

CITY OF BLYTHE
STATE OF CITY ADDRESS



MARCH 1, 2007

Good afternoon. I also would like to welcome you to the 50th Community Outlook Conference luncheon. This is our annual City/County gathering here on the river's edge and it is again my honor and privilege to give the State of the City address. Over the years I've learned that making a fact driven presentation better means making it shorter so I've tried to follow that advice here today. In format, my address starts with a cursory overview of the City's finances. I'll then provide status updates on 4 high impact projects and conclude with information relating to Blythe's development activity.

I. FINANCIAL OVERVIEW

Blythe is a full-service General Law city that was incorporated July 21, 1916. The City's FY 06-07 Operating and Capital budget (including Enterprise Funds) is about \$39.5 million. The General Fund is slightly more than \$13.9 million. Regarding the General Fund, the five largest generation categories of funds in descending order are: Sales Tax (13.4%), Charges for Services (12.9%), Motor Vehicle-In-Lieu Fees (10.6%), Property Tax (7.3%) and the Transient Occupancy Tax (6.5%). These five sources represent almost 51% of the City's General Fund revenue; the other 49% is divided among 14 other revenue categories.

As it relates to Sales Tax, the reporting of which lags by about 2 quarters, comparing FY 05-06 to FY 04-05, over that 4 quarter period our sales tax was 7.9% higher, which compares favorably to the 5.5% for Southern California as a whole. For FY 05-06 the City enjoyed fairly strong increases in five of our seven major business

groups led by Restaurants & Hotels at 21.7%, Fuel and Service Stations at 19% and Autos & Transportation at 15.6%. According to data from our independent financial consultant, City of Blythe businesses showed increased sales activity in 25 of our 30 largest sales tax businesses.

At the mid-way point in the current FY 06-07, revenues in the General Fund are coming in at about 51% of budget projections with expenditures running at 42%. In our Water and Sewer Enterprise Funds, Water revenues are at 51% versus 48% for expenditures, while Sewer revenues are ahead of budget projections at about 56% compared to expenditures at 50%. Overall, the City of Blythe's finances are in satisfactory condition, but we continue to seek realistic opportunities that will stimulate and diversify the economic base in the Palo Verde Valley. Towards that end I'd like to briefly overview the 4 following long-term high impact projects:

II. IMPACT PROJECTS

1.) The most imminent of the selected high impact projects is the proposed 175,000 s.f. Wal-Mart Supercenter scheduled for construction in the East Blythe area at the intersection of Hobsonway and Intake Blvd. The project EIR has taken about 1 year longer than anticipated because of a Fifth District Court of Appeal decision involving 2 Wal-Mart stores in Bakersfield, and the corresponding revisions incorporated into the Blythe project EIR. In December 2006, the EIR was certified by the Blythe's City Council and the project applicants are now dealing with what seems to have routinely become the litigation phase of the development process. Attorneys supposedly representing two groups have filed Petitions for Writ of Mandate in Superior Court based upon CEQA claims, both essentially saying there was

inadequate environmental review of the project. The two alleged groups – MENOS and Blythe Citizens for Smart Growth – are referred to in the legal documents as “unincorporated associations of local residents. . .concerned about the environment.” We really have no idea as to who the local residents might be, but the 2 attorneys are certainly the known opposition. According to their filings, examples of inadequacies in the EIR evaluation include: 1.) glare from parking lot lighting that potentially increases cancer risk in animals; 2.) lack of analysis regarding the aesthetics of an 8-foot high block wall; 3.) and the project’s potential for impacts on green house gas emissions and global warming. As you may expect, the overwhelming majority of people in the community question the filings. For the City our interest is job creation, expanded shopping options and stopping some of Blythe’s estimated 45% retail sales leakage. Depending on how the court ultimately views the merits of the legal challenge, from my perspective it is entirely possible the Wal-Mart Supercenter could be under construction in late 2007 and open for business before Labor Day in 2008.

2.) The second high impact long-range project on my update list is the Casino Resort proposed by the Colorado River Indian Tribes. As the City Manager this is a project I take very seriously because I consider a first class casino to be an extraordinary economic opportunity that would provide a significant boost for this region. These discussions started in April 2004. A year later (April 26, 2005) a Municipal Services Agreement (MSA) was approved by a vote of the CRIT’s Tribal Council and the Blythe City Council. The MSA guarantees the City an annual fixed revenue or a percentage amount of “net win” on class III electronic games (whichever is

greater) while also identifying City of Blythe development-related interests and concerns and making them part of the official record throughout the Tribal-State Compact negotiation process. Last year (2006) despite numerous trips to Sacramento and Washington D.C. by CRIT officials, little was accomplished as the project seemed stuck in the bureaucratic spider-web, never gaining the kind of political traction necessary to work its way through a ponderous regulatory process. My source indicates this project in 2007 is still very important to CRIT's Tribal Council, but it's likely an uphill challenge explaining in Sacramento and Washington D.C. why it makes sense to approve a Land-in-Trust petition that converts a 76 acre former landfill into a vibrant high value catalyst-type destination development. The Casino creates about 300 new permanent jobs and a demand for 72,000 new hotel/motel room nights a year. Let's face it, people like to stay in places where they can find things to do. A Casino will attract more visitors to this area, give them a reason to stay longer and return more often. My personal view is the Casino Resort on Intake Blvd. is probably at best a 50/50 proposition as moving the land into Trust status is a fairly challenging obstacle. But the project's upside and interactive opportunities make it worth the effort. Our residents, snow-birds and second home buyers, can golf and recreate on the river in the day and play and enjoy entertainment in the Casino at night.

3.) The third long-range high impact development I'll overview is really two ventures: the pair of \$250 million each 520 MW Blythe Energy Power Plants No. 1 and 2. Regarding the existing BE No. 1, the owners Florida Power and Light (FPL) Corp. have just concluded negotiations on a 10 year power purchase deal selling Edison 500 MW's by August effective 2010. The deal which must

still be approved by the California Public Utilities Commission (PUC), requires that FPL Corp. construct a 230 kv transmission line from here approximately 67 miles west to the Julian Hines station in the next 2 years. The relevance of the BE No. 1 deal for Blythe relates to the way the State computes revenue into the plant's assessed valuation, and how assessed valuation is directly the basis for local bond issues that help pay for infrastructure and an assortment of programs and projects that enhance the quality of life for the residents.

The second power plant, Blythe Energy No. 2 is an exact replica of BE No. 1. Approved by the California Energy Commission on December 14, 2005, the CEC authorization to build BE No. 2 is good through 2010. And while most everyone in California recognizes more generation is needed, for this project to move forward there are two primary factors that will determine when (and if) this second plant is actually constructed. The first factor is the building of new transmission lines, and there are today two lines fully approved by the CEC that are in preliminary design and pushing hard for a 2008 construction start-up date. The second primary factor relative to construction of BE No. 2 will be a similar long-term power purchase contract as now exists for BE No. 1. The owners, Caithness Blythe II, LLC, won't start building the plant until they have one, and the Utilities have been somewhat reticent to sign these long-term power purchase agreements. My source indicates the Utilities are concerned about potential skirmishes with the PUC, and that the PUC will second guess the price that the Utility paid and subsequently charged the ratepayers. And though it is estimated that California will lose more than 8,400 MW through the decommissioning of older plants by 2008, no one today is

building Power Plants on speculation. For Blythe the good news is BE No. 2 is on Edison's short-list call for 1500 MW's of new power; the bad news is Edison was suppose to award these power purchase contracts in February/March 2007, but that date has now been pushed back to 2008, with actual delivery date for the new power extended from June 2010 to June 2011. What it all means for Blythe is that the ultimate fate of BE No. 2 (and its \$250 million in assessed valuation) will not be known for at least 1 more year.

4.) My final high impact project is the Palo Verde Hospital. It is truly a cornerstone upon which the future of this community will be built. As previously reported on July 27, 2005, the Palo Verde Hospital Healthcare District (District) announced that they had reached an Agreement whereby their contract lease operator would relinquish their total involvement in the Palo Verde Hospital on December 31, 2005. This announcement set in motion a flurry of activities including retention of Advanced Hospital Management (AHM) to run the hospital and efforts today preparing to build a new replacement hospital. In my view, AHM has done a very commendable job getting a litany of things back on the right track. Among AHM's immediate hurdles was the onerous on-site regulatory evaluation necessary to gain their full unconditioned JCAHO accreditation, which they did successfully accomplish. Next AHM needed to deal with the looming January 1, 2008 deadline for compliance with SB 1953, the State's tough seismic safety legislation. AHM applied for and successfully received five 1 year extensions through 2013 from the Office of Statewide Health Planning and Development (OSHPD). More than 400 of the State's 511 general acute-care hospitals requested these extensions. Per my understanding the extension granted to Palo Verde Hospital was granted based on local commitment to completely retrofit or build a new hospital, and building new hospitals today is incredibly

expensive, costing somewhere between \$1 million and \$1.3 million per bed. Building a new Palo Verde Hospital is an enormous challenge, one initially to be guided by a 15 member Blue Ribbon Committee headed by District Board President Derek Copple and Mayor Robert Crain. From my perspective our best chance for success will depend on continued broadbased community support which requires at its core sound strategic planning, financial management and reality-based thinking. The eventual solution will almost certainly require layers of financing, including the issuance of Certificates of Indebtedness by the Healthcare District Board, perhaps a voter-approved Sales Tax Initiative sponsored by the City, and eventually a voter-approved General Obligation Bond at the point where the Healthcare District is ready to start construction on the new hospital. Many of us feel extreme uncertainty about compliance decisions for SB 1953, and how we can best put together all the moving pieces necessary for building a new Palo Verde Hospital.

My final category shares activity information in 3 areas relating to development in Blythe.

1.) PUBLIC INVESTMENT

Throughout my 15 plus years here, the interests of this community have been advanced on a regular basis because leadership in the public sector is willing to invest in the future. Examples of institutional investments in the community include the approximate \$14 million that will be spent by PVUSD for the replacement Appleby Elementary School that will be located on a 21 acre site near the southeast corner of South Broadway and Vernon Avenue.

It's also the \$8,418,000 the Palo Verde College District spent on construction of the 20,000 s.f. Technology Building, and the \$12.5 million for the Phase III construction underway on the Clancy Osborne Physical Education Center. The College is also currently completing architectural planning for its Performing Arts Center, a \$20 million dollar facility which will complete the basic infrastructure of the campus. The center piece of the Performing Arts Center is a 400 seat theater which will provide the community with a venue for a variety of events. If all goes well, construction on the Performing Arts Center could begin just as the Clancy Osborne Center is being completed. For the City, our investments include the \$10.8 million for the new Water Production Plant financed through the State Revolving Fund with a \$1 million grant and a \$9.8 million no interest loan repayed over 25 years. The City is also spending \$2 million to extend water and sewer lines in the Balszburg Tract, \$1.5 million in road money to rehabilitate Chanslorway and South Lovekin Blvd., and another \$1.5 million to start Phase II on the Hobsonway Reconstruction Project from Third Street to Seventh Street, tentatively scheduled to start in October 2007. That's approximately \$51.7_ million dollars being invested in public improvements and infrastructure to serve the residents of this community.

2.) PRIVATE DEVELOPMENT

In conjunction with the on-going public investments we are also seeing the private sector invest in this community. Over the last 3

year period (2004-2006) Blythe has averaged more than \$15.7 million in yearly permit valuations verses an annual average over the prior 10 years of about \$9.7 million in permit valuations. In 2006 new housing starts was still the leading valuation category with 60 new single family dwelling units, but these numbers are down compared to the 115 new housing starts in 2004 and 83 in 2005. Also in 2006 we saw activity with commercial expansions, examples that include Larry Green Chevrolet and Dekens Implement Co., and total renovations like Dollar Tree going into the 15,000 s.f. building that use to be the Sprouse-Reitz building. In 2006 Blythe issued 676 building permits versus 665 in 2005 and 741 building permits in 2004. For comparison, before 2004 the City averaged about 570 building permits a year for the prior 10 years.

3.) COMMUNITY BEAUTIFICATION

My final category is the beautification of Blythe, which is a series of on-going efforts where the visual impacts are only just starting to be noticeable. Unfortunately it takes a lot of money and effort to overcome years when beautification did not enjoy the same level of importance. A continuing high-priority for the City Council is demolishing old deteriorated vacant buildings throughout the community. In fact over the last 12 years, the City through its Redevelopment Agency has financially helped demolish and remove more than 238 commercial and residential worn out structures. Some were highly visible. There use to be a boarded-up vacant gas station at Hobsonway and Lovekin Blvd. where very soon there will be the new Gateway pocket park. There are plans for other pocket parks. Also important is landscaping. The trees in the Phase I Hobsonway Reconstruction Project are finally starting to provide shade canopies and the mix of landscaping is visually

getting better. The City has implemented an Art in Public Places program, and we are very proud of the new mural entitled “Earthen” on the front of City Hall, done by a local artist, Mr. Joe Gaxiola. We would all like things to go quicker, but we understand community beautification is going to require a long-term commitment.

Finally, it’s time to conclude this presentation, although there are other issues and projects like the proposed Compressed Natural Gas (CNG) fueling station that should have been mentioned. I thank you for your attention and your patience. We are always very pleased to host this distinguished group, and we want you to have a good impression of our community. From my perspective there are many more things right here than wrong. Home values are up. In 2005 the average sale price of a Blythe home was \$138,945. In 2006, the average sale price was \$232,000, a 67% increase. Subdivisions are replacing vacant parcels and more than 5,100 residential units are at some stage in the City’s review and permit process. National chains are also showing more than casual interest in the area. Local businesses are reinvesting their money on expansions, and new businesses are finding Blythe an attractive bargain with good profit potential. Dilapidated buildings are coming down, and pocket parks are going up. Overall, Blythe is emerging from the development shadows. We believe our business direction is positive, our foundation solid and our future bright with opportunities. As the City Manager I’m very proud for what we have accomplished. There’s obviously more to do, but the objective is careful balance, retaining our rural atmosphere and lifestyle while stimulating quality development necessary for economic success. We like the way things are shaping up and we all share high expectations for what we expect to accomplish in the future.

Thank you.