PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 7, 2014

NEW ISSUE—BOOK-ENTRY **S&P: "A+"**

In the opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel, under current law and assuming compliance with certain covenants in the documents pertaining to the 2014 Bonds and requirements of the Internal Revenue Code of 1986, as amended, as described in this Official Statement, interest on the 2014 Bonds is not includable in the gross income of the owners of the 2014 Bonds for federal income tax purposes. In the further opinion of Bond Counsel, interest on the 2014 Bonds is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest on the 2014 Bonds, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability. In the further opinion of Bond Counsel, interest on the 2014 Bonds is exempt from personal income taxes imposed by the State of California. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2014 Bonds. See "TAX MATTERS" for further information.

$30,000,000*
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF HOLLISTER (HOLLISTER COMMUNITY DEVELOPMENT PROJECT) 2014 TAX ALLOCATION REFUNDING BONDS

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

Purpose of the Bonds. The captioned bonds (the "2014 Bonds") are being issued by the Successor Agency to the Redevelopment Agency of the City of Hollister (the "Successor Agency"), as successor to the Redevelopment Agency of the City of Hollister (the "Redevelopment Agency"), to refinance all of the outstanding 2003 Bonds (as defined in this Official Statement). The outstanding 2003 Bonds financed and refinanced redevelopment activities in the Hollister Community Development Project Area (the "Project Area"), as described in this Official Statement.

Indenture. The Successor Agency is issuing the 2014 Bonds pursuant to Resolution No. 85-10R, adopted by the Redevelopment Agency on September 30, 1985, as amended and supplemented from time to time (as so amended and supplemented, "Resolution No. 85-10R"), including as most recently amended and supplemented by Resolution No. 2014-06 SA of the Successor Agency adopted on April 21, 2014 and an Indenture, dated as of August 1, 2014 (the "Indenture"), by and between the Successor Agency and MUFG Union Bank, N.A., as trustee and successor fiscal agent under Resolution No. 85-10R.

Book-Entry; Principal and Interest Payments. 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 the denomination of $5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the 2014 Bonds. See "APPENDIX C – Book-Entry Only System."

Interest on the 2014 Bonds due April 1 and October 1 of each year (each, an "Interest Payment Date"), commencing April 1, 2015, and principal on the 2014 Bonds due October 1 of each year, will be payable by the Trustee to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the 2014 Bonds.

Record Date. The record date for the 2014 Bonds is the 15th calendar day of the month preceding each Interest Payment Date.

Redemption. The 2014 Bonds are subject to optional redemption and mandatory sinking fund redemption prior to their stated maturity date. See "THE 2014 BONDS – Redemption."

Security for the Bonds. The 2014 Bonds are payable from and secured by a pledge of the Tax Revenues (as defined in this Official Statement) to be derived from the Project Area and moneys in certain funds and accounts established under Resolution No. 85-10R and continued by the Indenture, as further described in this Official Statement. See "SECURITY FOR THE 2014 BONDS."

The Successor Agency will fund a debt service reserve account for the 2014 Bonds, the 2009 Bonds (as defined in this Official Statement) and any other additional bonds issued in the future on a parity with the 2014 Bonds and the 2009 Bonds. See "SECURITY FOR THE 2014 BONDS – Reserve Account."

Bond Insurance. The Successor Agency has applied for a municipal bond insurance policy and will decide whether to purchase any such policy in connection with the pricing of the 2014 Bonds.

Existing Parity Bonds; Additional Bonds for Refunding Purposes. The 2014 Bonds are being issued on a parity with the outstanding 2009 Bonds. Resolution No. 85-10R and the Indenture authorize the Successor Agency to issue additional bonds payable from Tax Revenues on a parity with the 2014 Bonds and the 2009 Bonds only for refunding purposes. See "THE 2014 BONDS - Existing Parity Bonds; Additional Bonds."

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 and interest from Tax Revenues and other funds described in this Official Statement. The principal of and interest on the 2014 Bonds are not a debt of the City of Hollister (the "City"), the County of San Benito (the "County"), the State of California (the "State") or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State nor any of their political subdivisions except the Successor Agency is liable thereon. The principal of and interest on the 2014 Bonds are not payable out of any funds or properties other than those set forth in Resolution No. 85-10R. Neither the members of the Successor Agency, the Oversight Board of the Successor Agency, the City Council 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 Sidley Austin LLP, San Francisco, Bond Counsel to the Successor Agency. Certain legal matters will be passed on for the Successor Agency by the Goldfarb & Lipman LLP, as counsel to the Successor Agency, and for the Underwriters by Jones Hall, A Professional Law Corporation, San Francisco, California. 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 August 26, 2014.

STIFEL **Stinson Securities, LLC**

The date of this Official Statement is ____________, 2014.

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* Preliminary; subject to change.

MATURITY SCHEDULE

$30,000,000*
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
OF THE CITY OF HOLLISTER
(HOLLISTER COMMUNITY DEVELOPMENT PROJECT)
2014 TAX ALLOCATION REFUNDING BONDS

Maturity Date (October 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† (Base _____)
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					

*Preliminary; subject to change.

SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY OF HOLLISTER

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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 in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the 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 Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Document References and Summaries. All references to and summaries of Resolution No. 85-10R and 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 Underwriters may overallot 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 Underwriters may discontinue such market stabilization at any time. The Underwriters 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 Underwriters.

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.

OFFICIAL STATEMENT

$30,000,000*
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY OF HOLLISTER
(HOLLISTER COMMUNITY DEVELOPMENT PROJECT)
2014 TAX ALLOCATION REFUNDING BONDS

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 Redevelopment Agency of the City of Hollister (the "**Successor Agency**") of the captioned bonds (the "**2014 Bonds**").

The Successor Agency is the successor by operation of law to the Redevelopment Agency of the City of Hollister (the "**Redevelopment Agency**"), which was dissolved on February 1, 2012.

Authority to Issue the 2014 Bonds

The Successor Agency is issuing the 2014 Bonds pursuant to the following:

- Section 34177.5(a)(1) of the Health & Safety Code of the State of California (which is part of the Dissolution Act described below),

- Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "**Refunding Law**"), and

- Resolution No. 85-10R, adopted by the Redevelopment Agency on September 30, 1985, as amended and supplemented from time to time (as so amended and supplemented, "**Resolution No. 85-10R**"), including as most recently amended and supplemented by Resolution No. 2014-06 SA of the Successor Agency adopted on April 21, 2014 and an Indenture, dated as of August 1, 2014 (the "**Indenture**"), by and between the Successor Agency and MUFG Union Bank, N.A., as trustee and successor fiscal agent under Resolution No. 85-10R (in either or both capacities as the context requires, the "**Trustee**"). At such time as the 2009 Bonds (as defined below) no longer remain outstanding for purposes of Resolution No. 85-10R, the 2014 Bonds and any Additional Bonds (as defined below) will be governed only by the Indenture, and Resolution No. 85-10R will be of no further force and effect. See "THE 2014 BONDS – Authority for Issuance."

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* Preliminary; subject to change.

Purpose; Existing Parity Obligations; Future Parity Obligations (Only for Refundings)

The Redevelopment Agency previously issued several series of bonds, two of which remain outstanding:

- Redevelopment Agency of the City of Hollister, Hollister Community Development Project Tax Allocation Bonds, Series 2003 (the "**2003 Bonds**"), which are outstanding in the principal amount of $33,625,000.
- Redevelopment Agency of the City of Hollister, Hollister Community Development Project Tax Allocation Bonds, Series 2009 (the "**2009 Bonds**"), which are outstanding in the principal amount of $7,260,000.

The Successor Agency is issuing the 2014 Bonds to refund all of the 2003 Bonds. The proceeds of the 2003 Bonds were used to: (1) refund and defease certain bonds of the Redevelopment Agency that were issued to finance redevelopment projects and activities in the Hollister Community Development Project Area (the "**Project Area**"); and (2) finance redevelopment activities in the Project Area. The 2014 Bonds are being issued on a parity with the outstanding 2009 Bonds.

Resolution No. 85-10R and the Indenture authorize the Successor Agency to issue, at a future date, additional bonds payable from Tax Revenues on a parity with the 2009 Bonds and the 2014 Bonds solely for the purpose of refunding any or all of such bonds. See "THE SERIES 2014 BONDS - Existing Parity Bonds; Additional Bonds."

The City and the Successor Agency

City; County. The City of Hollister (the "**City**") is located in the north-central portion of San Benito County (the "**County**"), along the San Benito River, approximately 95 miles south of San Francisco. The City was incorporated in 1872 and encompasses an area of approximately 4,232 acres. It maintains a council-manager form of government, with the Mayor and Council members elected at-large for four-year terms.

See "APPENDIX G – SUPPLEMENTAL INFORMATION – CITY OF HOLLISTER."

Redevelopment Agency. The Redevelopment Agency was a redevelopment agency with all of the powers vested in such organizations under the California Community Redevelopment Law (the "**Redevelopment Law**"). The members of the City Council of the City sat as the governing board of the Redevelopment 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 in the State of California (the "**State**"). 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 Redevelopment

Agency, and successor agencies to the former redevelopment agencies were required to be designated in order to expeditiously wind down the affairs of the former redevelopment agencies.

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

The Dissolution Act authorizes the Successor Agency to issue refunding bonds under Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "**Refunding Law**") to provide debt service savings within the parameters set forth in Section 34177.5(a)(1) of the Redevelopment Law.

The Redevelopment Law, as amended and supplemented by the Dissolution Act, and the Refunding Law, are collectively referred to as the "**Law**" in this Official Statement.

Successor Agency. Pursuant to Section 34173 of the Dissolution Act, the City made an election to act as the successor agency to the Redevelopment 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 Redevelopment Agency will not be transferred to the City nor will the assets of the Redevelopment Agency become assets of the City.

The Redevelopment Plan and the Project Area

Redevelopment Plan. The City Council of the City established the Project Area and approved the Plan of the Hollister Community Development Project Area (the "**Original Redevelopment Plan**") pursuant to its Ordinance No. 611, adopted by the City Council on July 19, 1983. The Original Redevelopment Plan, as subsequently amended, is referred to in this Official Statement as the "**Redevelopment Plan**." See "THE PROJECT AREA - The Redevelopment Plan" for more information about the Redevelopment Plan.

Project Area. The Project Area is composed of approximately 2,075 acres of land located within the City and encompasses approximately 49% of the City, including its downtown area and adjacent residential neighborhoods. See "THE PROJECT AREA- Project Description."

Tax Allocation Financing

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues, and the San Benito County Auditor-Controller apportioned tax increment revenue to the Redevelopment Agency in two roughly equal payments in December and April of each fiscal year. An additional payment was made in August to allocate any tax increment revenues that had not previously been paid. The taxable valuation of the property within the Project Area on the property tax roll last equalized prior to the effective date of the ordinance which adopted the Redevelopment Plan became the base year valuation. If taxable valuation never dropped below the base year level, the taxing agencies receiving property taxes thereafter received only that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion of property taxes produced by applying then current tax rates to the increase in valuation over the base year (net of negotiated or statutory tax-sharing payments to the extent applicable). Such incremental tax revenues allocated to the Redevelopment Agency were authorized to be pledged to the payment of redevelopment agency obligations.

Issuance of Refunding Bonds under the Dissolution Act

Section 34177.5(a)(1) of the Dissolution Act authorizes the issuance of refunding bonds to provide debt service savings, provided that (i) the total interest cost to maturity on the refunding bonds or other indebtedness plus the principal amount of the refunding bonds or other indebtedness does not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (ii) the principal amount of the refunding bonds or other indebtedness does not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance.

The Dissolution Act authorizes a successor agency -- as the Successor Agency does here -- to pledge to the refunding bonds the revenues pledged to the bonds being refunded, and the Dissolution Act provides that the pledge shall have the same lien priority as the pledge of the bonds being refunded and that the pledge shall be valid, binding and enforceable in accordance with its terms.

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

Tax Revenues. In accordance with Section 34177.5(a)(1) of the Dissolution Act, the 2014 Bonds are secured by and are payable from an exclusive pledge of "Tax Revenues." The term "Tax Revenues" is defined in Resolution No. 85-10R as, for each Fiscal Year while any "**Bonds**" (defined as the Series 2009 Bonds, the 2014 Bonds and any Additional Bonds) are Outstanding (as defined in the Indenture), the taxes (including all payments, reimbursements and subventions, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Successor Agency pursuant to the Redevelopment Law as provided in the Redevelopment Plan up to an amount that is equal to (i) 130% of the Maximum Annual Debt Service (as defined below) on all then Outstanding Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Redevelopment Law, plus (ii) an amount, if any, necessary to be deposited in the Reserve Account (as defined below) to maintain the required balance therein, without any reduction by reason of Article XIIIB of the Constitution of the State of California.

"Tax Revenues" does not include:

(i) amounts pledged to the San Benito Hospital District (the "**Hospital District**") pursuant to the Agreement, dated November 5, 1984, by and between the Hospital District and the Redevelopment Agency (the "**Hospital District Pass-Through Agreement**"), and

(ii) amounts payable to the San Benito County Water Conservation and Flood Control District (the "**Flood Control District**") under the Agreement, dated November 5, 1984, by and between the Flood Control District and the Redevelopment Agency (the "**Flood Control District**

Pass-Through Agreement"). See "SECURITY FOR THE 2014 BONDS - Negotiated Pass-Through Agreements."

Redevelopment Property Tax Trust Fund. The Dissolution Act requires the San Benito County Auditor-Controller (the "**County Auditor-Controller**") to determine the amount of property taxes that would have been allocated to the Redevelopment Agency from the Project Area had the Redevelopment Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller (the "**Redevelopment Property Tax Trust Fund**") pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Redevelopment 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 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 Schedules").

The Dissolution Act further provides 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.

Property tax revenues will be allocated to the Successor Agency on a semi-annual basis (on January 2 and June 1) based on a Recognized Obligation Payment Schedule submitted by the Successor Agency to an oversight board established for the Successor Agency (the "**Oversight Board**") and the Department of Finance of the State ("**DOF**"). The County Auditor-Controller will distribute funds from the Redevelopment Property Tax Trust Fund for each six-month period in the order specified in the Dissolution Act. See "SECURITY FOR THE 2014 BONDS – Recognized Obligation Payment Schedules."

Reserve Account

Resolution No. 85-10R established a debt service reserve account (the "**Reserve Account**") within the Special Fund (as defined in Resolution No. 85-10R) in an amount equal to the Maximum Annual Debt Service (as defined in Resolution No. 85-10R) on all Outstanding Bonds (which will include the 2009 Bonds, the 2014 Bonds and any Additional Bonds (as defined below) issued by the Successor Agency in the future). A portion of the proceeds of the 2014 Bonds will fund a deposit of $________, which together with funds on hand, will satisfy the reserve requirement under Resolution No. 85-10R. See "SECURITY FOR THE 2014 BONDS – Reserve Account."

Bond Insurance

The Successor Agency has applied for a municipal bond insurance policy and will decide whether to purchase any such policy in connection with the pricing of the 2014 Bonds.

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 and interest from Tax Revenues and other funds. The principal of and interest on 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 nor any of their political subdivisions except the Successor Agency are liable thereon. The principal of and interest on the 2014 Bonds 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, the City Council or any person executing the 2014 Bonds is liable personally on the 2014 Bonds by reason of their issuance.

Professionals Involved in the Offering

Rosenow Spevacek Group, Inc., Santa Ana, California, has acted as fiscal consultant to the Successor Agency (the "**Fiscal Consultant**") and advised the Successor Agency as to the taxable values and Tax Revenues projected to be available to pay debt service on the 2014 Bonds as referenced in this Official Statement. The report, including an addendum thereto, prepared by the Fiscal Consultant is referred to as the "**Fiscal Consultant Report**" and is attached as Appendix H.

Public Financial Management, Inc., San Francisco, California, has acted as financial advisor to the Successor Agency (the "**Financial Advisor**").

MUFG Union Bank, N.A., Los Angeles, California, will act as Trustee under the Indenture with respect to the 2014 Bonds and as successor Fiscal Agent under Resolution No. 85-10R.

All proceedings in connection with the issuance of the 2014 Bonds are subject to the approval of Sidley Austin LLP, San Francisco, California, Bond Counsel to the Successor Agency.

Goldfarb & Lipman LLP, as Successor Agency counsel, will render certain opinions on behalf of the Successor Agency.

Certain legal matters will be passed on for the Underwriters by Jones Hall, A Professional Law Corporation, San Francisco, California.

Payment of the fees and expenses of Bond Counsel and Underwriters' Counsel is contingent upon the sale and delivery of the 2014 Bonds.

Further Information

Brief descriptions of the Redevelopment Law, the Dissolution Act, the Refunding Law, the 2014 Bonds, Resolution No. 85-10R, the Indenture, the Successor Agency, the Redevelopment 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 in this Official Statement to the Redevelopment Law, the Dissolution Act, the Refunding Law, the 2014 Bonds, Resolution No. 85-10R, the Indenture, the Constitution and the laws of the State, as well as the proceedings of the Redevelopment Agency, the Successor Agency, the County and the City, are qualified in their entirety by reference to such documents, laws, and proceedings. References in this Official Statement to the 2014 Bonds are qualified in their entirety by the form included in the Indenture and by the provisions of Resolution No. 85-10R and the Indenture. Capitalized terms used in this Official Statement and not otherwise defined shall have the meanings given to such terms as set forth in the Indenture.

During the period of the offering of the 2014 Bonds, copies of the forms of all documents are available from the City Clerk, City of Hollister, 375 Fifth Street, Hollister, California 95023.

REFUNDING PLAN

Refunding of the 2003 Bonds

The 2003 Bonds are subject to redemption in whole or in part on any interest payment date on and after October 1, 2013, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the redemption date, without premium.

The Successor Agency will deliver a portion of the net proceeds of the 2014 Bonds to the Trustee for deposit in an escrow account established under the Indenture (the "**Escrow Fund**") for the purpose of redeeming all of the outstanding 2003 Bonds on October 1, 2014.

The Trustee will hold amounts deposited in the Escrow Fund either uninvested or invested in federal securities.

The cash and securities (if any) in the Escrow Fund are pledged solely to the payment of amounts due and payable by the Successor Agency with respect to the 2003 Bonds. Neither the cash deposited in the Escrow Fund nor any interest earned on the securities (if any) will be available for the payment of debt service on the 2014 Bonds.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds are summarized below.

	Amount
Sources:	
Principal Amount of 2014 Bonds	
Plus: Net Original Issue Premium/*Less*: Original Issue Discount	
Plus: 2003 Bonds - Available Funds	
Total Sources	
Uses:	
Escrow Fund	
Reserve Account	
Underwriters' Discount	
Costs of Issuance (1)	
Total Uses	

(1) Includes fees and expenses for Bond Counsel, Fiscal Consultant, Trustee, Successor Agency counsel, printing expenses, rating agency fees and other costs related to the issuance of the 2014 Bonds.

Debt Service Schedule

The following table shows the annual debt service schedule for the 2014 Bonds, as well as the debt service on the 2009 Bonds, which are payable from Tax Revenues on a parity basis with the 2014 Bonds, assuming in each case no optional redemption.

Bond Year Ending October 1	2014 Bonds Principal	2014 Bonds Interest	2014 Bonds Total Debt Service	2009 Bonds Debt Service	Grand Total
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					

See "THE PROJECT AREA - Projected Tax Revenues and Estimated Debt Service Coverage" for a summary of projected Tax Revenues available to pay debt service on the 2014 Bonds and the resulting estimated debt service coverage.

THE 2014 BONDS

Authority for Issuance

The issuance of the 2014 Bonds is authorized by (i) Resolution No. 85-10R and (ii) Resolution No. 2014-05 OB adopted by the Oversight Board for the Successor Agency on April 24, 2014 (the "**Oversight Board Resolution**").

On June 30, 2014, the DOF provided a letter to the Successor Agency stating that based on the DOF's review and application of the law, the Oversight Board Resolution approving the 2014 Bonds is approved by the DOF. See "APPENDIX F – State Department of Finance Approval Letter" for a copy of such letter from the DOF.

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 DOF, the oversight board may not unilaterally approve any amendments to or early termination of the bonds, and the scheduled payments on the bonds shall be enforceable obligations of the Successor Agency included in the Recognized Obligation Payment Schedule and are not subject to further review and approval by the DOF or the California State Controller.

Description of the 2014 Bonds

The 2014 Bonds will be issued and delivered in fully-registered form without coupons in the denomination of $5,000 or any integral multiple thereof for each maturity, initially in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**"), New York, New York, as registered owner of all 2014 Bonds. The initially executed and delivered Bonds will be dated the date of delivery (the "**Closing 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 a 360-day year of twelve 30-day months at the rates shown on the inside cover page of this Official Statement, payable semiannually on April 1 and October 1 in each year (each, an "**Interest Payment Date**"), commencing on April 1, 2015, by check mailed to the registered owners thereof or upon the request of the Owners of $1,000,000 or more in principal amount of 2014 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 15th calendar day of the month preceding each Interest Payment Date (each such date, the "**Record 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."

Redemption*

Optional Redemption. The 2014 Bonds are subject to optional redemption, as a whole or in part (among such maturities as selected by the Successor Agency and by lot within any one maturity), prior to their maturity date, at the option of the Successor Agency, on any date on or after October 1, 20__, from funds derived by the Successor Agency from any source, together with interest accrued thereon to the date fixed for redemption.

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* Preliminary; subject to change.

Mandatory Sinking Account Redemption. The Series 2014 Bonds maturing in ____ (the "**Series 2014 Term Bonds of ____**") are subject to mandatory sinking account redemption in part by lot prior to their maturity date, on any October 1 on or after October 1, ____, solely from funds derived by the Trustee from the Series 2014 Term Bonds of ____ Sinking Account, at the principal amount thereof plus accrued interest thereon to the redemption date, without premium in the principal amounts and on the dates set forth below:

Term Bond due October 1, 20___

Redemption Date (October 1)	Mandatory Sinking Fund Payment
	$
†	

† Maturity.

Notice of Redemption. The Trustee for and on behalf of the Successor Agency will mail notice of any redemption not less than 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 2014 Bonds registration records of the Trustee, and (ii) to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system, accessible at emma.msrb.org; but such mailing will not be a condition precedent to a redemption and neither failure to receive a redemption notice nor any insufficiency in the redemption notice will affect the validity of the proceedings for the redemption of such 2014 Bonds or the cessation of the accrual of interest on the 2014 Bonds to be redeemed.

The redemption notice will state the date of the notice, the place or places or redemption, the redemption date and the redemption price, will designate the CUSIP number of the 2014 Bonds to be redeemed, state the individual number of each Series 2014 Bond to be redeemed or state that all Bonds between two stated numbers (both inclusive) are to be redeemed, and will require that such 2014 Bonds be then surrendered at the Trust Office of the Trustee specified in the redemption notice for redemption at the redemption price, giving notice also that further interest on the 2014 Bonds to be redeemed will not accrue from and after the redemption date.

With respect to any redemption notice with respect to an optional redemption of any 2014 Bonds, such notice may state that such redemption shall be conditioned upon the receipt by the Trustee, on or prior to the redemption date, of the redemption price on the 2014 Bonds to be redeemed.

Partial Redemption of Bonds. If less than all of the 2014 Bonds are to be optionally redeemed at any one time, the Successor Agency is required to designate the 2014 Bonds, or the portions thereof, to be redeemed pro rata (unless otherwise directed by the Successor Agency), in integral multiples of $5,000. Within each maturity, the 2014 Bonds to be optionally redeemed will be selected by the Trustee for redemption by lot. In the event only a portion of any 2014 Bond is called for redemption, then, upon surrender of such 2014 Bond, the

Successor Agency will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new 2014 Bond or 2014 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.

Effect of Redemption. After the date fixed for redemption, if notice of redemption has been given and funds available for the payment of the redemption price of and interest on the 2014 Bonds so called for redemption have been duly provided, no interest will accrue thereon from and after the redemption date specified in such notice.

Manner of Redemption. Whenever any 2014 Bonds or portions thereof are to be selected for redemption by lot, the Trustee will make the selection, in such manner as the Trustee deems appropriate and such selection shall be conclusive in the absence of fraud.

Purchase in Lieu of Redemption. In lieu of redemption of any 2014 Bonds, the Successor Agency may, in a Written Request of the Successor Agency, direct that the Trustee, at any time prior to selection of 2014 Bonds for redemption, purchase 2014 Bonds at public or private sale, provided that, in no event may 2014 Bonds be purchased at a price (including brokerage and other charges) in excess of the redemption price thereof, plus accrued interest (which is payable from the Interest Account) to the date of purchase.

Existing Parity Bonds; and Additional Bonds (for Refunding Purposes Only)

Existing Parity Bonds. Following issuance of the 2014 Bonds and the defeasance of all of the outstanding 2003 Bonds, the 2009 Bonds will remain outstanding and will be payable from Tax Revenues on a parity basis to the 2014 Bonds. See "REFUNDING PLAN."

Additional Bonds (for Refunding Purposes Only). Resolution No. 85-10R authorizes the Successor Agency to issue bonds that are payable from Tax Revenues on a parity basis with the 2009 Bonds and the 2014 Bonds ("**Additional Bonds**"), subject to certain conditions precedent set forth in Resolution No. 85-10R, including the requirement that such Additional Bonds be issued solely for refunding any or all of the 2009 Bonds or the 2014 Bonds.

THE DISSOLUTION ACT

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

The Dissolution Act further provides that bonds authorized by the Dissolution Act to be issued by the Successor Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized to be issued by the Successor Agency under the Dissolution Act, including the 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, 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 applicable 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 Redevelopment Agency/Successor Agency: Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property (which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency), that portion of the levied taxes each year in excess of such amount, annually allocated within limitations established by the Redevelopment Plan, following the date of issuance of bonds, when collected will be paid into the Redevelopment Property Tax Trust Fund, 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 Redevelopment Agency or the Successor Agency to finance or refinance the redevelopment projects of the Redevelopment Agency.

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

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 each successor agency to prepare, and submit to the DOF for approval, an Oversight Board-approved 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.

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

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

(i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act (see "SECURITY FOR THE 2014 BONDS - Statutory Pass-Through Amounts" and "Pass-Through Agreements") and no later than each January 2 and June 1, to each taxing entity and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including negotiated pass-through agreements and statutory pass-through obligations;

(ii) second, on each January 2 and June 1, to the successor agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule;

(iii) third, on each January 2 and June 1, to the successor agency for the administrative cost allowance, as defined in the Dissolution Act; and

(iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity's share of property tax revenues in the tax rate area in that fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

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

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

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 DOF, and the State Controller by 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 city or county 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 DOF. Additionally, the successor agency's administrative cost allowance is reduced by 25% if the successor agency fails to 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."

In addition, there are strong incentives for the Successor Agency to submit Recognized Obligation Payment Schedules on time. If the Successor Agency does not submit a Recognized Obligation Payment Schedule to the Oversight Board and the DOF at least 90 days prior to each January 2 and June 1, then the City will be subject to a $10,000 per day civil penalty for every day the schedule is late. Additionally, if the Successor Agency does not submit a Recognized Obligation Payment Schedule to the Oversight Board and the DOF at least 80-days prior to each January 2 and June 1, then the Successor Agency's administrative cost allowance may be reduced by up to 25%. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications for the 2014 Bonds, see "RISK FACTORS – Recognized Obligation Payment Schedule."

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 Tax Revenues (as defined below) to be derived from the Project Area.

Pledge Under the Indenture

The 2009 Bonds, the 2014 Bonds and any Additional Bonds are equally secured by a pledge and lien on all of the Tax Revenues and all moneys in the Special Fund, the Redevelopment Obligation Retirement Fund and the funds and accounts established under Resolution No. 85-10R. Pursuant to Resolution No. 85-10R and the Indenture, this pledge constitutes a first and exclusive lien on the Tax Revenues and such other money.

Tax Revenues

"Tax Revenues" has the meaning given that term in Resolution No. 85-10R: for each Fiscal Year while any "**Bonds**" (defined as the 2009 Bonds, the 2014 Bonds and any Additional Bonds) are Outstanding, the taxes (including all payments, reimbursements and subventions, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Successor Agency pursuant to the Redevelopment Law as provided in the Redevelopment Plan up to an amount that is equal to (i) 130% of the Maximum Annual Debt Service (as defined below) on all then Outstanding Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Redevelopment Law, plus (ii) an amount, if any, necessary to be deposited in the Reserve Account (as defined below) to maintain the required balance therein, without any reduction by reason of Article XIIIB of the Constitution of the State of California.

"Tax Revenues" does not include:

(i) amounts pledged to the San Benito Hospital District (the "**Hospital District**") pursuant to the Agreement, dated November 5, 1984, by and between the Hospital District and the Redevelopment Agency (the "**Hospital District Pass-Through Agreement**"), and

(ii) amounts payable to the San Benito County Water Conservation and Flood Control District (the "**Flood Control District**") under the Agreement, dated November 5, 1984, by and between the Flood Control District and the Redevelopment Agency (the "**Flood Control District Pass-Through Agreement**"). See "SECURITY FOR THE 2014 BONDS - Negotiated Pass-Through Agreements."

Housing Set-Aside

Before it was amended by the Dissolution Act, the Redevelopment Law required the Redevelopment Agency to set aside not less than 20% of all tax increment generated in the Project Area into a low and moderate income housing fund to be used for the purpose of increasing, improving and/or preserving the supply of low and moderate income housing. These tax increment revenues were commonly referred to as "**Housing Set-Aside**." The Dissolution Act eliminates the characterization of certain tax increment revenues as Housing Set-Aside. As a result, and because the Successor Agency has no obligations that are payable from Housing

Set-Aside, the former Housing Set-Aside is available to pay debt service on the 2009 Bonds and the 2014 Bonds; the projection of Tax Revenues prepared by the Fiscal Consultant and set forth in the section of this Official Statement entitled "THE PROJECT AREA – Projected Tax Revenues and Estimated Debt Service Coverage," assumes the availability of the former Housing Set-Aside for this purpose.

Flow of Funds

Redevelopment Obligation Retirement Fund. Resolution No. 85-10R provides that amounts deposited from time to time in the Redevelopment Property Tax Trust Fund and allocated to the Successor Agency for payments listed on its Recognized Obligation Payment Schedules will be deposited by the Successor Agency in the Redevelopment Obligation Retirement Fund to be administered by the Successor Agency under the Dissolution Act.

Special Fund. Resolution No. 85-10R provides that the Successor Agency will transfer amounts from the Redevelopment Obligation Retirement Fund to the "Successor Agency to the Redevelopment Agency of the City of Hollister, Hollister Community Development Project Special Fund" (the "**Special Fund"**) established by Resolution No. 85-10R and held by the Trustee. See "APPENDIX A – Summary of Certain Provisions of Resolution No. 85-10R."

Transfers from the Special Fund. All moneys in the Special Fund established pursuant to Resolution No. 85-10R will be set aside by the Trustee in the following special accounts within the Special Fund:

- Interest Account
- Principal Account
- Term Bonds of 2032 Sinking Account
- Term Bonds of ______ Sinking Account
- Reserve Account

The Trustee will transfer moneys in the Special Fund in the following amounts at the following times in the following priority:

Interest Account. On or before the last day of March and September of each year, beginning on March 31, ______, the Trustee is required to aside from the Special Fund and deposit in the Interest Account an amount of money which, together with any money contained therein is equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the next succeeding interest payment date, plus any amount necessary to be held as a reserve under the Indenture when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the Indenture for the next payment due in the following half of the calendar year. No deposit need be made into the Interest Account if the amount contained therein, is at least equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the next succeeding interest payment date plus the amount necessary to be held as a reserve under the Indenture when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the Indenture for the next payment due in the following half of the calendar year. All moneys in the Interest Account are required to be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Outstanding Bonds as it shall become due and payable (including accrued interest on any Outstanding Bonds purchased or redeemed prior to maturity).

Principal Account. On or before the last day of September of each year, beginning on September 30, _____, the Trustee is required to set aside from the Special Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Serial Bonds on the next succeeding principal payment date, plus any amount necessary to be held as a reserve under the Indenture when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the Indenture for the next payment due in the following half of the calendar year.

In the event that there shall be insufficient money in the Special Fund to make in full such principal payments and Sinking Account installments required to be made pursuant to the Indenture at any one time, then the available money will be applied pro rata to the making of such principal payments and such Sinking Account installments in the proportion which such principal payments and Sinking Account installments bear to each other.

All money in the Principal Account and Sinking Accounts is required to be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as they become due and payable, except that money in a Sinking Account may be used and withdrawn by the Trustee to purchase Term Bonds for which such Sinking Account was created.

Term Bonds of 2032 Sinking Account. On or before the last day of September of each year beginning on September 30, 2030, and continuing through September 30, 2032, the Trustee shall deposit in the Term Bonds of 2032 Sinking Account an amount of money equal to the Sinking Account installments, less the portions thereof which represent any Term Bonds of ______ previously redeemed pursuant to the Indenture, set forth in the following schedule, plus any amount necessary to be held as a reserve under the Indenture when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the Indenture for the next payment due in the following half of the calendar year:

Year		Amount
2030		$555,000
2031		595,000
2032	(maturity)	635,000

[Terms Bonds of ____ Sinking Fund.] On or before the last day of September of each year beginning on September 30, ____, and continuing through September 30, _____, the Trustee is required to deposit in the Term Bonds of ____ Sinking Account an amount of money equal to the Sinking Account installments, less the portions thereof which represent any Term Bonds of ______ previously redeemed, set forth in the following schedule:

Year	Amount
____	$______
____	______
____	______

No deposit need be made into a Sinking Account if the amount contained therein is at least equal to the amount of the Sinking Account installment required to be made in the year ending on the last day of the next succeeding September, plus any amount necessary to be held as a reserve under the Indenture.

All money in the Sinking Account(s) shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Term Bonds as it shall become due and payable, except that money in a Sinking Account may be used and withdrawn by the Trustee to purchase Term Bonds for which such Sinking Account was created.

By Written Request of the Successor Agency, the Trustee shall transfer any funds remaining in the Special Fund pursuant to the provisions of the Indenture regarding its rebate obligations.

<u>Reserve Account</u>. The Trustee is required to set aside from the Special Fund and deposit in the Reserve Account an amount of money that will be required to maintain the Reserve Account in the full amount of the Maximum Annual Debt Service on all Outstanding Bonds. No deposit need be made in the Reserve Account so long as there is on deposit therein a sum equal to at least the required amount.

Reserve Account

Initial Deposit into the Reserve Account. On the date of issuance of the 2014 Bonds, the Successor Agency will cause a deposit of $____ into the Reserve Account, which together with $______ on hand, will bring the balance in the Reserve Account to equal the "**Maximum Annual Debt Service**" on the 2009 Bonds and the 2014 Bonds.

Definition of Maximum Annual Debt Service. The Indenture defines "**Maximum Annual Debt Service**" to mean the largest Annual Debt Service during any Fiscal Year from the date of such determination through the final maturity date of any Outstanding Bonds, including the 2009 Bonds, the 2014 Bonds and any Additional Bonds.

Use of Moneys in the Reserve Account. All money in the Reserve Account is required to be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account, the Principal Account or the Sinking Account(s) in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money of the Successor Agency is lawfully available therefor, or for the retirement of all Bonds then Outstanding, except that for so long as the Successor Agency is not in default under the Indenture, any amount in the Reserve Account in excess of the amount required by this paragraph to be on deposit therein may, upon Written Request of the Successor Agency, be withdrawn from the Reserve Account by the Trustee and transferred to the Interest Account. In the event that Tax Revenues in any Fiscal Year are insufficient to replenish the Reserve Account to the required amount, such deficiency shall be made up from the first available Tax Revenues in succeeding years, and the failure to replenish the Reserve Fund in full during such Fiscal Year shall not be deemed an event of default.

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 therefor. The 2014 Bonds do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. No member of the Successor Agency, the Oversight Board or the City Council shall be individually or personal liable for the payment of the principal of or interest on the 2014 Bonds; but nothing contained in Resolution No. 85-10R or the Indenture relieves any such member, officer, agent or employee from the performance of any official duty provided by law.

Covenants Regarding Recognized Obligation Payment Schedules

The Successor Agency covenants in Resolution No. 85-10R that it will take all actions required under the Dissolution Act to take all actions required under the Dissolution Act to comply with the Community Redevelopment Law.

Pursuant to Section 34177 of the Community Redevelopment Law, not less than 90 days prior to each January 2 (or as otherwise then required under the Community Redevelopment Law), commencing January 2, 2015, the Successor Agency will submit a Recognized Obligation Payment Schedule, approved by the Oversight Board, to the County Auditor-Controller and the DOF, which will include the following, all of which will be distributed in accordance with the January submittal to the extent sufficient amounts are available: (i) all scheduled interest payments on all Outstanding Bonds of the Successor Agency that are due and payable during the next calendar year, (ii) all scheduled principal and mandatory sinking fund redemption payments on all Outstanding Bonds of the Successor Agency that are due and payable during the next calendar year, and (iii) any amount required to cure any deficiency in the Reserve Account (including any amounts required due to a draw on the Reserve Account).

If insufficient amounts are available to be distributed for the January submittal to fully satisfy the requested amounts, the Successor Agency will submit a Recognized Obligation Payment Schedule, approved by the Oversight Board, to the County Auditor-Controller and the DOF, for such deficiency not less than 90 days prior to June 1 (or as otherwise then required under the Community Redevelopment Law).

In addition, the Successor Agency will place on the applicable Recognized Obligation Payment Schedule for approval by the Oversight Board and the DOF, to the extent necessary, the amounts to be held by the Successor Agency as a reserve until the following six-month period, as contemplated by Section 34171(d)(1)(A) of the Dissolution Act, and any amount required to be deposited in the Reserve Account in order to maintain in the Reserve Account the amount of the Reserve Requirement.

The Successor Agency further covenants that it will file, on or before May 1 and December 1 of each year (or other then applicable dates), pursuant to Section 34183(b) of the Community Redevelopment Law, a Notice of Insufficiency with the County Auditor-Controller if the amount of Tax Revenues available to the Successor Agency from the Redevelopment Property Tax Trust Fund on the upcoming July 1 or January 2, as applicable (or other then applicable payment dates), is insufficient to pay debt service on the Bonds and deposit into the Reserve Account an amount required in order to maintain in the Reserve Account the amount of the Reserve Requirement.

The Successor Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Tax Revenues available in any six-month period to pay the principal of and interest on the Bonds (see “RISK FACTORS”).

History of Submission of the Recognized Obligation Payment Schedules. The Successor Agency has submitted each of its Recognized Obligation Payment Schedules on a timely basis.

Negotiated Pass-Through Agreements

The Redevelopment Law authorized the Redevelopment Agency to enter into negotiated pass-through agreements with taxing agencies whose territory was located within the Project Area to alleviate the financial burden or detriment caused by the Redevelopment Project. The Dissolution Act requires that the County calculate and pay the tax sharing obligations of the former redevelopment agencies as part of the process of allocating revenue from the Redevelopment Property Tax Trust Fund each January 2 and June 1. The Dissolution Act requires that the calculations be done in the same manner as prior to January 1, 2011.

The Redevelopment Agency entered into the following pass-through agreements:

Senior Hospital District Pass-Through Agreement*.* On November 5, 1984, the Redevelopment Agency entered into the Hospital District Pass-Through Agreement with the Hospital District in which the Redevelopment Agency agreed to pay the Hospital District 100% of the proportionate share of all of the tax increment generated from the Project Area which would have been received by the Hospital District if all of the property tax revenues from the Project Area had been allocated to the Hospital District without regard to the division of taxes permitted by Section 33670 of the Redevelopment Law and had there been no provision in the Redevelopment Plan for the allocation of tax increment revenues to the Redevelopment Agency.

Senior Flood Control District Pass-Through Agreement*.* On November 5, 1984, the Redevelopment Agency entered into the Flood Control District Pass-Through Agreement with the Flood Control District in which the Redevelopment Agency agreed to pay the Flood Control District 100% of the proportionate share of all of the tax increment generated from the Project Area which would have been received by the Flood Control District if all of the property tax revenues from the Project Area had been allocated to the Flood Control District without regard to the division of taxes permitted by Section 33670 of the Redevelopment Law and had there been no provision in the Redevelopment Plan for the allocation of tax increment revenues to the Redevelopment Agency.

Any amounts payable to the Hospital District pursuant to the Hospital District Pass-Through Agreement and the Flood Control District pursuant to the Flood Control District Pass-Through Agreement are not available for and not pledged to the Successor Agency's obligation to pay debt service on the 2009 Bonds and the 2014 Bonds.

Subordinated County Pass-Through Agreement**.** On December 10, 1984, the Redevelopment Agency entered into an agreement with the County (the "**County Pass-Through Agreement**") in which the Redevelopment Agency agreed to pay to the County 100% of the proportionate share of all of the tax increment generated from the Project Area which would have been received by the County if all of the property tax revenues from the Project Area had been allocated to the County without regard to the division of taxes permitted by Section 33670 of the Redevelopment Law and had there been no provision in the Redevelopment Plan for the allocation of tax increment revenues to the Redevelopment Agency. The County Pass-Through Agreement permits the County to subordinate its rights to receive tax increment pursuant thereto. The County has subordinated its rights to receive tax increment pursuant to the County Pass-Through Agreement to the payment of debt service on the 2009 Bonds and the 2014 Bonds.

Statutory Pass-Through Payments

General. In certain circumstances, Sections 33607.5 and 33607.7 of the Redevelopment Law require redevelopment agencies and successor agencies to make statutory pass-through payments to taxing agencies whose territory is located within the Project Area and which are not party to a tax sharing agreement with such agencies regarding the Project Area, to alleviate the financial burden or detriment caused by the redevelopment project.

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

> Tier 1: throughout the period that the Successor Agency is eligible to receive property tax revenues from a Project Area, 25% of revenues in excess of revenues generated in 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.

Statutory Pass-Through Payments in the Project Area. On April 7, 2003, the City Council adopted Ordinance No. 982, which eliminated the last date for the incurrence of indebtedness for the Project Area (see "THE PROJECT AREA– The Redevelopment Plan"), which triggered statutory pass-through payments pursuant to Section 33607.7 of the Redevelopment Law. The time limit for the incurrence of indebtedness had been July 19, 2003.

Subordination of Statutory Pass-Through Payments. The Redevelopment Law, as amended by the Dissolution Act, allows statutory pass-through payments to be subordinated to debt service on the Successor Agency's bonds. **The Successor Agency obtained the consent from all of the applicable taxing entities to subordinate their right to receive statutory payments to the payment of debt service on the 2014 Bonds; all of the applicable taxing entities previously subordinated their statutory pass-through payments to the payment of debt service on the 2009 Bonds.**

See "APPENDIX H – Fiscal Consultant Report" for information about the Redevelopment Agency's statutory pass-through obligations and the County's payment practices with regard to statutory pass-through payments.

PROPERTY TAXATION IN CALIFORNIA

Property Tax Collection Procedures

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

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

Collections. Secured and unsecured property taxes 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 (Chapter 498 of the Statutes of 1983) provides for the reassessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment and is determined by applying the current year's tax rate to the amount of increase in a property's value and prorating the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against real property. Since fiscal year 1984-85, revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes.

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

Property Tax Administrative Costs. In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to recover charges for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each, in an amount equal to the fiscal year 1989-90 property tax administration costs, as adjusted annually.

SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. The portions of the reimbursement amount that are allocated to each taxing entity within the County are based on the percentage of the total assessed value in the County that each taxing entity's assessed value represents. The amount charged by the County from fiscal year 2012-13 for the Project Area for this purpose was approximately $369,715. Based on the County SB 2557 charge to the Successor Agency for fiscal year 2012-13 for the Project Area, the Fiscal Consultant estimates that the SB 2557 charge for fiscal year 2013-14 will be 3.86% of gross tax increment revenues or approximately $391,000.

In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 2557/SB 1559 amounts, to be deducted from property tax revenues before monies are deposited into the Redevelopment Property Tax Trust Fund.

The Fiscal Consultant reports that the County charged a tax collection fee of 3.9% of tax increment revenues in fiscal year 2012-13. The Fiscal Consultant assumes a 3.86% tax collection fee for purposes of the projection of Tax Revenues commencing Fiscal Year 2013-14.

The Redevelopment Agency also has obligations to make statutory pass-through payments. See "SECURITY FOR THE 2014 BONDS – Statutory Pass-Through Payments."

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

Rate of Collections

The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"). Consequently, property tax revenues in the Project Area do not reflect actual collections because the County allocates property tax revenues to the Successor Agency as if 100% of the calculated property taxes were collected without adjustment for delinquencies, redemption payments or roll adjustments. The County could elect to terminate this policy and, in such event, the amount of the levy of property tax revenue that could be allocated to the Successor Agency would depend upon the actual collections of the secured taxes within the Project Area. Substantial delinquencies in the payment of property taxes could impair the timely receipt by the Successor Agency of Tax Revenues. See "THE PROJECT AREA - Teeter Plan" for data regarding collections under the Teeter Plan on a County and Project Area level.

Unitary Property

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

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

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

Article XIIIA of the State Constitution

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

The validity of Article XIIIA 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 XIIIA. Proposition 58 amended Article XIIIA to provide that the terms "purchase" and "change of ownership," for the purposes of determining full cash value of property under Article XIIIA, 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 XIIIA may reduce the rate of growth of local property tax revenues.

Proposition 60 amended Article XIIIA 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 XIIIA provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value (except as noted). Tax rates for voter-approved bonded indebtedness and pension liabilities are also applied to 100% of assessed value.

Each year the State Board of Equalization announces the applicable adjustment factor. Since the adoption of Proposition 13, inflation has, in most years, exceeded 2% and the announced factor has reflected the 2% cap. The changes in the California Consumer Price Index from October of one year and October of the next year are used to determine the adjustment factor for the January assessment date. Through fiscal year 2010-11 there were six occasions when the inflation factor was less than 2%. Until fiscal year 2010-11 the annual adjustment never resulted in a reduction to the base year values of individual parcels; however, the factor that was applied to real property assessed values for the January 1, 2010 assessment date was -0.237% and this resulted in a reduction to the base year value of parcels for fiscal year 2010-11. The table below reflects the inflation adjustment factors for the current fiscal year and the 10 prior fiscal years.

Inflation Adjustment Factors

Fiscal Year	Inflation Adj. Factor
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

Appropriations Limitation - Article XIIIB

Article XIIIB 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 XIIIB, 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 Redevelopment 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 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 XIIIA 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 XIIIA.

See "THE PROJECT AREA- Appeals of Assessed Values" for information regarding recent history of Proposition 8 reductions in the Project Area.

Propositions 218 and 26

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIIIC and XIIID 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 XIIIC of the California Constitution by adding an expansive definition for the term "tax," which previously was not defined under the California Constitution.

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

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID 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

As described in "INTRODUCTORY STATEMENT," the Dissolution Act dissolved the Redevelopment Agency as of February 1, 2012. Thereafter, pursuant to Section 34173 of the Dissolution Act, the City became the Successor Agency to the Redevelopment 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 Redevelopment Agency will not be transferred to the City nor will the assets of the Redevelopment Agency become assets of the City. The Successor Agency is governed by the City Council of the City.

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 Redevelopment 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 Redevelopment Agency, pursuant to the procedures and provisions of the Dissolution Act. Under the Dissolution Act, many Successor Agency actions are subject to approval by the Oversight Board, as well as review by the DOF.

Status of Compliance with Dissolution Act

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

The Successor Agency has completed the due diligence process and received its Finding of Completion on April 26, 2013.

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

The DOF approved the Successor Agency's amended Long Range Property Management Plan by letter dated February 21, 2014.

THE PROJECT AREA

Project Description

The Project Area consists of approximately 2,075 acres, of which approximately 2,032 are developed with residential, industrial and retail land uses. The Project Area encompasses roughly 49% of the City, including the downtown area and most of the residential areas developed prior to 1975. Approximately 63% of the City's population is estimated to reside in the Project Area, which contains approximately 6,505 dwelling units. See "Project Area Map," below.

In its 2005-2023 General Plan Update, the City redirected infill development to the Project Area by adding three mixed use designations and increasing the density of all residential designations. In connection therewith, the former Highway 156 corridor with industrial and highway commercial designations at the west entrance to the City was replaced with a new "West Gateway" mixed use designation to transform a blighted underdeveloped commercial area to a lively gateway neighborhood. The Redevelopment Agency subsequently funded seismic investigations and demolition of certain land within the Project Area to clear it for development of a new courthouse facility that opened in 2014. Additional governmental services will now be allowed to expand into the nearby former courthouse facility thereby increasing employment and demand for associated courthouse and governmental support services in the Project Area. In addition, a 66-unit apartment project was recently approved on San Juan Road and an application for infill mixed use development on an eight acre parcel fronting San Juan Road is pending as of the date of this Official Statement.

Infill development is also anticipated to commence in the next year or so in two commercial areas of land totaling over 35 acres within the Project Area. The areas are located in central Hollister between McCray Street and Highway 25 and are adjacent to a former tar paper plant known as the Leatherback property. In addition, the construction of a new Marriott-branded hotel consisting of 88 rooms was approved in February 2014. The hotel is anticipated to be constructed in close proximity to Hollister Motor Sports, within the Project Area, and is intended to accommodate additional tourism to the area, which the Successor Agency anticipates may occur as a result of the reclassification of Pinnacles National Monument as a national park in early 2013.

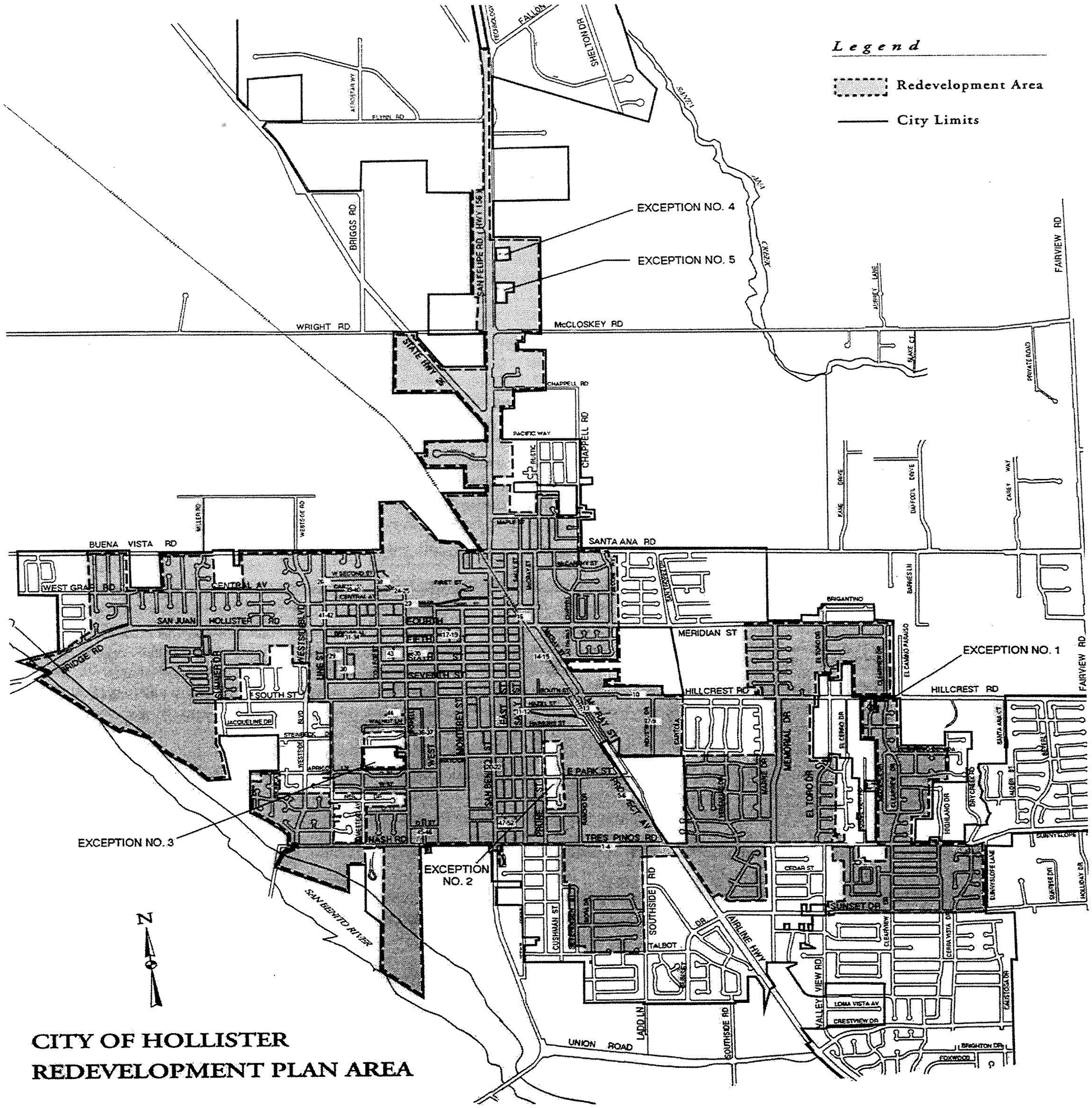
Land Use

Shown in the table below are land uses in the Project Area, according to fiscal year 2013-14 assessed values. As shown, the majority of land (approximately 77.8% in terms of secured assessed valuation) is currently used for residential purposes. The secured assessed values shown do not include non-homeowner exemptions.

TABLE 1
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF HOLLISTER
Hollister Community Development Project Area
Land Use by Assessed Value
Fiscal Year 2013-14

Category	No. of Parcels	Secured Assessed Value	% of Total FY 2013-14 Secured Assessed Value
Residential	4,298	$888,732,467	77.80%
Commercial	338	192,828,918	16.88
Industrial	48	41,444,373	3.63
Vacant - Commercial	18	7,606,508	0.67
Vacant - Residential	57	4,119,528	0.36
Mobile Home	159	2,731,632	0.241
Agricultural	10	2,516,396	0.22
Vacant - Industrial	10	1,771,883	0.16
Unknown	2	528,321	0.05
Public Utility	1	77,470	0.01
Total Value:	4,941	$1,142,357,496	100.00%

Source: Rosenow Spevacek Group, Inc.



CITY OF HOLLISTER
REDEVELOPMENT PLAN AREA

The Redevelopment Plan

Original Redevelopment Plan. The Original Redevelopment Plan was adopted and approved as the Redevelopment Plan for the Project by Ordinance No. 611, adopted by the City Council of the City on July 19, 1983.

Section 33333.4 of the Redevelopment Law required 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. Section 33333.6 of the Redevelopment Law required redevelopment plans adopted on or after October 1, 1976 and prior to January 1, 1994 to contain a limitation on the duration of redevelopment plans and the period for receipt of tax increment revenues and the repayment of loans, advances and indebtedness.

First Amendment to Original Redevelopment Plan- AB 1290. In 1993, the California Legislature enacted Assembly Bill 1290 ("**AB 1290**"), which contained several significant changes in the Redevelopment Law. Among the changes made by AB 1290 was a provision that limits the period of time for incurring and repaying loans, advances and indebtedness payable from tax increment revenues. As discussed in further detail below, the City Council of the City, by its Ordinance No. 856 adopting the First Amendment to Original Redevelopment Plan, amended the Original Redevelopment Plan in accordance with AB 1290.

On December 19, 1994, the City Council of the City adopted Ordinance No. 856, pursuant to which it adopted First Amendment to Original Redevelopment Plan. In particular, the First Amendment as adopted by Ordinance No. 856 amended the Original Redevelopment Plan to bring it into compliance with AB 1290 by establishing certain time limits on the life of the Original Redevelopment Plan as well as the Redevelopment Agency's issuance and repayment of debt and its collection of tax revenues.

Amended and Restated Redevelopment Plan. On June 17, 2002, the City Council of the City adopted an Amended and Restated Redevelopment Plan pursuant to Ordinance No. 976 for the purpose of, among other items, increasing the cumulative tax increment revenue limit to $650 million, establishing a tax increment limit of not more than $262 million (excluding Housing Set-Aside payments to taxing agencies and debt service on the 1991, 1994 and 1997 tax allocation bonds) from the date of adoption of Ordinance No. 976, and increasing the dollar limit on incurring new debt to $75 million.

AB 211***; First Amendment to Amended and Restated Redevelopment Plan.*** In 2001, the California Legislature enacted Senate Bill 211 ("**SB 211**") which provides, among other things, that, at anytime after January 1, 2002, the time limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994, may be deleted by ordinance of the legislative body. However, such deletion would trigger statutory tax sharing with those taxing entities that do not have tax sharing or pass-through agreements. Tax sharing will be calculated based on the increase in assessed valuation after the year in which the time limitation would otherwise have become effective. SB 211 also authorized amendments of redevelopment plans adopted prior to January 1, 1994, to extend for not more than 10 years the effectiveness of such redevelopment plans and the time to receive tax increment revenues and to pay indebtedness.

On April 7, 2003, the City Council of the City adopted Ordinance No. 982, which eliminated the time limit on incurring new debt, and triggered an obligation to make statutory pass-through payments. See “SECURITY FOR THE 2014 BONDS – Statutory Pass-Through Payments.”

SB 1045. Pursuant to Senate Bill 104 (“**SB 1045**”) in connection with the adoption of statutes requiring an Educational Revenue Augmentation Fund (“**ERAF**”) shift for fiscal year 2003-04, the State Legislature authorized the Redevelopment Agency to amend the Redevelopment Plan to extend by one year the time limit of the effectiveness and the time limit to repay indebtedness and receive tax increment of the Redevelopment Plan. The City Council did not extend the effectiveness or time limit to repay indebtedness and receive tax increment of the Redevelopment Plan pursuant to SB 1045.

SB 1096. Pursuant to Senate Bill 1096 (“**SB 1096**”) in connection with the adoption of statutes requiring an ERAF shift for fiscal years 2004-05 and 2005-06, the State Legislature authorized amendments of redevelopment plans to extend by one year for each ERAF shift the time limit of the effectiveness of the plan and the time limit to repay indebtedness and receive tax increment. The City Council did not extend the time limit, as permitted by SB 1096, for the Redevelopment Plan.

AB 26. Pursuant to Assembly Bill 26 4x, the State Legislature authorized amendments of redevelopment plans in connection with the payment of Supplemental Educational Revenue Augmentation Fund (“**SERAF**”) shifts for fiscal years 2009-10 and 2010-11. The Redevelopment Agency made a SERAF payment of $4,462,882 in fiscal year 2009-10 and a SERAF payment of $918,829 in fiscal year 2010-11, but did not adopt any related amendments to the Redevelopment Plan. The Redevelopment Agency did not borrow from its Low and Moderate Income Housing Fund to make the SERAF payments.

Redevelopment Plan Limits. As amended, the Redevelopment Plan includes the following limits:

Limitation	Detail
Plan Life	July 19, 2023
Final Date to Collect Tax Increment and Repay Debt:	July 19, 2033
Lifetime limit on tax increment allocated to the Successor Agency:	$650 million
Limit on tax increment allocated to the Successor Agency after June 17, 2002:	$262 million
Limit on Outstanding Bonded Indebtedness:	$75 million

The Fiscal Consultant reports that it is estimated that, as of June 30, 2014, the Project Area has generated $200,074,039 in gross tax increment and $37,932,184 in net tax increment revenue since June 17, 2002. The Fiscal Consultant further reports that, as of June 30, 2015, it is estimated that the Project Area will have generated $211,138,546 in gross tax increment and $41,315,703 in net tax increment revenue since June 17, 2002. The Fiscal Consultant estimates that, assuming the assessed value adjustments for fiscal year 2015-16 noted in the Fiscal Consultant's report and a 2.00% annual inflation growth thereafter, both the lifetime limit on tax increment allocated to the Successor Agency of $650 million and the limit on tax increment allocated to the Successor Agency after June 17, 2002 of $262 million with respect to the Project Area are unlikely to be exceeded prior to July 19, 2033 (the date on which the Successor Agency is no longer entitled to receive tax increment or repay indebtedness). According to the Fiscal Consultant, in order for the $262 million limit to be reached, secured assessed values within the Project Area would have to increase by 8.1% each year commencing fiscal year 2015-16, which is higher than the historical growth rates over the past ten years as illustrated in Table 2 below. In arriving at such conclusion, the Fiscal Consultant made two significant assumptions. First, the Fiscal Consultant assumed that tax increment revenues in each fiscal year subsequent to the effectiveness of the Dissolution Act will continue to be reduced by an amount equal to the Housing Set-Aside for each such year. As previously noted, the Dissolution Act eliminates the characterization of certain tax increment revenues as Housing Set-Aside. As a result, and because the Successor Agency has no obligations that are payable from Housing Set-Aside, the former Housing Set-Aside is available to pay debt service on the 2009 Bonds and the 2014 Bonds and has been included in the projection of Tax Revenues prepared by the Fiscal Consultant. Second, the Fiscal Consultant assumed that the former tax increment generated in the Project Area will continue to be allocated to the Successor Agency as it was prior to the effect date of the Dissolution Act.

See “RISK FACTORS – Recognized Obligation Payment Schedule” and APPENDIX H - “FISCAL CONSULTANT’S REPORT” for more detail about the distribution provisions of the Dissolution Act and the tax increment limits, respectively.

The DOF has expressed the opinion that the tax increment limits within former redevelopment plans that had not been reached prior to redevelopment dissolution are inconsistent with the purpose and intent of the Dissolution Act and, therefore, should no longer apply. Although this opinion has no force of law, it is possible that the annual tax increment limit contained in the Redevelopment Plan may not be applied by the County Auditor-Controller.

The Successor Agency covenants in the Indenture that the Successor Agency will not accept taxes eligible for allocation to the Successor Agency pursuant to the Law as provided in the Redevelopment Plan (“**Tax Increment Revenues**”) greater than the aggregate annual debt service payable by the Successor Agency in any year if such acceptance will cause the amount remaining under the redevelopment plan limits (“**Plan Limits**” as defined in the Indenture) to fall below the remaining cumulative debt service payable from Tax Increment Revenues, except for the purpose of depositing the Tax Increment Revenues in escrow for future payments or prepayments of the Bonds, including the 2014 Bonds.

Historical and Estimated Assessed Values and Tax Revenues

The assessed value within the Project Area has increased substantially since the Project Area was first formed. In recent years however, assessed values have been driven by the housing boom, the housing bust and a subsequent period of recovery. The following table summarizes total assessed values in the Project Area for fiscal years 2004-05 through fiscal year 2014-15 based upon the County Auditor-Controller’s equalized rolls and estimated total assessed values for such fiscal years. It should be noted that as of the date of this Official Statement only certain information regarding fiscal year 2014-15 values were available from the County Auditor-Controller and such information has been included herein to the extent available.

TABLE 2
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF HOLLISTER
Hollister Community Development Project Area
Historical Assessed Values
Fiscal Years 2004-05 through 2014-15

Year	Assessed Value	% Change from Prior Year
2004-05	1,178,299,110	
2005-06	1,328,696,648	12.8%
2006-07	1,465,318,561	10.3%
2007-08	1,495,097,222	2.0%
2008-09	1,447,629,847	-3.2%
2009-10	1,244,895,486	-14.00%
2010-11	1,165,379,501	-6.4%
2011-12	1,151,753,911	-1.2%
2012-13	1,134,348,952	-1.5%
2013-14	1,188,417,044	4.8%
2014-15	1,281,476,301	7.8%

Source: Rosenow Spevacek Group, Inc.

As illustrated in Table 2 above:

- Assessed values decreased significantly in fiscal year 2009-10 when assessed values decreased from approximately $1.448 million in fiscal year 2008-09 to $1.244 million in fiscal year 2009-10.

- Assessed values continued to decline in fiscal years 2010-11 and 2012-13.

- Assessed values increased in fiscal year 2013-14 by 4.8% and again in 2014-15 by 7.8% and as a result are now above fiscal year 2009-10 values.

This pattern is reflective of the statewide losses of value experienced during the recent recessionary period and the subsequent period of recovery which the housing market in general appears to be experiencing. The losses were experienced in both secured and unsecured values. In particular, during the recessionary period, the residential values in San Benito County were significantly reduced due to the decline in market value for residential property, which is significant because the Project Area is nearly 78% residential. The following table shows the historical assessed valuations and Tax Revenues for fiscal years 2009-10 to 2013-14 based upon the County Auditor/Controller's equalized rolls, and estimated Tax Revenues for fiscal year 2014-15. **Please note: the table does not reflect any deductions for Housing Set-Aside because the Dissolution Act eliminated the characterization of certain tax increment as Housing Set-Aside and all of the former Housing Set-Aside is available to pay debt service on the 2009 Bonds, the 2014 Bonds and any Additional Bonds**. See "APPENDIX H – Fiscal Consultant's Report – Historical Assessed Valuation & Revenues."

TABLE 3
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF HOLLISTER
Hollister Community Development Project Area
Historical and Estimated Tax Revenues
Fiscal Years 2009-10 through 2014-15

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15[4]
Taxable Values						
Secured[1]	$1,196,935,871	$1,119,799,337	$1,108,351,918	$1,089,878,819	$1,143,474,816	$1,235,125,757
Unsecured	47,959,615	45,580,164	43,401,993	44,470,133	44,942,228	46,350,544
Total Assessed Value	$1,244,895,486	$1,165,379,501	$1,151,753,911	$1,134,348,952	$1,188,417,044	1,281,476,301
Less: Base Year Value	(175,025,611)	(175,025,611)	(175,025,611)	(175,025,611)	(175,025,611)	(175,025,611)
Incremental Taxable Value	$1,069,869,875	$990,353,890	$976,728,300	$959,323,341	$1,013,391,433	$1,106,450,690
Gross Tax Increment Revenue	$10,698,699	$9,903,539	$9,767,283	$9,593,233	$10,133,914	$11,064,507
LESS:						
Adjustments[2]	($2,867)	($9,193)	($6,504)	($14,485)	0	
County Administrative Fee[3]	(356,278)	(347,363)	(390,154)	(369,715)	(343,822)	
Senior Negotiated Pass-Throughs	(596,524)	(551,804)	(544,665)	(534,442)	(572,869)	
Tax Revenues	$9,743,030	$8,995,179	$8,825,960	$8,674,591	$9,217,232	

(1) Net of non-homeowner exemptions and includes public utility values.
(2) Adjustments include negative current supplemental amounts, prior secured refunds and interest on refunds.
(3) Actual administrative fee levied per the San Benito County Auditor Collector. Fee charge lags by a year.
(4) Data for fiscal year 2014-15 regarding Adjustments, County Administrative Fee and Senior Negotiated Pass-Throughs was not available as of the date hereof. The County Administration Fee, Senior Negotiated Pass-Throughs and Tax Revenues here are estimated in Table 6 below.
Secured values include state assessed non-unitary utility property.
Source: *Rosenow Spevacek Group, Inc.*

Unitary Property

As the result of the enactment of Assembly Bill 2890 (Chapter 1457, Statutes of 1986) and Assembly Bill 454 (Chapter 921, Statutes of 1987), a portion of the County-wide unitary values assigned to public utilities is allocated to the Project Area. Any substantial reduction in the values of public utility properties, either because of deregulation of a utility industry or for any other reason, will have an adverse impact on the amount of tax increment revenues. However, any such impact with respect to utility properties within the Project Area will be lessened because the impact will be spread on a County-wide basis. The assessed value of the public utilities in the Project Area during fiscal years 2013-14 accounted for less than 1% of the total assessed value of the Project Area. The Fiscal Consultant excluded the assessed value attributed to public utilities for purposes of projecting Tax Revenues available to pay debt service on the 2014 Bonds.

Major Taxable Property Owners

The following table lists the 10 largest payers of secured property taxes in the Project Area for fiscal year 2013-14 which together account for $91.187 million of secured property taxes or approximately 7.97% of the total secured assessed value of the Project Area for such fiscal year. The unsecured assessed value of the Project Area accounts for less than 4% of the total assessed value in the Project Area and therefore, was not taken into account in the Fiscal

Consultant's analysis. Properties owned by the top 10 taxpayers in the Project Area are diverse in nature and consist of commercial, residential, industrial and mobile home properties.

TABLE 4
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF HOLLISTER
Hollister Community Development Project Area
Largest Fiscal Year 2013-14 Local Secured Property Taxpayers

Property Owner	Land Use	No. of Parcels	Total Secured Assessed Valuation (1)	% of Total Secured Assessed Valuation	% of Incremt. Value
K & S Market Inc.	Commercial, Residential	14	$32,609,820	2.85%	3.2%
Northwest Packing Co.	Industrial, Vacant	11	11,897,350	1.04	1.2
Heritage LLC	Commercial	2	11,771,566	1.03	1.2
Ozeki	Industrial, Residential	2	6,732,407	0.59	0.7
Ridgefield Storage Inc.	Industrial, Commercial, Vacant	9	6,379,194	0.56	0.6
RPM Properties LLC	Commercial	1	5,700,001	0.50	0.6
Janet P Roberts Family Trust	Commercial, Residential, Vacant	20	4,551,286	0.40	0.4
NMD Properties LLC	Commercial	1	4,000,000	0.35	0.4
Fernando Gonzalez	Commercial, Residential, Mobile home	16	3,834,180	0.34	0.4
Hildalgo Inc.	Commercial	2	3,711,738	0.32	0.4
		78	$91,187,542	7.98%	9%

Total Project Area FY 2013-2014 Secured Value:	$1,143,474,816
Project Area FY 2013-2014 Incremental Value:	$1,013,391,433

(1) Total secured values are exclusive of non-homeowner exemptions. None of the top 10 taxpayers are currently subject to an exemption.
Source: Rosenow Spevacek Group, Inc.

The top taxpayer in the Project Area, K & S Market Inc., owns 14 parcels with a secured assessed value of approximately $32.6 million. K & S Market Inc. is a local family business that owns several downtown commercial properties as well as a Safeway Market, K-Mart, Foster's Freeze and Taco Bell. The parcels owned by K & S Market Inc. account for 2.85% of the total fiscal year 2013-14 secured assessed value of the Project Area.

The second largest taxpayer, Northwest Packing Company, also known as San Benito Food Products, owns 11 parcels with a secured assessed value of approximately $11.9 million or 1.04% of the total fiscal year 2013-14 secured assessed value of the Project Area. Northwest Packing Company operates a food processing plant in the Project Area.

The third largest taxpayer, Heritage LLC, controls 2 parcels with a secured value of approximately $11.8 million or 1.03% of the total fiscal year 2013-14 secured assessed value of the Project Area. A commercial center consisting of a Rite-Aid, Staples, Kragen, Ace Hardware and several smaller tenants sits on the parcels owned by Heritage LLC.

Tax Rates

A Tax Rate Area consists of a geographic area where the taxes on all property are levied by the same taxing entities at the same rate. The tax rate consists of the general levy rate of $1.00 per $100 of taxable values and the override tax rate. The override rate is that portion of the tax rate that exceeds the general levy tax rate and is levied to pay voter approved indebtedness or contractual obligations that existed prior to the enactment of Proposition XIII.

The Project Area contains one tax rate and the Fiscal Consultant's projections are based only on the 1% general levy tax rate.

Teeter Plan

As previously indicated, the County has adopted the Teeter Plan. Consequently, property tax revenues in the Project Area do not reflect actual collections because the County allocates to the Successor Agency 100% of the calculated tax increment without adjustment for delinquencies, redemption payments or roll adjustments. The County could elect to terminate this policy and, in such event, the amount of the levy of tax increment received by the Successor Agency would depend upon the actual collections of the secured taxes within the Project Area. The Teeter Plan may also be discontinued by petition of two-thirds of the participant taxing agencies.

The following table provides data regarding collections under the Teeter Plan within the Project Area for fiscal years 2009-10 through 2012-13 and for fiscal year 2013-14 as of June 8, 2014.

TABLE 5
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF HOLLISTER
Hollister Community Development Project Area
Collections Under Teeter Plan - Project Area

Fiscal Year:	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**
	at 7/13/2010	at 7/11/2011	at 7/10/2012	at 7/10/2013	as of 6/08/2014
Current Secured Taxes Charged	$14,101,610	$13,275,864	$13,175,708	$13,089,210	$13,665,300
Taxes Collected	13,418,232	12,850,999	12,879,956	12,829,556	13,399,818
Collected Percent	95.15%	96.8%	97.76%	98.02%	98.0%
Delinquent Percent	4.8	3.2	2.2	1.9	1.9

Source: *County Auditor Controller.*

Appeals of Assessed Values

Pursuant to 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.

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

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

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

Appeals may also be filed under Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Significant reductions have taken place in some counties due to declining real estate values. Reductions made under this code section may be initiated by the County Assessor or requested by the property owner. After a roll reduction is granted under this section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and it may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIIIA 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 XIIIA. See "PROPERTY TAXATION IN CALIFORNIA – Proposition 8" above.

The Fiscal Consultant reviewed assessment appeals data for the County. Of the 71 appeals filed since fiscal year 2009-10, none are pending and only one resulted in a reduction from the Appeals Board. The remaining 70 appeals were withdrawn or denied. The single reduction was in the amount of approximately $1.8 million in favor of RMP Properties, LLC, one of the top 10 taxpayers of secured property taxes in the Project Area, in connection with an appeal filed in fiscal year 2011-12.

Proposition 8 allows a temporary reduction in assessed value when the current market value of a property is less than the current assessed value as of the lien date.

Projected Tax Revenues and Estimated Debt Service Coverage

The Tax Revenue projections for the Project Area, as prepared by the Fiscal Consultant, are summarized in Table 6. For purposes of the projections shown in Table 6 below, the Project Area tax increment revenues have been projected based upon assumed real property (land and improvements) and personal property taxable value increases resulting from an annual growth factor of 2%, the maximum inflationary growth rate permitted by law (i.e., 2%), in each of the years after fiscal year 2014-15.

Table 7 below summarizes estimated debt service and debt service coverage on the 2009 Bonds and the 2014 Bonds based on Tax Revenues for fiscal year 2014-15 as described in Table 6. For purposes of the estimates shown in Table 7, the Project Area tax increment revenues have been projected based upon assumed real property (land and improvements) and personal property taxable value increases resulting from an annual growth factor of 0% in each of the years after fiscal year 2014-15.

See "APPENDIX H – Fiscal Consultant's Report."

TABLE 6
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF HOLLISTER
Hollister Community Development Project Area
Projection of Incremental Value and Tax Revenue

Fiscal Year	Total Taxable Value	Incremental Taxable Value over Base	Gross Tax Revenue	SB 2557 Admin. Charge	Senior Taxing Agency Payments	Tax Revenues (1)
2014-15	$1,281,476,301	$1,106,450,690	$11,064,507	($427,090)	(611,366)	$10,026,051
2015-16	1,306,178,816	1,131,153,205	11,311,532	(436,625)	(625,015)	10,249,892
2016-17	1,331,375,382	1,156,349,771	11,563,498	(446,351)	(638,937)	10,478,209
2017-18	1,357,075,878	1,182,050,267	11,820,503	(456,271)	(653,138)	10,711,093
2018-19	1,383,290,385	1,208,264,774	12,082,648	(466,390)	(667,623)	10,948,635
2019-20	1,410,029,182	1,235,003,571	12,350,036	(476,711)	(682,397)	11,190,927
2020-21	1,437,302,755	1,262,277,144	12,622,771	(487,239)	(697,467)	11,438,065
2021-22	1,465,121,799	1,290,096,188	12,900,962	(497,977)	(712,838)	11,690,146
2022-23	1,493,497,224	1,318,471,613	13,184,716	(508,930)	(728,517)	11,947,269
2023-24	1,522,440,158	1,347,414,547	13,474,145	(520,102)	(744,510)	12,209,534
2024-25	1,551,961,950	1,376,936,339	13,769,363	(531,497)	(760,822)	12,477,044
2025-26	1,582,074,178	1,407,048,567	14,070,486	(543,121)	(777,460)	12,749,905
2026-27	1,612,788,651	1,437,763,040	14,377,630	(554,977)	(794,431)	13,028,223
2027-28	1,644,117,413	1,469,091,802	14,690,918	(567,069)	(811,742)	13,312,107
2028-29	1,676,072,750	1,501,047,139	15,010,471	(579,404)	(829,399)	13,601,668
2029-30	1,708,667,194	1,533,641,583	15,336,416	(591,986)	(847,409)	13,897,022
2030-31	1,741,913,527	1,566,887,916	15,668,879	(604,819)	(865,779)	14,198,282
2031-32	1,775,824,787	1,600,799,176	16,007,992	(617,908)	(884,516)	14,505,567
2032-33	1,810,414,272	1,635,388,661	16,353,887	(631,260)	(903,629)	14,818,998

(1) *Tax Revenues available for debt service on the 2003 Bonds and the 2009 Bonds.*
Source: Rosenow Spevacek Group, Inc.

TABLE 7
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF HOLLISTER
Hollister Community Development Project Area
Estimated Debt Service Coverage

Year	FY14-15 Tax Revenues (1)	2009 Bonds Debt Service	2014 Bonds Debt Service (2) *	Total Parity Debt Service *	Debt Service Coverage *
2015	$10,026,051	$677,506	$2,537,205	$3,214,712	312%
2016	10,026,051	677,156	2,536,300	3,213,456	312%
2017	10,026,051	680,156	2,530,700	3,210,856	312%
2018	10,026,051	681,769	2,528,500	3,210,269	312%
2019	10,026,051	681,919	2,529,500	3,211,419	312%
2020	10,026,051	680,888	2,535,750	3,216,638	312%
2021	10,026,051	678,638	2,533,500	3,212,138	312%
2022	10,026,051	679,738	2,533,000	3,212,738	312%
2023	10,026,051	679,219	2,539,000	3,218,219	312%
2024	10,026,051	682,031	2,531,000	3,213,031	312%
2025	10,026,051	676,381	2,539,500	3,215,881	312%
2026	10,026,051	680,881	2,533,500	3,214,381	312%
2027	10,026,051	677,931	2,538,500	3,216,431	312%
2028	10,026,051	677,788	2,538,750	3,216,538	312%
2029	10,026,051	680,050	2,529,250	3,209,300	312%
2030	10,026,051	679,950	2,535,250	3,215,200	312%
2031	10,026,051	681,100	2,535,750	3,216,850	312%
2032	10,026,051	679,450	2,535,750	3,215,200	312%

(1) Tax Revenues presented for the fiscal year ending June 30; debt service presented for the lagging bond year ending October 1 payable from that fiscal year revenues.
(2) Debt service estimated based on market conditions as of August 6, 2014 for A+ rated bonds plus an interest rate cushion.
* preliminary; subject to change.
Source: Rosenow Spevacek Group, Inc.; Stifel, Nicolaus & Company, Incorporated

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.

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 DOF for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Consequently, 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 Schedules." 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 Tax Revenues to the Successor Agency could be adversely affected for such period.

If a successor agency does not timely submit a Recognized Obligation Payment Schedule and the DOF does not provide a notice to the county auditor-controller to withhold funds from distribution to taxing entities, amounts in the Redevelopment Property Tax Trust Fund for such six-month period would be distributed to taxing entities pursuant to clause (iv) above.

The Successor Agency has covenanted to take all actions required under the Dissolution Act to include scheduled debt service on the Bonds as well as any amount required under Resolution No. 85-10R and the Indenture to replenish a debt service reserve fund (if any), in Recognized Obligation Payment Schedules for each six-month period and to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the 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 Bonds coming due in the respective six-month period, including listing a reserve on the Recognized Obligation Payment Schedule to the extent required by the Indenture or when the next property tax allocation is projected to be insufficient to pay all obligations due under the provisions of the Bonds for the next payment due in the following six-month period (see "SECURITY FOR THE 2014 BONDS – Recognized Obligation Payment Schedules").

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

Challenges to Dissolution Act

Several successor agencies, cities and other entities filed judicial actions challenging the legality of the various provisions of the Dissolution Act. One such action was filed on August 1, 2012, by Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, "**Syncora**") against the State, the State Controller, the State Director of Finance, and the Auditor-Controller of San Bernardino County on his own behalf and as the representative of all other County Auditors in the State (Superior Court of the State of California, County of Sacramento, Case No. 34-2012-80001215).

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

After a hearing by the Sacramento County Superior Court on May 3, 2013, the Superior Court ruled that Syncora's constitutional claims based on contractual impairment were premature. The Superior Court also held that Syncora's takings claims, to the extent based on the same arguments, were also premature. Pursuant to a Judgment stipulated to by the parties, the Superior Court on October 3, 2013, entered its order dismissing the action. The Judgment, however, provides that Syncora preserves its rights to reassert its challenges to the Dissolution Act in the future. The Successor Agency does not guarantee that any reassertion of challenges by Syncora or that the final results of any of the judicial actions brought by others challenging the Dissolution Act will not result in an outcome that may have a material adverse effect on the Successor Agency's ability to timely pay debt service on the 2014 Bonds.

Reduction in Taxable Value

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 economic factors beyond the Successor Agency's control, such as relocation out of the Project Ares by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the Tax Revenue that provide for the repayment of and secure the 2014 Bonds. Such reduction of 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 (see "THE PROJECT AREA – Major Taxable Property Owners").

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

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

Risks to Real Estate Market

The Successor Agency's ability to make payments on the 2014 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 Revenues by the Successor Agency from the Project Area.

Reduction in Inflationary Rate

As described in greater detail below, Article XIIIA 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 XIIIA 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 XIIIA 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 .753%. For fiscal years 2012-13 and 2013-14, the inflationary value adjustment was 2.00%, which is the maximum permissible increase under Article XIIIA. The fiscal year 2014-15 inflation rate is .454%.

The Successor Agency is unable to predict if any adjustments to the full cash value of real property within the Project Area, whether an increase or a reduction, will be realized in the future. The projections of Tax Revenues in Table 6 and Table 7 hereof assume an annual growth factor of 2% and 0%, respectively, in each of the fiscal years after fiscal year 2013-14.

Levy and Collection of Taxes

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

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

Information about the State budget and State spending is available at various State maintained websites. Text of the 2014-15 Budget Summary, the current State budget and other documents related to the State budget may be found at the website of the DOF, 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.

Bankruptcy and Foreclosure

The payment of the property taxes from which Tax Revenues are derived and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the 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.

Estimated Revenues

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

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

Hazardous Substances

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

Natural Disasters

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

Seismic. The Project Area is located in a seismically active region. Segments of the Calaveras fault system run through the Project Area from northwest to southeast. The smaller Tres Pinos and Park Hill West faults also pass through the Project Area. A segment of the San Andreas fault system (the source of the 1989 Loma Prieta earthquake) and the Quien Sabe fault each pass within 3 miles of the Project Area. During the 1989 Loma Prieta earthquake, the City suffered extensive damage, particularly to unreinforced masonry structures. Currently, unreinforced masonry structures compose less than one percent of the assessed value in the Project Area. However, a significant seismic event could cause substantial real property damage and have an adverse effect on assessed values and Tax Revenues within the Project Area. Such a reduction in the Tax Revenues could have an adverse effect on the Successor Agency's ability to make timely payments of debt service on the 2014 Bonds.

Flood. Portions of the City are built on the prehistoric flood plain of the San Benito River and the Santa Ana Creek. Consequently, the City has historically encountered flooding problems, at an average rate of once every four to five years. The potential for flood damage in the City has increased over time with urbanization, especially in areas near or within the federal designated floodplain. However, storm drainage improvements funded by the Redevelopment Agency eliminated chronic flooding problems in downtown Hollister and an area just west of downtown Hollister. In addition, the potential for flood in the residential and commercial areas of the City is minimal because the San Benito River flows through the southern and western portion of the City which is outside of the residential and commercial areas of the City and the Santa Ana Creek and its tributary flow through the eastern and northern portions of the City which consists of agricultural lands and parts of an industrial park. The majority of the City is located outside of the federally-designated "base" floodplain (previously known as the "100-year" floodplain).

Wildfire. The City provides fire protection services. No portion of the City is located within or adjacent to a wild fire protection area.

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 Tax Revenues, which could have an adverse effect on the Successor Agency's ability to pay debt service on the 2014 Bonds.

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 and Resolution No. 85-10R.

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 and Resolution No. 85-10R.

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 Sidley Austin LLP, San Francisco, California, Bond Counsel, under current law and assuming compliance with certain covenants in the Indenture and requirements of the Internal Revenue Code of 1986, as amended (the "**Code**"), regarding the use, expenditure and investment of proceeds of the 2014 Bonds and the timely payment of certain investment earnings to the United States, interest on the 2014 Bonds is not includable in the gross income of the owners of the 2014 Bonds for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the 2014 Bonds to be included in gross income retroactive to the date of issuance of the 2014 Bonds.

In the further opinion of Bond Counsel, interest on the 2014 Bonds is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest on the 2014 Bonds, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the 2014 Bonds should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in various documents pertaining to the 2014 Bonds may be changed, and certain actions may be taken or not 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. Bond Counsel expresses no opinion as to the effect of any change to any document pertaining to the 2014 Bonds or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Bond Counsel or in reliance upon the advice of counsel other than Bond Counsel with respect to the exclusion from gross income of the interest on the 2014 Bonds for federal income tax purposes.

Original Issue Discount. The initial public offering price of certain of the 2014 Bonds (collectively, the "**Discount Bonds**") is less than the principal amount of the Discount Bonds. The difference between the principal amount of a Discount Bond and its initial public offering price is original issue discount. Original issue discount on a Discount Bond accrues over the term of such Discount Bond at a constant interest rate. To the extent it has accrued, original issue discount on a Discount Bond is treated as interest excludable from gross income for federal income tax purposes subject to the conditions and limitations described above. Further, the amount of original issue discount that accrues on a Discount Bond in each year is not an item of tax preference for purposes of calculating federal alternative minimum taxable income of individuals and corporations. Such accrued original issue discount, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability. Further, such accrued original issue discount is taken into account in determining the distribution requirements of certain regulated investment companies. Consequently, owners of Discount Bonds should be aware that the accrual of original issue discount in each year may result in additional distribution requirements or other collateral federal income tax consequences although the owner may not have received cash in such year.

The accrual of original issue discount on a Discount Bond will increase the owner's adjusted basis in such Discount Bond. This will affect the amount of taxable gain or loss realized by the owner of the Discount Bond upon the redemption, sale or other disposition of such Discount Bond. The effect of the accrual of original issue discount on the federal income tax consequences of a redemption, sale or other disposition of a Discount Bond that is not purchased at the initial public offering price may be determined according to rules that differ from those described above. Owners of Discount Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of original issue discount that properly accrues with respect to the Discount Bonds, other federal income tax consequences of owning and disposing of the Discount Bonds and any state and local tax consequences of owning and disposing of the Discount Bonds.

Premium Bonds. The excess, if any, of the tax adjusted basis of the 2014 Bonds purchased as part of the initial public offering to a purchaser (other than a purchaser who holds such 2014 Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is "**bond premium**." Bond premium is amortized over the term of such 2014 Bonds for federal income tax purposes (or, in the case of a Series 2014 Bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Series 2014 Bond). Owners of 2014 Bonds with bond premium are required to decrease their adjusted basis in such 2014 Bonds by the amount of amortizable bond premium attributable to each taxable year such 2014 Bonds are held. The amortizable bond premium on such 2014 Bonds attributable to a taxable year is not deductible for federal income tax purposes. Owners of such 2014 Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the treatment of bond premium upon the sale or other disposition of such 2014 Bonds and with respect to the state and local tax consequences of owning and disposing of such 2014 Bonds.

Information Reporting and Backup Withholding. Interest paid on the 2014 Bonds will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the 2014 Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not "**exempt recipients**," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the Internal Revenue Service as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's federal income tax liability provided the required information is furnished to the Internal Revenue Service.

State Tax Exemption. In the further opinion of Bond Counsel, interest on the 2014 Bonds is exempt from personal income taxes imposed by the State of California.

Future Developments. Future or pending legislative proposals, if enacted, regulations, rulings or court decisions may cause interest on the 2014 Bonds to be subject, directly or indirectly, to federal income taxation or to State or local income taxation, or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Legislation or regulatory actions and future or pending proposals may also affect the economic value of the federal or State tax exemption or the market value of the 2014 Bonds. Prospective purchasers of the 2014 Bonds should consult their tax advisors regarding any future, pending or proposed federal or State tax legislation, regulations, rulings or litigation, as to which Bond Counsel expresses no opinion.

For example, various proposals have been made in Congress and by the President (the "**Proposed Legislation**"), which, if enacted, would subject interest on bonds that is otherwise excludable from gross income for federal income tax purposes, including interest on the 2014 Bonds, to a tax payable by certain bondholders that are individuals, estates or trusts with adjusted gross income in excess of thresholds specified in the Proposed Legislation. It is unclear if the Proposed Legislation will be enacted, whether in its current or an amended form, or if other legislation that would subject interest on the 2014 Bonds to a tax or cause interest on the 2014 Bonds to be included in the computation of a tax, will be introduced or enacted. Prospective purchasers should consult their tax advisors as to the effect of the Proposed Legislation, if enacted in its current form or as it may be amended, or such other legislation, on their individual situations.

A copy of the proposed form of opinion of Bond Counsel is attached as Appendix B.

CONCLUDING INFORMATION

Underwriting

The 2014 Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated and Stinson Securities, LLC (collectively, the "**Underwriters**"). The Underwriters have agreed to purchase the 2014 Bonds at a price of $_________________ (being the principal amount of the 2014 Bonds less a net original issue discount of $__________________ and less an Underwriters' discount of $__________________). The Underwriters will purchase all of the 2014 Bonds if any are purchased.

The Underwriters 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 Underwriters.

Legal Opinion

The final approving opinion of Sidley Austin LLP, San Francisco, 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 Underwriters' Counsel.

Goldfarb & Lipman LLP, Successor Agency counsel, will render certain opinions on behalf of the Successor Agency.

Compensation paid to Bond Counsel and Underwriters' 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.

Rating

Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ("**S&P**"), has assigned its rating of "A+" to the 2014 Bonds. The rating reflects 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 rating will continue for any given period of time or that it 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 30), 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 Underwriters (as defined below) in complying with Securities Exchange Commission Rule 15c2 12(b)(5) (the "**Rule**").

The City and certain related entities, including the former Redevelopment Agency previously entered into certain disclosure undertakings under the Rule in connection with the issuance of long-term obligations. During the past five years, the City and such related entities have, in some instances, failed to comply in all material respect with their undertakings. The City and Successor Agency have remedied such historical non-compliance. See "APPENDIX I - CONTINUING DISCLOSURE HISTORY" for a description of such instances.

Audited Financial Statements

The City of Hollister's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013 (the "**City CAFR**") is attached as Appendix E. The City CAFR includes the Successor Agency's audited financial statements for the fiscal year ended June 30, 2013. The Successor Agency's audited financial statements were audited by Mann, Urrutia, Nelson CPAs & Associates, LLP (the "**Auditor**"). The Auditor has not been asked to consent to the inclusion of the Successor Agency's audited financial statements in this Official Statement and has not reviewed this Official Statement.

As described in "SECURITY FOR THE 2014 BONDS - Limited Obligation," the 2014 Bonds are payable from and secured by a pledge of Tax Revenues and the 2014 Bonds are not a debt of the City. The City CAFR is attached as Appendix E to this Official Statement only because it includes the Successor Agency's audited financial statements.

Miscellaneous

All of the preceding summaries of Resolution No. 85-10R, 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
REDEVELOPMENT AGENCY
OF THE CITY OF HOLLISTER

By: ________________________________
Executive Director

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF RESOLUTION NO. 85-10R

The following is a brief summary of certain provisions of Resolution No. 85-10R, adopted by the Redevelopment Agency on September 30, 1985, as amended and supplemented from time to time (as so amended and supplemented, "Resolution No. 85-10R"), including as amended and supplemented by Resolution No. 2014-06 SA of the Successor Agency, adopted on April 21, 2014, and an Indenture, dated as of August 1, 2014 (the "Indenture"), by and between the Successor Agency and MUFG Union Bank, N.A., as trustee and as successor fiscal agent under Resolution No. 85-10R (referred to herein as the "Trustee/Fiscal Agent" or the "Trustee"). A summary of certain additional provisions of Resolution No. 85-10R is found in the Official Statement under the caption "SECURITY FOR THE SERIES 2014 BONDS." This summary is not intended to be definitive and is qualified in its entirety by reference to Resolution No. 85-10R, as amended and supplemented, for the complete terms thereof. Copies of Resolution No. 85-10R and the Indenture are available from the Successor Agency upon written request.

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms used in this Summary of Certain Provisions of Resolution No. 85-10R, or elsewhere in the Official Statement and not otherwise defined. These summary definitions do not purport to be complete, and reference is made to the documents in which the individual terms are used for more complete definitions.

(The contents under this caption "DEFINITIONS OF CERTAIN TERMS" are brought forward from Resolution No. 85-10R; additional definitions have been added, pursuant to Resolution No. 85-10R, to provide for the issuance of the Series 2014 Bonds and Additional Bonds by the Successor Agency, to provide terms and conditions under which the Series 2014 and such Additional Bonds may be issued, and to add covenants and agreements hereafter to be observed.)

"Annual Debt Service" means, for each Fiscal Year, the sum of (1) the interest falling due on the Outstanding Bonds in such year, assuming that the Outstanding Serial Bonds are retired as scheduled and that the Outstanding Term Bonds, if any, are redeemed from the sinking account as scheduled, (2) the principal amount of the outstanding Serial Bonds, if any, falling due by their terms in such year, and (3) the minimum amount of such Outstanding Term Bonds required to be paid or called and redeemed in such year, together with the redemption premiums, if any, thereon. The term "Maximum Annual Debt Service" means the largest Annual Debt Service during any Fiscal Year from the date of such determination through the final maturity date of any Outstanding Bonds.

"Bonds" means the Series 2014 Bonds, Parity Bonds (being the Bonds previously issued under Resolution No. 85-10R that are Outstanding), and all Additional Bonds.

"Certificate of the Successor Agency" means an instrument in writing signed by the Chairman of the Successor Agency, or by any other officer of the Successor Agency duly authorized by the Successor Agency for that purpose, and by the Secretary of the Successor Agency.

"Code" means the Internal Revenue Code of 1986, as amended.

"Community Redevelopment Law" means the Community Redevelopment Law (constituting Part 1 of Division 24 of the California Health and Safety Code) as amended and supplemented by ABx1-26 and AB1484. "ABx1-26" means Assembly Bill 26, enacted on June 29, 2011, which amended the Community Redevelopment Law and added Part 1.85 to Division 24 of the Health and Safety Code.

“AB1484” means Assembly Bill 1484, enacted on June 27, 2012, which further amended the Community Redevelopment Law, and also amended ABx1-26.

“Consultant’s Report” means a report signed by an Independent Financial Consultant or an Independent Redevelopment Consultant, as may be appropriate to the subject of the report, and including:

(1) a statement that the person or firm making or giving such report has read the pertinent provisions of the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), to which such report relates;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the report is based;

(3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable the Independent Financial Consultant or Independent Redevelopment Consultant to express an informed opinion with respect to the subject matter referred to in the report.

“Dissolution Act” means ABx1-26 as amended by AB 1484.

“Federal Securities” means United States Treasury notes, bonds, bills or certificates of indebtedness, or other evidences of indebtedness secured by the full faith and credit of the United States of America; and also any securities now or hereafter authorized both the interest on and principal of which are guaranteed directly or indirectly by the full faith and credit of the United States of America.

“Fiscal Agent” means MUFG Union Bank, N.A., successor Fiscal Agent under Resolution No. 85-10R.

“Fiscal Year” means the period commencing on July 1 of each year after the date of the sale and delivery of the Series 2014 Bonds and terminating on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the Successor Agency as its Fiscal Year in accordance with the Community Redevelopment Law.

“Former Agency” means the Redevelopment Agency of the City of Hollister.

“Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be qualified in the financial consulting field, appointed and paid by the Successor Agency and satisfactory to and approved by the Trustee/Fiscal Agent (which will be under no liability by reason of such approval) and who, or each of whom:

(1) is in fact independent and not under the domination of the Successor Agency;

(2) does not have any substantial interest, direct or indirect, with the Successor Agency; and

(3) is not connected with the Successor Agency as a member, officer or employee of the Successor Agency, but who may be regularly retained to make annual or other reports to the Successor Agency.

“Independent Public Accountant” means any public accountant or firm of such accountants duly licensed and entitled to practice and practicing under the laws of the State of California, appointed and paid by the Successor Agency and satisfactory to and approved by the Trustee/Fiscal Agent (which will be under no liability by reason of such approval), and who, or each of whom:

(1) is in fact independent and not under the domination of the Successor Agency;

(2) does not have any substantial interest, direct or indirect, with the Successor Agency; and

(3) is not connected with the Successor Agency as a member, officer or employee of the Successor Agency, but who may be regularly retained to make annual or other audits of the books of or reports to the Successor Agency.

"Independent Redevelopment Consultant" means any consultant or firm of such consultants generally recognized to be qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies, appointed and paid by the Successor Agency and satisfactory to and approved by the Trustee/Fiscal Agent (who will be under no liability by reason of such approval), and who, or each of whom:

(1) is in fact independent and not under the domination of the Successor Agency;

(2) does not have any substantial interest, direct or indirect, with the Successor Agency; and

(3) is not connected with the Successor Agency as a member, officer or employee of the Successor Agency, but who may be regularly retained to make annual or other reports to the Successor Agency.

"Law" means the Community Redevelopment Law (Part I of Division 24 of the Health and Safety Code of the State of California), as amended and supplemented by the Dissolution Act, and the Refunding Law.

"Outstanding" when used as of any particular time with reference to Bonds, means all Bonds (other than Disqualified Bonds, as described in Resolution No. 85-10R) except—

(1) Bonds theretofore cancelled by the Trustee/Fiscal Agent or surrendered to the Trustee/Fiscal Agent for cancellation;

(2) Bonds paid or deemed to have been paid within the meaning of Resolution No. 85-10R; and

(3) Bonds in lieu of or in substitution for which other Bonds will have been authorized, executed, issued and delivered by the Successor Agency pursuant to the Indenture (or, so long as any Parity Bonds are Outstanding, under Resolution No. 85-10R).

"Owner" means the registered owner of any Outstanding Bonds.

"Parity Bonds" means the Outstanding Series 2009 Bonds.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein, but only to the extent they are acquired at Fair Market Value:

(a) Federal Securities;

(b) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the Successor Agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) obligations of the Federal Financing Bank; (iv) debentures of the Federal Housing Administration; (v) participation certificates of the General Services Administration; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financings of the U.S. Maritime Administration; (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development;

(c) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the Successor Agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of the Federal National Mortgage Association (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal); (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations (but only the interest component of stripped obligations) of the Resolution Funding Corporation; and (vi) consolidated system wide bonds and notes of the Farm Credit System;

(d) money market funds (including funds of the Trustee/Fiscal Agent or its affiliates) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G", "AAAm", or "AAm", and, if rated by Moody's, rated Aaa, Aa1 or Aa2, including funds for which the Trustee/Fiscal Agent, its affiliates, or subsidiaries provide investment advisory or other management services;

(e) certificates of deposit secured at all times by collateral described in (a) or (b) above, which have a maturity of one year or less, which are issued by commercial banks, including affiliates of the Trustee/Fiscal Agent, savings and loan associations or mutual savings banks, and the collateral is held by a third party, and the Trustee/Fiscal Agent on behalf of the Owners has a perfected first security interest in the collateral;

(f) certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee/Fiscal Agent and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation;

(g) investment agreements, including guaranteed investment contracts, which, are general obligations of an entity whose long term debt obligations, or claims paying ability, respectively, or which are collateralized so as to be is rated in one of the two highest rating categories by Moody's or S&P or which are collateralized so as to be rated in one of the two highest rating categories by Moody's or S&P;

(h) commercial paper rated, at the time of purchase, "Prime-1" by Moody's and "A-1" or better by S&P;

(i) bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by those agencies;

(j) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P;

(k) repurchase agreements for thirty (30) days or less (more than thirty (30) days which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee/Fiscal Agent and the transfer of cash from the Trustee/Fiscal Agent to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee/Fiscal Agent in exchange for the securities at a specified date, which satisfy the following criteria:

(i) repurchase agreements must be between the Trustee/Fiscal Agent and (A) a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the Securities Investors Protection Corporation and which are rated "A" or better by Moody's and S&P, or (B) a bank rated "A" or better by Moody's and S&P;

(ii) the written repurchase agreement contract must include the following: (A) securities acceptable for transfer, which may be direct U.S. government obligations, or federal agency obligations backed by the full faith and credit of the U.S. government; (B) the term of the repurchase agreement may be up to 30 days; (C) the collateral must be delivered to the Trustee/Fiscal Agent or a third party acting as agent for the Trustee/Fiscal Agent simultaneous with payment (perfection by possession of certificated securities); (D) the Trustee/Fiscal Agent must have a perfected first priority security interest in the collateral; (E) the collateral must be free and clear of third-party liens and, in the case of a broker which falls under the jurisdiction of the Securities Investors Protection Corporation, are not subject to a repurchase agreement or a reverse repurchase agreement; (F) failure to maintain the requisite collateral percentage, after a two day restoration period, will require the Trustee/Fiscal Agent to liquidate the collateral; (G) the securities must be valued weekly, marked-to-market at current market price plus accrued interest and the value of collateral must be equal to 104% of the amount of cash transferred by the Trustee/Fiscal Agent to the dealer bank or securities firm under the repurchase agreement plus accrued interest (unless the securities used as collateral are obligations of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, in which case the collateral must be equal to 105% of the amount of cash transferred by the Trustee/Fiscal Agent to the dealer bank or securities firm under the repurchase agreement plus accrued interest). If the value of securities held as collateral falls below 104% of the value of the cash transferred by the Trustee/Fiscal Agent, then additional cash or acceptable securities must be transferred; and

(iii) a legal opinion must be delivered to the Trustee/Fiscal Agent to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds;

(l) pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P; however, pre-refunded municipal bonds rated by S&P only (i.e., no Moody's rating) are only acceptable if the pre-refunded municipal bonds were pre-refunded with cash, direct U.S. or U.S. guaranteed obligations or AAA rated pre-refunded municipal bonds; and

(m) the Local Agency Investment Fund of the State of California, created under Section 16429.1 of the California Government Code, to the extent Trustee/Fiscal Agent is authorized to deposit and withdraw from the Fund directly in its own name.

"Plan Limit" means the limitation contained in the Redevelopment Plan 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 Law.

“Project” means the undertaking of the Former Agency pursuant to the Redevelopment Plan and the Community Redevelopment Law for the redevelopment of the Project Area.

“Project Area” means the project area described in the Redevelopment Plan.

“Recognized Obligation Payment Schedule” or “ROPS” means the schedule by that name prepared before each six-month fiscal period (or then other applicable period) in accordance with the requirements of Section 34177(l) of the Community Redevelopment Law.

“Redevelopment Obligation Retirement Fund” means the fund by that name established in the Indenture pursuant to Section 34170.5(a) of the Community Redevelopment Law and administered by the Successor Agency.

“Redevelopment Plan” means the Plan of the Hollister Community Development Project Area, adopted and approved as the Redevelopment Plan for the Project by Ordinance No. 611, adopted by the City Council of the City of Hollister, California on July 19, 1983, as amended from time to time in accordance with the Community Redevelopment Law and Resolution No. 85-10R, including, without limitation, as amended and restated by the Amended and Restated Community Development Plan for the Hollister Redevelopment Project, adopted and approved by Ordinance No. 976 of the City Council of the City of Hollister, California on June 17, 2002.

“Redevelopment Property Tax Trust Fund” means the fund created pursuant to Section 34170.5(b) of the Community Redevelopment Law for the property tax revenues related to the Former Agency and administered by the San Benito County Auditor-Controller.

“Refunding Law” means Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code.

“Resolution No. 85-10R means Resolution No. 85-10R, adopted by the Former Agency on September 30, 1985, as supplemented and amended by (i) Resolution No. 85-15R, adopted on November 12, 1985, (ii) Resolution No. 88-05R, adopted on June 8, 1988, (iii) Resolution No. 89-16R, adopted on December 16, 1989, (iv) Resolution No. 91 33R, adopted on November 18, 1991, (v) Resolution No. 92-19R, adopted on March 30, 1992, (vi) Resolution No. 97-07R, adopted on May 5, 1997, (vii) Resolution No. 2003-15R, adopted on June 16, 2003, (viii) Resolution No. 2009-23R, adopted on June 22, 2009, each of which was adopted by the Former Agency, and (ix) the Successor Agency Resolution and the Indenture. (This definition includes the original Resolution No. 85-10R, and all supplements and amendments adopted pursuant thereto.)

“Series 2009 Bonds” means the $20,000,000 initial principal amount of Redevelopment Agency of the City of Hollister, Hollister Community Development Project Tax Allocation Bonds, Series 2009.

“State” means the State of California.

“Subordinate Debt” means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Successor Agency that are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues that is subordinate to the pledge of and lien upon the Tax Revenues for the security of the Bonds.

“Successor Agency” means the Successor Agency to the Redevelopment Agency of the City of Hollister, a public body duly organized and existing under the Community Redevelopment Law.

"Successor Agency Resolution" means Resolution No. 2014-06 SA, adopted by the Successor Agency on April 21, 2014.

"Tax Revenues" means, for each Fiscal Year while any Bonds are Outstanding, the taxes (including all payments, reimbursements and subventions, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Successor Agency pursuant to the Community Redevelopment Law as provided in the Redevelopment Plan (exclusive of amounts pledged to the San Benito Hospital District under an agreement entitled "Agreement," dated November 5, 1984, by and between that District and the Former Agency, and amounts pledged to the San Benito County Water Conservation and Flood Control District under an agreement entitled "Agreement," dated November 5, 1984, by, and between that District and the Former Agency), up to an amount that is equal to (i) one-hundred and thirty percent (130%) of the Maximum Annual Debt Service on all then Outstanding Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Community Redevelopment Law, plus (ii) an amount, if any, necessary to be deposited in the Reserve Account to maintain the required balance therein, without any reduction by reason of Article XIIIB of the Constitution of the State of California.

"Trustee" means MUFG Union Bank, N.A., as trustee under the Indenture, appointed by the Successor Agency, and acting as an independent trustee with the duties and powers in the Indenture, and its successors and assigns, or any other corporation or association which may at any time be substituted in its place. The Trustee is the successor Fiscal Agent under Resolution No. 85-10R with respect to the Series 2009 Bonds.

"Trustee/Fiscal Agent" means the Trustee, or, so long as any Parity Bonds are Outstanding, the Fiscal Agent.

"Written Request of the Successor Agency" means an instrument in writing signed by the Chairman of the Successor Agency, the Successor Agency Executive Director, the Successor Agency Assistant Executive Director, or by any other officer of the Successor Agency duly authorized by the Successor Agency for that purpose, and by the Secretary of the Successor Agency.

SUMMARY OF CERTAIN PROVISIONS OF RESOLUTION NO. 85-10R

The following is a brief summary of certain provisions of Resolution No. 85-10R, including as amended and supplemented by the Indenture. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of Resolution No. 85-10R. At such time as the Series 2009 Bonds are no longer Outstanding for purposes of Resolution No. 85-10R, and all covenants, agreements and other obligations of the Former Agency and Successor Agency thereunder have been discharged, only the Indenture will continue in full force and effect in accordance with its terms and provisions with respect to the Series 2014 Bonds and any Additional Bonds issued under the Indenture. All references herein to Resolution No. 85-10R will, when Resolution No. 85-10R is no longer in full force and effect, be deemed to be references to the Indenture.

Issuance of the Bonds and Additional Provisions Applicable Thereto

So long as any of the Bonds authorized in Resolution No. 85-10R, or any interest thereon, remain unpaid, the moneys in the following funds will be used for no purpose other than those required or permitted by Resolution No. 85-10R and the Law. At such time as the Parity Bonds are no longer Outstanding for purposes of Resolution No. 85-10R, only the Indenture will apply to the 2014 Bonds and any Additional Bonds issued thereunder; and the funds and accounts established under the Indenture will replace the funds and accounts established under Resolution No. 85-10R.

Establishment and Maintenance of Accounts for Use of Moneys in the Special Fund.

All moneys in the Special Fund established in the Resolution and continued pursuant to the Indenture will be set aside by the Trustee/Fiscal Agent in the following respective special accounts within the Special Fund (each of which, other than the Term Bonds of _____ Sinking Account and the Term Bonds of _____ Sinking Account, was established pursuant to Resolution No. 85-10R, and, each of which, other than the Surplus Account, is continued in the Indenture), in the following order of priority:

(1) Interest Account;

(2) Principal Account;

(3) Term Bonds of 2032 Sinking Account (established under Resolution No. 85-10R in connection with the Series 2009 Bonds and continued pursuant to the Indenture);

(4) Term Bonds of _____ Sinking Account;

(5) Term Bonds of _____ Sinking Account;

(6) Reserve Account; and

(7) Surplus Account (not brought forward from Resolution No. 85-10R). In accordance with the Dissolution Act, the Surplus Fund, created under Resolution No. 85-10R, is no longer necessary and will be closed.

All money in each of such accounts will be held in trust by the Trustee/Fiscal Agent and will be applied, used and withdrawn only for the purposes authorized in Resolution No. 85-10R and continued under the Indenture.

(1) Interest Account.

On or before the last day of March and September of each year, the Trustee/Fiscal Agent will set aside from the Special Fund and deposit in the Interest Account an amount of money which, together with any money contained therein is equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the next succeeding interest payment date, plus any amount necessary to be held as a reserve under the Indenture pursuant to Section 34171(d)(1)(A) of the Law. No deposit need be made into the Interest Account if the amount contained therein, less the aforesaid portions of the payment made into the Interest Account pursuant to the Resolution or said Supplemental Indenture (or, so long as any Parity Bonds are Outstanding, the Supplemental Resolution), is at least equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the next succeeding interest payment date, plus the amount necessary to be held as a reserve under the Indenture. All moneys in the Interest Account will be used and withdrawn by the Trustee/Fiscal Agent solely for the purpose of paying the interest on the Bonds as it will become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(2) Principal Account.

On or before the last day of September of each year, the Trustee/Fiscal Agent will set aside from the Special Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Serial Bonds on the next succeeding principal payment date, plus any amount necessary to be held as a reserve under the Indenture pursuant to Section 34171(d)(1)(A) of the Law.

In the event that there is insufficient money in the Special Fund to make in full such principal payments and sinking account installments required to be made pursuant to the Resolution at any one time, then the available money will be applied pro rata to the making of such principal payments and such sinking account installments in the proportion which such principal payments and sinking account installments bear to each other.

All money in the Principal Account will be used and withdrawn by the Fiscal Agency solely for the purpose of paying the principal of the Bonds as it become due and payable, except that money in the Principal Account may be used and withdrawn by the Trustee/Fiscal Agent to purchase Bonds.

(3) Reserve Account.

The Trustee/Fiscal Agent will set aside from the Special Fund and deposit in the Reserve Account an amount of money that will be required to maintain the Reserve Account in the full amount of the Maximum Annual Debt Service on all Outstanding Bonds as measured pursuant to the Resolution. No deposit need be made in the Reserve Account so long as there is on deposit therein a sum equal to at least the amount required by this subsection to be on deposit therein. All money in the Reserve Account will be used and withdrawn by the Trustee/Fiscal Agent solely for the purpose of replenishing the Interest Account, the Principal Account or the sinking accounts (established or continued pursuant to "—*Establishment and Maintenance of Accounts for Use of Moneys in the Special Fund*" above) in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money of the Successor Agency is lawfully available therefor, or for the retirement of all Bonds then Outstanding, except that for so long as the Successor Agency is not in default under the Resolution, any amount in the Reserve Account in excess of the amount required by this paragraph to be on deposit therein may, upon Written Request of the Successor Agency, be withdrawn from the Reserve Account by the Trustee/Fiscal Agent and transferred to the Interest Account.

In the event that Tax Revenues in any Fiscal Year are insufficient to replenish the Reserve Account to the amount required by this section (3), such deficiency will be made up from the first available Tax Revenues in succeeding years, and the failure to replenish the Reserve Fund in full during such Fiscal Year will not be deemed an event of default.

Deposit and Investment of Moneys in Funds.

Moneys in the Special Fund, the Interest Account, the Principal Account, any sinking accounts (continued or established pursuant to the Indenture), the Reserve Account, and the Expense Account will be invested by the Trustee/Fiscal Agent in Permitted Investments as directed by the Successor Agency in the Written Request of the Successor Agency filed with the Trustee/Fiscal Agent at least two (2) Business Days in advance of the making of the investments. In the absence of a Written Request of the Successor Agency, the Trustee/Fiscal Agent will invest any of those moneys in Permitted Investments described in clause (d) of the definition thereof, which by their terms mature prior to the date on which those moneys are required to be paid out. The Trustee/Fiscal Agent will be entitled to rely conclusively upon the written instructions of the Successor Agency directing investments in Permitted Investments as to the fact that each investment is permitted by the laws of the State, and is not required to make further investigation with respect thereto. With respect to any restrictions set forth in the above list which embody legal conclusions (e.g., the existence, validity and perfection of security interests in collateral), the Trustee/Fiscal Agent will be entitled to rely conclusively on an opinion of counsel or upon a representation of the provider of the Permitted Investment obtained at the Successor Agency's expense. Moneys in the Reserve Account may only be invested in Permitted Investments having maturities of five (5) years or less. Obligations purchased as an investment of moneys in any fund are deemed to be part of that fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee/Fiscal Agent under the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) will be deposited in the Interest Account, except that all interest or gain from the investment of amounts in the Reserve Account will be deposited by the Trustee/Fiscal Agent in the Interest Account to the extent not required to cause the balance in the Reserve Account to equal the Maximum Annual Debt Service. The Trustee/Fiscal Agent may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee/Fiscal Agent will incur no liability for losses arising from any investments made at the direction of the Successor Agency or otherwise made pursuant to the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R).

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 those confirmations to the extent permitted by law. The Trustee/Fiscal Agent will furnish the Successor Agency periodic cash transaction statements which include detail for all investment transactions made by the Trustee/Fiscal Agent under the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R).

All moneys held by the Trustee/Fiscal Agent will be held in trust, but need not be segregated from other funds unless specifically required by the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R). Except as specifically provided in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), the Trustee/Fiscal Agent is not liable to pay interest on any moneys received by it, but is liable to account to the Successor Agency for earnings derived from funds that have been invested.

Within the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), the Successor Agency covenants that all investments of amounts deposited in any fund or account created by or pursuant to the Indenture, or otherwise, containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) will be acquired, disposed of, and valued (as of the date that valuation is required by the Indenture or the Code) at Fair Market Value.

Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in the Reserve Account will be valued by the Successor Agency at their present value (within the meaning of section 148 of the Code).

Issuance of Additional Bonds

<u>Conditions for the Issuance of Additional Bonds to Refund Outstanding Bonds</u>.

The Successor Agency may at any time, but, as constrained by the Dissolution Act, only for the purpose of refunding Outstanding Bonds, issue Additional Bonds payable from the Tax Revenues and secured by a lien and charge upon the Tax Revenues (including amounts payable to the County of San Benito pursuant to the County Agreement, defined below, to the extent such amounts have been subordinated to the amounts payable on such Additional Bonds) equal to the lien and charge securing Outstanding Bonds previously issued under the Indenture (or, so long as any Parity Bonds are

Outstanding, Resolution No. 85-10R), but subject to the following specific conditions, which are made conditions precedent to the issuance of those Additional Bonds:

(a) The Successor Agency will be in compliance with all covenants set forth in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), and a Certificate of the Successor Agency to that effect will have been filed with the Trustee/Fiscal Agent.

(b) The issuance of the Additional Bonds will be duly authorized pursuant to the Community Redevelopment Law and all applicable laws, and the issuance of the Additional Bonds have been provided for by a Supplemental Indenture (or, so long as any Parity Bonds are Outstanding, a Supplemental Resolution) entered into or adopted, as the case may be, by the Successor Agency which will specify the following:

(1) The purpose for which such Additional Bonds are to be issued, such purpose being limited to the refunding of any Outstanding Bonds, the establishment of the fund or funds into which the proceeds thereof are to be deposited, making any necessary deposit to the Reserve Account, and paying all costs incidental to or connected with the refunding;

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

(3) The date and the maturity date or dates of the Additional Bonds; provided that (i) each maturity date will fall upon the same date as is the maturity date for the Bonds, (ii) all the Additional Bonds of like maturity will be identical in all respects, except as to number, and (iii) fixed serial maturities or mandatory sinking account payments, or any combination thereof, will be established to provide for the retirement of all of the Additional Bonds on or before their respective maturity dates;

(4) The interest payment dates for the Additional Bonds; provided that interest payment dates will be on the same semiannual dates as the interest payment dates for the Bonds;

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

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

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

(8) The amount, if any, to be deposited from the proceeds of the Additional Bonds in any interest account;

(9) The amount, if any, to be deposited from the proceeds of the Additional Bonds in the Reserve Account; provided that the Reserve Account will be increased at or prior to the time the Additional Bonds become outstanding to an amount at least equal to the Maximum Annual Debt Service on all then Outstanding Bonds and such Additional Bonds, and that an amount at least equal to the Maximum Annual Debt Service on all Outstanding Bonds will thereafter be maintained in the Reserve Account;

(10) The form of the Additional Bonds; and

(11) Those other provisions as are necessary or appropriate and not inconsistent with the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R).

(c) The Tax Revenues based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Successor Agency's Supplemental Indenture (or, so long as any Parity Bonds are Outstanding, Supplemental Resolution) providing for the issuance of the Additional Bonds will be in an amount equal to at least one hundred and thirty percent (130%) times the Maximum Annual Debt Service on all then Outstanding Bonds and such Additional Bonds, and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law. For this purpose the tax rate used for the Additional Bonds test will be 1%.

For the purpose of the issuance of Additional Bonds, the Tax Revenues pledged to secure the Additional Bonds will be deemed to be increased by any additional assessed valuation of taxable property as to which construction has been completed or is in place, as of the date of, and as may be shown by, an Independent Redevelopment Consultant's Report.

For the purpose of the issuance of Additional Bonds, the Tax Revenues pledged to secured the Additional Bonds will exclude amounts pledged to the County of San Benito under the agreement entitled, "Agreement," dated December 10, 1984, by and between the County and the Former Agency (the "County Agreement"), unless the County has subordinated its rights therein to the pledge of those amounts to the Additional Bonds.

Interest and principal payments on the Outstanding Bonds, to be refunded and retired from the proceeds of the Additional Bonds being issued, will be excluded from the foregoing computation of Maximum Annual Debt Service. Nothing contained in the Indenture (or, so long as any Parity Bonds are Outstanding, under Resolution No. 85-10R) will limit the issuance of any tax allocation bonds of the Successor Agency payable from the Tax Revenues and secured by a lien and charge on the Tax Revenues if, after the issuance and delivery of those tax allocation bonds, none of the Bonds will be Outstanding.

In addition, the Successor Agency may issue or incur Subordinate Debt in such principal amount as it may determine.

<u>Procedure for the Issuance of Additional Bonds</u>.

All of the Additional Bonds will be executed by the Successor Agency for issuance under the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), delivered to the Trustee/Fiscal Agent and delivered by the Trustee/Fiscal Agent upon the written Request of the Successor Agency, but only upon receipt by the Trustee/Fiscal Agent of the following documents or money or securities, all of the documents dated or certified, as the case may be, as of the date of delivery of the Additional Bonds by the Trustee/Fiscal Agent (unless the Trustee/Fiscal Agent accepts any of the documents bearing a prior date):

(1) A certified copy of the Supplemental Indenture (or, so long as any Parity Bonds are Outstanding, the Supplemental Resolution) authorizing the issuance of the Additional Bonds;

(2) A Written Request of the Successor Agency as to the delivery of the Additional Bonds;

(3) An opinion of counsel of recognized standing in the field of law relating to municipal bonds to the effect that (a) the Successor Agency has the right and power under the Law to execute the Supplemental Indenture (or, so long as any Parity Bonds are Outstanding, adopt the Supplemental Resolution), and that it has been duly and lawfully entered into or adopted, as the case may be, by the Successor Agency, is in full force and effect, and is valid and binding upon the Successor Agency enforceable in accordance with its terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights), and no other authorization for the Supplemental Indenture (or, so long as any Parity Bonds are Outstanding, the Supplemental Resolution) is required; (b) the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) creates the valid pledge which it purports to create of the Tax Revenues as provided therein, subject to the application thereof to the purposes and on the conditions permitted by the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R); and (c) the Additional Bonds are valid and binding special obligations of the Successor Agency, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), and entitled to the benefits of the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) and the Law, and the Additional Bonds have been duly and validly authorized and issued in accordance with the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), the Law and the Supplemental Indenture (or, so long as any Parity Bonds are Outstanding, the Supplemental Resolution);

(4) A Certificate of the Successor Agency containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R); and

(5) Further documents, money and securities as are required by the provisions of the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), and the Supplemental Indenture (or, so long as any Parity Bonds are Outstanding, the Supplemental Resolution) providing for the issuance of the Additional Bonds.

Tax Revenues

Pledge of Tax Revenues; Establishment of Special Fund.

All the Tax Revenues and all money in the Special Fund, the Redevelopment Obligation Retirement Fund, and in the funds or accounts specified and provided for in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), including any escrow fund established by the deposit of proceeds from Additional Bonds except refunding bonds issued under the Indenture (or, so long as any Parity Bonds are Outstanding, under Resolution No. 85-10R), are irrevocably pledged to the punctual payment of the interest on and principal of and redemption premiums, if any, on the Bonds, and the Tax Revenues and such other money will not be used for any other purpose while any of the Bonds remain outstanding. This pledge constitutes a first and exclusive lien on the Tax Revenues and the other money for the payment of the Bonds in accordance with the terms of the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R).

All the Tax Revenues, together with any interest earned thereon, will, so long as any Bonds are Outstanding under the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), be deposited when and as received by the Successor Agency in the "Redevelopment Agency to the Redevelopment Agency of the City of Hollister, Hollister Community Development Project Special Fund" (the "Special Fund"), established under Resolution No. 85-10R and continued pursuant to the Indenture, and which the Successor Agency covenants and agrees to maintain with the Trustee/Fiscal Agent so long as any Bonds are Outstanding under the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R). Notwithstanding the foregoing, there will not be deposited with the Trustee/Fiscal Agent any taxes eligible for allocation to the Successor Agency pursuant to the Community Redevelopment Law in an amount in excess of that amount which, together with all money then on deposit with the Trustee/Fiscal Agent in the Special Fund and the accounts therein, will be sufficient to discharge all Outstanding Bonds as provided in the Indenture (which sets forth a restatement of relevant provisions of Resolution No. 85-10R).

Redevelopment Obligation Retirement Fund; Receipt and Deposit of Tax Revenues.

There is established a Redevelopment Obligation Retirement Fund, pursuant to Section 34170.5(a) of the Community Redevelopment Law, to be administered by the Successor Agency so long as any Bonds are Outstanding.

Amounts deposited from time to time in the Redevelopment Property Tax Trust Fund (created pursuant to Section 34170.5(b) of the Community Development Law for the property tax revenues related to the Former Agency and administered by the San Benito County Auditor-Controller) and allocated to the Successor Agency for payments listed on the Successor Agency's Recognized Obligation Payment Schedules, will be deposited by the Successor Agency in the Redevelopment Obligation Retirement Fund to be administered by the Successor Agency.

From the deposits in the Redevelopment Obligation Retirement Fund, the Successor Agency covenants and agrees that, so long as any Parity Bonds are Outstanding, all Tax Revenues, when and as received, will be received by the Successor Agency in trust under Resolution No. 85-10R and will be immediately transferred from the Redevelopment Obligation Retirement Fund and deposited with the Trustee/Fiscal Agent in the Special Fund and accounted for through and held in trust in the Special Fund, and that the Successor Agency will have no beneficial right or interest in any of such money, except only as is provided in Resolution No. 85-10R. From the deposits in the Redevelopment Obligation Retirement Fund, the Successor Agency covenants and agrees that, after the Parity Bonds are no longer Outstanding and so long as any Bonds are Outstanding under the Indenture, all amounts deposited from time to time in the Redevelopment Property Tax Trust Fund (created pursuant to Section 34170.5(b) of the Community Development Law for the property tax revenues related to the Former Agency and administered by the San Benito County Auditor-Controller) and allocated to the Successor Agency for payments of the items set forth in the Indenture and listed on the Successor Agency's Recognized Obligation Payment Schedules, when and as received, will be received by the Successor Agency in trust under the Indenture and will be immediately transferred from the Redevelopment Obligation Retirement Fund and deposited with the Trustee/Fiscal Agent in the Special Fund and accounted for through and held in trust in the Special Fund, and that the Successor Agency will have no beneficial right or interest in any of such money, except only as is provided in the Indenture. All funds pledged under the Indenture, whether received by the Successor Agency in trust or deposited with the Trustee/Fiscal Agent, as provided in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), will nevertheless be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), and accounted for separately and apart from all other money, funds, accounts or other resources of the Successor Agency.

Other Covenants of the Successor Agency

Punctual Payment.

The Successor Agency will punctually pay the interest on and principal of and redemption premiums, if any, to become due with respect to the Bonds, in strict conformity with the terms of the Bonds and of the Indenture (or, so long as any Parity Bonds are outstanding, Resolution No. 85-10R), and will faithfully satisfy, observe and perform all conditions, covenants and requirements of the Bonds and of the Indenture (or, so long as any Parity Bonds are outstanding, Resolution No. 85-10R).

Against Encumbrances.

The Successor Agency will not mortgage or otherwise encumber, pledge or place any charge upon any of the Tax Revenues, except as provided in the Indenture (or, so long as any Parity Bonds are outstanding, Resolution No. 85-10R), and will not issue any obligation or security superior to or on a parity with the Bonds payable in whole or in part from the Tax revenues (other than Additional Bonds).

Extension or Funding of Claims for Interest.

In order to prevent any claims for interest after maturity, the Successor Agency will not, directly or indirectly, extend or consent to the extension of the time for the. payment of any claim for interest on any Bonds and will not, directly or indirectly, be a party to or approve any such arrangements by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest will be extended or funded, whether or not with the consent of the Successor Agency, such claim for interest so extended or funded will not be entitled, in case of default under the Indenture (or, so long as any Parity Bonds are outstanding, Resolution No. 85-10R), to the benefits thereof, except subject of the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which will not have been so extended or funded.

Management and Operation of Properties.

The Successor Agency will manage and operate all properties owned by the Successor Agency and comprising any part of the Project in a sound and business-like manner and in conformity with all valid requirements of any governmental authority relative to the Project or any part thereof, and will keep such properties insured at all times in conformity with sound business practice.

Payment of Claims.

The Successor Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Successor Agency or upon the Tax Revenues or any part thereof, or upon any funds with the Trustee/Fiscal Agent, or which might impair the security of the Bonds; provided that nothing contained in the Indenture (or, so long as any Parity Bonds are outstanding, Resolution No. 85-10R) will require the Successor Agency to make any such payments so long as the Successor Agency in good faith will contest the validity of any such claims.

Books and Accounts; Financial and Project Statements.

The Successor Agency will keep proper books of record and accounts, separate from all other records and accounts of the Successor Agency, in which complete and correct entries will be made of all transactions relating to the Project and the Special Fund. The books of record and accounts will at all times during business hours be subject to the inspection of the Trustee/Fiscal Agent, or of the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding or their representatives authorized in writing.

The Successor Agency will prepare and file annually as soon as practicable, but in any event not later than one hundred eighty (180) days after the close of each Fiscal Year, and with the Trustee/Fiscal Agent so long as any Bonds are Outstanding, an audited financial statement of the Successor Agency relating to the Special Fund and all other funds or accounts established pursuant to the Indenture (and, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) for the preceding Fiscal Year prepared by an Independent Public Accountant, showing the balances in each fund as of the beginning of the Fiscal Year and all deposits in and withdrawals from each fund during the Fiscal Year and the balances in each fund as of the end of the Fiscal Year, which audited financial statement will include a statement as to the manner and extent to which the Successor Agency has complied with the provisions of the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) as it relates to those funds.

The Successor Agency will furnish a copy of the audited financial statement to any Owner upon request, and will furnish to the Trustee/Fiscal Agent such reasonable number of copies thereof as may be required by the Trustee/Fiscal Agent for distribution (at the expense of the Successor Agency) to investment bankers, security dealers and others interested in the Bonds.

Protection of Security and Rights of Owners.

The Successor Agency will preserve and protect the security of the Bonds and the rights of the owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Bonds by the Successor Agency, those Bonds will be incontestable by the Successor Agency.

Payment of Taxes and Other Charges.

Subject to the provisions of the Indenture (which restate certain provisions of Resolution No. 85-10R), the Successor Agency will pay and discharge all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Successor Agency or any properties owned by the Successor Agency in the Project Area, or upon the revenues therefrom, when the same will become due; provided that nothing in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) will require the Successor Agency to make any such payments so long as the Successor Agency in good faith contests the validity of those taxes, service charges, assessments or other governmental charges.

Taxation of Leased Property.

Whenever any property in the Project Area is redeveloped by the Successor Agency and thereafter is leased by the Successor Agency to any person or persons (other than to another governmental entity), or whenever the Successor Agency leases any real property in the Project Area to any person or persons (other than to another governmental entity) for redevelopment, the property will be assessed and taxed in the same manner as privately-owned property (in accordance with the Community Redevelopment Law), and the lease or contract will provide that (1) the lessee will pay taxes upon the assessed value of the entire property and not merely upon the assessed value of the leasehold interest, and that (2) if for any reason the taxes paid by the lessee on the property in any year during the term of the lease are less than the taxes that would have been payable upon the entire property if the property were assessed and taxed in the same manner as privately-owned property, the lessee will pay the difference to the Successor Agency within thirty (30) days after the taxes for that year become payable, and in any event prior to the delinquency date of those taxes established by law, and those payments will be treated as Tax Revenues and will be deposited by the Successor Agency in the Special Fund.

Further Assurances.

The Successor Agency will 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 (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R).

Monitoring Limitation on Tax Allocation.

So long as any Bonds are Outstanding and unpaid, the Successor Agency will annually review the total amount of the taxes (including all payments, reimbursements and subventions, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Successor Agency pursuant to the Community Redevelopment Law as provided in the Redevelopment Plan (defined therein as the "Tax Increment Revenues") remaining available to be received by the Successor Agency under the Redevelopment Plan (the "Plan Limit") as well as future cumulative annual payments on all Outstanding Bonds and any other obligation of the Successor Agency payable from Tax Increment Revenues. The Successor Agency will not accept Tax Increment Revenues greater than the aggregate annual debt service payable by the Successor Agency in any year if such acceptance will cause the amount remaining under the Plan Limit to fall below the remaining cumulative debt service payable from Tax Increment Revenues, except for the purpose of depositing the Tax Increment Revenues in escrow for future payments or prepayments of the Bonds.

Annual Certification.

The Successor Agency will annually review, at fiscal year end, the remaining Tax Revenues available to be received under the Redevelopment Plan through final maturity to determine whether they will exceed debt service on all Outstanding Bonds through final maturity by 1.25x. If not, the Successor Agency will begin depositing all Tax Revenues thereafter received with the Trustee/Fiscal Agent to be deposited into the Special Fund to be applied for the sole purpose of paying the principal of, interest on and, if applicable, redemption premium on Outstanding Bonds.

The Trustee/Fiscal Agent

The Trustee/Fiscal Agent.

The Trustee for the Successor Agency is appointed pursuant to the Indenture for the purpose of receiving all money which the Successor Agency is required to deposit with the Trustee under the Indenture and to allocate, use and apply the same as therein provided. The Successor Agency agrees that it will maintain a Trustee having a principal office in San Francisco, California, so long as any Bonds are Outstanding.

The Trustee is the successor Fiscal Agent for the Series 2009 Bonds under Resolution No. 85-10R. So long as any of the Parity Bonds are Outstanding, Resolution No. 85-10R continues in full force and effect in accordance with its provisions. At such time as the Parity Bonds are no longer Outstanding for purposes of Resolution No. 85-10R, only the Indenture will apply to the 2014 Bonds and any

Additional Bonds issued thereunder; and the funds and accounts established under the Indenture will replace the funds and accounts established under Resolution No. 85-10R.

The Successor Agency may at any time at its sole discretion remove the Trustee/Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors provided that any successor is a bank or trust company doing business and having a principal office in San Francisco, California, having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars ($50,000,000), and subject to supervision or examination by federal or state authority. If the 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, the combined capital and surplus of the bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent published report of condition.

The Trustee/Fiscal Agent may at any time resign by giving written notice to the Successor Agency, and by giving to the Owners notice of the resignation, which notice will be mailed to the Owners at their addresses appearing in the registration books in the office of the Trustee/Fiscal Agent. Upon receiving the notice of resignation, the Successor Agency will promptly appoint a successor Trustee/Fiscal Agent by an instrument in writing. Any resignation or removal of the Trustee/Fiscal Agent and appointment of a successor Trustee/Fiscal Agent will become effective only upon acceptance of appointment by the successor Trustee/Fiscal Agent. Should the Successor Agency fail to appoint a successor Trustee/Fiscal Agent within thirty (30) days after it receives written notice of the resignation of the Trustee/Fiscal Agent, the Trustee/Fiscal Agent may petition the Superior Court of California, in either the City and County of San Francisco or the County of San Benito, for the purpose of having that Superior Court appoint a successor Trustee/Fiscal Agent.

The Trustee/Fiscal Agent is authorized to redeem the Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Trustee/Fiscal Agent will cancel all Bonds upon payment thereof or upon the surrender thereof by the Successor Agency and will return the same so cancelled to the Successor Agency. The Trustee/Fiscal Agent will keep accurate records of all Bonds paid and discharged and cancelled by it.

The Successor Agency will from time to time, subject to any agreement between the Successor Agency and the Trustee/Fiscal Agent then in force, pay to the Trustee/Fiscal Agent compensation for its services, reimburse the Trustee/Fiscal Agent for all its advances and expenditures, including but not limited to advances to and fees and expenses of independent accountants, counsel and engineers or other experts employed by it in the exercise and performance of its powers and duties under the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), and indemnify and save the Trustee/Fiscal Agent harmless against liabilities not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its powers and duties under the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R). The Trustee/Fiscal Agent will have a lien therefor on any and all funds at any time held by it under the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) which lien will not be superior to the lien of the Owners except to the extent that the lien is for its costs and expenses incurred under the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) First, in which case the Trustee/Fiscal Agent will have a lien which is superior to the lien of the Owners for the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) First costs and expenses.

No provision of the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) will require the Trustee/Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that repayment of the funds or adequate indemnity against the risk or liability is not reasonably assured to it.

The Trustee/Fiscal Agent will not be deemed to have knowledge of any Event of Default under the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) unless and until it will have actual knowledge thereof, or will have received written notice thereof, at its principal corporate trust office in San Francisco, California. Except as otherwise expressly provided in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), the Trustee/Fiscal Agent will not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Successor Agency in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) or of any of the documents executed in connection with the Bonds or as to the existence of an Event of Default under the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R).

Liability of Trustee/Fiscal Agent.

The recitals of facts, covenants and agreements within the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) and in the Bonds will be taken as statements, covenants and agreements of the Successor Agency, and the Trustee/Fiscal Agent does not assume any responsibility for the correctness of the same, or make any representation as to the validity or sufficiency of the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) or of the Bonds, or incur any responsibility in respect thereof, other than in connection with the duties or obligations under the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) or in the Bonds assigned to or imposed upon it. The Trustee/Fiscal Agent will not be liable in connection with the performance of its duties, except for its own negligence or willful misconduct.

Notice to Trustee/Fiscal Agent.

The Trustee/Fiscal Agent will be protected in acting upon any notice, resolution, request, consent, order, certificate, report, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee/Fiscal Agent may consult with counsel, who may be counsel to the Successor Agency, with regard to legal questions and opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered in good faith and in accordance therewith.

The Trustee/Fiscal Agent will not be bound to recognize any person as the Owner of a Bond unless and until the Bond is submitted for inspection, if required, and his or her title thereto satisfactorily established, if disputed.

Whenever, in the administration of its duties under the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), the Trustee/Fiscal Agent will deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R)) may, in the absence of bad faith on the part of the Trustee/Fiscal Agent, be deemed to be conclusively proved and established by a Certificate of the Successor Agency and the Certificate will be full warrant to the Trustee/Fiscal Agent for any action taken or suffered under the provisions of the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) upon the faith thereof, but in its discretion the Trustee/Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Amendment of the Indenture

Amendment by Consent of Owners.

The Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) and the rights and obligations of the Successor Agency and of the Owners may be amended at any time by a Supplemental Indenture (or, so long as any Parity Bonds are Outstanding, a Supplemental Resolution) which will become binding when the written consents of the Owners of sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in "—*Disqualified Bonds*" below, are filed with the Trustee/Fiscal Agent. No such amendment will (1) extend the maturity of or reduce the interest rate on, or otherwise alter or impair the obligation of the Successor Agency to pay the interest or principal or redemption premium, if any, at the time and place and at the rate and in the currency provided in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) of any Bond, without the express written consent of the Owner of the Bond, or (2) permit the creation by the Successor Agency of any mortgage, pledge or lien upon the Tax Revenues superior to or on a parity with the pledge and lien created in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) for the benefit of the Bonds, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify the rights or obligations of the Trustee/Fiscal Agent without its prior written assent thereto.

The Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) and the rights and obligations of the Successor Agency and of the owners may also be amended at any time by a Supplemental Indenture (or, so long as any Parity Bonds are Outstanding, a Supplemental Resolution) which will become binding upon execution or adoption, as the case may be, by the Successor Agency without the consent of any owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) To add, to the covenants and agreements of the Successor Agency in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) contained, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) to or conferred upon the Successor Agency;

(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, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), or in regard to questions arising under the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), as the Successor Agency may deem necessary or desirable and not inconsistent with the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), and which will not adversely affect the interest of the owners; or

(c) To provide for the issuance of any Additional Bonds, and to provide the terms and conditions under which such Additional Bonds may be issued, subject to and in accordance with the related provisions of the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R).

(d) To amend the Recognized Obligation Debt Service Payment Schedule to take into account the redemption of any Bond prior to its maturity.

Disqualified Bonds.

Bonds owned or held by or for the account of the Successor Agency will not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), and will not be entitled to consent to, or take any other action provided for in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R).

Endorsement or Replacement of Bonds After Amendment.

After the effective date of any action taken as provided for in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), the Successor Agency may determine that the Bonds may bear a notation, by endorsement in form approved by the Successor Agency, as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his or her Bond for the purpose at the office of the Trustee/Fiscal Agent or at such additional offices as the Trustee/Fiscal Agent may select and designate for that purpose, a suitable notation as to such action will be made on the Bond. If the Successor Agency will so determine new Bonds so modified as, in the opinion of the Successor Agency, are necessary to conform to such action, will be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date the new Bonds will be exchanged at the office of the Trustee/Fiscal Agent or at such additional offices as the Trustee/Fiscal Agent may select and designate for that purpose, without cost to each owner for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

Amendment by Mutual Consent.

The provisions of the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) will not prevent any owner from accepting any amendment as to the particular Bonds held by him or her, provided that due notation thereof is made on such Bonds.

Opinion of Counsel.

The Trustee/Fiscal Agent may conclusively accept an opinion of counsel to the Successor Agency that an amendment of the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) is in conformity with the provisions thereof.

Events of Default and Remedies of Owners

Events of Default and Acceleration of Maturities.

If one or more of the following events ("Events of Default") will happen, that is to say:

(a) If default is made in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same becomes due and payable, whether at maturity as therein expressed, by declaration or otherwise, and the default will have continued for a period of thirty (30) days;

(b) If default is made in the due and punctual payment of the interest on any Bond when and as the same becomes due and payable, and the default will have continued for a period of thirty (30) days;

(c) If default is made by the Successor Agency in the observance of any of the agreements, conditions or covenants on its part in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) or in the Bonds contained, and the default will have continued for a period of sixty (60) days after the Successor Agency has been given notice in writing of the default by the Trustee/Fiscal Agent; or

(d) If the Successor Agency files a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction approves a petition, filed with or without the consent of the Successor Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the Successor Agency or of the whole or any substantial part of its property;

then, and in each and every such case during the continuance of the Event of Default, the Trustee/Fiscal Agent may, and upon the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding, will, by notice in writing to the Successor Agency, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and will be immediately due and payable, anything in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) or in the Bonds contained to the contrary notwithstanding.

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the money due has been obtained or entered, the Successor Agency deposits with the Trustee/Fiscal Agent a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest at the rate of ten percent (10%) per annum on the overdue installments of principal and interest, and the reasonable expenses of the Trustee/Fiscal Agent, and any and all other defaults known to the Trustee/Fiscal Agent (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) will have been made good or cured to the satisfaction of the Trustee/Fiscal Agent or provision deemed by the Trustee/Fiscal Agent to be adequate will have been made therefor, then, and in every such case, the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, by written notice to the Successor Agency and to the Trustee/Fiscal Agent, may, on behalf of the owners of all of the Bonds, rescind and annul declaration and its consequences. No such rescission and annulment will extend to or will affect any subsequent default, or will impair or exhaust any subsequent right or power related thereto.

Application of Funds Upon Acceleration.

All money in the funds and accounts provided for in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) upon the date of the declaration of acceleration by the Trustee/Fiscal Agent as provided in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), and all Tax Revenues thereafter received by the Successor Agency thereunder, will be transmitted to the Trustee/Fiscal Agent and will be applied by the Trustee/Fiscal Agent in the following order:

First, to the payment of the costs and expenses of the Trustee/Fiscal Agent or Owners in providing for the declaration of the Event of Default, including reasonable compensation to their agents, attorneys and counsel, and to the payment of the costs and expenses of the Trustee/Fiscal Agent, if any, in carrying out the provisions of the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), including reasonable compensation to its agents, attorneys and counsel;

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on the overdue interest and principal at the rate of ten percent (10%) per annum, and in case the money is insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal, ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

Other Remedies of Owners.

Any Owner, for the equal benefit and protection of all owners similarly situated, will have the right to:

(a) By mandamus or other suit or proceeding at law or in equity to enforce his or her rights against the Successor Agency and any of the members, officers and employees of the Successor Agency, and to compel the Successor Agency or any such members, officers or employees to perform and carry out their duties under the Community Redevelopment Law and their agreements with the Owners as provided in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R);

(b) By suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Owners; or

(c) Upon the happening of an Event of Default, by a suit in equity to require the Successor Agency and its members, officers and employees to account as the trustee of an express trust.

Non-Waiver.

Nothing in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) or in the Bonds will effect or impair the obligation of the Successor Agency, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as provided in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), out of the Tax Revenues pledged for such payment, or effect 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 in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R).

A waiver of any default or breach of duty or contract by any Owner will not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission by any Owner to exercise any right or power accruing upon any default will impair any such right or power or will 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 Community Redevelopment Law or by the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) may be enforced and exercised from time to time and as often as will be deemed expedient by the Owners.

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the Successor Agency and the Owners will 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/Fiscal Agent as Attorney-in-Fact.

Any suit, action or proceeding which any Owner will have the right to bring to enforce any right or remedy under the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) may be brought by the Trustee/Fiscal Agent for the equal benefit and protection of all Owners, and the Trustee/Fiscal Agent is appointed (and the successive respective Owners of the Bonds and any interest coupons by taking and holding the same, will be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the 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 Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee/Fiscal Agent as such attorney-in-fact.

Remedies Not Exclusive.

No remedy conferred upon or reserved to the owners under the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) is intended to be exclusive of any other remedy. Every remedy will be cumulative and will be in addition to every other remedy given under the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Community Redevelopment Law or any other law.

Defeasance

Discharge of Indebtedness.

If the Successor Agency pays or causes to be paid, or there will otherwise be paid, to the owners of all Outstanding Bonds, the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Bond and in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), then the Owners of such Bonds will cease to be entitled to the pledge of Tax Revenues, and all covenants, agreements and other obligations of the Successor Agency to the Owners of such Bonds under the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee/Fiscal Agent will execute and deliver to the Successor Agency all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee/Fiscal Agent will pay over or deliver to the Successor Agency all money or securities held by it pursuant to the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) which are not required for the payment of the interest due on and the principal of such Bonds.

Bonds for the payment of which money will have been set aside (through deposit by the Successor Agency or otherwise) to be held in trust by the Trustee/Fiscal Agent for such payment at the maturity date of those Bonds will be deemed, as of the date of such setting aside, to have been paid within the meaning and with the effect expressed above.

Any Outstanding Bonds will, prior to the maturity date thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph above if (1) there will have been deposited with the Trustee/Fiscal Agent either money in an amount which will be sufficient, or Defeasance Obligations (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) the principal of and the interest on which when paid will provide money which, together with the money, if any, deposited with the Trustee/Fiscal Agent at the same time, will be sufficient to pay when due the interest due and to become due on such Bonds on and prior to the maturity date thereof, and the principal of such Bonds, and (2) the Successor Agency will have given the Trustee/Fiscal Agent in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Bonds that the deposit required by (1) above has been made with the Trustee/Fiscal Agent and that such Bonds are deemed to have been paid in accordance with the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) and stating the maturity date upon which money is to be available for the payment of the principal of such Bonds.

Neither Federal Securities, nor money deposited with the Trustee/Fiscal Agent pursuant to the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), nor interest or principal payments on any Federal Securities will be withdrawn or used for any purpose other than, and will be held in trust for, the payment of the interest on and principal of such Bonds; provided that any cash received from interest or principal payments on the Federal Securities deposited with the Trustee/Fiscal Agent, if not then needed for such purpose, will, to the extent practicable, be reinvested in Federal Securities maturing at times and in amounts sufficient to pay when due the interest on and principal of such Bonds on and prior to their maturity date, and interest earned from such reinvestments will be deposited in the Special Fund. For the purposes of the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R), Federal Securities will mean and include only such securities as are not subject to redemption prior to their maturity.

Unclaimed Moneys.

Anything in the Indenture (or, so long as any Parity Bonds are Outstanding, Resolution No. 85-10R) to the contrary notwithstanding, any money held by the Trustee/Fiscal Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable, if such money was held by the Trustee/Fiscal Agent at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee/Fiscal Agent after the date when such Bonds become due and payable, will, at the Written Request of the Successor Agency, be repaid by the Trustee/Fiscal Agent to the Successor Agency, as its absolute property and free from trust, and the Trustee/Fiscal Agent will thereupon be released and discharged with respect thereto, and the Owners will look only to the Successor Agency for the payment of such Bonds; provided, however, that before being required to make any such payment to the Successor Agency, the Trustee/Fiscal Agent will, at the expense of the Successor Agency, cause to be mailed to the registered Owners of such Bonds, at their addresses as they appear on the registration books of the Trustee/Fiscal Agent, a notice that the money remains unclaimed and that, after a date named in the notice, which date will not be less than thirty (30) days after the date of the mailing of the notice, the balance of the money then unclaimed will be returned to the Successor Agency.

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APPENDIX B

Form of Bond Counsel Opinion

[Closing Date]

Successor Agency to the Redevelopment Agency
of the City of Hollister
Hollister, California

$______________
SUCCESSOR AGENCY TO THE REDEVELOPMENT
AGENCY OF THE CITY OF HOLLISTER
(HOLLISTER COMMUNITY DEVELOPMENT PROJECT)
2014 TAX ALLOCATION BONDS
(County of San Benito, California)

Ladies and Gentlemen:

We have acted as Bond Counsel to the Successor Agency to the Redevelopment Agency of the City of Hollister (the Successor Agency"), a public body, duly organized and existing under and pursuant to the laws of the State of California, in connection with its issuance of $____________ aggregate principal amount of the Successor Agency to the Redevelopment Agency of the City of Hollister (Hollister Community Development Project) 2014 Tax Allocation Bonds (the "Series 2014 Bonds"). The Series 2014 Bonds are issued under the provisions of the Community Redevelopment Law of the State of California, as amended and supplemented by the Dissolution Act (as defined in the Indenture) (collectively, the "Community Redevelopment Law"), Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Refunding Law"), and pursuant to the provisions of Resolution No. 85-10R, adopted by the Redevelopment Agency of the City of Hollister (the "Former Agency") on September 30, 1985, as supplemented and amended, most recently by Resolution No. 2014-06 SA, adopted by the Successor Agency on April 21, 2014, and the Indenture (the "Indenture"), dated as of August 1, 2014, by and between the Successor Agency and MUFG Union Bank, N.A., as trustee (and as successor Fiscal Agent under Resolution No. 85-10R). As used in the following paragraphs, "Resolution No. 85-10R" means Resolution No. 85-10R, as originally adopted, as so supplemented and amended.

In our capacity as Bond Counsel, we have reviewed Resolution No. 85-10R, a tax certificate of the Successor Agency dated the date hereof (the "Tax Certificate"), an opinion of Counsel to the Successor Agency, certifications of the Successor Agency and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinion set forth herein. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation; and we have assumed, but did not independently verify that the signatures on all documents and certificates that we reviewed are genuine.

Based upon the foregoing and subject to the limitations and qualifications herein specified, as of the date hereof, we are of the opinion, under existing law, that:

(1) The Series 2014 Bonds constitute valid and binding obligations of the Successor Agency, payable solely from Tax Revenues (as that term is defined in Resolution No. 85-10R) and certain funds and accounts held under Resolution No. 85-10R to the extent specified therein.

(2) Resolution No. 85-10R constitutes a valid and binding obligation of the Successor Agency.

(3) Assuming continuing compliance by the Successor Agency with certain covenants in Resolution No. 85-10R and the Tax Certificate and other documents pertaining to the Series 2014 Bonds, and requirements of the Internal Revenue Code of 1986, as amended, regarding the use, expenditure and investment of the proceeds of the Series 2014 Bonds and the timely payment of certain investment earnings to the United States, interest on the Series 2014 Bonds is not includable in the gross income of the owners of the Series 2014 Bonds for purposes of federal income taxation. Failure by the Successor Agency to comply with such covenants and requirements may cause interest on the Series 2014 Bonds to be includable in gross income for federal income tax purposes retroactively to their date of issuance.

(4) Interest on the Series 2014 Bonds is not treated as an item of tax preference in calculating the alternative minimum taxable income of individuals or corporations. Interest on the Series 2014 Bonds, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may, therefore, affect a corporation's alternative minimum tax liability.

(5) Interest on the Series 2014 Bonds is exempt from personal income tax imposed by the State of California.

Other than as described herein, we have not addressed, and are not opining on, the tax consequences to any person of the investment in, or of the receipt of interest on, the Series 2014 Bonds. Further, we express no opinion as to the effect of any change to any document pertaining to the Series 2014 Bonds or of any action taken or not taken where such change is made or action is taken or not taken without our approval, or in reliance upon the advice of counsel other than ourselves with respect to the exclusion from gross income for federal income tax purposes of the interest on the Series 2014 Bonds.

With respect to the opinions expressed herein, the rights and obligations under the Series 2014 Bonds and Resolution No. 85-10R are subject to bankruptcy, insolvency, reorganization, arrangement, moratorium and other laws affecting the enforcement of creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against municipal corporations in the State of California.

The opinions expressed and the statements made herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions and statements may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this letter in light of such actions or events or for any other reason.

This opinion letter is limited to the laws of the State of California and the federal laws of the United States. The opinions in this letter are expressed solely as of the date hereof for your benefit and may not be relied upon in any manner for any purposes by any other person.

Respectfully submitted,

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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 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 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 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 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 SUCCESSOR AGENCY CONTINUING DISCLOSURE CERTIFICATE

$__________
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF HOLLISTER
(HOLLISTER COMMUNITY DEVELOPMENT PROJECT)
2014 TAX ALLOCATION REFUNDING BONDS

This CONTINUING DISCLOSURE CERTIFICATE (this "**Disclosure Certificate**") is executed and delivered by the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF HOLLISTER (the "**Successor Agency**") in connection with the execution and delivery of the bonds captioned above (the "**Bonds**"). The Bonds are being issued pursuant to Resolution No. 85-10R, adopted by the Redevelopment Agency of the City of Hollister on September 30, 1985, as amended and supplemented from time to time (as so amended and supplemented, "**Resolution No. 85-10R**"), including as most recently amended and supplemented by Resolution No. 2014-06 SA of the Successor Agency adopted on April 21, 2014 and an Indenture, dated as of August 1, 2014 (the "**Indenture**"), by and between the Successor Agency and MUFG Union Bank, N.A., as trustee and successor fiscal agent under Resolution No. 85-10R.

The Successor Agency covenants and agrees as follows:

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

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

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

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

"*Dissemination Agent*" means, initially, Willdan Financial Services, or any successor Dissemination Agent designated in writing by the Successor Agency and which has filed with the Successor Agency a written acceptance of such designation.

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

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

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

"*Participating Underwriter*" means Stifel, Nicolaus & Company, Incorporated, and Stinson Securities, LLC, the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

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

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

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

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

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

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

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

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

(i) Principal amount of Bonds outstanding as of June 30 of the most recently-completed fiscal year.

(ii) Balance in the Reserve Account and a statement of the Reserve Requirement as of June 30 of the most recently-completed fiscal year.

(iii) Whether, during the most recently-completed fiscal year, the cumulative tax increment limit was reached with respect to the Project Area or whether the Successor Agency began to escrow property tax revenues.

(iv) Information for the most recently-completed fiscal year for the Project Area of the type included in the tables in the Official Statement entitled "Historical and Estimated Tax Revenues" and "Largest Fiscal Year 2013-14 Local Secured Property Taxpayers,"

(v) A calculation of debt service coverage for the most recently completed fiscal year provided by Tax Revenues with respect to debt service on the 2009 Bonds and 2014 Bonds and any outstanding Additional Bonds in substantially the form of Table 6 (provided that no projection information is necessary).

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

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

Section 5. Reporting of Significant Events.

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

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the Successor Agency or other obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving the Successor Agency or an obligated person, or the sale of all or substantially all of the assets of the Successor Agency or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Certificate in the event of any failure of the Successor Agency to comply with this Disclosure Certificate shall be an action to compel performance.

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

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

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

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

Date: ____________, 2014

SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY OF HOLLISTER

By: ___________________________________

Name: ________________________________

Title: _________________________________

AGREED AND ACCEPTED:
WILLDAN FINANCIAL SERVICES,
AS DISSEMINATION AGENT

By: ___________________________________

Name: ________________________________

Title: _________________________________

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Successor Agency to the Redevelopment Agency of the City of Hollister
Name of Issue:	Successor Agency to the Redevelopment Agency (Hollister Community Development Project) 2014 Tax Allocation Refunding Bonds
Date of Issuance:	_________, 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 ___________, 2014, executed and delivered by the Successor Agency in connection with the execution and delivery of the Successor Agency to the Redevelopment Agency (Hollister Community Development Project) 2014 Tax Allocation Refunding Bonds. The Successor Agency anticipates that the Annual Report will be filed by ________________.

Dated: __________________

DISSEMINATION AGENT:

WILLDAN FINANCIAL SERVICES

By: __________________________
Its: __________________________

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APPENDIX E

COMPREHENSIVE FINANCIAL REPORT
OF THE CITY OF HOLLISTER
AS OF JUNE 30, 2013

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City of Hollister
California

City of Hollister's New Fire Station #1
(Photo courtesy of Renee Perales)

Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2013

CITY OF HOLLISTER
CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

PREPARED BY
FINANCE DEPARTMENT

CITY OF HOLLISTER
FOR THE YEAR ENDED JUNE 30, 2013

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INTRODUCTORY SECTION

CITY OF HOLLISTER

375 Fifth Street • Hollister, CA 95023-3876

January 28, 2014

To the Honorable Mayor, City Council and the Citizens of Hollister, California

The Comprehensive Annual Financial Report (CAFR) of the City of Hollister (City) for the fiscal year ended June 30, 2013, is hereby submitted in compliance with Sections 25250 and 25253 of the Government Code of the State of California.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Mann, Urrutia, Nelson CPAs and Associates, LLP, have issued an unqualified ("clean") opinion on the City of Hollister's financial statements for the year ended June 30, 2013. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

Hollister is a city in and the county seat of San Benito County, California, United States. The population was 34,413 at the 2000 census and is currently 36,599. Hollister is primarily an agricultural town. The Mutsun Ohlone Indians were the first known inhabitants of the Hollister region.

The town, then located in Monterey County, was founded November 19, 1868 originally as the San Justo Homestead Association, established by William Welles Hollister (1818–1886), a group that originally intended to name it San Justo. An association member, Napa vintner Henry Hagen, objected. Hagen argued that place names in California were dominated by Spanish saint names, and suggested that the state should have a town named after someone less holy. The City was incorporated on August 29, 1872. The western portion of San Benito County, including Hollister, was separated from Monterey County in 1874. The county was expanded eastward in 1887 to include portions taken from Merced and Fresno Counties.

The City of Hollister is a General Law City and is governed by a "Council Manager" form of government. The Council, as the legislative body, represents the citizens of Hollister, and is empowered by the Municipal Code to formulate citywide policy, enact local legislation, adopt budgets, and appoint the City Manager and City Attorney.

City Attorney 636-4306 | City Clerk 636-4304 | City Manager 636-4305 | Finance 636-4301 | Management Services 636-4324 | Personnel 636-4308

Fax (831) 636-4310 • TDD Line Only (831) 636-4319

The City Council consists of four Council Members who are elected by district by the citizens of Hollister, and serve staggered four-year terms, with elections held in November of even-numbered years. The Citizens elect the Mayor every two years with elections also held in November.

The City of Hollister has 123 full time employees and an operating budget of over $53,000,000. The City offices are comprised of the following departments: City Manager, City Attorney, City Clerk, Administrative Services (Finance and Human Resources), Information Systems, Development Services (Planning, Building, and Successor Agency), Code Enforcement, Engineering, Community Services(Public Works, Operation and Maintenance, Utilities, and Recreation), Airport, Fire, and Police (which includes Animal Control).

The City provides a full range of services including law enforcement; fire protection; the construction and maintenance of streets and infrastructure assets; code enforcement; building inspections; water and wastewater; and administration.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

City of Hollister is undertaking several major initiatives notwithstanding significant fiscal limitations:

County of San Benito and City of San Juan Bautista Fire Contract

On June 2013, the City of Hollister entered into a contract with the County of San Benito and the City of San Juan Bautista to provide fire service and administration through the County and the City of San Juan Bautista.

City Austerity Plan/ Sale Tax Measure Extension

The City developed an austerity plan in case the tax initiative did not pass a renewal vote. The austerity plan included the budget reductions of approximately 24% of the general fund budget over three (3) fiscal years. However, with the passage of the renewal, the City was able to avoid implementing the austerity plan. Now management is working with Council to come up with ideas to avoid a future austerity plan when the current extension expires on March 31, 2018.

Housing Growth

The City has undergone a recent period of growth and expansion. New residential development in and around the City has been extremely strong, with nearly 1,500 new units being constructed and/or approved since the middle of 2013. These units are located throughout the City of Hollister and consist of condominiums and single family housing.

LOCAL ECONOMY

The City of Hollister is a suburb to the affluent San Jose and San Francisco Bay metropolitan areas as well as the Monterey Bay area and functions as a major commuter hub. The City of Hollister is a major regional shopping center for the County of San Benito area. Major industries located within the government's boundaries or in close proximity include hospitals, some manufacturers, and retail stores. The school districts, the Hazel Hakins Hospital, the County of San Benito, and the City of Hollister also have a significant economic presence, employing in total more than 2,000 teachers, professionals, and support staff.

Unemployment

San Benito County's unemployment rate was 9.9% for November 2013 per the Bureau of Labor Statistics (www.bls.gov/cgi-bin/dsrv) and is currently 10.4 percent in December of 2013. The unemployment rate is well above the State's average of 7.9%.

Retail Sales

Retail sales occurring in the April through June quarter were 14.9% higher than the same period last year for the City. The State of California retail sales tax increase 6.2% higher for the same period. However, this is a decrease compared to 2008 which was the City's highest year.

Fiscal Year 2013-2014 second Quarter Financial Forecast

Similar to the vast majority of public agencies and private enterprises around the globe, City of Hollister is experiencing financial crises involving swells of instability in the financial markets, significant delays of cash reimbursement from the State of California for services provided on their behalf, and the continue budget challenges that City has been seeing for the last five fiscal years.

Many long-term financial challenges are occurring concurrently and deepening suddenly. The State of California has been delaying or deferring payments to the City of Hollister for mandated costs, Highway User taxes, and other payments. The State has also as part of its budget gimmicks dissolved redevelopment agencies. It has caused a cash crunch that is demanding extraordinary cash management efforts be performed by the Finance office. Because of the global liquidity crisis in the financial markets, the State of California and others, including the City of Hollister, do not have access to additional credit at affordable rates. This credit crunch requires staff to seek short-term cash flow borrowing between City operating and special revenue and enterprise funds to ensure sufficient operating capital through the end of the fiscal year.

Economy-driven impacts to City provided programs and services will be less severe with proactive management of the City's budget. A broad array of immediate actions will be taken to ensure sufficient liquidity, by curtailing spending, improving revenue collections, and adjusting to a new economic condition. Actions may include increased advocacy, internal borrowing, extraordinary reviews of proposed hiring, a stringent purchase and contract review procedure, deferment of capital projects, and required cost reductions.

While analysis finds some department budget shortfalls, which will have an effect of reducing the City General Fund, the most optimistic trend is the slight increase in sales tax and other discretionary revenue trends. Several key revenues are on track to be about $.4 million more than originally anticipated. The cause for the estimated $.4 million surplus rests entirely on the recently turnaround of the state and local economies. The state, national, and global economies have reversed and the general prognosis, among some economists, is that we are entering into a minimal increase in the economy.

City tax receipts typically lag behind economic activity, ranging from 6 months for sales taxes to more than a year for property taxes. Economic activity is expected to continue to be flat in 2013-2014. Staff is forecasting flat to very slight increases in revenues next fiscal year than the City is experiencing this fiscal year. The following fiscal year looks equally the same, due to the property tax collections lag following re-evaluations, and recent news from the California Public Employees' Retirement System (CalPERS) that the City can expect a 4% of payroll cost increase to the City's pension to offset CalPERS' prior asset losses in past fiscal years.

The State of California has recently revised their current budget to finally a balanced budget. State financial forecasters are clearly responding to similar revenue trends and economic data that the City and other California agencies are observing. Since the City relies on State subventions for part of its budget, staff expects additional risk and potentially additional budgetary impacts this fiscal year.

The Administrative and Finance offices were joined by fiscal staff in all City departments to conduct a thorough review of the City's financial condition, including current year budgetary status, cash situation, credit position, and its outlook for the new budget year commencing July 1, 2013. The City is not alone in facing these unprecedented challenges on three tough financial fronts. Governments and businesses, at all levels worldwide, are facing these same challenges. The review of all three fiscal arenas concludes with the following findings:

The City needs to conduct internal short-term cash borrowing to ensure sufficient cash for daily operations through June 30, 2014.

The City, and other municipalities, will have new challenges when seeking cash flow loans and selling bonds for capital and/or other obligations. Staff efforts will need to be redirected to minimize new credit costs.

The remaining $1.7 million of General Fund contingency will be needed to insure any offset unanticipated department expenses and/ or under-realized department revenues.

The City needs to find an additional $3.5 million in General Fund budgetary solutions by fiscal year 2018-2019, so that it is not necessary for the City to go back to the voters for another tax initiative. Since the City is a service organization that must maintain a balanced budget, these solutions are expected to significantly impact important services, City residents, other customers, and City employees.

The City has a structurally balanced budget for fiscal year 2013-2014. This estimate will be revised after the first installment of property taxes is collected in January and closure of the second quarter.

The City is fortunate to have an experienced City Council and professional staff to lead our community through these very difficult financial challenges. Collectively, the City will fully and comprehensively respond to the economic downturn, while minimizing short and long-term impacts. We will need to wrestle with the State of California over their delays in reimbursements. We will need to contemplate all ideas for solutions, leaving no rock or stone unturned.

Internal Control

The management of the City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) choices between these two concepts often require estimates and judgments by management.

Budgeting Controls

In addition to accounting controls, the City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council.

In accordance with the provisions of the City's Municipal Code and other statutory provisions, the City prepares a budget for each fiscal year on or before June 30. Budgeted expenditures are enacted into law through the passage of an Appropriation Ordinance. This ordinance mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded except by subsequent amendments to the budget by the City Council.

An operating budget is adopted each fiscal year for all Governmental Funds. Expenditures are controlled at the major object level within budget units for the City. The major object level within a budget unit is the level at which expenditures may not legally exceed appropriations. Any amendments or transfers of appropriations between object levels within the same budget unit or between departments or funds are authorized by the City Manager and must be approved by the City Council. The City Council must approve supplementary appropriations normally financed by unanticipated revenues during the year.

Cash Management

Cash temporarily idle during the year was invested in the Local Agency Investment Fund (LAIF) managed by the California State Treasurer's Office.

The first and primary objective of the City Treasurer's investment of public funds is to safeguard investment principal; second, to maintain sufficient liquidity within the portfolio to meet daily cash flow requirements, and third, to achieve a reasonable rate of return or yield on the portfolio consistent with these objectives. The portfolio is actively managed in a manner that is responsive to the public trust and consistent with State law.

Restrictive investment policies are in place to minimize credit and market risks while maintaining a competitive yield on the portfolios. The City Treasurer's selection of investments is more restrictive than those authorized in Sections 53601 and 53635 of the California Government Code and gives primary consideration to the safety and preservation of the principal amounts invested. On-going cash flow projections are maintained for the coming twelve months to assure that adequate funds are available to meet daily cash expenditure requirements.

State statutes, specific debt financing indentures and contractual arrangements generally determine the investment restrictions of City cash and investments not held in the City Treasury.

Risk Management

The City of Hollister uses a program of self-insurance for workers' compensation and general liability claims to minimize losses. The City is self-insured for workers' compensation up to $500,000 per occurrence. The City participates in a multi-agency joint powers authority to provide excess insurance coverage for liability coverage. The joint powers authority and the City rely on estimates prepared by professional actuaries to set aside funds adequate to meet potential future losses. Excess coverage purchased through the joint powers authority covers claims in excess of $1,000,000 for general liability claims.

Employee Benefit Plans

The City par ticipates in and contributes to the employee retirement plans with CalPERS, an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within the state. CalPERS provides retirement, disability, and death benefits based on the employees' years of service, age, and final compensation. Copies of the CalPERS' annual financial report are available through CalPERS.

RELEVANT FINANCIAL POLICIES

The City implemented a revised investment policy for 2013-2014 fiscal year. Also, the Department of Administrative Services plans on presenting to Council new Grant and Fiscal policies though out the 2013-2014 fiscal year.

AWARDS AND ACKNOWLEDGMENTS

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 Hollister for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2012. This was the fourth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the efficient and dedicated services of staff from the Finance Office, and the cooperation and assistance of all City departments. We also want to thank the partners and staff of our auditors for their assistance and support. I would like to commend the Mayor, City Council, the City Manager, and the Department of Administrative Services for their interest, support, and exemplary leadership in planning and conducting the financial operations of the City in a responsive and progressive manner.

Respectfully submitted,

Brett I. Miller, CPA, CPFO
Interim Director of Administrative Services/ Assistant City Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hollister

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

CITY OF HOLLISTER

CITY COUNCIL AND PRINCIPAL CITY OFFICIALS
JUNE 30, 2013

CITY COUNCIL

Mayor	Ignacio Velazquez*
First District	Ray Friend
Second District	Robert Scattini, Vice Mayor
Third District	Pauline Valdivia
Fourth District	Victor Gomez

*Elected to a two-year term In November by the Citizens

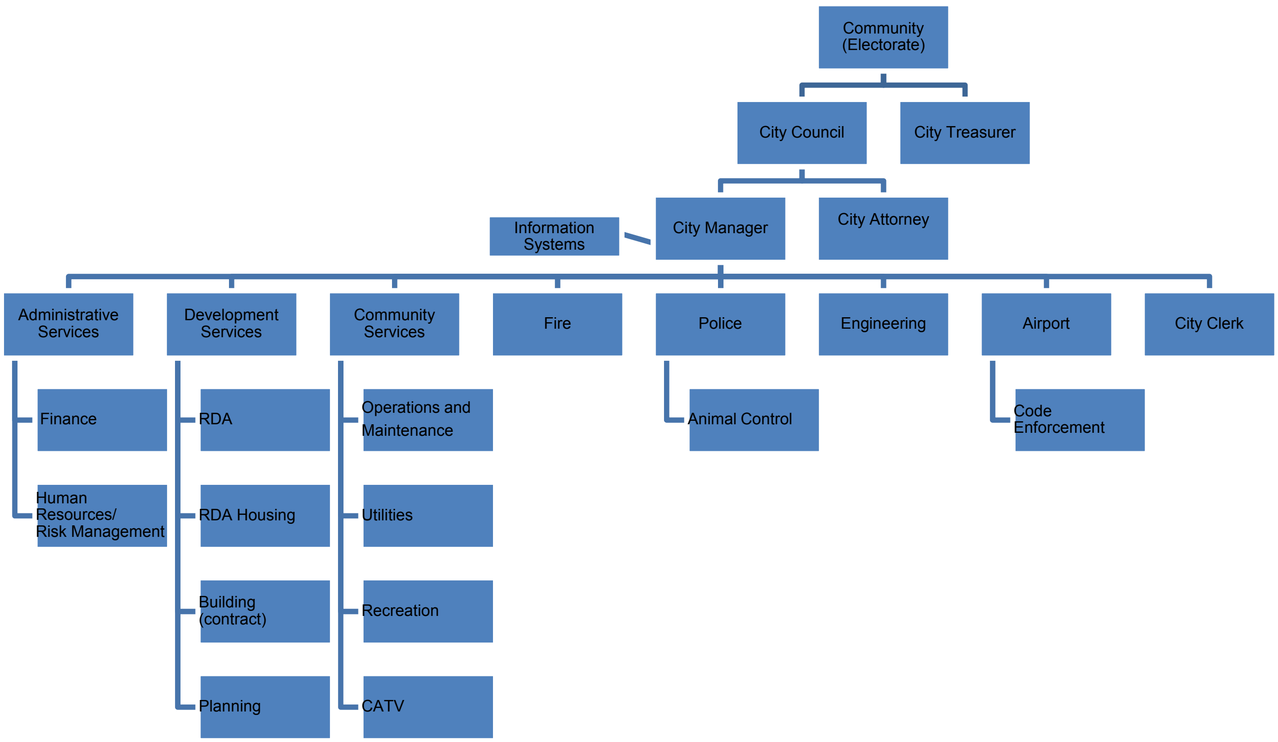
APPOINTED OFFICIALS

City Manager	William B. Avera
City Attorney	L and G, LLP
City Clerk and Treasurer	Geri Johnson, MMC

EXECUTIVE STAFF

Interim Director of Administrative Service	Brett Miller
Director of Community Services/Recreation	Clay Lee
Director of Community Services/Recreation	William B. Avera
Director of Airport /Code Enforcement.	Mike Chambless
Interim City Engineer	David Rubcic
Chief of Fire	Mike O'Connor
Chief of Police/Animal Control	David Westrick

CITY OF HOLLISTER, CALIFORNIA
Organizational Chart



Financial Section

M·U·N CPAs

MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP
GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

INDEPENDENT AUDITOR'S REPORT

To The Honorable Mayor and Members of the City Council
of the City of Hollister
Hollister, 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 the City of Hollister 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 an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 opinion.

Opinion

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 of Hollister, 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.

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WWW.MUNCPAS.COM

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress as listed in the table of contents, 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 of Hollister's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, 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 the budgetary comparison 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 the budgetary comparison 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 January 27, 2014, on our consideration of the City of Hollister'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 of Hollister's internal control over financial reporting and compliance.

Maze Urrutia Nelson

Sacramento, California
January 27, 2014

The information in this section is not covered by the Independent Auditor's Report. It is presented as required supplementary information for the benefit of the readers of the Comprehensive Annual Financial Report.

We offer those interested in the City of Hollister's financial statements this narrative overview and analysis of the financial activities of the City of Hollister for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report and in conjunction with the City's financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Hollister exceeded its liabilities at the close of the most recent fiscal year by $122,331,241 (net position). Of this amount, $36,688,838 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.

- City of Hollister's total net position increased $3,211,228 because of property sales and increased building activity during the current period.

- At the close of the current fiscal year, the City of Hollister's governmental funds reported combined fund balances of $23,930,000, an increase of $6,021,066 in comparison with the prior year. Approximately 18% of this amount ($4,301,138) is available for spending at the government's discretion (unassigned fund balance).

- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the general fund was $4,311,704, or approximately 30% of total general fund expenditures.

- The City of Hollister's total outstanding long-term debt decreased by $2,366,356 during the current fiscal year as part of its routine debt service payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the City of Hollister's basic financial statements. The City of Hollister's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support 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 Hollister's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City of Hollister's assets, liabilities, and deferred inflows/outflows 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 of Hollister is improving or deteriorating.

The *statement of activities* presents information on expenses and revenues to show how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government wide financial statements distinguish functions of the City of Hollister 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 general government, public protection, public works, and recreation. The business type activities of the City include the Airport, Water, Wastewater, Street Sweeping, and Briggs Building funds.

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 Hollister, 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 of Hollister can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 spendable resources, as well as on balances of spendable 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activitie*s.

The City maintains 32 individual governmental funds. On the financial statements for governmental funds, information is presented separately for three major funds: the General Fund, the Housing Successor Agency Fund, and the Federal Aviation Admin Grant Fund. Data from the other governmental funds are aggregated into a single column. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City of Hollister adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds are of two types. 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 Airport, Water, Wastewater, Street Sweeping, and Briggs Building operations. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City does not use internal service funds.

Proprietary funds statements provide the same type of information as the part of government-wide financial statements pertaining to business-type activities, only in more detail.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's programs.

The City of Hollister maintains two different types of fiduciary funds. The *Private-purpose trust fund* is used to report resources held in trust for the activity of the Oversight Board and the Department of Finance to dissolve the former Redevelopment Agency. The *Agency fund* reports resources held by the City of Hollister in a custodial capacity for individuals, private organizations and other governments.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the financial information provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements, this report presents Required Supplementary Information. The required supplementary information presents the City's progress in funding its obligation to provide pension benefits to its employees as well as the City's General Fund and major special revenue fund's budgetary comparison schedules.

The combining and individual fund statements and schedules referred to earlier provide information for nonmajor governmental funds and fiduciary funds, and are presented immediately following the required supplementary information.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Hollister, assets and deferred outflows of resources exceeded liabilities by $122,331,241, at the close of the most recent fiscal year.

City of Hollister's Net Position

This analysis focuses on net position and the changes in net position of the City as a whole:

TABLE 1
GOVERNMENT-WIDE NET POSITION JUNE 30, 2013 and 2012

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
ASSETS						
Current and other assets	$ 36,327,969	$ 33,646,520	$ 29,960,165	$ 28,741,957	$ 66,288,134	$ 62,388,477
Capital assets	38,645,064	39,537,412	128,259,495	129,613,523	166,904,559	169,150,935
Total Assets	74,973,033	73,183,932	158,219,660	158,355,480	233,192,693	231,539,412
LIABILITIES						
Current and other liabilities	2,349,979	1,776,265	1,515,759	1,281,064	3,865,738	3,057,329
Long-term liabilities	1,196,425	1,109,864	105,799,289	108,252,206	106,995,714	109,362,070
Total Liabilities	3,546,404	2,886,129	107,315,048	109,533,270	110,861,452	112,419,399
NET POSITION						
Net investment in capital asssets	38,645,064	39,537,412	33,076,094	32,131,307	71,721,158	71,668,719
Restricted for debt service	-	-	7,941,851	7,941,652	7,941,851	7,941,652
Restricted for special revenue programs	2,446,274	15,780,674	-	-	2,446,274	15,780,674
Restricted for capital projects	776,001	583,396	-	-	776,001	583,396
Restricted for housing	2,757,119	-	-	-	2,757,119	-
Unrestricted	26,802,171	14,396,321	9,886,667	8,749,251	36,688,838	23,145,572
Total Net Position	$ 71,426,629	$ 70,297,803	$ 50,904,612	$ 48,822,210	$ 122,331,241	$ 119,120,013

The City's total government-wide net position amounted to $122,331,241 as of June 30, 2013. This represented an increase of $3,211,228 over fiscal year 2012. The increase in the change in net position is reflected in the Statement of Activities shown in Table 2 for governmental funds and Table 3 for business-type activities.

By far, the largest portion of the City of Hollister's net position (58.6%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City of Hollister uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City of Hollister 's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Hollister's net position (11.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $36,688,838 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

However, the City of Hollister's overall net position increased $3,211,228 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

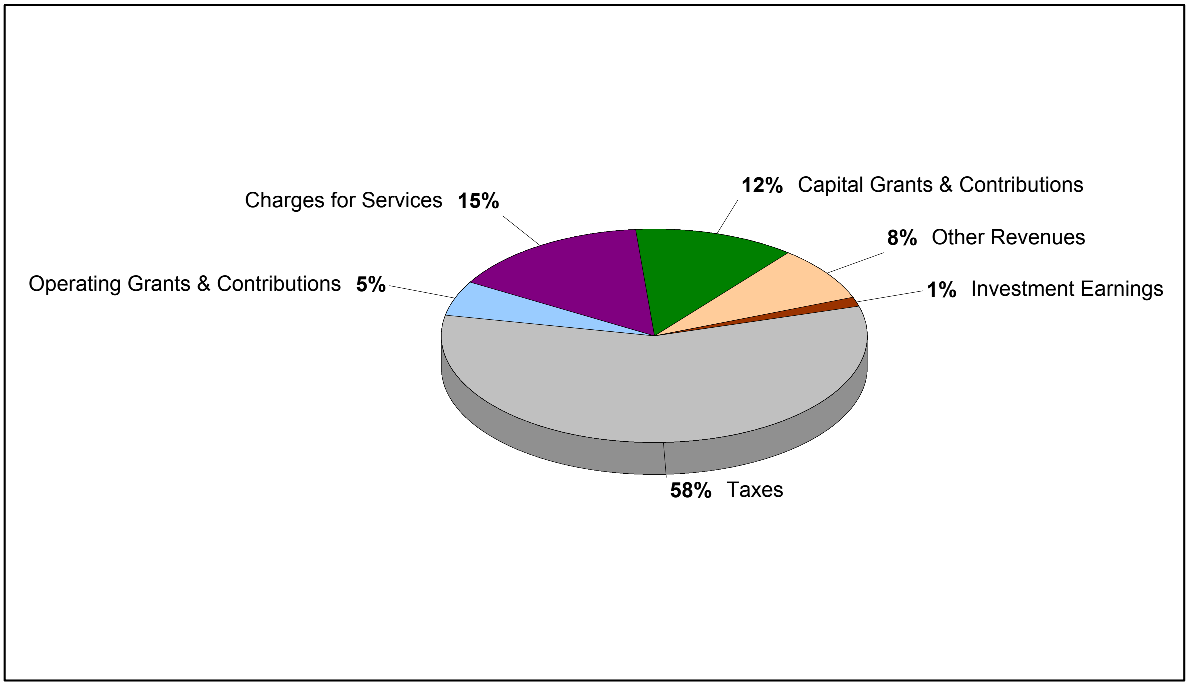
Governmental Activities. During the current fiscal year, net position for governmental activities increased $1,128,826 from the prior fiscal year for an ending balance of $71,426,629. While the current economic slump certainly had an impact on the City of Hollister, management was able to take various actions (e.g. delaying certain nonrecurring expenses, reducing expenses related to non-essential duties, and delayed hiring) that neutralized its effect on governmental activities. The increase in the overall net position of governmental activities is the result of a land sale and cost savings.

The City's net position as of June 30, 2013 consisted of the following:

TABLE 2
GOVERNMENTAL ACTIVITIES CHANGES IN NET POSITION AS OF JUNE 30,

	2013	2012
REVENUES		
Charges for services	$ 3,568,974	$ 2,560,129
Operating grants and contributions	1,243,504	867,250
Capital grants and contributions	2,878,079	1,079,884
Taxes	13,490,843	16,240,798
Investment earnings	325,930	165,079
Other	1,943,202	1,745,419
Total Revenue	23,450,532	22,658,559
EXPENSES		
General government	4,551,007	3,969,427
Public safety	11,437,974	11,114,241
Public works	5,179,959	3,315,807
Recreation	1,408,353	1,465,723
Interest and fiscal charges	723	1,192,033
Total Expenses	22,578,016	21,057,231
Increase in net position before transfers & extraordinary items	872,516	1,601,328
Transfers	256,310	(16,323)
Extraordinary gain	-	20,417,677
Change in net position	1,128,826	22,002,682
Net position - beginning	70,297,803	48,081,721
Prior period restatement	-	213,400
Net position - beginning, restated	70,297,803	48,295,121
Net position - ending	$ 71,426,629	$ 70,297,803

Sources of Revenues
Govermental Activities



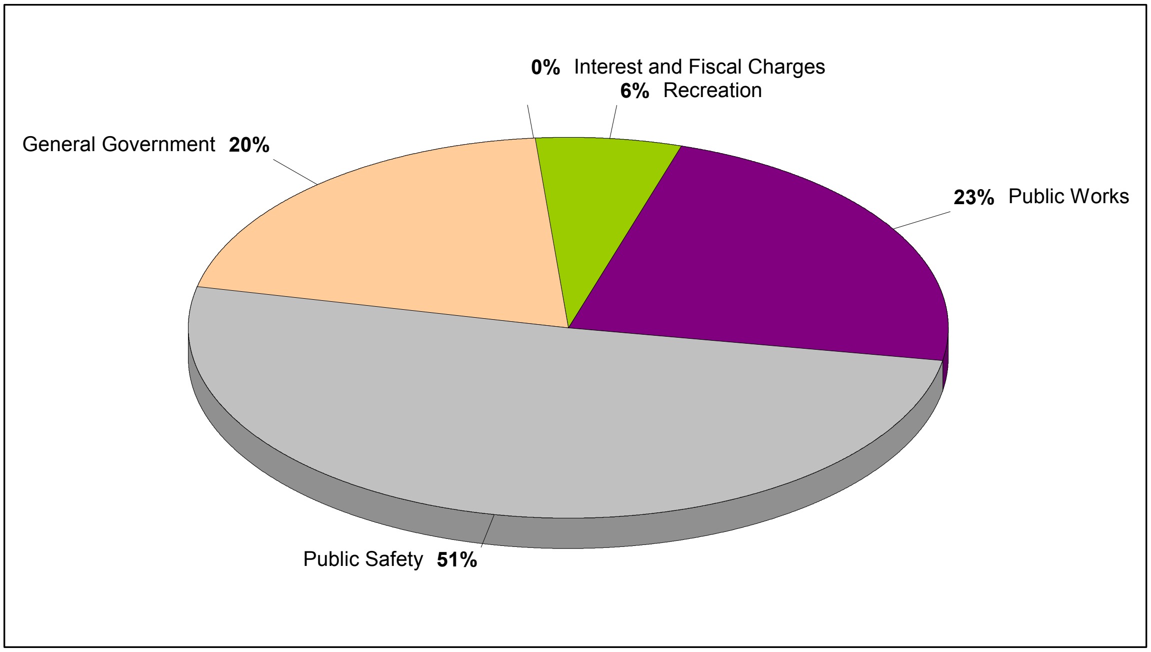
As reflected above, fifty-eight (58%) or $13,490,843 of the City's governmental activities revenues as of June 30, 2013 were comprised of tax increments. Program revenues were thirty-two percent (32%) of governmental activities. Of this amount, five percent (5%) or $1,243,504 were derived from operating grants and contributions, twelve percent (12%) was derived from capital grants and contributions, and fifteen percent (15%) or $3,568,974 were derived from charges for services. The remaining sources of revenues included one percent (1%) or $325,930 of investment earnings, and eight percent (8%) or $1,943,202 of other revenues.

Taxes

The City's overall property taxes have decreased mainly due to the City's redevelopment being dissolved by the State of California during the middle of the fiscal year.

Functional Expenses

Governmental Activities



As identified in the functional expenses chart, fifty-one percent (51%) or $11,437,974 of the City's expenses were for public safety. Nineteen (19%) or $4,551,007 were for general government expenses. The remaining functional expenses included twenty-three (23%) or $5,179,959 for public works, six percent (6%) or $1,408,353 in recreation, and less than one percent or $723 in interest and fiscal charges. The City's total governmental expenses increased $1,520,785 from the prior fiscal year.

The change in expenses from prior year is attributable to various factors:

General Government Expenses

General government expenses increased $581,580 or 9%.The main increase was due to expenses associated with increased expenses related to grants.

Public Works Expenses

Public works expenses increased 43% or $1,864,152 from the prior year. This was attributable to the City increasing spending on design and construction of the street overlay projects.

Public Safety Expenses

In addition, public safety expenses increased 3% or $323,733. The main increase was related to expenses associated with increase grant funding.

Recreation Expenses

Recreation expenses decreased 4% or $57,370 due to budget cuts associated with declining revenues.

TABLE 3
BUSINESS-TYPE ACTIVITIES CHANGES IN NET POSITION AS OF JUNE 30,

	2013	2012
REVENUES		
Charges for services	$ 19,208,994	$ 18,384,330
Investment earnings	34,903	54,854
Capital grants and contributions	2,435,230	-
Total Revenue	21,679,127	18,439,184
EXPENSES		
Airport	994,428	1,067,579
Water	4,225,254	3,735,177
Sewer	13,538,301	13,867,751
Street sweeping	353,147	393,323
Briggs Building	229,285	237,237
Total Expenses	19,340,415	19,301,067
(Decrease) increase in net position before transfers	2,338,712	(861,883)
Transfers	(256,310)	16,323
Change in net position	2,082,402	(845,560)
Net position - beginning	48,822,210	48,733,292
Prior period restatement (Note 15)	-	934,478
Net position - beginning, restated	48,822,210	49,667,770
Net position - ending	$ 50,904,612	$ 48,822,210

In the fiscal year ended June 30, 2013, business-type activities increased the City's net position by $2,082,402.

Charges for Services

Charges for services increased $824,664 or 5% over the prior fiscal year. This was the result of more water, wastewater, and street sweeping accounts being added to the City’s monthly billing register.

Investment Earnings

Investment earnings decreased $19,951 or 36% due to the decline in investment returns.

Expenses

Expenses under the City's water and wastewater enterprise funds were directly attributable to the normal operation costs associated with the operation of both systems. The additional costs incurred under the wastewater fund corresponded to the ongoing implementation costs for the City's wastewater treatment plant.

FINANCIAL ANALYSIS OF FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with budgetary and legal requirements.

Governmental funds - The general government functions are included in the General, Special Revenue, Capital Project, and Debt Service 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 as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Hollister itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Hollister's Council.

At June 30, 2013, the City's governmental funds reported combined ending fund balances of $23,930,000. Approximately 18.0% of this total amount ($4,301,138) constitutes the unassigned fund balance, which may be used to meet the City's ongoing general obligations to citizens and creditors. The remainder of the fund balance is nonspendable or restricted to indicate that it is not available for general obligations because it has been committed in the form of inventories, debt service reserves, or the funds have statutory restrictions.

The General Fund is the main operating fund of the City. At June 30, 2013, the unassigned fund balance of the general fund was $4,311,704 while the total fund balance amounted to $4,349,225. As measures of the general fund's liquidity, it is useful to note that the unassigned fund balance represents 29.7% percent of total fund expenditures, while the total fund balance represents 30.0% percent of that same amount. The general fund's fund balance increased by $2,649,440 during the current fiscal year. The City's increase of $2,649,440 from the prior fiscal year was due to the final payment for the dissolution of the former Redevelopment Agency and sale of land.

The Housing Successor Agency Fund had a total fund balance of $2,757,119 which is restricted. The overall fund balance increased by $2,870,703 due to payments for low and moderate housing projects in the fiscal year.

The Federal Aviation Administration Grant, the remaining major fund, had a total fund balance of $0. The overall activity of the fund was grant related revenues and expenditures.

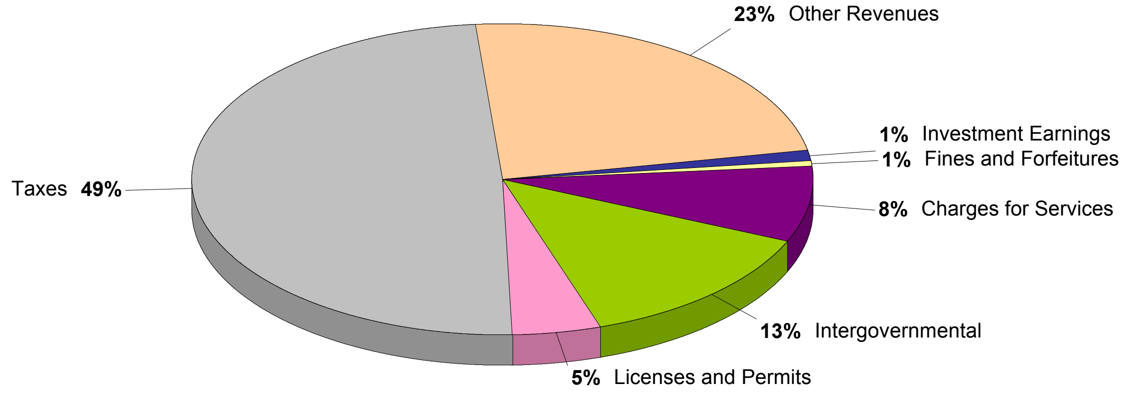
The following table presents revenues from various sources as well as reflecting increases or decreases from the prior fiscal year in the governmental funds.

TABLE 4
REVENUES IN THE GOVERNMENTAL FUNDS (in thousands)

	FY 2013		FY 2012		Change	
Revenue Sources	Amount	% of Total	Amount	% of Total	Amount	% of Change
Taxes	$ 13,491	49.1 %	$ 16,241	71.6 %	$ (2,750)	(16.9)%
Licenses and permits	1,262	4.6 %	1,337	5.9 %	(75)	(5.6)%
Intergovernmental	3,682	13.4 %	1,947	8.6 %	1,735	89.1 %
Charges for services	2,167	7.9 %	1,113	4.9 %	1,054	94.7 %
Fines and forfeitures	140	0.5 %	110	0.5 %	30	27.3 %
Investment earnings	308	1.1 %	148	0.7 %	160	108.1 %
Others	6,439	23.4 %	1,790	7.9 %	4,649	259.7 %
Total	$ 27,489	100 %	$ 22,686	100 %	$ 4,803	21.2 %

Governmental Fund Revenues

For the Year Ended June 30, 2013



Significant changes for major revenue sources are explained below:

- Taxes – Tax revenues include sales taxes and property taxes. The decrease in tax revenues was due primarily to the decrease in the property taxes received by the redevelopment agency that has been dissolved.

- Licenses and permits – Decreased revenues from construction permits and planning application fees account for most of the decrease noted in this revenue category.

- Intergovernmental – The increase in this source was due to an increase in Federal Aviation Administration funding.

- Fines and forfeitures – The increase in fines and forfeitures was primarily due to a vacancy in the parking enforcement position in the prior fiscal year.

- Investment earnings – The increase in investment earnings reflects the decrease in earnings of the City's investments.

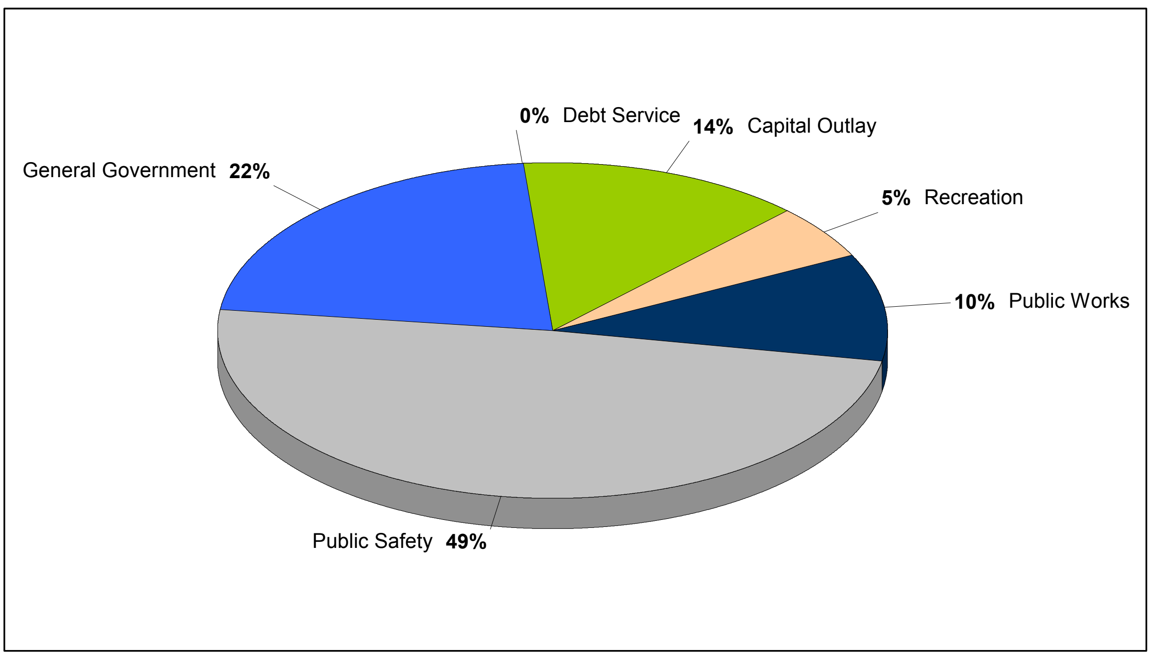
- Other revenues – Other revenues increased primarily due to a one time reimbursement in the prior fiscal year.

The following table presents expenditures by function compared to prior fiscal year's amounts in the governmental funds.

TABLE 5
EXPENDITURES IN THE GOVERNMENTAL FUNDS (in thousands)

	FY 2013		FY 2012		Change	
Function	Amount	% of Total	Amount	% of Total	Amount	% of Change
General government	$ 4,699	21.6 %	$ 5,421	19.8 %	$ (722)	(13.3)%
Public safety	10,649	49.0 %	11,353	41.5 %	(704)	(6.2)%
Public works	2,244	10.3 %	2,676	9.8 %	(432)	(16.1)%
Recreation	1,134	5.2 %	1,253	4.6 %	(119)	(9.5)%
Capital outlay	2,995	13.8 %	4,305	15.8 %	(1,310)	(30.4)%
Debt service	3	- %	2,317	8.5 %	(2,314)	(99.9)%
Total	$ 21,724	100 %	$ 27,325	100 %	$ (5,601)	(20.5)%

Governmental Fund Expenditures
For the Year Ended June 30, 2013



Significant changes for major functions are explained below:

- General government – The decrease in this function was associated with the City's redevelopment agency being dissolved by the State of California.
- Public safety – The decrease in this function was due to delayed hiring related expenditures related to public safety.
- Public works – The decrease in this function was due to decreases in public works projects.

- Recreation – The decrease in this function was due to budget cuts due to the declining revenues.
- Capital outlay – The decrease in this function was due to the construction for the Hollister Fire Station #1 in the prior fiscal year.

Proprietary funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The funds include the enterprise funds: Airport, Water, Wastewater, Street Sweeping, and Briggs Building operations.

Unrestricted net position of the Airport fund at the end of the year was $1,207,501; Water operations was $5,076,866; Sewer operations was $3,730,570; Street Sweeping operations was $(281,536); and for the Briggs Building operation was $153,266. The total growth in net position for the five funds was Airport fund was $1,935,643; Water operations was $(311,594); Sewer operations was $615,281; Street Sweeping operations was $(39,364); and for the Briggs Building operation was $(117,564). The decrease in net position for Water, Street Sweeping, and Briggs Building operations were due to depreciation costs not being recovered. The net position for the Airport fund increased due to Capital Contributions related to grant activity. The net position for the Sewer fund increased due to bond rate covenant requirements.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget for revenues were an increase of $1,143,000. This increase was due to the City anticipating additional sales tax funding than original assumptions.

During the fiscal year, actual revenues were more than budgetary estimates by $2,579,450. This increase was due to the City receiving Redevelopment dissolution funds and startup of building activity that it did not anticipate. Actual expenditures were less than budgetary estimates by $420,560. The net effect of under-realization of revenues and over-utilization of appropriations resulted in a favorable variance of $2,859,750.

CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounted to $166,904,559 (net of accumulated depreciation). This investment in capital assets included land, structures and improvements, equipment, construction-in-progress, and infrastructure. The total decrease in the City's net investment in capital assets for the current period was 1.0%. The decrease resulted from improvement depreciation exceeding improvement assets acquired by $2,246,000.

Additional information on the City's capital assets can be found in the Notes to the Financial Statements section of this report on page 46, note 5 – Capital Assets.

Key events affecting capital assets during the fiscal year included the following:

- Construction in progress capital assets being transferred to structures and improvements and equipment.
- For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

TABLE 6
CAPITAL ASSETS (NET OF DEPRECIATION) (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 425	$ 425	$ 5,244	$ 5,244	$ 5,669	$ 5,669
Air rights	-	-	1,385	1,385	1,385	1,385
Construction in Progress	-	35	2,275	-	2,275	35
Buildings	21,034	21,469	7,217	7,655	28,251	29,124
Equipment	1,798	2,160	944	1,091	2,742	3,251
Improvements	849	922	111,194	114,239	112,043	115,161
Infrastructure	14,539	14,525	-	-	14,539	14,525
Total	$ 38,645	$ 39,536	$ 128,259	$ 129,614	$ 166,904	$ 169,150

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

B. Long-Term Obligations

At June 30, 2013, the City had total long-term obligations outstanding of $106,479,029 consisting of $99,810,000 in bonds, and loan obligations of $28,443. Additional long-term liabilities include bond issuance premium of $5,852,467 and compensated absences payable of $788,119.

Additional information on the City's long-term liabilities can be found in the Notes to the Financial Statements section of this report on page 48, note 6 – Long-Term Liabilities.

ECONOMIC CONDITION, OUTLOOK, AND ACTIVITY

The following economic factors currently affect the City of Hollister and were considered in developing the 2013-2014 fiscal year budget.

- The unemployment rate for the County of San Benito for which the City of Hollister is located is currently 10.4 percent. This high unemployment rate will continue to plague the City as the City of Hollister is the main economic hub of the County.
- A 13 percent increase in water rates beginning January 1, 2014 anticipating current and future expenditure increases due to additional state and federal water quality mandates.
- Several new revenue sources were enacted in the 2013-14 budget year, including a fire protection service to the County of San Benito.
- Declines in the taxable assessed value as a percentage of estimated actual value and resulting decreases in property assessments will continue to affect City of Hollister's real property tax base.
- Increases in housing sales and startups are expected to increase throughout the fiscal year, which will increase transfer tax revenues and assessed values.
- Interest rates are expected to remain at record low levels throughout fiscal year 2013-14.
- The City's 1% additional transaction and use tax which was to sunset on March 31, 2013, has been extended for five more years with the passage of Measure E.

- On the expenditure side, increases are expected in health insurance premiums, as well as pension and other employee benefit costs.

- Contract settlements with the SEIU, Mid-Management, and Confidential of the City of Hollister's unions.

During the current fiscal year, the unassigned fund balance in the general fund was $4,349,225. The City of Hollister has appropriated $900,000 of this amount for spending in the 2013-2014 fiscal year budget. This action was taken to use these funds on one time costs to lower future employee costs for future fiscal year budgets.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

These basic financial statements have been prepared in order to provide the citizens, taxpayers, investors, and creditors with financial report which is designed to demonstrate accountability of the City of Hollister government by providing both long-term and near-term views of the City's finances for the year ended June 30, 2013. Any questions pertaining to this report shall be directed to the City's Director of Administrative Services at 375 Fifth Street, Hollister, CA 95023.

CITY OF HOLLISTER
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments (Note 2)	$ 21,010,021	$ 17,793,019	$ 38,803,040
Accounts receivable, net	4,915,953	1,988,692	6,904,645
Interest receivable	8,619	7,253	15,872
Notes receivable, net of allowance (Note 3)	10,047,990	-	10,047,990
Internal balances	307,865	(307,865)	-
Prepaid items	37,521	-	37,521
Deferred charges, net (Note 6)	-	2,537,215	2,537,215
Restricted cash and investments (Note 2)	-	7,941,851	7,941,851
Capital assets, net			
Non-depreciable (Note 5)	425,000	8,903,417	9,328,417
Depreciable, net of accumulated depreciation (Note 5)	38,220,064	119,356,078	157,576,142
Total Assets	$ 74,973,033	$ 158,219,660	$ 233,192,693
LIABILITIES			
Accounts payable	$ 1,844,313	$ 720,940	$ 2,565,253
Accrued liabilities	375,611	88,268	463,879
Interest payable	-	409,406	409,406
Deposits	130,055	297,145	427,200
Long-term liabilities (Note 6)			
Due within one year	602,583	2,592,762	3,195,345
Due in more than one year	77,157	103,206,527	103,283,684
Other postemployment benefits (Note 10)			
Due in more than one year	516,685	-	516,685
Total Liabilities	3,546,404	107,315,048	110,861,452
NET POSITION			
Net investment in capital assets	38,645,064	33,076,094	71,721,158
Restricted for:			
Debt service	-	7,941,851	7,941,851
Special revenue programs	2,446,274	-	2,446,274
Capital projects	776,001	-	776,001
Housing	2,757,119	-	2,757,119
Unrestricted	26,802,171	9,886,667	36,688,838
Total Net Position	$ 71,426,629	$ 50,904,612	$ 122,331,241

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLISTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
PRIMARY GOVERNMENT							
Governmental activities:							
General government	$ 4,551,007	$ 1,748,481	$ 366,857	$ 2,410,889	$ (24,780)	$ -	$ (24,780)
Public safety	11,437,974	248,167	288,277	467,190	(10,434,340)	-	(10,434,340)
Public works	5,179,959	1,190,116	588,370	-	(3,401,473)	-	(3,401,473)
Recreation	1,408,353	382,210	-	-	(1,026,143)	-	(1,026,143)
Interest and fiscal charges	723	-	-	-	(723)	-	(723)
Total governmental activities	22,578,016	3,568,974	1,243,504	2,878,079	(14,887,459)	-	(14,887,459)
Business-type activities:							
Airport	994,428	748,671	-	2,275,233	-	2,029,476	2,029,476
Water	4,225,254	3,905,634	-	159,997	-	(159,623)	(159,623)
Sewer	13,538,301	14,129,540	-	-	-	591,239	591,239
Street sweeping	353,147	313,783	-	-	-	(39,364)	(39,364)
Briggs building	229,285	111,366	-	-	-	(117,919)	(117,919)
Total business-type activities	19,340,415	19,208,994	-	2,435,230	-	2,303,809	2,303,809
Total primary government	$ 41,918,431	$ 22,777,968	$ 1,243,504	$ 5,313,309	$ (14,887,459)	$ 2,303,809	$ (12,583,650)
General revenues:							
Property taxes					$ 5,723,813	$ -	$ 5,723,813
Sales and use taxes					6,766,465	-	6,766,465
Gas taxes					833,536	-	833,536
Other taxes					128,156	-	128,156
Motor vehicle in lieu					38,873	-	38,873
Investment earnings					325,930	34,903	360,833
Miscellaneous					1,943,202	-	1,943,202
Transfers					256,310	(256,310)	-
Total general revenues and transfers					16,016,285	(221,407)	15,794,878
Change in net position					1,128,826	2,082,402	3,211,228
Net position - July 1, 2012					70,297,803	48,822,210	119,120,013
Net position - June 30, 2013					$ 71,426,629	$ 50,904,612	$ 122,331,241

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLISTER
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Housing Successor Agency	Fed Aviation Admin Grant	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 1,443,009	$ 2,786,749	$ -	$ 16,780,263	$ 21,010,021
Accounts receivable	2,893,306	2,078	1,797,848	222,721	4,915,953
Interest receivable	975	1,397	-	6,247	8,619
Notes receivable, net	15,701	12,650,552	-	2,193,039	14,859,292
Due from other funds	1,040,174	-	-	-	1,040,174
Prepaid items	37,521	-	-	-	37,521
Total Assets	$ 5,430,686	$ 15,440,776	$ 1,797,848	$ 19,202,270	$ 41,871,580
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	$ 607,068	$ 27,973	$ 1,105,920	$ 103,352	$ 1,844,313
Accrued liabilities	329,671	5,132	906	39,902	375,611
Deposits payable	129,021	-	-	1,034	130,055
Deferred revenue	15,701	12,650,552	-	2,193,039	14,859,292
Due to other funds	-	-	691,022	41,287	732,309
Total Liabilities	1,081,461	12,683,657	1,797,848	2,378,614	17,941,580
FUND BALANCES (DEFICITS):					
Nonspendable	37,521	-	-	-	37,521
Restricted	-	2,757,119	-	16,834,222	19,591,341
Unassigned	4,311,704	-	-	(10,566)	4,301,138
Total Fund Balances (Deficits)	4,349,225	2,757,119	-	16,823,656	23,930,000
Total Liabilities and Fund Balances (Deficits)	$ 5,430,686	$ 15,440,776	$ 1,797,848	$ 19,202,270	$ 41,871,580

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLISTER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2013

Fund balances - total governmental funds	$ 23,930,000
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Governmental capital assets	61,657,222
Less: accumulated depreciation	(23,012,158)
Deferred revenue and other resources not available to liquidate liabilities of the current period are not recognized in the funds.	10,047,990
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported in the governmental funds.	
Loan payable	(28,443)
Net OPEB obligation	(516,685)
Compensated absences	(651,297)
Net position of governmental activities	$ 71,426,629

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLISTER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Housing Successor Agency	Fed Aviation Admin Grant	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 11,802,089	$ -	$ -	$ 1,688,754	$ 13,490,843
Licenses and permits	1,035,891	-	-	226,039	1,261,930
Intergovernmental	403,388	-	2,038,329	1,239,879	3,681,596
Charges for services	1,895,731	-	-	270,838	2,166,569
Fines and forfeitures	140,475	-	-	-	140,475
Investment earnings	5,821	262,828	-	39,781	308,430
Other	1,925,158	4,492,854	-	20,999	6,439,011
Total Revenues	17,208,553	4,755,682	2,038,329	3,486,290	27,488,854
EXPENDITURES					
Current:					
General government	2,495,421	1,858,824	-	344,974	4,699,219
Public safety	9,601,982	-	-	1,046,648	10,648,630
Public works	1,240,308	-	19,905	983,732	2,243,945
Recreation	1,133,902	-	-	424	1,134,326
Capital outlay	44,092	-	2,274,734	676,004	2,994,830
Debt service:					
Principal	2,425	-	-	-	2,425
Interest	723	-	-	-	723
Total Expenditures	14,518,853	1,858,824	2,294,639	3,051,782	21,724,098
Excess (deficiency) of revenues over expenditures	2,689,700	2,896,858	(256,310)	434,508	5,764,756
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	256,310	66,415	322,725
Transfers out	(40,260)	(26,155)	-	-	(66,415)
Total Other Financing Sources (Uses)	(40,260)	(26,155)	256,310	66,415	256,310
Net change in fund balances	2,649,440	2,870,703	-	500,923	6,021,066
Fund balances - July 1, 2012	1,699,785	(113,584)	-	16,322,733	17,908,934
Fund balances - June 30, 2013	$ 4,349,225	$ 2,757,119	$ -	$ 16,823,656	$ 23,930,000

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLISTER
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

The schedule below reconciles the net changes in fund balances reported on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measure only changes in current assets and current liabilities on the modified accrual basis, with the changes in net position of governmental activities reported in the Statement of Activities, which is prepared on the full accrual basis.

Net change in fund balances - total governmental funds	$ 6,021,066
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures are therefore added back to fund balances	3,017,243
Depreciation expense not reported in governmental funds	(2,074,345)
Capital Contributions from the Successor Agency	439,987
Capital Contributions to the Airport fund of the City of Hollister	(2,275,233)
Debt proceeds provide current financial resources to governmental funds; however issuing debt increases long-term liabilities in the Statement of Net Position. Costs associated with the issuance of long-term liabilities are reported as expenditures in the governmental funds, but in the Statement of Net Position, the costs are deferred and amortized throughout the period during which the related debt is outstanding. Repayment of debt principal is an expenditure in the governmental funds, but in the Statement of Net Position, the repayment reduces long-term liabilities.	
Principal payments	2,425
Repayment of long-term receivables is treated as revenues in governmental funds, but the repayment reduces long-term receivables in the Statement of Net Position. Issuance of long-term receivables is treated as expenditures in the governmental funds, but the issuance increases long-term receivables in the Statement of Net Position.	
Loan program receipts	(4,495,809)
Loans made during the year	1,610,230
Direct loan write-offs	(1,073,471)
Deferred interest receivable	17,500
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available (net change).	
Compensated absences	16,830
Allowance for notes receivable	28,219
Other post employment benefits	(105,816)
Change in net position of governmental activities	$ 1,128,826

CITY OF HOLLISTER
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2013

	Airport	Water	Sewer
ASSETS			
Current Assets			
Cash and investments	$ 1,093,120	$ 5,281,718	$ 11,245,300
Accounts receivable, net of allowance	215,362	471,919	1,260,913
Interest receivable	614	2,138	4,431
Deferred charges, net	-	-	2,537,215
Total Current Assets	1,309,096	5,755,775	15,047,859
Restricted cash and investments	-	-	7,941,851
Capital assets			
Nondepreciable	3,785,817	-	5,000,000
Depreciable, net of accumulated depreciation	3,076,247	3,577,296	109,195,996
Total Non-Current Assets	6,862,064	3,577,296	122,137,847
Total Assets	$ 8,171,160	$ 9,333,071	$ 137,185,706
LIABILITIES			
Current Liabilities			
Accounts payable	$ 59,718	$ 381,194	$ 259,100
Accrued liabilities	8,678	36,124	40,157
Interest payable	-	-	409,406
Due to other funds	-	-	-
Deposits	25,354	180,091	91,700
Compensated absences - current portion	7,200	43,000	37,860
Bonds payable - current portion	-	-	2,499,702
Total Current Liabilities	100,950	640,409	3,337,925
Non-Current Liabilities			
Compensated absences - noncurrent portion	645	38,500	-
Bonds payable - noncurrent portion	-	-	103,162,765
Total Non-Current Liabilities	645	38,500	103,162,765
Total Liabilities	101,595	678,909	106,500,690
NET POSITION			
Net investment in capital assets	6,862,064	3,577,296	19,012,595
Restricted for debt services	-	-	7,941,851
Unrestricted	1,207,501	5,076,866	3,730,570
Total Net Position	$ 8,069,565	$ 8,654,162	$ 30,685,016

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLISTER
STATEMENT OF NET ASSETS (continued)
PROPRIETARY FUNDS
JUNE 30, 2013

	Street Sweeping	Briggs Building	Total
ASSETS			
Current Assets			
Cash and investments	$ 1,539	$ 171,342	$ 17,793,019
Accounts receivable, net of allowance	40,498	-	1,988,692
Interest receivable	-	70	7,253
Deferred charges, net	-	-	2,537,215
Total Current Assets	42,037	171,412	22,326,179
Restricted cash and investments	-	-	7,941,851
Capital assets			
Nondepreciable	-	117,600	8,903,417
Depreciable, net of accumulated depreciation	110,104	3,396,435	119,356,078
Total Non-Current Assets	110,104	3,514,035	136,201,346
Total Assets	$ 152,141	$ 3,685,447	$ 158,527,525
LIABILITIES			
Current Liabilities			
Accounts payable	$ 2,956	$ 17,972	$ 720,940
Accrued liabilities	3,135	174	88,268
Interest payable	-	-	409,406
Due to other funds	307,865	-	307,865
Deposits	-	-	297,145
Compensated absences - current portion	5,000	-	93,060
Bonds payable - current portion	-	-	2,499,702
Total Current Liabilities	318,956	18,146	4,416,386
Non-Current Liabilities			
Compensated absences - noncurrent portion	4,617	-	43,762
Bonds payable - noncurrent portion	-	-	103,162,765
Total Non-Current Liabilities	4,617	-	103,206,527
Total Liabilities	323,573	18,146	107,622,913
NET POSITION			
Net investment in capital assets	110,104	3,514,035	33,076,094
Restricted for debt services	-	-	7,941,851
Unrestricted	(281,536)	153,266	9,886,667
Total Net Position	$ (171,432)	$ 3,667,301	$ 50,904,612

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLISTER
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Airport	Water	Sewer
OPERATING REVENUES			
Charges for services	$ 748,671	$ 3,905,634	$ 14,129,540
Total Operating Revenue	748,671	3,905,634	14,129,540
OPERATING EXPENSES			
Personnel services	318,842	2,009,684	1,828,162
Contractual and professional services	70,603	868,173	1,119,270
Supplies and operating costs	222,480	734,234	1,288,789
Utilities	38,919	289,280	1,204,245
Intergovernmental	-	150	204
Depreciation	343,584	323,733	3,207,933
Total Operating Expenses	994,428	4,225,254	8,648,603
Operating Income (Loss)	(245,757)	(319,620)	5,480,937
NON-OPERATING REVENUES (EXPENSES)			
Grant revenue	159,997	-	-
Investment income	2,480	8,026	24,042
Interest expense	-	-	(4,889,698)
Total Non-Operating Revenues (Expenses)	162,477	8,026	(4,865,656)
Income (Loss) Before Transfers and Capital Contributions	(83,280)	(311,594)	615,281
TRANSFERS & CAPITAL CONTRIBUTIONS			
Transfers out	(256,310)	-	-
Capital Contributions	2,275,233	-	-
Total Transfers & Contributions	2,018,923	-	-
Change in Net Position	1,935,643	(311,594)	615,281
Total Net Position - July 1, 2012	6,133,922	8,965,756	30,069,735
Total Net Position - June 30, 2013	$ 8,069,565	$ 8,654,162	$ 30,685,016

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLISTER
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS (continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Street Sweeping	Briggs Building	Total
OPERATING REVENUES			
Charges for services	$ 313,783	$ 111,366	$ 19,208,994
Total Operating Revenue	313,783	111,366	19,208,994
OPERATING EXPENSES			
Personnel services	167,693	1,904	4,326,285
Contractual and professional services	24,761	78,112	2,160,919
Supplies and operating costs	120,470	20,354	2,386,327
Utilities	-	19,352	1,551,796
Intergovernmental	-	-	354
Depreciation	40,223	109,563	4,025,036
Total Operating Expenses	353,147	229,285	14,450,717
Operating Income (Loss)	(39,364)	(117,919)	4,758,277
NON-OPERATING REVENUES (EXPENSES)			
Grant revenue	-	-	159,997
Investment income	-	355	34,903
Interest expense	-	-	(4,889,698)
Total Non-Operating Revenues (Expenses)	-	355	(4,694,798)
Income (Loss) Before Transfers and Capital Contributions	(39,364)	(117,564)	63,479
TRANSFERS & CAPITAL CONTRIBUTIONS			
Transfers out	-	-	(256,310)
Capital Contributions	-	-	2,275,233
Total Transfers & Contributions	-	-	2,018,923
Change in Net Position	(39,364)	(117,564)	2,082,402
Total Net Position - July 1, 2012	(132,068)	3,784,865	48,822,210
Total Net Position - June 30, 2013	$ (171,432)	$ 3,667,301	$ 50,904,612

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLISTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Airport	Water	Sewer
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	$ 539,385	$ 3,900,236	$ 14,208,405
Cash paid to suppliers for goods and services	(286,294)	(1,734,589)	(3,639,362)
Cash paid to employees	(321,295)	(2,014,418)	(1,876,338)
Net Cash Provided (Used) by Operating Activities	(68,204)	151,229	8,692,705
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(256,310)	-	-
Interfund receipts	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(256,310)	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	-	-	(2,160,000)
Interest paid on capital debt	-	-	(5,016,400)
Intergovernmental revenues	159,997	-	-
Acquisition and construction of capital assets	(149,998)	(223,735)	(22,042)
Net Cash Used for Capital and Related Financing Activities	9,999	(223,735)	(7,198,442)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	2,462	12,839	26,297
Net Cash Provided by Investing Activities	2,462	12,839	26,297
Net Increase (Decrease) in Cash and Cash Equivalents	(312,053)	(59,667)	1,520,560
Cash and Cash Equivalents - July 1, 2012	1,405,173	5,341,385	17,666,591
Cash and Cash Equivalents - June 30, 2013	$ 1,093,120	$ 5,281,718	$ 19,187,151
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
Cash and investments	$ 1,093,120	$ 5,281,718	$ 11,245,300
Restricted cash and investments	-	-	7,941,851
Total Cash and Investments	$ 1,093,120	$ 5,281,718	$ 19,187,151
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	$ (245,757)	$ (319,620)	$ 5,480,937
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	343,584	323,733	3,207,933
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(211,128)	(17,169)	54,515
Increase (decrease) in accounts payable	45,708	157,248	(26,854)
Increase in deposits payable	1,842	11,771	24,350
Increase(decrease) in accrued wages	1,773	(1,399)	(7,303)
Increase (decrease) in compensated absences	(4,226)	(3,335)	(40,873)
Net Cash Provided (Used) by Operating Activities	$ (68,204)	$ 151,229	$ 8,692,705
Non Cash Capital Activities			
Capital Contributions	$ 2,275,233	$ -	$ -

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLISTER
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Street Sweeping	Briggs Building	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	$ 305,393	$ 111,366	$ 19,064,785
Cash paid to suppliers for goods and services	(146,771)	(100,129)	(5,907,145)
Cash paid to employees	(168,151)	(1,731)	(4,381,933)
Net Cash Provided (Used) by Operating Activities	(9,529)	9,506	8,775,707
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	-	-	(256,310)
Interfund receipts	11,068	-	11,068
Net Cash Provided (Used) by Noncapital Financing Activities	11,068	-	(245,242)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	-	-	(2,160,000)
Interest paid on capital debt	-	-	(5,016,400)
Intergovernmental revenues	-	-	159,997
Acquisition and construction of capital assets	-	-	(395,775)
Net Cash Used for Capital and Related Financing Activities	-	-	(7,412,178)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	-	398	41,996
Net Cash Provided by Investing Activities	-	398	41,996
Net Increase (Decrease) in Cash and Cash Equivalents	1,539	9,904	1,160,283
Cash and Cash Equivalents - July 1, 2012	-	161,438	24,574,587
Cash and Cash Equivalents - June 30, 2013	$ 1,539	$ 171,342	$ 25,734,870
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
Cash and investments	$ 1,539	$ 171,342	$ 17,793,019
Restricted cash and investments	-	-	7,941,851
Total Cash and Investments	$ 1,539	$ 171,342	$ 25,734,870
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	$ (39,364)	$ (117,919)	$ 4,758,277
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	40,223	109,563	4,025,036
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(8,390)	-	(182,172)
Increase (decrease) in accounts payable	(1,540)	17,689	192,251
Increase in deposits payable	-	-	37,963
Increase(decrease) in accrued wages	(677)	173	(7,433)
Increase (decrease) in compensated absences	219	-	(48,215)
Net Cash Provided (Used) by Operating Activities	$ (9,529)	$ 9,506	$ 8,775,707
Non Cash Capital Activities			
Capital Contributions	$ -	$ -	$ 2,275,233

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLISTER
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Private-Purpose Trust Fund	Agency Funds
ASSETS		
Cash and investments (Note 2)	$ 6,025,742	$ 1,283,249
Accounts receivable	2,348	10,787
Interest receivable	383	351
Notes receivable, net	2,182,308	-
Deferred charges, net	322,832	-
Land held for resale	4,893,154	-
Total Assets	$ 13,426,767	$ 1,294,387
LIABILITIES		
Accounts payable	$ 2,253	$ 63,636
Accrued liabilities	-	47
Interest payable	565,031	-
Deposits	31,000	-
Long-term liabilities, net of premium/discount	42,461,451	-
Deposits in trust	-	1,230,704
Total Liabilities	$ 43,059,735	$ 1,294,387
NET POSITION		
Held in trust for private purposes	$ (29,632,968)	$ -

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLISTER
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Private-Purpose Trust Fund
ADDITIONS	
Property taxes	$ 3,899,031
Investment earnings	113,496
Miscellaneous	2
Total Additions	4,012,529
DEDUCTIONS	
Contractual services	153,212
Operating costs	7,408,591
Loss on disposal of capital assets	497,415
Interest payments	2,309,765
Total Deductions	10,368,983
Change in Fiduciary Net Position	(6,356,454)
Fiduciary Net Position - July 1, 2012	(23,276,514)
Fiduciary Net Position - June 30, 2013	$ (29,632,968)

The accompanying notes are an integral part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The City of Hollister was incorporated in 1872. The City is a general law City located in San Benito County, located 100 miles southeast of San Francisco and 40 miles east of Monterey. The City provides the following services: public safety (police and fire), highways and streets, health and social services, culture recreation, public improvements, planning and zoning, and general administrative services. The City's powers are exercised through a City Council under a Council Manager form of government with five elected Council members served by a full time City Manager and staff, which, as the governing body of the City, is responsible for the legislative and executive control of the City.

The accompanying financial statements present the financial activities of the City which comprise the primary government for reporting purposes.

B. Basis of Presentation

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These standards require that the financial statements described below be presented.

<u>Government-wide Financial Statements</u>

The Statement of Net Position and Statement of Activities display information about the primary government (the City). These statements include the financial activities of the overall City government except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the City. 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 charged to external parties.

The Statement of Activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function, and allocated indirect expenses. Program revenues include 1) fees, fines, and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

<u>Fund Financial Statements</u>

The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as other governmental funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

GASB Statement No. 34 defines major funds and requires that the City's major governmental and proprietary funds are identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund-type.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major funds are defined as funds that have assets, liabilities, revenues, or expenditures/expenses equal to or greater than ten percent of their fund-type total and five percent of all fund-type totals. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reports the following major governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes such activities as general government, public safety, public works, and recreation.
- The *Housing Successor Agency Fund* was created as a result of the dissolution of the Redevelopment Agency of the City of Hollister and the City of Hollister's election to serve as the Housing Successor Agency. The major source of revenue for the fund is from program revenue received from the repayment of housing loans.
- The *Federal Aviation Admin Grant* was established to account for receipt and disbursement of the federal aviation funding provided by Federal funding.

The City reports the following major enterprise funds:

- The *Airport Fun*d was established to account for the City's costs of providing airport services to the citizens of the City of Hollister.
- The *Water Fund* was established to account for the City's costs of providing water services to the citizens of the City of Hollister.
- The *Sewer Fund* was established to account for the City's costs of providing sewer services to the citizens of the City of Hollister.
- The *Street Sweeping Fund* was established to account for the City's costs of providing street sweeping services to the citizens of the City of Hollister.
- The *Briggs Building Fund* was established to account for the City's costs of running the Briggs Building.

The City reports the following additional fund types:

- The *Agency Funds* are custodial in nature and do not involve measurement of the results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds account for assets held by the City as an agent for the Red Cross, Veterans, and local assessment districts.
- The *Private Purpose Trust Fund* is a fund used to report all other trust arrangements under which principal and interest benefit individuals, private organizations, or other governments. This fund was created as a result of the State order to dissolve California Redevelopment Agencies. As the Successor Agency, this fund is used to track the activity by the Oversight Board and the Department of Finance to dissolve the Agency.

C. Basis of Accounting

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the *current financial measurement focus* and *modified accrual basis of accounting*. Under this method, revenues are recognized when “susceptible to accrual” (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means that revenues are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenues are recognized in the current year if they are collected within 60 days of fiscal year end. For all other revenues, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues not considered available are recorded as deferred revenue. The City’s other primary revenue sources: investment income, intergovernmental revenues and charges for services have been treated as “susceptible to accrual” under the modified accrual basis. Licenses and permits, fines, forfeitures and penalties, and other revenue are not considered “susceptible to accrual” under the modified accrual basis and are recorded as revenues when received. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

When both restricted and unrestricted net position are available, unrestricted resources are used only after the restricted resources are depleted.

D. Property Taxes

Property taxes in the State of California (State) are administered for all local agencies at the county level, and consist of secured, unsecured and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property Valuation. Valuations are established by the Assessor of the County of San Benito (County) for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIIIA of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. Proposition 13 also modified the value of taxable real property for fiscal 1979 by rolling back values to fiscal 1976 levels. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.

Tax Levies. Under the provisions of Proposition 13, the County-wide tax levy for general revenue purposes is limited to 1% of full market value, which results in a tax rate of $1.00 per $100 assessed valuation. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates. All lien dates attach annually on January 1 proceeding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. The lien against real estate as well as the tax on personal property is not relieved by subsequent renewal or change in ownership.

Tax Collections. The County Treasurer/Tax Collector is responsible for all property tax collections. Taxes and assessments on the secured and utility rolls, which constitute a lien against the property, may be paid in two installments: the first installment is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second installment is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property. However, if the taxes become delinquent the lien is attached against anything the individual owns, which could include real property. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Teeter Plan. In 1993-94, the City elected to receive property tax revenue in accordance with the alternative method of distribution prescribed by Sections 4701-4717 of the California Revenue and Taxation Code, which is commonly known as the "Teeter Plan" whereby the County remits 100% of taxes levied without regard to delinquencies. The County then pursues collection, retaining any delinquent taxes and related penalties and interest.

Tax Levy Apportionments. Due to the nature of the County-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the County Auditor-Controller based primarily on two factors: the ratio that each agency represented of the total County-wide levy for the three years prior to fiscal 1979; and subsequent adjustments to these apportionments and transfers to the "Educational Revenue Augmentation Fund" (ERAF) as determined by the State.

City Property Tax Distribution Policy. Property taxes are recorded in the General Fund as general purpose revenue. Transfers are made from the General Fund as needed to support expenditures in the Capital Outlay and Debt Service Funds. Property taxes receivable at June 30, 2013 are generally insignificant but have been accrued since they will be collected within 60 days subsequent to year-end.

E. Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the combined balance sheet as cash and investments. Investments held at June 30, 2013 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year end. All investments not required to be stated at fair value are stated at cost or amortized cost.

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with a maturity of three months or less and pooled cash when purchased to be cash equivalents.

F. Accounts and Interest Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines and other fees. Business-type activities report rental fees, charges for services, and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but are not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Long-term notes in governmental funds are treated as expenditures in the year advanced and as revenues in the year repayment is measurable and available. Notes receivable are recorded in the fund statements, but are deferred to indicate they do not represent current financial resources. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Rental fees, charges for services, and interest earnings compose the majority of proprietary fund receivables.

G. Prepaid Items and Inventory

Supplies are valued at cost. Supplies of the general fund consist of expendable supplies held for consumption. The cost is recorded as an expenditure in the general fund at the time individual items are consumed. Reported general fund prepaid supplies are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even through they are a component of net current assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including roads, bridges, water/sewer, lighting system, drainage systems, and flood control. The City defines capital assets excluding infrastructure as assets with an initial, individual cost of more than $20,000 and an estimated useful life in excess of one year. Infrastructure assets with a historical cost of $250,000 or more are accounted for as capital assets. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and the proprietary funds.

The range of estimated useful lives by type of asset is as follows:

Buildings	20 - 50 years
Water and Sewer System	30 - 50 years
Infrastructure	20 - 35 years
Machinery and Equipment	5 - 10 years
Improvements	20 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction phase of debt financed capital assets is included as part of the capitalized value of the asset constructed.

I. Compensated Absences

The liability for compensated absences is comprised of unused vacation leave and compensatory time off, which are accrued as earned. In addition, those employees with 10 years of service may cash out sick leave up to a City maximum upon termination. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

J. Long-Term Liabilities

In the government-wide financial statements and the proprietary fund financial statements, long-term liabilities, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Initial issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition prices of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bond issuance costs, including deferred refunding amounts and underwriters' discounts, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding are included in interest expense.

In the fund financial statements, governmental funds recognize bond premiums, discounts, and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

L. Equity Classifications

Government-wide Statements

The government-wide financial statements and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted net position, or unrestricted net position.

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or legislation.

- *Unrestricted Net Position* – This category represents net position of the City, not restricted for any project or other purpose.

Fund Statements

Governmental fund equity is classified as fund balance. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Nonspendabl*e - Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- *Restricted* - Amounts that are restricted for specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

- *Committed* - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

- *Assigned* - Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Unassigned* - Amounts representing the residual classification for the general fund.

Further detail about the City's fund balance classification is described in Note 8.

M. Post Employment Health Care Benefits

The City provides health care, life insurance, dental insurance, and disability income to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with City ordinances, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, disability due to line of duty, and whether the employee has vested in the respective retirement plan. Currently, the City funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the City subsidizing the remaining costs. See footnote 10 for further information.

N. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all departments at the major object level within the general, special revenue, capital project , and debt service funds.

During the period December through February of each fiscal year, department heads prepare estimates of required appropriations for the following fiscal year. These estimates are compiled into a proposed operating budget that includes a summary of proposed expenditures and financial resources and historical data for the preceding fiscal year. The operating budget is presented by the City Manager to the City Council for review. Public hearings are conducted to obtain citizen comments. The City Council generally adopts the budget during one of its June meetings. The City Manager is legally authorized to transfer budgeted amounts between divisions and accounts within the same department. Transfer of appropriations between departments or funds and increased appropriations must be authorized by the City Council. Expenditures may not legally exceed budgeted appropriations at the departmental level within a fund. All appropriations shall lapse at the end of the fiscal year to the extent they have not been expended or lawfully encumbered.

O. Use of 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.

P. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Q. Implementation of Government Accounting Standards Board Statements

Effective July 1, 2012, the City implemented the following accounting and financial reporting standards:

<u>Government Accounting Standards Board Statement No. 60</u>

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The City has determined that they do not have any service concession arrangements; therefore, this statement is not applicable to them.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Accounting Standards Board Statement No. 61

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34.* The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances.

Government Accounting Standards Board Statement No. 62

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in certain pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

Government Accounting Standards Board Statement No. 63

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The requirements of this Statement improves financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

Government Accounting Standards Board Statement No. 64

In June 2011, GASB issued Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The City does not invest in derivative instruments; therefore, this statement is not applicable to them.

R. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2013 or later. The City has not determined the effects on the financial statements.

Government Accounting Standards Board Statement No. 65

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Accounting Standards Board Statement No. 66

In March 2012, GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

Government Accounting Standards Board Statement No. 67

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

Government Accounting Standards Board Statement No. 68

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

Government Accounting Standards Board Statement No. 69

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

Government Accounting Standards Board Statement No. 70

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2013 were classified in the accompanying financial statements as follows:

	Cash and investments	Restricted cash and investments	Total
Governmental activities	$ 21,010,021	$ -	$ 21,010,021
Business-type activities	17,793,019	7,941,851	25,734,870
Total government-wide cash and investments	38,803,040	7,941,851	46,744,891
Fiduciary activities	7,308,991	-	7,308,991
Total cash and investments	$ 46,112,031	$ 7,941,851	$ 54,053,882

Cash and investments were carried at fair value as of June 30, 2013 and consisted of the following:

Local Area Investment Fund (LAIF)	$ 27,077,129
Cash with fiscal agent	13,516,705
Deposits with financial institutions	13,302,027
Certificates of deposit	155,535
Cash on hand	2,486
Total cash and investments	$ 54,053,882

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City’s investment policy, where more restrictive) 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 provisions of the California Government Code or the City’s investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
Local Agency Investment Fund (LAIF)	5 years	50%	50%
U.S. Treasury Bills and Notes	5 years	50%	50%
Other Local California Agency Debt	5 years	50%	50%
U.S. Agency Securities or Government -Sponsored Enterprises	5 years	50%	50%
Certificates of Deposit	5 years	50%	50%

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. 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	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
Governmental Funds:			
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Money Market Funds rated "AAA-m" or better	None	None	None
Certificates of Deposit	366 days	None	None
Commercial Paper rated "AAA" or better	92 days	None	None
Business Enterprise Funds:			
Defeasance Securities	None	None	None
Obligations issued by:			
Resolution Funding Corporation	None	None	None
Loan marketing Association	None	None	None
Government National Mortgage Association	None	None	None
Bankers Acceptances rated "AAA" or better	180 days	None	None
Commercial Paper (not to represent more than 10% of the outstanding commercial paper of an issuing corporation)	270 days	None	None
Non-negotiable Certificates of Deposit	365 days	None	None
Deposit accounts fully insured by the F.D.I.C.	None	None	None
State or Municipal Bonds or Notes rated "A" or better	None	None	None
Money Market Funds rated "AAA-m" or better composed of obligations of the United States or its Agencies	None	None	None
Guaranteed Investment Contracts rated "AA" or better	None	None	None
Local Agency Investment Fund (LAIF)	None	None	None

Disclosure 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.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity as of June 30, 2013:

Investment Type	Remaining Maturity: 12 months or less	Remaining Maturity: 1-5 years	Fair Value
Local Area Investment Pool (LAIF)	$ 27,077,129	$ -	$ 27,077,129
Certificates of deposit	155,535	-	155,535
Held by bond trustee:			
Money market funds	13,516,705	-	13,516,705
	$ 40,749,369	$ -	$ 40,749,369

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City had no investments (including investments held by bond trustees) that were highly sensitive to interest rate fluctuations as of 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 the fiscal year for each investment type.

	Total	Minimum Legal Rating	Rating as of Fiscal Year End: S&P	Rating as of Fiscal Year End: N/A
State Investment Pool (LAIF)	$ 27,077,129	N/A		Not rated
Certificates of Deposit	155,535	N/A		Not rated
Held by bond trustee:				
Money market funds	13,516,705	N/A	AAA	
	$ 40,749,369			

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 represented 5% or more of total City investments as of June 30, 2013 were as follows:

Issuer	Investment Type	Reported Amount
Blackrock Institutional Funds	US Treasury securities	$ 13,516,705

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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 of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City 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 government 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 institutions to secure City's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2013, the carrying amount of the City's bank balances were $14,059,897, of which $405,534 was insured.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. 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 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 is recorded on an amortized cost basis.

Allocation of Interest Income Among Funds

Interest income from pooled investments is allocated to those funds which are required by law or administrative action to receive interest. Interest is allocated monthly based on the ending cash balances of the previous month in each fund receiving interest.

NOTE 3: NOTES RECEIVABLE

The City has made various business loans to qualifying businesses through programs designed to encourage construction or improvement in low-to-moderate income housing or other projects. In addition, the City has made various loans under the Community Development Block Grant (CDBG) revolving loan program, HOME, and the San Benito Revolving Loan Fund. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to suspend these funds in accordance with the City's terms.

The balance of the notes receivable, net of allowance, has been offset in the fund financial statements by deferred revenue as they are not deemed measurable and available (within 60 days). In the government-wide financial statements, the City has provided a 100% allowance for all notes receivable subject to long-term deferral and/or payment from future refinancing except those accounts that have current payment and activity and are not delinquent. Individual loans range from $3,000 to $1,000,000. Total notes receivable as of June 30, 2013 was as follows:

	Balance
Notes Receivable	$ 15,344,294
Allowance for Doubtful Notes	(5,296,304)
Notes Receivable, net	$ 10,047,990

Promissory Notes on Shared Appreciation Loans

Certain housing units in the former redevelopment area are part of an affordable housing program designed to create, preserve, maintain, and protect housing for persons of low or moderate income. Qualified persons ("buyer") are able to purchase the housing units at below fair market value, as a result of the City's investment in the project. The City has a promissory note with the buyer for the amount of the difference between the fair market value and the purchase price of the unit, which is considered the City's initial equity contribution. No payments are due under the promissory note, unless the buyer re-sells the unit to a non-eligible buyer or otherwise defaults on the promissory note, as defined in the agreement. The promissory note is cancelled if the buyer sells the unit to another eligible buyer. If the buyer sells to a non-eligible buyer, the City will receive a pro-rate share (based on the City's and buyer's respective equity) of the appreciation of the unit. As of June 30, 2013, no amounts have been recorded related to these loans as any payment is contingent on sales of units to non-eligible buyers in the future.

NOTE 4: INTERFUND TRANSACTIONS

Interfund Receivables/Payables

The composition of interfund balances as of June 30, 2013 was as follows:

Balances due to/from other funds:

Receivable Fund	Payable Fund	Description	Amount
General Fund	Federal Aviation Admin Grant	Deficit cash balance	$ 691,022
	Mello Roos CFD-001	Deficit cash balance	1,515
	CAL Grip	Deficit cash balance	39,772
	Street Sweeping	Deficit cash balance	307,865
		Total Governmental Funds	$ 1,040,174

The General Fund receivable balance results from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, and (2) payments between funds are made. The General Fund payable was to secure funds for cash flow purposes to start the next fiscal year.

Transfers to/from other funds:

Transfers are indicative of funding for capital projects, debt service, subsidies of various City operations and re-allocations of special revenue. The following schedule briefly summarizes the City's transfer activity:

Transfer from	Transfer to	Description of Transfer	Amount Transferred
Major Governmental Fund			
General Fund	Jail Juvenile Hall	Prior year impact fees	$ 40,260
Housing Successor Agency	HOME Program Revolving Loans	Prior revenues	26,155
		Total Major Governmental Interfund Transfers	66,415
		Total Governmental Interfund Transfers	$ 66,415
Proprietary Funds			
Airport	Federal Aviation Admin Grant	Grant matching requirements	$ 256,310
		Total Proprietary Interfund Transfers	$ 256,310

NOTE 5: CAPITAL ASSETS

The following is a summary of capital asset transactions related to governmental and business-type activities of the City for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Retirements	Transfers	Balance June 30, 2013
Governmental Activities:					
Capital assets not being depreciated					
Land	$ 425,000	$ -	$ -	$ -	$ 425,000
Construction-in-progress	34,607	2,275,233	(2,275,233)	(34,607)	-
Total capital assets not being depreciated	459,607	2,275,233	(2,275,233)	(34,607)	425,000
Capital assets being depreciated					
Buildings	30,800,235	484,777	-	34,607	31,319,619
Equipment	8,220,443	-	-	-	8,220,443
Improvements	1,428,732	-	-	-	1,428,732
Infrastructure	19,566,208	697,220	-	-	20,263,428
Total capital assets being depreciated	60,015,618	1,181,997	-	34,607	61,232,222
Less accumulated depreciation					
Buildings	(9,330,778)	(954,390)	-	-	(10,285,168)
Equipment	(6,060,064)	(362,303)	-	-	(6,422,367)
Improvements	(505,780)	(74,443)	-	-	(580,223)
Infrastructure	(5,041,191)	(683,209)	-	-	(5,724,400)
Total accumulated depreciation	(20,937,813)	(2,074,345)	-	-	(23,012,158)
Governmental activities capital assets, net	$ 39,537,412	$ 1,382,885	$ (2,275,233)	$ -	$ 38,645,064

Depreciation was charged to functions based on their usage of the related assets as follows:

Governmental Activities:	
General government	$ 403,225
Public services	726,467
Public works	684,863
Recreation	259,790
Total governmental activities depreciation expense	$ 2,074,345

NOTE 5: CAPITAL ASSETS (continued)

	Balance at July 1, 2012	Additions	Retirements	Transfers	Balance at June 30, 2013
Business-type Activities:					
Capital assets not being depreciated					
Land	$ 5,243,600	$ -	$ -	$ -	$ 5,243,600
Air rights	1,384,584	-	-	-	1,384,584
Construction-in-progress	-	2,275,233	-	-	2,275,233
Total capital assets not being depreciated	6,628,184	2,275,233	-	-	8,903,417
Capital assets being depreciated					
Buildings	16,558,319	44,085	-	-	16,602,404
Equipment	4,078,605	64,822	-	-	4,143,427
Improvements and infrastructure	133,358,739	286,868	-	-	133,645,607
Total capital assets being depreciated	153,995,663	395,775	-	-	154,391,438
Less accumulated depreciation					
Buildings	(8,902,885)	(482,673)	-	-	(9,385,558)
Equipment	(2,987,718)	(211,321)	-	-	(3,199,039)
Improvements and infrastructure	(19,119,721)	(3,331,042)	-	-	(22,450,763)
Total accumulated depreciation	(31,010,324)	(4,025,036)	-	-	(35,035,360)
Business-type capital assets, net	$129,613,523	$ (1,354,028)	$ -	$ -	$ 128,259,495

Depreciation was charged to functions/programs of the City's business-type activities as follows:

Airport	$ 343,584
Water	323,733
Sewer	3,207,933
Street Sweeping	40,223
Briggs Building	109,563
Total business-type activities depreciation expense	$ 4,025,036

NOTE 6: LONG-TERM LIABILITIES

Governmental Activities

Long-term obligations of the City consist of bonds, and other liabilities, which are payable from the General, Debt Service, Capital Projects, and Enterprise Funds. The following is a summary of long-term liabilities transactions related to governmental activities of the City for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
CA Energy Commission loan	$ 30,868	$ -	$ (2,425)	$ 28,443	$ 2,583
Total	30,868	-	(2,425)	28,443	2,583
Other liabilities:					
Compensated absences	668,127	670,942	(687,772)	651,297	600,000
Total Long-term Liabilities	$ 698,995	$ 670,942	$ (690,197)	$ 679,740	$ 602,583

A description of the long-term liabilities related to governmental activities at June 30, 2013 follows:

A. California Energy Commission Loan

In February 2012, the City entered into a loan agreement with the California Energy Commission for their energy conservation project. The loan bears interest at 1%. Principal payments are due semi-annually beginning on December 22, 2012. Future payments are as follows:

For the Year Ending, June 30	Principal	Interest
2014	$ 2,583	$ 278
2015	2,608	252
2016	2,634	227
2017	2,660	200
2018	2,688	173
2019 - 2023	13,847	455
2024 - 2028	1,423	7
Total	$ 28,443	$ 1,592

B. Compensated Absences

Compensated absences comprise unused vacation leave and compensatory time off, which are accrued as earned. The liability for compensated absences is determined annually. The City does not accrue for compensated absences in its governmental fund statements and recognizes liabilities for compensated absences only if they are due and payable in an event such as termination. However, in the Statement of Activities the expenditure is allocated to each function based on usage. The compensated absences liability attributable to the governmental activities was liquidated as follows: General Fund 95% and Nonmajor funds 5%.

NOTE 6: LONG-TERM LIABILITIES (continued)

Business-type Activities

The following is a summary of long-term liabilities transactions related to business-type activities of the City for the year ended June 30, 2013

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
2006 Wastewater revenue bonds	$ 96,680,000	$ -	$ (1,810,000)	$ 94,870,000	$ 1,890,000
2007 Wastewater refunding bonds	5,290,000	-	(350,000)	4,940,000	365,000
Total bonds and loans payable	101,970,000	-	(2,160,000)	99,810,000	2,255,000
Other liabilities:					
Bond issuance premium	6,097,169	-	(244,702)	5,852,467	244,702
Compensated absences	185,037	202,630	(250,845)	136,822	93,060
Total Long-Term Liabilities	$ 108,252,206	$ 202,630	$ (2,655,547)	$ 105,799,289	$ 2,592,762

A description of the long-term liabilities related to business-type activities at June 30, 2013 is as follows:

A. 2006 Wastewater Revenue Bonds

In December 2006, the Hollister Joint Powers Financing Authority authorized the issuance of $120,535,000 of general obligation bonds to (i) refund a portion of the 1993 revenue bonds; (ii) finance the costs of acquisition and construction of wastewater facilities for the City; (iii) fund capitalized interest on the 2006 bonds; (iv) fund a reserve fund for the 2006 bonds; and (v) pay costs of issuance of the 2006 bonds. Of the total issuance, $6,290,000 was used to refund the Authority's $12,965,000 outstanding principal amount of 1993 bonds. Upon the issuance, the Refunded 1993 bonds were defeased pursuant to terms of the trust indenture pursuant to which such refunded 1993 bonds were issued. Upon delivery of the 2006 bonds and the refunding of the Refunded 1993 bonds, there was $6,675,000 outstanding principal amount remaining of 1993 bonds. This refunding generated net present value economic savings of $741,450 and average annual savings of approximately $66,360. The 2006 bonds bear interest from 4.00 - 5.00%. Principal payments are due annually on June 1 until 2037. Interest is due semi-annually on June 1 and December 1 through 2037. Future payments are as follows:

For the Year Ending, June 30	Principal	Interest
2014	$ 1,890,000	$ 4,711,376
2015	1,990,000	4,617,650
2016	2,090,000	4,518,950
2017	2,190,000	5,015,300
2018	2,295,000	4,306,700
2019 - 2023	13,325,000	19,706,726
2024 - 2028	19,655,000	15,863,702
2029 - 2033	25,790,000	10,340,502
2034 - 2038	25,645,000	3,263,376
Total	$ 94,870,000	$ 72,344,282

NOTE 6: LONG-TERM LIABILITIES (continued)

B. 2007 Wastewater Refunding Revenue Bonds

In May 2007, the Hollister Joint Powers Financing Authority authorized the issuance of $6,860,000 of general obligation bonds to (i) refund the $6,675,000 outstanding principal amount of the 1993 bonds on June 1, 2007; (ii) fund a reserve fund for the 2007 bonds; and (iii) pay costs of issuance of the 2007 bonds. The refunding generated economic savings of approximately $675,900 or 10.13% of the refunded bonds, and average annual savings of approximately $53,820. The 2007 Refunding bonds bear interest at 3.52 - 4.42%. Principal payments are due annually on June 1 until 2024. Interest payments are due semi-annually on June 1 and December 1 through 2024.
Future payments are as follows:

For the Year Ending, June 30	Principal	Interest
2014	$ 365,000	$ 201,500
2015	380,000	186,900
2016	395,000	171,700
2017	415,000	155,900
2018	430,000	139,300
2019 - 2023	2,410,000	423,876
2024 - 2028	545,000	23,162
Total	$ 4,940,000	$ 1,302,338

C. Debt Service Requirements

Total debt service requirements for business-type activities:

For the Year Ending, June 30	Principal	Interest
2014	$ 2,255,000	$ 4,912,876
2015	2,370,000	4,804,550
2016	2,485,000	4,690,650
2017	2,605,000	5,171,200
2018	2,725,000	4,446,000
2018- 2022	15,735,000	20,130,602
2023 - 2027	20,200,000	15,886,864
2028 - 2032	25,790,000	10,340,502
2033 - 2037	25,645,000	3,263,376
Total	$ 99,810,000	$ 73,646,620

D. Deferred Charges

Capitalized bond costs related to the bond issuances have been recorded as deferred charges and bond premium in the amounts of $2,537,215 and $5,852,467, respectively. The balances are amortized (accreted) using the straight line method over the bond terms of 30 years. Net accretion for bond costs for the year ended June 30, 2013 totaled $138,616.

E. Limitations and Restrictions

There are a number of limitations and restrictions contained in the various debt indentures. The City's management believes that the City is in compliance with all significant limitations and restrictions.

NOTE 6: LONG-TERM LIABILITIES (continued)

F. Rebatable Arbitrage Earnings

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. During the current year, the City performed calculations of excess investment earnings on various bonds and financings and at June 30, 2013 does not expect to incur a liability.

NOTE 7: DEBT WITHOUT CITY COMMITMENT

Special assessment bonds and related interest costs are payable solely from assessments and interest collected from the property owners benefited by the respective improvements. The City has no liability for payment of the bonds should assessments be insufficient to cover bond principal and interest; however due to the City's oversight relationship with the Special Assessment Districts, they are included in the City's reporting entity as Special Assessment Debt in the Agency Funds. As of June 30, 2013, the outstanding principal amounts of the bonds were:

	Original Principal	Origination Date	Maturity	Balance at June 30, 2013
Meridian Street District	$ 2,335,000	3/2/1994	9/2/2022	$ 1,365,000
San Benito Estates	510,000	3/2/1992	9/2/2021	260,000
Gateway Center	1,250,000	3/2/1999	9/2/2019	540,000
Total	$ 4,095,000			$ 2,165,000

NOTE 8: FUND BALANCES AND NET POSITION

Fund Balances

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

The City established the following fund balance policies:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified inventories and prepaid items as being nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants. Infrastructure projects are restricted by State statute and County laws are legally segregated for funding of infrastructure improvements.

NOTE 8: FUND BALANCES AND NET ASSETS (continued)

Committed Fund Balance: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extend that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of June 30, 2013.

Assigned Fund Balance: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or though City Council delegating this responsibility to the City Manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City did not have any assigned fund balances as of June 30, 2013.

Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The accounting policies of the City consider restricted fund balance to have been spent first when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

As of June 30, 2013, fund balances were comprised of:

	Major Funds				
	General Fund	Housing Successor Agency	Federal Aviation Admin Grant	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid items	$ 37,521	$ -	$ -	$ -	$ 37,521
Total Nonspendable	37,521	-	-	-	37,521
Restricted:					
Grants	-	-	-	703,688	703,688
Housing	-	2,757,119	-	-	2,757,119
Taxes & assessments	-	-	-	13,611,947	13,611,947
Loan programs	-	-	-	1,742,586	1,742,586
Capital projects	-	-	-	776,001	776,001
Total Restricted	-	2,757,119	-	16,834,222	19,591,341
Unassigned	4,311,704	-	-	(10,566)	4,301,138
Total fund balances	$ 4,349,225	$ 2,757,119	$ -	$ 16,823,656	$ 23,930,000

Net Position

The government-wide Statement of Net Position reports net position totaling $122,331,241, of which $71,721,158 is the net investment in capital assets; $7,941,851 is restricted by debt covenants; $2,446,274 is restricted for special revenue programs; $2,757,119 is restricted for housing; and $776,001 is restricted for capital projects.

NOTE 9: PENSION PLAN

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CalPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service; one year of credited service is equal to one year of full time employment. The Plans' provisions and benefits in effect for the year ended June 30, 2013, are summarized as follows:

	Miscellaneous	Police Safety	Fire Safety
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	50	50
Monthly benefits, as a % of annual salary	2.5%	3%	3%
Actuarially required contributions	$ 1,189,378	$ 1,179,186	$ 734,427

Funding Policy

First Tier employees, hired prior to November 14, 2011 and Second Tier employees, hired after November 14, 2011 (classic employees)
Miscellaneous employees are required to contribute seven percent (7%) of their annual salary to PERS, Public Safety- Fire employees are required to contribute nine percent (8%) of their annual salary to PERS, and Public Safety- Police employees are required to contribute nine percent (4.7%) of their annual salary to PERS.

Third Tier employees, hired after January 1, 2013 and not a PERS member
On January 1, 2013, the Public Employee’s Pension Reform Act (PEPRA) became effective in California. PEPRA made several changes to pension benefits that may be offered to new public employees hired on or after January 1, 2013, including a lower cost formula for Miscellaneous and Safety employees. Miscellaneous employees subject to PEPRA are required to contribute 6.25% of their annual salary to PERS and Public Safety employees are required to contribute 11.5% of their annual salary to PERS. The City is required to contribute the remaining amounts necessary to fund the benefits for its members using the actuarial basis recommended by the PERS actuaries and actuarial consultants and adopted by the PERS Board of Administration. For the fiscal year 2012-13, the City’s contribution rate was 11.448% for the miscellaneous plan (classic and PEPRA employees) and 20.156% for the safety plan. The PEPRA Safety contribution rate was 11.5%. For governmental activities, the contribution has generally been liquidated by the general fund.

CalPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the total related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities.

The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The City does not have a net pension obligation since it pays these actuarially required contributions monthly.

CalPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.50% is assumed, including inflation at 2.75%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

Audited annual financial statements and ten-year trend information are available from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

NOTE 9: PENSION PLAN (continued)

The Plans' actuarial value (which differs from market value) and funding progress over the past three years, as reported by PERS in their most recent actuarial evaluation are set forth below at their most recent actuarial valuation date of June 30, 2011.

Three Year Trend Information for PERS Miscellaneous Plan

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed
2011	$ 879,171	100%
2012	$ 1,161,234	100%
2013	$ 1,189,378	100%

Three Year Trend Information for PERS Police Safety Plan

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed
2011	$ 973,366	100%
2012	$ 1,157,249	100%
2013	$ 1,179,186	100%

Three Year Trend Information for PERS Fire Safety Plan

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed
2011	$ 584,681	100%
2012	$ 721,335	100%
2013	$ 734,427	100%

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB)

This note includes information required by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.*

Description of the Plan

The City sponsors and administers a single-employer health care plan for its employees. Medical coverage is provided through CalPERs under the Public Employees' Medical and Hospital Care Act (PEMHCA), also referred to as PERS Health. The City sets its monthly contribution rates for health insurance on behalf of active employees according to PEMHCA statutory minimum. These amounts are indexed in all future years according to the rate of medical inflation. The excess of the designated City contribution for healthcare over PEMHCA statutory minimum is contributed to a Cafeteria Plan and employees may elect to have some or all of this excess contributed on their behalf to CalPERS as an employee contribution towards healthcare benefits. The City's plan does not issue a stand-alone financial report and it is not included in the report of another public entity.

For the year ended June 30, 2013, the City had sixteen retired employees, as well as 124 active employees who may become eligible to retire and receive benefits in the future.

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Funding Policy

Employees become eligible to retire under PEMHCA and receive City-paid healthcare benefits upon attainment of age 50 and 5 years of covered PERS service, or by attaining qualifying disability retirement status. The City's contribution on behalf of all retirees except sworn police and fire employees is the statutory minimum ($108/month for 2011). Sworn police officers who have completed at least 15 years of service, and fire employees who have completed at least 20 consecutive years of service, receive a City contribution of $200 per month, ending at age 65, with the contribution reverting to the statutory minimum at that time and for their further lifetime. In addition, the City pays a 0.37% of premium administrative fee on behalf of employees and retirees. As of June 30, 2013, the City had not established a formal funding policy or trust to maintain future required contributions. The City is currently funding the benefits on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2013, the City's annual cost for the healthcare plan was $131,754. The City's annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2013 were as follows:

Annual required contribution	
Service cost at year-end	$ 64,959
30-year amortization of funded liability	72,980
Interest on net OPEB obligation	20,543
Adjustment to net OPEB obligation	(26,728)
Total annual required contribution	131,754
Employer contributions	(25,938)
Net pension obligation - June 30, 2012	410,869
Net pension obligation - June 30, 2013	$ 516,685

Year Ended	Annual OPEB cost	Actual Employer Contribution	Percentage Contributed	Net Ending OPEB
6/30/2011	$ 110,026	$ 16,899	15 %	$ 299,624
6/30/2012	$ 133,429	$ 22,184	17 %	$ 410,869
6/30/2013	$ 131,754	$ 25,938	20 %	$ 516,685

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Funded Status and Funding Progress

The funded status of the plan based on an actuarial study using age-adjusted premiums as of 2009 (most recent actuary report), was as follows:

Actuarial accrued liability (AAL)		
Active employees	$	694,923
Retired employees		426,957
		1,121,880
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	$	1,121,880
Funded Ratio (actuarial value of plan assets / AAL)		0 %
Covered payroll (active plan members)	$	8,135,019
UAAL as a percentage of covered payroll		14 %

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on the values which the City's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Because 2009 was the year of implementation of GASB Statement No. 45 and the City elected to apply the statement prospectively, only two years are presented in the schedule at this time. In future years, required trend data will be presented.

Actuarial Methods and Assumptions

Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 the employer and plan members to that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the 2011 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included amortization based on a 30-year level dollar (open) and a 5.0% investment rate of return. The turnover rates were taken from a standard actuarial table according to the Crocker-Sarason Table T-5 less mortality, increased by 40% at all ages. This assumption was found to match historical City turnover experience. Retirement rates were also based on experience of the City blended with experience of other cities of similar size and with similar retiree health benefits. A 4% per year medical inflation rate was assumed to project PERS statutory minimum. 70% of future retirees other than police and fire were assumed to waive coverage under PEMHCA. 50% of future retirees were assumed to have spouses at the time of retirement. The healthcare trend rates are based on the actuarial consultant's knowledge of the general healthcare environment and the specific coverages offered by the City.

NOTE 11: EXCESS OF EXPENDITURES AND TRANSFERS OVER APPROPRIATIONS

During fiscal 2013, the following funds had excess expenditures and/or transfers over appropriations:

Fund	Excess
CDBG Low Income Housing Rehab	$ 8,624
4th of July Rally	5,794
Traffic Impact Fees	1,453

The excess expenditures were covered by available fund balances in the funds.

NOTE 12: DEFICIT FUND BALANCES

As of June 30, 2013, the following funds had a fund deficit:

Fund	Deficit
4th of July Rally	$ 2,868
Hollister Air Show	7,698

These deficits were a result of expenditures incurred in advance of receipt of revenue and will be eliminated through future revenues and expenditure reductions.

NOTE 13: RISK MANAGEMENT

The City manages risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters by participating in the public entity risk pool described below and by retaining certain risks.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California which exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these risk pools are not the member's responsibility.

Risk Coverage

The City is a member of the Monterey Bay Area Self Insurance Authority (MBASIA). MBASIA provides coverage against risks under terms of joint-powers agreement with the City and several other cities and governmental agencies. MBASIA covers losses in excess of $10,000 for members of the liability group and carries excess insurance for losses between $1,000,000 and $20,000,000. Members of the workers' compensation group pay temporary disability claims, while MBASIA pays for permanent disability claims, medical costs, rehabilitation costs, and legal costs and carries excess workers' compensation coverage for between $500,000 and statutory.

Audited financial statements for MBASIA can be obtained from their management at 100 Pine Street, 11th Floor, San Francisco, CA 94111.

MBASIA is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of MBASIA, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

NOTE 13: RISK MANAGEMENT (continued)

The City's deposits with MBASIA are in accordance with formulas established by MBASIA. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

NOTE 14: COMMITMENTS AND CONTINGENCIES

Litigation

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are adequately covered by insurance and not expected to result in a material adverse financial impact on the City.

Grant Awards

Under the terms of Federal and State grants, audits may be required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to requests for reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

NOTE 15: PRIOR PERIOD ADJUSTMENTS

Due to a reconciliation of the San Benito Loan Program fund, the City determined that funds were owed to the Off Street Parking fund. Accordingly, the balance sheet of the fund financial statements has been adjusted to reflect the following prior period adjustments:

Fund	Description of Restatement	Amount
San Benito Loan Program	Reconciliation of loan balances	$ (86,592)
Off Street Parking	Reconciliation of loan balances	86,592

NOTE 16: SUBSEQUENT EVENTS

Capital Lease

In July 2013, the City entered into a capital lease for five new police vehicles and one new truck for animal control. The vehicles are being leased for a five year term at 3.376% interest with annual payments totaling $36,400.

Hollister Urban Area Water Supply and Treatment Agreement

In August 2013, the City entered into an agreement with San Benito County Water District and Sunnyslope County Water District known as the Hollister Urban Area Water Supply and Treatment agreement. The agreement defines the roles and terms of financing for the project which includes the upgrade of the Lessalt Water Treatment Plan, the design and construction of the West Hills Water Treatment Plant and associated pipelines. Based on the agreement, the City will be compensating San Benito County Water District for the capital construction of the project over a 20-30 year period.

NOTE 16: SUBSEQUENT EVENTS (continued)

Fire Protection Services Contract

On June 23, 2013, the City and the County of San Benito entered into a contract to provide administrative and operational management of fire services for the County until June 30, 2015. The agreement automatically renews on July 1 of each year after July 1, 2015 for an additional year until 270 day advance termination. Financial impact of the contract will affect the City starting in fiscal year 2014. The agreement calls for quarterly invoices from the City to the County with the first year's contract amount to be $1,106,715. Each additional year will increase by the San Francisco-Oakland-San Jose CPI not to exceed 3%.

2006 Wastewater Revenue Bonds

In December 2013, the City's 2006 Wastewater Revenue Bonds had a call of $5.365 million. This call resulted in an interest savings of $3.39 million and an annual cash flow savings of $365,000.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HOLLISTER
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
Taxes	$ 10,201,750	$ 11,079,750	$ 11,802,089	$ 722,339
License and permits	995,900	995,900	1,035,891	39,991
Intergovernmental	324,800	339,800	403,388	63,588
Charges for services	1,011,303	1,261,303	1,895,731	634,428
Fines and forfeitures	154,850	154,850	140,475	(14,375)
Investment earnings	6,500	6,500	5,821	(679)
Other	791,000	791,000	1,925,158	1,134,158
Total Revenues	13,486,103	14,629,103	17,208,553	2,579,450
EXPENDITURES				
General Government				
Non-Departmental				
Personnel	4,700	10,700	13,075	(2,375)
Services & Supplies	108,228	108,228	60,730	47,498
Contractual	241,305	241,305	206,016	35,289
Total Non-Departmental	354,233	360,233	279,821	80,412
City Council				
Personnel	98,159	98,159	102,288	(4,129)
Services & Supplies	66,932	66,932	35,521	31,411
Total City Council	165,091	165,091	137,809	27,282
City Clerk				
Personnel	193,153	193,153	156,150	37,003
Services & Supplies	11,650	11,650	8,254	3,396
Contractual	88,300	18,300	35,699	(17,399)
Total City Clerk	293,103	223,103	200,103	23,000
City Manager				
Personnel	191,038	197,038	182,649	14,389
Services & Supplies	7,699	7,699	5,255	2,444
Contractual	53,713	53,713	53,713	-
Total City Manager	252,450	258,450	241,617	16,833
City Attorney				
Personnel	185,101	191,101	269,936	(78,835)
Services & Supplies	15,700	15,700	13,821	1,879
Contractual	2,000	2,000	-	2,000
Total City Attorney	202,801	208,801	283,757	(74,956)
City Treasurer				
Personnel	3,000	3,000	4,109	(1,109)
Services & Supplies	150	195	195	-
Total City Treasurer	3,150	3,195	4,304	(1,109)

CITY OF HOLLISTER
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
General Government (continued)				
Finance				
Personnel	291,472	299,117	297,869	1,248
Services & Supplies	29,335	29,335	17,888	11,447
Contractual	47,380	47,380	27,016	20,364
Capital	-	5,341	5,340	1
Total Finance	368,187	381,173	348,113	33,060
Information Systems				
Personnel	152,917	152,917	126,096	26,821
Services & Supplies	24,830	24,830	21,486	3,344
Contractual	17,394	17,394	16,550	844
Capital	3,870	3,870	3,341	529
Total Information Systems	199,011	199,011	167,473	31,538
Human Resources				
Personnel	165,368	203,943	152,838	51,105
Services & Supplies	5,025	5,025	13,961	(8,936)
Contractual	9,000	32,651	26,769	5,882
Capital	-	651	650	1
Total Human Resources	179,393	242,270	194,218	48,052
Redevelopment				
Personnel	-	193,125	218,191	(25,066)
Services & Supplies	-	35,980	19,115	16,865
Contractual	-	22,833	45,697	(22,864)
Total Redevelopment	-	251,938	283,003	(31,065)
Planning				
Personnel	305,295	305,295	321,818	(16,523)
Services & Supplies	19,278	26,378	29,146	(2,768)
Contractual	500	500	-	500
Capital	1,400	4,136	4,239	(103)
Total Planning	326,473	336,309	355,203	(18,894)
Total General Government	2,343,892	2,822,699	2,495,421	327,278
Public Safety				
Animal Control				
Personnel	372,618	412,786	372,215	40,571
Services & Supplies	81,527	81,527	91,988	(10,461)
Contractual	23,648	39,048	41,409	(2,361)
Capital	-	3,918	3,917	1
Total Animal Control	477,793	537,279	509,529	27,750
Fire				
Personnel	3,099,431	3,355,764	3,436,058	(80,294)
Services & Supplies	256,189	256,189	297,234	(41,045)
Contractual	259,613	365,485	392,679	(27,194)
Capital	-	-	10	(10)
Total Fire	3,615,233	3,977,438	4,125,981	(148,543)

CITY OF HOLLISTER
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
Public Safety (continued)				
Police				
Personnel	3,930,560	4,094,049	3,740,468	353,581
Services & Supplies	480,272	480,272	511,527	(31,255)
Contractual	461,917	639,011	682,984	(43,973)
Capital	10,000	31,521	31,493	28
Total Police	4,882,749	5,244,853	4,966,472	278,381
Total Public Safety	8,975,775	9,759,570	9,601,982	157,588
Public Works				
Solid Waste				
Personnel	3,553	3,553	7,412	(3,859)
Contractual	258,000	258,000	212,908	45,092
Total Solid Waste	261,553	261,553	220,320	41,233
Engineering				
Personnel	293,568	363,667	369,532	(5,865)
Services & Supplies	32,133	38,721	40,618	(1,897)
Contractual	3,200	3,200	2,600	600
Capital	-	3,437	3,435	2
Total Engineering	328,901	409,025	416,185	(7,160)
Building				
Personnel	2,640	2,640	2,730	(90)
Services & Supplies	5,308	8,308	6,759	1,549
Contractual	158,015	158,015	240,094	(82,079)
Capital	-	-	1,663	(1,663)
Total Building	165,963	168,963	251,246	(82,283)
Old City Hall				
Contractual	-	270	698	(428)
Capital	-	52,000	44,092	7,908
Total Old City Hall	-	52,270	44,790	7,480
Code Enforcement				
Personnel	37,450	37,450	37,789	(339)
Services & Supplies	6,200	6,200	6,291	(91)
Total Code Enforcement	43,650	43,650	44,080	(430)
Vehicle Maintenance				
Personnel	160,026	160,026	161,760	(1,734)
Services & Supplies	31,293	31,293	38,630	(7,337)
Contractual	16,096	19,225	20,522	(1,297)
Capital	-	3,724	3,723	1
Total Vehicle Maintenance	207,415	214,268	224,635	(10,367)

CITY OF HOLLISTER
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
Street Maintenance				
Personnel	7,751	7,751	2,189	5,562
Supplies & Services	32,857	32,857	32,846	11
Contractual	23,155	44,953	47,260	(2,307)
Capital	-	850	849	1
Total Street Maintenance	63,763	86,411	83,144	3,267
Total Public Works	1,071,245	1,183,870	1,284,400	(100,530)
Recreation				
Parks				
Personnel	234,891	278,773	205,582	73,191
Services & Supplies	115,796	115,796	144,642	(28,846)
Contractual	146,388	153,314	171,602	(18,288)
Capital	150	150	109	41
Total Parks	497,225	548,033	521,935	26,098
Veteran's Building				
Personnel	99,197	99,197	78,305	20,892
Services & Supplies	51,330	51,330	61,794	(10,464)
Contractual	7,300	7,300	7,845	(545)
Capital	2,000	2,000	369	1,631
Total Veteran's Building	159,827	159,827	148,313	11,514
Recreation				
Personnel	310,887	310,887	312,548	(1,661)
Services & Supplies	125,083	125,083	130,334	(5,251)
Contractual	23,380	23,380	18,909	4,471
Capital	-	864	1,863	(999)
Total Recreation	459,350	460,214	463,654	(3,440)
Total Recreation	1,116,402	1,168,074	1,133,902	34,172
Debt Service:				
Principal	-	-	2,425	2,425
Interest	5,200	5,200	723	(4,477)
Total Debt Service	5,200	5,200	3,148	(2,052)
Total Expenditures	13,512,514	14,939,413	14,518,853	420,560
Excess (deficiency) of revenues over expenditures	(26,411)	(310,310)	2,689,700	3,000,010

CITY OF HOLLISTER
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
OTHER FINANCING SOURCES (USES)				
Transfers in	-	100,000	-	(100,000)
Transfers out	-	-	(40,260)	(40,260)
Total Other Financing Sources (Uses)	-	100,000	(40,260)	(140,260)
Net change in fund balance	$ (26,411)	$ (210,310)	2,649,440	$ 2,859,750
Fund balance - July 1, 2012			1,699,785	
Fund balance - June 30, 2013			$ 4,349,225	

CITY OF HOLLISTER
HOUSING SUCCESSOR AGENCY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Investment earnings	$ -	$ -	$ 262,828	$ 262,828
Other	185,221	3,200,221	4,492,854	1,292,633
Total Revenues	185,221	3,200,221	4,755,682	1,555,461
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	-	-	750	(750)
Housing				
Personnel	173,756	184,256	200,909	(16,653)
Services & Supplies	-	19,600	329,414	(309,814)
Contractual	-	1,672,335	1,313,395	358,940
Capital	-	2,067	2,067	-
Total Housing	173,756	1,878,258	1,845,785	32,473
Finance				
Personnel	11,465	11,465	12,289	(824)
Total General Government	185,221	1,889,723	1,858,824	30,899
Total Expenditures	185,221	1,889,723	1,858,824	30,899
Excess (deficiency) of revenues over expenditures	-	1,310,498	2,896,858	1,586,360
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(26,155)	(26,155)
Total other financing sources (uses)	-	-	(26,155)	(26,155)
Net change in fund balance	$ -	$ 1,310,498	2,870,703	$ 1,560,205
Fund balance (deficit) - July 1, 2012			(113,584)	
Fund balance - June 30, 2013			$ 2,757,119	

CITY OF HOLLISTER
FEDERAL AVIATION ADMIN GRANT - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
Intergovernmental	$ 1,149,500	$ -	$ 2,038,329	$ 2,038,329
Total Revenues	1,149,500	-	2,038,329	2,038,329
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	100	100	-	100
Total General Government	100	100	-	100
Public Works				
Airport Runway				
Personnel	-	11,700	16,634	(4,934)
Airport Storm Drain				
Capital	1,200,000	2,754,264	2,276,886	477,378
Airport Pavement				
Personnel	-	52,765	500	52,265
Engineering				
Personnel	-	1,085	619	466
Total Public Works	1,200,000	2,819,814	2,294,639	525,175
Total Expenditures	1,200,100	2,819,914	2,294,639	525,275
Excess (deficiency) of revenues over expenditures	(50,600)	(2,819,914)	(256,310)	2,563,604
OTHER FINANCING SOURCES (USES)				
Transfers in	60,500	256,811	256,310	(501)
Total other financing sources (uses)	60,500	256,811	256,310	(501)
Net change in fund balance	$ 9,900	$ (2,563,103)	-	$ 2,563,103
Fund balance - July 1, 2012			-	
Fund balance - June 30, 2013			$ -	

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all departments at the major object level within the general, special revenue, capital project, and debt service funds.

During the period December through February of each fiscal year, department heads prepare estimates of required appropriations for the following fiscal year. These estimates are compiled into a proposed operating budget that includes a summary of proposed expenditures and financial resources and historical data for the preceding fiscal year. The operating budget is presented by the City Manager to the City Council for review. Public hearings are conducted to obtain citizen comments. The City Council generally adopts the budget during one of its June meetings. The City Manager is legally authorized to transfer budgeted amounts between divisions and accounts within the same department. Transfer of appropriations between departments or funds and increased appropriations must be authorized by the City Council. Expenditures may not legally exceed budgeted appropriations at the departmental level within a fund. All appropriations shall lapse at the end of the fiscal year to the extent they have not been expended or lawfully encumbered.

CITY OF HOLLISTER
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)

Actuarial Valuation Date	Normal Accrued Liability	Actuarial Value of Assets	Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a % of Covered Payroll
2009	$ 783,224	$ -	$ 783,224	0%	$ 8,892,778	9 %
2011	$ 1,121,880	$ -	$ 1,121,880	0%	$ 8,135,019	14 %

COMBINING FINANCIAL STATEMENTS AND OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

The following funds are reported in total in the Governmental Fund Financial Statements under the column "Other Governmental Funds."

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects. Such funds are authorized by statutory provisions to pay for certain activities of a continuing nature. The nonmajor special revenue funds are listed below:

CDBG Low Income Housing Rehab - This fund accounts for accounts for revenues and expenditures relating to community development block grant.

Gas Tax - This fund provides for planning, design, construction, maintenance, and administration of City transportation activities. Revenues consist primarily of the City's share of state highway user.

Park Dedication - This fund was established to provide financing for parks.

San Benito Loan Program - This fund accounts for the financial resources provide by the federal government for rehabilitation loans and grants programs.

4th of July Rally - This fund was established to account for the receipt and disbursement of the annual 4th of July rally.

Hollister Air Show - This fund was established to manage and track all expenditures and corresponding revenues received from the Hollister Air Show.

CHRPO - This fund was established to account for the receipt and disbursement of the CHRPO funding.

Transportation Development Act - This fund was established to account for the activities of the Transportation Development Act funding from the State of California.

Spay/Neuter Education - This fund was established to account for the receipt and disbursement of the City's spay and neuter grant and donation funds.

Mello Roos CFD-001 - This fund was established to account for the receipt and disbursement of the CFD-1 funding.

Youth Center - This fund was established to account for the receipt and disbursement of the Youth Center funding.

Police Special Law Enforcement Safety - This fund was established to account for the receipt and disbursement of the state funding provided by Police Special Law Enforcement Safety grant.

Office of Traffic Safety - This fund was established to account for the receipt and disbursement of the City's traffic safety funding provided by State funding.

Animal Welfare - This fund was established to account for the receipt and disbursement of the local funding provided by animal welfare grant.

JAG Grant Equipment - This fund was established to account for the JAG Program, administered by the Bureau of Justice Assistance (BJA), to support designated program areas directly related to law enforcement.

SB 1186 - This fund was established to account for the receipts and disbursements of the State's ADA mandate.

CAL Grip - This fund was established to account for activities of the Cal Grip program which used the funds for gang prevention.

Off Street Parking - This fund was established to account for the maintenance and reconstruction of City off-street parking.

SPECIAL REVENUE FUNDS (continued)

Environmental Justice Trans Grant - This fund was established to account for the receipts and disbursements with the Environmental Justice Transportation Grant.

Signal Improvement Fee on Flynn - This fund was established to account for the fees collected for the Flynn Road Signal Improvement.

Home Program Revolving Loans - This fund was established to account for the receipt and disbursement of the City's Federal HOME grant funds.

CAPITAL PROJECT FUNDS

Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition of land or acquisition or construction of capital facilities and other capital assets. The nonmajor capital project funds are listed below:

Fire Impact Fees - This fund was established as depositories for fire development impact fees. The fees are levied against all new development in the City in order to pay for the construction or improvement of fire facilities as a result of City growth.

Police Impact Fees - This fund was established as depositories for police development impact fees. The fees are levied against all new development in the City in order to pay for the construction or improvement of police facilities as a result of City growth.

Storm Drain Fees - This fund was established as depositories for storm drain development fees. The fees are levied against development in the City in order to pay for the construction or improvement of storm drains.

Storm Drain Impact Fees - This fund was established as depositories for storm drain development impact fees. The fees are levied against all new development in the City in order to pay for the construction or improvement of storm drains as a result of City growth.

Traffic Impact Fees - This fund was established as depositories for traffic development impact fees. The fees are levied against all new development in the City in order to pay for traffic construction or improvements as a result of City growth.

AB 1600 Santa Ana Storm Drain - This fund was established as depositories for Santa Ana storm drain development impact fees. The fees are levied against all new development in the Santa Ana Road area in order to pay for the construction or improvement of storm drains as a result of City growth.

Jail Juvenile Hall - This fund was established as depositories for Juvenile Hall development impact fees. The fees are levied against all new development in the City in order to pay for Juvenile Hall construction or improvements as a result of City growth.

Local Street & Road Improvement - This fund was established to account for the revenues and expenditures related to State and Local Road funding.

CITY OF HOLLISTER
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2013

	SPECIAL REVENUE FUNDS					
	CDBG Low Income Housing Rehab	**Gas Tax**	**Park Dedication**	**San Benito Loan Program**	**4th of July Rally**	**Hollister Air Show**
ASSETS						
Cash and investments	$ 629,662	$ 966,203	$ 652,890	$ 684,617	$ 2,925	$ 4,061
Accounts receivable	-	73,914	-	-	-	5,473
Interest receivable	256	362	265	313	1	2
Notes receivable	377,425	-	-	-	-	-
Total Assets	$ 1,007,343	$ 1,040,479	$ 653,155	$ 684,930	$ 2,926	$ 9,536
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	$ -	$ 53,220	$ -	$ -	$ 5,794	$ 17,176
Accrued liabilities	-	6,674	-	-	-	58
Deposits	-	-	-	-	-	-
Deferred revenue	377,425	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total Liabilities	377,425	59,894	-	-	5,794	17,234
FUND BALANCES (DEFICITS):						
Restricted	629,918	980,585	653,155	684,930	-	-
Unassigned	-	-	-	-	(2,868)	(7,698)
Total Fund Balance (Deficits)	629,918	980,585	653,155	684,930	(2,868)	(7,698)
Total Liabilities and Fund Balances (Deficits)	$ 1,007,343	$ 1,040,479	$ 653,155	$ 684,930	$ 2,926	$ 9,536

CITY OF HOLLISTER
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS (continued)
JUNE 30, 2013

	SPECIAL REVENUE FUNDS					
	CHRPO	**Transportation Development Act**	**Spay/ Neuter Education**	**Mello Roos CFD-001**	**Youth Center**	**Police Special Law Enforcement Safety**
ASSETS						
Cash and investments	$ 82,981	$ 494,327	$ 13,331	$ 62,498	$ 22,083	$ 76,444
Accounts receivable	-	41,960	-	17,912	-	25,900
Interest receivable	34	199	5	17	9	31
Notes receivable	-	-	-	-	-	-
Total Assets	$ 83,015	$ 536,486	$ 13,336	$ 80,427	$ 22,092	$ 102,375
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	$ -	$ 876	$ 603	$ 12,741	$ -	$ -
Accrued liabilities	-	974	-	16,539	-	-
Deposits	-	-	1,034	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	1,515	-	-
Total Liabilities	-	1,850	1,637	30,795	-	-
FUND BALANCES (DEFICITS):						
Restricted	83,015	534,636	11,699	49,632	22,092	102,375
Unassigned	-	-	-	-	-	-
Total Fund Balance (Deficits)	83,015	534,636	11,699	49,632	22,092	102,375
Total Liabilities and Fund Balances (Deficits)	$ 83,015	$ 536,486	$ 13,336	$ 80,427	$ 22,092	$ 102,375

CITY OF HOLLISTER
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS (continued)
JUNE 30, 2013

	SPECIAL REVENUE FUNDS					
	Office of Traffic Safety	**Animal Welfare**	**JAG Grant Equipment**	**SB 1186**	**CAL Grip**	**Off Street Parking**
ASSETS						
Cash and investments	$ 22,580	$ 21,630	$ 1,885	$ 882	$ 2,306	$ 86,592
Accounts receivable	-	-	-	-	57,562	-
Interest receivable	9	9	1	-	-	-
Notes receivable	-	-	-	-	-	-
Total Assets	$ 22,589	$ 21,639	$ 1,886	$ 882	$ 59,868	$ 86,592
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	$ -	$ 4,291	$ -	$ 61	$ 6,302	$ -
Accrued liabilities	-	-	-	-	2,837	-
Deposits	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	39,772	-
Total Liabilities	-	4,291	-	61	48,911	-
FUND BALANCES (DEFICITS):						
Restricted	22,589	17,348	1,886	821	10,957	86,592
Unassigned	-	-	-	-	-	-
Total Fund Balance (Deficits)	22,589	17,348	1,886	821	10,957	86,592
Total Liabilities and Fund Balances (Deficits)	$ 22,589	$ 21,639	$ 1,886	$ 882	$ 59,868	$ 86,592

CITY OF HOLLISTER
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS (continued)
JUNE 30, 2013

	SPECIAL REVENUE FUNDS			CAPITAL PROJECT FUNDS		
	Environmental Justice Trans Grant	**Signal Improvement Fee on Flynn**	**Home Program Revolving Loans**	**Fire Impact Fees**	**Police Impact Fees**	**Storm Drain Fees**
ASSETS						
Cash and investments	$ 2,197	$ 13,336	$ 345,839	$ 153,794	$ 125,424	$ 98,711
Accounts receivable	-	-	-	-	-	-
Interest receivable	1	5	-	62	51	40
Notes receivable	-	-	1,815,614	-	-	-
Total Assets	$ 2,198	$ 13,341	$ 2,161,453	$ 153,856	$ 125,475	$ 98,751
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	$ -	$ -	$ 552	$ -	$ -	$ -
Accrued liabilities	-	-	564	-	-	-
Deposits	-	-	-	-	-	-
Deferred revenue	-	-	1,815,614	-	-	-
Due to other funds	-	-	-	-	-	-
Total Liabilities	-	-	1,816,730	-	-	-
FUND BALANCES (DEFICITS):						
Restricted	2,198	13,341	344,723	153,856	125,475	98,751
Unassigned	-	-	-	-	-	-
Total Fund Balance (Deficits)	2,198	13,341	344,723	153,856	125,475	98,751
Total Liabilities and Fund Balances (Deficits)	$ 2,198	$ 13,341	$ 2,161,453	$ 153,856	$ 125,475	$ 98,751

CITY OF HOLLISTER
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS (continued)
JUNE 30, 2013

	CAPITAL PROJECT FUNDS					
	Storm Drain Impact Fees	**Traffic Impact Fees**	**AB 1600 Santa Ana Storm Drain**	**Jail Juvenile Hall**	**Local Street & Road Improvement**	**Total Non-Major Governmental Funds**
ASSETS						
Cash and investments	$ 3,729,018	$ 6,116,861	$ 1,990,636	$ 14,322	$ 362,228	$ 16,780,263
Accounts receivable	-	-	-	-	-	222,721
Interest receivable	1,513	2,484	432	-	146	6,247
Notes receivable	-	-	-	-	-	2,193,039
Total Assets	$ 3,730,531	$ 6,119,345	$ 1,991,068	$ 14,322	$ 362,374	$ 19,202,270
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	$ 1,357	$ -	$ -	$ -	$ 379	$ 103,352
Accrued liabilities	11,828	3	-	-	425	39,902
Deposits	-	-	-	-	-	1,034
Deferred revenue	-	-	-	-	-	2,193,039
Due to other funds	-	-	-	-	-	41,287
Total Liabilities	13,185	3	-	-	804	2,378,614
FUND BALANCES (DEFICITS):						
Restricted	3,717,346	6,119,342	1,991,068	14,322	361,570	16,834,222
Unassigned	-	-	-	-	-	(10,566)
Total Fund Balance (Deficits)	3,717,346	6,119,342	1,991,068	14,322	361,570	16,823,656
Total Liabilities and Fund Balances (Deficits)	$ 3,730,531	$ 6,119,345	$ 1,991,068	$ 14,322	$ 362,374	$ 19,202,270

CITY OF HOLLISTER
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS					
	CDBG Low Income Housing Rehab	Gas Tax	Park Dedication	San Benito Loan Program	4th of July Rally	Hollister Air Show
REVENUES						
Taxes	$ -	$ 833,536	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	2,925	-
Intergovernmental	-	-	-	-	-	-
Charges for service	-	-	103,835	-	-	35,811
Investment earnings	1,262	1,574	1,592	1,527	1	2
Other	-	4,302	-	1,000	-	5,483
Total Revenues	1,262	839,412	105,427	2,527	2,926	41,296
EXPENDITURES						
Current:						
General government	10,724	394	288	377	-	645
Public safety	-	-	-	-	4,656	2,436
Public works	-	666,166	-	-	1,138	44,412
Recreation	-	-	-	-	-	424
Capital Outlay	-	-	-	-	-	-
Total Expenditures	10,724	666,560	288	377	5,794	47,917
Excess (deficiency) of revenues over expenditures	(9,462)	172,852	105,139	2,150	(2,868)	(6,621)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net change in fund balances	(9,462)	172,852	105,139	2,150	(2,868)	(6,621)
Fund balances (deficits) - July 1, 2012	639,380	807,733	548,016	769,372	-	(1,077)
Prior period adjustment (Note 15)	-	-	-	(86,592)	-	-
Fund balances (deficits) - July 1, 2012, restated	639,380	807,733	548,016	682,780	-	(1,077)
Fund balances (deficits) - June 30, 2013	$ 629,918	$ 980,585	$ 653,155	$ 684,930	$ (2,868)	$ (7,698)

CITY OF HOLLISTER
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS					
	CHRPO	**Transportation Development Act**	**Spay/ Neuter Education**	**Mello Roos CFD-001**	**Youth Center**	**Police Special Law Enforcement Safety**
REVENUES						
Taxes	$ -	$ -	$ -	$ 855,218	$ -	$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	372,560	-	-	-	62,871
Charges for service	-	-	4,602	-	-	-
Investment earnings	164	1,011	26	25	44	99
Other	-	-	-	-	-	-
Total Revenues	164	373,571	4,628	855,243	44	62,970
EXPENDITURES						
Current:						
General government	40	212	8	5,244	11	34
Public safety	-	-	3,888	800,367	-	10,915
Public works	-	50,087	-	-	-	-
Recreation	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Total Expenditures	40	50,299	3,896	805,611	11	10,949
Excess (deficiency) of revenues over expenditures	124	323,272	732	49,632	33	52,021
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net change in fund balances	124	323,272	732	49,632	33	52,021
Fund balances (deficits) - July 1, 2012	82,891	211,364	10,967	-	22,059	50,354
Prior period adjustment (Note 15)	-	-	-	-	-	-
Fund balances (deficits) - July 1, 2012, restated	82,891	211,364	10,967	-	22,059	50,354
Fund balances (deficits) - June 30, 2013	$ 83,015	$ 534,636	$ 11,699	$ 49,632	$ 22,092	$ 102,375

CITY OF HOLLISTER
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS					
	Office of Traffic Safety	**Animal Welfare**	**JAG Grant Equipment**	**SB 1186**	**CAL Grip**	**Off Street Parking**
REVENUES						
Taxes	$ -	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	820	-	-
Intergovernmental	13,640	-	18,489	-	218,283	-
Charges for service	-	-	-	-	-	-
Investment earnings	43	41	2	1	14	-
Other	-	3,874	-	-	-	-
Total Revenues	13,683	3,915	18,491	821	218,297	-
EXPENDITURES						
Current:						
General government	10	10	1	-	2	-
Public safety	12,778	4,270	-	-	207,338	-
Public works	-	-	-	-	-	-
Recreation	-	-	-	-	-	-
Capital Outlay	-	-	16,604	-	-	-
Total Expenditures	12,788	4,280	16,605	-	207,340	-
Excess (deficiency) of revenues over expenditures	895	(365)	1,886	821	10,957	-
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net change in fund balances	895	(365)	1,886	821	10,957	-
Fund balances (deficits) - July 1, 2012	21,694	17,713	-	-	-	-
Prior period adjustment (Note 15)	-	-	-	-	-	86,592
Fund balances (deficits) - July 1, 2012, restated	21,694	17,713	-	-	-	86,592
Fund balances (deficits) - June 30, 2013	$ 22,589	$ 17,348	$ 1,886	$ 821	$ 10,957	$ 86,592

CITY OF HOLLISTER
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS			CAPITAL PROJECT FUNDS		
	Environmental Justice Trans Grant	**Signal Improvement Fee on Flynn**	**Home Program Revolving Loans**	**Fire Impact Fees**	**Police Impact Fees**	**Storm Drain Fees**
REVENUES						
Taxes	$ -	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	20,256	-	-
Intergovernmental	2,197	-	-	-	-	-
Charges for service	-	-	-	-	14,730	-
Investment earnings	1	26	8,285	288	238	196
Other	-	-	6,340	-	-	-
Total Revenues	2,198	26	14,625	20,544	14,968	196
EXPENDITURES						
Current:						
General government	-	6	320,819	69	58	48
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Recreation	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Total Expenditures	-	6	320,819	69	58	48
Excess (deficiency) of revenues over expenditures	2,198	20	(306,194)	20,475	14,910	148
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	26,155	-	-	-
Total Other Financing Sources (Uses)	-	-	26,155	-	-	-
Net change in fund balances	2,198	20	(280,039)	20,475	14,910	148
Fund balances (deficits) - July 1, 2012	-	13,321	624,762	133,381	110,565	98,603
Prior period adjustment (Note 15)	-	-	-	-	-	-
Fund balances (deficits) - July 1, 2012, restated	-	13,321	624,762	133,381	110,565	98,603
Fund balances (deficits) - June 30, 2013	$ 2,198	$ 13,341	$ 344,723	$ 153,856	$ 125,475	$ 98,751

CITY OF HOLLISTER
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)
FOR THE YEAR ENDED JUNE 30, 2013

	CAPITAL PROJECT FUNDS					
	Storm Drain Impact Fees	Traffic Impact Fees	AB 1600 Santa Ana Storm Drain	Jail Juvenile Hall	Local Street & Road Improvement	Total Non-major Governmental Funds
REVENUES						
Taxes	$ -	$ -	$ -	$ -	$ -	$ 1,688,754
Licenses and permits	-	187,716	-	14,322	-	226,039
Intergovernmental	-	-	-	-	551,839	1,239,879
Charges for service	111,860	-	-	-	-	270,838
Investment earnings	7,398	12,010	2,107	-	1,804	39,781
Other	-	-	-	-	-	20,999
Total Revenues	119,258	199,726	2,107	14,322	553,643	3,486,290
EXPENDITURES						
Current:						
General government	1,828	2,952	735	-	459	344,974
Public safety	-	-	-	-	-	1,046,648
Public works	130,584	45,474	-	-	45,871	983,732
Recreation	-	-	-	-	-	424
Capital Outlay	-	-	-	-	659,400	676,004
Total Expenditures	132,412	48,426	735	-	705,730	3,051,782
Excess (deficiency) of revenues over expenditures	(13,154)	151,300	1,372	14,322	(152,087)	434,508
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	40,260	-	66,415
Total Other Financing Sources (Uses)	-	-	-	40,260	-	66,415
Net change in fund balances	(13,154)	151,300	1,372	54,582	(152,087)	500,923
Fund balances (deficits) - July 1, 2012	3,730,500	5,968,042	1,989,696	(40,260)	513,657	16,322,733
Prior period adjustment (Note 15)	-	-	-	-	-	-
Fund balances (deficits) - July 1, 2012, restated	3,730,500	5,968,042	1,989,696	(40,260)	513,657	16,322,733
Fund balances (deficits) - June 30, 2013	$ 3,717,346	$ 6,119,342	$ 1,991,068	$ 14,322	$ 361,570	$ 16,823,656

CITY OF HOLLISTER
CDBG LOW INCOME HOUSING REHAB - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
Investment earnings	$ 600	$ 600	$ 1,262	$ 662
Total Revenues	600	600	1,262	662
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	2,100	2,100	10,724	(8,624)
Total General Government	2,100	2,100	10,724	(8,624)
Total Expenditures	2,100	2,100	10,724	(8,624)
Net change in fund balance	$ (1,500)	$ (1,500)	(9,462)	$ (7,962)
Fund balance - July 1, 2012			639,380	
Fund balance - June 30, 2013			$ 629,918	

CITY OF HOLLISTER
GAS TAX - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
Taxes	$ 975,315	$ 975,315	$ 833,536	$ (141,779)
Investment earnings	600	600	1,574	974
Other	-	-	4,302	4,302
Total Revenues	975,915	975,915	839,412	(136,503)
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	600	600	394	206
Total General Government	600	600	394	206
Public Works				
Street Maintenance				
Personnel	456,885	456,885	347,877	109,008
Services & Supplies	414,593	414,593	281,830	132,763
Contractual	109,000	109,000	36,459	72,541
Total Street Maintenance	980,478	980,478	666,166	314,312
Total Public Works	980,478	980,478	666,166	314,312
Total Expenditures	981,078	981,078	666,560	314,518
Net change in fund balance	$ (5,163)	$ (5,163)	172,852	$ 178,015
Fund balance - July 1, 2012			807,733	
Fund balance - June 30, 2013			$ 980,585	

CITY OF HOLLISTER
PARK DEDICATION - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
Charges for services	$ -	$ -	$ 103,835	$ 103,835
Investment earnings	600	600	1,592	992
Total Revenues	600	600	105,427	104,827
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	600	600	288	312
Total General Government	600	600	288	312
Public Works				
Engineering				
Personnel	8,021	8,021	-	8,021
Total Public Works	8,021	8,021	-	8,021
Total Expenditures	8,621	8,621	288	8,333
Net change in fund balance	$ (8,021)	$ (8,021)	105,139	$ 113,160
Fund balance - July 1, 2012			548,016	
Fund balance - June 30, 2013			$ 653,155	

CITY OF HOLLISTER
SAN BENITO LOAN PROGRAM - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
Investment earnings	$ 2,000	$ 2,000	$ 1,527	$ (473)
Other	-	-	1,000	1,000
Total Revenues	2,000	2,000	2,527	527
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	1,000	1,000	377	623
Total General Government	1,000	1,000	377	623
Total Expenditures	1,000	1,000	377	623
Net change in fund balance	$ 1,000	$ 1,000	2,150	$ 1,150
Fund balance - July 1, 2012			769,372	
Prior period adjustment			(86,592)	
Fund balance - July 1, 2012, restated			682,780	
Fund balance - June 30, 2013			$ 684,930	

CITY OF HOLLISTER
4th OF JULY RALLY - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original*	**Final***	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
License and permits	$ -	$ -	$ 2,925	$ 2,925
Investment earnings	-	-	1	1
Total Revenues	-	-	2,926	2,926
EXPENDITURES				
Public Safety				
Police				
Service & Supplies	-	-	4,656	(4,656)
Total Public Safety	-	-	4,656	(4,656)
Public Works				
Street Maintenance				
Services & Supplies	-	-	1,138	(1,138)
Total Public Works	-	-	1,138	(1,138)
Total Expenditures	-	-	5,794	(5,794)
Net change in fund balance	$ -	$ -	(2,868)	$ (2,868)
Fund balance - July 1, 2012			-	
Fund balance (deficit) - June 30, 2013			$ (2,868)	

* The City did not adopt a budget for the 4th of July Rally fund as of June 30, 2013.

CITY OF HOLLISTER
HOLLISTER AIR SHOW - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Charges for services	$ 60,000	$ 60,000	$ 35,811	$ (24,189)
Investment earnings	-	-	2	2
Other	5,000	5,000	5,483	483
Total Revenues	65,000	65,000	41,296	(23,704)
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	25	25	1	24
Finance				
Personnel	-	-	644	(644)
Total General Government	25	25	645	(620)
Public Safety				
Fire Department				
Personnel	-	-	840	(840)
Police Department				
Personnel	-	-	1,596	(1,596)
Total Public Safety	-	-	2,436	(2,436)
Public Works				
Airport				
Personnel	7,100	7,100	-	7,100
Services & Supplies	57,875	57,875	44,412	13,463
Total Airport	64,975	64,975	44,412	20,563
Total Public Works	64,975	64,975	44,412	20,563
Recreation				
Recreation				
Personnel	-	-	424	(424)
Total Recreation	-	-	424	(424)
Total Expenditures	65,000	65,000	47,917	17,083
Net change in fund balance	$ -	$ -	(6,621)	$ (6,621)
Fund balance (deficit) - July 1, 2012			(1,077)	
Fund balance (deficit) - June 30, 2013			$ (7,698)	

CITY OF HOLLISTER
CHRPO - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
Investment earnings	$ 100	$ 100	$ 164	$ 64
Total Revenues	100	100	164	64
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	100	100	40	60
Total General Government	100	100	40	60
Total Expenditures	100	100	40	60
Net change in fund balance	$ -	$ -	124	$ 124
Fund balance - July 1, 2012			82,891	
Fund balance - June 30, 2013			$ 83,015	

CITY OF HOLLISTER
TRANSPORTATION DEVELOPMENT ACT - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
Intergovernmental	$ 62,873	$ 62,873	$ 372,560	$ 309,687
Investment earnings	1,000	1,000	1,011	11
Total Revenues	63,873	63,873	373,571	309,698
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	1,000	1,000	212	788
Total General Government	1,000	1,000	212	788
Public Works				
Engineering				
Personnel	61,929	61,929	48,828	13,101
Services & Supplies	944	5,944	1,259	4,685
Capital	-	50,000	-	50,000
Total Engineering	62,873	117,873	50,087	67,786
Total Public Works	62,873	117,873	50,087	67,786
Total Expenditures	63,873	118,873	50,299	68,574
Net change in fund balance	$ -	$ (55,000)	323,272	$ 378,272
Fund balance - July 1, 2012			211,364	
Fund balance - June 30, 2013			$ 534,636	

CITY OF HOLLISTER
SPAY/NEUTER EDUCATION - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
Charges for services	$ 7,500	$ 7,500	$ 4,602	$ (2,898)
Investment earnings	20	20	26	6
Total Revenues	7,520	7,520	4,628	(2,892)
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	20	20	8	12
Total General Government	20	20	8	12
Public Safety				
Animal Control				
Services & Supplies	7,500	7,500	3,888	3,612
Total Public Safety	7,500	7,500	3,888	3,612
Total Expenditures	7,520	7,520	3,896	3,624
Net change in fund balance	$ -	$ -	732	$ 732
Fund balance - July 1, 2012			10,967	
Fund balance - June 30, 2013			$ 11,699	

CITY OF HOLLISTER
MELLO ROOS CFD-001 - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
Taxes	$ 840,000	$ 840,000	$ 855,218	$ 15,218
Investment earnings	600	600	25	(575)
Total Revenues	840,600	840,600	855,243	14,643
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	25,000	25,000	5,244	19,756
Total General Government	25,000	25,000	5,244	19,756
Public Safety				
Fire				
Personnel	443,771	443,771	428,059	15,712
Police				
Personnel	371,829	371,829	372,308	(479)
Total Public Safety	815,600	815,600	800,367	15,233
Total Expenditures	840,600	840,600	805,611	34,989
Net change in fund balance	$ -	$ -	49,632	$ 49,632
Fund balance - July 1, 2012			-	
Fund balance - June 30, 2013			$ 49,632	

CITY OF HOLLISTER
YOUTH CENTER - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
Investment earnings	$ 30	$ 30	$ 44	$ 14
Total Revenues	30	30	44	14
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	30	30	11	19
Total General Government	30	30	11	19
Total Expenditures	30	30	11	19
Net change in fund balance	$ -	$ -	33	$ 33
Fund balance - July 1, 2012			22,059	
Fund balance - June 30, 2013			$ 22,092	

CITY OF HOLLISTER
POLICE SPECIAL LAW ENFORCEMENT SAFETY - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
Intergovernmental	$ 100,000	$ 100,000	$ 62,871	$ (37,129)
Investment earnings	20	20	99	79
Total Revenues	100,020	100,020	62,970	(37,050)
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	20	45	34	11
Total General Government	20	45	34	11
Public Safety				
Police				
Personnel	-	25,000	10,915	14,085
Total Public Safety	-	25,000	10,915	14,085
Total Expenditures	20	25,045	10,949	14,096
Net change in fund balance	$ -	$ 74,975	52,021	$ (22,954)
Fund balance - July 1, 2012			50,354	
Fund balance - June 30, 2013			$ 102,375	

CITY OF HOLLISTER
OFFICE OF TRAFFIC SAFETY - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
Intergovernmental	$ 28,000	$ 28,000	$ 13,640	$ (14,360)
Investment earnings	-	-	43	43
Total Revenues	28,000	28,000	13,683	(14,317)
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	-	10	10	-
Total General Government	-	10	10	-
Public Safety				
Police				
Personnel	15,250	15,250	12,778	2,472
Services & Supplies	1,000	1,000	-	1,000
Capital	11,750	11,750	-	11,750
Total Police	28,000	28,000	12,778	15,222
Total Public Safety	28,000	28,000	12,778	15,222
Total Expenditures	28,000	28,010	12,788	15,222
Net change in fund balance	$ -	$ (10)	895	$ 905
Fund balance - July 1, 2012			21,694	
Fund balance - June 30, 2013			$ 22,589	

CITY OF HOLLISTER
ANIMAL WELFARE - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
Investment earnings	$ 40	$ 40	$ 41	$ 1
Other	6,800	6,800	3,874	(2,926)
Total Revenues	6,840	6,840	3,915	(2,925)
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	40	40	10	30
Total General Government	40	40	10	30
Public Safety				
Animal Control				
Services & Supplies	6,800	6,800	4,270	2,530
Total Public Safety	6,800	6,800	4,270	2,530
Total Expenditures	6,840	6,840	4,280	2,560
Net change in fund balance	$ -	$ -	(365)	$ (365)
Fund balance - July 1, 2012			17,713	
Fund balance - June 30, 2013			$ 17,348	

CITY OF HOLLISTER
JAG GRANT EQUIPMENT - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
Intergovernmental	$ -	$ 29,747	$ 18,489	$ (11,258)
Investment earnings	-	-	2	2
Total Revenues	-	29,747	18,491	(11,256)
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	-	-	1	(1)
Total General Government	-	-	1	(1)
Public Safety				
Police				
Capital	-	29,747	16,604	13,143
Total Public Safety	-	29,747	16,604	13,143
Total Expenditures	-	29,747	16,605	13,142
Net change in fund balance	$ -	$ -	1,886	$ 1,886
Fund balance - July 1, 2012			-	
Fund balance - June 30, 2013			$ 1,886	

CITY OF HOLLISTER
SB 1186 - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
License and permits	-	1,100	820	(280)
Investment earnings	-	-	1	1
Total Revenues	-	1,100	821	(279)
EXPENDITURES				
Total Expenditures	-	-	-	-
Net change in fund balance	$ -	$ 1,100	821	$ (279)
Fund balance - July 1, 2012			-	
Fund balance - June 30, 2013			$ 821	

CITY OF HOLLISTER
CAL GRIP - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts: Original	Budgeted Amounts: Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 188,301	$ 208,888	$ 218,283	$ 9,395
Investment earnings	50	50	14	(36)
Total Revenues	188,351	208,938	218,297	9,359
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	50	50	2	48
Total General Government	50	50	2	48
Public Safety				
Police				
Personnel	147,994	147,994	148,072	(78)
Services & Supplies	21,094	21,094	-	21,094
Contractual	39,800	39,800	59,266	(19,466)
Total Police	208,888	208,888	207,338	1,550
Total Public Safety	208,888	208,888	207,338	1,550
Total Expenditures	208,938	208,938	207,340	1,598
Net change in fund balance	$ (20,587)	$ -	10,957	$ 10,957
Fund balance - July 1, 2012			-	
Fund balance - June 30, 2013			$ 10,957	

CITY OF HOLLISTER
ENVIRONMENTAL JUSTICE TRANS GRANT - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original*	Final*	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ -	$ -	$ 2,197	$ 2,197
Investment earnings	-	-	1	1
Total Revenues	-	-	2,198	2,198
EXPENDITURES				
Total Expenditures	-	-	-	-
Net change in fund balance	$ -	$ -	2,198	$ 2,198
Fund balance - July 1, 2012			-	
Fund balance - June 30, 2013			$ 2,198	

*The City did not adopt a budget for the Environmental Justice Trans Grant as of June 30, 2013.

CITY OF HOLLISTER
SIGNAL IMPROVEMENT FEE ON FLYNN - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
Investment earnings	$ 25	$ 25	$ 26	$ 1
Total Revenues	25	25	26	1
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	25	25	6	19
Total General Government	25	25	6	19
Total Expenditures	25	25	6	19
Net change in fund balance	$ -	$ -	20	$ 20
Fund balance - July 1, 2012			13,321	
Fund balance - June 30, 2013			$ 13,341	

CITY OF HOLLISTER
HOME PROGRAM REVOLVING LOANS - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
Investment earnings	$ 7,500	$ 7,500	$ 8,285	$ 785
Other	4,500	4,500	6,340	1,840
Total Revenues	12,000	12,000	14,625	2,625
EXPENDITURES				
General Government				
Planning				
Personnel	-	18,920	19,992	(1,072)
Contractual	-	447,020	300,827	146,193
Total Planning	-	465,940	320,819	145,121
Total General Government	-	465,940	320,819	145,121
Total Expenditures	-	465,940	320,819	436,435
Excess (deficiency) of revenues over expenditures	12,000	(453,940)	(306,194)	147,746
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	26,155	26,155
Total other financing sources (uses)	-	-	26,155	26,155
Net change in fund balance	$ 12,000	$ (453,940)	(280,039)	$ 173,901
Fund balance - July 1, 2012			624,762	
Fund balance - June 30, 2013			$ 344,723	

CITY OF HOLLISTER
FIRE IMPACT FEES - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
License and permits	$ 13,000	$ 13,000	$ 20,256	$ 7,256
Investment earnings	200	200	288	88
Total Revenues	13,200	13,200	20,544	7,344
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	200	200	69	131
Total General Government	200	200	69	131
Total Expenditures	200	200	69	131
Net change in fund balance	$ 13,000	$ 13,000	20,475	$ 7,475
Fund balance - July 1, 2012			133,381	
Fund balance - June 30, 2013			$ 153,856	

CITY OF HOLLISTER
POLICE IMPACT FEES - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
Charges for services	$ 10,000	$ 10,000	$ 14,730	$ 4,730
Investment earnings	150	150	238	88
Total Revenues	10,150	10,150	14,968	4,818
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	150	150	58	92
Total General Government	150	150	58	92
Total Expenditures	150	150	58	92
Net change in fund balance	$ 10,000	$ 10,000	14,910	$ 4,910
Fund balance - July 1, 2012			110,565	
Fund balance - June 30, 2013			$ 125,475	

CITY OF HOLLISTER
STORM DRAIN FEES - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
Charges for services	$ 1,000	$ 1,000	$ -	$ (1,000)
Investment earnings	150	150	196	46
Total Revenues	1,150	1,150	196	(954)
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	150	150	48	102
Total General Government	150	150	48	102
Total Expenditures	150	150	48	102
Net change in fund balance	$ 1,000	$ 1,000	148	$ (852)
Fund balance - July 1, 2012			98,603	
Fund balance - June 30, 2013			$ 98,751	

CITY OF HOLLISTER
STORM DRAIN IMPACT FEES - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
Charges for services	$ 100,000	$ 100,000	$ 111,860	$ 11,860
Investment earnings	5,000	5,000	7,398	2,398
Total Revenues	105,000	105,000	119,258	14,258
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	5,000	5,000	1,828	3,172
Total General Government	5,000	5,000	1,828	3,172
Public Works				
Storm Drain				
Services & Supplies	-	17,750	2,272	15,478
Capital	-	62,000	-	62,000
Total Storm Drain	-	79,750	2,272	77,478
Code Enforcement				
Personnel	-	5,000	4,988	12
Engineering				
Personnel	191,172	229,573	105,046	124,527
Supplies & Services	33,872	45,071	8,153	36,918
Contractual	2,200	2,600	2,600	-
Capital	1,000	1,000	-	1,000
Total Engineering	228,244	278,244	115,799	162,445
Sewer Collection				
Supplies & Services	8,000	8,000	7,525	475
Contractual	1,068	1,068	-	1,068
Total Sewer Collection	9,068	9,068	7,525	1,543
Total Public Works	237,312	372,062	130,584	239,923
Total Expenditures	242,312	377,062	132,412	244,650
Net change in fund balance	$ (137,312)	$ (272,062)	(13,154)	$ 258,908
Fund balance - July 1, 2012			3,730,500	
Fund balance - June 30, 2013			$ 3,717,346	

CITY OF HOLLISTER
TRAFFIC IMPACT FEES - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
License and permits	$ 75,000	$ 75,000	$ 187,716	$ 112,716
Investment earnings	7,500	7,500	12,010	4,510
Total Revenues	82,500	82,500	199,726	117,226
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	7,500	7,500	2,952	4,548
Total General Government	7,500	7,500	2,952	4,548
Public Works				
Nash Road				
Personnel	-	-	8,378	(8,378)
Services & Supplies	-	10,000	6,028	3,972
Total Nash Road	-	10,000	14,406	(4,406)
Engineering				
Personnel	-	29,473	31,068	(1,595)
Total Public Works	-	39,473	45,474	(6,001)
Total Expenditures	7,500	46,973	48,426	(1,453)
Net change in fund balance	$ 75,000	$ 35,527	151,300	$ 115,773
Fund balance - July 1, 2012			5,968,042	
Fund balance - June 30, 2013			$ 6,119,342	

CITY OF HOLLISTER
AB 1600 SANTA ANA STORM DRAIN - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
Investment earnings	$ 2,500	$ 2,500	$ 2,107	$ (393)
Total Revenues	2,500	2,500	2,107	(393)
EXPENDITURES				
General Government				
Non-Departmental				
Contractual	2,500	2,500	735	1,765
Total General Government	2,500	2,500	735	1,765
Total Expenditures	2,500	2,500	735	1,765
Net change in fund balance	$ -	$ -	1,372	$ 1,372
Fund balance - July 1, 2012			1,989,696	
Fund balance - June 30, 2013			$ 1,991,068	

CITY OF HOLLISTER
JAIL JUVENILE HALL - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
License and permits	$ 30,000	$ 30,000	$ 14,322	$ (15,678)
Investment earnings	10	20	-	(20)
Total Revenues	30,010	30,020	14,322	(15,698)
EXPENDITURES				
General Governmental				
Non-Departmental				
Contractual	30,010	30,010	-	30,010
Total General Government	30,010	30,010	-	30,010
Total Expenditures	30,010	30,010	-	30,010
Excess (deficiency) of revenues over expenditures	-	10	14,322	14,312
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	40,260	40,260
Total other financing sources (uses)	-	-	40,260	40,260
Net change in fund balance	$ -	$ 10	54,582	$ 54,572
Fund balance (deficit) - July 1, 2012			(40,260)	
Fund balance - June 30, 2013			$ 14,322	

CITY OF HOLLISTER
LOCAL STREET & ROAD IMPROVEMENT - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
REVENUES				
Intergovernmental	$ -	$ -	$ 551,839	$ 551,839
Investment earnings	700	700	1,804	1,104
Total Revenues	700	700	553,643	552,943
EXPENDITURES				
General Governmental				
Non-Departmental				
Contractual	700	700	459	241
Total General Government	700	700	459	241
Public Works				
Prop 1B				
Personnel	-	-	243	(243)
Engineering				
Personnel	52,377	52,377	44,750	7,627
Services & Supplies	294	15,294	878	14,416
Capital	-	888,000	659,400	228,600
Total Engineering	52,671	955,671	705,028	250,643
Total Public Works	52,671	955,671	705,271	250,400
Total Expenditures	53,371	956,371	705,730	250,641
Net change in fund balance	$ (52,671)	$ (51,677)	(152,087)	$ (100,410)
Fund balance - July 1, 2012			513,657	
Fund balance - June 30, 2013			$ 361,570	

AGENCY FUNDS

Fiduciary Funds account for assets held by the City in a trustee capacity, or as an agent for private organizations, other governmental units, or other funds. The following are the City's Fiduciary Funds:

Red Cross Relief - This fund accounts for assets held for the Red Cross Relief Fund in a fiduciary capacity.

Tricentennial - This fund accounts for assets held for the Tri-Centennial in a fiduciary capacity.

Veteran's Building Pavers - This fund accounts for assets held for the Veteran's Building Pavers in a fiduciary capacity.

Meridian Street - This fund accounts for assets held for the Meridian Street Assessment District in a fiduciary capacity.

San Benito Estates - This fund accounts for assets held for the San Benito Estates Assessment District in a fiduciary capacity.

Hollister Business Park - This fund accounts for assets held for the Hollister Business Park Assessment District in a fiduciary capacity.

Landscaping and Lighting - This fund accounts for assets held for the Landscaping and Lighting Assessment District in a fiduciary capacity.

Sunnyslope Village - This fund accounts for assets held for the Landscaping and Lighting Assessment District in a fiduciary capacity.

Gateway Auto Mall - This fund accounts for assets held for the Gateway Auto Mall Assessment District in a fiduciary capacity.

CITY OF HOLLISTER
COMBINING SCHEDULE OF FIDUCIARY NET ASSETS
TRUST AND AGENCY FUNDS
JUNE 30, 2013

	Red Cross Relief	Tri-centennial	Veteran's Building Pavers	Meridian Street	San Benito Estates	Hollister Business Park	Landscaping and Lighting	Sunnyslope Village	Gateway Auto Mall	Total
ASSETS										
Cash and investments	$ 195	$ 14	$ 1,343	$ 556,058	$ 256,479	$ 157,140	$ 55,887	$ 907	$ 255,226	$ 1,283,249
Accounts receivable	-	-	-	2,006	-	-	4,355	-	4,426	10,787
Interest receivable	-	-	1	84	86	64	52	-	64	351
Total Assets	$ 195	$ 14	$ 1,344	$ 558,148	$ 256,565	$ 157,204	$ 60,294	$ 907	$ 259,716	$ 1,294,387
LIABILITIES										
Accounts payable	$ 195	$ -	$ -	$ 1,937	$ 704	$ -	$ 60,247	$ -	$ 553	$ 63,636
Accrued liabilities	-	-	-	-	-	-	47	-	-	47
Deposits in trust	-	14	1,344	556,211	255,861	157,204	-	907	259,163	1,230,704
Total Liabilities	$ 195	$ 14	$ 1,344	$ 558,148	$ 256,565	$ 157,204	$ 60,294	$ 907	$ 259,716	$ 1,294,387

CITY OF HOLLISTER
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Red Cross Relief				
ASSETS				
Cash and investments	$ 194	$ 195	$ 194	$ 195
Total Assets	$ 194	$ 195	$ 194	$ 195
LIABILITIES				
Accounts payable	$ 162	$ 195	$ 162	$ 195
Deposits in trust	32	-	32	-
Total Liabilities	$ 194	$ 195	$ 194	$ 195
Tricentennial				
ASSETS				
Cash and investments	$ 14	$ -	$ -	$ 14
Total Assets	$ 14	$ -	$ -	$ 14
LIABILITIES				
Deposits in trust	$ 14	$ -	$ -	$ 14
Total Liabilities	$ 14	$ -	$ -	$ 14
Veteran's Building Pavers				
ASSETS				
Cash and investments	$ 991	$ 352	$ -	$ 1,343
Interest receivable	1	1	1	1
Total Assets	$ 992	$ 353	$ 1	$ 1,344
LIABILITIES				
Deposits in trust	$ 992	$ 353	$ 1	$ 1,344
Total Liabilities	$ 992	$ 353	$ 1	$ 1,344
Meridian Street				
ASSETS				
Cash and investments	$ 537,185	$ 18,873	$ -	$ 556,058
Accounts receivable	3,780	2,006	3,780	2,006
Interest receivable	186	84	186	84
Total Assets	$ 541,151	$ 20,963	$ 3,966	$ 558,148
LIABILITIES				
Accounts payable	$ -	$ 1,937	$ -	$ 1,937
Deposits in trust	541,151	19,026	3,966	556,211
Total Liabilities	$ 541,151	$ 20,963	$ 3,966	$ 558,148

CITY OF HOLLISTER
SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS (continued)
TRUST AND AGENCY FUNDS
JUNE 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
San Benito Estates				
ASSETS				
Cash and investments	$ 237,702	$ 18,777	$ -	$ 256,479
Accounts receivable	102	-	102	-
Interest receivable	139	86	139	86
Total Assets	$ 237,943	$ 18,863	$ 241	$ 256,565
LIABILITIES				
Accounts payable	$ -	$ 704	$ -	$ 704
Deposits in trust	237,943	18,159	241	255,861
Total Liabilities	$ 237,943	$ 18,863	$ 241	$ 256,565
Hollister Business Park				
ASSETS				
Cash and investments	$ 156,860	$ 280	$ -	$ 157,140
Interest receivable	110	64	110	64
Total Assets	$ 156,970	$ 344	$ 110	$ 157,204
LIABILITIES				
Deposits in trust	$ 156,970	$ 344	$ 110	$ 157,204
Total Liabilities	$ 156,970	$ 344	$ 110	$ 157,204
Landscaping and Lighting				
ASSETS				
Cash and investments	$ 857	$ 73,271	$ 18,241	$ 55,887
Accounts receivable	17,260	4,355	17,260	4,355
Interest receivable	124	52	124	52
Total Assets	$ 18,241	$ 77,678	$ 35,625	$ 60,294
LIABILITIES				
Accounts payable	$ 17,851	$ 60,247	$ 17,851	$ 60,247
Accrued liabilities	390	47	390	47
Deposits in trust	-	17,384	17,384	-
Total Liabilities	$ 18,241	$ 77,678	$ 35,625	$ 60,294
Sunnyslope Village				
ASSETS				
Cash and investments	$ 906	$ 1	$ -	$ 907
Interest receivable	1	-	1	-
Total Assets	$ 907	$ 1	$ 1	$ 907
LIABILITIES				
Deposits in trust	$ 907	$ 1	$ 1	$ 907
Total Liabilities	$ 907	$ 1	$ 1	$ 907

CITY OF HOLLISTER
SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS (continued)
TRUST AND AGENCY FUNDS
JUNE 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Gateway Auto Mall				
ASSETS				
Cash and investments	$ 245,050	$ 11,441	$ 1,265	$ 255,226
Accounts receivable	11,207	4,426	11,207	4,426
Interest receivable	234	64	234	64
Total Assets	$ 256,491	$ 15,931	$ 12,706	$ 259,716
LIABILITIES				
Accounts payable	$ -	$ 553	$ -	$ 553
Deposits in trust	256,491	15,378	12,706	259,163
Total Liabilities	$ 256,491	$ 15,931	$ 12,706	$ 259,716
Total Agency Funds				
ASSETS				
Cash and investments	$ 1,179,759	$ 123,190	$ 19,700	$ 1,283,249
Accounts receivable	32,349	10,787	32,349	10,787
Interest receivable	795	351	795	351
Total Assets	$ 1,212,903	$ 134,328	$ 52,844	$ 1,294,387
LIABILITIES				
Accounts payable	$ 18,013	$ 63,636	$ 18,013	$ 63,636
Accrued liabilities	390	47	390	47
Deposits in trust	1,194,500	70,645	34,441	1,230,704
Total Liabilities	$ 1,212,903	$ 134,328	$ 52,844	$ 1,294,387

STATISTICAL SECTION

CITY OF HOLLISTER

DESCRIPTION OF STATISTICAL SECTION

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

Contents	Page

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF HOLLISTER, CALIFORNIA
NET POSITION by COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2004	2005	2006	2007 (1)	2008	2009	2010	2011	2012 (2)	2013
Governmental activities:										
Net investment in capital assets	$ 97,106,893	$ 113,969,767	$ 116,709,036	$ (906,002)	$ (1,076,423)	$ (1,238,024)	$ (403,587)	$ 1,533,436	$ 39,537,412	$ 38,645,064
Restricted	50,383,527	41,330,000	40,040,000	23,189,297	18,447,194	15,252,460	15,087,344	35,606,179	16,364,070	5,979,394
Unrestricted	4,786,459	(6,798,832)	(20,174,810)	18,487,468	32,972,977	40,887,336	35,397,359	10,942,106	14,396,321	26,802,171
Total governmental activities net position	$ 152,276,879	$ 148,500,935	$ 136,574,226	$ 40,770,763	$ 50,343,748	$ 54,901,772	$ 50,081,116	$ 48,081,721	$ 70,297,803	$ 71,426,629
Business-type activities:										
Net investment in capital assets	$ 94,392,491	$ 98,409,998	$ 95,950,871	$ 25,021,339	$ 36,637,224	$ 33,421,263	$ 34,874,146	$ 33,289,098	$ 32,131,307	$ 33,076,094
Restricted	15,210,954	13,810,000	13,886,003					7,941,508	7,941,652	7,941,851
Unrestricted	(20,345,698)	(20,970,559)	(20,495,761)	3,820,889	3,203,871	10,765,382	13,757,524	7,502,686	8,749,251	9,886,667
Total business-type activities net position	$ 89,257,747	$ 91,249,439	$ 89,341,113	$ 28,842,228	$ 39,841,095	$ 44,186,645	$ 48,631,670	$ 48,733,292	$ 48,822,210	$ 50,904,612
Primary government:										
Net investment in capital assets	$ 191,499,384	$ 212,379,765	$ 212,659,907	$ 24,115,337	$ 35,560,801	$ 32,183,239	$ 34,470,559	$ 34,822,534	$ 71,668,719	$ 71,721,158
Restricted	65,594,481	55,140,000	53,926,003	23,189,297	18,447,194	15,252,460	15,087,344	43,547,687	24,305,722	13,921,245
Unrestricted	(15,559,239)	(27,769,391)	(40,670,571)	22,308,357	36,176,848	51,652,718	49,154,883	18,444,792	23,145,572	36,688,838
Total primary government net position	$ 241,534,626	$ 239,750,374	$ 225,915,339	$ 69,612,991	$ 90,184,843	$ 99,088,417	$ 98,712,786	$ 96,815,013	$ 119,120,013	$ 122,331,241

Source: Finance Department, City of Hollister

Note 1: The City changed auditors for the 2006/07 audit. The 2006/07 audit had major readjustments to the City's financial statements.

Note 2: The State of California dissolved redevelopment agencys during 2011-2012.

CITY OF HOLLISTER, CALIFORNIA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012 (3)	2013
Governmental activities:										
Expenses										
General government	$ 9,135,598	$ 10,242,260	$ 21,594,223	$ 7,393,697	$ 7,633,251	$ 7,565,001	$ 11,496,478	$ 8,702,170	$ 3,969,427	$ 4,551,007
Public safety	9,265,653	9,606,645	9,958,700	14,770,458	10,569,228	12,510,912	11,725,625	11,129,565	11,114,241	11,437,974
Public works	6,359,419	5,111,662	3,864,120	16,164,892	5,792,244	3,802,923	3,368,100	3,041,659	3,315,807	5,179,959
Recreation	799,594	458,325	1,366,530	3,595,118	1,512,531	1,772,027	1,576,338	1,503,455	1,465,723	1,408,353
Interest on long-term debt	3,631,302	1,624,693	2,085,455	2,051,691	2,020,677	1,985,412	2,296,969	2,409,814	1,192,033	723
Total governmental activities expense	29,191,566	27,043,585	38,869,028	43,975,856	27,527,931	27,636,275	30,463,510	26,786,663	21,057,231	22,578,016
Program Revenues										
Charges for services:										
General government	1,185,305	967,484		127,642	86,580	1,530,103	1,121,856	1,196,087	1,096,994	1,748,481
Public safety	13,121	9,188	230,957	646,800	424,451	380,158	513,535	373,329	274,700	248,167
Public works	102,007	21,060	422,834	172,195	128,191	479,797	1,621,172	1,655,111	864,986	1,190,116
Recreation	318,253	195,206	726,712	285,996	290,548	270,260	498,451	651,236	323,449	382,210
Operating grants and contributions	3,270,473	4,465,604	5,144,663	6,205,229	6,059,794	1,362,085	1,116,473	848,526	867,250	1,243,504
Capital grants and contributions							192,620	1,339,706	1,079,884	2,878,079
Total governmental activities program revenues	4,889,159	5,658,542	6,525,166	7,437,862	6,989,564	4,022,403	5,064,107	6,063,995	4,507,263	7,690,557
Net Expense[1]	(24,302,407)	(21,385,043)	(32,343,862)	(36,537,994)	(20,538,367)	(23,613,872)	(25,399,403)	(20,722,668)	(16,549,968)	(14,887,459)
General Revenues and Transfers										
Taxes:										
Property taxes and other taxes (2)	14,387,478	14,361,047	15,470,622	16,248,080	17,115,012	21,280,446	18,544,527	18,660,910	16,111,012	13,451,970
Motor vehicle in lieu (2)				247,267	159,130	136,191	109,581	110,564	129,786	38,873
Licenses, permits, and fees (2)				744,855	470,836					
Unrestricted investment earnings	1,897,854	1,605,036	1,997,621	2,722,010	1,732,758	764,469	348,449	249,561	165,079	325,930
Miscellaneous	3,914,190	1,643,016	2,948,910	2,077,720	2,668,418	4,930,074	1,605,007	2,095,931	1,745,419	1,943,202
Transfers					(81,622)	38,759	(353,631)	16,202	(16,323)	256,310
Total general revenues and transfers	20,199,522	17,609,099	20,417,153	22,039,932	22,064,532	27,149,939	20,253,933	21,133,168	18,134,973	16,016,285
Change in net position- governmental activities	$ (4,102,885)	$ (3,775,944)	$ (11,926,709)	$ (14,498,062)	$ 1,526,165	$ 3,536,067	$ (5,145,470)	$ 410,500	$ 1,585,005	$ 1,128,826

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Note 2: The City changed auditors for the 2006/07 audit. The 2006/07 audit had major readjustments to the City's financial statements.
Note 3: The State of California dissolved redevelopment agencys during 2011-2012.

(continued)

CITY OF HOLLISTER, CALIFORNIA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-Type activities:										
Expenses										
Airport	$ 775,997	$ 676,283	$ 754,289	$ 746,959	$ 807,734	$ 873,910	$ 852,930	$ 930,971	$ 1,067,579	$ 994,428
Water	2,785,903	2,445,174	2,528,405	2,487,804	2,964,693	3,919,817	3,776,513	3,702,692	3,735,177	4,225,254
Wastewater	10,933,663	5,653,507	5,875,070	3,460,118	4,142,410	7,195,980	8,716,397	13,792,619	13,867,751	13,538,301
Street sweeping	281,139	239,450	498,747	348,990	411,282	363,054	409,517	446,664	393,323	353,147
Briggs Building			84,419	206,683	219,093	223,840	228,233	217,980	237,237	229,285
Total business-type activities	14,776,702	9,014,414	9,740,930	7,250,554	8,545,212	12,576,601	13,983,590	19,090,926	19,301,067	19,340,415
Program Revenues										
Charges for services:										
Airport	492,278	536,114	524,951	590,000	560,947	625,513	697,675	662,898	687,380	748,671
Water	1,926,355	1,896,280	2,478,239	4,291,736	4,124,258	4,170,336	4,117,577	3,684,750	3,883,348	3,905,634
Wastewater	5,353,596	4,557,248	4,080,381	6,593,813	9,282,635	11,147,589	12,730,842	13,469,247	13,369,839	14,129,540
Street sweeping	287,456	286,882	286,882	316,001	309,352	320,609	318,057	319,943	311,163	313,783
Briggs Building			132,600	122,400	147,050	121,550	122,400	132,600	132,600	111,366
Capital grants and contributions	36,321							55,800		2,435,230
Total business-type activities program revenues	8,096,006	7,276,524	7,503,053	11,913,950	14,424,242	16,385,597	17,986,551	18,325,238	18,384,330	21,644,224
Net Expense[1]	(6,680,696)	(1,737,890)	(2,237,877)	4,663,396	5,879,030	3,808,996	4,002,961	(765,688)	(916,737)	2,303,809
General revenues										
Unrestricted investment earnings	246,964	252,759	329,551	3,101,803	3,779,982	575,313	88,433	71,762	54,854	34,903
Miscellaneous		3,476,823								
Capital contributions				9,877,090						
Transfers					81,622	(38,759)	353,631	(16,202)	16,323	(256,310)
Total general revenues	246,964	3,729,582	329,551	12,978,893	3,861,604	536,554	442,064	55,560	71,177	(221,407)
Change in net position -business-type activities	$ (6,433,732)	$ 1,991,692	$ (1,908,326)	$ 17,642,289	$ 9,740,634	$ 4,345,550	$ 4,445,025	$ (710,128)	$ (845,560)	$ 2,082,402

(continued)

CITY OF HOLLISTER, CALIFORNIA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Primary Government										
Expenses										
Governmental activities	$ 29,191,566	$ 27,043,585	$ 38,869,028	$ 43,975,856	$ 27,527,931	$ 27,636,275	$ 30,463,510	$ 26,786,663	$ 21,057,231	$ 22,578,016
Business-type activities	14,776,702	9,014,414	9,740,930	7,250,554	8,545,212	12,576,601	13,983,590	19,090,926	19,301,067	19,340,415
Total primary government expenses	43,968,268	36,057,999	48,609,958	51,226,410	36,073,143	40,212,876	44,447,100	45,877,589	40,358,298	41,918,431
Program Revenues										
Governmental activities	4,889,159	5,658,542	6,525,166	7,437,862	6,989,564	4,022,403	5,064,107	6,063,995	4,507,263	7,690,557
Business-type activities	8,096,006	7,276,524	7,503,053	11,913,950	14,424,242	16,385,597	17,986,551	18,325,238	18,384,330	21,644,224
Total primary government program revenues	12,985,165	12,935,066	14,028,219	19,351,812	21,413,806	20,408,000	23,050,658	24,389,233	22,891,593	29,334,781
Net Expense[1]										
Governmental activities	(24,302,407)	(21,385,043)	(32,343,862)	(36,537,994)	(20,538,367)	(23,613,872)	(25,399,403)	(20,722,668)	(16,549,968)	(14,887,459)
Business-type activities	(6,680,696)	(1,737,890)	(2,237,877)	4,663,396	5,879,030	3,808,996	4,002,961	(765,688)	(916,737)	2,303,809
Total primary government net expense	(30,983,103)	(23,122,933)	(34,581,739)	(31,874,598)	(14,659,337)	(19,804,876)	(21,396,442)	(21,488,356)	(17,466,705)	(12,583,650)
General revenues										
Governmental activities	20,199,522	17,609,099	20,417,153	22,039,932	22,064,532	27,149,939	20,253,933	21,133,168	18,134,973	16,016,285
Business-type activities	246,964	3,729,582	329,551	12,978,893	3,861,604	536,554	442,064	55,560	71,177	(221,407)
Total primary government general revenues	20,446,486	21,338,681	20,746,704	35,018,825	25,926,136	27,686,493	20,695,997	21,188,728	18,206,150	15,794,878
Change in net position										
Governmental activities	(4,102,885)	(3,775,944)	(11,926,709)	(14,498,062)	1,526,165	3,536,067	(5,145,470)	410,500	1,585,005	1,128,826
Business-type activities	(6,433,732)	1,991,692	(1,908,326)	17,642,289	9,740,634	4,345,550	4,445,025	(710,128)	(845,560)	2,082,402
Total primary government change in net position	$ (10,536,617)	$ (1,784,252)	$ (13,835,035)	$ 3,144,227	$ 11,266,799	$ 7,881,617	$ (700,445)	$ (299,628)	$ 739,445	$ 3,211,228

Source: Finance Department, City of Hollister

CITY OF HOLLISTER, CALIFORNIA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2004	2005	2006 (1)	2007	2008	2009	2010	2011	2012 (2)	2013
General Fund:										
Reserved for:										
Deposits with others	$ -	$ -	$ -	$ -	$ 48,396	$ 19,898	$ 32,748	$ -	$ -	$ -
General restrictions	115,000	115,000	115,000							
Unreserved:										
Undesignated	7,828,041	8,964,051	6,379,909	4,876,784	3,199,546	2,271,733	2,126,112			
Nonspendable								37,812	33,418	37,521
Unassigned								2,565,494	1,666,367	4,311,704
Total general fund balance	$ 7,943,041	$ 9,079,051	$ 6,494,909	$ 4,876,784	$ 3,247,942	$ 2,291,631	$ 2,158,860	$ 2,603,306	$ 1,699,785	$ 4,349,225
All other Governmental Funds:										
Reserved for:										
Land held for resale					4,000,000	6,318,450	4,810,482			
Housing set-aside					12,632,217	12,362,924	11,068,095			
Debt service					1,814,977	2,889,536	4,019,249			
Low and moderate income housing (1)	37,270,000	15,193,539	15,193,539							
Unreserved:										
Undesignated, reported in:										
Special revenue funds	20,575,249	29,780,729	19,722,398	28,875,523	12,584,759	7,480,999	6,602,287			
Capital projects funds	22,068,576	22,579,086	19,005,706	5,973,444	9,823,651	18,312,449	20,701,390			
Nonspendable:										
Capital projects funds								4,893,154		
Restricted										
Special revenue funds								24,759,865	7,892,675	7,387,693
Capital projects funds								7,266,662	8,471,395	12,203,648
Debt service funds								3,579,652		
Unassigned:										
Special revenue funds								(35,396)	(114,661)	(10,566)
Capital projects funds								(52,003)	(40,260)	
Total other governmental fund balances	$ 79,913,825	$ 67,553,354	$ 53,921,643	$ 34,848,967	$ 40,855,604	$ 47,364,358	$ 47,201,503	$ 40,411,934	$ 16,209,149	$ 19,580,775

Source: Finance Department, City of Hollister

Note 1: The City changed auditors for the 2006/07 audit. The 2006/07 audit had major readjustments to the City's financial statements.

Note 2: The State of California dissolved redevelopment agencys during 2011-2012.

CITY OF HOLLISTER, CALIFORNIA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

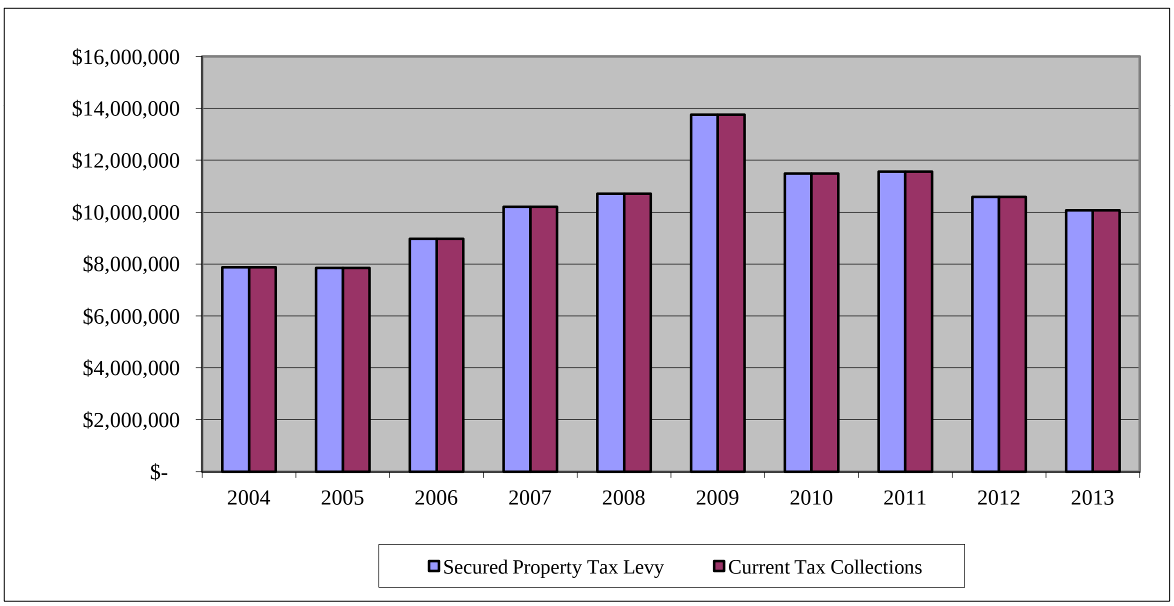
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 (1)
REVENUES										
Taxes	$ 14,078,793	$ 13,986,568	$ 15,470,622	$ 16,248,080	$ 17,115,012	$ 21,416,637	$ 18,654,108	$ 18,771,474	$ 16,240,798	$ 13,490,843
Licenses and permits	443,940	374,479	422,834	744,855	470,836	1,071,578	2,135,977	2,155,992	1,337,093	1,261,930
Intergovernmental	3,270,473	4,465,604	5,144,663	4,094,614	8,576,806	1,362,085	1,309,093	2,188,232	1,947,134	3,681,596
Charges for services	1,618,686	1,191,888	726,712	979,577	797,352	945,538	1,433,712	1,587,676	1,112,597	2,166,569
Fines and forfeitures	611,574	152,067	230,957	253,056	132,419	643,202	185,325	132,095	110,439	140,475
Investment earnings	1,897,854	1,605,036	1,997,622	2,722,010	1,732,758	764,469	348,449	232,061	147,579	308,430
Other	3,914,190	6,878,829	2,948,910	2,773,264	2,668,418	4,979,793	1,668,529	2,142,299	1,790,357	6,439,011
Total revenues	25,835,510	28,654,471	26,942,320	27,815,456	31,493,601	31,183,302	25,735,193	27,209,829	22,685,997	27,488,854
EXPENDITURES:										
Current:										
General government	8,396,502	6,473,962	19,381,237	5,403,623	6,505,756	8,558,338	13,423,444	10,313,176	5,420,746	4,699,219
Public safety	9,134,575	9,424,862	9,811,365	9,584,508	9,928,001	11,283,420	11,258,547	10,666,040	11,353,416	10,648,630
Public works	5,656,227	4,193,602	2,908,309	2,677,150	2,652,311	2,654,005	2,564,064	2,374,410	2,676,268	2,243,945
Recreation	799,594	458,325	1,366,530	1,224,766	1,247,593	1,517,656	1,322,829	1,282,078	1,253,142	1,134,326
Capital outlay	2,245,001	10,669,368	6,240,401	27,373,522	4,666,628	1,338,440	1,681,738	3,790,377	4,304,724	2,994,830
Debt Service:										
Principal	4,575,271	1,230,000	1,289,887	735,000	765,000	795,000	835,000	990,000	1,125,000	2,425
Interest	2,167,175	1,926,715	2,045,444	2,067,713	2,036,699	2,001,434	2,686,796	2,408,845	1,192,033	723
Total expenditures	32,974,345	34,376,834	43,043,173	49,066,282	27,801,988	28,148,293	33,772,418	31,824,926	27,325,329	21,724,098
Excess (deficiency) of revenues over expenditures	(7,138,835)	(5,722,363)	(16,100,853)	(21,250,826)	3,691,613	3,035,009	(8,037,225)	(4,615,097)	(4,639,332)	5,764,756
OTHER FINANCING SOURCES (USES):										
Transfers in	1,285,978	1,183,428	1,075,650		366,242	3,316,231	5,104,018	1,968,313	786,687	322,725
Transfer out	(809,261)	(6,685,258)	(1,075,650)		(447,864)	(3,277,472)	(5,457,649)	(1,952,111)	(803,010)	(66,415)
Issuance of debt	35,000,000						8,000,000	-	30,868	-
Total other financing sources (uses)	35,476,717	(5,501,830)	-	-	(81,622)	38,759	7,646,369	16,202	14,545	256,310
EXTRAORDINARY GAINS (LOSSES)									(20,481,519)	
Net change in fund balances	$ 28,337,882	$ (11,224,193)	$ (16,100,853)	$ (21,250,826)	$ 3,609,991	$ 3,073,768	$ (390,856)	$ (4,598,895)	$ (25,106,306)	$ 6,021,066
Debt service as a percentage of noncapital expenditures	21.94%	13.32%	9.06%	12.92%	12.11%	10.43%	10.97%	12.12%	10.47%	0.02%

Source: Finance Department, City of Hollister

Note 1: The State of California dissolved redevelopment agencys during 2011-2012.

CITY OF HOLLISTER, CALIFORNIA
PROPERTY TAXES LEVIES AND COLLECTIONS
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Fiscal Year	Total Secured Property Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections June 30 (1)	Percent of Total Tax Collections to Tax Levy
2004	$ 7,878,410	$ 7,878,410	100.00%		$ 7,878,410	100.00%
2005	7,850,033	7,850,033	100.00%		7,850,033	100.00%
2006	8,972,404	8,972,404	100.00%		8,972,404	100.00%
2007	10,204,926	10,204,926	100.00%		10,204,926	100.00%
2008	10,703,399	10,703,399	100.00%		10,703,399	100.00%
2009	13,756,368	13,756,368	100.00%		13,756,368	100.00%
2010	11,479,993	11,479,993	100.00%		11,479,993	100.00%
2011	11,564,994	11,564,994	100.00%		11,564,994	100.00%
2012	10,584,243	10,584,243	100.00%		10,584,243	100.00%
2013	10,066,973	10,066,973	100.00%		10,066,973	100.00%



Note 1: Includes current and teeter buy-out, penalties, and interest.

Source: Finance Department, City of Hollister

CITY OF HOLLISTER, CALIFORNIA
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Fiscal Year	Secured Roll	Utility Roll	Unsecured Roll	Assessed Value
2004	n/a	n/a	n/a	n/a
2005	n/a	n/a	n/a	n/a
2006	n/a	n/a	n/a	$ 2,821,026,672
2007	$ 3,023,976,407	$ 52,902	$ 93,958,070	3,117,987,379
2008	3,216,374,691	76,000	94,525,013	3,310,975,704
2009	3,075,368,584	76,000	106,726,890	3,182,171,474
2010	2,666,436,361	76,000	105,399,825	2,771,912,186
2011	2,499,925,552	76,000	102,329,316	2,602,330,868
2012	2,445,660,741	76,000	105,558,069	2,551,294,810
2013	2,368,331,139	77,470	103,629,847	2,472,038,456

2012-2013 Local Secured Assessed Valuation Breakdown

Residential	Commercial	Industrial	Agricultural/Other	Total Local Secured Property
$ 1,911,674,214	$ 234,844,006	$ 198,072,011	$ 23,740,908	$ 2,368,331,139

Note: Reliable trend information for fiscal years 2003-2005 was not available from the County of San Benito. Information will be provided in future years.

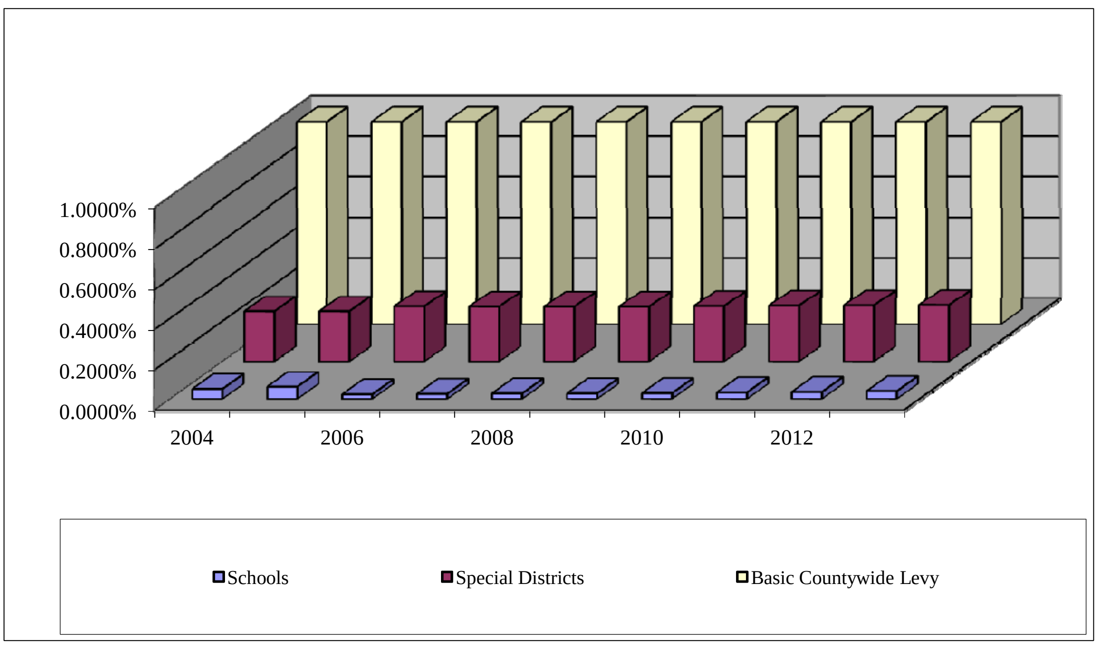
Note: Total estimated actual value of taxable property was not reasonably estimable as the Assessor for San Benito County continues to make reassessments and due to the high foreclosure rate.

Source: California Municipal Statistics, Inc.

CITY OF HOLLISTER, CALIFORNIA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(Rate per $100 of assessed value)
LAST TEN FISCAL YEARS

Fiscal Year	Basic Countywide Levy	Schools	Special Districts	Total
2004	1.000%	0.0497%	0.2500%	1.2997%
2005	1.000%	0.0610%	0.2500%	1.3110%
2006	1.000%	0.0231%	0.2750%	1.2981%
2007	1.000%	0.0256%	0.2736%	1.2992%
2008	1.000%	0.0274%	0.2730%	1.3004%
2009	1.000%	0.0273%	0.2734%	1.3007%
2010	1.000%	0.0286%	0.2762%	1.3048%
2011	1.000%	0.0328%	0.2784%	1.3112%
2012	1.000%	0.0348%	0.2798%	1.3146%
2013	1.000%	0.0389%	0.2811%	1.3200%

Note: California voters, on June 6, 1978, approved a constitutional amendment to Article XIIIA of the California Constitution, commonly known as Proposition 13, which limits the taxing power of the California public agencies. Legislation enacted by the California Legislature to implement Article XIIIA (Statutes of 1978 Chapter 292, as amended) provides that not withstanding any other law, local agencies may not levy property tax except to pay debt service on indebtedness approved by voters prior to July 1, 1978, and that each County will levy the maximum tax permitted by Article XIIIA of $1 per $100 of full cash value. Assessed value is equal to full cash value, pursuant to Senate Bill 1656, Statutes of 1978. The rates shown above are percentages of assessed valuation.



Source: California Municipal Statistics, Inc.

CITY OF HOLLISTER, CALIFORNIA
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND PRIOR YEAR

	2013			2004 (1)		
Taxpayer	Rank	Assessed Valuation	Percentage of Total Assessed	Rank	Assessed Valuation	Percentage of Total Assessed
K & S Market, Inc.	1	$ 34,581,762	1.460%		n/a	
Janet P. Roberts Family Trust	2	18,065,798	0.763%		n/a	
Award Homes Inc.	3	13,000,000	0.549%		n/a	
Northwest Packing Co. Inc.	4	12,580,736	0.531%		n/a	
KMG Electronic Chemicals Inc.	5	11,909,736	0.503%		n/a	
Dayton Hudson Corporation	6	11,623,563	0.491%		n/a	
Marich Confectionery Associates	7	10,632,293	0.449%		n/a	
Pancal West Marine 287 LLC	8	10,576,349	0.447%		n/a	
Milgard Manufacturing Incorporated	9	9,397,620	0.397%		n/a	
2401 Bert LLC	10	9,050,000	0.382%		n/a	
Largest Secured Property Valuation		141,417,857	5.971%			0.000%
Other Secured Taxpayers		2,226,913,282				
Total Secured Property Valuation - net of exemptions		$ 2,368,331,139			$ -	

Note 1: In accordance with GASB Statement No. 44, the following table presents information for the City's principal taxpayers as of June 30, 2013 and should also be presented for June 30, 2004. However, June 30, 2004 information is not available from the County of San Benito. Information will not be presented until there is a nine year separation.

Source: California Municipal Statistics, Inc.

CITY OF HOLLISTER, CALIFORNIA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Fiscal Year	Total Assessed Valuation (1)	Legal Debt Limit (2)	Total Net Debt Applicable to Limit	Legal Debt Margin (4)	Legal Debt Margin/ Debt Limit
2004	n/a	n/a	n/a	n/a	n/a
2005	n/a	n/a	n/a	n/a	n/a
2006	$ 2,821,026,672	$ 105,788,500	$ -	$ 105,788,500	100%
2007	3,117,987,379	116,924,527		116,924,527	100%
2008	3,310,975,704	124,161,589		124,161,589	100%
2009	3,182,171,474	119,331,430		119,331,430	100%
2010	2,771,912,186	103,946,707		103,946,707	100%
2011	2,602,330,868	97,587,408		97,587,408	100%
2012	2,551,294,810	95,673,555		95,673,555	100%
2013	2,472,038,456	92,701,442		92,701,442	100%

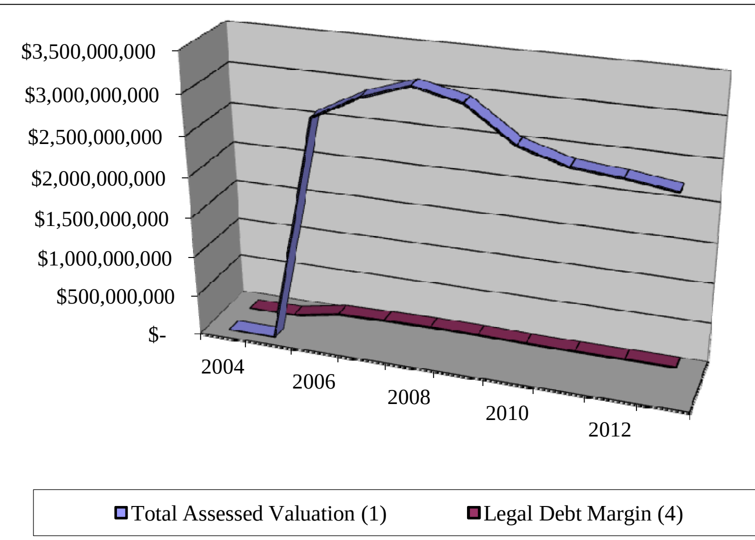
Note:

(1) Total assessed valuation includes exempt property.

(2) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted when assessed valuations were based on 25% of full market value. This has since changed to 100% of full market value. Thus, the limit shown is 3.75% (one-fourth the limit of 15%).

(3) The City does not have any General Bonded Debt.

(4) The legal debt margin is the legal debt limit reduced by all general bonded debt.



Source: Finance Department, City of Hollister and the County of San Benito County

CITY OF HOLLISTER, CALIFORNIA
RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO TAXABLE ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

Fiscal Year	City Population (1)	Assessed Value	Gross Bonded Debt	Debt Payable from Enterprise Revenue (2)	Net Debt	Ratio of Net Bonded Debt to Assessed Value	Percentage of Personal Income (4)	Net Bonded Debt per Capita
2004	36,750	n/a		$ 15,210,954	$ 15,210,954	n/a	n/a	427
2005	36,758	n/a		14,775,066	14,775,066	n/a	n/a	414
2006	36,687	$ 3,112,647,841		14,311,953	14,311,953	0.459%	n/a	402
2007	36,707	3,305,136,503		128,248,196	128,248,196	3.873%	n/a	390
2008	36,878	3,173,866,869		127,660,505	127,660,505	4.012%	n/a	3,494
2009	37,054	2,762,160,352		118,953,880	118,953,880	4.291%	n/a	3,462
2010 (3)	34,925	2,771,912,186		116,983,321	116,983,321	4.220%	n/a	3,210
2011 (3)	35,165	2,602,330,868		104,603,826	104,603,826	4.020%	8.49%	2,975
2012 (3)	35,533	2,551,294,810		108,067,169	108,067,169	4.236%	8.68%	3,041
2013 (3)	36,108	2,472,038,456		105,662,467	105,662,467	4.274%	7.69%	2,926

Source:

(1) State of California, Department of Finance
(www.dof.ca.gov/research/demographic/reports/estimates/)

(2) Finance Department, City of Hollister

(3) Includes 2010 Census Changes

(4) Bureau of Economic Analysis (for San Benito County)
(http://www.bea.gov/regional/bearfacts/)

CITY OF HOLLISTER, CALIFORNIA
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(In Thousands, except Per Capita and Personal Income)

Fiscal Year	Governmental Activities Bonds	Business-type Activities Bonds	Business-type Activities Loans	Total Primary Government	Percentage of Assessed Value	Percentage of Personal Income (1)	Per Capita
2004	$ 42,560	$ 14,195	$ 1,016	$ 57,771	n/a	n/a	$ 1,572
2005	41,330	13,810	965	56,105	n/a	n/a	1,526
2006	40,550	13,400	912	54,862	1.7626%	n/a	1,495
2007	39,815	19,395	853	60,063	1.8173%	n/a	1,636
2008	39,050	126,870	791	166,711	5.2526%	n/a	4,521
2009	38,255	118,230	724	157,209	5.6915%	n/a	4,243
2010	45,420	116,330	653	162,403	5.8589%	n/a	4,650
2011	44,430	104,025	579	149,034	5.7269%	0.02%	4,238
2012		101,970	30,868	132,838	5.2067%	0.03%	3,738
2013		101,970	28,443	130,413	5.2755%	0.03%	3,612

Source:

(1) Bureau of Economic Analysis (for San Benito County) (http://www.bea.gov/regional/bearfacts/)

CITY OF HOLLISTER, CALIFORNIA
OVERLAPPING BONDED DEBT
JUNE 30, 2013

2012-13 Assessed Valuation: $ 2,472,038,456

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/2013	% Applicable (1)	City's Share of Debt 6/30/13	
Gavilan Joint Community College District	$101,415,000	10.870%	$11,023,811	
Hollister School District	3,270,000	73.065%	2,389,226	
North County Joint Union School District	3,194,906	6.581%	210,257	
San Benito Healthcare District	30,170,000	46.163%	13,927,377	
City of Hollister	30,868	100.000%	28,443	(1)
City of Hollister 1915 Act Bonds	2,165,000	100.000%	2,165,000	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			29,744,114	
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	4,125,000	100.000%	42,125,000	
			42,125,000	
TOTAL DIRECT DEBT			0	
TOTAL OVERLAPPING DEBT			71,869,114	
COMBINED TOTAL DEBT			$ 71,869,114	(2)

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

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

Ratios to 2012-13 Assessed Valuation:	
Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessme	1.20%
Combined Total Debt	2.91%

Ratios to Redevelopment Successor Agency Incremental Valuation ($959,056,198):	
Total Overlapping Tax Increment Debt	4.39%

AB:($425)

Source: California Municipal Statistics, Inc.

CITY OF HOLLISTER, CALIFORNIA
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

	Fiscal Year										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Obligation Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Less:											
Amounts Available in Debt Service Fund											
Total Net Obligation Bonds Outstanding	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Percentage of Estimated Actual Taxable Value of Propert	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Per Capita	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: Finance Department, City of Hollister

CITY OF HOLLISTER, CALIFORNIA
DEMOGRAPHICS AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	City of Hollister Population (1)	County of San Benito Personal Income (2)	County of San Benito Per Capita Personal Income (2)	School Enrollment (3)	County of San Benito Unemployment Rate (4)
2004	36,750	$1,709,183,000	31,025	10,937	9.4%
2005	36,758	1,748,023,000	31,823	10,199	8.0%
2006	36,687	1,859,490,000	34,139	10,813	7.5%
2007	36,707	1,969,783,000	36,139	10,754	7.1%
2008	36,878	1,954,831,000	35,674	10,586	10.1%
2009	37,054	1,945,249,000	35,331	10,510	16.0%
2010 (5)	34,925	1,882,370,000	33,904	9,907	15.4%
2011 (5)	35,165	1,964,156,000	35,029	9,692	15.3%
2012 (5)	35,533	2,163,294,000	38,030	9,562	12.6%
2013 (5)	36,108	n/a	n/a	9,615	10.4%

Sources:

(1) State of California, Department of Finance (www.dof.ca.gov/research/demographic/reports/estimates/e-1/)

(2) Bureau of Economic Analysis (www.bea.gov/bea/regional/index.htm/)

(3) Ed-data (www.ed-data.k12.ca.us)

(4) U.S. Bureau of Labor Statistics (www.bls.gov)

(5) Includes 2010 Census Changes

CITY OF HOLLISTER, CALIFORNIA
PRINCIPAL EMPLOYERS
JUNE 30, 2013 and Nine Years Ago

Major County Employers

Company	2013 Employees	2013 Rank	2013 Percentage of Total County Employment	2004[1] Employees	2004[1] Rank	2004[1] Percentage of Total County Employment
Natural Select Foods	1000	1	7.19%	n/a	n/a	n/a
Hazel Hawkins Memorial Hospital	575	2	4.14%	n/a	n/a	n/a
San Benito Foods	500	3	3.60%	n/a	n/a	n/a
Pride of San Juan	425	4	3.06%	n/a	n/a	n/a
Milgard	330	5	2.37%	n/a	n/a	n/a
San Benito High School District	245	6	1.76%	n/a	n/a	n/a
Quantic Holex	240	7	1.73%	n/a	n/a	n/a
McCormick Selph	220	8	1.58%	n/a	n/a	n/a
Semifab	200	9	1.44%	n/a	n/a	n/a
Target	167	10	1.20%	n/a	n/a	n/a
Safeway	153	11	1.10%	n/a	n/a	n/a
Guerra Nut Shelling Co. Inc.	130	12	0.94%	n/a	n/a	n/a
City of Hollister	117	13	0.84%	n/a	n/a	n/a
Granite Rock	112	14	0.81%	n/a	n/a	n/a
Cable Car Sunglasses	110	15	0.79%	n/a	n/a	n/a
Corbin, Inc.	105	16	0.76%	n/a	n/a	n/a
Lifesparc Inc.	100	17	0.72%	n/a	n/a	n/a
Safety Storage	100	18	0.72%	n/a	n/a	n/a
California PC Products	100	19	0.72%	n/a	n/a	n/a
West Marine	85	20	0.61%	n/a	n/a	n/a
Total	5,014		36.07%			

[1] The information is not available as the City did not track this information until 2009.

Source: Finance Department, City of Hollister and San Benito County Chamber of Commerce

CITY OF HOLLISTER, CALIFORNIA
MISCELLANEOUS STATISTICAL INFORMATION
JUNE 30, 2013

Geographical Location:	The City is located at the north end of San Benito County, which is surrounded by Santa Cruz, Santa Clara, Merced, Fresno, and Monterey Counties. The City is located approximately 95 miles south of San Francisco, 40 miles south of San Jose, 30 miles northeast of Salinas, and 40 miles east of Monterey.
Area of City:	6.6 square miles
County Seat:	Hollister, California
Date of Incorporation:	August 29, 1872
Form of Government:	General Law City, governed by a four-member City Council and Mayor
Fiscal Year Begins:	July 1
City Employees:	as of June 30, 2013: 125 FTEs

Source: Finance Department, City of Hollister

CITY OF HOLLISTER, CALIFORNIA
OPERATING INDICATORS BY FUNCTION
LAST SEVEN FISCAL YEARS

	For the Fiscal Year Ended June 30,						
Function/Program	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Police							
Criminal Citations Issued	1,976	1,352	2,113	1,184	1,329	1,105	702
Parking Citations	401	399	722	950	1,399	1,091	2,320
Fire							
Number of Calls Received	2,072	1,973	1,921	1,856	1,868	2,007	3,604
Public Works							
Streets Resurfacing (Miles)	7	-	-	-	2	1	1
Tons of debris collected by Street Sweepers	681	708	691	463	960	1,110	833
Community Services							
Facility Rentals	n/a	621	745	745	758	668	735
Community Development							
Building Inspections Completed	727	604	607	1,960	2,006	1,318	1,272
Total Permits Issued	882	645	647	506	513	448	583
Water							
Million Gallons Water Treated	934	903	1,014	800	1,047	822	904
Percent of Drinking Water Regulations Met	99%	99%	99%	99%	99%	99%	99%
Wastewater							
Million Gallons waster Water Treated	931	807	730	1,000	762	744	777
Miles of Wastewater Collection System Pipes Cleaned	8.6	23.8	38.2	22.5	4.4	15.8	15.2
Percent of Discharge Requirement Met	99%	99%	99%	95%	99%	99%	99%
Airport							
Hangar/ Buildings Customers	92	92	90	87	87	87	87

Note: Information was not available for ten years' reporting, but will be accumulated over time as it becomes available.

Source: Various City Departments, City of Hollister

CITY OF HOLLISTER, CALIFORNIA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST SEVEN FISCAL YEARS

	For the Fiscal Year Ended June 30,						
Function/Program	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Police							
Stations	1	1	1	1	1	1	1
Fire							
Stations	1	2	2	2	2	2	2
Public Works							
Streets (Miles)	95	95	95	95	95	95	95
Community Services							
Parks Acreage	58.75	58.75	108.75	108.75	108.75	108.75	108.75
Parks	12	12	13	13	13	13	13
Tennis Courts	3	3	3	3	3	3	3
Community Buildings	3	3	3	3	3	3	3
Water							
Number of Pump Stations/ Booster Stations	1	1	1	1	1	1	1
Number of Treatment Plants	1	1	1	1	1	1	1
Number of Wells	6	6	6	6	6	6	6
Wastewater							
Number of Treatment Plants	2	2	2	2	2	2	2
Number of Lift Stations	4	4	4	4	4	4	4
Airport							
Runways, Taxiways, Ramps, and Hanger Areas (Paved Surface in sq. ft)(in thousand)	2,455	2,455	2,455	2,455	2,455	2,455	2455
Parking							
Number of Parking Structures and Lots	10	10	10	10	10	10	10
Number of Parking Spaces	425	425	425	425	425	425	425

Note: Information was not available for ten years' reporting, but will be accumulated over time as it becomes available.

Source: Various City Departments, City of Hollister

CITY OF HOLLISTER, CALIFORNIA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/ PROGRAM
LAST NINE FISCAL YEARS

Full-time Equivalent Employees

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government:									
City Clerk/ Treasurer	3	2	2	1	1	1	1	1	1
City Attorney			1	1	1	1	1	1	1
City Manager	1	1	1	1	1	1	1	1	1
Community Development	6	6	6	7	9	8	7	5	5
Engineering	8	8	8	8	8	7	7	7	7
Administration	14	16	13	14	16	12	12	11	11
Public Safety:									
Police Protection	31	28	29	29	29	28	28	29	29
Animal Control	4	4	2	4	4	4	3	3	3
Fire Protection	26	26	24	25	25	25	25	24	31
Public Works:									
Public works	19	22	16	14	17	12	12	12	12
Utilities:									
Street Sweeping	2	2	2	2	2	2	2	1	1
Water	9	7	7	8	8	9	9	9	9
Wastewater	5	5	5	4	4	7	7	8	8
Recreation	2	3	3	3	3	3	3	3	3
Airport	4	1	2	2	3	3	3	3	3
	134	131	121	123	131	123	121	118	125

Note: Information was not available for ten years' reporting, but will be accumulated over time as it becomes available.

Source: Payroll Department, City of Hollister, CA

GLOSSARY

GLOSSARY FOR THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

ACCOUNTS PAYABLE. A short-term liability account reflecting amounts owed to private persons or organizations for goods and services received by a government.

ACCOUNTS RECEIVABLE. An asset account reflecting amounts due from private persons or organizations for goods and services furnished by a government (but not including amounts due from other funds or other governments).

ACCRUAL BASIS. The recording of the financial effects on a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events and circumstances occur, rather than only in the periods in which cash is received or paid by the government.

ACCUMULATED DEPRECIATION. A contra-asset account used to report the accumulation of periodic credits to reflect the expiration of the estimated service life of capital assets.

ADVANCE FROM OTHER FUNDS. A liability account used to record noncurrent portions of a long-term debt owed by one fund to another fund within the same reporting entity. See **DUE TO OTHER FUNDS and INTERFUND RECEIVABLE/PAYABLE.**

ADVANCE TO OTHER FUNDS. An asset account used to record noncurrent portions of a long-term loan from one fund to another fund within the same reporting entity. See **DUE FROM OTHER FUNDS.**

AGENCY FUND. A fund normally used to account for assets held by a government as an agent for individuals, private organizations or other governments and/or other funds.

AMORTIZATION. (1) The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. (2) The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

APPROPRIATION. A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and time it may be expended.

ASSESSED VALUATION. A valuation set upon real estate or other property by a government as a basis for levying taxes.

AUDITOR'S REPORT. In the context of a financial audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination, and setting forth the auditor's opinion on the fairness of presentation of the financial information in conformity with GAAP or some other comprehensive basis of accounting.

BALANCE SHEET. The financial statement disclosing the assets, liabilities and equity of an entity at a specified date in conformity with GAAP.

BASIC FINANCIAL STATEMENTS (BFS). The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP. Basic financial statements have three components: government-wide financial statements, fund financial statements and notes to the financial statements.

BASIS OF ACCOUNTING. A term used to refer to when revenues, expenditures, expenses, and transfers - and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual method.

BUDGET. A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term "budget" is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating governing body for adoption, and sometimes, the plan finally approved by that body.

BUDGETARY CONTROL. The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

CAPITAL ASSETS. Long-lived tangible assets obtained or controlled as a result of past transactions, events or circumstances. Capital assets include buildings, equipment, and improvements other than buildings, land and infrastructure. In the private sector, these assets are referred to most often as property, plant and equipment.

CAPITAL EXPENDITURES. Expenditures resulting in the acquisition of or addition to the government's general capital assets.

CAPITALIZATION POLICY. The criteria used by a government to determine which outlays should be reported as capital assets.

CAPITAL LEASE. An agreement that conveys the right to use property, plant or equipment, usually for a stated period of time. See **LEASE-PURCHASE AGREEMENTS.**

CAPITAL PROJECTS FUND. A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

CASH BASIS. A basis of accounting under which transactions are recognized only when cash is received or disbursed.

CASH WITH FISCAL AGENT. An asset account reflecting deposits with fiscal agents, such as commercial banks, for the payment of bond principal and interest.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING PROGRAM. A voluntary program administered by the GFOA to encourage governments to publish efficiently organized and easily readable CAFR’s and to provide technical assistance and peer recognition to the finance officers preparing them.

CHANGE IN THE FAIR VALUE OF INVESTMENTS. The difference between the fair value of investments at the beginning of the year and at the end of the year, taking into consideration investment purchases, sales, and redemptions.

COMPENSATED ABSENCES. Absences, such as vacation, illness and holidays, for which it is expected employees will be paid. The term does not encompass severance or termination pay, postretirement benefits, deferred compensation or other long-term fringe benefits, such as group insurance and long-term disability pay.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR). A financial report that encompasses all funds and component units of the government. The CAFR should contain (a) the basic financial statements and required supplementary information, (b) combining statements to support columns in the basic financial statements that aggregate information from more than one fund or component unit, and (c) individual fund statements as needed. The CAFR is the governmental unit’s official annual report and also should contain introductory information, schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, and statistical data.

CONCENTRATION OF CREDIT RISK. The risk of loss attributed to the magnitude of a government’s investment in a single issuer.

CONTINGENT LIABILITY. Items that may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending lawsuits, judgments under appeal, unsettled disputed claims, unfilled purchase orders and uncompleted contracts. Contingent liabilities should be disclosed within the financial statements (including the notes) when there is a reasonable possibility a loss may have been incurred. Guarantees, however, should be disclosed even though the possibility of loss may be remote.

CREDIT RISK. The risk that an issuer or a counter-party to an investment will not fulfill its obligations.

CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS. Measurement focus according to which the aim of a set of financial statements is to report the near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. The current financial resources measurement focus is unique to accounting and financial reporting for state and local governments and is used solely for reporting the financial position and results of operations of governmental funds.

DEBT. An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds, time warrants and notes.

DEBT SERVICE FUND. A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

DEFERRED CHARGES. Expenditures that are not chargeable to the fiscal period in which they were made but that are carried as an asset on the balance sheet, pending amortization or other disposition (e.g. bond issuance costs). Deferred charges differ from prepaid items in that they usually extend over a long period of time (more than five years) and are not regularly recurring costs of operation.

DEFERRED REVENUE. Resource inflows that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts also are reported as deferred revenue until they are available to liquidate liabilities of the current period.

DEFICIT. (1) The excess of the liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period or, in the case of proprietary funds, the excess of expenses over revenues during an accounting period.

DEFINED BENEFIT PENSION PLAN. A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation.

DEPRECIATION. (1) Expiration in the service life of capital assets, other than wasting assets, attributable to wear and tear, deterioration, action of the physical elements, inadequacy and obsolescence. (2) The portion of the cost of a capital asset, other than a wasting asset, charged as an expense during a particular period. In accounting for depreciation, the cost of a capital asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

DUE FROM OTHER FUNDS. An asset account used to indicate amounts owed to a particular fund by another fund for goods sold or services rendered. This account includes only short-term obligations on open account, not interfund loans.

DUE TO OTHER FUNDS. A liability account reflecting amounts owed by a particular fund to another fund for goods sold or services rendered. These amounts include only short-term obligations on open account, not interfund loans.

ECONOMIC RESOURCES MEASUREMENT FOCUS. Measurement focus under which the aim of a set of financial statements is to report all inflows, outflows, and balances affecting or reflecting an entity's net position. The economic resources measurement focus is used for proprietary and funds, as well as for government-wide financial reporting. It is also used by business enterprises in the private sector.

ENCUMBRANCES. Commitments related to unperformed (executory) contracts for goods or services. Used in budgeting, encumbrances are not GAAP expenditures or liabilities, but represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed.

ENTERPRISE FUND. Proprietary fund type used to report an activity for which a fee is charged to external users for goods and services.

EXPENDITURE-DRIVEN GRANTS. Government-mandated or voluntary nonexchange transactions in which expenditure is the prime factor for determining eligibility. Also referred to as reimbursement grants.

EXCHANGE-LIKE TRANSACTION. Transaction in which there is an identifiable exchange between the reporting government and another party, but the values exchanged may not be quite equal or the direct benefits of the exchange may not be exclusively for the parties to the exchange.

EXPENDITURES. Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service and capital outlays, and intergovernmental grants, entitlement and shared revenues.

EXPENSES. Outflows or other using up of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services or carrying out other activities that constitute the entity's ongoing major or central operations.

EXTERNAL AUDITORS. Independent auditors typically engaged to conduct an audit of a government's financial statements.

EXTERNAL INVESTMENT POOL. An arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants is not part of the sponsors reporting entity. An external investment pool can be sponsored by an individual government, jointly by more than one government, or by a nongovernmental entity. An investment pool that is sponsored by an individual state or local government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government. If a government-sponsored pool includes only the primary government and its component units, it is an internal investment pool and not an external investment pool.

FAIR VALUE. The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL DEPOSIT INSURANCE CORPORATION. A corporation created by the federal government that insures deposits in banks and savings associations.

FIDUCIARY FUNDS. The trust and agency funds used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other government units and/or other funds.

FINANCIAL RESOURCES. Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g. receivables, investments). Financial resources may also include inventories and pre-paids (because they obviate the need to expend current available resources).

FISCAL AGENT. A fiduciary agent, usually a bank or county treasurer, who performs the function of paying debt principal and interest when due.

FOREIGN EXCHANGE RISK. The risk that changes in exchange rate will adversely affect the fair value of an investment or a deposit.

FUND. A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein, are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions or limitations.

FUND BALANCE. The difference between fund assets and fund liabilities of governmental and similar trust funds.

FUND FINANCIAL STATEMENTS. Basic financial statements presented on the basis of funds. Term used in contrast with government-wide financial statements.

FUND TYPE. Any one of seven categories into which all funds are classified in governmental accounting. The seven fund types are: general, special revenue, debt service, capital projects, enterprise, internal service, and trust and agency.

GENERAL REVENUES. All revenues that are not required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by type of tax – for example, property tax, sales tax, and transient occupancy tax. All other nontax revenues (including interest, grants and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues.

GENERAL FUND. The general fund is one of five governmental fund types and typically serves as the chief operating fund of the government. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP). The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for state and local governments are set forth by SAS No. 69, The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report.

GOVERNMENTAL ACCOUNTING. The composite activity of analyzing, recording, summarizing, reporting and interpreting the financial transactions of governments.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB). The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The GASB was established in June 1984 to replace the National Council on Governmental Accounting (NCGA).

GOVERNMENTAL FUNDS. Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds and permanent funds.

GOVERNMENT-WIDE FINANCIAL STATEMENTS. Financial statements that incorporate all of a government's governmental and business-type activities, as well as its nonfiduciary component units. There are two basic government-wide financial statements: the statement of net position and the statement of net activities. Both basic governmental financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

INFRASTRUCTURE. Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems.

INTEREST RATE RISK. The risk that changes in interest rates will adversely affect the fair value of an investment or a deposit.

INTERFUND RECEIVABLE/PAYABLE. Short-term loans made by one fund to another, or the current portion of an advance to or from another fund.

INTERFUND TRANSFERS. Flow of assets (such as cash or goods) between funds and blended component units of the primary government without equivalent flows of assets in return and without a requirement for payment.

INTERNAL SERVICE FUND. A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

JOINT VENTURE. A legal entity or other contractual arrangement in which a government participates as a separate and specific activity for the benefit of the public or service recipients and in which the government retains an ongoing financial interest.

LAPSE. As applied to appropriations, the automatic termination of an appropriation. Except for indeterminate appropriations and continuing appropriations, an appropriation is made for a certain period of time. At the end of this period, any unexpended or unencumbered balance thereof lapses, unless otherwise provided by law.

LEASE-PURCHASE AGREEMENTS. Contractual agreements that are termed leases, but that in substance are purchase contracts.

LEGAL LEVEL OF BUDGETARY CONTROL. The level at which spending in excess of budgeted amounts would be a violation of law.

LEVEL OF BUDGETARY CONTROL. The level at which a government's management may not reallocate resources without special approval from the legislative body.

LIABILITIES. Probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

LOANS RECEIVABLE. An asset account reflecting amounts loaned to individuals or organizations external to a government, including notes taken as security for such loans. Loans to other funds and governments should be recorded and reported separately.

MAJOR FUND. A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. The general fund is always a major fund. Otherwise, major funds are funds whose revenues/expenditures, assets or liabilities are at least 10 percent of corresponding totals for all government or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. Any other government or enterprise fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

MANAGEMENT'S DISCUSSION AND ANALYSIS. A component of required supplementary information used to introduce the basic financial statements and to provide an analytical overview of the government's financial activities.

MEASUREMENT FOCUS. A way of presenting an entity's financial performance and position by considering which resources are measured (financial or economic) and when the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-wide financial statements, proprietary fund financial statements and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

MODIFIED ACCRUAL BASIS. The accrual basis of accounting adapted to the governmental fund-type measurement focus. Under it, revenues and other financial resource increments (e.g. bond issue proceeds) are recognized when they become susceptible to accrual, that is when they become both "measurable" and "available to finance expenditures of the current period." "Available" means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, expenditures are recognized when the fund liability is incurred. All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting.

OTHER FINANCING SOURCES. An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the other financing sources category is limited to items so classified by GAAP.

OPERATING LEASE. A lease dose not transfer ownership rights, risks and rewards from the lessor to the lessee, the lease is called an operation lease and is similar to a rental.

OTHER FINANCING USES. A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of other financing uses category is limited to items so classified by GAAP.

OVERLAPPING DEBT. The proportionate share property within each government must bear of the debts of all local governments located wholly or in part within the geographic boundaries of the reporting government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessment receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, to total assessments receivable, which will be used wholly or in part for this purpose.

PROGRAM REVENUES. Term used in connection with the government-wide statement of activities. Revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues.

PROPRIETARY FUNDS. Funds that focus on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

REBATABLE ARBITRAGE. A term used in connection with the reinvestment of the proceeds of tax-exempt debt. A requirement to remit to the federal government interest revenue in excess of interest costs when the proceeds from the sale of tax-exempt securities are reinvested in a taxable money market instrument with a materially higher yield.

REPORTING ENTITY. The oversight unit and all of its component units, if any, that are combined in the CAFR/BFS.

REQUIRED SUPPLEMENTARY INFORMATION. Consists of statements, schedules, statistical data or other information which, according to the GASB, is necessary to supplement, although not required to be a part of the basic financial statements.

RESTRICTED ASSETS. Assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

RESTRICTED NET POSITION. A component of net position calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

RETAINED EARNINGS. An equity account reflecting the accumulated earnings of an enterprise or internal service fund.

REVENUE BONDS. Bonds whose principal and interest are payable exclusively from earnings of an enterprise fund. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the enterprise fund's property.

RISK MANAGEMENT. All the ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

SELF-INSURANCE. A term often used to describe the retention by an entity of a risk of loss arising out of the ownership of property or from some other cause, instead of transferring that risk to an independent third party through the purchase of an insurance policy. It is sometimes accompanied by the setting aside of assets to fund any related losses. Because no insurance is involved, the term self insurance is a misnomer.

SINGLE AUDIT. An audit performed in accordance with the Single Audit Act of 1997 and Office of Management and Budget's (OMB) Circular A-133, Audits of State and Local Governments and Non- Profit Organizations. The Single Audit Act allows or requires governments (depending on the amount of federal assistance received) to have one audit performed to meet the needs of all federal agencies.

SPECIAL DISTRICT. An independent unit of local government organized to perform a single government function or a restricted number of related functions. Special districts usually have the power to incur debt and levy taxes; however, certain types of special districts are entirely dependent upon enterprise earnings and cannot impose taxes. Examples of special districts are water districts, drainage districts, flood control districts, hospital districts, fire protection districts, transit authorities, port authorities and electric power authorities.

SPECIAL REVENUE FUND. A fund used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

TAX AND REVENUE ANTICIPATION NOTES (TRANS). Notes issued in anticipation of the collection of taxes and revenues, usually retirable only from tax collections, and frequently only from the proceeds of the tax and revenues levy whose collection they anticipate.

TRUST FUNDS. Funds used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments and/or other funds.

UNQUALIFIED OPINION. An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.

UNRESTRICTED NET POSITION. That portion of net position that is neither restricted not invested in capital assets (net of related debt).

VARIABLE-RATE INVESTMENT. An investment with terms that provide for the adjustment of its interest rate (such as the last day of the month or a calendar quarter) and that, upon each adjustment until the final maturity of the instrument or the period remaining until the principal amount can be recovered through demand, can reasonably be expected to have a fair value that will be unaffected by interest rate changes.

APPENDIX F

STATE DEPARTMENT OF FINANCE APPROVAL LETTER

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June 30, 2014

Mr. William B. Avera, Development Services Director
City of Hollister
375 Fifth Street
Hollister, CA 95023

Dear Mr. Avera:

Subject: Approval of Oversight Board Action

The City of Hollister Successor Agency (Agency) notified the California Department of Finance (Finance) of its April 24, 2014 Oversight Board (OB) resolution on April 29, 2014. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB action.

Based on our review and application of the law, OB Resolution 2014-05 approving the issuance of refunding bonds for the purpose of refunding the former redevelopment agency's 2003 Tax Allocation Bonds, is approved.

The Agency wishes to reduce the debt service by approximately $2.8 million with the refunding. It is our understanding that no refunding bonds will be issued unless such bonds meet the requirements outlined in HSC section 34177.5 (a). Following the issuance, the payments for the refunding bonds should be placed on future Recognized Obligation Payment Schedule (ROPS) for Finance's review.

In addition, this resolution states the Agency is authorized to recover its costs related to the issuance of the refunding bonds from the proceeds. While Finance does not object to these actions, any associated costs must be placed on a subsequent ROPS for Finance's review and approval before they can be considered enforceable.

Please direct inquiries to Beliz Chappuie, Supervisor, or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,

Jennifer for

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Mary M. Paxton, Program Manager, City of Hollister
Mr. Joe Paul Gonzalez, Auditor-Controller, County of San Benito
California State Controller's Office

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APPENDIX G

SUPPLEMENTAL INFORMATION - CITY OF HOLLISTER

The following information concerning the City of Hollister and surrounding areas is included only for the purpose of supplying general information regarding the community. 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

The City of Hollister (the "**City**") is approximately 6.6 square miles and is the county seat of San Benito County (the "**County**"). Hollister is primarily an agricultural town located at the north end of San Benito County, about 100 miles south of the City of San Francisco, 40 miles south of the City of San Jose, and 40 miles east of the City of Monterey. The City is located in California's Central Coast region, between the Gavilan and Diablo Ranges of the Santa Cruz Mountains. The City was incorporated in 1872 and maintains its heritage of agriculture and cattle ranching ambiance. Many outdoor recreational sites are near the City, including Pinnacles National Park, Hollister Hills State Recreational Area, San Justo Reservoir, and Thousand Trails Campground.

Municipal Government

The City is a General Law City, governed by a five member City Council. The City Council consists of four council members and the mayor. The council members are each elected by voters in his/her district and serve staggered four year terms, and the major is elected by all the voters in the City for a two year term. The City Manager is appointed by the City Council as Chief Administrator.

Population

The City is currently estimated to have a population of approximately 36,676, as of January 1, 2014. The following table sets forth population statistics for the City and the County since 2010. Population estimates of the past five years for the City, the County and the State are shown in the following table.

CITY OF HOLLISTER AND COUNTY OF SAN BENITO
Population Estimates

Year	City of Hollister	County of San Benito	State of California
2010	34,942	55,272	37,223,900
2011	35,123	55,474	37,427,946
2012	35,738	56,137	37,668,804
2013	36,370	57,079	37,984,138
2014	36,676	57,517	38,340,074

Source: State Department of Finance estimates (as of January 1).

Employment and Industry

The following table shows civilian labor force and wage and salary employment data for the County, for the past five calendar years.

COUNTY OF SAN BENITO
Civilian Labor Force, Employment and Unemployment
(Annual Averages)

	2009	2010	2011	2012	2013
Civilian Labor Force (1)					
Employment	21,400	21,500	22,100	22,900	23,600
Unemployment	3,500	4,500	4,200	3,700	3,000
Unemployment Rate	14.3%	17.3%	15.9%	13.9%	11.1%
Wage and Salary Employment: (2)					
Agriculture	2,100	1,600	1,600	1,600	1,600
Manufacturing	2,500	2,500	2,700	2,500	2,700
Wholesale Trade	400	400	300	400	300
Retail Trade	1,600	2,000	2,200	2,300	2,400
Trans., Warehousing and Utilities	200	300	300	300	400
Information	100	100	100	100	100
Financial Activities	300	300	300	300	400
Professional and Business Services	700	700	700	1,000	1,000
Educational and Health Services	800	800	800	800	1,100
Leisure and Hospitality	1,400	1,100	1,100	1,200	1,200
Other Services	400	400	500	400	400
Federal Government	200	200	200	200	100
State Government	200	200	200	200	200
Local Government	2,600	2,600	2,500	2,400	2,400
Total, All Industries (3)	14,500	14,000	13,900	14,100	14,300

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Major Employers

The following tables list some of the major employers located within the County. Major employer information for the City specifically is unavailable.

SAN BENITO COUNTY
Major Employers - 2014 - Listed Alphabetically

Employer Name	Location	Industry
Calaveras Elementary School	Hollister	Schools
Cedar Valley Shingle Systems	Hollister	Shingles & Shakes
Corbin	Hollister	Motorcycles - Supplies & Manufacturers
Denise & Filice Packing Co	Hollister	Fruits & Vegetables - Wholesale
Diageo North America	Paicines	Liquors - Wholesale
Earthbound Farm	San Juan Bautista	Fruits & Vegetables Growers & Shippers
Gabilan Hills Elementary School	Hollister	Schools
Guerra Nut Shelling Co Inc.	Hollister	Nuts - Edible
Hazel Hawkins Medical Ctr.	Hollister	Hospitals
Ladd Lane Elementary School	Hollister	Schools
Mc Electronics Inc.	Hollister	Wire Harnesses-Electrical-Manufacturers
Milgard Manufacturing Inc.	Hollister	Windows-Manufacturers
Nob Hill Foods	Hollister	Grocers-Retail
R O Hardin Elementary School	Hollister	Schools
Ridgemark Golf & Country Club	Hollister	Full-Service Restaurant
Safeway	Hollister	Grocers-Retail
San Benito Foods	Hollister	Canning (Mfrs)
San Benito High School	Hollister	Stadiums Arenas & Athletic Fields
San Benito Sheriff	Hollister	Sheriff
Save Mart	Hollister	Grocers-Retail
Target	Hollister	Department Stores
Trical Inc.	Hollister	Farms
True Leaf Farms	San Juan Bautista	Farm Management Service
Waste Management	Hollister	Garbage Collection
West Marine	Hollister	Marine Equipment & Supplies
Willis Construction Co. Inc.	San Juan Bautista	Concrete Products (Manufacturers)

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2014 2nd Edition.

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 2009 through 2013.

CITY OF HOLLISTER, COUNTY OF SAN BENITO,
STATE OF CALIFORNIA AND UNITED STATES
Effective Buying Income
Calendar Years 2009 Through 2013

Year	Area	Total Effective Buying Income	Median Household Effective Buying Income
2009	City of Hollister	$ 659,250,000	$58,575
	County of San Benito	1,146,297,500	59,165
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Hollister	$ 601,662,500	$54,265
	County of San Benito	1,075,045,000	55,795
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Hollister	$ 602,925,000	$53,560
	County of San Benito	1,116,677,500	55,295
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	City of Hollister	$ 536,432,500	$44,524
	County of San Benito	967,165,000	46,168
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	City of Hollister	$ 609,913,000	$48,860
	County of San Benito	1,129,535,000	52,004
	California	858,676,636	48,340
	United States	6,982,757,379	43,715

Source: The Nielsen Company (US) Inc.

Commercial Activity

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, data for 2009 and after is not comparable to that of prior years.

A summary of historic taxable sales within the City during the past five years in which data is available is shown in the following table. Total taxable sales during calendar year 2012 in the City were reported to be $280,951,000, a 6.03% increase over the total taxable sales of $264,973,000 reported during calendar year 2011. Data is not yet available for calendar year 2013.

CITY OF HOLLISTER
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2008	339	$236,165	751	$290,048
2009 (1)	449	199,961	694	240,643
2010 (1)	458	207,213	714	249,704
2011 (1)	439	223,561	702	264,973
2012 (1)	421	244,627	685	280,951

(1) Data not comparable to prior years. “Retail” category now includes “Food Services.”
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table. Total taxable sales during calendar year 2012 in the County were reported to be $530,017,000, an 8.95% increase over the total taxable sales of $486,490,000 reported during calendar year 2011. Data is not yet available for calendar year 2013.

COUNTY OF SAN BENITO
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2008	573	$291,420	1,330	$504,523
2009 (1)	816	245,237	1,219	422,942
2010 (1)	833	257,233	1,244	449,872
2011 (1)	803	281,201	1,217	486,490
2012 (1)	786	308,777	1,199	530,017

(1) Data not comparable to prior years. “Retail” category now includes “Food Services.”
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Construction Activity

The following tables show a five year summary of the valuation of building permits issued in the City and the County.

CITY OF HOLLISTER
Total Building Permit Valuations
(Valuations in Thousands)*

	2009	2010	2011	2012	2013
Permit Valuation					
New Single-family	$8,997.2	$7,967.7	$7,088.1	$8,180.1	$25,430.8
New Multi-family	0.0	7,708.6	0.0	0.0	0
Res. Alterations/Additions	880.8	655.8	1,551.1	1,236.1	1,635.4
Total Residential*	9,878.0	16,332.1	8,639.2	9,416.2	27,066.20
New Commercial	$1,107.0	$0.0	$103.3	$445.6	$1,721.0
New Industrial	750.0	0.0	750.0	0.0	0
New Other	342.8	583.4	844.3	0.0	970.8
Com. Alterations/Additions	1,371.3	1,942.4	986.6	4,137.7	1,886.7
Total Nonresidential*	3,571.1	2,525.8	2,684.2	4,583.3	4,578.5
New Dwelling Units					
Single Family	35	42	27	32	109
Multiple Family	0	97	0	0	0
TOTAL	35	139	27	32	109

Source: Construction Industry Research Board, Building Permit Summary.
** Subtotals may be slightly off due to rounding.*

COUNTY OF SAN BENITO
Total Building Permit Valuations
(Valuations in Thousands)*

	2009	2010	2011	2012	2013
Permit Valuation					
New Single-family	$11,355.6	$10,191.6	$9,030.4	$9,115.1	$32,574.5
New Multi-family	0.0	7,708.6	0.0	0.0	0
Res. Alterations/Additions	2,244.8	2,384.2	3,601.5	1,936.0	3,019.5
Total Residential*	13,600.4	20,284.4	12,631.9	11,051.1	35,594.00
New Commercial	$1,107.0	$225.0	$2,007.7	$7,614.9	$4,763.9
New Industrial	750.0	1,900.0	750.0	2,340.0	42.0
New Other	3,193.6	1,757.7	1,484.3	20.0	2,623.5
Com. Alterations/Additions	2,472.4	5,031.0	2,483.6	10,415.9	3,200.0
Total Nonresidential*	7,522.9	8,913.7	6,725.6	20,390.8	10,629.4
New Dwelling Units					
Single Family	40	48	32	36	138
Multiple Family	0	97	0	0	0
TOTAL	40	145	32	36	138

Source: Construction Industry Research Board, Building Permit Summary.
** Subtotals may be slightly off due to rounding.*

APPENDIX H

FISCAL CONSULTANT'S REPORT

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FISCAL CONSULTANT REPORT
2014 TAX ALLOCATION REFUNDING BONDS

Hollister Community Development Project Area

Successor Agency to the Redevelopment Agency of the City of Hollister

July 9, 2014

ROSENOW SPEVACEK GROUP, INC.
www.webrsg.com

TABLE OF CONTENTS

INTRODUCTION

This Fiscal Consultant Report ("Report") has been prepared by Rosenow Spevacek Group, Inc. ("RSG") at the request of the Successor Agency to the Redevelopment Agency of the City of Hollister ("Agency")[1] in order to substantiate available tax revenues to be generated from the Hollister Community Development Project Area ("Project Area") for the proposed 2014 Refunding Tax Allocation Bonds ("2014 TABS"). The 2014 TABS will refinance existing bonded indebtedness incurred by the former Redevelopment Agency for all of its 2003 Tax Allocation Bonds.

The further purpose of this Report is to estimate future tax increment revenues from the Project Area that will be available to pay debt obligations. Future revenue has been estimated based upon the construction of a tax increment projection model ("Revenue Projections") included within this Report. The Report also includes and describes the general methodology and assumptions utilized in preparation of the Revenue Projections, as well as providing historical assessed valuation and revenue information, and other pertinent information pertaining to the Project Area. The following tables and exhibits are provided as back-up and support for the Revenue Projections.

The Project Area's assessed value for Fiscal Year ("FY") 2013-14 is $1,188,417,044 representing an increase of 4.8% over FY 2012-13 assessed valuations. Gross tax increment revenue for FY 2013-14 is estimated to be $10,133,914. The following Table 1 summarizes the overall findings of this Report, including Revenue Projections illustrating the amount of net tax increment available to the Agency for the 2014 TABS.

[1] Compensation paid to RSG by the Agency for preparation of this FCR is not contingent upon the sale of bonds.

Tax Increment Projection Summary **Table 1**

Hollister Community Development Project Area

Bond Year	Fiscal Year	Total Assessed Value	Incremental Assessed Value	Gross Tax Increment Revenue (1.0%)	Less: County Admin. Charge	Less: Senior Taxing Agency Payments[1]	**Net Revenue Available for Debt Service**	Subordinate Taxing Agency Payments[2]	Net Tax Increment Revenue
	BY Value:	$175,025,611							
1	2013-14	$1,188,417,044	$1,013,391,433	$10,133,914	($391,169)	$559,946	**$9,182,799**	$1,991,826	$7,190,974
2	2014-15	1,211,286,540	1,036,260,929	10,362,609	(399,997)	572,583	**9,390,030**	2,097,935	7,292,095
3	2015-16	1,234,613,427	1,059,587,816	10,595,878	(409,001)	585,472	**9,601,405**	2,206,167	7,395,238
4	2016-17	1,258,406,851	1,083,381,240	10,833,812	(418,185)	598,619	**9,817,008**	2,316,564	7,500,445
5	2017-18	1,282,676,143	1,107,650,532	11,076,505	(427,553)	612,029	**10,036,924**	2,429,168	7,607,756
6	2018-19	1,307,430,821	1,132,405,210	11,324,052	(437,108)	625,707	**10,261,237**	2,544,024	7,717,212
7	2019-20	1,332,680,593	1,157,654,982	11,576,550	(446,855)	639,658	**10,490,037**	2,661,178	7,828,858
8	2020-21	1,358,435,360	1,183,409,749	11,834,097	(456,796)	653,889	**10,723,412**	2,780,675	7,942,737
9	2021-22	1,384,705,223	1,209,679,612	12,096,796	(466,936)	668,405	**10,961,455**	2,902,561	8,058,894
10	2022-23	1,411,500,483	1,236,474,872	12,364,749	(477,279)	683,210	**11,204,259**	3,026,886	8,177,373
11	2023-24	1,438,831,648	1,263,806,037	12,638,060	(487,829)	698,312	**11,451,919**	3,153,697	8,298,223
12	2024-25	1,466,709,437	1,291,683,826	12,916,838	(498,590)	713,716	**11,704,533**	3,283,044	8,421,489
13	2025-26	1,495,144,781	1,320,119,170	13,201,192	(509,566)	729,428	**11,962,198**	3,414,978	8,547,220
14	2026-27	1,524,148,832	1,349,123,221	13,491,232	(520,762)	745,454	**12,225,017**	3,549,550	8,675,467
15	2027-28	1,553,732,964	1,378,707,353	13,787,074	(532,181)	761,800	**12,493,092**	3,686,815	8,806,278
16	2028-29	1,583,908,779	1,408,883,168	14,088,832	(543,829)	778,474	**12,766,529**	3,826,824	8,939,705
17	2029-30	1,614,688,110	1,439,662,499	14,396,625	(555,710)	795,481	**13,045,434**	3,969,634	9,075,801
18	2030-31	1,646,083,027	1,471,057,416	14,710,574	(567,828)	812,828	**13,329,918**	4,115,300	9,214,618
19	2031-32	1,678,105,843	1,503,080,232	15,030,802	(580,189)	830,522	**13,620,091**	4,263,879	9,356,213
20	2032-33	$1,710,769,115	$1,535,743,504	$15,357,435	($592,797)	$848,570	**$13,916,068**	$4,415,429	$9,500,639
Totals				$251,817,628	($9,720,160)	$13,914,101	$228,183,366	$62,636,133	$165,547,234

[1] Includes payments made pursuant to the Agency's tax sharing cooperative agreements entered into with the San Benito Hospital District and the San Benito County Water Conservation and Flood Control District on December 10, 1984.

[2] The Agency, pursuant to the County Cooperative Agreement of 1984, has requested and received County subordination of its pass-through payments to the proposed 2014 Bonds. The County has subordinated its payments to all prior bond issues. Additionally, the Agency has requested and received subordination of statutory pass-through payments due to those taxing entities entitled to statutory tax sharing pursuant to Redevelopment Law Section 33607.7.

BACKGROUND

The Project Area is located in the City of Hollister, San Benito County, California. The City is approximately 45 miles south of the City of San Jose and is the largest incorporated community in San Benito County. The City was incorporated on March 26, 1872 and encompasses an area of approximately 4,232 acres. According to ESRI Business Analyst and the U.S. Census, the City had a total of 34,928 residents and 10,401 housing units in 2010.

The original Community Development Plan ("Plan") for the Project Area was enacted by the City Council of the City of Hollister ("City Council") by the adoption of Ordinance No. 611 on July 19, 1983. The Plan was amended on December 19, 1994, by City Council Ordinance No. 856 to bring the Plan's time limitations in conformance with the provision of Assembly Bill 1290. The Plan was amended again in 2002 to increase the Plan's tax increment cap and make other changes as described later in this Report under the 2002 Redevelopment Plan Amendment. Subsequently, the City Council adopted Ordinance No. 982 on April 7, 2003, amending the Plan to eliminate the Plan's time limit to incur indebtedness.

The Project Area is primarily comprised of residential, retail, and industrial land uses. The total acreage of the Project Area is approximately 2,075 acres, roughly 49% of the City.

RECENT CHANGES TO REDEVELOPMENT LAW

Due to Assembly Bill x1 26 ("ABx1 26"), upheld by the California State Supreme Court in December 2011, all redevelopment agencies were dissolved on February 1, 2012. This action implemented significant changes to the Health & Safety Code ("H&S Code"), including severe restrictions on any redevelopment activities, as well as changes to the method for collection and distribution of tax increment. For each dissolved redevelopment agency, a successor agency was created to wind down redevelopment activities and oversee payment of all valid debts, including bond indebtedness. When the Redevelopment Agency of the City of Hollister was dissolved, the City of Hollister elected to become the Successor Agency.

Unlike redevelopment agencies, successor agencies are not allocated all tax increment generated by a project area. Instead, successor agencies are allocated available revenues in amounts necessary to pay valid debts, or recognized enforceable obligations, according to schedules created by the successor agency every six months. These schedules are known as Recognized Obligation Payment Schedules, or "ROPS". All property tax formerly known as tax increment amounts are now collected by the San Benito County Auditor-Controller and distributed pursuant to H&S Code Section 34183. Former tax increment is distributed in the following priority: (1) County and State administrative fees; (2) taxing agency (pass-through) payments; (3) successor agency debts, including bond debt, as identified on the ROPS; (4) successor agency administrative costs; and (5) remaining money is shared among the project area's affected taxing agencies. It should be noted that pass-through payments that were subordinated to bond issues remain subordinate under ABx1 26; however, an agency is required to demonstrate that funds are insufficient to otherwise make debt service payments in order to redirect those subordinated pass-through amounts to debt service.

ABOLITION OF LOW AND MODERATE INCOME HOUSING SET-ASIDE

Under ABx1 26 and Assembly Bill 1484 ("AB 1484") (together, the "Dissolution Act"), the requirement for redevelopment agencies to set-aside 20% of their annual tax increment revenue for affordable housing has been abolished. Only in the circumstance in which a successor agency has loans outstanding against their housing fund is it required that property tax revenues flow back to the successor agency's housing entity to be reserve for affordable housing.

The effect of the abolition of the housing set-aside requirement in the Agency's case is to increase the available property tax revenue by the previous required 20% deposit. Under ABx1 26 and AB 1484, 100% of the property tax revenue generated by the Project Area now goes into the Agency's Redevelopment Property Tax Trust Fund (RPTTF), thereby increasing the available revenue to cover debt service payments.

TAX INCREMENT REVENUE VERSUS PROPERTY TAX REVENUE

On a technical note, the Dissolution Act essentially eliminated the term "tax increment" and refers instead only to property taxes, though the process for determining the property tax amounts subject to the Dissolution Act is still determined in the same way as it was prior to dissolution, where a base year value is subtracted from a current year value. For clarity, this Report continues to use the term "tax increment" to refer to those property taxes generated in the Project Area above the established base year value.

REDEVELOPMENT PLAN LIMITATIONS

The Plan contains certain time and financial limitations regarding the collection of tax increment revenue, incurring bonded indebtedness, and redevelopment plan effectiveness. These limits are identified in Table 2.

Plan Limitations **Table 2**
Hollister Community Development Project Area

Time Limitations	
Incur Debtedness	Eliminated[1]
Redevelopment Plan Effectiveness	July 19, 2023
Increment Collection	July 19, 2033
Financial Limitations	
Bonded Indebtedness Limit	$75 million
Cumulative Tax Increment Limit	$650 million[2]
Tax Increment Limit from Adoption of 2002 Amendment (June 17, 2002)	$262 million[2]

[1] By adoption of Ordinance No. 982 pursuant to the provisions of Redevelopment Law enacted by SB 211.

[2] The cumulative total tax increment limit is $650 million over the duration of the Plan. Additionally, the Agency may not be allocated more than $262 million from the date of adoption of the 2002 Amendment (June 17, 2002), net of housing set-aside deposits, payments to affected taxing agencies, and debt service on the 1991, 1994, and 1997 Tax Allocation Bonds. The 1991 Tax Allocation Bonds were refunded on October 1, 2003 by the 2003 Tax Allocation Bonds. Because the Plan's net tax increment cap is calculated, in part, net of the 1991 Tax Allocation Bonds, the limitation is calculated to include portions of the debt service payments on the 2003 Tax Allocation Bonds attributable to refinancing of the 1991 Tax Allocation Bonds.

Source: Community Development Plan for the Hollister Redevelopment Project

It is unclear whether the adopted limitations remain in effect, given the dissolution of redevelopment agencies; the conservative assumption is that the limitations do remain in effect. Consistent with H&S Code Section 33333.6, the Agency shall not repay indebtedness with property tax increment revenues after July 19, 2033. Furthermore, the Plan for the Project Area establishes a cumulative limit of $75 million in principal amount on the amount of bonded indebtedness which can be outstanding at one time; the Agency's outstanding debt is well under this constraint and will not be materially increased by the refunding. The cumulative limitation on the amount of tax increment revenue that can be collected by the Agency in the Project area is $650 million, and it is not anticipated that the Project Area will ever generate enough tax increment to exceed this limitation. Pursuant to the Plan, the Agency also cannot collect more than $262 million in tax increment (net of housing, taxing entity payments, and debt service on the 1991, 1994, and 1997 Tax Allocation Bonds) in the Project Area from June 17, 2002, the date of the adoption of the 2002 Amendment. Because the 1991 Tax Allocation Bonds were refunded on October 1, 2003, by the 2003 Tax Allocation Bonds, the net tax increment cap limitation is calculated to include portions of the debt service on the 2003 Tax Allocation Bonds attributable to refinancing of the 1991 Tax Allocation Bonds.

ASSEMBLY BILL 1290 LIMITATIONS

On October 6, 1993, the Governor signed into Law Assembly Bill 1290 ("AB 1290") which instituted changes in California Health and Safety Code Section 33000 et seq. AB 1290's goal was to revise and reform many of the practices of redevelopment agencies. Among the changes made by AB 1290 was the imposition of new limitations on existing redevelopment plans ("AB 1290 Plan Limits"). These limitations are now prescribed in H&S Code Section 33333.6.

On December 19, 1994, the City Council adopted Ordinance No. 856, which established, among other things, a new time limit to receive tax increment generated from the Project Area at 10 years beyond the effectiveness date of the Plan, or July 19, 2033, except that this time limit shall not affect the validity of any bond, indebtedness, or other obligation, including, but not limited to, any agreement entered into pursuant to H&S Code Section 33401, authorized by the City Council or the Agency prior to January 1, 1994.

2002 REDEVELOPMENT PLAN AMENDMENT

On June 17, 2002, the City Council amended the Plan for a second time ("2002 Amendment") by adopting Ordinance No. 976. The 2002 Amendment enacted the following changes, among others, to the Plan:

1. Increased the Plan's cumulative tax increment revenue limit to $650 million, and not more than $262 million from the date of adoption of the 2002 Amendment. The $262 million cap is net of housing set-aside deposits, payments to taxing agencies and debt service on the 1991, 1994, and 1997 Tax Allocation Bonds; and

2. Increased the Plan's bonded indebtedness limit to $75 million.

SENATE BILL 211 AMENDMENT

The City Council adopted Ordinance No. 982 on April 7, 2003, amending the Plan ("2003 Amendment") to eliminate the Plan's time limit to incur indebtedness. This action was conducted pursuant to Senate Bill 211 (Statues of 2001 Chapter 741) that provides a procedure by which any redevelopment project area adopted prior to January 1, 1994, may eliminate its redevelopment plan's time limit to incur indebtedness by the adoption of an ordinance by its legislative body.

Pursuant to the SB 211 statues, existing taxing agency cooperative agreements that provide for the sharing of tax increment revenues continue unchanged. Those taxing agencies that did not have existing tax sharing agreements with the Agency are entitled to statutory payments as required by Section 33607.7 of the H&S Code. These statutory payments commenced in the Fiscal Year 2004-2005, following the year after the former time limit to incur debt would have expired.

TAX INCREMENT REVENUE LIMITATION

As provided in Part VII Section C of the Plan, the portion of gross tax increment revenue divided and allocated to the Agency from the Project Area, shall not exceed a cumulative total of $650 million over the duration of the Plan. Additionally, the Agency may not be allocated more than $262 million, from the date the 2002 Amendment was adopted on June 17, 2002, net of housing set-aside deposits, payments to affected taxing agencies, and debt service on the 1994, 1997, and 2003 Tax Allocation Bonds.[2] For the purposes of reviewing the Project Area's limitation on collecting tax increment revenue, Table 3 shows the total of both gross and net tax increment revenue collected from the Project Area through 2013-14 and through the end of the Plan's term to collect tax increment (FY 2032-33). As of June 30, 2014, it is estimated that the Project Area has generated $200,074,039 in gross tax increment revenue and $37,932,184 in net tax increment revenue from the date that the 2002 Amendment was adopted. Projections contained in Table 3 on the following page, and in greater detail in Table 14A, illustrate the Project Area's cumulative tax increment revenues expected to be collected over the Plan's term. Based upon growth projections in Table 14A, which utilize a two percent annual increase in the secured roll, the Project Area is not projected to hit the Plan's limitation of $650 million in gross tax increment revenue before the end of its term to collect tax increment (Fiscal Year 2032-33). Furthermore, as analyzed in Table 3, the Project Area is not projected to hit the Plan's limitation of $262 million in net tax increment revenue from the date of adoption of the 2002 Amendment before the end of its term to collect tax increment. In order for the Project Area to reach the $262 million limit, secured assessed value would have to increase by 9.4% each year, which is unlikely to occur as reflected in the historical growth rates over the past ten years as depicted in Table 5.

The Dissolution Act does not clearly describe how or if a redevelopment plan's limitations will be enforced. The Department of Finance has alluded to the fact that it does not believe that such limitations apply. However, due to the uncertainty related to this issue, for the purposes of the tax increment financial limitations identified in the Plan the following table continues to net out the 20% housing set-aside and assumes that the net tax increment available applies to the tax increment limitation. The Agency recognizes that pursuant to The Dissolution Act there is no longer a 20% housing set-aside requirement and the Agency only receives funds for items identified on the Recognized Obligation Payment Schedule. The Agency will annually monitor the tax increment limitation and follow procedures identified in the Indenture if they are close to reaching the limitation. Thus, ensuring that all the revenue needed to pay debt service is collected.

[2] The 1991 Tax Allocation Bonds were refunded on October 1, 2003 by the 2003 Tax Allocation Bonds. The Plan's cap is net of the 1991 Tax Allocation Bonds and therefore the 2003 Tax Allocation Bonds must be deducted.

Gross and Net Tax Increment Cap Analysis[1] **Table 3**
Hollister Community Development Project Area

Fiscal Year	Gross Tax Inc. Revenue[2]	Housing Set-aside[3]	Taxing Agency Payments[4]	Debt Service Payments[5] 1991	1994 [6]	1997	2003 [7]	Net Tax Inc. Revenue
1984-85 through 2001-02	$71,637,407							
2002-03	$8,648,207	($2,782,467)	($2,095,756)	Refunded by the 2003 Tax Allocation Bonds	($603,655)	($885,973)	$ -	$2,280,356
2003-04	9,300,550	(2,342,403)	(2,230,928)		(601,486)	(889,148)	(203,217)	3,033,368
2004-05	10,030,064	(2,342,346)	(2,405,437)		(597,455)	(895,943)	(1,924,346)	1,864,537
2005-06	11,514,888	(2,302,978)	(2,827,007)		(601,234)	(761,103)	(2,055,146)	2,967,421
2006-07	12,781,196	(2,180,989)	(2,964,673)		-	(760,893)	(2,056,896)	4,817,745
2007-08	13,262,524	(2,652,505)	(3,163,456)		-	(759,293)	(2,058,346)	4,628,924
2008-09	12,802,535	(2,560,507)	(3,070,979)		-	(1,006,263)	(1,809,496)	4,355,290
2009-10	10,698,699	(2,139,740)	(2,564,863)		-	(1,004,263)	(1,812,846)	3,176,987
2010-11	9,903,539	(1,980,708)	(2,373,898)		-	(1,004,738)	(1,810,926)	2,733,269
2011-12	9,767,283	(1,953,457)	(2,341,635)		-	(1,005,931)	(1,813,676)	2,652,584
2012-13	9,593,233	(1,918,647)	(2,299,452)		-	(1,004,706)	(1,811,206)	2,559,222
2013-14	10,133,914	(2,026,783)	(2,424,983)		-	(1,001,063)	(1,818,606)	2,862,480
Current Subtotal:	***$200,074,039***	***($40,014,808)***						***$37,932,184***
2014-15	10,362,609	(2,072,522)	(2,479,708)		-	-	(2,820,419)	2,989,961
2015-16	10,595,878	(2,119,176)	(2,535,528)		-	-	(2,818,719)	3,122,456
2016-17	10,833,812	(2,166,762)	(2,592,464)		-	-	(2,819,131)	3,255,455
2017-18	11,076,505	(2,215,301)	(2,650,539)		-	-	(2,816,394)	3,394,272
2018-19	11,324,052	(2,264,810)	(2,709,775)		-	-	(2,815,506)	3,533,960
2019-20	11,576,550	(2,315,310)	(2,770,196)		-	-	(2,816,206)	3,674,837
2020-21	11,834,097	(2,366,819)	(2,831,826)		-	-	(2,818,231)	3,817,221
2021-22	12,096,796	(2,419,359)	(2,894,688)		-	-	(2,816,319)	3,966,430
2022-23	12,364,749	(2,472,950)	(2,958,807)		-	-	(2,815,469)	4,117,523
2023-24	12,638,060	(2,527,612)	(3,024,209)		-	-	(2,820,419)	4,265,820
2024-25	12,916,838	(2,583,368)	(3,090,919)		-	-	(2,815,644)	4,426,908
2025-26	13,201,192	(2,640,238)	(3,158,963)		-	-	(2,818,650)	4,583,340
2026-27	13,491,232	(2,698,246)	(3,228,368)		-	-	(2,816,788)	4,747,830
2027-28	13,787,074	(2,757,415)	(3,299,161)		-	-	(2,820,056)	4,910,442
2028-29	14,088,832	(2,817,766)	(3,371,370)		-	-	(2,817,944)	5,081,752
2029-30	14,396,625	(2,879,325)	(3,445,023)		-	-	(2,815,450)	5,256,827
2030-31	14,710,574	(2,942,115)	(3,520,149)		-	-	(2,817,319)	5,430,992
2031-32	15,030,802	(3,006,160)	(3,596,777)		-	-	(2,818,038)	5,609,827
2032-33	$15,357,435	($3,071,487)	($3,674,939)		$ -	$ -	($2,817,350)	$5,793,659
Total[8]	**$441,757,753**							**$119,911,697**

[1] The portion of the gross tax increment revenue allocated to the Agency from the Project Area shall not exceed a cumulative total of $650 million. Additionally, the Agency may not be allocated more than $262 million from the date of adoption of the 2002 Amendment net of housing set-aside deposits, payments to affected taxing agencies, and debt service on the 1991, 1994, and 1997 Tax Allocation Bonds. It should be noted that the $262 million cap is not net of debt service on the 2009 Tax Allocation Bonds.

[2] The Agency received tax increment revenues generated from the Project Area in three annual installments paid by the San Benito County Treasurer.

[3] Previous to the Dissolution Act, the former Redevelopment Agency was required to deposit not less than 20% of its gross tax increment revenues into a fund ("Housing Fund") for the purposes of creating and preserving the supply of housing available to persons and families of very-low-, low-, and moderate-income in accordance with H&S Code Section 33334.2. The County Auditor is not required to make this set-aside as a part of Redevelopment Property Tax Trust Fund ("RPTTF") allocations. However, the 20% set-aside has been included in the Revenue Projections to adhere to the methodology adopted in the Plan.

[4] Includes payments to: San Benito County Water District, San Benito Hospital District, and the County of San Benito.

[5] Values based upon the Debt Service Schedules as provided within the Official Statements for the 1991, 1994, 1997, and 2003 Tax Allocation Bonds.

[6] Debt service payments on the 1994 Tax Allocation Bonds are provided here for reporting purposes only. These payments were not deducted from the Gross Tax Increment Revenue for purposes of calculating the Net Tax Increment Cap because the 1994 Tax Allocation Bonds are secured by and paid from the Agency's Housing Set-aside fund. Deducting 1994 Tax Allocation Bond debt service payments would result in a "double" reduction of these funds since the Net Tax Increment Cap is already net of all Housing Set-aside deposits.

[7] The 1991 Tax Allocation Bonds were refunded on October 1, 2003, by the 2003 Tax Allocation Bonds. Because the Plan's net tax increment cap is calculated, in part, net of the 1991 Tax Allocation Bonds, these values represent portions of the debt service payments on the 2003 Tax Allocation Bonds attributable to refinancing of the 1991 Tax Allocation Bonds.

[8] Total Gross Tax Increment Revenue is calculated based on tax increment revenues allocated to the Agency since the adoption of the Plan. Total Net Tax Increment Revenue is calculated from June 17, 2002, or the date of adoption of the 2002 Amendment.

Sources: San Benito County Auditor-Controller, Annual Continuing Disclosure Information Statements for the 2003 Tax Allocation Bonds, Official Statements for the 1991, 1994, 1997, and 2003 Tax Allocation Bonds

BONDED DEBT LIMITATION

The Plan limits the amount of bonded indebtedness that may be repaid in whole or part from tax increment revenues which can be outstanding at any one time to $75 million in principal amount. For the purposes of reviewing the Project Area's limitation on bonded indebtedness, Table 4 presents the net bonding limitation after accounting for the Agency's total outstanding principal on the 2003 and 2009 Tax Allocation Bonds.

Bonded Indebtedness Limitations	**Table 4**
Hollister Community Development Project Area	
Bonded Indebtedness Limit[1]	$75,000,000
Principal Outstanding 2003 TABS	33,625,000
Principal Outstanding 2009 TABS	7,260,000
Net Bonding Limit	**$34,115,000**

[1] The amount of bonded indebtedness to be repaid in whole or part from tax increment revenues which can be outstanding at any one time shall not exceed $75 million in principal amount.

Source: Official Statements for the 2003 and 2009 Tax Allocation Bonds

HISTORICAL ASSESSED VALUATION & REVENUES

The ad valorem property tax system in California dictates property taxes to be based upon a 1% general levy tax rate applied to non-exempt local and state secured and unsecured assessed valuations. In accordance with the H&S Code and the Plan, the Agency collects tax increment revenue generated by increases in assessed valuation above the base year assessed valuation, or the assessed valuation at the time a project area is adopted. Each year, the local roll is released by the San Benito County Assessor ("County Assessor") to the San Benito County Auditor-Controller ("County Auditor"), who establishes the equalized assessment roll and provides a report of Project Area assessed valuations for the current fiscal year and base year.

As reported by the County Auditor in 2013-14, the Fiscal Year 1982-83 base year assessed valuation for the Project Area is $175,025,611. Base year assessed valuations can occasionally fluctuate, often due to formerly exempt land uses being sold for private purposes or, conversely, private property purchased by a government becoming exempt. For the purposes of this Report, the Agency's tax increment revenues are projected based upon future assessed valuation in excess of the base year assessed value currently in use by the County Auditor, as detailed in Table 6.

Table 5 provides a 10-year historical summary of assessed valuations in the Project Area. Table 6 provides a five-year historical summary of assessed valuations and tax increment revenues generated from the Project Area. Based upon current and base year assessed valuations provided in Table 6, the Fiscal Year 2013-14 incremental assessed valuation is $1,013,391,433, which serves as the basis for the Revenue Projections. Note that the Project Area is on the County's Teeter Plan, under which the County Auditor distributes billed amounts prior to full collections of secured value. Delinquent secured and secured supplemental tax payments and penalties are then collected and kept by the County. Over the past five years, the Agency has collected 100% of the gross estimated revenue.

Historical Assessed Valuations **Table 5**

Hollister Community Development Project Area

Year	Total	%Δ
2004-05	$1,178,299,110	
2005-06	1,328,696,648	12.8%
2006-07	1,465,318,561	10.3%
2007-08	1,495,097,222	2.0%
2008-09	1,447,629,847	-3.2%
2009-10	1,244,895,486	-14.0%
2010-11	1,165,379,501	-6.4%
2011-12	1,151,753,911	-1.2%
2012-13	1,134,348,952	-1.5%
2013-14	$1,188,417,044	4.8%

Source: County of San Benito Auditor Controller

Historical Assessed Valuations & Tax Increment Revenues — **Table 6**

Hollister Community Development Project Area

	2009-10	2010-11	%Δ	2011-12	%Δ	2012-13	%Δ	2013-14	%Δ
Secured	$1,196,935,871	$1,119,799,337		$1,108,351,918		$1,089,878,819		$1,143,474,816	
Unsecured	47,959,615	45,580,164		43,401,993		44,470,133		44,942,228	
Total Assessed Value[1]	1,244,895,486	1,165,379,501	-6.39%	1,151,753,911	-1.17%	1,134,348,952	-1.51%	1,188,417,044	4.77%
Less: Base Year[2]	(175,025,611)	(175,025,611)		(175,025,611)		(175,025,611)		(175,025,611)	
Incremental Assessed Value	**$1,069,869,875**	**$990,353,890**	**-7.43%**	**$976,728,300**	**-1.38%**	**$959,323,341**	**-1.78%**	**$1,013,391,433**	**5.64%**
Tax Levy Rate	1.00%	1.00%		1.00%		1.00%		1.00%	
Gross Estimated Revenue	**$10,698,699**	**$9,903,539**		**$9,767,283**		**$9,593,233**		**$10,133,914**	
Gross Actual Revenue	$10,698,699	$9,903,539		$9,767,283		$9,593,233		$ 10,406,064 /3	
Less: Adjustments[4]	(2,867)	(9,193)		(6,504)		(14,485)		-	
Less: County Admin Fee[5]	(356,278)	(347,363)		(390,154)		(369,715)		(343,822)	
Less: Senior Negotiated Pass-throughs	(596,524)	(551,804)		(544,665)		(534,442)		(572,869)	
Less: Subordinate Negotiated Pass-throughs	(1,968,340)	(1,822,094)		(1,796,970)		(1,765,011)		(1,891,483)	
Less: Subordinate Statutory Pass-throughs	(477,289)	(174,607)		(37,451)		(13,622)		(13,622)	
Net Actual Revenue[6,7]	**$7,297,401**	**$6,998,479**	**-4.10%**	**$6,991,538**	**-0.10%**	**$6,895,959**	**-1.37%**	**$7,584,268**	**9.98%**
% of Gross Estimated vs. Actuals	**100%**	**100%**		**100%**		**100%**		**103%**	

[1] Net of non-homeowner exemptions and includes public utility values.

[2] The base year value was adjusted downward from $175,292,754 as a result of AB 2670 effective January 1, 2007, which converted railroad property previously assessed at a county level to state property assessed at the state level.

[3] As of June 1, 2014 per County ROPS Distribution Report for 13-14B and 14-15A.

[4] Adjustments include negative current supplemental amounts, prior secured refunds, and interest on refunds.

[5] Actual administrative fee (SB2557) levied per the San Benito County Auditor Controller. Note fee charge lags by a year, e.g. the 2009-10 charge is for FY 2008-09.

[6] Prior to dissolution, amounts shown were allocated to the Hollister Development Agency. Post dissolution, amounts are deposited into Redevelopment Property Tax Trust Fund (RPTTF).

[7] The Auditor Controller will process current year refunds, or other changes in the net levy subsequent to the equalized roll, which will produce minor variations between estimated revenues and actual collections.

Sources: San Benito County Auditor Controller, City of Hollister

Historic assessed values were declining between Fiscal Years 2009-10 through 2012-13. In Fiscal Year 2013-14, assessed values increased by 4.77% and are nearly back to Fiscal Year 2009-10 values (current values are 4.5% less than 2009-10 values). As illustrated in Table 7, recent home sales indicate that the median sale prices of homes in Hollister have been increasing and are 40% greater than those in 2009. The Project Area is nearly 78% residential and increasing home sale prices are indicative of the increased assessed valuation in Fiscal Year 2013-14.

Median Home Sales History **Table 7**
City of Hollister

Year	Number of Homes Sold	Median Sale Price	% Δ from Prior Year	% Δ from 2009
2009	732	$250,000	-16.7%	
2010	576	265,000	6.0%	6.0%
2011	598	245,000	-7.5%	-2.0%
2012	653	260,000	6.1%	4.0%
2013	596	$350,000	34.6%	40.0%

Source: DataQuick Information Systems

TOP 10 SECURED ROLL TAXPAYERS

Project Area ownership patterns are significantly diversified. Top secured taxpayers were identified based upon property owners with the largest secured taxable assessed valuation recorded on the County Assessor's 2013-14 Equalized Assessment Roll. The Project Area's unsecured value represents less than 4% of the total assessed value in the Project Area and was therefore not included in the analysis. In the Project Area, the 10 largest secured property taxpayers (shown in Table 8) own 78 parcels with a combined value of approximately $91.2 million, or only 8% of the area's taxable secured assessed valuation.

Top 10 Secured Roll Taxpayers **Table 8**
Hollister Community Development Project Area

	Taxpayer	Number of Parcels	Land Use(s)	Total Secured Assessed Value	% of Total Project Area FY 2013-14 Secured Assessed Value
1	K & S Market Inc.	14	Commercial, Residential	$32,609,820	2.85%
2	Northwest Packing Co	11	Industrial, Vacant-Industrial, Vacant-Residential	11,897,350	1.04%
3	Heritage LLC	2	Commercial	11,771,566	1.03%
4	Ozeki	2	Industrial, Residential	6,732,407	0.59%
5	Ridgefield Storage Inc.	9	Industrial, Commercial, Vacant-Industrial	6,379,194	0.56%
6	RMP Properties LLC	1	Commercial	5,700,001	0.50%
7	Janet P Roberts Family Trust	20	Commercial, Residential, Vacant-Commercial	4,551,286	0.40%
8	NMD Properties LLC	1	Commercial	4,000,000	0.35%
9	Fernando Gonzalez	16	Commercial, Residential, Mobilehome	3,834,180	0.34%
10	Hidalgo Inc.	2	Commercial	3,711,738	0.32%
	Subtotal	**78**		**$91,187,542**	**7.97%**
	Total Project Area FY 2013-14 Secured Assessed Value			**$1,143,474,816**	

Note: Total values are exclusive of non-homeowner exemptions. None of the top 10 taxpayers are currently subject to an exemption.
Sources: County of San Benito 2013-14 Equalized Property Tax Roll (Received April 11, 2014), First American CoreLogic, Inc.

SECURED ASSESSED VALUATION BY LAND USE

Table 9 provides a summary of the distribution of Project Area parcels and secured assessed valuation by type of land use. As illustrated in the table, the majority of the Project Area's secured assessed valuation is property developed for residential uses (77.8%), and the remaining properties are comprised of commercial uses (16.88%), industrial uses (3.63%) and other uses (<2%).

Secured Assessed Valuation by Land Use — **Table 9**

Hollister Community Development Project Area

Land Use	Number of Parcels	Secured Assessed Value	% of Total Project Area FY 2013-14 Secured Assessed Value
Residential	4,298	$888,732,467	77.798%
Commercial	338	192,828,918	16.880%
Industrial	48	41,444,373	3.628%
Vacant - Commercial	18	7,606,508	0.666%
Vacant - Residential	57	4,119,528	0.361%
Mobilehome	159	2,731,632	0.239%
Agricultural	10	2,516,396	0.220%
Vacant - Industrial	10	1,771,883	0.155%
Unknown	2	528,321	0.046%
Public Utility	1	77,470	0.007%
Total	**4,941**	**$1,142,357,496**	**100.000%**

[1] Total secured value provided by the County Assessor varies by $1,117,320 from the County Auditor-Controller's records.

Sources: County of San Benito 2013-14 Equalized Property Tax Roll (Received April 11, 2014), First American CoreLogic Inc.

TAX INCREMENT REVENUE PROJECTIONS METHODOLOGY & GENERAL ASSUMPTIONS

The overall methodology for projecting tax increment revenues is to begin with the most recently available assessed valuations (Fiscal Year 2013-14) and 1% general levy tax rates (Fiscal Year 2013-14) and to make conservative adjustments for possible future events that could have an impact on the growth or decline of assessed valuations and property tax revenues. The following discussion articulates key factors that could impact the Agency's property tax revenues from the Project Area.

GROWTH ASSUMPTIONS

ARTICLE XIIIA (PROPOSITION 13) INFLATIONARY ADJUSTMENTS

Article XIIIA of the California Constitution, enacted in 1978 by California Proposition 13, and State Board of Equalization ("SBOE") Rule 460, subdivision (b)(5) provide that the "full value of real property shall be modified to reflect the percentage change in the cost of living . . . provided that such value shall not reflect an increase in excess of 2% of the taxable value of the preceding lien date." The California Consumer Price Index ("CCPI") establishes the inflation rate used to determine the "percentage change in cost of living."

In most years, the CCPI has exceeded 2% and has resulted in an upward adjustment to the valuation of real property by 2%. Since 1978, there have been seven occurrences when the inflationary adjustment was less than 2%. This occurred in Fiscal Years 1983-84, 1995-96, 1996-97, 1999-00, 2004-05, 2010-11, and 2011-12; the inflationary adjustments for these fiscal years were 1.01%, 1.0119%, 1.0111%, 1.01853%, 1.01867%, 0.99736%, and 1.00753%, respectively.

In December 2013, the SBOE announced the CCPI from October 2012 to October 2013 increased by 0.454% and directed county assessors to prepare the Fiscal Year 2014-15 assessment rolls based upon an inflation factor of 1.00454%. However, a rate below 2% continues to be the exception, not the historical norm. The Revenue Projections assume an annual 2% increase in secured assessed valuation for the remaining years, including Fiscal Year 2014-15. A growth rate of 2% in Fiscal Year 2014-15 is supported by the inflation factor (0.454%), changes in valuation from sales (1.41%), and value from new construction (0.12%)

CHANGES IN VALUATION FROM SALES

The taxable assessed valuation of a property may increase or decrease based upon the net change in its sales price and the property's existing taxable assessed valuation. Due to the January 1st lien date, changes in value due to property sales occurring during calendar year 2013 will not be on the San Benito County Equalized Assessment Roll until Fiscal Year 2014-15. The analysis presented in Table 10 estimates the change in assessed valuation for Fiscal Year 2014-15 attributable to actual real property ownership changes occurring between January 1, 2013 and December 31, 2013.

As shown in Table 10, in the Project Area, there were a total of 212 real property sales during this period, which will result in an estimated $16.1 million (1.41%) increase in secured assessed valuation on the Fiscal Year 2014-15 San Benito County Assessment Roll. Residential sales represent nearly 96% ($15.4 million) of the estimated $16.1 million increase in secured assessed valuation. Furthermore, partial data collected for January, February, and March of 2014 indicates an additional estimated increase of $5.3 million on the Fiscal Year 2015-16 San Benito County Equalized Assessment Roll.

Change in Assessed Value Due to Sales **Table 10**
Hollister Community Development Project Area

Month	Year	Number of Sales	Land Use(s)	Original Assessed Value	Sale Value	Value Added/ (Subtracted)
January	2013	15	Commercial, Residential	$2,741,036	$3,462,500	$721,464
February	2013	14	Commercial, Residential, Vacant-Commercial	4,104,280	4,515,000	410,720
March	2013	15	Commercial, Residential,	3,787,742	4,792,000	1,004,258
April	2013	20	Residential, Vacant-Residential	4,378,408	4,778,855	400,447
May	2013	21	Residential	4,017,504	5,590,000	1,572,496
June	2013	10	Residential	2,235,988	2,925,500	689,512
July	2013	21	Residential	4,691,060	7,035,100	2,344,040
August	2013	22	Residential	5,016,992	6,839,580	1,822,588
September	2013	18	Residential	3,812,450	5,415,000	1,602,550
October	2013	22	Residential	5,046,685	6,724,382	1,677,697
November	2013	20	Residential, Vacant-Residential	3,961,907	6,020,600	2,058,693
December	2013	14	Residential	2,605,708	4,386,000	1,780,292
Total 2013 Sales		**212**		**$46,399,760**	**$62,484,517**	**$16,084,757**
January	2014	14	Residential	$3,242,993	$4,581,900	$1,338,907
February	2014	21	Residential	4,825,230	6,652,500	1,827,270
March	2014	15	Commercial, Residential	4,393,217	6,509,351	2,116,134
Total 2014 Sales		**50**		**$12,461,440**	**$17,743,751**	**$5,282,311**

2013-14 Secured Assessed Value	$1,143,474,816
Value to be Added to Secured Roll Due to Sales	$16,084,757
Percent Increase/(Decrease) to 2014-15 Secured Roll	1.41%

Source: County of San Benito Auditor-Controller, County of San Benito 2013-14 Equalized Property Tax Roll (Received April 11, 2014), First American CoreLogic Inc.

VALUE FROM NEW CONSTRUCTION

Table 11 presents a summary of building permit activity in the Project Area from January 2013 through December 2013. Building activity is expected to generate approximately $1,335,594 in new secured assessed value; this value will be reflected on the Fiscal Year 2014-15 assessment roll. New construction is anticipated to increase the secured assessed values by 0.12%.

Building Permit Activity[1] **Table 11**
Hollister Community Development Project Area

	January 2013 - December 2013	
Type of Construction	# of Finaled Permits	Valuation
Single Family - New	2	$376,138
Single Family (Attached) - New	2	321,199
Multi-family - New	5	638,257
	9	**$1,335,594**

Total Value Added to Fiscal Year 2014-15:	$1,335,594
Total Fiscal Year 2013-14 Project Area Secured Value:	$1,143,474,816
Percentage Increase in Fiscal Year 2014-15:	0.117%

[1] Analysis excludes permits with a valuation less than $50,000.
Source: City of Hollister, Development Services Department

SUPPLEMENTAL ROLL REVENUE

Supplemental roll revenue ("Supplemental Revenue") was identified from actual tax increment payment receipts and included in revenues shown in Table 6 "Historical Assessed Valuations and Tax Increment Revenues." Supplemental revenue is the revenue generated from a supplemental tax bill, which is issued when a property sale occurs or construction is completed after January 1st (the Assessor's cut-off date for the next year's assessment roll). A supplemental tax bill is used for the period between the sale or completion of construction and the next regular tax bill. Supplemental Revenue can be unpredictable; consequently, these revenues are not included in the Revenue Projections.

PROPOSITION 8 REASSESSMENTS & ASSESSMENT APPEALS

California Proposition 8 was a constitutional amendment to Proposition 13 that allows a temporary reduction in assessed valuation when a property suffers a decline in value. Proposition 8 requires the Assessor to enroll the lower of either: (1) the taxable value (market value of the property when it was acquired, plus a consumer price index adjustment of up to 2% per year and the value of any new construction); or (2) the market value as of the annual January 1 lien date. Reductions in assessed valuation under Proposition 8 are temporary and are reviewed annually until the Proposition 13 base year value is again lower than market value, at which point the Proposition 13 base year value is reinstated. Reductions in assessed valuation pursuant to Proposition 8 may be initiated by the Assessor or result from owner initiated assessment appeals.

Table 12 below shows the number of Proposition 8 reductions applied during the past five fiscal years. Additionally, the table provides details regarding the number of those reductions that remain in effect versus the number of those reductions that have been reversed, as of June 4, 2014. It is important to note that, for some parcels, the Assessor applied a Proposition 8 reduction in multiple fiscal years between FY 2009-10 and FY 2013-14. It should also be noted that, subsequent to the January 1st lien date, the Assessor may reverse some Proposition 8 reductions in their database throughout the year in preparation for the following year's roll. Table 12 indicates that, as of June 4, 2014, the Assessor had already reversed 355 of the Proposition 8 reductions applied in FY 2013-14.

As shown in Table 12, the Assessor applied reassessments during each year, however the number of Proposition 8 reassessments applied in FY 2013-14 was 38% lower than the number of reassessments applied in FY 2009-10. Additionally, the Proposition 13 base year value has been reinstated for nearly half (49.1%) of the assessments applied between FY 2009-10 and FY 2012-13.

Five-Year Proposition 8 Reassessment History — **Table 12**

Hollister Community Development Project Area

	2009-10	2010-11	2011-12	2012-13	2013-14
Total Proposition 8 Reductions Applied [1]	1,600	1,640	1,021	1,386	990
Number of Proposition 8 Reductions Remaining in Effect	787	856	552	681	635
Number of Proposition 8 Reductions Reversed [2]	813	784	469	705	355
As % of Proposition 8 Reductions Applied	50.8%	47.8%	45.9%	50.9%	35.9%

[1] For some parcels, the Assessor applied a Proposition 8 reduction in multiple years between FY 2009-10 and FY 2013-14.

[2] Subsequent to the January 1st lien date, the Assessor may reverse some Proposition 8 reductions in their database throughout the year in preparation for the following year's roll. Data including in this analysis is current as of June 4, 2014.

Source: County of San Benito Assessor (current as of June 4, 2014)

Property owners who believe that their taxable valuation is above a property's market valuation may file a "Decline-in-Value" application. Historical information regarding assessment appeals for the Project Area was collected from the San Benito County Assessor via the County Auditor-Controller. Of the 71 appeals filed since Fiscal Year 2009-10, none are pending and one resulted in a reduction from the Appeals Board; the remaining 70 appeals were withdrawn or denied. The single granted reduction was in the amount of $1.8 million for an appeal filed in FY 11-12 by RMP Properties, LLC, one of the top 10 taxpayers in the Project Area (refer to Table 8).

TAX RATES

The Agency receives tax increment revenue based on the 1% general tax levy rate levied in the Project Area. Table 13 summarizes the FY 2013-14 tax rate information for the Project Area. The tax increment projections utilize the 1% tax rate for all years.

Taxing Agency Shares — **Table 13**

Hollister Community Development Project Area

City of Hollister	0.1402982233
Gavilan College	0.0796126099
Hollister School District	0.2790638676
San Benito County General Fund	0.1840390960
San Benito County Office of Education	0.0313675310
San Benito County Water District - D.W. Administration	0.0030176194
San Benito County Water District - Zone 3	0.0140085059
San Benito County Water District - Zone 6	0.0160423957
San Benito County Water District - Zone Administration	0.0016111572
San Benito Health Care District	0.0205749966
San Benito High School District	0.2301553025
Santa Clara County Equalization Aid[1]	0.0002086949
Total	**1.0000000000**

[1] Santa Clara County Equalization Aid's portion is distributed to Gavilan Community College.

Source: San Benito County Auditor Controller, 2013-14

PAYMENT TO AFFECTED TAXING ENTITIES

The Agency has entered into three separate cooperative agreements ("Agreements") with affected taxing entities which provide for the sharing of tax increment revenue allocated to the Agency. These Agreements are summarized below. Additionally, pursuant to Section 33607.7 of the H&S Code, upon the enactment of the 2003 Amendment, the Agency was required to implement statutory tax sharing ("Statutory Pass-throughs") with all taxing entities levying taxes upon property within the Project Area that had not previously entered into a tax sharing agreement with the Agency. The conditions and application of the Agreements and Statutory Pass-throughs are explained below:

1. County of San Benito (the "County"): Pursuant to the agreement entered into as of December 10, 1984 (and as subsequently amended on December 20, 1993) between the County and the Agency, and the Agreement Covering Timing of Distributions of Tax Increment Revenue entered into on September 3, 1985 by and between the County and the Agency, the County's General Fund receives a full 100% pass-through of all the tax increment generated from the Project Area attributed to the County share (18.40% of the 1% general levy) of the tax levy. The agreement allows for the subordination of tax sharing payments for the purposes of making payments on bonded indebtedness.

2. San Benito Hospital District (the "Hospital District"): Pursuant to the Agreement between the Agency and the Hospital District entered into on December 10, 1984, the Hospital District receives 100% of their share (2.05% of the 1% general levy) of tax increment revenues generated by the Project Area. The agreement does not allow for subordination of payments to bonded indebtedness.

3. San Benito County Water Conservation and Flood Control District (the "Water Conservation & Flood Control District"): Pursuant to the Agreement between the Agency and the Water Conservation & Flood Control District entered into on December 10, 1984, the Water Conservation & Flood Control District receives 100% of their share (3.47% of the 1% general levy) of tax increment revenues generated by the Project Area. The agreement does not allow for subordination of payments to bonded indebtedness.

4. Statutory Pass-Through Payments: Prior to April 7, 2003, the Plan set July 19, 2003 as the time limit for the Project Area to incur debt. On April 7, 2003, the City Council adopted Ordinance No. 982 (pursuant to the Statutes enacted in 2001 by SB 211), amending the Plan to eliminate the Plan's time limitation to incur indebtedness. Because of these actions, the Plan is subject to Section 33607.7 of the H&S Code and the imposition of Statutory Pass-throughs when the Project Area exceeds the original time limit to incur debt. Statutory Pass-throughs are required for all those taxing entities for which the Agency had not entered into a prior tax sharing agreement. The collective total of the tax rate for those taxing agencies that did not have an existing tax sharing agreement in place prior to the 2002 Amendment and the SB 211 Amendment represent 76.01% of the 1% general levy (based upon the 2013-14 tax rate allocations).

   Statutory Pass-through payments are implemented in the following manner: in the year that the original time limit to incur debt is exceeded, Section 33607.7 establishes an adjusted base year by which to calculate and apply the Statutory Pass-throughs. These Statutory Pass-through payments are based upon new incremental revenue, above that which was received in the year the old limit is exceeded ("Adjusted Base Year Revenue"). The Agency begins to make Statutory Pass-through payments in the first year following the year that the time limit to incur debt is exceeded. The Statutory Pass-through payments begin with first tier payments that are equal to 25% of the Project's annual non-housing tax increment revenue (that exceed the Adjusted Base Year Revenue), applied to each taxing entity's (that has not already entered into a prior tax sharing agreement) share of the 1% levy. These Statutory Pass-through payments are subject to one subsequent increase that would take effect in the eleventh payment year, when the Agency would be required to pay an additional 21% of the incremental increase in non-housing tax increment revenues exceeding amounts in the tenth payment year. As detailed in Table 14B, taxing entities with existing Agreements represent 23.9% of the 1% levy. Therefore, the Statutory Pass-through payments are based upon 76.01% of the 1% levy.

If the Agency desires to subordinate Statutory Pass-through payments to Agency indebtedness, the Agency must provide substantial evidence to the taxing entities showing that the Agency will be able to repay the indebtedness without impact on the Statutory Pass-through payments. Also, the Agency must maintain a minimum ratio of tax increment to debt service costs sufficient to cover debt service payments, any debt coverage obligations, and future Statutory Pass-through payments. Within 30 days of the receipt of the evidence, the taxing entities shall approve or deny the subordination within 45 days based on the evidence provided. If the subordination is approved, the Agency may subordinate payments to all affected taxing agencies (including the City) to debt service payments on the new 2014 TABS.

The Successor Agency has obtained the consent of all the applicable taxing entities to subordinate their right to receive Statutory Pass-through payments to the payment of debt service on the 2014 Bonds; the taxing entities previously subordinated their Statutory Pass-through payments to the payment of debt service on the 2009 Bonds.

TAX COLLECTION FEE

Actual tax increment disbursements are reduced to reflect the tax collection fee charged by the County Auditor pursuant to Senate Bills 2577 and 813. The tax collection fee varies from year-to-year based on actual costs incurred by the County for administration of property taxes to the Agency. The County Auditor reported that the tax collection fee in Fiscal Year 2013-14 was approximately 3.30% of tax increment revenues. In the four previous years, the rate ranged from 3.33% to 3.99%. As a part of the Dissolution Act, county auditors had increased duties, resulting in higher costs. It is important to note that the Dissolution Act provides priority for administrative funding to county auditors, senior to pass-throughs and debt obligations. As such, the Revenue Projections assume a County tax collection fee of 3.86% of gross tax increment revenues (the rate in Fiscal Year 2012-13); though this amount may reduce over time as the dissolution process becomes more streamlined.

DISCLAIMER

RSG has attempted to take into account pertinent factors during the preparation of the Revenue Projections (Tables 14A and 14B) and this Report. Our goal is to provide realistic revenue projections without overstating future property tax revenues. While precautions have been taken to assure the accuracy of the data used in the formulation of these Revenue Projections, it cannot be assured that projected valuations or revenues will be realized. Future events and conditions that cannot be controlled may affect actual assessed valuations and revenues.

TAX INCREMENT REVENUE PROJECTIONS & TAXING AGENCY PAYMENTS

Tax Increment Revenue Projections **TABLE 14A**

Hollister Community Development Project Area

Plan Yr.	Bond Yr.		Assessed Value Forecast: Secured/1 2.00%	Unsecured 0.00%	Total	Incremental	Gross Tax Increment: Annual 1.0%	Cumulative
1982-83 Base Year Value:					$175,025,611		Through 2006-07:	$123,912,312
31	1	2013-14	$1,143,474,816	$44,942,228	$1,188,417,044	$1,013,391,433	$10,133,914	$200,074,039
32	2	2014-15	1,166,344,312	44,942,228	1,211,286,540	1,036,260,929	10,362,609	210,436,648
33	3	2015-16	1,189,671,199	44,942,228	1,234,613,427	1,059,587,816	10,595,878	221,032,526
34	4	2016-17	1,213,464,623	44,942,228	1,258,406,851	1,083,381,240	10,833,812	231,866,339
35	5	2017-18	1,237,733,915	44,942,228	1,282,676,143	1,107,650,532	11,076,505	242,942,844
36	6	2018-19	1,262,488,593	44,942,228	1,307,430,821	1,132,405,210	11,324,052	254,266,896
37	7	2019-20	1,287,738,365	44,942,228	1,332,680,593	1,157,654,982	11,576,550	265,843,446
38	8	2020-21	1,313,493,132	44,942,228	1,358,435,360	1,183,409,749	11,834,097	277,677,544
39	9	2021-22	1,339,762,995	44,942,228	1,384,705,223	1,209,679,612	12,096,796	289,774,340
40	10	2022-23	1,366,558,255	44,942,228	1,411,500,483	1,236,474,872	12,364,749	302,139,088
41	11	2023-24	1,393,889,420	44,942,228	1,438,831,648	1,263,806,037	12,638,060	314,777,149
42	12	2024-25	1,421,767,209	44,942,228	1,466,709,437	1,291,683,826	12,916,838	327,693,987
43	13	2025-26	1,450,202,553	44,942,228	1,495,144,781	1,320,119,170	13,201,192	340,895,179
44	14	2026-27	1,479,206,604	44,942,228	1,524,148,832	1,349,123,221	13,491,232	354,386,411
45	15	2027-28	1,508,790,736	44,942,228	1,553,732,964	1,378,707,353	13,787,074	368,173,485
46	16	2028-29	1,538,966,551	44,942,228	1,583,908,779	1,408,883,168	14,088,832	382,262,316
47	17	2029-30	1,569,745,882	44,942,228	1,614,688,110	1,439,662,499	14,396,625	396,658,941
48	18	2030-31	1,601,140,799	44,942,228	1,646,083,027	1,471,057,416	14,710,574	411,369,515
49	19	2031-32	1,633,163,615	44,942,228	1,678,105,843	1,503,080,232	15,030,802	426,400,318
50	20	2032-33	$1,665,826,887	$44,942,228	$1,710,769,115	$1,535,743,504	$15,357,435	$441,757,753
Cumulative Totals							$251,817,628	

Note:

[1] Includes homeowner exemption values. Utility values are excluded from these projections.

Tax Increment Revenue Projections **TABLE 14A (continued)**

Hollister Community Development Project Area

				Redevelopment Funds				
Plan Yr.	**Bond Yr.**		County Admin. Charge	Net Revenue After Admin Charge	Senior Taxing Agency Payments	**Net Revenue Available for Debt Service**	Subordinate Taxing Agency Payments	Net Revenue
			3.8600%					
BY		1982-83						
31	1	2013-14	($391,169)	$9,742,745	$559,946	**$9,182,799**	$1,991,826	$7,190,974
32	2	2014-15	(399,997)	9,962,613	572,583	**9,390,030**	2,097,935	7,292,095
33	3	2015-16	(409,001)	10,186,877	585,472	**9,601,405**	2,206,167	7,395,238
34	4	2016-17	(418,185)	10,415,627	598,619	**9,817,008**	2,316,564	7,500,445
35	5	2017-18	(427,553)	10,648,952	612,029	**10,036,924**	2,429,168	7,607,756
36	6	2018-19	(437,108)	10,886,944	625,707	**10,261,237**	2,544,024	7,717,212
37	7	2019-20	(446,855)	11,129,695	639,658	**10,490,037**	2,661,178	7,828,858
38	8	2020-21	(456,796)	11,377,301	653,889	**10,723,412**	2,780,675	7,942,737
39	9	2021-22	(466,936)	11,629,860	668,405	**10,961,455**	2,902,561	8,058,894
40	10	2022-23	(477,279)	11,887,469	683,210	**11,204,259**	3,026,886	8,177,373
41	11	2023-24	(487,829)	12,150,231	698,312	**11,451,919**	3,153,697	8,298,223
42	12	2024-25	(498,590)	12,418,248	713,716	**11,704,533**	3,283,044	8,421,489
43	13	2025-26	(509,566)	12,691,626	729,428	**11,962,198**	3,414,978	8,547,220
44	14	2026-27	(520,762)	12,970,471	745,454	**12,225,017**	3,549,550	8,675,467
45	15	2027-28	(532,181)	13,254,892	761,800	**12,493,092**	3,686,815	8,806,278
46	16	2028-29	(543,829)	13,545,003	778,474	**12,766,529**	3,826,824	8,939,705
47	17	2029-30	(555,710)	13,840,915	795,481	**13,045,434**	3,969,634	9,075,801
48	18	2030-31	(567,828)	14,142,746	812,828	**13,329,918**	4,115,300	9,214,618
49	19	2031-32	(580,189)	14,450,613	830,522	**13,620,091**	4,263,879	9,356,213
50	20	2032-33	($592,797)	$14,764,638	$848,570	**$13,916,068**	$4,415,429	$9,500,639
Cumulative Totals			($9,720,160)	$242,097,468	$13,914,101	$228,183,366	$62,636,133	$165,547,234

Taxing Agency Payments **TABLE 14B**

Hollister Community Development Project Area

			Senior Fiscal Mitigation Agreements			**Subordinate Fiscal Mitigation Agreement**	**Subordinate Statutory Payments**							**Total Subordinate**	Total Senior & Subordinate
Plan Year	**Bond Yr.**		Water & Flood Control	Hospital District	**Total**	County of San Benito	City of Hollister[1]	Education Tax Areas	Hollister Elementary	San Benito High	Gavilan Jr. College	Santa Clara Equalization	Total Statutory Pymts	**Taxing Agency Payments**	Taxing Agency Payments
			3.4680%	2.0575%	**5.5255%**	18.4039%	14.0298%	3.1368%	27.9064%	23.0155%	7.9613%	0.0209%	76.0706%	**94.4745%**	100%
BY		1982-83													
31	1	2013-14	$351,441	$208,505	**$559,946**	$1,865,036	$23,384	$5,228	$46,512	$38,361	$13,269	$35	$126,789	**$1,991,826**	$2,551,772
32	2	2014-15	359,372	213,211	**572,583**	1,907,125	29,801	8,141	72,423	59,730	20,661	54	190,810	**2,097,935**	2,670,518
33	3	2015-16	367,462	218,010	**585,472**	1,950,056	36,346	11,111	98,852	81,527	28,201	74	256,111	**2,206,167**	2,791,639
34	4	2016-17	375,713	222,906	**598,619**	1,993,845	43,023	14,141	125,809	103,760	35,891	94	322,718	**2,316,564**	2,915,182
35	5	2017-18	384,130	227,899	**612,029**	2,038,510	49,833	17,232	153,306	126,437	43,736	115	390,658	**2,429,168**	3,041,197
36	6	2018-19	392,714	232,992	**625,707**	2,084,068	56,779	20,384	181,352	149,568	51,737	136	459,956	**2,544,024**	3,169,731
37	7	2019-20	401,471	238,187	**639,658**	2,130,538	63,864	23,600	209,959	173,162	59,898	157	530,640	**2,661,178**	3,300,837
38	8	2020-21	410,403	243,487	**653,889**	2,177,937	71,090	26,880	239,139	197,228	68,223	179	602,738	**2,780,675**	3,434,564
39	9	2021-22	419,513	248,892	**668,405**	2,226,283	78,462	30,225	268,902	221,774	76,714	201	676,278	**2,902,561**	3,570,966
40	10	2022-23	428,806	254,405	**683,210**	2,275,597	85,980	33,638	299,260	246,812	85,374	224	751,289	**3,026,886**	3,710,096
41	11	2023-24	438,284	260,028	**698,312**	2,325,897	93,649	37,118	330,226	272,351	94,208	247	827,799	**3,153,697**	3,852,009
42	12	2024-25	447,952	265,764	**713,716**	2,377,203	101,472	40,668	361,811	298,400	103,219	271	905,841	**3,283,044**	3,996,759
43	13	2025-26	457,813	271,614	**729,428**	2,429,535	109,451	44,290	394,027	324,970	112,410	295	985,442	**3,414,978**	4,144,405
44	14	2026-27	467,872	277,582	**745,454**	2,482,914	117,589	47,983	426,888	352,072	121,785	319	1,066,636	**3,549,550**	4,295,004
45	15	2027-28	478,131	283,669	**761,800**	2,537,361	125,890	51,751	460,406	379,716	131,347	344	1,149,454	**3,686,815**	4,448,615
46	16	2028-29	488,596	289,878	**778,474**	2,592,896	134,357	55,594	494,595	407,912	141,100	370	1,233,928	**3,826,824**	4,605,298
47	17	2029-30	499,270	296,211	**795,481**	2,649,542	142,994	59,514	529,467	436,673	151,049	396	1,320,092	**3,969,634**	4,765,115
48	18	2030-31	510,158	302,670	**812,828**	2,707,321	151,803	63,512	565,036	466,009	161,196	423	1,407,979	**4,115,300**	4,928,128
49	19	2031-32	521,263	309,259	**830,522**	2,766,255	160,789	67,590	601,318	495,931	171,547	450	1,497,623	**4,263,879**	5,094,401
50	20	2032-33	$532,591	$315,979	**$848,570**	$2,826,368	$169,954	$71,749	$638,324	$526,452	$182,104	$477	$1,589,061	**$4,415,429**	$5,263,999
Total			$8,732,954	$5,181,147	$13,914,101	$46,344,289	$1,846,511	$730,349	$6,497,612	$5,358,845	$1,853,668	$4,859	$16,291,844	**$62,636,133**	$76,550,234

Notes:

[1] The City of Hollister only receives the first tier of the statutory payments

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF HOLLISTER
375 FIFTH STREET, HOLLISTER, CA 92602

AUGUST 7, 2014

ADDENDUM TO THE FISCAL CONSULTANT REPORT 2014 TAX ALLOCATION REFUNDING BONDS

Hollister Community Development Project Area

Successor Agency to the Redevelopment Agency of the City of Hollister

ROSENOW SPEVACEK GROUP, INC.
www.webrsg.com

BACKGROUND

A Fiscal Consultant Report ("Report") has been prepared by Rosenow Spevacek Group, Inc. ("RSG"), dated July 9, 2014. The purpose of the Report was to substantiate available tax revenues to be generated from the Hollister Community Development Project Area ("Project Area") for the proposed 2014 Refunding Tax Allocation Bonds ("2014 TABS"). The further purpose of the Report was to estimate future tax increment revenues from the Project Area that would be available to pay debt obligations. The 2014 TABS will refinance existing bonded indebtedness incurred by the former Redevelopment Agency for all of its 2003 Tax Allocation Bonds.

PURPOSE OF THE ADDENDUM

On July 28, 2014, RSG received the Certified Values for Tax Year 2014 (Fiscal Year 2014-15) from the County of San Benito Auditor-Controller. The value report showed that the total assessed value of the Project Area increased by over 7.8% from the prior year. Because of this significant increase in value, it has been determined that it is appropriate to revise certain tables presented in the Report dated July 9, 2014 to reflect the change in assessed value. The following tables have been updated and are presented in this Addendum to reflect the impact of the new assessment roll value.

The Project Area's assessed value for Fiscal Year ("FY") 2014-15 is $1,281,476,301, as compared to the 2013-14 value of $1,188,417,044. This represents an increase of 7.8% over FY 2013-14 assessed valuations. Gross tax increment revenue for FY 2014-15 is estimated to be $11,064,507. The following Table 1 summarizes the overall findings of this Addendum, including Revenue Projections illustrating the amount of net tax increment available to the Successor Agency to the Redevelopment Agency of the City of Hollister ("Agency"). Agency for the 2014 TABS.

Tax Increment Projection Summary **Table 1**

Hollister Community Development Project Area

Bond Year	Fiscal Year	Total Assessed Value	Incremental Assessed Value	Gross Tax Increment Revenue (1.0%)	Less: County Admin. Charge	Less: Senior Taxing Agency Payments[1]	**Net Revenue Available for Debt Service**	Subordinate Taxing Agency Payments[2]	Net Tax Increment Revenue
	BY Value:	$175,025,611							
1	2014-15	$1,281,476,301	$1,106,450,690	$11,064,507	($427,090)	$611,366	**$10,026,051**	$2,423,601	$7,602,450
2	2015-16	1,306,178,816	1,131,153,205	11,311,532	(436,625)	625,015	**10,249,892**	2,538,215	7,711,676
3	2016-17	1,331,375,382	1,156,349,771	11,563,498	(446,351)	638,937	**10,478,209**	2,655,122	7,823,087
4	2017-18	1,357,075,878	1,182,050,267	11,820,503	(456,271)	653,138	**10,711,093**	2,774,367	7,936,726
5	2018-19	1,383,290,385	1,208,264,774	12,082,648	(466,390)	667,623	**10,948,635**	2,895,997	8,052,638
6	2019-20	1,410,029,182	1,235,003,571	12,350,036	(476,711)	682,397	**11,190,927**	3,020,059	8,170,868
7	2020-21	1,437,302,755	1,262,277,144	12,622,771	(487,239)	697,467	**11,438,065**	3,146,603	8,291,462
8	2021-22	1,465,121,799	1,290,096,188	12,900,962	(497,977)	712,838	**11,690,146**	3,275,677	8,414,469
9	2022-23	1,493,497,224	1,318,471,613	13,184,716	(508,930)	728,517	**11,947,269**	3,407,333	8,539,935
10	2023-24	1,522,440,158	1,347,414,547	13,474,145	(520,102)	744,510	**12,209,534**	3,541,623	8,667,911
11	2024-25	1,551,961,950	1,376,936,339	13,769,363	(531,497)	760,822	**12,477,044**	3,678,598	8,798,447
12	2025-26	1,582,074,178	1,407,048,567	14,070,486	(543,121)	777,460	**12,749,905**	3,818,312	8,931,593
13	2026-27	1,612,788,651	1,437,763,040	14,377,630	(554,977)	794,431	**13,028,223**	3,960,821	9,067,402
14	2027-28	1,644,117,413	1,469,091,802	14,690,918	(567,069)	811,742	**13,312,107**	4,106,179	9,205,927
15	2028-29	1,676,072,750	1,501,047,139	15,010,471	(579,404)	829,399	**13,601,668**	4,254,446	9,347,223
16	2029-30	1,708,667,194	1,533,641,583	15,336,416	(591,986)	847,409	**13,897,022**	4,405,677	9,491,345
17	2030-31	1,741,913,527	1,566,887,916	15,668,879	(604,819)	865,779	**14,198,282**	4,559,933	9,638,349
18	2031-32	1,775,824,787	1,600,799,176	16,007,992	(617,908)	884,516	**14,505,567**	4,717,274	9,788,293
19	2032-33	$1,810,414,272	$1,635,388,661	$16,353,887	($631,260)	$903,629	**$14,818,998**	$4,877,762	$9,941,236
Totals				$257,661,360	($9,945,728)	$14,236,995	**$233,478,637**	$68,057,599	$165,421,037

[1] Includes payments made pursuant to the Agency's tax sharing cooperative agreements entered into with the San Benito Hospital District and the San Benito County Water Conservation and Flood Control District on December 10, 1984.

[2] The Agency, pursuant to the County Cooperative Agreement of 1984, has requested and received County subordination of its pass-through payments to the proposed 2014 Bonds. The County has subordinated its payments to all prior bond issues. Additionally, the Agency has requested and received subordination of statutory pass-through payments due to those taxing entities entitled to statutory tax sharing pursuant to Redevelopment Law Section 33607.7.

TAX INCREMENT REVENUE LIMITATION UPDATE

As provided in Part VII Section C of the Plan, the portion of gross tax increment revenue divided and allocated to the Agency from the Project Area shall not exceed a cumulative total of $650 million over the duration of the Plan. Additionally, the Agency may not be allocated more than $262 million, from the date the 2002 Amendment was adopted on June 17, 2002, net of housing set-aside deposits, payments to affected taxing agencies, and debt service on the 1994, 1997, and 2003 Tax Allocation Bonds ("net tax increment revenue").[1] For the purposes of reviewing and updating the Project Area's limitation on collecting tax increment revenue, Table 3 of this Addendum is updated with the 2014-15 assessment roll value. Table 3 shows the total of both gross and net tax increment revenue collected from the Project Area through 2014-15 and through the end of the Plan's term to collect tax increment (FY 2032-33). As of June 30, 2015, it is estimated that the Project Area will have generated $211,138,546 in gross tax increment revenue and $41,315,703 in net tax increment revenue from the date that the 2002 Amendment was adopted. Projections contained in the updated Table 3, and in greater detail in the updated Table 14A, illustrate the Project Area's cumulative tax increment revenues expected to be collected over the Plan's term. Based upon growth projections in Table 14A, which assume a 2% annual increase in the secured roll, the Project Area is not projected to hit the Plan's limitation of $650 million in gross tax increment revenue before the end of its term to collect tax increment (FY 2032-33). Furthermore, as analyzed in Table 3, the Project Area is not projected to hit the Plan's limitation of $262 million in net tax increment revenue from the date of adoption of the 2002 Amendment before the end of its term to collect tax increment. In order for the Project Area to reach the $262 million limit, secured assessed value would have to increase by 8.1% each year, which is unlikely to occur as reflected in the historical growth rates over the past 11 years, as depicted in Table 5.

The Dissolution Act does not clearly describe how or if a redevelopment plan's limitations will be enforced. The California Department of Finance has alluded to the fact that it does not believe that such limitations apply. However, due to the uncertainty related to this issue, for the purposes of the tax increment financial limitations identified in the Plan, the following table continues to net out the 20% housing set-aside and assumes that the net tax increment available applies to the tax increment limitation. The Agency recognizes that, pursuant to the Dissolution Act, there is no longer a 20% housing set-aside requirement and the Agency only receives funds for items identified on the Recognized Obligation Payment Schedule. The Agency will annually monitor the tax increment limitation and follow procedures identified in the Indenture if they are close to reaching the limitation, thus ensuring that all the revenue needed to pay debt service is collected.

[1] The 1991 Tax Allocation Bonds were refunded on October 1, 2003 by the 2003 Tax Allocation Bonds. The Plan's cap is net of the 1991 Tax Allocation Bonds, and therefore, the 2003 Tax Allocation Bonds must be deducted.

Gross and Net Tax Increment Cap Analysis[1] **Table 3**
Hollister Community Development Project Area

Fiscal Year	Gross Tax Inc. Revenue[2]	Housing Set-aside[3]	Taxing Agency Payments[4]	**Debt Service Payments**[5]				Net Tax Inc. Revenue
				1991	1994 [6]	1997	2003 [7]	
1984-85 through 2001-02	$71,637,407							
2002-03	$8,648,207	($2,782,467)	($2,095,756)	Refunded by the 2003 Tax Allocation Bonds	($603,655)	($885,973)	$ -	$2,280,356
2003-04	9,300,550	(2,342,403)	(2,230,928)		(601,486)	(889,148)	(203,217)	3,033,368
2004-05	10,030,064	(2,342,346)	(2,405,437)		(597,455)	(895,943)	(1,924,346)	1,864,537
2005-06	11,514,888	(2,302,978)	(2,827,007)		(601,234)	(761,103)	(2,055,146)	2,967,421
2006-07	12,781,196	(2,180,989)	(2,964,673)		-	(760,893)	(2,056,896)	4,817,745
2007-08	13,262,524	(2,652,505)	(3,163,456)		-	(759,293)	(2,058,346)	4,628,924
2008-09	12,802,535	(2,560,507)	(3,070,979)		-	(1,006,263)	(1,809,496)	4,355,290
2009-10	10,698,699	(2,139,740)	(2,564,863)		-	(1,004,263)	(1,812,846)	3,176,987
2010-11	9,903,539	(1,980,708)	(2,373,898)		-	(1,004,738)	(1,810,926)	2,733,269
2011-12	9,767,283	(1,953,457)	(2,341,635)		-	(1,005,931)	(1,813,676)	2,652,584
2012-13	9,593,233	(1,918,647)	(2,299,452)		-	(1,004,706)	(1,811,206)	2,559,222
2013-14	10,133,914	(2,026,783)	(2,424,983)		-	(1,001,063)	(1,818,606)	2,862,480
2014-15	11,064,507	(2,212,901)	(2,647,668)		-	-	(2,820,419)	3,383,519
Current Subtotal:	***$211,138,546***	***($42,227,709)***						***$41,315,703***
2015-16	11,311,532	(2,262,306)	(2,706,779)		-	-	(2,818,719)	3,523,728
2016-17	11,563,498	(2,312,700)	(2,767,073)		-	-	(2,819,131)	3,664,594
2017-18	11,820,503	(2,364,101)	(2,828,573)		-	-	(2,816,394)	3,811,436
2018-19	12,082,648	(2,416,530)	(2,891,302)		-	-	(2,815,506)	3,959,310
2019-20	12,350,036	(2,470,007)	(2,955,287)		-	-	(2,816,206)	4,108,536
2020-21	12,622,771	(2,524,554)	(3,020,551)		-	-	(2,818,231)	4,259,435
2021-22	12,900,962	(2,580,192)	(3,087,120)		-	-	(2,816,319)	4,417,331
2022-23	13,184,716	(2,636,943)	(3,155,020)		-	-	(2,815,469)	4,577,284
2023-24	13,474,145	(2,694,829)	(3,224,279)		-	-	(2,820,419)	4,734,619
2024-25	13,769,363	(2,753,873)	(3,294,923)		-	-	(2,815,644)	4,904,924
2025-26	14,070,486	(2,814,097)	(3,366,980)		-	-	(2,818,650)	5,070,759
2026-27	14,377,630	(2,875,526)	(3,440,477)		-	-	(2,816,788)	5,244,839
2027-28	14,690,918	(2,938,184)	(3,515,445)		-	-	(2,820,056)	5,417,233
2028-29	15,010,471	(3,002,094)	(3,591,912)		-	-	(2,817,944)	5,598,521
2029-30	15,336,416	(3,067,283)	(3,669,909)		-	-	(2,815,450)	5,783,774
2030-31	15,668,879	(3,133,776)	(3,749,465)		-	-	(2,817,319)	5,968,319
2031-32	16,007,992	(3,201,598)	(3,830,613)		-	-	(2,818,038)	6,157,743
2032-33	$16,353,887	($3,270,777)	($3,913,383)		$ -	$ -	($2,817,350)	$6,352,376
Total[8]	**$457,735,399**							**$128,870,463**

[1] The portion of the gross tax increment revenue allocated to the Agency from the Project Area shall not exceed a cumulative total of $650 million. Additionally, the Agency may not be allocated more than $262 million from the date of adoption of the 2002 Amendment net of housing set-aside deposits, payments to affected taxing agencies, and debt service on the 1991, 1994, and 1997 Tax Allocation Bonds. It should be noted that the $262 million cap is not net of debt service on the 2009 Tax Allocation Bonds.

[2] The Agency received tax increment revenues generated from the Project Area in three annual installments paid by the San Benito County Treasurer.

[3] Previous to the Dissolution Act, the former Redevelopment Agency was required to deposit not less than 20% of its gross tax increment revenues into a fund ("Housing Fund") for the purposes of creating and preserving the supply of housing available to persons and families of very-low-, low-, and moderate-income in accordance with H&S Code Section 33334.2. The County Auditor is not required to make this set-aside as a part of Redevelopment Property Tax Trust Fund ("RPTTF") allocations. However, the 20% set-aside has been included in the Revenue Projections to adhere to the methodology adopted in the Plan.

[4] Includes payments to: San Benito County Water District, San Benito Hospital District, and the County of San Benito.

[5] Values based upon the Debt Service Schedules as provided within the Official Statements for the 1991, 1994, 1997, and 2003 Tax Allocation Bonds.

[6] Debt service payments on the 1994 Tax Allocation Bonds are provided here for reporting purposes only. These payments were not deducted from the Gross Tax Increment Revenue for purposes of calculating the Net Tax Increment Cap because the 1994 Tax Allocation Bonds are secured by and paid from the Agency's Housing Set-aside fund. Deducting 1994 Tax Allocation Bond debt service payments would result in a "double" reduction of these funds since the Net Tax Increment Cap is already net of all Housing Set-aside deposits.

[7] The 1991 Tax Allocation Bonds were refunded on October 1, 2003, by the 2003 Tax Allocation Bonds. Because the Plan's net tax increment cap is calculated, in part, net of the 1991 Tax Allocation Bonds, these values represent portions of the debt service payments on the 2003 Tax Allocation Bonds attributable to refinancing of the 1991 Tax Allocation Bonds.

[8] Total Gross Tax Increment Revenue is calculated based on tax increment revenues allocated to the Agency since the adoption of the Plan. Total Net Tax Increment Revenue is calculated from June 17, 2002, or the date of adoption of the 2002 Amendment.

Sources: San Benito County Auditor-Controller, Annual Continuing Disclosure Information Statements for the 2003 Tax Allocation Bonds, Official Statements for the 1991, 1994, 1997, and 2003 Tax Allocation Bonds

UPDATED HISTORICAL ASSESSED VALUATION & REVENUES

As reported by the County Auditor-Controller on July 28, 2014, the FY 2014-15 assessed value for the Project Area is $1,281,476,301. Table 5 below has been updated to provide an 11-year historical summary of assessed valuations in the Project Area. Table 6, also updated, provides a six-year historical summary of assessed valuations and tax increment revenues generated from the Project Area. Both tables show the total roll value for FY 2014-15.

Historical Assessed Valuations **Table 5**

Hollister Community Development Project Area

Year	Total	%Δ
2004-05	$1,178,299,110	
2005-06	1,328,696,648	12.8%
2006-07	1,465,318,561	10.3%
2007-08	1,495,097,222	2.0%
2008-09	1,447,629,847	-3.2%
2009-10	1,244,895,486	-14.0%
2010-11	1,165,379,501	-6.4%
2011-12	1,151,753,911	-1.2%
2012-13	1,134,348,952	-1.5%
2013-14	1,188,417,044	4.8%
2014-15	$1,281,476,301	7.8%

Source: County of San Benito Auditor Controller

Historical Assessed Valuations & Tax Increment Revenues **Table 6**

Hollister Community Development Project Area

	2009-10	2010-11	%Δ	2011-12	%Δ	2012-13	%Δ	2013-14	%Δ	2014-15	%Δ
Secured	$1,196,935,871	$1,119,799,337		$1,108,351,918		$1,089,878,819		$1,143,474,816		$1,235,125,757	
Unsecured	47,959,615	45,580,164		43,401,993		44,470,133		44,942,228		46,350,544	
Total Assessed Value[1]	1,244,895,486	1,165,379,501	-6.39%	1,151,753,911	-1.17%	1,134,348,952	-1.51%	1,188,417,044	4.77%	1,281,476,301	7.83%
Less: Base Year[2]	(175,025,611)	(175,025,611)		(175,025,611)		(175,025,611)		(175,025,611)		(175,025,611)	
Incremental Assessed Value	**$1,069,869,875**	**$990,353,890**	**-7.43%**	**$976,728,300**	**-1.38%**	**$959,323,341**	**-1.78%**	**$1,013,391,433**	**5.64%**	**$1,106,450,690**	**9.18%**
Tax Levy Rate	1.00%	1.00%		1.00%		1.00%		1.00%		1.00%	
Gross Estimated Revenue	**$10,698,699**	**$9,903,539**		**$9,767,283**		**$9,593,233**		**$10,133,914**		**$11,064,507**	
Gross Actual Revenue	$10,698,699	$9,903,539		$9,767,283		$9,593,233		$10,406,064 [3]		[4]	
Less: Adjustments[5]	(2,867)	(9,193)		(6,504)		(14,485)		-			
Less: County Admin Fee[6]	(356,278)	(347,363)		(390,154)		(369,715)		(343,822)			
Less: Senior Negotiated Pass-throughs	(596,524)	(551,804)		(544,665)		(534,442)		(572,869)			
Less: Subordinate Negotiated Pass-throughs	(1,968,340)	(1,822,094)		(1,796,970)		(1,765,011)		(1,891,483)			
Less: Subordinate Statutory Pass-throughs	(477,289)	(174,607)		(37,451)		(13,622)		(13,622)			
Net Actual Revenue[7,8]	**$7,297,401**	**$6,998,479**	**-4.10%**	**$6,991,538**	**-0.10%**	**$6,895,959**	**-1.37%**	**$7,584,268**	**9.98%**		
% of Gross Estimated vs. Actuals	**100%**	**100%**		**100%**		**100%**		**103%**			

[1] Net of non-homeowner exemptions and includes public utility values.

[2] The base year value was adjusted downward from $175,292,754 as a result of AB 2670 effective January 1, 2007, which converted railroad property previously assessed at a county level to state property assessed at the state level.

[3] As of June 1, 2014 per County ROPS Distribution Report for 13-14B and 14-15A.

[4] Gross and net actual revenue data for FY 2014-15 is not yet available.

[5] Adjustments include negative current supplemental amounts, prior secured refunds, and interest on refunds.

[6] Actual administrative fee (SB2557) levied per the San Benito County Auditor Controller. Note fee charge lags by a year, e.g. the 2009-10 charge is for FY 2008-09.

[7] Prior to dissolution, amounts shown were allocated to the Hollister Development Agency. Post dissolution, amounts are deposited into Redevelopment Property Tax Trust Fund

[8] The Auditor Controller will process current year refunds, or other changes in the net levy subsequent to the equalized roll, which will produce minor variations between estimated revenues and actual collections.

Sources: San Benito County Auditor Controller, City of Hollister

RSG

UPDATED TAX INCREMENT REVENUE PROJECTIONS METHODOLOGY & GENERAL ASSUMPTIONS

The following projection tables utilize the same methodology as detailed within the Report. The updated tables utilize the beginning roll value for FY 2014-15 and assume an increase in secured value by 2% per annum while holding the unsecured value constant.

RSG has attempted to take into account pertinent factors during the preparation of the Revenue Projections (Tables 14A and 14B) and this Addendum. Our goal is to provide realistic revenue projections without overstating future property tax revenues. While precautions have been taken to assure the accuracy of the data used in the formulation of these Revenue Projections, it cannot be assured that projected valuations or revenues will be realized. Future events and conditions that cannot be controlled may affect actual assessed valuations and revenues.

TAX INCREMENT REVENUE PROJECTIONS & TAXING AGENCY PAYMENTS

Tax Increment Revenue Projections **TABLE 14A**

Hollister Community Development Project Area

Plan Yr.	Bond Yr.			Assessed Value Forecast: Secured[1] 2.00%	Unsecured 0.00%	Total	Incremental	Gross Tax Increment: Annual 1.0%	Cumulative
				1982-83 Base Year Value:		$175,025,611			
32	1	2014-15	ACTUAL	$1,235,125,757	$46,350,544	$1,281,476,301	$1,106,450,690	$11,064,507	$211,138,546
33	2	2015-16	2.0%	1,259,828,272	46,350,544	1,306,178,816	1,131,153,205	11,311,532	222,450,078
34	3	2016-17	2.0%	1,285,024,838	46,350,544	1,331,375,382	1,156,349,771	11,563,498	234,013,576
35	4	2017-18	2.0%	1,310,725,334	46,350,544	1,357,075,878	1,182,050,267	11,820,503	245,834,078
36	5	2018-19	2.0%	1,336,939,841	46,350,544	1,383,290,385	1,208,264,774	12,082,648	257,916,726
37	6	2019-20	2.0%	1,363,678,638	46,350,544	1,410,029,182	1,235,003,571	12,350,036	270,266,762
38	7	2020-21	2.0%	1,390,952,211	46,350,544	1,437,302,755	1,262,277,144	12,622,771	282,889,533
39	8	2021-22	2.0%	1,418,771,255	46,350,544	1,465,121,799	1,290,096,188	12,900,962	295,790,495
40	9	2022-23	2.0%	1,447,146,680	46,350,544	1,493,497,224	1,318,471,613	13,184,716	308,975,211
41	10	2023-24	2.0%	1,476,089,614	46,350,544	1,522,440,158	1,347,414,547	13,474,145	322,449,357
42	11	2024-25	2.0%	1,505,611,406	46,350,544	1,551,961,950	1,376,936,339	13,769,363	336,218,720
43	12	2025-26	2.0%	1,535,723,634	46,350,544	1,582,074,178	1,407,048,567	14,070,486	350,289,206
44	13	2026-27	2.0%	1,566,438,107	46,350,544	1,612,788,651	1,437,763,040	14,377,630	364,666,836
45	14	2027-28	2.0%	1,597,766,869	46,350,544	1,644,117,413	1,469,091,802	14,690,918	379,357,754
46	15	2028-29	2.0%	1,629,722,206	46,350,544	1,676,072,750	1,501,047,139	15,010,471	394,368,226
47	16	2029-30	2.0%	1,662,316,650	46,350,544	1,708,667,194	1,533,641,583	15,336,416	409,704,641
48	17	2030-31	2.0%	1,695,562,983	46,350,544	1,741,913,527	1,566,887,916	15,668,879	425,373,521
49	18	2031-32	2.0%	1,729,474,243	46,350,544	1,775,824,787	1,600,799,176	16,007,992	441,381,512
50	19	2032-33	2.0%	$1,764,063,728	$46,350,544	$1,810,414,272	$1,635,388,661	$16,353,887	$457,735,399
Cumulative Totals								$257,661,360	

Note:

[1] Includes homeowner exemption values. Utility values are excluded from these projections.

Tax Increment Revenue Projections **TABLE 14A (continued)**

Hollister Community Development Project Area

				Redevelopment Funds				
Plan Yr.	**Bond Yr.**		County Admin. Charge	Net Revenue After Admin Charge	Senior Taxing Agency Payments	**Net Revenue Available for Debt Service**	Subordinate Taxing Agency Payments	Net Revenue
			3.8600%					
32	1	2014-15	($427,090)	$10,637,417	$611,366	**$10,026,051**	$2,423,601	$7,602,450
33	2	2015-16	(436,625)	10,874,907	625,015	**10,249,892**	2,538,215	7,711,676
34	3	2016-17	(446,351)	11,117,147	638,937	**10,478,209**	2,655,122	7,823,087
35	4	2017-18	(456,271)	11,364,231	653,138	**10,711,093**	2,774,367	7,936,726
36	5	2018-19	(466,390)	11,616,258	667,623	**10,948,635**	2,895,997	8,052,638
37	6	2019-20	(476,711)	11,873,324	682,397	**11,190,927**	3,020,059	8,170,868
38	7	2020-21	(487,239)	12,135,532	697,467	**11,438,065**	3,146,603	8,291,462
39	8	2021-22	(497,977)	12,402,985	712,838	**11,690,146**	3,275,677	8,414,469
40	9	2022-23	(508,930)	12,675,786	728,517	**11,947,269**	3,407,333	8,539,935
41	10	2023-24	(520,102)	12,954,043	744,510	**12,209,534**	3,541,623	8,667,911
42	11	2024-25	(531,497)	13,237,866	760,822	**12,477,044**	3,678,598	8,798,447
43	12	2025-26	(543,121)	13,527,365	777,460	**12,749,905**	3,818,312	8,931,593
44	13	2026-27	(554,977)	13,822,654	794,431	**13,028,223**	3,960,821	9,067,402
45	14	2027-28	(567,069)	14,123,849	811,742	**13,312,107**	4,106,179	9,205,927
46	15	2028-29	(579,404)	14,431,067	829,399	**13,601,668**	4,254,446	9,347,223
47	16	2029-30	(591,986)	14,744,430	847,409	**13,897,022**	4,405,677	9,491,345
48	17	2030-31	(604,819)	15,064,060	865,779	**14,198,282**	4,559,933	9,638,349
49	18	2031-32	(617,908)	15,390,083	884,516	**14,505,567**	4,717,274	9,788,293
50	19	2032-33	($631,260)	$15,722,627	$903,629	**$14,818,998**	$4,877,762	$9,941,236
Cumulative Totals			($9,945,728)	$247,715,631	$14,236,995	**$233,478,637**	$68,057,599	$165,421,037

Taxing Agency Payments **TABLE 14B**

Hollister Community Development Project Area

Plan Year	Bond Yr.		Senior Fiscal Mitigation Agreements: Water & Flood Control	Senior Fiscal Mitigation Agreements: Hospital District	Senior Fiscal Mitigation Agreements: **Total**	Subordinate Fiscal Mitigation Agreement: County of San Benito	Subordinate Statutory Payments: City of Hollister[1]	Subordinate Statutory Payments: Education Tax Areas	Subordinate Statutory Payments: Hollister Elementary	Subordinate Statutory Payments: San Benito High	Subordinate Statutory Payments: Gavilan Jr. College	Subordinate Statutory Payments: Santa Clara Equalization	Subordinate Statutory Payments: Total Statutory Pymts	**Total Subordinate Taxing Agency Payments**	Total Senior & Subordinate Taxing Agency Payments
			3.4680%	2.0575%	**5.5255%**	18.4039%	14.0298%	3.1368%	27.9064%	23.0155%	7.9613%	0.0209%	76.0706%	**94.4745%**	100%
32	1	2014-15	$383,714	$227,652	**$611,366**	$2,036,302	$49,496	$17,079	$151,946	$125,316	$43,348	$114	$387,299	**$2,423,601**	$3,034,967
33	2	2015-16	392,280	232,735	**625,015**	2,081,764	56,427	20,225	179,934	148,398	51,332	135	456,451	**2,538,215**	3,163,230
34	3	2016-17	401,018	237,919	**638,937**	2,128,136	63,498	23,434	208,481	171,942	59,476	156	526,987	**2,655,122**	3,294,059
35	4	2017-18	409,931	243,207	**653,138**	2,175,435	70,709	26,707	237,599	195,957	67,783	178	598,932	**2,774,367**	3,427,505
36	5	2018-19	419,022	248,600	**667,623**	2,223,680	78,065	30,045	267,299	220,452	76,256	200	672,317	**2,895,997**	3,563,620
37	6	2019-20	428,295	254,102	**682,397**	2,272,889	85,567	33,450	297,593	245,437	84,899	223	747,170	**3,020,059**	3,702,457
38	7	2020-21	437,754	259,713	**697,467**	2,323,083	93,220	36,924	328,494	270,922	93,714	246	823,519	**3,146,603**	3,844,070
39	8	2021-22	447,401	265,437	**712,838**	2,374,281	101,026	40,466	360,012	296,916	102,706	269	901,396	**3,275,677**	3,988,516
40	9	2022-23	457,242	271,275	**728,517**	2,426,503	108,988	44,080	392,161	323,431	111,877	293	980,830	**3,407,333**	4,135,851
41	10	2023-24	467,279	277,230	**744,510**	2,479,770	117,110	47,766	424,952	350,475	121,232	318	1,061,853	**3,541,623**	4,286,132
42	11	2024-25	477,517	283,305	**760,822**	2,534,101	125,393	51,525	458,400	378,061	130,774	343	1,144,496	**3,678,598**	4,439,419
43	12	2025-26	487,960	289,500	**777,460**	2,589,519	133,843	55,360	492,516	406,198	140,507	368	1,228,792	**3,818,312**	4,595,772
44	13	2026-27	498,612	295,820	**794,431**	2,646,046	142,461	59,272	527,315	434,898	150,435	394	1,314,775	**3,960,821**	4,755,252
45	14	2027-28	509,476	302,266	**811,742**	2,703,703	151,252	63,261	562,810	464,172	160,561	421	1,402,476	**4,106,179**	4,917,921
46	15	2028-29	520,558	308,840	**829,399**	2,762,514	160,218	67,331	599,014	494,031	170,889	448	1,491,932	**4,254,446**	5,083,844
47	16	2029-30	531,862	315,547	**847,409**	2,822,500	169,364	71,482	635,943	524,488	181,425	476	1,583,177	**4,405,677**	5,253,086
48	17	2030-31	543,392	322,387	**865,779**	2,883,686	178,693	75,716	673,610	555,554	192,171	504	1,676,247	**4,559,933**	5,425,712
49	18	2031-32	555,152	329,364	**884,516**	2,946,096	188,208	80,034	712,031	587,241	203,131	532	1,771,178	**4,717,274**	5,601,790
50	19	2032-33	$567,148	$336,481	**$903,629**	$3,009,755	$197,914	$84,439	$751,220	$619,561	$214,311	$562	$1,868,007	**$4,877,762**	$5,781,391
Total			$8,935,613	$5,301,382	**$14,236,995**	$47,419,764	$2,271,454	$928,595	$8,261,327	$6,813,452	$2,356,829	$6,178	$20,637,836	**$68,057,599**	$82,294,594

Notes:

[1] The City of Hollister only receives the first tier of the statutory payments

APPENDIX I

CONTINUING DISCLOSURE HISTORY

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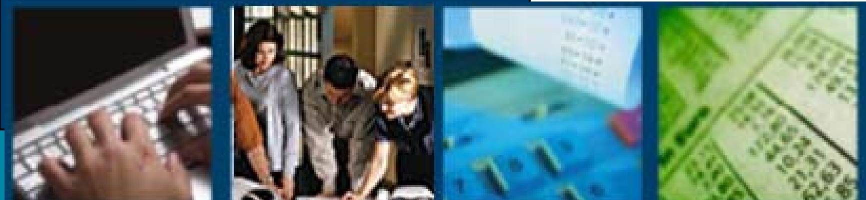
City of Hollister
Redevelopment Agency of the City of Hollister
Hollister Joint Powers Financing Authority

Continuing Disclosure Compliance Review
August 5, 2014



WILLDAN Financial Services

extending your reach

August 5, 2014

Ms. Eileen Gallagher
Managing Director
Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104

RE: Continuing Disclosure Compliance Review – Ten-Year Review

Dear Ms. Gallagher:

At the request of Stifel, Nicolaus & Company, Incorporated, Willdan Financial Services has completed a review of the City of Hollister's (the "City"), the Redevelopment Agency of the City of Hollister's (the "Agency") and the Hollister Joint Powers Financing Authority's (the "Authority") continuing disclosure filings between July 29, 2004 and June 30, 2014.

Our findings reveal that, with a few exceptions, the City, the Agency and the Authority have met the applicable Continuing Disclosure requirements as set forth in Rule 15c2-12. As of the closing date of this report, remedial filings required for active bond issues for full compliance covering the last five years have been completed and disseminated.

This report is intended to summarize the facts regarding historic compliance with respect to Annual Report and Listed Event Filings. The information contained in this report is for informational purposes only and may not be relied upon as advice or recommendation regarding municipal financial products.

Regards,

Willdan Financial Services
Enclosure

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INTRODUCTION

Rule 15c2-12 requires underwriters to reasonably determine that an issuer will comply with its continuing disclosure agreement/certificate before underwriting any new bonds. If a five-year historical review of continuing disclosure compliance reveals an issuer has any material failures with its disclosure obligations, remedial filings must be made before the new bonds are issued. The required filings determined by the Continuing Disclosure Agreement/Certificate section of the Official Offering include certain annual financial information and notification of specific listed events inclusive of rating changes.

SCOPE OF REVIEW

With regard to the disclosures filed between July 29, 2004 and June 30, 2014, Willdan Financial Services was requested to conduct the following:

1. Determine which bond issues are to be covered by the review;
2. Identify required filing dates;
3. Identify continuing disclosure language within Official Statements;
4. Create a detailed list of bond issues with any missing filings;
5. Create a list of untimely filings;
6. Review the Continuing Disclosure Agreements/Certificates and identify the data required to be disclosed in each Annual Report;
7. Review the content of each available filing and identify the bonds with missing information;
8. Obtain a list of rating changes applicable to each subject bond issue, as available;
9. Review Event Notice filings for rating changes and other Listed Events for which information has been made available by the City of Hollister, as requested.
10. Deliver a summary report identifying:
    - List of bond issues covered by the review
    - Missing filings of Annual Reports
    - Untimely filings of Annual Reports
    - Annual Report Filings with missing information
    - Missing Event Notices for Rating Changes
    - Untimely filings of Event Notices for Rating Changes
11. Prepare and disseminate remedial filings for newly reported information, if applicable. Remedial filings covering the time period prior to 2008/09 will be addressed at a later date, if requested.

LIST OF BOND ISSUES FOR REVIEW

Willdan Financial Services has reviewed the applicable disclosure documents filed for the City, the Agency and the Authority between July 29, 2004 and June 30, 2014 for the following bond issues:

City of Hollister

1. Limited Obligation Improvement Bonds Assessment District No. 1997-1 (Gateway Center) Series 1998

Redevelopment Agency of the City of Hollister

2. Hollister Community Development Project Refunding Tax Allocation Bonds, Series 1997
3. Hollister Community Development Project Tax Allocation Bonds, Series 2003
4. Hollister Community Development Project Tax Allocation Bonds, Series 2009

Hollister Joint Powers Financing Authority

5. Wastewater Revenue Bonds (Refinancing and Improvement Project) Series 2006
6. Wastewater Revenue Refunding Bonds Series 2007

OFFICIAL OFFERING STATEMENT REGARDING DISCLOSURE FILINGS (2009 - 2014)

1. Hollister Community Development Project Tax Allocation Bonds, Series 2009

Date of Official Statement: July 22, 2009
Pages 3 and 41 state:

> "*The Agency has never failed to comply with any previous continuing disclosure undertaking of the Agency*."

SUMMARY OF FINDINGS

CITY OF HOLLISTER

1. Limited Obligation Improvement Bonds Assessment District No. 1997-1 (Gateway Center) Series 1998

Par Amount: $1,250,000
Dated: August 27, 1998
Annual Continuing Disclosure Due Date: February 28

The Annual Reports and City's Audited Financial Statements for the aforementioned bonds have been filed by the due date noted above for each of the past ten (10) fiscal years, with the following exceptions:

- 2003/04, 2004/05 and 2006/07 City's Audited Financial Statements (not filed)
- 2005/06 City's Audited Financial Statements
  - Filed on May 23, 2007.
- 2007/08 City's Audited Financial Statements
  - Filed on January 25, 2010.

The financial and operating information required by the Continuing Disclosure Agreement was presented in the Annual Reports, with the following exceptions:

- 2003/04 through 2012/13 Statement of Improvement Fund balance (including all accounts therein)
- 2003/04 through 2006/07 Delinquency data pertaining to owners subject to more than 5% of the assessment (Section 4(3), Items a – d)
- 2003/04 through 2006/07 Audited Financial Statements Disclaimer
- 2007/08 Delinquency data pertaining to owners subject to more than 5% of the assessment (Section 4(3), Item c)
- 2009/10 and 2010/11 Delinquency data pertaining to owners subject to more than 5% of the assessment (Section 4(3), Item d)
  - ➔ Remedial Filing covering the last five (5) fiscal years for the five (5) requirements above filed on August 1, 2014.
  - ➔ Remedial Filing covering the time period prior to 2008/09 will be addressed at a later date, if requested.

Note: The 2003/04 through 2007/08, 2009/10 and 2010/11 Delinquency data was presented in the Annual Reports, with the exception of those certain items noted above.

Reported Listed Event Notifications were filed within the prescribed time frame.

REDEVELOPMENT AGENCY OF THE CITY OF HOLLISTER

2. Hollister Community Development Project Refunding Tax Allocation Bonds, Series 1997

Par Amount: $9,025,000
Dated: May 28, 1997
Annual Continuing Disclosure Due Date: March 1
Defeased: October 1, 2013

The Annual Reports and Agency's/City's Audited Financial Statements[(1)] for the aforementioned bonds have been filed by the due date noted above for each of the past nine (9) fiscal years prior to defeasance, with the following exceptions:

- o 2003/04 and 2005/06 Agency's Audited Financial Statements (not filed)
  - ➔ No remedial filing due to defeasance.
- o 2007/08 Agency's Audited Financial Statements
  - ▪ Filed on April 17, 2009.

The financial and operating information required by the Continuing Disclosure Certificate was presented in the Annual Reports, with the following exceptions:

- o 2003/04 and 2009/10 Description of Additional Bonds Issued (Date, Amount, Rating and Insurance for 2003 and 2009 Bonds)
- o 2005/06 through 2008/09 Top Ten Taxpayers Assessment Appeals
- o 2011/12 Tax Increment data (not available by due date)
  - ➔ No remedial filing for the three (3) requirements above due to defeasance.

Note: The 2005/06 through 2008/09 Appeals data was presented in the Annual Reports. However, the data was not presented by Top Ten Taxpayers in the format specified by the Continuing Disclosure Certificate.

Reported Listed Event Notifications for the past nine (9) fiscal years prior to defeasance were filed within the prescribed time frame, with the following exceptions:

- **Rating Changes**
  - o On June 26, 2008, Fitch Ratings ("Fitch") withdrew its rating of Ambac Assurance Corporation ("Ambac") upon request.
  - o On November 19, 2008, Standard and Poor's Ratings Services ("S&P") downgraded Ambac from 'AA' to 'A'.
  - o On April 13, 2009, Moody's Investors Service ("Moody's") downgraded Ambac from 'Baa1' to 'Ba3'.
    - ▪ The three (3) rating changes above were filed on May 1, 2009.

-------------- (Rating Changes continued on next page) ---------------

(1) Due to the dissolution of California redevelopment agencies effective February 1, 2012, audited financial statements are no longer prepared for the Agency. The City's Audited Financial Statements are being filed in lieu of the Agency's Audited Financial Statements.

- On December 19, 2006, S&P assigned an underlying rating of 'A' to the Bonds.
- On January 18, 2008, Fitch downgraded Ambac from 'AAA' to 'AA'.
- On June 5, 2008, S&P downgraded Ambac from 'AAA' to 'AA'. At the same time, S&P downgraded its long-term rating on the Bonds from 'AAA' to 'AA'.
- On June 19, 2008, Moody's downgraded Ambac from 'Aaa' to 'Aa3'. At the same time, Moody's downgraded its insured rating on the Bonds from 'Aaa' to 'Aa3'.
- On November 5, 2008, Moody's downgraded Ambac from 'Aa3' to 'Baa1'. At the same time, Moody's downgraded its insured rating on the Bonds from 'Aa3' to 'Baa1'.
- On November 19, 2008, as a result of a downgrade to Ambac, S&P downgraded its long-term rating on the Bonds from 'AA' to 'A'.
- On April 13, 2009, as a result of a downgrade to Ambac, Moody's withdrew its insured rating on the Bonds.
- On March 25, 2010, S&P downgraded Ambac from 'CC' to 'R'.
- On November 30, 2010, S&P withdrew its rating of Ambac upon request.
- On April 7, 2011, Moody's withdrew its rating of Ambac upon request.
  - ➔ No remedial filing for the ten (10) rating changes above due to defeasance.

3. Hollister Community Development Project Tax Allocation Bonds, Series 2003

Par Amount: $35,000,000
Dated: August 20, 2003
Annual Continuing Disclosure Due Date: February 28

The Annual Reports and Agency's/City's Audited Financial Statements[(1)] for the aforementioned bonds have been filed by the due date noted above for each of the past ten (10) fiscal years, with the following exceptions:

- 2003/04 and 2005/06 Agency's Audited Financial Statements (not filed)
- 2007/08 Agency's Audited Financial Statements
  - Filed on April 17, 2009.

The financial and operating information required by the Continuing Disclosure Certificate was presented in the Annual Reports, with the following exceptions:

- 2009/10 Description of Additional Bonds Issued (for 2009 Bonds)
- 2005/06 through 2008/09 Top Ten Taxpayers Assessment Appeals
  - ➔ Remedial filing covering the last five years for the two (2) requirements above filed on August 5, 2014.
  - ➔ Remedial Filing covering the time period prior to 2008/09 will be addressed at a later date, if requested.

- 2011/12 Tax Increment data (not available by due date)
  - Filed on September 19, 2013 within an Amendment to the 2011/12 Annual Report.

Note: The 2005/06 through 2008/09 Appeals data was presented in the Annual Reports. However, the data was not presented by Top Ten Taxpayers in the format specified by the Continuing Disclosure Certificate.

Reported Listed Event Notifications were filed within the prescribed time frame, with the following exceptions:

- **Rating Changes**

  - On June 26, 2008, Fitch withdrew its rating of Ambac upon request.
  - On November 19, 2008, S&P downgraded Ambac from 'AA' to 'A'.
  - On April 13, 2009, Moody's downgraded Ambac from 'Baa1' to 'Ba3'.
    - The three (3) rating changes above were filed on May 1, 2009.

--------------- (Rating Changes continued on next page) ---------------

(1) Due to the dissolution of California redevelopment agencies effective February 1, 2012, audited financial statements are no longer prepared for the Agency. The City's Audited Financial Statements are being filed in lieu of the Agency's Audited Financial Statements.

- On December 20, 2006, S&P upgraded its underlying rating on the Bonds from ‘A-’ to ‘A’.
- On January 18, 2008, Fitch downgraded Ambac from ‘AAA’ to ‘AA’.
- On June 5, 2008, S&P downgraded Ambac from ‘AAA’ to ‘AA’. At the same time, S&P downgraded its long-term rating on the Bonds from ‘AAA’ to ‘AA’.
- On June 19, 2008, Moody’s downgraded Ambac from ‘Aaa’ to ‘Aa3’. At the same time, Moody’s downgraded its insured rating on the Bonds from ‘Aaa’ to ‘Aa3’.
- On November 5, 2008, Moody’s downgraded Ambac from ‘Aa3’ to ‘Baa1’. At the same time, Moody’s downgraded its insured rating on the Bonds from ‘Aa3’ to ‘Baa1’.
- On November 19, 2008, as a result of a downgrade to Ambac, S&P downgraded its long-term rating on the Bonds from ‘AA’ to ‘A’.
- On April 13, 2009, as a result of a downgrade to Ambac, Moody’s withdrew its insured rating on the Bonds.
- On March 25, 2010, S&P downgraded Ambac from ‘CC’ to ‘R’.
- On November 30, 2010, S&P withdrew its rating of Ambac upon request.
- On April 7, 2011, Moody’s withdrew its rating of Ambac upon request.
  - ➔ Remedial Notice for the ten (10) rating changes above filed on August 5, 2014.

4. Hollister Community Development Project Tax Allocation Bonds, Series 2009

Par Amount: $8,000,000
Dated: July 29, 2009
Annual Continuing Disclosure Due Date: February 28

The Annual Reports and Agency's/City's Audited Financial Statements[(1)] for the aforementioned bonds have been filed by the due date noted above for each of the past five (5) fiscal years.

The financial and operating information required by the Continuing Disclosure Certificate was presented in the Annual Reports, with the following exceptions:

- 2008/09 Top Ten Taxpayers Assessment Appeals
  - ➔ Remedial filing for the requirement above filed on August 5, 2014.

- 2011/12 Tax Increment data (not available by due date)
  - Filed on February 27, 2014 within the 2012/13 Annual Report.

Note: The 2008/09 Appeals data was presented in the Annual Report. However, the data was not presented by Top Ten Taxpayers in the format specified by the Continuing Disclosure Certificate.

Reported Listed Event Notifications were filed within the prescribed time frame.

(1) Due to the dissolution of California redevelopment agencies effective February 1, 2012, audited financial statements are no longer prepared for the Agency. The City's Audited Financial Statements are being filed in lieu of the Agency's Audited Financial Statements.

HOLLISTER JOINT POWERS FINANCING AUTHORITY

5. Wastewater Revenue Bonds (Refinancing and Improvement Project) Series 2006

Par Amount: $120,535,000
Dated: December 20, 2006
Annual Continuing Disclosure Due Date: December 31

The Annual Reports and City's Audited Financial Statements for the aforementioned bonds have been filed by the due date noted above for each of the past eight (8) fiscal years, with the following exceptions:

- 2005/06 and 2006/07 Annual Report (not filed)
- 2005/06, 2006/07 and 2009/10 City's Audited Financial Statements
  - Filed on June 12, 2014.
- 2007/08 City's Audited Financial Statements (not available by due date)
  - Filed on June 24, 2009.
- 2008/09 City's Audited Financial Statements (not available by due date)
  - Filed on February 9, 2010.
- 2011/12 City's Audited Financial Statements (not available by due date)
  - Filed on February 5, 2013.
- 2012/13 City's Audited Financial Statements (not available by due date)
  - Filed on February 7, 2014.

The financial and operating information required by the Continuing Disclosure Agreement was presented in the Annual Reports, with the following exception:

- 2009/10 Wastewater System Development Impact Fees and Wastewater Enterprise Summary of Historic Operating Results (not available by due date)
  - Filed on May 2, 2011 within a Supplement to the 2009/10 Annual Report.

Reported Listed Event Notifications were filed within the prescribed time frame, with the following exceptions:

- **Reported Listed Events**
  - On November 21, 2008, Moody's downgraded Financial Security Assurance Inc. ("FSA") from 'Aaa' to 'Aa3'.
    - Filed on May 1, 2009.

--------------- (Reported Listed Events continued on next page) ---------------

- On July 1, 2009, FSA was acquired by Assured Guaranty Ltd. ("AGL").
- On November 2, 2009, AGL announced that, pending regulatory approval, it will change the name of its subsidiary FSA to Assured Guaranty Municipal Corp ("AGM").
- On February 24, 2010, Fitch withdrew its rating of AGM upon request.
  - The three (3) events above were filed on November 1, 2010.

- On November 21, 2008, as a result of a downgrade to FSA, Moody's downgraded its insured rating on the Bonds from 'Aaa' to 'Aa3'.
- On October 25, 2010, as a result of a downgrade to AGM, S&P downgraded its long-term rating on the Bonds from 'AAA' to 'AA+'.
- On November 30, 2011, as a result of a downgrade to AGM, S&P downgraded its long-term rating on the Bonds from 'AA+' to 'AA-'.
- On January 17, 2013, as a result of a downgrade to AGM, Moody's downgraded its insured rating on the Bonds from 'Aa3' to 'A2'.
- On March 18, 2014, as a result of an upgrade to AGM, S&P upgraded its long-term rating on the Bonds from 'AA-' to 'AA'.
  - ➔ Remedial Notice for the five (5) rating changes above filed on August 5, 2014.

6. Wastewater Revenue Refunding Bonds Series 2007

Par Amount: $6,860,000
Dated: May 30, 2007
Annual Continuing Disclosure Due Date: December 31

The Annual Reports and City's Audited Financial Statements for the aforementioned bonds have been filed by the due date noted above for each of the past seven (7) fiscal years, with the following exceptions:

- 2006/07 Annual Report (not filed)
- 2006/07 and 2009/10 City's Audited Financial Statements
  - Filed on June 12, 2014.
- 2007/08 City's Audited Financial Statements (not available by due date)
  - Filed on June 24, 2009.
- 2008/09 City's Audited Financial Statements (not available by due date)
  - Filed on February 9, 2010.
- 2011/12 City's Audited Financial Statements (not available by due date)
  - Filed on February 5, 2013.
- 2012/13 City's Audited Financial Statements (not available by due date)
  - Filed on February 7, 2014.

The financial and operating information required by the Continuing Disclosure Agreement was presented in the Annual Reports, with the following exception:

- 2009/10 Wastewater System Development Impact Fees and Wastewater Enterprise Summary of Historic Operating Results (not available by due date)
  - Filed on May 2, 2011 within a Supplement to the 2009/10 Annual Report.

Reported Listed Event Notifications were filed within the prescribed time frame, with the following exceptions:

- **Reported Listed Events**
  - On November 21, 2008, Moody's downgraded Financial Security Assurance Inc. ("FSA") from 'Aaa' to 'Aa3'.
    - Filed on May 1, 2009.

  - On July 1, 2009, FSA was acquired by Assured Guaranty Ltd. ("AGL").
  - On November 2, 2009, AGL announced that, pending regulatory approval, it will change the name of its subsidiary FSA to Assured Guaranty Municipal Corp ("AGM").
  - On February 24, 2010, Fitch withdrew its rating of AGM upon request.
    - The three (3) events above were filed on November 1, 2010.

-------------- (Reported Listed Events continued on next page) ---------------

- On November 21, 2008, as a result of a downgrade to FSA, Moody's downgraded its insured rating on the Bonds from 'Aaa' to 'Aa3'.
- On October 25, 2010, as a result of a downgrade to AGM, S&P downgraded its long-term rating on the Bonds from 'AAA' to 'AA+'.
- On November 30, 2011, as a result of a downgrade to AGM, S&P downgraded its long-term rating on the Bonds from 'AA+' to 'AA-'.
- On January 17, 2013, as a result of a downgrade to AGM, Moody's downgraded its insured rating on the Bonds from 'Aa3' to 'A2'.
- On March 18, 2014, as a result of an upgrade to AGM, S&P upgraded its long-term rating on the Bonds from 'AA-' to 'AA'.
  - ➔ Remedial Notice for the five (5) rating changes above filed on August 5, 2014.

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