

ISSUER'S ANNUAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2013



REDEVELOPMENT AGENCY OF THE CITY OF DESERT HOT SPRINGS

\$7,025,000
Merged Redevelopment Project
Tax Allocation Refunding Bonds
Series 2006

PARTICIPANTS/CONTACTS

ISSUER

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BACKGROUND

On August 23, 2006, the Redevelopment Agency of the City of Desert Hot Springs (the "Issuer") issued its \$7,025,000 Merged Redevelopment Project Tax Allocation Refunding Bonds, Series 2006 (the "2006 Bonds"). The 2006 Bonds were issued to: (i) refinance certain outstanding obligations of the Issuer which financed certain improvements in the Merged Redevelopment Project (the "Project Area"), (ii) fund a reserve account for the 2006 Bonds, and (iii) pay the costs of issuing the 2006 Bonds. The 2006 Bonds are limited obligations of the Issuer payable solely from and secured Pledged Tax Revenues to be derived from the Project Area, and from the amounts on deposit in certain funds as described in the Official Statement. Please see the Official Statement for the 2006 Bonds, as provided online at Municipal Securities Rulemaking Board's EMMA repository for further background information. Capitalized terms used but not defined herein shall have their meanings as given in the Indenture.

Interest on the 2006 Bonds is payable on September 1 and March 1 of each year, commencing March 1, 2007 with principal payments due on September 1.

OBJECTIVE

Pursuant to the Continuing Disclosure section of the Official Statement and Continuing Disclosure Agreement/Certificate for the 2006 Bonds, this Annual Report is being provided by the Dissemination Agent for distribution to the Municipal Securities Rulemaking Board's (the "MSRB") Electronic Municipal Market Access ("EMMA") document repository.

This Annual Report has been prepared by Urban Futures, Inc. at the direction of the City/Successor Agency. The information set forth herein has been furnished by the City/Successor Agency and/or County, along with other sources believed to be reliable, but no representation as to the accuracy or completeness of any such information is made by the City/Successor Agency or Urban Futures, Inc. The City/Successor Agency and Urban Futures, Inc. make no representation that this Annual Report contains all information material to make a decision to purchase or sell bonds or any other debt obligations of the City/Successor Agency. Any information contained herein which involves estimates, forecasts, projections, and expressions of opinion, whether or not expressly stated, are intended solely as such and are not to be construed as representations of fact by the City/Successor Agency or Urban Futures, Inc. and no representation is made that such opinions or estimates will be realized. The information, opinions, and estimates herein are subject to change without notice. The City/Successor Agency and Urban Futures, Inc. shall not take responsibility for any statements or information of any kind disseminated to the MSRB or EMMA or any other medium that is not disseminated by and authorized in writing by either the City/Successor Agency or Urban Futures, Inc.

FINANCIAL STATEMENTS

As outlined in the Continuing Disclosure Agreement/Certificate, the financial statements required as part of the Annual Report for the fiscal year ended June 30, 2013 will be posted to the EMMA document repository upon availability.

DISSOLUTION OF REDEVELOPMENT AGENCIES

Please view the material event notice posted in regard to the dissolution of California redevelopment agencies at the following web address:

http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?sub_missionId=ER477774

The notice contains background and explanation of the original two redevelopment agency dissolution bills (AB X1 26 and AB X1 27) and the California Supreme Court decision to uphold AB X1 26.

After the Court's decision, AB 1484 was enacted by the State Legislature and Governor as a clean-up to the budget trailer bill AB X1 26. Together these bills are necessary to implement provisions of the State's budget acts for fiscal years 2011-12 and 2012-13. In compliance with this new legislation, the City has elected to serve as "Successor Agency" to the former redevelopment agency, as defined in the bills. Please view the bills in their entirety for further details.

The full language of AB X1 26 can be viewed at the following URL:

http://www.leginfo.ca.gov/cgi-bin/postquery?bill_number=abx1_26&sess=PREV&house=B&author=blumenfield

The full language of AB 1484 can be viewed at the following URL:

http://www.leginfo.ca.gov/cgi-bin/postquery?bill_number=ab_1484&sess=PREV&house=B&author=committee_on_budget

I. FINANCIAL INFORMATION & OPERATING DATA

The following financial information and operating data is provided pursuant to the Continuing Disclosure section of the Official Statement and the Continuing Disclosure Agreement/Certificate.

A. ASSESSED VALUATION

The table below presents the historical aggregate assessed valuations of the Merged Project Area through the most recently completed fiscal year.

Aggregate Assessed Valuations

	Secured	SBE	Unsecured	Total AV
2008-09				
Redevelopment Project No. 1	\$ 315,833,553	\$ 429,000	\$ 21,881,616	\$ 338,144,169
Redevelopment Project No. 2	171,173,877	-	503,774	171,677,651
Added Territory (1997)	672,689,417	-	3,059,468	675,748,885
	<u>\$1,159,696,847</u>	<u>\$ 429,000</u>	<u>\$ 25,444,858</u>	<u>\$1,185,570,705</u>
2009-10				
Redevelopment Project No. 1	\$ 244,009,206	\$ 429,000	\$ 21,193,765	\$ 265,631,971
Redevelopment Project No. 2	106,658,149	-	642,366	107,300,515
Added Territory (1997)	437,131,419	-	3,244,963	440,376,382
	<u>\$ 787,798,774</u>	<u>\$ 429,000</u>	<u>\$ 25,081,094</u>	<u>\$ 813,308,868</u>
2010-11				
Redevelopment Project No. 1	\$ 214,970,570	\$ 429,000	\$ 25,014,900	\$ 240,414,470
Redevelopment Project No. 2	93,071,118	-	875,849	93,946,967
Added Territory (1997)	401,544,323	-	2,792,725	404,337,048
	<u>\$ 709,586,011</u>	<u>\$ 429,000</u>	<u>\$ 28,683,474</u>	<u>\$ 738,698,485</u>
2011-12				
Redevelopment Project No. 1	\$ 204,891,387	\$ 429,000	\$ 17,871,228	\$ 223,191,615
Redevelopment Project No. 2	89,663,631	-	628,781	90,292,412
Added Territory (1997)	377,090,936	-	2,283,486	379,374,422
	<u>\$ 671,645,954</u>	<u>\$ 429,000</u>	<u>\$ 20,783,495</u>	<u>\$ 692,858,449</u>
2012-13				
Redevelopment Project No. 1	\$ 193,665,720	\$ 109,200	\$ 19,556,851	\$ 213,331,771
Redevelopment Project No. 2	86,589,472	-	653,781	87,243,253
Added Territory (1997)	363,401,418	-	2,694,454	366,095,872
	<u>\$ 643,656,610</u>	<u>\$ 109,200</u>	<u>\$ 22,905,086</u>	<u>\$ 666,670,896</u>

Source: Riverside County Auditor-Controller & *Urban Futures, Inc.*

B. TOP TEN TAXPAYERS

The table below presents the top ten local secured property taxpayers for the Merged Project during the most recently completed fiscal year.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF DESERT HOT SPRINGS MERGED PROJECT AREAS Largest Local Secured Taxpayers/Property Owners Fiscal Year 2012-13			
Property Owner	Taxable Secured Assessed Valuation	Primary Land Use	Percent of Secured AV⁽¹⁾
1. Kmart Corp	\$5,930,000	Commercial	0.92%
2. Country Hills Apts	5,138,401	Commercial	0.80%
3. H & J Kazemaini LLC	4,675,000	Commercial	0.73%
4. Vons Co Inc	4,505,804	Commercial	0.70%
5. Biasa II LP	4,399,671	Commercial	0.68%
6. Ck Pal Prop	4,328,000	Commercial	0.67%
7. Walgreen Co	4,008,708	Commercial	0.62%
8. Katangian Dennis Motzie	3,998,338	Commercial	0.62%
9. An Benjamin	3,002,500	Commercial	0.47%
10. Hacienda At Palm Drive LLC	2,960,281	Commercial	0.46%
Total	\$42,946,703		6.67%

(1) Based on fiscal year 2012-13 secured assessed valuation of \$643,656,610.

Source: *Urban Futures, Inc.* with information from the Riverside County 2012-13 Secured Property Tax Roll.

C. ASSESSMENT APPEALS

The table below presents historical and open assessment appeals within the Merged Project Area through the most recently completed fiscal year.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF DESERT HOT SPRINGS MERGED PROJECT AREAS

Historical Assessment Appeals
For Appeals Reviewed January 1, 2010 - July 1, 2013

Number of Appeals Filed	Number of Successful Appeals	Assessed Value of Property	Owner's Opinion of Value	Total Requested AV Reduction	Reduction Allowed by Board	Allowed Reductions as % of Requested
249	33	\$101,015,619	\$32,763,798	\$68,251,821	\$3,944,657	5.78%

Open Assessment Appeals

Number of Appeals Filed⁽¹⁾	Owner's Opinion of Value	Assessed Value of Property	Potential Loss of Assessed Value	Historical Success Rate	Reduction (based on historical success)
142	\$33,103,019	\$66,003,739	\$32,900,720	5.78%	\$1,901,518

(1) It is possible that one parcel may have appeals open in more than one fiscal year.

Source: *Urban Futures, Inc.* with data obtained from the Riverside County Auditor-Controller

D. DEBT SERVICE COVERAGE RATIO & OUTSTANDING INDEBTEDNESS

The tables below present a summary of the pledged revenues and debt service coverage for the Agency's outstanding bonded indebtedness during the most recently completed fiscal year.

Agency Net Revenues

Fiscal Year	Taxable Valuation	Incremental Valuation	Gross Tax Revenues	Housing Set-Aside ⁽¹⁾	Pass Through Payments	Net Tax Revenues
2012-13	\$666,670,896	\$391,408,038	\$4,393,306	\$0	\$842,330	\$3,550,976

(1) Per AB1484 and AB X1 26, the Successor Agency is no longer required to set-aside revenues for housing purposes.
Source: *Urban Futures Inc.* with information from the County of Riverside

Debt Service Coverage (All Bonded Indebtedness)

Net Tax Revenues	Debt Service 2006 Bonds	Debt Service Series 2008 A-1 Bonds	Debt Service Series 2008 A-2 Bonds	Debt Service 2009 Bonds	Total Debt Service	Current Debt Service Coverage	Less: Reduced Debt Service from Escrowed Bonds ⁽¹⁾	Revised Debt Service	Revised Debt Service Coverage
\$3,550,976	\$719,487	\$2,159,575	\$865,773	\$476,624	\$4,221,459	0.84 x	-\$870,250	\$3,351,209	1.06 x

(1) Reflects the reduction in debt service payments made by the Agency as a result of the formation of the Escrow Fund.
Source: *Urban Futures Inc.* with information from the County of Riverside

E. STATE BUDGET & BOND PAYMENT

Limitations for the 2011-12 fiscal year and thereafter on redevelopment in the state of California due to the State Budget Deficit have increase to the point of dissolution of all redevelopment agencies in California. Please see the “Dissolution of Redevelopment Agencies” section of this Annual Report for further clarification and background on the Assembly Bills and Supreme Court decision regarding the dissolution.

II. SIGNIFICANT EVENTS

In compliance with the Continuing Disclosure Agreement/Certificate, material event notices are posted on MSRB’s EMMA document repository at the following web address under the “Continuing Disclosure” tab:

<http://emma.msrb.org/IssueView/IssueDetails.aspx?id=MS281840>

III. CUSIP NUMBERS

Redevelopment Agency of The City of Desert Hot Springs Tax Allocation Refunding Bonds Series 2006	
<u>Maturity Date</u>	<u>CUSIP*</u>
9/1/2007	250419DA3
9/1/2008	250419DB1
9/1/2009	250419DC9
9/1/2010	250419DD7
9/1/2011	250419DE5
9/1/2012	250419DF2
9/1/2013	250419DG0
9/1/2014	250419DH8
9/1/2015	250419DJ4
9/1/2016	250419DK1
9/1/2017	250419DL9
9/1/2018	250419DM7
9/1/2019	250419DN5
9/1/2020	250419DP0
9/1/2021	250419DQ8

*CUSIP is a registered trademark of American Bankers Association.