145
19,780	16,236	14,076	16,776	18,461	19,805
12,673	11,257	10,196	11,697	12,320	14,448
4,934	4,825	4,863	5,775	7,297	7,316
14,011	14,088	513	801	87	90
5,687	6,257	8,830	4,240	760	1,757
1,511	3,579	2,153	425	651	1,210
-	-	-	-	(18,941)	-
70	70	-	-	20,373	-
-	-	-	-	-	2,309
<u>97,810</u>	<u>100,098</u>	<u>82,844</u>	<u>91,982</u>	<u>84,928</u>	<u>82,080</u>
2,579	1,701	1,583	1,510	334	437
-	-	-	12,886	-	-
-	-	-	-	95	-
-	-	-	-	(2,918)	-
(70)	(70)	-	-	(20,373)	-
<u>2,509</u>	<u>1,631</u>	<u>1,583</u>	<u>14,396</u>	<u>(22,862)</u>	<u>437</u>
<u>100,319</u>	<u>101,729</u>	<u>84,427</u>	<u>106,378</u>	<u>62,066</u>	<u>82,517</u>
97,810	100,098	82,844	11,340	5,269	(3,501)
<u>2,509</u>	<u>1,631</u>	<u>1,583</u>	<u>20,804</u>	<u>(8,930)</u>	<u>11,316</u>
<u>\$100,319</u>	<u>\$101,729</u>	<u>\$ 84,427</u>	<u>\$ 32,144</u>	<u>\$ (3,662)</u>	<u>\$ 7,814</u>

Source: Finance Office, City of Garden Grove

The City of Garden Grove implemented GASB 34 for the fiscal year ended June 30, 2002 and implemented GASB 63 and GASB 65 for the fiscal year ended June 30, 2013.

**SCHEDULE III
CITY OF GARDEN GROVE
BALANCE OF GOVERNMENTAL FUNDS
THE LAST TEN FISCAL YEAR
(Modified Accrual Basis of Accounting)
(In Thousands)**

	Fiscal Year			
	2004	2005	2006	2007
General fund:				
Reserved	\$ 42,290	\$ 41,624	\$ 43,299	\$ 46,878
Non-Spendable:				
Agency reimbursement agreement	-	-	-	-
COP reimbursement agreement	-	-	-	-
Intercity loan	-	-	-	-
Land held for resale	-	-	-	-
Prepaid items	-	-	-	-
Deposits	-	-	-	-
Committed:				
Post-Employment Benefits	-	-	-	-
Community planning and development	-	-	-	-
Assigned:				
Post-Employment Benefits	-	-	-	-
Garden Grove tourism improvement	-	-	-	-
Property tax lawsuit	-	-	-	-
Building improvements	-	-	-	-
General Plan	-	-	-	-
Other purposes	-	-	-	-
Unreserved	6,693	19,122	27,006	25,482
Unassigned	-	-	-	-
Total general fund	<u>\$ 48,983</u>	<u>\$ 60,746</u>	<u>\$ 70,305</u>	<u>\$ 72,360</u>
All other governmental funds:				
Reserved	\$ 55,528	\$ 58,881	\$ 49,018	\$ 57,165
Non-Spendable:				
Intercity loan	-	-	-	-
Land held for resale	-	-	-	-
Prepaid items	-	-	-	-
Deposits	-	-	-	-
Restricted:				
Fire	-	-	-	-
Police	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community services	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Committed:				
Community planning and development	-	-	-	-
Assigned:				
Post-Employment Benefits	-	-	-	-
Property tax lawsuit	-	-	-	-
Building improvements	-	-	-	-
Other purposes	-	-	-	-
Unreserved, reported in:				
Special revenue funds	5,685	720	10,071	10,724
Debt service funds	2	5	2	(8)
Capital projects funds	(16,031)	(18,025)	(21,607)	(26,409)
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 45,184</u>	<u>\$ 41,581</u>	<u>\$ 37,484</u>	<u>\$ 41,472</u>

Source: Finance Office, City of Garden Grove

The City of Garden Grove implemented GASB 54 for the fiscal year ended June 30, 2011.

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 50,999	\$ 48,176	\$ 47,951	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	40,056	13,375	13,375
-	-	-	135	-	-
-	-	-	-	-	-
-	-	-	1,000	-	-
-	-	-	-	-	-
-	-	-	-	1,000	1,000
-	-	-	-	53	139
-	-	-	500	500	500
-	-	-	1,300	1,300	1,300
-	-	-	-	113	132
-	-	-	384	-	-
14,721	6,479	71	-	-	-
-	-	-	4,566	18,444	16,016
<u>\$ 65,720</u>	<u>\$ 54,655</u>	<u>\$ 48,022</u>	<u>\$ 47,941</u>	<u>\$ 34,785</u>	<u>\$ 32,462</u>
\$ 136,252	\$ 158,393	\$ 142,099	\$ -	\$ -	\$ -
-	-	-	13,829	-	-
-	-	-	73,994	-	-
-	-	-	4	-	-
-	-	-	815	-	-
-	-	-	1	-	-
-	-	-	2,457	2,680	2,793
-	-	-	13,080	11,734	8,433
-	-	-	287	354	453
-	-	-	1,450	207	650
-	-	-	23,115	12,185	12,200
-	-	-	199	229	242
-	-	-	994	-	-
-	-	-	1,000	-	-
-	-	-	500	-	-
-	-	-	1,300	-	-
-	-	-	384	-	-
(27,845)	(41,485)	(11,371)	-	-	-
(576)	4,463	1,399	-	-	-
(26,691)	(33,563)	(39,251)	-	-	-
-	-	-	(31,170)	(3,006)	(67)
<u>\$ 81,140</u>	<u>\$ 87,808</u>	<u>\$ 92,876</u>	<u>\$ 102,239</u>	<u>\$ 24,382</u>	<u>\$ 24,705</u>

**SCHEDULE IV
CITY OF GARDEN GROVE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(In Thousands)**

	Fiscal Year			
	2004	2005	2006	2007
Revenues:				
Taxes	\$ 67,876	\$ 79,808	\$ 83,684	\$ 87,437
Licenses and permits	1,303	1,380	1,672	1,859
Fines and forfeitures	2,094	2,323	2,939	2,567
Investment earnings	3,223	4,409	3,803	5,148
Charges for services	11,027	10,839	12,614	11,401
From other agencies	36,574	39,016	40,825	42,230
Other	2,760	2,788	3,477	3,597
Total revenues	<u>124,857</u>	<u>140,563</u>	<u>149,014</u>	<u>154,239</u>
Expenditures				
Current:				
Municipal support	5,321	6,628	7,198	6,367
Fire	14,551	15,874	17,189	17,946
Police	30,297	32,537	34,803	38,600
Traffic safety	2,295	2,680	2,818	3,274
Public right of way	4,368	4,233	5,380	6,881
Drainage				
Community buildings	2,033	2,088	2,738	3,529
Community services	3,574	3,347	3,409	3,846
Parks and greenbelts	1,285	1,460	5,558	1,653
Community planning and development	28,227	28,929	31,057	29,537
Capital outlay	19,756	28,040	28,138	19,233
Debt service:				
Principal retirement	5,609	4,850	4,909	4,621
Interest and other charges	9,058	5,907	6,738	6,873
Total expenditures	<u>126,374</u>	<u>136,573</u>	<u>149,935</u>	<u>142,360</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,517)</u>	<u>3,990</u>	<u>(921)</u>	<u>11,879</u>
Other financing sources (uses):				
Transfers in	28,766	22,836	29,549	26,474
Transfers out	(27,517)	(22,666)	(29,379)	(26,251)
Issuance of debt	58,356	4,001	1,500	-
Proceeds of debt	-	-	-	-
Gain(Loss) on sale of capital assets	-	-	612	(1,322)
Contribution to Housing Authority	-	-	-	(3,796)
Extraordinary Gain/Loss	-	-	-	-
Payment to bond escrow agent	(52,325)	-	-	-
Total other financing sources (uses)	<u>7,280</u>	<u>4,171</u>	<u>2,282</u>	<u>(4,895)</u>
Net change in fund balances	<u>\$ 5,763</u>	<u>\$ 8,161</u>	<u>\$ 1,361</u>	<u>\$ 6,984</u>
Debt service as a percentage of noncapital expenditures	13.8%	9.9%	9.6%	9.3%

Source: Finance Office, City of Garden Grove

Fiscal Year						
2008	2009	2010	2011	2012	2013	
\$ 91,292	\$ 90,692	\$ 85,353	\$ 91,330	\$ 82,531	\$ 77,231	
1,068	818	1,553	962	946	1,128	
2,870	2,761	3,103	2,911	2,673	2,960	
6,576	7,219	7,689	4,859	1,560	1,800	
10,083	11,065	11,413	12,002	10,401	10,084	
42,295	39,707	55,879	50,336	15,617	13,324	
2,516	3,053	2,100	6,393	1,612	3,332	
<u>156,700</u>	<u>155,315</u>	<u>167,090</u>	<u>168,793</u>	<u>115,340</u>	<u>109,859</u>	
7,163	7,079	7,639	7,359	8,805	6,797	
19,724	20,769	19,331	18,862	19,996	20,447	
43,048	44,787	43,863	44,727	45,558	45,478	
3,026	2,896	2,967	2,733	2,894	2,595	
5,973	8,130	7,373	5,865	5,880	5,730	
	148	13	-	-	-	
3,581	3,935	3,366	3,188	3,519	3,082	
4,208	4,433	4,428	4,037	4,449	4,453	
1,925	1,804	1,649	1,664	1,883	1,927	
30,076	31,145	59,813	51,950	10,871	7,761	
26,290	23,162	16,671	15,754	15,569	10,366	
3,971	3,519	4,956	4,214	4,434	1,939	
7,783	8,076	7,726	4,938	3,226	1,383	
<u>156,768</u>	<u>159,883</u>	<u>179,795</u>	<u>165,291</u>	<u>127,084</u>	<u>111,960</u>	
<u>(68)</u>	<u>(4,568)</u>	<u>(12,705)</u>	<u>3,502</u>	<u>(11,745)</u>	<u>(2,101)</u>	
48,225	32,608	52,785	41,588	39,808	1,239	
(48,394)	(32,438)	(47,597)	(41,492)	(18,335)	(1,139)	
41,675	-	-	2500	-	-	
-	-	-	0	1856	-	
-	-	2,320	-	-	-	
-	-	-	-	-	-	
-	-	-	-	(98,139)	-	
<u>(8,410)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
33,096	170	7,508	2,596	(74,810)	100	
<u>\$ 33,028</u>	<u>\$ (4,398)</u>	<u>\$ (5,197)</u>	<u>\$ 6,098</u>	<u>\$ (86,555)</u>	<u>\$ (2,001)</u>	
9.0%	8.5%	7.8%	6.1%	6.9%	3.3%	

**SCHEDULE V
CITY OF GARDEN GROVE
GENERAL FUND MAJOR TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

Fiscal Year	Sales Tax	Property Tax	Franchise Tax	Business Operation Tax	Transient Occupancy Tax	Motor Vehicle Tax	Total
2004	18,555,795	10,275,238	2,045,711	2,315,429	8,628,343	7,598,457	49,418,973
2005	19,492,358	11,421,673	2,088,276	2,349,706	9,820,457	14,494,383	59,666,853
2006	19,452,971	13,262,684	2,234,667	2,494,139	11,410,684	13,128,604	61,983,749
2007	19,695,520	14,177,626	2,413,279	2,538,442	12,179,453	13,603,437	64,607,757
2008	19,780,085	14,892,274	2,337,053	2,596,833	12,672,985	14,011,002	66,290,232
2009	16,235,658	15,661,734	2,293,500	2,530,725	11,257,402	14,087,771	62,066,790
2010	14,075,879	14,400,002	2,482,292	2,381,098	10,195,885	513,106	44,048,262
2011	16,776,350	17,254,068	2,349,125	3,425,691	11,696,706	800,742	52,302,682
2012	18,461,031	19,519,146	2,540,297	4,756,384	12,319,744	86,882	57,683,484
2013	19,804,727	35,145,142	2,506,722	4,809,344	14,447,817	90,025	76,803,777

Source: Finance Office, City of Garden Grove

**SCHEDULE VI
CITY OF GARDEN GROVE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(In Thousands)**

Fiscal Year Ended June 30	City			Successor Agency (1)			Total Direct Tax Rate
	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	
2004	6,690,748,967	299,913,148	6,990,662,115	1,864,235,792	238,481,088	2,102,716,880	1.031%
2005	7,256,567,260	300,044,644	7,556,611,904	1,958,660,897	242,816,738	2,201,477,635	1.031%
2006	8,044,198,853	282,323,725	8,326,522,578	2,154,902,094	258,917,408	2,413,819,502	1.030%
2007	8,876,151,469	321,202,996	9,197,354,465	2,312,965,202	277,545,166	2,590,510,368	1.030%
2008	9,569,536,594	324,403,747	9,893,940,341	2,513,875,820	275,426,527	2,789,302,347	1.030%
2009	9,729,883,933	346,877,295	10,076,761,228	2,770,894,375	309,968,838	3,080,863,213	1.029%
2010	9,306,476,987	370,449,626	9,676,926,613	2,813,238,670	327,815,104	3,141,053,774	1.029%
2011	9,304,082,238	321,496,548	9,625,578,786	2,707,065,764	302,619,033	3,009,684,797	1.064%
2012	9,492,745,733	303,025,114	9,795,770,847	2,689,600,119	299,937,044	2,989,537,163	1.064%
2013	9,933,103,063	308,943,730	10,242,046,793	2,778,119,021	295,258,690	3,073,377,711	1.074%

NOTE:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

- (1) *The Redevelopment Agency no longer exist since its dissolution in February 2012. The Successor Agency was created to close out the Redevelopment Agency.*

Source: Orange County Assessor's Office

**SCHEDULE VII
CITY OF GARDEN GROVE
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year	Basic Levy	City Paramedic	Metropolitan Water District	Orange County	Sanitation and Water	School Services	Other	Total
2004	1.0000	0.02500	0.00610	-	-	-	-	1.03110
2005	1.0000	0.02500	0.00580	-	-	-	-	1.03080
2006	1.0000	0.02500	0.00470	-	-	-	-	1.02970
2007	1.0000	0.02500	0.00470	-	-	-	-	1.02970
2008	1.0000	0.02500	0.00450	-	-	-	-	1.02950
2009	1.0000	0.02500	0.00430	-	-	-	-	1.02930
2010	1.0000	0.02500	0.00430	-	-	-	-	1.02930
2011	1.0000	0.06000	0.00430	-	-	-	-	1.06430
2012	1.0000	0.06000	0.00370	-	-	-	-	1.06370
2013	1.0000	0.07000	0.00350	-	-	-	-	1.07350

Assessed values are expressed as 100% of "full value" as prescribed by California Revenue and Taxation Code Section 135.

Property tax in California is levied in accordance with Article 13A of the State Constitution at \$1 per \$100 county-wide assessed valuations plus other voter approved debt. Rates shown above are \$100 of assessed valuation. The one percent is allocated pursuant to State law to the appropriate units of local government.

Source: Orange County Tax Rates Book

**SCHEDULE VIII
CITY OF GARDEN GROVE
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2013		2004	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Landmark Marriott Suites	\$ 99,542,060	0.97%	87,878,576	1.26%
American Lodging	56,316,887	0.55%		
Chatham Rigg	42,624,653	0.42%		
Newage Garden Grove	42,590,097	0.42%		
HGGA Promenade	42,022,116	0.41%	25,666,525	0.37%
Ohi Resort Hotels	40,579,806	0.40%	36,768,933	0.53%
Walton CWCA Garden Grove	29,546,615	0.29%		
Swedlow Inc.	25,786,166	0.25%	19,237,153	0.28%
Car Noa GGT	25,194,000	0.25%		
CRP-2 Monarch	25,097,993	0.25%		
Atrium Plaza			65,436,948	0.94%
Kilroy Realty			37,322,594	0.53%
American Medical			24,408,806	0.35%
AIC Investment Co, Inc.			18,883,470	0.27%
7300 Chapman Ave			18,593,787	0.27%
Graphic packaging Corp			17,713,621	0.25%
	<u>\$ 429,300,393</u>	<u>4.19%</u>	<u>\$ 351,910,413</u>	<u>5.05%</u>

Source: Coren & Cone's 2012/13 Preliminary Property Tax Reports

**SCHEDULE IX
CITY OF GARDEN GROVE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	City Tax Rate (Per \$100)	Total Tax Levied	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
2004	0.0025	10,585,265	10,090,195	95.3	185,043	10,275,238	97.1	26,158	0.2%
2005	0.0025	11,751,160	11,303,045	96.2	118,628	11,421,673	97.2	46,308	0.4%
2006	0.0025	12,913,558	12,338,230	95.5	156,891	12,495,121	96.8	114,095	0.9%
2007	0.0025	13,989,410	13,080,248	93.5	197,376	13,277,624	94.9	286,295	2.0%
2008	0.003	14,804,471	13,934,785	94.1	366,321	14,301,107	96.6	196,069	1.3%
2009	0.003	14,783,375	13,920,288	94.2	640,136	14,560,424	98.5	139,682	0.9%
2010	0.003	14,063,297	13,732,288	97.6	719,481	14,451,770	102.8	422,664	3.0%
2011	0.003	17,407,275	16,491,089	94.7	520,209	17,011,298	97.7	302,494	1.7%
2012	0.003	17,792,829	16,539,285	93.0	277,560	16,816,846	94.5	333,343	1.9%
2013	0.003	19,080,983	18,555,697	97.2	339,959	18,895,656	99.0	264,446	1.4%

In implementing Article XIIIa of the State Constitution, the Revenue and Taxation Code provides for a single Basic Tax Rate Levy for County/City/School/Special Districts and other rates necessary to retire bonded and other indebtedness.

Source: Orange County Property Tax Ledger
Finance Office, City of Garden Grove

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**SCHEDULE X
CITY OF GARDEN GROVE
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Governmental Activities						Total Governmental Activities
	Certificates of Participation	Revenue Bonds	RDA 2008 Bonds	Tax Allocation Bonds ¹	Loans ^{2 3}	Capital Leases ⁴	
2004	22,735,000	-	-	57,025,000	19,032,833	3,416,890	102,209,723
2005	22,325,000	-	-	57,025,000	17,371,380	4,639,399	101,360,779
2006	21,895,000	-	-	57,025,000	15,159,293	3,872,578	97,951,871
2007	21,455,000	-	-	55,400,000	13,414,185	3,061,446	93,330,631
2008	20,995,000	-	2,015,000	53,740,000	43,225,054	2,993,427	122,968,481
2009	20,525,000	-	2,015,000	52,030,000	42,331,431	2,498,371	119,399,802
2010	20,025,000	-	1,955,000	50,265,000	42,304,693	3,221,506	117,771,199
2011	19,510,000	-	1,890,000	48,415,000	44,157,481	2,850,033	116,822,514
2012	18,970,000	-	-	-	7,380,266	2,134,919	28,485,185
2013	18,410,000	-	-	-	6,345,613	1,371,910	26,127,523

¹ The City refunded the \$52,325,000 of tax allocation bonds in 2003.

² The City borrowed \$32,000,000 from Union Bank for the Redevelopment Agency in 2008.

³ The City refunded the \$9,010,000 HUD Section 108 loan, of which \$7,660,000 was borrowed from HUD in 2008.

⁴ The City financed new copiers with a \$376,774 Capital lease.

⁵ The City issues \$21,845,000 is Sewer COP in 2006.

⁶ These ratios are calculated using personal income and population for the prior calendar year.

⁷ The City issues \$16,625,000 is Water Revenue Bond in 2010.

Source: Finance Office, City of Garden Grove

Business-type Activities						
Water Revenue Bonds ⁷	Sewer Revenue COP ⁵	Certificates of Participation	Total Business-type Activities	Total Primary Government	Percentage of Personal Income ⁶	Debt Per Capita ⁶
16,845,000	-	13,010,000	29,855,000	132,064,723	0.43%	777
16,410,000	-	12,640,000	29,050,000	130,410,779	0.40%	758
15,775,000	21,845,000	12,250,000	49,870,000	147,821,871	0.42%	861
15,130,000	21,845,000	11,840,000	48,815,000	142,145,631	0.40%	823
14,465,000	21,845,000	11,405,000	47,715,000	170,683,481	0.46%	986
13,790,000	21,845,000	10,950,000	46,585,000	165,984,802	0.42%	950
29,720,000	21,405,000	10,465,000	61,590,000	179,361,199	0.42%	1021
28,670,000	20,945,000	-	49,615,000	166,437,514	0.36%	974
27,390,000	20,470,000	-	47,860,000	76,345,185	0.17%	442
26,826,738	20,298,745	-	47,125,483	73,253,006	0.16%	423

**SCHEDULE XI
CITY OF GARDEN GROVE
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(In Thousands, except Per Capita)**

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value ¹	Per Capita
	Certificates of Participation	Tax Allocation Bonds	Total		
2004	22,735	57,025	79,760	0.88%	469
2005	22,325	57,025	79,350	0.81%	461
2006	21,895	57,025	78,920	0.73%	459
2007	21,455	55,400	76,855	0.65%	445
2008	20,995	53,740	74,735	0.59%	432
2009	20,525	52,030	72,555	0.55%	415
2010	20,025	50,265	70,290	0.55%	400
2011	19,510	48,415	67,925	0.54%	397
2012	18,970	-	18,970	0.15%	110
2013	18,410	-	18,410	0.14%	106

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

¹ *Assessed value has been used because the actual value of taxable property is not readily available in the State of California.*

Source: Finance Office, City of Garden Grove

**SCHEDULE XII
CITY OF GARDEN GROVE
DIRECT AND OVERLAPPING BONDS AND DEBT
JUNE 30, 2013**

2012-13 Assessed Valuation:	\$12,404,554,406		
		%	
		<u>Applicable</u>	Total Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		(1)	6/30/2013
Metropolitan Water District	0.590 %		\$ 165,085,000
Coast Community College District	6.397		648,598,698
North Orange County Joint Community College District	2.330		213,394,001
Rancho Santiago Community College District	6.058		293,246,944
Garden Grove Unified School District	57.911		127,000,160
Anaheim Union High School District	0.069		105,183,955
Huntington Beach Union High School District	1.310		210,579,998
Anaheim School District	0.088		152,710,805
Magnolia School District	0.196		18,003,305
Westminster School District	7.197		72,734,435
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 146,984,448
 <u>Ratios to 2012-13 Assessed Valuation:</u>			
Total Overlapping Tax and Assessment Debt	1.18%		
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	2.899 %		\$ 190,546,000
Orange County Pension Obligations	2.899		306,287,244
Orange County Board of Education Certificates of Participation	2.899		15,770,000
Municipal Water District of Orange County Water Facilities Corporation	3.475		10,035,000
North Orange Regional Occupation Program Certificates of Participation	0.025		10,920,000
Orange Unified School District Certificates of Participation	0.970		35,573,644
Orange Unified School District Benefit Obligations	0.970		88,265,000
Anaheim Union High School District Certificates of Participation	0.069		36,848,095
Huntington Beach Union High School District Certificates of Participation	1.310		60,101,090
Westminster School District Certificates of Participation	7.197		23,315,000
City of Garden Direct Debt	100.000		26,127,522
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 45,031,301
Less: MWDOC Water Facilities Corporation (100% self-supporting)			348,716
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 44,682,585
 <u>OVERLAPPING TAX INCREMENT DEBT:</u>	 2.281-100%		 \$ 61,075,000
TOTAL DIRECT DEBT			\$ 26,127,522
TOTAL GROSS OVERLAPPING DEBT			\$ 210,717,443
TOTAL NET OVERLAPPING DEBT			\$ 210,368,727
 GROSS COMBINED TOTAL DEBT			 (2) \$ 236,844,965
NET COMBINED TOTAL DEBT			\$ 236,496,249

- (1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds. Certificate of Participation Loan Agreements, Capital Lease Agreements and Qualified Zone Academy Bonds are included based on principal due at maturity.

<u>Ratios to Adjusted Assessed Valuation:</u>	
Total Direct Debt (\$26,127,522)	0.21%
Gross Combined Total Debt	1.91%
Net Combined Total Debt	1.91%

<u>Ratios to Redevelopment Incremental Valuation (\$2,563,159,889):</u>	
Total Overlapping Tax Increment Debt	1.75%

Prepared for the City of Garden Grove
Source: California Municipal Statistics, Inc.

**SCHEDULE XIII
CITY OF GARDEN GROVE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Assessed valuation	\$ 6,990,662,115	\$ 7,556,611,904	\$ 8,326,522,578	\$ 9,197,354,465
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,747,665,529	1,889,152,976	2,081,630,645	2,299,338,616
Debt limit percentage	15%	15%	15%	15%
Debt limit	262,149,829	283,372,946	312,244,597	344,900,792
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 262,149,829</u>	<u>\$ 283,372,946</u>	<u>\$ 312,244,597</u>	<u>\$ 344,900,792</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: Finance Office, City of Garden Grove
Orange County Tax Assessor's Office

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 9,893,940,341	\$ 10,076,761,228	\$ 9,676,926,613	\$ 9,625,578,786	\$ 9,795,770,847	\$ 10,242,046,793
25%	25%	25%	25%	25%	25%
2,473,485,085	2,519,190,307	2,419,231,653	2,406,394,697	2,448,942,712	2,560,511,698
15%	15%	15%	15%	15%	15%
371,022,763	377,878,546	362,884,748	360,959,204	367,341,407	384,076,755
-	-	-	-	-	-
<u>\$ 371,022,763</u>	<u>\$ 377,878,546</u>	<u>\$ 362,884,748</u>	<u>\$ 360,959,204</u>	<u>\$ 367,341,407</u>	<u>\$ 384,076,755</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**SCHEDULE XIV
CITY OF GARDEN GROVE
PLEGDED-REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Water Revenue Bonds							
Fiscal Year	Gross Revenue	Expenses (1)	Resources	Debt Service Requirement			Coverage
			Available for Debt Service	Principal	Interest	Total	
2004	18,484,674	15,604,390	2,880,284	435,000	727,982	1,162,982	2.48
2005	18,145,714	16,809,774	1,335,940	635,000	657,500	1,292,500	1.03
2006	18,651,805	17,225,625	1,426,180	645,000	644,700	1,289,700	1.11
2007	20,516,447	17,921,191	2,595,256	665,000	629,938	1,294,938	2.00
2008	26,049,669	18,065,826	7,983,843	675,000	612,344	1,287,344	6.20
2009	29,025,085	19,581,536	9,443,549	695,000	592,638	1,287,638	7.33
2010	29,312,717	20,713,227	8,599,490	1,040,000	1,299,320	2,339,320	3.68
2011	30,651,300	21,520,593	9,130,707	1,280,000	1,386,327	2,666,327	3.42
2012	34,492,870	21,413,634	13,079,236	1,320,000	1,495,448	2,815,448	4.65
2013	33,933,081	22,848,625	11,084,456	1,320,000	1,340,727	2,660,727	4.17

Source: Finance Office, City of Garden Grove

- (1) *Total operating expenses less depreciation and amortization*
- (2) *Due to the dissolution of the Redevelopment Agency in February 2012, the Tax Increment is now deposited in the City of Garden Grove RPTTF by project area.*

Tax Allocation Bonds				
Debt Service Requirement				
Tax Increment (2)	Principal	Interest	Total	Coverage
13,403,657	-	3,004,843	3,004,843	4.46
14,607,268	-	2,759,550	2,759,550	5.29
16,339,702	1,625,000	2,741,269	4,366,269	3.74
17,250,293	1,660,000	2,698,088	4,358,088	3.96
18,915,215	1,710,000	2,647,537	4,357,537	4.34
21,808,918	1,765,000	2,577,763	4,342,763	5.02
21,107,303	1,850,000	2,533,638	4,383,638	4.82
19,632,456	1,945,000	2,402,238	4,347,238	4.52
7,194,875	2,020,000	2,320,413	4,340,413	1.66
4,340,413	2,020,000	2,320,413	4,340,413	1.00

**SCHEDULE XV
CITY OF GARDEN GROVE
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2004	169,911	3,039,717	17,890	4.2%
2005	172,042	3,243,812	19,091	5.2%
2006	171,765	3,479,894	20,227	4.8%
2007	172,781	3,595,557	20,933	4.3%
2008	173,067	3,735,525	21,620	5.0%
2009	174,715	3,979,307	22,993	11.7%
2010	175,618	4,272,291	24,453	12.2%
2011	170,883	4,567,065	26,006	11.2%
2012	172,648	4,371,270	25,580	9.6%
2013	173,075	4,696,862	27,205	7.8%

Source: State Employment Development Department
California Department of Finance

**SCHEDULE XVI
CITY OF GARDEN GROVE
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	2013	
	Number of Employees	Percent of Total Employment
Prime Healthcare Services	516	0.65%
American Apparel Knit & Dye	500	0.63%
Air Industries Co.	465	0.58%
Diessen Aircraft Interior Systems, Inc.	370	0.46%
Saint Gobain Performance Plastics	363	0.46%
Office Max, Inc.	360	0.45%
Hyatt Regency Orange County	350	0.44%
GKN Aerospace Transparency Systems, Inc.	331	0.42%
NBTY Acquisition, LLC	298	0.37%
C & D Zodiac	286	0.36%

2004 data was not available

"Total Employment" as used above represents the total employment of all employers located within City limits.

Source: City of Garden Grove Business Tax Dept.

**SCHEDULE XVII
CITY OF GARDEN GROVE
FULL-TIME AND PART-TIME CITY EMPLOYEES
BY DEPARTMENT
LAST TEN FISCAL YEARS**

Department	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Administrative Services	-	31	34	-	-	-	-	-	-	-
City Manager	39	13	14	9	13	12	10	10	9	9
Community Development	48	45	44	56	58	59	59	59	65	58
Community Services	143	149	155	146	149	148	145	143	159	156
Economic Development	-	-	-	12	13	13	13	13	13	-
Finance	32	32	32	34	35	37	37	37	37	39
Fire	111	109	110	112	112	112	111	110	110	107
Information Technology	-	-	-	20	20	20	20	20	20	20
Personnel	13	13	13	9	10	10	9	9	10	9
Police	316	316	314	328	334	334	334	333	302	275
Public Works	<u>177</u>	<u>179</u>	<u>192</u>	<u>192</u>	<u>197</u>	<u>197</u>	<u>196</u>	<u>196</u>	<u>199</u>	<u>194</u>
Total	<u>879</u>	<u>887</u>	<u>908</u>	<u>918</u>	<u>941</u>	<u>942</u>	<u>934</u>	<u>930</u>	<u>924</u>	<u>867</u>
Full Time employees	633	637	647	661	676	685	682	681	676	621
Part time employees	246	250	261	257	265	257	252	249	248	246

Source: City Budget/Department Budgets

**SCHEDULE XVIII
CITY OF GARDEN GROVE
OPERATING INDICATORS
BY FUNCTION
LAST SEVEN FISCAL YEARS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police:							
Arrests	7,767	6,951	7,316	7,195	6,920	6,651	6,774
Traffic citations issued	11,574	13,627	12,787	15,490	14,945	11,393	13,815
Fire:							
Number of emergency calls	15,534	16,279	16,548	16,306	23,381	25,586	26,739
Public Right-of-Way:							
Parking citations issued	30,052	32,718	30,464	26,660	24,800	24,590	24,571
Permits issued	3,175	1,525	276	269	201	314	406
Community Services:							
Number of recreation classes	1,525	1,534	1,544	1,398	1,817	1,540	1,987
Housing vouchers	2,337	2,337	2,337	2,337	2,337	2,337	2,337
Community Planning and Development							
Building permits issued	2,213	2,879	3,878	3,514	3,881	2,036	2,427
Water:							
Number of accounts	34,090	34,152	34,217	34,239	33,689	33,751	34,206
Average daily consumption (thousands of gallons)	49,864	24,851	23,345	21,843	20,528	21,480	21,324
Solid Waste Disposal:							
Number of accounts	30,928	30,938	30,895	30,723	33,308	33,424	33,886
Drainage:							
Channels cleaned (miles)	5	5	5	5	5	5	5
Municipal Support:							
Passports issued	723	569	500	463	292	624	673

Note: *The City has elected to show only seven years of data for this schedule, a coincide with the implementation of GASB 44.*

Source: City of Garden Grove

**SCHEDULE XIV
CITY OF GARDEN GROVE
CAPITAL ASSET STATISTICS
BY FUNCTION
LAST SEVEN FISCAL YEARS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police:							
Stations	1	1	1	1	1	1	1
Fire:							
Fire stations	7	7	7	7	7	7	7
Public Right-of-Way:							
Streets (miles)	305	305	305	305	305	305	305
Community Services:							
Parks	16	16	16	16	16	16	16
Park acreage	142	142	142	142	142	142	142
Community centers	1	1	1	1	2	2	2
Water:							
Water mains (miles)	360	360	433	433	433	433	433
Number of connections	34,090	34,152	34,217	34,239	33,689	33,751	34,206
Sewage Collection:							
Sanitary sewers (miles)	312	312	320	320	320	320	320
Drainage:							
Storm drains (miles)	35	35	35	35	35	35	35

Note: *The City has elected to show only seven years of data for this schedule, a coincide with the implementation of GASB 44.*

Source: City of Garden Grove



GARDEN GROVE

APPENDIX F

GENERAL INFORMATION ABOUT THE CITY OF GARDEN GROVE AND THE COUNTY OF ORANGE

The following information concerning the City of Garden Grove (the "City") and the County of Orange (the "County") is included only for the purpose of supplying general information regarding the area of the City. The 2014 Bonds are not a debt of the City, County, the State or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

General Description and Background

The County of Orange, California (the "County") encompasses 798 square miles in Southern California, bordered on the north by Los Angeles and San Bernardino counties, on the east by Riverside County, on the southeast by San Diego County and on the west and southwest by the Pacific Ocean. There are 34 cities located within the County. The County is the third largest county in the State and the sixth largest county in the nation.

Approximately 42 miles of ocean shoreline provide many beaches, marinas and other recreational areas for use by residents and visitors. The climate in the County is mild, with an average annual rainfall of 13 inches.

The County is governed by a five-member Board of Supervisors (the "Board") elected by districts to four-year terms by the citizens of the County. At the beginning of each year, the Board selects a Chairman and a Vice Chairman.

Population

The following sets forth population estimates for Garden Grove, the County and the State as of January 1 for the years 2006 through 2014:

CITY OF GARDEN GROVE, ORANGE COUNTY AND STATE OF CALIFORNIA Estimated Population

<u>Year (January 1)</u>	<u>City of Garden Grove</u>	<u>Orange County</u>	<u>State of California</u>
2006	167,591	2,956,334	36,116,202
2007	167,498	2,960,659	36,399,676
2008	167,980	2,974,321	36,704,375
2009	169,910	2,990,805	36,966,713
2010	170,672	3,008,855	37,223,900
2011	171,307	3,028,846	37,427,946
2012	172,763	3,057,879	37,668,804
2013	173,182	3,085,269	37,984,138
2014	173,953	3,113,991	38,340,074

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

Commerce

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, retail stores data for 2009 and after is not comparable to that of prior years.

Total taxable sales reported during calendar year 2012 in the City were reported to be \$1.77 billion, a 9.2% increase over the total taxable sales of \$1.62 billion reported during calendar year 2011. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City of Garden Grove is presented in the following table. Figures are not yet available for 2013.

**CITY OF GARDEN GROVE
Taxable Retail Sales
Number of Permits and Valuation of
Taxable Transactions (shown in thousands of dollars)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2008	2,007	\$1,383,601	3,950	\$1,642,666
2009 ⁽¹⁾	2,141	1,155,616	3,524	1,361,395
2010 ⁽¹⁾	2,277	1,256,993	3,653	1,459,914
2011 ⁽¹⁾	2,417	1,396,341	3,792	1,623,150
2012 ⁽¹⁾	2,441	1,499,207	3,771	1,771,891

(1) Not comparable to prior years. "Retail" category now includes "Food Services."
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales during calendar year 2012 in the County were reported to be \$55.23 billion, a 6.8% increase over the total taxable sales of \$51.73 billion reported in the County during calendar year 2011. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions within the County is presented in the following table. Figures for 2013 are not yet available.

**COUNTY OF ORANGE
Taxable Retail Sales
Number of Permits and Valuation of
Taxable Transactions (shown in thousands of dollars)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2008	45,705	\$35,768,595	97,612	\$53,606,829
2009 ⁽¹⁾	56,259	31,162,619	90,231	45,712,784
2010 ⁽¹⁾	58,076	32,552,107	92,047	47,667,179
2011 ⁽¹⁾	58,795	35,587,795	92,207	51,731,139
2012 ⁽¹⁾	60,273	38,372,456	93,183	55,230,612

(1) Not comparable to prior years. "Retail" category now includes "Food Services."
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Employment and Industry

Garden Grove is included in the Santa Ana-Anaheim-Irvine Metropolitan Division (which consists of Orange County). The following table shows the average annual estimated numbers by industry comprising the civilian labor force, as well as unemployment information for years 2008 through 2012.

The unemployment rate in the County was 5.0% in April 2014, down from a revised 5.8% in March 2014, and below the year-ago estimate of 5.9%. This compares with an unadjusted unemployment rate of 7.3% for California and 5.9% for the nation during the same period.

SANTA ANA–ANAHEIM–IRVINE METROPOLITAN DIVISION ORANGE COUNTY Civilian Labor Force, Employment and Unemployment (Annual Averages)

	2008	2009	2010	2011	2012
<u>Civilian Labor Force</u> ⁽¹⁾	1,618,100	1,588,800	1,591,000	1,603,700	1,617,400
Employment	1,532,800	1,448,200	1,440,400	1,464,400	1,495,100
Unemployment	85,300	140,600	150,700	139,300	122,300
Unemployment Rate	5.3%	8.8%	9.5%	8.7%	7.6%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	4,600	3,800	3,700	3,200	3,200
Mining and Logging	600	500	500	500	500
Construction	91,200	74,200	68,000	68,300	67,500
Manufacturing	174,100	154,800	150,400	153,600	154,400
Wholesale Trade	86,700	79,400	77,600	77,900	78,300
Retail Trade	155,600	142,300	140,100	141,600	146,600
Transportation, Warehousing, Utilities	29,300	27,800	26,700	27,500	27,400
Information	30,100	27,300	24,800	23,800	24,300
Finance and Insurance	76,100	70,600	69,400	70,200	69,900
Real Estate and Rental and Leasing	37,000	34,500	34,100	33,700	36,800
Professional and Business Services	266,600	240,200	243,500	246,700	254,000
Educational and Health Services	150,700	152,100	155,500	158,700	161,100
Leisure and Hospitality	176,400	169,100	168,600	173,200	180,400
Other Services	46,500	42,600	42,200	42,800	43,400
Federal Government	11,700	11,700	12,400	11,600	11,300
State Government	28,000	27,700	27,300	28,000	28,000
Local Government	121,000	117,200	112,600	110,000	106,700
Total, All Industries ⁽³⁾	1,486,200	1,375,900	1,357,400	1,371,300	1,393,700

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

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

(3) Totals may not add due to rounding.

Source: California Employment Development Department.

Major Employers

The following table lists the top employers in the County, listed alphabetically.

ORANGE COUNTY Major Employers - As of June 2014

Employer Name	Location	Industry
Amcheck Inc-Irvine	Irvine	Human Resource Consultants
Anaheim City Hall	Anaheim	City Government-Executive Offices
Blogtagon Social Media	Fountain Valley	Internet Service
Boeing Co	Huntington Beach	Aircraft-Manufacturers
Boeing Co	Seal Beach	Aerospace Industries (Mfrs)
Broadcom Corp	Irvine	Semiconductors & Related Devices (Mfrs)
California State-Fullerton	Fullerton	Schools-Universities & Colleges Academic
Emplicity	Irvine	Employment Contractors-Temporary Help
Fairview Development Center	Costa Mesa	Hospitals
First American Title Ins Co	Santa Ana	Title Companies
Hoag Hospital	Newport Beach	Hospitals
Jones Lang La Salle	Brea	Real Estate Management
Puro Clean	Anaheim	Water Damage Restoration-Residential
Quest Diagnostics	San Juan Capistrano	Laboratories-Medical
Quiksilver Eyeware USA	Huntington Beach	Optical Goods-Retail
St Jude Medical Center	Brea	Physicians & Surgeons Equip & Supls-Whls
St Jude Medical Center	Fullerton	Hospitals
Tenet Healthcare	Fountain Valley	Hospitals
UC Irvine Healthcare	Orange	Hospitals
United Healthcare	Cypress	Health Plans
University of California-Irvine	Irvine	Schools-Universities & Colleges Academic
US Health Care Svc	Seal Beach	Health & Allied Services
Walt Disney Parks & Resorts	Anaheim	Amusement & Theme Parks
Women's Hospital - Saddleback	Laguna Hills	Hospitals

Source: State of California Employment Development Department, compiled from America's Labor Market Information System (ALMIS) Employer Database, 2014 2nd Edition.

Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in Garden Grove and the County. Data is not yet available for calendar year 2013.

CITY OF GARDEN GROVE Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Permit Valuation</u>					
New Single-family	\$3,026.0	\$2,135.0	\$11,264.5	\$5,180.8	\$20,946.1
New Multi-family	973.0	2,504.0	5,512.0	6,345.6	5,289.6
Res. Alterations/Additions	<u>10,300.9</u>	<u>9,894.8</u>	<u>8,122.1</u>	<u>8,104.6</u>	<u>5,055.7</u>
Total Residential	14,299.9	14,533.8	24,898.6	19,631.0	31,291.4
New Commercial	2,050.0	0.0	0.0	0.0	1,918.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	1,811.6	1,426.1	1,191.1	0.0	0.0
Com. Alterations/Additions	<u>6,599.0</u>	<u>10,278.9</u>	<u>8,634.7</u>	<u>10,198.5</u>	<u>5,218.6</u>
Total Nonresidential	\$10,460.5	\$11,705.0	\$9,815.9	\$10,198.5	\$7,136.6
 <u>New Dwelling Units</u>					
Single Family	13	5	62	31	61
Multiple Family	<u>8</u>	<u>14</u>	<u>32</u>	<u>39</u>	<u>28</u>
TOTAL	21	19	94	70	89

ORANGE COUNTY Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Permit Valuation</u>					
New Single-family	\$475,736.0	\$437,832.0	\$492,529.5	\$518,681.8	\$752,931.2
New Multi-family	203,618.3	109,750.2	208,046.8	378,599.9	438,118.2
Res. Alterations/Additions	<u>358,355.5</u>	<u>307,610.4</u>	<u>328,830.0</u>	<u>450,105.3</u>	<u>363,854.8</u>
Total Residential	1,037,709.8	855,192.6	1,029,406.2	1,347,387.0	1,554,904.2
New Commercial	424,041.7	153,465.6	264,898.3	255,841.4	513,584.4
New Industrial	14,174.4	0.0	23,000.0	10,300.0	102,586.7
New Other	184,620.8	150,751.4	116,813.1	25,511.4	28,591.8
Com. Alterations/Additions	<u>816,284.5</u>	<u>648,267.8</u>	<u>747,216.7</u>	<u>896,906.9</u>	<u>697,630.6</u>
Total Nonresidential	1,439,121.4	952,484.7	1,151,928.1	1,188,559.7	1,342,393.5
 <u>New Dwelling Units</u>					
Single Family	1,295	1,376	1,553	1,908	2,438
Multiple Family	<u>1,864</u>	<u>824</u>	<u>1,538</u>	<u>2,897</u>	<u>3,725</u>
TOTAL	3,159	2,200	3,091	4,805	6,163

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

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

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2008 through 2012. Data is not yet available for calendar year 2013.

**COUNTY OF ORANGE
Effective Buying Income
2008 through 2012**

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2008	City of Garden Grove	\$ 2,587,523	\$48,591
	Orange County	78,347,278	58,979
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Garden Grove	\$ 2,689,805	\$49,052
	Orange County	79,478,835	61,470
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Garden Grove	\$2,510,085	\$46,265
	Orange County	75,063,558	57,849
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Garden Grove	\$2,558,765	\$46,106
	Orange County	76,315,505	57,607
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	City of Garden Grove	\$2,668,395	\$46,596
	Orange County	81,079,398	57,181
	California	864,088,828	47,307
	United States	6,737,867,730	41,358

Source: The Nielsen Company (US), Inc.

County Transportation Systems

The County is situated in the most heavily populated area in California and has access to excellent roads, rail, air and sea transportation. The Santa Ana Freeway (Interstate 5) provides direct access to downtown Los Angeles and connects with the San Diego Freeway (Interstate 405) southeast of the City of Santa Ana providing a direct link with San Diego. The Garden Grove Freeway (State 22) and the Riverside Freeway (State 91) provide east-west transportation, linking the San Diego Freeway, Santa Ana Freeway and the Newport Freeway (State 55). The Newport Freeway provides access to certain beach communities.

Drivers in the County have access to two toll road systems administered by the Transportation Corridor Agencies. The San Joaquin Toll Road (73) runs from Costa Mesa to Mission Viejo and connects to the 405 and 5 Freeways. The Eastern and Foothill Toll Roads (241, 261 and 133) connect the County to the 91 Freeway to the north and the 5 Freeway, City of Irvine and other South County cities, as well as Laguna Canyon Road. The Transportation Corridor Agencies are planning to extend the 241 Toll Road to connect to the 5 Freeway near San Clemente.

Rail freight service is provided by the Burlington Northern Santa Fe Railway and the Union Pacific Railroad Company. Amtrak provides passenger service to San Diego to the south, Riverside and San Bernardino Counties to the east, and Los Angeles and Santa Barbara to the north. Metro Link provides passenger service to San Bernardino and Riverside counties to the east, Oceanside to the south and Los Angeles County to the north. Bus service is provided by Greyhound Bus Lines. The Orange County Transportation Authority provides bus service between most cities in the County. Most interstate common carrier truck lines operating in California serve the County.

The John Wayne Airport is located in the County's unincorporated area adjacent to Santa Ana, Costa Mesa, Irvine and Newport Beach. Major airlines, including American, Alaska, Delta, America West, Continental, Northwest, U.S. Airways, Southwest, United, Aloha and TWA, fly from the airport to major cities throughout the country.

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APPENDIX G
FISCAL CONSULTANT'S REPORT

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**THE CITY OF GARDEN GROVE AS SUCCESSOR AGENCY
TO THE
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT**

Garden Grove Community Project Agency

**PROJECTED TAXABLE VALUES AND
ANTICIPATED TAX INCREMENT REVENUES**

June 4, 2014

I. Introduction

On June 29, 2011, the California Legislature and Governor enacted Assembly Bill 1x 26 (AB 1x 26), which generally dissolved redevelopment agencies statewide as of February 1, 2012. The bill was challenged by a suit filed before the California Supreme Court, but was upheld by the Court on December 29, 2011. On June 27, 2012 Assembly Bill 1484 (AB 1484) was signed into law, modifying and supplementing AB 1x 26.

The City of Garden Grove as Successor Agency to the Garden Grove Agency for Community Development (the "Successor Agency") is proposing to refund the former Community Development Agency's 2003 Tax Allocation Refunding Bonds (Garden Grove Community Project) (the "2003 Bonds") pursuant to Assembly Bill 1484 (Stats 2012 c. 26) (AB 1484) and to prepay and refinance certain other enforceable obligations of the former Community Development Agency (the CDA) through issuance of its Garden Grove Community Project Tax Allocation Refunding Bonds, Issue of 2014 (the "Bonds"). The intent of refunding the 2003 Bonds will be to lower the cost of repayment of the refunded bonds in accordance with Section 34177.5 of the California Health and Safety Code and to pay the costs of issuance. In accordance with Section 34177.5(g) of the California Health and Safety Code, a successor agency's bonds shall be considered indebtedness incurred by the dissolved redevelopment agency, with the same legal effect as if the bonds, indebtedness, financing agreement, or amended enforceable obligation had been issued, incurred, or entered into prior to June 29, 2011, in full conformity with the applicable provisions of the California Community Redevelopment Law (being Part 1 of Division 24 of the Health and Safety Code and is being referred to herein as the "Law") that existed prior to that date, shall be included in the successor agency's Recognized Obligation Payment Schedule (the "ROPS"), and shall be secured by a pledge of, and lien on, and shall be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund (the "RPTTF").

The Project Area consists of the original Garden Grove Community Project and ten amendment areas. The Project Area's component amendment areas are listed below along with their adoption dates and the name by which they will be referred to in this report:

<u>Component Area Name</u>	<u>Referred to As</u>	<u>Adoption Date</u>	<u>Base Years</u>
Garden Grove Community Project	Original Project	June 26, 1973	1972-73
1974 Amendment Area	1974 Amendment	July 9, 1974	1973-74
Trask Avenue Project	Trask	November 25, 1975	1975-76
1976 Amendment Area	1976 Amendment	November 29, 1976	1976-77
Brookhurst/Chapman Project	Brookhurst/Chapman	March 21, 1977	1976-77
Brookhurst/Katella Project	Brookhurst/Katella	February 21, 1978	1977-78
1979 Amendment Area	1979 Amendment	October 16, 1979	1979-80
1981 Amendment ¹	1981 Amendment	June 9, 1981	1980-81
1992 Amendment Area	1992 Amendment	July 14, 1992	1991-92
1998 Amendment Area	1998 Amendment	December 8, 1998	1998-99
Garden Grove Community Project Added Territory	Added Territory	July 9, 2002	2001-02

¹ The amendment adopted in 1981 deleted territory from the Project Area and amended certain limits for the 1976 and 1979 Amendments. The Auditor-Controller continues to carry this amendment as a redevelopment project area and allocates a small amount of tax increment to it.

The Law provided for the creation of redevelopment agencies by cities and counties for the purpose of the elimination of blight. The Law, together with Article 16, Section 16 of the California Constitution, authorized redevelopment agencies to receive that portion of property tax revenue generated by project area taxable values that were in excess of the Base Year value. The Base Year value is defined as the amount of the taxable values within the project area boundaries on the last equalized tax roll prior to adoption of the project area. The amount of current year taxable value that is in excess of the Base Year value is referred to as incremental taxable value. Tax revenues generated from the incremental taxable value are, for purposes of this report, referred to as Gross Tax Increment Revenues. The Law provides that the tax increment revenues may be pledged by the redevelopment agency to the repayment of agency indebtedness.

In this report, Gross Tax Increment Revenues combined with Unitary Tax Revenue (see Section IV, Allocation of State Assessed Unitary Taxes) are referred to as Gross Revenues. For purposes of this report, Tax Revenues are defined as Gross Revenues less the SB 2557 County Administrative charges (see Section IV, County Collection Charges) amounts owed, if any, to taxing entities pursuant to tax sharing agreements (see Section VII B) and for statutory tax sharing obligations (see Section VII A).

Allocation of tax increment revenue has been significantly altered by the passage of AB1x 26 and AB 1484 by the California Legislature. This legislation has been designed to dissolve redevelopment agencies formed pursuant to the Law while assuring that the enforceable obligations incurred by the former redevelopment agencies are repaid (see Section VI Legislation). While tax increment revenues were previously allocated by the County Auditor-Controller over the period from November through July of each fiscal year, beginning with fiscal year 2012-13 revenues are only allocated on January 2 and June 1 of each year.

The purpose of this fiscal consultant report (the "Report") is to examine property tax information for the current fiscal year and to project the amount of tax increment revenues anticipated to be received by the Successor Agency from the Project Area for the current fiscal year and nine subsequent fiscal years. Provisions of the Law and the Redevelopment Plan for the Project Area determine the amount of Tax Revenue that the Successor Agency may utilize for purposes of making debt service payments and any payments on other obligations with a superior lien on Tax Revenues (see Section VII, Tax Sharing Agreements and Other Obligations, below). As a result of our research, we project that the Tax Revenues for the Project Area will be as shown in Table A below:

Table A						
Project Area Tax Revenue						
(000's omitted)						
Fiscal Year	Incremental Value	Gross Revenues	SB 2557 County Admin. Fee	1992 Amendment Senior Tax Sharing Payments	Statutory Tax Sharing Payments	Tax Revenue
2013-14	\$2,497,024	\$27,638	(\$282)	(\$2,596)	(\$1,421)	\$23,339
2014-15	2,413,455	26,741	(273)	(2,768)	(1,289)	22,411
2015-16	2,475,460	27,407	(280)	(2,886)	(1,400)	22,842
2016-17	2,531,515	28,009	(286)	(2,991)	(1,542)	23,190
2017-18	2,588,692	28,622	(292)	(3,099)	(1,714)	23,518
2018-19	2,647,012	29,248	(298)	(3,209)	(1,889)	23,852
2019-20	2,706,498	29,887	(305)	(3,321)	(2,068)	24,194
2020-21	2,767,175	30,538	(311)	(3,435)	(2,250)	24,542
2021-22	2,829,064	31,203	(318)	(3,552)	(2,436)	24,897
2022-23	2,892,192	31,880	(325)	(3,671)	(2,626)	25,259

The taxable values of property and the resulting Tax Revenues for the Project Area summarized above are reflected on Tables 1 and 2 of the projection (attached). The Tax Revenue for each of the amendment areas is reflected on the attached Tables 1A through 1J. These projections are based on assumptions determined by our review of the taxable value history of the Project Area and the property tax assessment and property tax apportionment procedures of the Orange County Assessor (the Assessor) and the Orange County Auditor-Controller (the Auditor-Controller). Future year assessed values and Tax Revenues are projections based on the assumptions described in this Report and are not guaranteed as to accuracy. This Report is not to be construed as a representation of such by HdL Coren & Cone.

II. The Project Area

The Garden Grove Community Project was originally adopted on June 26, 1973 and included a total of 26 acres. The Original Project has been amended eleven times since its adoption and now encompasses approximately 1,975.4 acres. The Project Area is made up of a number of contiguous and non-contiguous parcels located throughout the City. The majority of the parcels within the Project Area are in residential use; however, commercial development dominates the assessed value of the Project Area. On July 9, 2002 the Project Area was amended to remove the limitation on incurrence of new debt on all component project areas formed before 1994 and was amended to include new territory known as the Added Territory.

A. Land Use

Tables B represents the breakdown of land use in the Project Area by the number of parcels and by assessed value for fiscal year 2013-14. Unsecured and SBE non-unitary values are connected with parcels that are already accounted for in other categories. It should be noted that the Exempt category below includes parcels exempt from property taxes such as those owned by the City, Agency, State or other governmental agencies. Values shown in Table 3 (attached) for the Project Area projections do not include values for such exempt parcels. This information is based on County land use designations as provided by the County.

Table B Land Use Summary			
Category	No. Parcels	Assessed Value	% of Total
Residential	2,465	\$693,141,695	22.98%
Commercial	765	1,396,971,154	46.31%
Industrial	275	636,480,321	21.10%
Exempt	<u>308</u>	<u>0</u>	<u>0.00%</u>
Subtotal:	3,814	\$2,726,593,170	90.38%
SBE Nonunitary		689,136	0.02%
Cross Reference		1,256,688	0.04%
Unsecured		<u>288,312,054</u>	<u>9.56%</u>
Subtotal:		\$290,257,880	9.62%
Totals:	3,814	\$3,016,851,048	100.00%

B. Redevelopment Plan Limits

The statutes governing redevelopment plans and their limitations have undergone three major amendments since the adoption of the Original Plan. Chapter 942, Statutes of 1993 (See Section VI B below), as codified in Section 33333.6 of the Law, limits the life of redevelopment plans adopted prior to January 1, 1994 to 40 years from the date of adoption or January 1, 2009, whichever is later. It also limits the period within which a redevelopment project area may receive tax increment to the life of the redevelopment plan plus ten years beyond the termination of redevelopment activities except to accommodate certain specific low and moderate-income housing obligations or to pay debt service on bonds, indebtedness or other financial obligations authorized prior to January 1, 1994. Such redevelopment plans are further required to include a limitation on the number of tax increment dollars that may be allocated to the redevelopment agency; a time limit on the establishing of indebtedness to be repaid with tax increment; and a limit on the amount of bonded indebtedness to be repaid with tax increment that can be outstanding at one time. These limits can be extended only by an amendment of the redevelopment plan.

For redevelopment plans adopted prior to 1994, Chapter 942 stipulates that the time limit for establishing indebtedness shall not exceed 20 years from the adoption of the redevelopment plan or January 1, 2004, whichever is later. Chapter 741, Statutes of 2001, was adopted under SB 211 and amends several sections of the Law that control time limitations for redevelopment project areas. Limitations, that under prior legislation could not be amended or had different amendment procedures, in accordance with this section, may be modified through project area amendments as set forth in this section of the Law (see Section VI, Legislation).

The Original Plan and all of the amendments except the 1998 Amendment and the Added Territory were adopted prior to 1994. On October 18, 1994, the City Council adopted Ordinance No. 2304 which amended the Plan as it existed to conform to Chapter 942. The amendments adopted since 1994 have included such limitations as have been required by the Law at the time that these amendments were adopted.

Pursuant to Senate Bill 1045 (see Section VI), the City Council may extend the Redevelopment Plan limits on redevelopment plan effectiveness for the Original Plan and all of the amendments by one year and adopted Ordinance No. 2764 on January 26, 2010 making such extensions. These extensions also extended the limit on receipt of tax increment revenues for repayment of indebtedness by one year and both extensions are reflected in Table C below.

Pursuant to Senate Bill 1096 (see Section VI), the Agency may, as described below, extend the term of effectiveness for certain redevelopment plans and the periods within which the Agency can repay indebtedness by up to two additional years. This two year extension of the time limits is predicated upon the payment by the Agency of its Educational Revenue Augmentation Fund (the ERAF) obligations for 2005 and 2006 (See Section VI). The Agency's ERAF obligations for 2005 and for 2006 have been paid in a timely manner. For project areas that have less than 10 years of plan effectiveness remaining after June 30, 2006 a two year extension is authorized. For project areas that have more than 10 years and less than 20 years of plan effectiveness remaining after June 30, 2006, a two year extension is authorized if the City Council can make certain findings. For those project areas with more than 20 years of plan effectiveness remaining after June 30, 2006, no extension of time is authorized. The Original Plan and all of the amendments except the 1981 Amendment, the 1992 Amendment, the 1998 Amendment and the Added Territory were so extended by two years by adoption of Ordinance Nos. 2765 and 2766. The redevelopment plans for the 1992 Amendment, the 1998 Amendment and the Added Territory could not be extended under Senate Bill 1096. These extensions also extended the limit on

receipt of tax increment revenues for repayment of indebtedness by one year and both extensions are reflected in Table D below.

The redevelopment plan limits currently governing the component areas of the Project Area are summarized in Table C below:

Table C Redevelopment Plan Limits					
Component Area	Termination of Project Activities	Last Date to Repay Debt with Tax Revenue	Last Date to Incur Indebtedness	Tax Increment Limit	Limit on Outstanding Bonded Debt
Original Project	June 26, 2016	June 26, 2026	Eliminated		
1974 Amendment	July 9, 2017	July 9, 2027	Eliminated		
Trask	November 25, 2018	November 25, 2028	Eliminated		
1976 Amendment	November 29, 2019	November 29, 2029	Eliminated		
Brookhurst/Chapman	March 21, 2020	March 21, 2030	Eliminated		
Brookhurst/Katella	February 21, 2021	February 21, 2031	Eliminated		
1979 Amendment	October 16, 2022	October 16, 2032	Eliminated		
1981 Amendment	June 9, 2022	June 9, 2032	Eliminated		
1992 Amendment	July 14, 2033	July 14, 2043	Eliminated		
Combined Limits				\$2 Billion	
1998 Amendment	December 8, 2029	December 8, 2044	December 8, 2018	None	
Added Territory	July 9, 2033	July 9, 2048	July 9, 2022	None	
Combined Limits					\$475 Million

The Successor Agency's current principal amount of outstanding bonded indebtedness is approximately \$42,345,000. The Successor Agency is expecting to increase this amount by approximately \$42 million in order to fund its obligations under a Development and Disposition Agreement with Garden Grove MXD, Inc. (McWhinney). The addition of this bonded indebtedness amount will leave the total amount far below the limit on outstanding bonded debt of \$475 million. The Successor Agency is not currently authorized to issue any additional bonded debt.

According to the records of the Auditor-Controller, within the Project Area, excluding the 1998 Amendment and the Added Territory which have no tax increment limits, the Agency has received a total of \$299,702,925 in cumulative tax increment revenue through June of fiscal year 2012-13. This figure is based on the gross amount of tax increment revenue allocated to the Successor Agency with no deductions. The \$2 billion tax increment limit listed above is inclusive of all tax increment revenue allocated to the CDA agency and to the Successor Agency. Based on the assumptions used for the projections, the portions of the Project Area that are subject to a limitation on receipt of tax increment revenue will not approach the amount of the tax increment limit during the lifetime of the Project Area. If, however, there is unexpectedly substantial new development or increases in assessed value due to resale activity that result in ongoing annual growth in assessed value that exceeds 7.9 % per year for the remaining time that tax increment may be allocated to the Successor Agency, the limit could be reached before the time limit on repayment of indebtedness and Agency revenues may be affected. Once the limit on cumulative tax increment is reached, the Project Area may receive no additional tax increment revenue.

III. Project Area Assessed Values

A. Assessed Values

Taxable values are prepared and reported by the County Auditor-Controller each fiscal year and represent the aggregation of all locally assessed properties that are part of the Project Area. The assessments are assigned to Tax Rate Areas (TRA) that are coterminous with the boundaries of the Project Area. The historic reported taxable values for the Project Area were reviewed in order to ascertain the rate of taxable property valuation growth over the ten most recent fiscal years beginning with 2004-05. Assessed values within the Project Area has followed a pattern of strong growth from 2004-05 through 2008-09. The average growth in incremental value for this period was 8.80 % per year. Due to the impact of general economic stress in California, growth in the Project Area was 2.42 % in 2009-10. The Project Area experienced a decline in incremental value of -4.91 % for 2010-11. A further, very minor decline in value of -0.90 % was experienced for 2011-12 and a minor (0.84%) amount of growth was realized for 2012-13. After values having been virtually flat for the past two years, growth for 2013-14 was slightly more substantial at 2.50 %.

The growth in value within the Project Area was experienced among all land use categories through 2008-09. In 2009-10, residential values declined by \$58.99 million (-8.97%) while values among commercial, industrial and unsecured valuations grew by \$112.1 million (4.99%). For 2010-11, the value of parcels in the residential category increased in value by \$32.5 million (5.42%) while commercial property values declined by \$68.4 million (-4.8%); industrial property values increased by \$20.5 million (3.4%) and unsecured values declined by \$25.5 million (-7.9%). The growth in assessed value for 2013-14 occurred among both secured and unsecured values with secured values growing by \$63.6 million (2.39%) and unsecured values growing by \$10.0 million (3.58%). The 2013-14 value of parcels in the residential category increased by \$16.5 million (2.4%) while commercial property values increased by \$23.2 million (1.7%). Industrial property values increased by \$23.8 million (3.9%) and unsecured values increased by \$10.0 million (3.6%). We would expect that there will be a continued strengthening of the housing market and continued reduction of taxable value losses resulting from pending appeals that will allow the Project Area to continue this moderate expansion.

The assessed values within the various component project areas have maintained their values during these past five years of economic disruption. Incremental values have been slightly impacted by revisions to the Project Area base year values beginning in 2008-09. These base year value revisions have been imposed by the Auditor-Controller in each of the five years from 2008-09 through 2012-13 but none of the revisions were significant in their impact on Project Area revenues. Such revisions of the base year values typically occur when properties are shifted from taxable to tax exempt status or tax exempt to taxable status as a result of sale or purchase of property by governmental entities. These changes to the base year values were most notable within the 1979 and 1992 Amendment Areas. Growth in assessed values within the component areas has followed this overall pattern with almost uniform consistency. Assessed values in the Project Area continue to benefit from new residential and commercial development.

B. Top Ten Taxable Property Owners

A review of the top ten taxpayers in the Project Area for fiscal year 2013-14 was conducted and broken down by secured and unsecured value. Within the Project Area, the aggregate total taxable value for the ten largest taxpayers totaled \$430,979,855. This amount is 17.26% of the \$2,497,024,192 Project Area incremental value. The top taxpayer in the Project Area is American Lodging Garden Grove Harbor, which controls ten secured parcels with a combined amount of \$57,443,220. American Lodging Garden Grove Harbor owns properties

containing a Hyatt Regency Hotel located on Harbor Blvd. The value of this taxpayer's parcels is 2.30% of the Project Area total incremental value. The second largest taxpayer in the Project Area is Landmark Hotels II that controls a total of \$53,531,107 in secured and unsecured assessed value on two parcels. This taxpayer's property accounts for 2.14% of the Project Area incremental value. Table D below illustrates the percentage of incremental value for the top ten taxpayers in the Project Area and their relative importance to the Project Area's incremental value.

Table D
Project Area Top Ten Taxpayers

<u>Property Owner</u>	<u>Combined Value</u>	<u>% of Project Area Value</u>	<u>% of Project Area Incremental Value</u>	<u>Component Project Area</u>	<u>Property Use</u>
American Lodging Garden Grove	\$57,443,220	1.90%	2.30%	1979 Amend.	Hyatt Regency Hotel
Landmark Hotels II (1)	53,531,107	1.77%	2.14%	1979 Amend.	Embassy Suites Hotel
Landmark Marriott Suites (1)	53,094,806	1.76%	2.13%	1979 Amend.	Marriott Suites Hotel
New Age Garden Grove LLC(1)	44,962,363	1.49%	1.80%	1992 Amend.	Sheraton Garden Grove
Chatham Rigg (1)	44,414,493	1.47%	1.78%	1979 Amend.	Residence Inn By Marriott
HGGA Promenade	42,862,555	1.42%	1.72%	Brookhurst/Chapman	Retail Shopping Center
OHI Resort Hotels LLC	40,725,539	1.35%	1.63%	1979 and 1992 Amend.	Crowne Plaza Resort
SPS Technologies	37,259,606	1.24%	1.49%	1974 Amend.	High Tech Fasteners
LBA RIV-COMPANY XXVII	30,900,000	1.02%	1.24%	1974 Amend.	Light Industrial/Office Park
Swedlow Inc.	25,786,166	0.85%	1.03%	1974 Amend.	Industrial Buildings
Top Property Owner Total Value	\$430,979,855				
Project Area Assessed Value	\$3,016,851,048	14.29%			
Project Area Incremental Value	\$2,497,024,192		17.26		

(1) These taxpayers have pending assessment appeals on parcels owned (see Section IV F).

Within the component project areas the top ten taxpayers account for varying percentages of ownership. The 1981 and 1998 Amendments each have only one property owner within their boundaries. Because several others of the component project areas are small and encompass little territory beyond that of the major taxpayers, concentration within these component project areas is, in some cases, unusually high. Four of the top ten taxpayers own property within the 1979 Amendment, three of the top ten taxpayers own property within the 1974 Amendment and one of the top ten taxpayers own property within the 1992 Amendment. One of the top taxpayer's holdings includes property in both the 1979 and 1992 Amendments and the final top taxpayer owns property within the Brookhurst/Chapman component area. As the component project areas reach their time or tax increment limits and expire, those component project areas will no longer be included in the calculation of Gross Revenues or Tax Revenues and will no longer contribute to the Tax Revenues available for allocation through the RPTTF to the Successor Agency for use in paying debt service and other enforceable obligations. This may also result in an increase in the concentration of ownership within the remaining component project areas.

The 1974 Amendment will expire after FY 2026-27 and the next significant component area to expire will be the 1979 Amendment in 2030-31. The 1992 Amendment is not expected to expire until 2042-43. The 2013-14 concentration of ownership relative to incremental value within these three component areas is 21.33%, 28.22% and 27.37% respectively. It is not expected that the expiration of these three largest component areas will cause the concentration of ownership in the Project Area to rise to extreme levels.

IV. Tax Allocation and Disbursement

A. Property Taxes

The taxable values of property are established each year on the January 1 property tax lien date. Real property values reflect the reported assessed values for secured and unsecured land and improvements. The base year value of a parcel is the value established as the full market value upon a parcel's sale, improvement or other reassessment. Article XIII A of the California Constitution (Proposition 13) provides that a parcel's base year value is established when locally assessed real property undergoes a change in ownership or when new construction occurs. Following the year a parcel's base year value is first enrolled, the parcel's value is factored annually for inflation. The term base year value does not, in this instance, refer to the base year value of the Project Areas. Pursuant to Article XIII A, Section 2(b) of the State Constitution and California Revenue and Taxation Code Section 51, the percentage increase in the parcel's value cannot exceed 2% of the prior year's value.

Secured property includes property on which any property tax levied by a county becomes a lien on that property. Unsecured property typically includes value for tenant improvements, fixtures, inventory and personal property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other secured property owned by the taxpayer. The taxes levied on unsecured property are levied at the previous year's secured property tax rate. Utility property assessed by the State Board of Equalization (the Board) may be revalued annually and such assessments are not subject to the inflation limitations established by Proposition 13. The taxable value of Personal Property is also established on the lien dates and is not subject to the annual 2% limit of locally assessed real property.

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

Historical Inflation Adjustment Factors

<u>Fiscal Year</u>	<u>Inflation Adj. Factor</u>
2003-04	2.000%
2004-05	1.867%
2005-06	2.000%

2006-07	2.000%
2007-08	2.000%
2008-09	2.000%
2009-10	2.000%
2010-11	-0.237%
2011-12	0.753%
2012-13	2.000%
2013-14	2.000%
2014-15	0.454%

On December 11, 2013, the Board determined that the inflationary adjustment for 2014-15 would be 0.454%. For purposes of the projection we have assumed that the inflation adjustment factor for fiscal years beyond 2014-15 will be 2.00%. This assumption is based on the fact that the inflation adjustment factor has been at the maximum allowed amount of 2.00% in 31 of the 38 years since the adoption of Proposition 13. We believe that assuming the resumption of a 2.00% inflation adjustment factor is justified by historical experience.

B. Supplemental Assessment Revenues

Chapter 498 of the Statutes of 1983 provides for the reassessment of property upon a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment and is determined by applying the current year's tax rate to the amount of the increase or decrease in a property's value and prorating the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against Real Property.

Since 1984-85, revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes. The receipt of Supplemental Assessment Revenues by taxing entities typically follows the change of ownership by a year or more. We have **not** included revenues resulting from Supplemental Assessments in the projections. Table E illustrates the amounts of Supplemental Revenues that have been received by the Agency for the component project areas during the previous four fiscal years.

Table E
Supplemental Revenue History

	2009-10	2010-11	2011-12	2012-13
Original Project	\$ 0	\$ 0	\$ 0	\$ 0
1974 Amendment	(5,271)	29,986	6,811	9,009
Trask	0	65	0	0
1976 Amendment	249	16,224	(3,919)	306
Brookhurst/Chapman	0	0	19,486	0
Brookhurst/Katella	0	11,796	(15,720)	0
1979 Amendment	60,106	(37,592)	117,925	189,400
1981 Amendment	0	0	0	0
1992 Amendment	110,220	24,465	(8,008)	30,365
1998 Amendment	0	0	0	0
Added Territory	<u>10,451</u>	<u>(11,966)</u>	<u>196</u>	<u>28,613</u>
Project Area Total:	\$175,755	\$ 32,978	\$116,771	\$257,693

C. Tax Rates

Tax rates will vary from area to area within the State, as well as within a community and a project area. The tax rate for any particular parcel is based upon the jurisdictions levying the tax rate for the area where the parcel is located. The tax rate consists of the general levy rate of \$1.00 per \$100 of taxable value and the over-ride tax rate. The over-ride rate is that portion of the tax rate that exceeds the general levy tax rate and is levied to pay voter approved indebtedness or contractual obligations that existed prior to the enactment of Proposition 13.

A Constitutional amendment approved in June 1983 allows the levy of over-ride tax rates to repay indebtedness for the acquisition and improvement of real property, upon approval by a two-thirds vote. A subsequent amendment of the Constitution prohibits the allocation to redevelopment agencies of tax revenues derived from over-ride tax rates levied for repayment of indebtedness approved by the voters after December 31, 1988. Tax rates that were levied to support any debt approved by voters after December 31, 1988 were not allocated to redevelopment agencies. The over-ride tax rates typically decline each year as a result of (1) increasing property values (which would reduce the over-ride rate that must be levied to meet debt service) and (2) the eventual retirement of debt over time.

Section 34183(a)(1) of the Law as amended by AB1x 26 requires the Auditor Controller to allocate all revenues attributable to tax rates levied to make annual repayments of the principal and interest on any bonded indebtedness for the acquisition or improvement of real property to the taxing entity levying the tax rate. This has been interpreted by the County to include none of the revenues resulting from all over-ride tax rates that were previously being allocated to redevelopment agencies based on their determination that these tax rates are not being levied for repayment of indebtedness for acquisition or improvement of real property. As a result, the tax increment revenues being deposited into the RPTTF include all revenues derived from the general levy tax rate and all revenues derived from over-ride tax rates that had been included in tax increment revenues prior to the dissolution of redevelopment agencies.

The Project Area contains a total of 102 Tax Rate Areas (TRAs). A Tax Rate Area is a geographic area within which the taxes on all property are levied by a certain set of taxing entities. These taxing entities each receive a prorated share of the general levy and those taxing entities with voter approved over-ride tax rates receive the revenue resulting from that over-ride tax rate. The tax increment projections are based on the published tax rates for 2013-14. Within the various TRAs there is only one applicable tax rate. This tax rate contains debt service over-ride rates that have been levied by the Metropolitan Water District and the City of Garden Grove for Paramedic Services. Because these over-ride tax rates were approved by voters prior to January 1, 1989 the revenue derived from these over-ride tax rates within Project Area TRA's is paid to the Agency. Due to the nature of the components of the 2013-14 tax rate, it is expected that the currently levied over-ride tax rates will remain the same through fiscal year 2034-35. Beginning in fiscal year 2035-36 the override tax rate for the Metropolitan Water District will no longer be levied and only the Garden Grove Paramedic Tax override will be levied for the duration of the projection. In those Project Area TRAs that exist within the boundaries of the North Orange County Community College District, the Rancho Santiago Community College District, the Coast Community College District and the Garden Grove Unified School District, these districts levy over-ride tax rates that were approved by voters after January 1, 1989. Revenue from these tax rates are paid directly to the districts by the Auditor-Controller and have no effect on the revenues of the Agency. Table F illustrates the tax rate that is applicable to the TRAs within the Project Area.

Table F	
Project Area Tax Rate for 2013-14	
General Levy	\$1.0000
Garden Grove 1974 Paramedic Tax Over-ride	0.0700
Metropolitan Water District	<u>0.0035</u>
RDA Tax Rate	\$1.0735 per \$100 of Taxable Value

D. Allocation of Taxes

Taxes on secured property values paid by property owners are due in two equal installments on November 1 and on February 1 and become delinquent on December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31. Prior to dissolution of redevelopment agencies, the County disbursed secured tax increment revenue to all redevelopment agencies from November through July with approximately 45 % of secured revenues apportioned by the end of December and a total of 98% of the secured revenues by the end of the following May. Unsecured revenues are disbursed from September through June of each fiscal year with approximately 85% of the unsecured revenues being apportioned in September. The Orange County Auditor-Controller apportions tax increment revenue based on collections and **does not** utilize the alternative allocation method know as the Teeter Plan. The apportionment schedule described above and the apportionment of tax increment revenue based on collections was in use by Orange County for many years prior to redevelopment dissolution and continues to be the pattern of tax increment revenue allocation.

As of February 1, 2012, the apportionment of tax increment revenue was dictated by the legislation adopted as ABx1 26 (See Legislation, Section VI). Revenue is now apportioned to Successor Agencies on January 2 and June 1 of each fiscal year. All tax increment revenue is accumulated by the County Auditor-Controller in the RPTTF for allocation on these two dates. The tax increment revenue available for allocation on January 2 consists of revenues collected after June 1 of the previous fiscal year and for collections in November and December of the current fiscal year. The tax increment revenues available for allocation on June 1 include revenues collected from January 1 to June 1 of the current fiscal year.

From the amounts accumulated in the RPTTF for each allocation date, the County Auditor-Controller is to deduct its own County administrative charges and is to calculate and deduct amounts owed, if any, to taxing entities for tax sharing agreements entered into pursuant to Section 33401 of the Law and for statutory tax sharing obligations required by Sections 33607.5 and 33607.7 of the Law. The amount remaining after these reductions, if any, is what is available for payment by the Successor Agency of debt obligations of the former redevelopment agency.

Prior to receiving revenues on January 2 and June 1, the Successor Agency must adopt a Recognized Obligation Payment Schedule (ROPS) that lists the debt obligations of the CDA that must be paid during the upcoming six month periods of January 1 through June 30 and July 1 through December 31. There is a provision in the legislation for a Successor Agency to request additional amounts in one ROPS payment to allow it to make payments that may be beyond the revenues available in the upcoming allocation cycle. The ROPS must be submitted at least 90 days prior to each RPTTF allocation date and approved by the Successor Agency's Oversight Board that is established in the legislation with membership consisting of representatives from various taxing entities. The ROPS must also receive approval from the State Department of Finance (the

“DOF”). Filing ROPS statements is mandated by statute and penalties are incurred if they are filed late or if they are not filed at all.

The Successor Agency is entitled to receive an amount to cover the administrative costs of winding down the business of the CDA. This amount is set by AB1x 26 at the greater of \$250,000 per year or a maximum of 3% of the amount allocated from the RPTTF. AB 1484 added language that allowed the Oversight Board to reduce the amount of the minimum administrative allowance. To the extent that revenues are insufficient to pay all of the approved ROPS obligations, the Successor Agency's administrative allowance will be reduced or eliminated. Successor Agency administrative allowance amounts that have been approved but cannot be paid due to a lack of RPTTF revenue will be carried over to the next RPTTF allocation for payment as funds become available.

On February 18, 2014, the Governor signed into law AB 471. Among other provisions, this legislation provides that subject to Oversight Board and DOF approval, a Successor Agency may include an amount that is up to 1% of the RPTTF allocation or is a minimum of \$150,000 per year on the ROPS for payment to a housing authority that has assumed the role of successor housing agency. This amount is to be an administrative allowance to such housing authorities. This legislation appears to apply only to housing authorities that have become successor housing agencies and not to sponsoring cities that have assumed the successor housing agency role. Senate Bill 341, that became effective on January 1, 2014, requires that successor housing agencies deposit all funds received from successor agencies into the Low and Moderate Income Housing Asset Fund for use in accordance with statutory requirements. This includes limitations on the amount of expenditures to be made for monitoring and administrative activities.

If there are RPTTF amounts remaining after reductions for County administrative charges, amounts owed, if any, to taxing entities for tax sharing agreements entered into pursuant to Section 33401 of the Law, enforceable obligations and Successor Agency and, in some cases, Successor Housing Agency administrative allowance, these remainder amounts are referred to as Residual Revenue. Residual Revenue for each allocation cycle is proportionately allocated to the taxing entities and to the Educational Revenue and Augmentation Fund (ERAF). The legislation stipulates that the combination of tax sharing payments and Residual Revenue payments to tax entities may not exceed that taxing entity's full share of tax increment revenue. In circumstances where a taxing entity receives all or most of its share of tax increment revenue as a result of its tax sharing agreement, that taxing entity's share of the Residual Revenue distribution may be reduced and the portions of Residual Revenue allocated to the other taxing entities will be proportionately increased. (See Section VII – Tax Sharing Agreements and Other Obligations, below)

The forms and procedures used by a successor agency to submit its ROPS to its Oversight Board and to the DOF are dictated by the legislation as interpreted by DOF.

E. Annual Tax Receipts to Tax Levy

The Orange County Auditor-Controller apportions tax revenues to the RPTTF based upon the amount of the tax levy that is received from the taxpayers. Secured collection rates for the Project Area have been consistently high. The following table illustrates the final tax revenue collections for the previous five fiscal years.

Table G						
Project Area Property Tax Collections History						
Fiscal Year	Adjusted Tax Levy	Current Year Apportioned	Current Year Collection %	Prior Year Collections²	Total Apportioned	Total Collection %
2008-09	26,105,827	25,104,785	97.33%	2,328,315	27,433,100	105.08%
2009-10	26,563,616	25,419,172	95.69%	1,183,248	26,602,420	100.15%
2010-11	26,552,848	23,818,968	89.70%	483,497	24,302,465	91.53%
2011-12	26,076,277	24,210,208	92.84%	2,060,756	26,270,964	100.75%
2012-13	26,707,418	25,542,773	95.64%	1,400,836	26,943,609	100.88%

Source: Orange County Auditor-Controller's Office.

F. Assessment Appeals

Assessment appeals data from Orange County has been reviewed to determine the potential impact that pending appeals may have on the projected Tax Revenues. We have determined that there are 202 pending appeals within the Project Area. In order to estimate the potential reduction in assessed value that may occur as a result of these pending appeals, we have reviewed the historical averages for the number of appeals allowed and the amount of assessed value removed. We have then applied those averages to the currently pending appeals and estimated the number of pending appeals that may be allowed and the amount of assessed value that may be removed as a result of these pending appeals.

Four of the Project Area's top ten taxpayers have pending appeals of their assessed value. Within the 1979 Amendment, Landmark Hotels II, Newage Garden Grove LLC and Chatham Rigg have assessment appeals pending. Within the 1992 Amendment, Landmark Marriott Suites has assessment appeals pending. The estimated impact of value losses resulting from these pending appeals has been incorporated into the projected revenues for each component project area and, cumulatively, into the projected revenues of the Project Area.

The following table shows the amount of assessed value that is presently under appeal within the Project Area and the estimated reduction of value that has been factored into the projections for 2014-15. The assessment appeals data below reflects appeals filed for fiscal years 2009-10 through 2013-14. There are pending appeals within all of the component project areas except for the Original Project, the 1981 Amendment and the 1998 Amendment.

Table H						
Estimated Assessment Appeals Loss for FY 2014-15						
Total No. of Appeals	No. of Resolved Appeals	No. of Successful Appeals	Average Reduction	No. & Value of Appeals Pending	Est. No. of Appeals Allowed	Est. Reduction on Pending Appeals Allowed (2014-15 Value Adjustment)
547	345	258	26.07%	202 (\$700,422,931)	143	\$124,239,364

G. County Collection Charges

Chapter 466 allows counties to recover charges for property tax administration in an amount equal to their 1989-90 property tax administration costs, as adjusted annually. For fiscal year 2012-13, the County collection charges were 1.02% of Gross Revenue within the Project Area. Based on the collection charges for 2012-13, we have projected the charge for 2013-14 as a percentage of Gross Revenue to remain at 1.02%. For purposes of

² Prior Year Collections include Supplemental Revenue, reductions for taxpayer refunds and revenue from prior years.

these projections, we have assumed that the County will continue to charge the Agency for property tax administration and that such charge will increase proportionally with any increases in revenue.

H. Allocation of State Assessed Unitary Taxes

Legislation enacted in 1986 (Chapter 1457) and 1987 (Chapter 921) provided for a modification of the distribution of tax revenues derived from utility property assessed by the State Board of Equalization, other than railroads. Prior to the 1988-89 fiscal year, property assessed by the SBE was assessed statewide and was allocated according to the location of individual components of a utility in a tax rate area. Commencing in 1988-89, tax revenues derived from unitary property and assessed by the SBE are accumulated in a single Tax Rate Area for the County. It is then distributed to each taxing entity in the County in the following manner: (1) each taxing entity will receive the same amount as in the previous year plus an increase for inflation of up to two %; (2) if utility tax revenues are insufficient to provide the same amount as in the previous year, each taxing entity's share would be reduced pro-rata county wide; and (3) any increase in revenue above two % would be allocated in the same proportion as the taxing entity's local secured taxable values are to the local secured taxable values of the County.

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of a project area, therefore, the base year values of project areas have been reduced by the amount of utility value that existed originally in the base years. The Auditor Controller allocated an aggregate total of \$832,801 of unitary tax revenue to the Project Area for 2012-13. For purposes of this projection, we have assumed that the aggregate amount of unitary revenue for 2012-13 will continue to be allocated to the Project Area in the same amount for the life of the projection. Table I below reflects the amount of unitary revenue allocated to the Agency from the Project Area for the most recent six fiscal years.

Table I
Project Area Unitary Revenue Allocations

<u>Fiscal Year</u>	<u>Unitary Revenue Allocation</u>
2007-08	\$542,832
2008-09	600,515
2009-10	568,593
2010-11	732,141
2011-12	847,823
2012-13	844,481
Total:	\$4,136,385

V. Low and Moderate Income Housing Set-Aside

Sections 33334.2 and 33334.3 of the Law required redevelopment agencies to set aside not less than 20 % of all tax increment revenues from project areas adopted after December 31, 1976 into a low and moderate income housing fund (the "Housing Set-Aside Requirement"). Sections 33334.3, 33334.6 and 33334.7 of the Law extend this requirement to redevelopment projects adopted prior to January 1, 1977. With the adoption of AB1x 26, the Housing Set-Aside Requirement was eliminated. The housing fund into which these set-aside amounts

were formerly deposited has been eliminated and any unencumbered amounts remaining in that fund have been identified through a mandated Due Diligence Review. The amounts found to be unencumbered through this Due Diligence Review have been paid to the County and these funds have been allocated to the taxing entities within the former project area.

VI. Legislation Affecting Tax Revenues

In order to address State Budget deficits, the Legislature enacted SB 614, SB 844 and SB 1135 that required payments from redevelopment agencies for the 1992-93, 1993-94 and 1994-95 fiscal years into a countywide ERAF. The CDA could have used any funds legally available and not legally obligated for other uses, including agency reserve funds, bond proceeds, earned income, and proceeds of land sales, but not moneys in the Low and Moderate Income Housing Fund (the "Housing Fund") to satisfy this obligation. From 1995-96 to 2001-02, state budgets were adopted with no additional shifting of tax increment revenues from redevelopment agencies, however, the 2002-03 State Budget required a shift of \$75 million of tax increment revenues statewide from redevelopment agencies to ERAF to meet the state budget shortfall. AB 1768 (Chapter 1127, Statutes of 2002) was enacted by the Legislature and signed by the Governor and based upon the methodology provided in the 2002-03 budget, the shift requirement for the former redevelopment agencies to make payments into the ERAF was limited to fiscal year 2002-03 only.

As part of the State's 2003-04 budget legislation, SB 1045 (Chapter 260, Statutes of 2003) required redevelopment agencies statewide to contribute \$135 million to local County ERAF which reduced the amount of State funding for schools. This transfer of funds was limited to fiscal year 2003-04 only. Under the Law as amended by SB 1045, the redevelopment agencies were authorized to use a simplified methodology to amend the individual redevelopment plans to extend by one year the effectiveness of the plan and the time during which the agencies could repay debt with tax increment revenues. In addition, the amount of this payment and the ERAF payments made in prior years were to be deducted from the cumulative tax increment amounts applied to a project area's cumulative tax increment revenue limit. The information shown in Table C above reflects the extension of the time limits and the credit to the cumulative tax increment amounts.

After the State's budget for 2004-05 was approved by the legislature and signed by the Governor, Senate Bill 1096 was adopted. Pursuant to SB 1096, redevelopment agencies within the State were required to pay a total of \$250 million to ERAF for fiscal year 2004-05 and for 2005-06. The payments were due on May 10 of each fiscal year. As in previous years, payments were permitted to be made from any available funds other than the Housing Fund. If an agency was unable to make a payment, it was allowed to borrow up to 50% of the current year Housing Tax Set-Aside Requirement, however, the borrowed amount was required to be repaid to the Housing Fund within 10 years of the last ERAF payment (May 10, 2006). Under SB 1096, redevelopment plans with less than ten years of effectiveness remaining from June 30, 2005, could be extended by one year for each year that an ERAF payment is made. For redevelopment plans with 10 to 20 years of effectiveness remaining after June 30, 2005, the plans may be extended by one year for each year that an ERAF payment is made if the city council could find that the former redevelopment agency was in compliance with specified state housing requirements. These requirements are: 1) that the agency is setting aside 20% of gross tax increment revenues; 2) that housing implementation plans are in place; 3) that replacement housing and inclusionary housing requirements are being met; and, 4) that no excess surplus exists. Table C above reflects these time limit extensions. The former redevelopment agency did borrow from the Housing Fund as authorized in order to make the required payments for ERAF. As outlined below, the method by which ERAF loans from the Housing

Fund may be repaid has been modified by the adoption of AB 1484. The requirement for repayment of these loans by certain dates has been eliminated.

In July, 2009, the Legislature adopted AB 26 4x as a means of implementing a package of 30 bills that were adopted in order to close the State's budget deficit. Under this legislation the former redevelopment agencies statewide were required to pay into their county's "Supplemental" ERAF (the "SERAF"), \$1.7 billion in fiscal year 2009-10 and were required to pay another \$350 million in fiscal year 2010-11. Based on a State Controller formula, the former redevelopment agencies were required to pay the required amounts by May, 2010 and May, 2011 respectively.

Under this legislation, the former redevelopment agencies could use any available funds to make the SERAF payments. If Housing Set-Aside Requirement or Housing Fund amounts were borrowed to make the SERAF payment, the borrowed amounts were required to be repaid to the Housing Fund by June 30, 2015 and June 30, 2016 respectively. Under the requirements of Section 34191.4 amended by AB 1484, however, redevelopment agencies that borrowed from the Housing Fund to make the required SERAF payments for 2010 and for 2011 may only repay the borrowed amounts from annual amounts that are 50% of the increase in annual Residual Revenues that are above the Residual Revenue for fiscal year 2012-13. Repayment amounts are, under current legislation, to be repaid to the Successor Housing Agency established pursuant to AB 1x 26 and AB 1484 (see below). Repayment of SERAF payment amounts borrowed from the Housing Fund may only be repaid from growth in Residual Revenue. As a result, the repayment of these amounts will have no impact on the Successor Agency's ability to repay indebtedness.

AB 1x 26 and AB 1x 27 were introduced in May 2011 as placeholder bills and were substantially amended on June 14, 2011. These bills proposed to dramatically modify the Law as part of the fiscal year 2011-12 State budget legislation. AB 1x 26 would dissolve redevelopment agencies statewide effective October 1, 2011 and suspend all redevelopment activities as of its effective date. AB 1x 27 would allow redevelopment agencies to avoid dissolution by opting into a voluntary program requiring them to make substantial annual contributions to local school and special districts. The bills were signed by the Governor in late June, 2011 and were challenged by a suit filed before the California Supreme Court by the CRA. On December 29, 2012, the Supreme Court ruled that AB 1x 27 was unconstitutional and that AB 1x 26 was not unconstitutional. On June 27, 2012 the legislature passed and the Governor signed Assembly Bill 1484. This legislation made certain revisions to the language of AB 1x 26 based on experience after its implementation.

Once the obligations of the former redevelopment agencies have been recognized as Enforceable Obligations, the Successor Agency is obliged to manage the repayment of those Enforceable Obligations through the semiannual adoption of ROPS by the Oversight Board that is made up of representatives of taxing entities within the former redevelopment agency. Membership of the Oversight Board is dictated by Section 34179 of the Law. After 2016, there will be a single Oversight Board in each county that will be responsible for adoption of ROPS for all successor agencies in the county. The ROPS establishes the amounts that may be paid by the Successor Agency on the former redevelopment agency's debts during the six month periods following payments to the Successor Agency from the RPTTF by the County Auditor-Controller on January 2 and June 1 of each year.

Pursuant to Section 34187(b) of the Law, once the debts of a former redevelopment agency have been paid, the successor agency has one year to dispose of any remaining assets and terminate its existence notwithstanding the time and tax increment limits contained in redevelopment plans. The enforceability of time and tax increment limits contained in the redevelopment plans is unclear. The covenants in many bond offerings, including those

of the Successor Agency, require adjustments to the deposit of tax increment revenues with the Trustee if the receipt of tax increment approaches the tax increment or time limits within the redevelopment plan. The County Auditor-Controller has indicated that it intends to abide by tax increment and time limits contained in the redevelopment plans. DOF has informally indicated that it believes the legislation intends for all enforceable obligations to be repaid notwithstanding redevelopment plan limits. If DOF's understanding of the legislation is applied, the ongoing repayment of enforceable obligations may be allowed to continue beyond the time that a project area's cumulative tax increment limit is reached. For purposes of the projections, we have assumed that all revenue and time limits in the redevelopment plan will be applied. As a result, if either legislative changes or DOF policy changes relaxes any or all of these limits, the debts of the Successor Agency will be more secure than under the present assumptions.

As mentioned above, issues involved in the dissolution of redevelopment agencies have yet to be resolved including the continuation of plan limits, override revenues and the treatment of ERAF. Additionally approximately 159 suits have been filed on various aspects of AB 1x 26 and AB 1484 which could impact the dissolution of redevelopment agencies. Our projections could be impacted as a result of future court decisions.

VII. Tax Sharing Agreements and Other Obligations

As required by the Law as modified by AB 1x 26 and AB 1484, the County Auditor-Controller is responsible for administering all pass through payment calculations and payments. AB 1484 further requires that the calculation of pass through amounts be done as it was done prior to January 1, 2011. This means that where the payments are based on revenue reduced for the Housing Set-Aside Requirement, this reduction is to continue despite the fact that the Housing Set-Aside is no longer required. The pass through payment obligations that are required within the Project Area are described below.

A. Statutory Tax Sharing Payments

The CDA entered into no tax sharing agreements in connection with any of the component project areas that were adopted prior to the 1992 Amendment. By eliminating the time limit on incurring indebtedness for all component projects except the 1998 Amendment and the Added Territory, the County will be required to make statutory tax sharing payments as required by Section 33607.7 of the Law. Within the 1998 Amendment and the Added Territory, tax sharing payments will be made to all taxing entities in accordance with the three-tiered formulas for statutory tax sharing payments required of those project areas adopted after January 1, 1994 and required per Section 33607.5 of the Law.

For all pre-1994 component areas except for the 1992 Amendment, beginning in 2004-05 and using each component project area's 2003-04 assessed values as an adjusted base value, the County is obligated to pay the combined taxing entities 25% of the revenue generated by the component project area's annual incremental increase in assessed value above the adjusted base value net of the Housing Set-Aside Requirement. Beginning in 2014-15 and using the component project area's 2013-14 assessed values as a second adjusted base value for the second tier of statutory tax sharing payments, the County will additionally be obligated to pay the combined taxing entities 21% of the revenue generated by the component project area's annual second tier of incremental value net of the Housing Set-Aside Requirement. The third tier of statutory tax sharing payments is not initiated before these project areas terminate.

Within the 1992 Amendment, these statutory tax sharing payments began in 2013-14 and use the component project area's 2012-13 values as the adjusted base. The County is obligated to pay those taxing entities that do

not have tax sharing agreements their proportionate shares of 25% of the revenue generated by the component project area's annual incremental value above the adjusted base net of the Housing Set-Aside Requirement. Beginning in 2023-24 and using the amendment area's 2022-23 assessed values as a second adjusted base value for a second tier of statutory tax sharing payments, the County will additionally be obligated to pay those taxing entities without tax sharing agreements their proportionate shares of 21% of the revenue generated by the 1992 Amendment's annual second tier of incremental value above the second adjusted base value net of the Housing Set-Aside Requirement. The third tier of statutory tax sharing payments is not initiated before the 1992 Amendment redevelopment plan activities terminate. The Agency entered into a number of tax sharing agreements with taxing entities at the time the 1992 Amendment was adopted. The proportionate shares of tax increment revenue represented by those taxing entities that have tax sharing agreements are 64.89% of the total tax revenue. As a result, the Agency's total statutory tax sharing payment obligation within the 1992 Amendment is reduced by 64.89% for those taxing entities that will not receive any share of the statutory tax sharing payment obligation.

Within the 1998 Amendment and the Added Territory, statutory tax sharing payments required by Section 33607.5 of the Law began in the first year that these component project areas received tax increment revenue and will continue for as long as these component project areas are entitled to repay indebtedness. Within the first tier of tax sharing, the taxing entities receive their proportionate shares of an amount that is 25% of all tax increment apportioned to the component project area net of the Housing Set-Aside Requirement. Beginning in the 11th year after the fiscal year that tax increment is first received within the component project area, the taxing entities begin to receive their proportionate shares of an amount that is 21% of the revenue derived from the incremental increase in assessed values above the component project area values for the tenth year. This payment is in addition to the first tier payments. Beginning in the 31st year after the fiscal year that tax increment revenue is first received, a third tier of tax sharing is initiated. The taxing entities receive their proportionate shares of an amount that is 14% of the revenue derived from the increase in assessed values above the component project area values for the 30th year. These payments are in addition to the first and second tier payments.

Under the Law, the City is considered a taxing entity and may elect to receive its share of the required tier 1 payments. The City may not, however, receive any share of the tier 2 and tier 3 payments. The City has elected to receive its share of all tier 1 payment amounts.

B. Tax Sharing Agreements

Prior to January 1, 1994, tax sharing agreements were authorized by Section 33401 of the Law as a means of mitigating adverse impacts of a redevelopment project area on taxing entities. Such agreements are also referred to as pass through agreements. At the time that the 1992 Amendment was adopted, the CDA entered into a number of tax sharing agreements. The agreements typically refer to a taxing entity's share of tax increment revenue. The taxing entity's share of tax increment revenue is based on the amount of tax increment revenue apportioned to the component project area that is attributable to that taxing entity's portion of the 1% general levy tax rate within the component project area. These agreements are described below.

Orange County - This agreement encompasses the Orange County General Fund, the County of Orange Harbors, Beaches and Parks Service Area No. 26, the Orange County Flood Control District and the County of Orange Public Library. The County is required to pay each of these taxing entities 47% of their share of the 1992 Amendment general levy portion of Gross Revenues after provision for the Housing Set-Aside Requirement.

Orange County Water District - The County is required to pay this District 100 % of its General Fund and Water Reserve Fund share of the 1992 Amendment general levy portion of Gross Revenues after provision for the Housing Set-Aside Requirement. Although the District's share includes revenue generated by debt service on District bonds, the District currently has no bonds outstanding. Payments made pursuant to this agreement are subordinate to debt service on any bonded indebtedness.

Orange County Vector Control District - This agreement requires the County to construct specified capital improvements in connection with a District facility. The County may satisfy this obligation through a bond issue. The County's obligation to fund the Capital Improvements shall not exceed the amount of the District's share of the 1992 Amendment's general levy portion of Gross Revenues after provision of the Housing Set-Aside Requirement. The District's share is calculated and assumed to be set aside for payment to the District or to repay the cost of the required improvements.

Garden Grove Sanitary District - The County is obligated to pay to the District 100 % of the District's share of the 1992 Amendment's general levy portion of Gross Revenues net of the Housing Set-Aside Requirement and any amount that the Successor Agency is required by the state Legislature to pay on behalf of schools (ERAF).

County Sanitation District Nos. 2 and 3 - The County is obligated pay to the District 100 % of the District's share of the 1992 Amendment's general levy portion of Gross Revenues net of the Housing Set-Aside Requirement and any amounts that the Successor Agency is required by the state Legislature to pay on behalf of schools (ERAF).

Garden Grove Unified School District - Pursuant to this agreement and beginning in the 1997-98 fiscal year, the County is required to pay the School District 50 % of the School District's share of general levy tax increment generated by the Project Area in excess of the amount of revenue generated within the 1992 Amendment for the 1991-92 fiscal year, after provision for the Housing Set-Aside Requirement and any ERAF payments made. In addition to the County's payment of the required portion of the annual tax increment, the Agency shall pay to the School District the following amounts:

1992-93 through 1994-95	\$ 500,000 per year
1995-96 through 2006-07	\$1,000,000 per year
2007-08 through 2031-32	10% of the District's share of Tax Revenue produced by the Project Area for 1991-92. This amount has been calculated as \$449,945

Huntington Beach Union High School District - The District receives 30 % of its share of the 1992 Amendment's general levy portion of Gross Revenues after provision for the Housing Set-Aside Requirement and any amount the Successor Agency is required by the state Legislature to pay on behalf of schools (ERAF), plus 100 % of its share of the annual inflation adjustment to base year real property value for that portion of the amendment area that is within the boundaries of the District.

Westminster School District - The County shall pay into a Special Fund for the benefit of the District, 50 % of the District's share of general levy portion of Gross Revenues from the 1992 Amendment after provision for the Housing Set-Aside Requirement and any amount the Successor Agency is required by the state Legislature to pay on behalf of schools (ERAF).

Orange Unified School District - The County shall pay to the District 30 % of the District's share of the 1992 Amendment's general tax levy portion of Gross Revenues after provision for the Housing Set-Aside Requirement and any amount the Successor Agency is required by the state Legislature to pay on behalf of schools (ERAF). In addition, the District receives 100 % of its share of the annual inflation adjustment to base year real property value for that portion of the amendment area that is within the boundaries of the District. Payments made pursuant to this agreement are subordinate to debt service on any bonded indebtedness.

Orange County Office of Education - The County shall pay to the Office of Education 30 % of its share of the 1992 Amendment's general tax levy portion of Gross Revenues after provision for the Housing Set-Aside Requirement and any amount the Successor Agency is required by the state Legislature to pay on behalf of schools (ERAF). In addition, the District receives 100 % of its share of the annual inflation adjustment to base year real property value for that portion of the amendment area that is within the boundaries of the District. Payments made pursuant to this agreement are subordinate to debt service on any bonded indebtedness.

Coast Community College District - The County is required pursuant to the tax sharing agreement to pay the District 30 % of its share of the 1992 Amendment general levy portion of Gross Revenues after provision for the Housing Set-Aside Requirement and any amount the Successor Agency is required by the state Legislature to pay on behalf of schools (ERAF). In addition the District receives 100 % of its share of the annual inflation adjustment to base year real property value within that portion of the project area inside District boundaries. Payments made pursuant to this agreement are subordinate to debt service on any bonded indebtedness. The tax sharing agreement has been modified through a Disposition and Development Agreement between the CDA and the District whereby the CDA conveyed a piece of property to the District in exchange for elimination the District's payments. For purposes of the projections, we have shown no payment to the District.

North Orange County Community College District - The County shall pay to the District 30 % of the District's share of the 1992 Amendment's general levy portion of Gross Revenues after provision for the Housing Set-Aside Requirement and any amount the Successor Agency is required by the state Legislature to pay on behalf of schools (ERAF). In addition the District receives 100 % of its share of the annual inflation adjustment to base year real property value that exists within the District's boundaries. Payments made pursuant to this agreement are subordinate to debt service on any bonded indebtedness.

Rancho Santiago Community College District - The agreement gives the District a choice of three optional methods for County payments into a Special Fund for each fiscal year:

1. Commencing in fiscal year 1992-93, the County pays the District the greater of 30 % of its share of general levy portion of Gross Revenues after provision for the Housing Set-Aside Requirement and any amount the Successor Agency is required by the state Legislature to pay on behalf of schools (ERAF) plus 100 % of its share of the annual inflation adjustment to base year real property value or \$125,000 adjusted annually by the CPI; or

2. Commencing with 1992-93, but only in the event the District has established an educational facility and has it in operation within the jurisdiction of the Successor Agency, the County pays the District the greater of 30 % of its share of the general levy portion of Gross Revenues after provision for the Housing Set-Aside Requirement and any amount the Successor Agency is required by the state Legislature to pay on behalf of schools (ERAF) plus 100 % of its share of the annual inflation adjustment to base year real property value or \$150,000 adjusted annually for CPI; or

3. Commencing July 1, 1997, the District receives the greater of 30 % of its share of general levy portion of Gross Revenues after provision for the Housing Set-Aside Requirement and any amount the Successor Agency is required by the state Legislature to pay on behalf of schools (ERAF) plus 100 % of its share of the annual inflation adjustment to base year real property value or \$125,000 with an annual CPI adjustment, or \$150,000 plus a CPI adjustment if in the opinion of the CDA, the District has used its best efforts to bring into operation a Garden Grove satellite campus facility within the City.

An additional provision of the agreement states that notwithstanding any other provision, the Successor Agency's obligation is limited to the amount of the general levy portion of Gross Revenues which would have been received by the District from the 1992 Amendment revenues absent the adoption of the amendment. Subsequent to entering into the tax sharing agreement, the District and the CDA entered into a lease agreement whereby the District was provided leased space at no cost in return for a waiver of payments under the tax sharing agreement. For purposes of the projections, we have shown no payment to the District.

C. Other Obligations of the Agency

The former redevelopment agency entered into a number of agreements in order to implement the Redevelopment Plan. These agreements include disposition and development agreements ("DDAs"), Owner Participation Agreements ("OPAs"), and operating covenants, as well as rehabilitation loan agreements, real property purchase and sale agreements, and leases. These agreements represent general obligations of the Successor Agency and are not secured by a pledge of tax increment. All such payment obligation are subordinate to the payment of debt service on bonded indebtedness.

2008 Union Bank Loan

The CDA entered into a loan agreement with Union Bank. Repayment of this loan does not constitute a pledge of tax increment but the Successor Agency has agreed to make the loan payments on parity with the debt service on bonded debt. The payments will be made based on payment of principal each year in the amount of \$4 million plus interest. The final payment will be made fiscal year 2019-20.

Hotel Program

A major component of redevelopment plan implementation was the Successor Agency's hotel program, pursuant to which the former redevelopment agency entered into DDAs with a number of developers to facilitate the acquisition, assembly, disposition and development of land as major tourist-oriented hotels. Each of these hotel DDAs (the "Hotel DDAs") has utilized a similar structure, involving the acquisition by the CDA of real property and the conveyance thereof to the developer, in exchange for the developer's promise to develop and operate a specified hotel product thereon. As consideration for the continuous operation of the specified hotel, the CDA agreed to provide financial assistance, generally measured by or in an amount equal to a percentage of the sum of annual sales tax, transient occupancy tax, and tax increment generated by the hotel site, which assistance payments are payable from any funds available to the Successor Agency and are not secured by a pledge of tax increment.

The Hotel DDAs represent a major financial commitment on the part of the Successor Agency. In all, the payments to be made by the Successor Agency over the course of the operating covenant periods set forth in the Hotel DDAs, the last of which ends in fiscal year 2021-22. The amounts owed decline significantly after fiscal year 2017-18.

Commercial Rehabilitation Agreements

In addition to the Hotel DDAs, rehabilitation of existing commercial properties was an important focus of the CDA's redevelopment efforts. The CDA entered into a number of OPAs and grant or loan agreements to achieve such rehabilitation within the Project Area. Many of these agreements called for annual payments to be made by the Successor Agency to the property owner to assist in the owner's financing of such rehabilitation work. These rehabilitation agreements include no pledge of tax increment and so all payments made pursuant to the agreements are subordinate to payment of debt service on bonded indebtedness including the Bonds.

Katella Cottages OPA

In May, 2004, the CDA signed a disposition and development agreement (DDA) with Pacific Cities Real Estate Group, Inc. for acquisition of a 4.59 acre site that would, ultimately, be developed as a new 42 unit single family residential project located on the south side of Katella Avenue and west of Gilbert Street. The DDA was subsequently assigned to Katella Cottages LLC (Brandywine, Developer) on October 13, 2004. The development was completed and the last unit sold in April 2007.

The Developer advanced all of the acquisition costs. Originally, the total site costs were estimated at \$8.78 million, including acquisition and relocation. Once the properties were purchased and the land cleared, the property was sold back to the Developer. The Developer agreed to purchase the site from the CDA for \$6.7 million. The CDA agreed to repay the Developer's residual advance, (the difference between the site acquisition costs less the Developer's purchase price); this amount comes from the revenues generated by the project over twenty (20) years. The Developer received a promissory note for the repayment amount payable from amounts equal to eighty (80) percent of the tax increment revenues ("Site Tax Increment") generated by the project. The Developer's acquisition costs exceeded the estimated cost and exceeded the purchase price by \$4.6 million. This occurred due to unexpected relocation and goodwill related claims. Section 201.3 of the DDA required the Agency to make good faith efforts toward refinancing a portion of the note via a tax-exempt refunding note. The source of repayment is limited to the Site Tax Increment and all issuance costs were paid from the proceeds of the Refunding Note. The principal amount of the developer note was reduced by the principal amount of the Refunded Note. The Refunding Note was issued in 2007 and debt service is approximately \$180,000 per year. The Refunding Note is amortized during fiscal year 2026-27.

Limon Stipulated Judgment

The Successor Agency entered into a stipulated judgment to resolve the case *Marina Limon, et al., v. Garden Grove Agency for Community Development, et al.*, Case No. 30-2009-00291597 (the "Stipulated Judgment"). The Stipulated Judgment requires the Successor Agency to pay attorney fees in the amount of approximately \$800,000 and relocation payments to the named plaintiffs and others in the total amount of approximately \$140,000 (collectively, the "Stipulated Payment Obligation"). The Stipulated Judgment requires the Successor Agency to include the Stipulated Payment Obligation on the Recognized Obligation Payment Schedule for the period from January through June, 2015. Such obligation is an unsecured obligation of the Successor Agency. The Successor Agency anticipates having sufficient amounts of available tax increment revenues to pay the Stipulated Payment Obligation without adversely affecting its ability to pay debt service on the Bonds and its other obligations.

In addition to the Stipulated Payment Obligation, the Stipulated Judgment requires the Successor Agency to develop or cause to be developed approximately 38 new dwelling units as replacement housing for low- and very low-income tenants (the "Stipulated Development Obligation"). Such dwelling units are required to be completed by April, 2018. The Successor Agency estimates that it could cost approximately \$100,000 per unit to subsidize these levels of affordability in a development independently undertaken by a housing developer.

The Successor Agency estimates it could cost significantly more for the Successor Agency to stimulate the development of these units.

The Stipulated Judgment expressly limits the Successor Agency's Stipulated Payment Obligation and Stipulated Development Obligation to available RPTTF moneys. Based on the projections, the Successor Agency expects to have sufficient tax revenues to perform the Stipulated Development Obligation within the next four years even assuming a cost significantly higher than the \$100,000 per unit estimate described above.

Although the Stipulated Judgment contemplates that the Stipulated Development Obligation will be funded using RPTTF moneys, the Successor Agency may be able to use other sources of funding to satisfy this obligation. The City has approximately \$2.75 million of HOME Investment Partnership Act funds received from the federal government and expects to receive an additional \$488,000 per year under the HOME Investment Partnership Act. Although the City has not committed to use these HOME funds to satisfy the Stipulated Development Obligation and cannot make such a commitment until an eligible development project is selected and ready to commence construction, the development of affordable housing units is an eligible use of such HOME funds. Because we are unable to reasonably project the amount and timing of this obligation and because the stipulation appears to provide the Successor Agency with the flexibility to satisfy the obligation without impairing the payment of debt service on the Bonds or payment of subordinate obligations, we have not included any estimate of costs connected with this obligation in the projections.

VIII. Development Activities

Since January 1, 2013 within the Project Area, there have been 208 transfers of real property ownership where the sales price can be confirmed. These transfers of ownership represent a combined increase of \$30,736,559 in assessed value that is expected to be added to the tax rolls for 2014-15. Since January 1, 2014, within the Project Area, there have been 47 transfers of real property ownership where the sales price can be confirmed. Those transfers of ownership represent a combined increase of \$7,048,108 in assessed value that is expected to be added to the tax rolls for 2015-16. New development continues to occur within the Project Area but no additional value has been included in the projections for new construction.

IX. Trended Taxable Value Growth

In accordance with Proposition 13, growth in real property land and improvement values may reflect the year-to-year inflationary rate not to exceed 2% for any given year. A 2% growth rate is the maximum inflationary growth rate permitted by law and this rate of growth has been realized in all but eight years since 1981. The years in which less than 2% growth was realized included fiscal years 1983-84 (1.0%), 1995-96 (1.19%), 1996-97 (1.11%), 1999-00 (1.85%), 2004-05 (1.867%), 2010-11 (-0.237%), 2011-12 (0.753%) and 2014-15 (0.454%). We have used the announced factor to project the inflationary growth for 2014-15. We have assumed a resumption of 2% annual inflationary growth in all subsequent fiscal years. Future values will also be impacted by changes of ownership and new construction not reflected in our projections. In addition, the values of property previously reduced in value due to assessment appeals based on reduced market values could increase more than 2% when real estate values increase more than 2% (see Section IV A above). Seismic activity and environmental conditions such as hazardous substances that are not anticipated in this Report might also impact taxable assessed values and Gross Revenues. HdL Coren & Cone makes no representation that taxable assessed values will actually grow at the rate projected.

Anticipated revenues could be adjusted as a result of unidentified assessment appeal refunds, other Assessor corrections discussed previously, or unanticipated increases or decreases in property tax values. Estimated valuations from developments included in this analysis are based upon our understanding of the general practices of the County Assessor and County Auditor-Controller's Office. General assessment practices are subject to policy changes, legislative changes, and the judgment of individual appraisers. While we believe our estimates to be reasonable, taxable values resulting from actual appraisals may vary from the amounts assumed in the projections.

**Garden Grove Redevelopment Agency
Community Redevelopment Project - Merged**

Summary of Project Area Tax Revenues
(000's omitted)



06/04/14

Tax Revenue Summary Table

Project Acres		26 acres	867 acres	18 acres	8 acres	45 acres	16 acres	168 acres	187 acres	574 acres	10 Acres	47.4 acres	1,966 acres
		Original	1974	Trask	1976	Brookhurst	Brookhurst	1979	1981	1992	1998	2002	Merged
Project Area		Project Area	Amendment	Project Area	Amendment	Chapman	Katella	Amendment	Amendment	Amendment	Amendment	Amendment	Project Area
1	2013-14	196	8,901	334	1,306	642	229	8,300	3	2,971	13	444	23,339
2	2014-15	196	8,675	291	1,316	624	226	8,097	3	2,523	13	445	22,411
3	2015-16	199	8,838	295	1,334	635	231	8,245	4	2,591	14	456	22,842
4	2016-17	201	8,961	300	1,351	646	234	8,365	4	2,646	16	467	23,190
5	2017-18	204	9,074	305	1,368	654	238	8,476	4	2,702	17	478	23,518
6	2018-19	207	9,188	309	1,385	664	241	8,589	4	2,759	18	489	23,852
7	2019-20	209	9,305	314	1,402	673	245	8,704	4	2,817	19	501	24,194
8	2020-21	212	9,425	319	1,420	682	249	8,822	4	2,876	20	513	24,542
9	2021-22	215	9,546	324	1,438	692	252	8,942	4	2,937	21	525	24,897
10	2022-23	218	9,670	330	1,457	702	256	9,064	4	2,999	22	537	25,259
11	2023-24	221	9,797	335	1,476	712	260	9,189	4	3,050	23	550	25,616
12	2024-25	224	9,926	339	1,495	723	264	9,316	4	3,102	25	563	25,979
13	2025-26	227	10,058	343	1,515	733	268	9,446	4	3,155	26	576	26,350
14	2026-27	0	10,192	348	1,535	744	272	9,578	4	3,250	27	589	26,539
15	2027-28	0	0	352	1,556	755	277	9,713	4	5,114	28	603	18,402
16	2028-29	0	0	49	1,577	766	281	9,851	4	5,258	30	616	18,432
17	2029-30	0	0	0	191	605	285	9,991	4	5,642	31	631	17,381
18	2030-31	0	0	0	0	0	190	10,134	4	5,905	32	645	16,912
19	2031-32	0	0	0	0	0	0	0	4	7,099	33	660	7,796
20	2032-33	0	0	0	0	0	0	0	5	7,282	34	675	7,996
21	2033-34	0	0	0	0	0	0	0	5	7,469	36	687	8,197
22	2034-35	0	0	0	0	0	0	0	0	7,660	37	700	8,397
23	2035-36	0	0	0	0	0	0	0	0	7,826	38	711	8,575
24	2036-37	0	0	0	0	0	0	0	0	8,023	39	724	8,786
25	2037-38	0	0	0	0	0	0	0	0	8,225	40	738	9,003
26	2038-39	0	0	0	0	0	0	0	0	8,430	42	752	9,224
27	2039-40	0	0	0	0	0	0	0	0	8,640	43	766	9,449
28	2040-41	0	0	0	0	0	0	0	0	8,854	44	780	9,679
29	2041-42	0	0	0	0	0	0	0	0	9,073	46	795	9,914
30	2042-43	0	0	0	0	0	0	0	0	9,296	47	810	10,153
31	2043-44	0	0	0	0	0	0	0	0	0	49	825	874
32	2044-45	0	0	0	0	0	0	0	0	0	5	841	846
33	2045-46	0	0	0	0	0	0	0	0	0	0	856	856
34	2046-47	0	0	0	0	0	0	0	0	0	0	873	873
35	2047-48	0	0	0	0	0	0	0	0	0	0	889	889
36	2048-49	0	0	0	0	0	0	0	0	0	0	0	0
37	2049-50	0	0	0	0	0	0	0	0	0	0	0	0
38	2050-51	0	0	0	0	0	0	0	0	0	0	0	0
Totals:		2,728	131,557	4,887	23,121	11,652	4,499	162,822	84	160,174	929	22,707	525,160
% of Total Revenue :		0.52%	25.05%	0.93%	4.40%	2.22%	0.86%	31.00%	0.02%	30.50%	0.18%	4.32%	100.00%

**Garden Grove Redevelopment Agency
Community Redevelopment Project - Merged**



Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)

06/04/14

Table 1

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Taxable Values (1)										
Real Property (2)	2,824,336	2,740,767	2,802,771	2,858,827	2,916,003	2,974,323	3,033,810	3,094,486	3,156,376	3,219,503
Personal Property (3)	192,515	192,515	192,515	192,515	192,515	192,515	192,515	192,515	192,515	192,515
Total Projected Taxable Value	3,016,851	2,933,282	2,995,287	3,051,342	3,108,519	3,166,839	3,226,325	3,287,001	3,348,891	3,412,019
Taxable Value over Base	519,827	2,497,024	2,413,455	2,475,460	2,531,515	2,588,692	2,647,012	2,706,498	2,767,175	2,829,064
Gross Tax Increment Revenue (4)	26,806	25,908	26,574	27,176	27,790	28,416	29,054	29,706	30,370	31,048
Unitary Tax Revenue	833	833	833	833	833	833	833	833	833	833
Gross Revenues	27,638	26,741	27,407	28,009	28,622	29,248	29,887	30,538	31,203	31,880
LESS:										
SB 2557 County Administrative Charge (5)	(282)	(273)	(280)	(286)	(292)	(298)	(305)	(311)	(318)	(325)
Tax Sharing Payments										
Tier 1 Statutory Tax Sharing (6)	(1,415)	(1,279)	(1,381)	(1,479)	(1,579)	(1,680)	(1,784)	(1,890)	(1,998)	(2,108)
Tier 2 Statutory Tax Sharing (6)	(7)	(10)	(19)	(63)	(135)	(209)	(284)	(361)	(439)	(518)
Orange County Taxing Entities (7)	(203)	(193)	(200)	(206)	(213)	(219)	(226)	(233)	(239)	(247)
Garden Grove Sanitation District (8)	(81)	(76)	(79)	(82)	(84)	(87)	(89)	(92)	(95)	(98)
County Sanitation Districts 2 & 3 (8)	(132)	(125)	(129)	(133)	(138)	(142)	(146)	(151)	(155)	(160)
Orange County Vector Control District (9)	(4)	(4)	(4)	(4)	(4)	(5)	(5)	(5)	(5)	(5)
Garden Grove Unified School District (10)	(2,095)	(2,291)	(2,390)	(2,479)	(2,570)	(2,663)	(2,757)	(2,854)	(2,952)	(3,053)
Huntington Beach High School District (11)	(46)	(46)	(48)	(50)	(53)	(55)	(58)	(60)	(63)	(66)
Westminster Unified School District (12)	(35)	(34)	(35)	(36)	(37)	(38)	(39)	(41)	(42)	(43)
Rancho Santiago Community College Dist. (13)	0	0	0	0	0	0	0	0	0	0
Tax Revenue	23,339	22,411	22,842	23,190	23,518	23,852	24,194	24,542	24,897	25,259
Subordinate Obligations										
Orange County Water District (8)	(33)	(31)	(32)	(33)	(35)	(36)	(37)	(38)	(39)	(40)
Coast Community College District (9)	0	0	0	0	0	0	0	0	0	0
Orange Unified School District (11)	(29)	(29)	(31)	(32)	(34)	(35)	(37)	(39)	(40)	(42)
Orange County Office of Education (11)	(36)	(35)	(37)	(39)	(40)	(42)	(44)	(46)	(47)	(49)
No. Orange Co. Community College Dist. (11)	(18)	(17)	(18)	(19)	(20)	(21)	(21)	(22)	(23)	(24)
Subordinate OPA/DDA Obligations (14)	(5,642)	(4,525)	(5,665)	(5,059)	(3,823)	(1,323)	(1,323)	(1,323)	(23)	0
Katella Cottage Notes (15)	(181)	(181)	(181)	(181)	(180)	(179)	(183)	(181)	(183)	(181)
Union Bank Loan (2008) (15)	(4,510)	(4,431)	(4,351)	(4,273)	(4,194)	(4,115)	(3,703)	0	0	0
Net Tax Revenue	12,890	13,162	12,527	13,554	15,193	18,102	18,847	22,894	24,540	24,923

Tax Allocation Bonds/Garden Grove 2013 TAB/Garden Grove CRP - 2013 TAB v7

Garden Grove Redevelopment Agency Community Redevelopment Project - Merged



Footnotes

06/04/14

- (1) Taxable values for 2013-14 are as Reported by Orange County. Taxable values for future years estimated.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% in 2014-15 and at 2% annually thereafter. Values for 2014-15 were adjusted for estimated losses of \$124,239,364 from pending appeals. Values for 2014-15 have been increased by \$30,736,559 for transfers of ownership and 2015-16 values have been increased by \$7,048,108.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment Revenue is based upon incremental taxable values factored against an assumed Project Area tax rate and adjusted for indebtedness approved by voters after 1988. Tax rates are assumed to remain at \$1.0735 per \$100 of taxable value through 2034-35. Beginning in 2035-36 tax rate is assumed to be \$1.07 per \$100 of taxable value for the balance of the projection.
- (5) SB 2557 County Administrative charge is estimated at 1.02% of Gross Revenue.
- (6) All component areas adopted prior to January 1, 1994 were amended under the terms of SB 211. The Agency eliminated each Plan's time limit for incurrence of new debt. By the elimination of this time limit, the Agency is required to make statutory tax sharing payments as outlined in the Health and Safety Code beginning in the fiscal year following the date of the eliminated time limit. Using the assessed values for 2003-04 as a base year and beginning in 2004-05, taxing entities that do not have existing tax sharing agreements receive their shares of 25% of tax increment revenue net of Housing Set-Aside Requirement. In addition, beginning in the 11th year after the initiation of statutory tax sharing payments, Taxing Entities receive 21% of tax revenue on incremental value above the 10th year value net of Housing Set-Aside Requirement. Beginning in the 31st year after initiation of statutory tax sharing payments, Taxing Entities also receive 14% of tax revenue on incremental value above the year 30 value net of Housing Set-Aside. Within the 1992 Amendment area, taxing entities with no tax sharing agreements account for 32.64% of the total statutory tax sharing amount. The tax sharing amount in the 1992 Amendment has been so adjusted. In the 1998 Amendment and Added Territory, statutory tax sharing was required from the initial receipt of revenue.
- (7) Within the 1992 Amendment, Orange County General Fund (5.60%), County Library (1.51%), County Flood Control (1.80%) and Harbors, Beaches and Parks (1.39%) receive 47% of their shares of the general levy portion of Gross Revenues.
- (8) Orange County Water District (0.79%), Garden Grove Sanitary District (1.92%) and Orange County Sanitary District (3.13%) receive their shares of general levy portion of Gross Revenues within the 1992 Amendment.
- (9) Within the 1992 Amendment, Orange County Vector Control (0.10%) share of the general levy portion of Gross Revenues is reserved by the Agency for construction of capital improvements that are of benefit to the District. Coast Community College District (3.54%) is entitled to 30% of its share of the general levy portion of Gross Revenues and its entire share of general levy revenue derived from inflationary growth on base year real property growth. In a subsequent agreement, the College District waived all future payments under this tax sharing agreement in return for a parcel of property and parking access.
- (10) Within the 1992 Amendment, Garden Grove Unified School District receives a fixed payment of \$1 million per year through 2006-07. Beginning with 2007-08 the District receives 10% of its share (41.07%) of the amount of Gross Revenue received by the Agency in 1991-92 from the combined component project areas of the Garden Grove Community Project. In addition, the District receives 50% of its share of the general levy portion of Gross Revenues from the combined components project areas of the Community Project that is in excess of the amount of Gross Revenue received in 1991-92.
- (11) Within the 1992 Amendment, Huntington Beach HSD (1.40%), Orange Unified School District (0.82%), Orange County Office of Education (1.58%) and the North Orange County CCD (0.84%) receive 30% of their shares of the general levy portion of Gross Revenues net of any ERAF payments required by the legislature. In addition, the districts receive their shares of general levy revenue derived from inflationary growth on base year real property value. The district shares have been adjusted to conform to the proportionate shares of the Project Area occupied by each district.
- (12) Within the 1992 Amendment, Westminster Unified School District receives 50% of its share (1.69%) of the general levy portion of Gross Revenue net of any ERAF payments required by the legislature. The districts share has been adjusted to conform to the proportionate share of the Project Area occupied by the district. The District's payments are deposited into a Special Fund for the benefit of the District.
- (13) Within the 1992 Amendment, Rancho Santiago Community College District is, by agreement, entitled to receive through a Special Fund a portion of the Agency's Project Area revenue. Under the terms of the agreement, the District may select one of several methodologies for calculation of the amount of the annual deposits into this Special Fund. The methodology that results in the greatest revenue for the District produces an amount that is greater than the District's full share (3.21%) of the general levy portion of Gross Revenue. Under the terms of the agreement the District may not receive an amount that is greater than the District's full share of the general levy portion of the Gross Revenue. The full share is assumed as the obligation of the Agency. In a subsequent rental agreement with the Agency, the District agreed to forego all future payments under the tax sharing agreement in return for a waiver of rental costs for District use of offices in an Agency owned building.
- (14) The Agency has entered into a number of agreements with property owners, developers and other governmental agencies as part of its redevelopment activities. These agreements carry with them certain obligations that involve payments of tax increment and other revenues. **The amounts of these obligations have been estimated by Agency Staff and do not include any amounts payable under the McWhinney DD/**
- (15) Payments required for amortization of notes issued in connection with development of the Katella Cottages and payments required for amortization of a 2008 loan from Union Bank are subordinate to the payment of debt service on the Bonds.

Garden Grove Redevelopment Agency Community Redevelopment Project-Original Project



Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)

06/04/14

Table 1 A

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Taxable Values (1)										
Real Property (2)	18,451	18,535	18,905	19,284	19,669	20,063	20,464	20,873	21,291	21,716
Personal Property (3)	<u>1,262</u>	<u>1,262</u>	<u>1,262</u>	<u>1,262</u>	<u>1,262</u>	<u>1,262</u>	<u>1,262</u>	<u>1,262</u>	<u>1,262</u>	<u>1,262</u>
Total Projected Taxable Value	19,713	19,797	20,168	20,546	20,932	21,325	21,726	22,136	22,553	22,979
Taxable Value over Base	606	19,107	19,191	19,562	19,940	20,326	20,719	21,120	21,530	21,947
Gross Tax Increment Revenue (4)	205	206	210	214	218	222	227	231	236	240
Unitary Tax Revenue	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>
Gross Revenues	211	212	216	220	224	229	233	237	242	246
LESS:										
SB 2557 County Administrative Charge (5)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(3)
Tax Sharing Payments										
SB 211 Statutory Tax Sharing Tier 1 (6)	(13)	(13)	(14)	(15)	(16)	(17)	(17)	(18)	(19)	(20)
SB 211 Statutory Tax Sharing Tier 2 (6)	<u>0</u>	<u>(0)</u>	<u>(1)</u>	<u>(2)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>	<u>(4)</u>	<u>(5)</u>	<u>(6)</u>
Tax Revenue	<u>196</u>	<u>196</u>	<u>199</u>	<u>201</u>	<u>204</u>	<u>207</u>	<u>209</u>	<u>212</u>	<u>215</u>	<u>218</u>

- (1) Taxable values as Reported by Orange County.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% in 2014-15 and at 2% annually thereafter. Values were not adjusted for estimated losses from pending appeals. Values were also not adjusted for new value from transfers of ownership.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment Revenue is based upon incremental taxable values factored against an assumed Project tax Area rate and adjusted for indebtedness approved by voters after 1988. Tax rates are assumed to remain at \$1.0735 per \$100 of taxable value through 2034-35. Beginning in 2035-36 tax rate is assumed to be \$1.07 per \$100 of taxable value for the balance of the projection.
- (5) SB 2557 County Administrative charge is estimated at 1.02% of Gross Revenue.
- (6) By the adoption of an amendment to the Redevelopment Plan under the terms of SB 211, the Agency eliminated the Plan's time limit for incurrence of new debt. By the elimination of this time limit, Agency is required to make statutory tax sharing payments as outlined in the Health and Safety Code beginning in the fiscal year following the date of the eliminated time limit (Jan. 1, 2004). Using the assessed values for 2003-04 as a base year and beginning in 2004-05, Taxing Entities that do not have existing tax sharing agreements receive their shares of 25% of Gross Revenue net of the Housing Set-Aside Requirement. In addition, beginning in the 11th year after the initiation of statutory tax sharing payments, Taxing Entities receive 21% of Gross Revenue on incremental value above the 10th year value net of Housing Set-Aside Requirement. A third tier of tax sharing payments beginning in the 31st year will never take effect.

Garden Grove Redevelopment Agency
Community Redevelopment Project-1974 Amendment



Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)

06/04/14

Table 1 B

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	
Taxable Values (1)											
Real Property (2)	833,016	806,323	825,509	842,019	858,860	876,037	893,558	911,429	929,657	948,251	
Personal Property (3)	<u>104,621</u>	<u>104,621</u>	<u>104,621</u>	<u>104,621</u>	<u>104,621</u>	<u>104,621</u>	<u>104,621</u>	<u>104,621</u>	<u>104,621</u>	<u>104,621</u>	
Total Projected Taxable Value	937,637	910,944	930,130	946,640	963,481	980,658	998,179	1,016,050	1,034,278	1,052,872	
Taxable Value over Base	61,703	875,934	849,241	868,427	884,938	901,778	918,955	936,476	954,347	972,576	991,169
Gross Tax Increment Revenue (4)	9,403	9,117	9,323	9,500	9,681	9,865	10,053	10,245	10,441	10,640	
Unitary Tax Revenue	<u>110</u>	<u>110</u>	<u>110</u>	<u>110</u>	<u>110</u>	<u>110</u>	<u>110</u>	<u>110</u>	<u>110</u>	<u>110</u>	
Gross Revenues	9,513	9,227	9,433	9,610	9,791	9,975	10,163	10,355	10,551	10,750	
<u>LESS:</u>											
SB 2557 County Administrative Charge (5)	(97)	(94)	(96)	(98)	(100)	(102)	(104)	(106)	(108)	(110)	
<u>Tax Sharing Payments</u>											
Tier 1 Statutory Tax Sharing Payments (6)	(515)	(458)	(499)	(534)	(570)	(607)	(645)	(683)	(722)	(762)	
Tier 2 Statutory Tax Sharing Payments (6)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(16)</u>	<u>(47)</u>	<u>(78)</u>	<u>(109)</u>	<u>(141)</u>	<u>(174)</u>	<u>(208)</u>	
Tax Revenue	8,901	8,675	8,838	8,961	9,074	9,188	9,305	9,425	9,546	9,670	

- (1) Taxable values as Reported by Orange County.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% in 2014-15 and at 2% annually thereafter. Values for 2014-15 were adjusted for estimated losses of \$54.1 million from pending appeals. Values for 2014-15 have been increased \$23.8 million for transfers of ownership with 2015-16 increased by \$3 million.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment Revenue is based upon incremental taxable values factored against an assumed Project tax Area rate and adjusted for indebtedness approved by voters after 1988. Tax rates are assumed to remain at \$1.0735 per \$100 of taxable value through 2034-35. Beginning in 2035-36 tax rate is assumed to be \$1.07 per \$100 of taxable value for the balance of the projection.
- (5) SB 2557 County Administrative charge is estimated at 1.02% of Gross Revenue.
- (6) By the adoption of an amendment to the Redevelopment Plan under the terms of SB 211, the Agency eliminated the Plan's time limit for incurrence of new debt. By the elimination of this time limit, Agency is required to make statutory tax sharing payments as outlined in the Health and Safety Code beginning in the fiscal year following the date of the eliminated time limit (Jan. 1, 2004). Using the assessed values for 2003-04 as a base year and beginning in 2004-05, Taxing Entities that do not have existing tax sharing agreements receive their shares of 25% of Gross Revenue net of the Housing Set-Aside Requirement. In addition, beginning in the 11th year after the initiation of statutory tax sharing payments, Taxing Entities receive 21% of Gross Revenue on incremental value above the 10th year value net of Housing Set-Aside Requirement. A third tier of tax sharing payments beginning in the 31st year will never take effect.

Garden Grove Redevelopment Agency
Community Redevelopment Project-Trask



Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)

06/04/14

Table 1 C

		<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Taxable Values (1)											
Real Property (2)		31,945	26,842	27,379	27,926	28,485	29,054	29,636	30,228	30,833	31,449
Personal Property (3)		<u>1,265</u>	<u>1,265</u>	<u>1,265</u>	<u>1,265</u>	<u>1,265</u>	<u>1,265</u>	<u>1,265</u>	<u>1,265</u>	<u>1,265</u>	<u>1,265</u>
Total Projected Taxable Value		33,210	28,107	28,644	29,191	29,750	30,319	30,900	31,493	32,098	32,714
Taxable Value over Base	5	33,205	28,102	28,639	29,186	29,745	30,315	30,896	31,488	32,093	32,710
Gross Tax Increment Revenue (4)		356	302	307	313	319	325	332	338	345	351
Unitary Tax Revenue		<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Gross Revenues		359	304	310	316	322	328	334	340	347	353
<u>LESS:</u>											
SB 2557 County Administrative Charge (5)		(4)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(4)	(4)
<u>Tax Sharing Payments</u>											
Tier 1 Statutory Tax Sharing Payments (6)		(21)	(10)	(11)	(13)	(14)	(15)	(16)	(18)	(19)	(20)
Tier 2 Statutory Tax Sharing Payments (6)		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tax Revenue		334	291	295	300	305	309	314	319	324	330

- (1) Taxable values as Reported by Orange County.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% in 2014-15 and at 2% annually thereafter. Values for 2014-15 were adjusted for estimated losses of \$5,224,723 from pending appeals. Values were not adjusted for new value from transfers of ownership.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment Revenue is based upon incremental taxable values factored against an assumed Project tax Area rate and adjusted for indebtedness approved by voters after 1988. Tax rates are assumed to remain at \$1.0735 per \$100 of taxable value through 2034-35. Beginning in 2035-36 tax rate is assumed to be \$1.07 per \$100 of taxable value for the balance of the projection.
- (5) SB 2557 County Administrative charge is estimated at 1.02% of Gross Revenue.
- (6) By the adoption of an amendment to the Redevelopment Plan under the terms of SB 211, the Agency eliminated the Plan's time limit for incurrence of new debt. By the elimination of this time limit, Agency is required to make statutory tax sharing payments as outlined in the Health and Safety Code beginning in the fiscal year following the date of the eliminated time limit (Jan. 1, 2004). Using the assessed values for 2003-04 as a base year and beginning in 2004-05, Taxing Entities that do not have existing tax sharing agreements receive their shares of 25% of Gross Revenue net of the Housing Set-Aside Requirement. In addition, beginning in the 11th year after the initiation of statutory tax sharing payments, Taxing Entities receive 21% of Gross Revenue on incremental value above the 10th year value net of Housing Set-Aside Requirement. A third tier of tax sharing payments beginning in the 31st year will never take effect.

Garden Grove Redevelopment Agency
Community Redevelopment Project-1976 Amendment



Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)

06/04/14

Table 1 D

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	
Taxable Values (1)											
Real Property (2)	119,442	120,890	123,695	126,169	128,692	131,266	133,891	136,569	139,301	142,087	
Personal Property (3)	6,114	6,114	6,114	6,114	6,114	6,114	6,114	6,114	6,114	6,114	
Total Projected Taxable Value	125,556	127,004	129,809	132,283	134,807	137,381	140,006	142,684	145,415	148,201	
Taxable Value over Base	5,544	120,012	121,461	124,266	126,740	129,263	131,837	134,462	137,140	139,871	142,657
Gross Tax Increment Revenue (4)	1,288	1,304	1,334	1,361	1,388	1,415	1,443	1,472	1,502	1,531	
Unitary Tax Revenue	84	84	84	84	84	84	84	84	84	84	
Gross Revenues	1,373	1,388	1,418	1,445	1,472	1,499	1,528	1,556	1,586	1,616	
<u>LESS:</u>											
SB 2557 County Administrative Charge (5)	(14)	(14)	(14)	(15)	(15)	(15)	(16)	(16)	(16)	(16)	
<u>Tax Sharing Payments</u>											
Tier 1 Statutory Tax Sharing Payments (6)	(53)	(56)	(62)	(67)	(73)	(78)	(84)	(89)	(95)	(101)	
Tier 2 Statutory Tax Sharing Payments (6)	0	(3)	(8)	(12)	(17)	(21)	(26)	(31)	(36)	(41)	
Tax Revenue	1,306	1,316	1,334	1,351	1,368	1,385	1,402	1,420	1,438	1,457	

- (1) Taxable values as Reported by Orange County.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% in 2014-15 and at 2% annually thereafter. Values for 2014-15 were adjusted for estimated losses of \$1.14 million from pending appeals. Values for 2014-15 have been increased \$2,054,585 for transfers of ownership with 2015-16 increased by \$379,546.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment Revenue is based upon incremental taxable values factored against an assumed Project tax Area rate and adjusted for indebtedness approved by voters after 1988. Tax rates are assumed to remain at \$1.0735 per \$100 of taxable value through 2034-35. Beginning in 2035-36 tax rate is assumed to be \$1.07 per \$100 of taxable value for the balance of the projection.
- (5) SB 2557 County Administrative charge is estimated at 1.02% of Gross Revenue.
- (6) By the adoption of an amendment to the Redevelopment Plan under the terms of SB 211, the Agency eliminated the Plan's time limit for incurrence of new debt. By the elimination of this time limit, Agency is required to make statutory tax sharing payments as outlined in the Health and Safety Code beginning in the fiscal year following the date of the eliminated time limit (Jan. 1, 2004). Using the assessed values for 2003-04 as a base year and beginning in 2004-05, Taxing Entities that do not have existing tax sharing agreements receive their shares of 25% of Gross Revenue net of the Housing Set-Aside Requirement. In addition, beginning in the 11th year after the initiation of statutory tax sharing payments, Taxing Entities receive 21% of Gross Revenue on incremental value above the 10th year value net of Housing Set-Aside Requirement. A third tier of tax sharing payments beginning in the 31st year will never take effect.

Garden Grove Redevelopment Agency
Community Redevelopment Project-Brookhurst/Chapman



06/04/14

Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)

Table 1 E

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	
Taxable Values (1)											
Real Property (2)	66,607	64,585	65,877	67,194	68,538	69,909	71,307	72,733	74,188	75,672	
Personal Property (3)	<u>3,876</u>	<u>3,876</u>	<u>3,876</u>	<u>3,876</u>	<u>3,876</u>	<u>3,876</u>	<u>3,876</u>	<u>3,876</u>	<u>3,876</u>	<u>3,876</u>	
Total Projected Taxable Value	70,483	68,461	69,753	71,071	72,414	73,785	75,183	76,610	78,064	79,548	
Taxable Value over Base	7,051	63,432	61,410	62,702	64,019	65,363	66,734	68,132	69,558	71,013	72,497
Gross Tax Increment Revenue (4)	681	659	673	687	702	716	731	747	762	778	
Unitary Tax Revenue	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	
Gross Revenues	685	663	677	691	706	720	735	751	766	782	
<u>LESS:</u>											
SB 2557 County Administrative Charge (5)	(7)	(7)	(7)	(7)	(7)	(7)	(8)	(8)	(8)	(8)	
<u>Tax Sharing Payments</u>											
Tier 1 Statutory Tax Sharing Payments (6)	(36)	(32)	(35)	(38)	(41)	(44)	(47)	(50)	(53)	(56)	
Tier 2 Statutory Tax Sharing Payments (6)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1)</u>	<u>(3)</u>	<u>(6)</u>	<u>(8)</u>	<u>(11)</u>	<u>(14)</u>	<u>(16)</u>	
Tax Revenue	642	624	635	646	654	664	673	682	692	702	

- (1) Taxable values as Reported by Orange County.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% in 2014-15 and at 2% annually thereafter. Values for 2014-15 were adjusted for estimated losses of \$2,313,927 from pending appeals. Values were not adjusted for new value from transfers of ownership.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment Revenue is based upon incremental taxable values factored against an assumed Project tax Area rate and adjusted for indebtedness approved by voters after 1988. Tax rates are assumed to remain at \$1.0735 per \$100 of taxable value through 2034-35. Beginning in 2035-36 tax rate is assumed to be \$1.07 per \$100 of taxable value for the balance of the projection.
- (5) SB 2557 County Administrative charge is estimated at 1.02% of Gross Revenue.
- (6) By the adoption of an amendment to the Redevelopment Plan under the terms of SB 211, the Agency eliminated the Plan's time limit for incurrence of new debt. By the elimination of this time limit, Agency is required to make statutory tax sharing payments as outlined in the Health and Safety Code beginning in the fiscal year following the date of the eliminated time limit (Jan. 1, 2004). Using the assessed values for 2003-04 as a base year and beginning in 2004-05, Taxing Entities that do not have existing tax sharing agreements receive their shares of 25% of Gross Revenue net of the Housing Set-Aside Requirement. In addition, beginning in the 11th year after the initiation of statutory tax sharing payments, Taxing Entities receive 21% of Gross Revenue on incremental value above the 10th year value net of Housing Set-Aside Requirement. A third tier of tax sharing payments beginning in the 31st year will never take effect.

Garden Grove Redevelopment Agency
Community Redevelopment Project-Brookhurst/Katella



06/04/14

Projection of Incremental Taxable Value & Tax Increment Revenue
 (000's Omitted)

Table 1 F

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Taxable Values (1)										
Real Property (2)	25,372	25,071	25,572	26,084	26,606	27,138	27,680	28,234	28,799	29,375
Personal Property (3)	<u>719</u>	<u>719</u>	<u>719</u>	<u>719</u>	<u>719</u>	<u>719</u>	<u>719</u>	<u>719</u>	<u>719</u>	<u>719</u>
Total Projected Taxable Value	26,091	25,790	26,291	26,802	27,324	27,856	28,399	28,953	29,517	30,093
Taxable Value over Base	3,250	22,840	22,539	23,041	23,552	24,074	24,606	25,149	25,702	26,267
Gross Tax Increment Revenue (4)	245	242	247	253	258	264	270	276	282	288
Unitary Tax Revenue	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Gross Revenues	247	244	249	255	260	266	272	278	284	290
LESS:										
SB 2557 County Administrative Charge (5)	(3)	(2)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Tax Sharing Payments										
Tier 1 Statutory Tax Sharing Payments (6)	(16)	(15)	(16)	(17)	(18)	(19)	(21)	(22)	(23)	(24)
Tier 2 Statutory Tax Sharing Payments (6)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>	<u>(5)</u>	<u>(6)</u>	<u>(7)</u>
Tax Revenue	229	226	231	234	238	241	245	249	252	256

- (1) Taxable values as Reported by Orange County.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% in 2014-15 and at 2% annually thereafter. Values for 2014-15 were adjusted for estimated losses of \$414,241 from pending appeals. Values were not adjusted for new value from transfers of ownership.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment Revenue is based upon incremental taxable values factored against an assumed Project tax Area rate and adjusted for indebtedness approved by voters after 1988. Tax rates are assumed to remain at \$1.0735 per \$100 of taxable value through 2034-35. Beginning in 2035-36 tax rate is assumed to be \$1.07 per \$100 of taxable value for the balance of the projection.
- (5) SB 2557 County Administrative charge is estimated at 1.02% of Gross Revenue.
- (6) By the adoption of an amendment to the Redevelopment Plan under the terms of SB 211, the Agency eliminated the Plan's time limit for incurrence of new debt. By the elimination of this time limit, Agency is required to make statutory tax sharing payments as outlined in the Health and Safety Code beginning in the fiscal year following the date of the eliminated time limit (Jan. 1, 2004). Using the assessed values for 2003-04 as a base year and beginning in 2004-05, Taxing Entities that do not have existing tax sharing agreements receive their shares of 25% of Gross Revenue net of the Housing Set-Aside Requirement. In addition, beginning in the 11th year after the initiation of statutory tax sharing payments, Taxing Entities receive 21% of Gross Revenue on incremental value above the 10th year value net of Housing Set-Aside Requirement. A third tier of tax sharing payments beginning in the 31st year will never take effect.

Garden Grove Redevelopment Agency
Community Redevelopment Project-1979 Amendment



06/04/14

Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)

Table 1 G

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	
Taxable Values (1)											
Real Property (2)	819,859	795,974	813,369	829,637	846,229	863,154	880,417	898,025	915,986	934,306	
Personal Property (3)	35,035	35,035	35,035	35,035	35,035	35,035	35,035	35,035	35,035	35,035	
Total Projected Taxable Value	854,895	831,009	848,404	864,672	881,264	898,189	915,452	933,060	951,021	969,341	
Taxable Value over Base	71,614	783,281	759,395	776,790	793,058	809,650	826,575	843,838	861,446	879,407	897,727
Gross Tax Increment Revenue (4)	8,409	8,152	8,339	8,513	8,692	8,873	9,059	9,248	9,440	9,637	
Unitary Tax Revenue	<u>612</u>	<u>612</u>	<u>612</u>	<u>612</u>	<u>612</u>	<u>612</u>	<u>612</u>	<u>612</u>	<u>612</u>	<u>612</u>	
Gross Revenues	9,020	8,764	8,950	9,125	9,303	9,485	9,670	9,859	10,052	10,249	
LESS:											
SB 2557 County Administrative Charge (5)	(92)	(89)	(91)	(93)	(95)	(97)	(99)	(101)	(103)	(105)	
Tax Sharing Payments											
Tier 1 Statutory Tax Sharing Payments (6)	(628)	(577)	(614)	(649)	(685)	(721)	(758)	(796)	(834)	(874)	
Tier 2 Statutory Tax Sharing Payments (6)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(18)</u>	<u>(48)</u>	<u>(78)</u>	<u>(109)</u>	<u>(141)</u>	<u>(173)</u>	<u>(206)</u>	
Tax Revenue	8,300	8,097	8,245	8,365	8,476	8,589	8,704	8,822	8,942	9,064	

- (1) Taxable values as Reported by Orange County.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% in 2014-15 and at 2% annually thereafter. Values for 2014-15 were adjusted for estimated losses of \$32.2 million from pending appeals. Values for 2014-15 have been increased \$4,748,106 for transfers of ownership with 2015-16 increased \$1,447,101.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment Revenue is based upon incremental taxable values factored against an assumed Project tax Area rate and adjusted for indebtedness approved by voters after 1988. Tax rates are assumed to remain at \$1.0735 per \$100 of taxable value through 2034-35. Beginning in 2035-36 tax rate is assumed to be \$1.07 per \$100 of taxable value for the balance of the projection.
- (5) SB 2557 County Administrative charge is estimated at 1.02% of Gross Revenue.
- (6) By the adoption of an amendment to the Redevelopment Plan under the terms of SB 211, the Agency eliminated the Plan's time limit for incurrence of new debt. By the elimination of this time limit, Agency is required to make statutory tax sharing payments as outlined in the Health and Safety Code beginning in the fiscal year following the date of the eliminated time limit (Jan. 1, 2004). Using the assessed values for 2003-04 as a base year and beginning in 2004-05, Taxing Entities that do not have existing tax sharing agreements receive their shares of 25% of Gross Revenue net of the Housing Set-Aside Requirement. In addition, beginning in the 11th year after the initiation of statutory tax sharing payments, Taxing Entities receive 21% of Gross Revenue on incremental value above the 10th year value net of Housing Set-Aside Requirement. A third tier of tax sharing payments beginning in the 31st year will never take effect.

Garden Grove Redevelopment Agency
Community Redevelopment Project 1981 Amendment



06/04/14

Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)

Table 1 H

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Taxable Values (1)										
Real Property (2)	374	376	383	391	399	407	415	423	432	440
Personal Property (3)	0	0	0	0	0	0	0	0	0	0
Total Projected Taxable Value	374	376	383	391	399	407	415	423	432	440
Taxable Value over Base	25	349	350	358	365	373	381	389	398	406
Gross Tax Increment Revenue (4)	4	4	4	4	4	4	4	4	4	4
Unitary Tax Revenue	0	0	0	0	0	0	0	0	0	0
Gross Revenues	4	4	4	4	4	4	4	4	4	4
LESS:										
SB 2557 County Administrative Charge (5)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Tax Sharing Payments										
Tier 1 Statutory Tax Sharing Payments (6)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Tier 2 Statutory Tax Sharing Payments (6)	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Tax Revenue	3	3	4	4	4	4	4	4	4	4

- (1) Taxable values as Reported by Orange County.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% in 2014-15 and at 2% annually thereafter. Values were not adjusted for estimated losses from pending appeals. Values for 2014-15 have not been increased by new value from transfers of ownership.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment Revenue is based upon incremental taxable values factored against an assumed Project tax Area rate and adjusted for indebtedness approved by voters after 1988. Tax rates are assumed to remain at \$1.0735 per \$100 of taxable value through 2034-35. Beginning in 2035-36 tax rate is assumed to be \$1.07 per \$100 of taxable value for the balance of the projection.
- (5) SB 2557 County Administrative charge is estimated at 1.02% of Gross Revenue.
- (6) By the adoption of an amendment to the Redevelopment Plan under the terms of SB 211, the Agency eliminated the Plan's time limit for incurrence of new debt. By the elimination of this time limit, Agency is required to make statutory tax sharing payments as outlined in the Health and Safety Code beginning in the fiscal year following the date of the eliminated time limit (Jan. 1, 2004). Using the assessed values for 2003-04 as a base year and beginning in 2004-05, Taxing Entities that do not have existing tax sharing agreements receive their shares of 25% of Gross Revenue net of the Housing Set-Aside Requirement. In addition, beginning in the 11th year after the initiation of statutory tax sharing payments, Taxing Entities receive 21% of Gross Revenue on incremental value above the 10th year value net of Housing Set-Aside Requirement. A third tier of tax sharing payments beginning in the 31st year will never take effect.

Garden Grove Redevelopment Agency
Community Redevelopment Project-1992 Amendment



06/04/14

Projection of Incremental Taxable Value & Tax Increment Revenue

(000's Omitted)

Table 1 I

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Taxable Values (1)										
Real Property (2)	821,489	794,198	812,347	828,594	845,166	862,070	879,311	896,897	914,835	933,132
Personal Property (3)	36,189	36,189	36,189	36,189	36,189	36,189	36,189	36,189	36,189	36,189
Total Projected Taxable Value	857,679	830,387	848,537	864,784	881,356	898,259	915,500	933,087	951,025	969,321
Taxable Value over Base	333,417	524,261	496,970	515,120	531,367	547,939	564,842	582,083	599,670	617,607
Gross Tax Increment Revenue (4)	5,628	5,335	5,530	5,704	5,882	6,064	6,249	6,437	6,630	6,826
Unitary Tax Revenue	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>
Gross Revenues	5,639	5,346	5,541	5,716	5,894	6,075	6,260	6,449	6,641	6,838
LESS:										
SB 2557 County Administrative Charge (5)	(58)	(55)	(57)	(58)	(60)	(62)	(64)	(66)	(68)	(70)
Tax Sharing Payments										
Statutory Tax Sharing Payments (6)	(15)	0	(8)	(20)	(33)	(45)	(58)	(72)	(85)	(99)
Orange County Taxing Entities (7)	(203)	(193)	(200)	(206)	(213)	(219)	(226)	(233)	(239)	(247)
Garden Grove Sanitation District (8)	(81)	(76)	(79)	(82)	(84)	(87)	(89)	(92)	(95)	(98)
County Sanitation Districts 2 & 3 (8)	(132)	(125)	(129)	(133)	(138)	(142)	(146)	(151)	(155)	(160)
Orange County Vector Control District (9)	(4)	(4)	(4)	(4)	(4)	(5)	(5)	(5)	(5)	(5)
Garden Grove Unified School District (10)	(2,095)	(2,291)	(2,390)	(2,479)	(2,570)	(2,663)	(2,757)	(2,854)	(2,952)	(3,053)
Huntington Beach High School District (11)	(46)	(46)	(48)	(50)	(53)	(55)	(58)	(60)	(63)	(66)
Westminster Unified School District (12)	(35)	(34)	(35)	(36)	(37)	(38)	(39)	(41)	(42)	(43)
Rancho Santiago Community College Dist. (13)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tax Revenue	2,971	2,523	2,591	2,646	2,702	2,759	2,817	2,876	2,937	2,999
Subordinate Tax Sharing Payments										
Orange County Water District (8)	(33)	(31)	(32)	(33)	(35)	(36)	(37)	(38)	(39)	(40)
Coast Community College District (9)	0	0	0	0	0	0	0	0	0	0
Orange Unified School District (11)	(29)	(29)	(31)	(32)	(34)	(35)	(37)	(39)	(40)	(42)
Orange County Office of Education (11)	(36)	(35)	(37)	(39)	(40)	(42)	(44)	(46)	(47)	(49)
No. Orange Co. Community College Dist. (11)	(18)	(17)	(18)	(19)	(20)	(21)	(21)	(22)	(23)	(24)
Net Tax Revenue	2,855	2,410	2,473	2,523	2,574	2,625	2,678	2,732	2,787	2,843

[SEE FOOTNOTES ON ATTACHED PAGE]

Garden Grove Redevelopment Agency
Community Redevelopment Project-1992 Amendment
Projection of Incremental Taxable Value & Tax Increment Revenue
Footnotes to Accompany Table 1 I



06/04/14

- (1) Taxable values as Reported by Orange County.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% in 2014-15 and at 2% annually thereafter. Values for 2014-15 were adjusted for estimated losses of \$30.1 million from pending appeals. Values for 2014-15 have been decreased by -\$747,593 for transfers of ownership with 2015-16 being increased by \$2,221,461.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment Revenue is based upon incremental taxable values factored against an assumed Project tax Area rate and adjusted for indebtedness approved by voters after 1988. Tax rates are assumed to remain at \$1.0735 per \$100 of taxable value through 2034-35. Beginning in 2035-36 tax rate is assumed to be \$1.07 per \$100 of taxable value for the balance of the projection.
- (5) SB 2557 County Administrative charge is estimated at 1.02% of Gross Revenue.
- (6) By the adoption of an amendment to the Redevelopment Plan under the terms of SB 211, the Agency eliminated the Plan's time limit for incurrence of new debt. By the elimination of this time limit, the Agency is required to make statutory tax sharing payments as outlined in the Health and Safety Code beginning in the fiscal year following the date of the eliminated time limit (July 14, 2012). Using the assessed values for 2012-13 as a base year and beginning in 2013-14, Taxing Entities that do not have existing tax sharing agreements receive their shares of 25% of Gross Revenue net of Housing Set-Aside Requirement. In addition, beginning in the 11th year after the initiation of statutory tax sharing payments, Taxing Entities receive 21% of Gross Revenue on incremental value above the 10th year value net of Housing Set-Aside Requirement. A third tier of tax sharing payments beginning in the 31st year will never take effect. Taxing Entities that do not have tax sharing agreements account for 35.11% of the total statutory tax sharing amount. The tax sharing amount has been adjusted accordingly.
- (7) Orange County General Fund (5.60%), County Library (1.51%), County Flood Control (1.80%) and Harbors, Beaches and Parks (1.39%) receive 47% of their shares of general levy tax increment net of Housing Set-Aside.
- (8) Orange County Water District (0.79%), Garden Grove Sanitary District (1.92%) and Orange County Sanitary District (3.13%) receive their shares of general levy tax increment net of Housing Set-Aside.
- (9) Orange County Vector Control (0.10%) share of general levy tax increment revenue, net of Housing Set-Aside is reserved by the Agency for construction of capital improvements that are of benefit to the District. Coast Community College District (3.54%) is entitled to 30% of its share of general levy tax increment revenue and its entire share of general levy revenue derived from inflationary growth on base year real property growth. In a subsequent agreement, the College District waived all payments under this tax sharing agreement in return for a parcel of property and parking access.
- (10) Garden Grove Unified School District receives a fixed payment of \$1 million per year through 2006-07. Beginning with 2007-08 the District receives 10% of its share (41.07%) of the amount of total revenue received by the Agency in 1991-92 from the combined component project areas of the Garden Grove Community Project. In addition, the District receives 50% of its share of general levy tax increment revenue, net of Housing Set-Aside, from the combined components project areas of the Community Project that is in excess of the amount of revenue received in 1991-92.
- (11) Huntington Beach HSD (1.40%), Orange Unified School District (0.82%), Orange County Office of Education (1.58%) and the North Orange County CCD (0.84%) receive 30% of their shares of general levy tax increment revenue net of Housing Set-Aside and any ERAF payments required by the legislature. In addition, the districts receive their shares of general levy revenue derived from inflationary growth on base year real property value. The district shares have been adjusted to conform to the proportionate shares of the Project Area occupied by each district.
- (12) Westminster Unified School District receives 50% of its share (1.69%) of general levy tax increment revenue net of Housing Set-Aside and any ERAF payments required by the legislature. The districts share has been adjusted to conform to the proportionate share of the Project Area occupied by the district. The District's payments are deposited into a Special Fund for the benefit of the District.
- (13) Rancho Santiago Community College District is, by agreement, entitled to receive through a Special Fund a portion of the Agency's Project Area revenue. Under the terms of the agreement, the District may select one of several methodologies for calculation of the amount of the annual deposits into this Special Fund. The methodology that results in the greatest revenue for the District produces an amount that is greater than the District's full share (3.21%) of general levy tax increment. Under the terms of the agreement the District may not receive an amount that is greater than the District's full share of general levy tax increment, the District's full share is assumed to be the obligation of the Agency. In a subsequent agreement, the College District waived all payments under this tax sharing agreement in return for the Agency's waiving of rent on offices spaces used by the College District.

**Garden Grove Redevelopment Agency
Community Redevelopment Project - 1998 Amendment**



06/04/14

Projection of Incremental Taxable Value & Tax Increment Revenue

(000's Omitted)

Table 1 J

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Taxable Values (1)										
Real Property (2)	7,564	7,599	7,750	7,905	8,064	8,225	8,389	8,557	8,728	8,903
Personal Property (3)	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>
Total Projected Taxable Value	7,571	7,606	7,758	7,913	8,071	8,232	8,397	8,564	8,735	8,910
Taxable Value over Base	5,943	1,628	1,663	1,814	1,970	2,128	2,289	2,453	2,621	2,967
Gross Tax Increment Revenue (4)	17	18	19	21	23	25	26	28	30	32
Unitary Tax Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Gross Revenues	18	18	20	21	23	25	26	28	30	32
LESS:										
SB 2557 County Administrative Charge (5)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Pass Throughs										
Tier 1 Taxing Entity Pass Throughs (6)	(4)	(4)	(4)	(4)	(5)	(5)	(5)	(6)	(6)	(6)
Tier 2 Taxing Entity Pass Throughs (6)	(1)	(1)	(1)	(1)	(1)	(2)	(2)	(2)	(3)	(3)
Tier 3 Taxing Entity Pass Throughs (6)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tax Revenues	13	13	14	16	17	18	19	20	21	22

- (1) Taxable values as Reported by Orange County.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% in 2014-15 and at 2% annually thereafter. Values were not adjusted for estimated losses from pending appeals. Values were also not adjusted for new value from transfers of ownership.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment Revenue is based upon incremental taxable values factored against an assumed Project tax Area rate and adjusted for indebtedness approved by voters after 1988. Tax rates are assumed to remain at \$1.0735 per \$100 of taxable value through 2034-35. Beginning in 2035-36 tax rate is assumed to be \$1.07 per \$100 of taxable value for the balance of the projection.
- (5) SB 2557 County Administrative charge is estimated at 1.02% of Gross Revenue.
- (6) All Taxing Entities receive their shares of 25% of Gross Revenue net of Housing Set-Aside Requirement. In addition, after year 10, Taxing Entities receive 21% of Gross Revenue on incremental value above the year 10 value net of Housing Set-Aside Requirement. After year 30, Taxing Entities also receive 14% of Gross Revenue on incremental value above the year 30 value net of Housing Set-Aside Requirement.

**Garden Grove Redevelopment Agency
Community Redevelopment Project - Added Territory**



Projection of Incremental Taxable Value & Tax Increment Revenue

(000's Omitted)

06/04/14

Table 1 K

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Taxable Values (1)										
Real Property (2)	80,216	80,376	81,983	83,623	85,295	87,001	88,741	90,516	92,327	94,173
Personal Property (3)	<u>3,426</u>	<u>3,426</u>	<u>3,426</u>	<u>3,426</u>	<u>3,426</u>	<u>3,426</u>	<u>3,426</u>	<u>3,426</u>	<u>3,426</u>	<u>3,426</u>
Total Projected Taxable Value	83,643	83,802	85,410	87,049	88,722	90,428	92,168	93,943	95,753	97,599
Taxable Value over Base	30,669	52,974	53,134	54,741	56,381	58,053	59,759	61,499	63,274	66,931
Gross Tax Increment Revenue (4)	569	570	588	605	623	642	660	679	699	719
Unitary Tax Revenue	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Gross Revenues	570	571	589	606	624	643	661	680	700	720
LESS:										
SB 2557 County Administrative Charge (5)	(6)	(6)	(6)	(6)	(6)	(7)	(7)	(7)	(7)	(7)
Tax Sharing Payments										
Tier 1 Taxing Entity Pass Throughs (6)	(114)	(114)	(118)	(121)	(125)	(129)	(132)	(136)	(140)	(144)
Tier 2 Taxing Entity Pass Throughs (6)	(6)	(6)	(9)	(12)	(15)	(18)	(21)	(25)	(28)	(31)
Tier 3 Taxing Entity Pass Throughs (6)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tax Revenues	<u>444</u>	<u>445</u>	<u>456</u>	<u>467</u>	<u>478</u>	<u>489</u>	<u>501</u>	<u>513</u>	<u>525</u>	<u>537</u>

- (1) Taxable values as Reported by Orange County.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% in 2014-15 and at 2% annually thereafter. Values for 2014-15 were adjusted for estimated losses of \$1,043,228 from pending appeals. Values for 2014-15 have also been increased \$843,333 for new value from transfers of ownership.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment Revenue is based upon incremental taxable values factored against an assumed Project tax Area rate and adjusted for indebtedness approved by voters after 1988. Tax rates are assumed to remain at \$1.0735 per \$100 of taxable value through 2034-35. Beginning in 2035-36 tax rate is assumed to be \$1.07 per \$100 of taxable value for the balance of the projection.
- (5) SB 2557 County Administrative charge is estimated at 1.02% of Gross Revenue.
- (6) All Taxing Entities receive their shares of 25% of Gross Revenue net of Housing Set-Aside Requirement. In addition, after year 10, Taxing Entities receive 21% of Gross Revenue on incremental value above the year 10 value net of Housing Set-Aside Requirement. After year 30, Taxing Entities also receive 14% of Gross Revenue on incremental value above the year 30 value net of Housing Set-Aside Requirement.

Garden Grove Redevelopment Agency
 Community Redevelopment Project - Merged
 Projection of Incremental Value and Tax Increment Revenue
 (000's omitted)



06/04/14

Table 2

		Total Taxable Value	Taxable Value Over Base Various	Gross Tax Revenue	SB 2557 Charge	1992 Amend. Tax Sharing Payments (1)	1992 Amend. Garden Grove USD Payments (2)	Statutory Tax Sharing Payments (3)	Tax Revenues	1992 Amend. Pass Through Obligations (4)	Subordinate DDA Oblig. (5)	Katella Cottage Notes	Union Bank Loan	Net Tax Revenues
1	2013-14	3,016,851	2,497,024	27,638	(282)	(501)	(2,095)	(1,421)	23,339	(116)	(5,642)	(181)	(4,510)	12,890
2	2014-15	2,933,282	2,413,455	26,741	(273)	(477)	(2,291)	(1,289)	22,411	(113)	(4,525)	(181)	(4,431)	13,162
3	2015-16	2,995,287	2,475,460	27,407	(280)	(495)	(2,390)	(1,400)	22,842	(118)	(5,665)	(181)	(4,351)	12,527
4	2016-17	3,051,342	2,531,515	28,009	(286)	(512)	(2,479)	(1,542)	23,190	(123)	(5,059)	(181)	(4,273)	13,554
5	2017-18	3,108,519	2,588,692	28,622	(292)	(529)	(2,570)	(1,714)	23,518	(128)	(3,823)	(180)	(4,194)	15,193
6	2018-19	3,166,839	2,647,012	29,248	(298)	(546)	(2,663)	(1,889)	23,852	(134)	(1,323)	(179)	(4,115)	18,102
7	2019-20	3,226,325	2,706,498	29,887	(305)	(563)	(2,757)	(2,068)	24,194	(139)	(1,323)	(183)	(3,703)	18,847
8	2020-21	3,287,001	2,767,175	30,538	(311)	(581)	(2,854)	(2,250)	24,542	(144)	(1,323)	(181)	0	22,894
9	2021-22	3,348,891	2,829,064	31,203	(318)	(599)	(2,952)	(2,436)	24,897	(150)	(23)	(183)	0	24,540
10	2022-23	3,412,019	2,892,192	31,880	(325)	(618)	(3,053)	(2,626)	25,259	(155)	0	(181)	0	24,923
11	2023-24	3,476,409	2,956,582	32,572	(332)	(637)	(3,155)	(2,832)	25,616	(161)	0	(183)	0	25,272
12	2024-25	3,542,087	3,022,260	33,277	(339)	(656)	(3,260)	(3,042)	25,979	(167)	0	(179)	0	25,634
13	2025-26	3,609,078	3,089,251	33,996	(347)	(676)	(3,366)	(3,257)	26,350	(173)	0	(180)	0	25,997
14	2026-27	3,652,640	3,133,419	34,464	(352)	(696)	(3,434)	(3,443)	26,539	(179)	0	(180)	0	26,180
15	2027-28	2,570,302	2,112,784	23,397	(239)	(716)	(1,736)	(2,305)	18,402	(185)	0	0	0	18,216
16	2028-29	2,619,975	2,162,457	23,589	(241)	(737)	(1,761)	(2,418)	18,432	(192)	0	0	0	18,240
17	2029-30	2,633,252	2,175,738	22,249	(227)	(758)	(1,550)	(2,333)	17,381	(198)	0	0	0	17,183
18	2030-31	2,419,080	1,974,161	21,701	(221)	(780)	(1,464)	(2,324)	16,912	(205)	0	0	0	16,707
19	2031-32	1,278,513	908,459	9,765	(100)	(802)	(450)	(617)	7,796	(212)	0	0	0	7,585
20	2032-33	1,303,291	933,237	10,031	(102)	(825)	(450)	(658)	7,996	(219)	0	0	0	7,777
21	2033-34	1,328,564	958,510	10,302	(105)	(848)	(450)	(702)	8,197	(226)	0	0	0	7,971
22	2034-35	1,353,785	983,756	10,573	(108)	(871)	(450)	(747)	8,397	(233)	0	0	0	8,164
23	2035-36	1,380,068	1,010,039	10,821	(110)	(895)	(450)	(791)	8,575	(240)	0	0	0	8,335
24	2036-37	1,406,877	1,036,848	11,107	(113)	(920)	(450)	(838)	8,786	(247)	0	0	0	8,539
25	2037-38	1,434,222	1,064,193	11,399	(116)	(945)	(450)	(886)	9,003	(255)	0	0	0	8,748
26	2038-39	1,462,114	1,092,085	11,698	(119)	(970)	(450)	(934)	9,224	(263)	0	0	0	8,961
27	2039-40	1,490,564	1,120,535	12,002	(122)	(996)	(450)	(984)	9,449	(271)	0	0	0	9,178
28	2040-41	1,519,583	1,149,554	12,313	(126)	(1,023)	(450)	(1,035)	9,679	(279)	0	0	0	9,400
29	2041-42	1,549,182	1,179,153	12,629	(129)	(1,050)	(450)	(1,087)	9,914	(287)	0	0	0	9,626
30	2042-43	1,579,373	1,209,344	12,953	(132)	(1,077)	(450)	(1,140)	10,153	(295)	0	0	0	9,857
31	2043-44	159,662	123,051	1,318	(13)	0	0	(431)	874	0	0	0	0	874
32	2044-45	162,787	126,175	1,276	(13)	0	0	(417)	846	0	0	0	0	846
33	2045-46	151,928	121,259	1,299	(13)	0	0	(429)	856	0	0	0	0	856
34	2046-47	154,898	124,229	1,330	(14)	0	0	(444)	873	0	0	0	0	873
35	2047-48	157,927	127,259	1,363	(14)	0	0	(460)	889	0	0	0	0	889
36	2048-49	0	0	0	0	0	0	0	0	0	0	0	0	0
37	2049-50	0	0	0	0	0	0	0	0	0	0	0	0	0
38	2050-51	0	0	0	0	0	0	0	0	0	0	0	0	0
39	2051-52	0	0	0	0	0	0	0	0	0	0	0	0	0
40	2052-53	0	0	0	0	0	0	0	0	0	0	0	0	0
				658,598	(6,718)	(22,302)	(51,230)	(53,188)	525,160	(5,808)	(28,705)	(2,530)	(29,577)	458,540

- (1) Amounts shown are the aggregated senior pass through payments from within the 1992 Amendment.
- (2) Amounts shown are the amounts payable to Garden Grove USD per its agreement with the former redevelopment agency. All payment amounts are paid from revenues of the 1992 Amendment.
- (3) Amounts shown are statutory tax sharing payments from within all component project areas.
- (4) Amounts shown are the aggregated subordinate pass through payments from within the 1992 Amendment.
- (5) Amounts shown are the aggregated payment obligations of the Successor Agency resulting from several DDA and OPA obligations. Amounts payable are not pledges of tax increment and are subordinate to debt service.

**Garden Grove Redevelopment Agency
Community Redevelopment Project - Merged**
HISTORICAL VALUES (1)

Table 3

	Revised Base Year (2004-05)	2004-05	2005-06	2006-07	2007-08	Revised Base Year (2008-09)	2008-09	Revised Base Year (2009-10)	2009-10	Revised Base Year (2010-11)	2010-11	Revised Base Year (2011-12)	2011-12	Revised Base Year (2012-13)	2012-13	2013-14
Secured (2)																
Land	227,208,012	861,441,414	993,137,680	1,104,774,206	1,225,297,194	227,197,412	1,367,223,808	226,978,305	1,345,756,275	225,063,673	1,279,603,454	225,013,954	1,265,942,620	223,962,799	1,281,521,543	1,328,329,281
Improvements	234,312,767	1,045,619,304	1,113,133,231	1,155,428,308	1,229,339,461	234,301,247	1,352,457,672	234,570,929	1,422,108,845	233,647,518	1,387,617,017	233,100,438	1,376,072,367	230,986,284	1,412,584,020	1,439,342,451
Personal Prop	5,697,764	28,826,065	21,659,976	23,659,373	33,182,636	5,697,764	24,524,054	5,697,764	18,710,730	5,697,244	17,570,504	5,704,155	17,762,267	5,704,155	12,321,300	11,632,624
Exemptions	(5,758,993)	(23,341,440)	(25,242,546)	(25,567,535)	(29,655,484)	(5,758,993)	(34,934,088)	(5,758,993)	(36,354,488)	(5,758,993)	(37,653,229)	(5,787,633)	(37,896,960)	(5,787,633)	(41,508,016)	(50,765,362)
TOTAL SECURED	461,459,550	1,912,545,343	2,102,688,341	2,258,294,352	2,458,163,807	461,437,430	2,709,271,446	461,488,005	2,750,221,362	458,649,442	2,647,137,746	458,030,914	2,621,880,294	454,865,605	2,664,918,847	2,728,538,994
Unsecured																
Land	87,480	13,664,995	2,926,616	4,878,083	2,712,482	87,480	20,261,611	87,480	11,551,484	87,480	4,296,847	87,480	6,186,959	87,480	743,689	330,513
Improvements	21,334,524	79,252,723	84,685,814	89,177,393	79,319,160	21,334,524	94,202,729	21,334,524	107,851,946	21,334,524	106,209,383	21,334,524	116,076,763	21,334,524	109,513,405	107,098,944
Personal Prop	43,575,972	147,197,270	163,989,292	176,693,593	190,464,962	43,575,972	192,757,724	43,575,972	208,167,332	43,575,972	191,830,141	43,575,972	180,195,761	43,575,972	171,571,860	183,610,870
Exemptions	(36,725)	(1,407,179)	(1,964,581)	(2,462,098)	(2,255,509)	(36,725)	(2,304,000)	(36,725)	(3,322,087)	(36,725)	(4,191,571)	(36,725)	(5,677,169)	(36,725)	(3,470,659)	(2,728,273)
TOTAL UNSECURED	64,961,251	238,707,809	249,637,141	268,286,971	270,241,095	64,961,251	304,918,064	64,961,251	324,248,675	64,961,251	298,144,800	64,961,251	296,782,314	64,961,251	278,358,295	288,312,054
GRAND TOTAL	526,420,801	2,151,253,152	2,352,325,482	2,526,581,323	2,728,404,902	526,398,681	3,014,189,510	526,449,256	3,074,470,037	523,610,693	2,945,282,546	522,992,165	2,918,662,608	519,826,856	2,943,277,142	3,016,851,048
Incremental Value:		1,624,832,351	1,825,904,681	2,000,160,522	2,201,984,101		2,487,790,829		2,548,020,781		2,421,671,853		2,395,670,443		2,423,450,286	2,497,024,192
Percentage Annual Growth:			9.35%	7.41%	7.99%		10.47%		2.00%		-4.20%		-0.90%		0.84%	2.50%

(1) Source: County of Orange.

(2) Secured values include state assessed non-unitary utility property.

**Garden Grove Redevelopment Agency
Community Redevelopment Project - Merged**

TOP TEN TAXABLE PROPERTY OWNERS

Fiscal Year 2013-14

Table 4



06/04/14

	Secured			Unsecured			Total			Property Uses	Project Area
	Assessed Value	Parcels	Percentage	Assessed Value	Parcels	Percentage	Assessed Value	% of Project Taxable Value	% of Project Inc. Value		
1. American Lodging Garden Grove Harbor	\$57,443,220	10	2.11%	\$0	0	0.00%	\$57,443,220	1.90%	2.30%	Hyatt Regency Hotel	1979 Amendment
2. Landmark Hotels II	\$48,438,094	2	1.78%	\$5,093,013	1	1.77%	\$53,531,107	1.77%	2.14%	Embassy Suites Hotel	1979 Amendment
3. Landmark Marriott Suites (Pending Appeals On Parcels)	\$53,094,806	1	1.95%	\$0	0	0.00%	\$53,094,806	1.76%	2.13%	Marriott Suites Hotel	1992 Amendment
4. Newage Garden Grove (Pending Appeals On Parcels)	\$43,441,898	1	1.59%	\$1,520,465	1	0.53%	\$44,962,363	1.49%	1.80%	Sheraton Garden Grove	1979 Amendment
5. Chatham Rigg (Pending Appeals On Parcels)	\$43,477,146	1	1.59%	\$937,347	1	0.33%	\$44,414,493	1.47%	1.78%	Residence Inn By Marriott	1979 Amendment
6. HGGA Promenade	\$42,862,555	8	1.57%	\$0	0	0.00%	\$42,862,555	1.42%	1.72%	Retail Shopping Center	Brookhurst-Chapman
7. OHI Resort Hotels	\$40,725,539	5	1.49%	\$0	0	0.00%	\$40,725,539	1.35%	1.63%	Crowne Plaza Resort	1979 and 1992 Amendments
8. SPS Technologies	\$0	0	0.00%	\$37,259,606	5	12.92%	\$37,259,606	1.24%	1.49%	High Tech Fasteners	1974 Amendment
9. LBA RIV-COMPANY XXVII	\$30,900,000	7	1.13%	\$0	0	0.00%	\$30,900,000	1.02%	1.24%	Light Industrial/Office Park	1974 Amendment
10. Swedlow Inc	\$25,786,166	3	0.95%	\$0	0	0.00%	\$25,786,166	0.85%	1.03%	Industrial Buildings	1974 Amendment
Totals:	\$386,169,424	38		\$44,810,431	8		\$430,979,855				
Total Assessed Values:	\$2,728,538,994		14.15%	\$288,312,054		15.54%	\$3,016,851,048		14.29%		
Incremental Assessed Value:	2,273,673,389		16.98%	223,350,803		20.06%	2,497,024,192		17.26%		

**Garden Grove Redevelopment Agency
Community Redevelopment Project - Merged**

New Development
Table 5



06/04/14

<u>Real Property Value</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing</u>	000's omitted		<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	
					<u>Total Value Added</u>	<u>Start</u>					<u>Complete</u>
	0	\$0.00	\$0	\$0	\$0		0	0	0	0	
	0	\$0.00	\$0	\$0	\$0		0	0	0	0	
	0	\$0.00	\$0	\$0	\$0		0	0	0	0	
	0	\$0.00	\$0	\$0	\$0		0	0	0	0	
	0	\$0.00	\$0	\$0	\$0		0	0	0	0	
Transferred Parcels after 1-1-2013	208	Lump Sum	\$145,668,600	(\$114,932,041)	\$30,737		0	30,737	0	0	
Transferred Parcels after 1-1-2014	47	Lump Sum	<u>\$37,381,500</u>	<u>(\$30,333,392)</u>	<u>\$7,048</u>		0	0	7,048	0	
Total Real Property Value			\$183,050,100	(\$145,265,433)	\$37,785		0	30,737	7,048	0	
Total Real Property including Inflation Adjustment @ 2% per year:								\$0	\$30,737	\$7,189	\$0

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APPENDIX H
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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FOR ADDITIONAL BOOKS: ELABRA.COM OR (888) 935-2272