

705 C-1

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



FROM: County Executive Office

SUBMITTAL DATE:
December 21, 2004

SUBJECT: Ordinance No. 834 An Ordinance of the County of Riverside Authorizing the Levy of a Special Tax within Community Facilities District No. 04-2 (Lake Hills Crest) of the County of Riverside.

RECOMMENDED MOTION: That the Board of Supervisors of the County of Riverside, introduce Ordinance No. 834 Authorizing the Levy of a Special Tax within Community Facilities District No. 04-2 (Lake Hills Crest), and then adopt at the next board meeting, which in this case will be January 25, 2005, said Ordinance No. 834.

BACKGROUND: On September 14, 2004, the Board of Supervisors of the County of Riverside, California (the "County") adopted Resolution No. 2004-427 (the "Resolution of Intention") calling for a public hearing to be held on October 19, 2004 pursuant to the terms of the Mello-Ross Community Facilities Act of 1982, as amended (the "Act"). At that time the public hearing was opened and continued to November 23, 2004, again to December 14, and then subsequently continued to January 11, 2005. The continuances were necessitated by difficulties in bringing the Joint Community Facilities Agreement ("JCFA") with Western Municipal Water District ("WMWD") to its Board for consideration. The Board of WMWD approved the JCFA on December 8, 2004. (Continued on Page 2)

Departmental Concurrence

FORM APPROVED
COUNTY COUNSEL

DEC 23 2004

[Signature]

[Signature]
Debra Cournoyer, Senior Management Analyst

FINANCIAL DATA	Current F.Y. Total Cost:	\$ N/A	In Current Year Budget:	No
	Current F.Y. Net County Cost:	\$ N/A	Budget Adjustment:	No
	Annual Net County Cost:	\$ N/A	For Fiscal Year:	04/05
SOURCE OF FUNDS: Bond Proceeds				Positions To Be Deleted Per A-30 <input type="checkbox"/>
				Requires 4/5 Vote <input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

County Executive Office Signature

[Signature]

Policy

Consent

Dep't Recomm.:
Per Exec. Ofc.:

Prev. Agn. Ref.: 9/14/04 3.3, 12/14/04 3.4 | **District:** 1 | **Agenda Number:**

3.5

A JCFA with the Riverside County Flood Control and Water Conservation District and the property owners had been entered into previously.

The public hearing will consider the proposal to establish Community Facilities District No. 04-2 (Lake Hills Crest) of the County of Riverside (the "CFD"), the proposed authorization to levy special taxes, the rate and method for apportioning said special taxes (the "Rate and Method") within the CFD to pay for debt service on bonded indebtedness to be incurred to finance certain public facilities. On September 14, 2004, the Board also adopted Resolution No. 2004-428 (the "Resolution to Incur Bonded Indebtedness"), calling for a public hearing to be held on October 19, 2004, which was continued to January 11, 2005, to consider the proposed issuance of bonded indebtedness in an aggregate principal amount not to exceed \$32,500,000 by the CFD.

After conducting the public hearing on January 11, 2005, it is requested that the Board of Supervisors adopt Resolution No. 2005-03, establishing the CFD. The Board functioning *ex officio* as the Legislative Body of the CFD is requested to adopt Resolution No. CFD 2005-01, determining it necessary to incur bonded indebtedness in the maximum principal amount of \$32,500,000. Both resolutions call for an election on January 11, 2005 on three propositions: (i) should the CFD be able to incur bonded indebtedness in a maximum amount of \$32,500,000, (ii) should the CFD be able to levy a special tax within its boundaries consistent with the terms of the Rate and Method, and (iii) should the CFD establish an annual appropriations limit equal to \$3,250,000.

Pursuant to the terms of said resolutions, waivers of certain elections procedures executed by all property owners within the CFD and the provisions of the Act, the special tax election will be held on January 11, 2005, and the three propositions are anticipated to be approved by more than two thirds (2/3) of the votes cast (in that the property owners are also the proponents of the project) at the election.

By the adoption of Ordinance No. 834, on January 11, 2005, the Board authorizes and levies special taxes within the CFD pursuant to the appropriate provisions of the Act at the rate and in accordance with the Rate and Method. The special taxes are hereby levied commencing in fiscal year 2005-06 and in each fiscal year thereafter for the period necessary to satisfy the special tax requirement as defined in the Rate and Method.

Staff recommends that the Chairman of the Board of Supervisors be authorized to sign Ordinance No. 834 and that the Clerk of the Board of Supervisors attest to the Chairman's signature and then cause the same to be published within fifteen (15) days after its passage on January 25, 2005 at least once in The Press-Enterprise, a newspaper of general circulation published and circulated in the area of the District, and that Ordinance No. 834, authorizing the levy and collection of special taxes within CFD shall take effect immediately upon its passage in accordance with the provisions of Section 25123 (c) of the California Government Code.

1 **ORDINANCE NO. 834**

2 **AN ORDINANCE OF THE BOARD OF SUPERVISORS OF**
3 **RIVERSIDE COUNTY, CALIFORNIA**
4 **AUTHORIZING THE LEVY OF SPECIAL TAXES**
5 **IN COMMUNITY FACILITIES DISTRICT NO. 04-2**
6 **(LAKE HILLS CREST) OF THE COUNTY OF RIVERSIDE**

7 WHEREAS, on September 14, 2004, the Board of Supervisors (the "Board of Supervisors") of
8 the County of Riverside (the "County") adopted Resolution No. 04-427 declaring its intention to form
9 Community Facilities District No. 04-2 (Lake Hills Crest) of the County of Riverside ("Community
10 Facilities District No. 04-2" or the "District") pursuant to the Mello Roos Community Facilities Act of
11 1982, as amended, comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of
12 the State of California (the "Act"), and its Resolution No. 04-428 declaring its intention to incur bonded
13 indebtedness for the District; and

14 WHEREAS, on January 11, 2005, after providing all notice required by the Act, the Board of
15 Supervisors conducted noticed public hearings required by the Act relative to the proposed formation of
16 Community Facilities District No. 04-2, the proposed levy of a special tax therein to finance certain
17 public facilities described in Resolution No. 04-427 and to secure the payment of any bonded
18 indebtedness of the District, and the proposed issuance of up to \$32,500,000 of bonded indebtedness as
19 described in Resolution No. 04-428; and

20 WHEREAS, at the January 11, 2005 public hearings, all persons desiring to be heard on all
21 matters pertaining to the formation of Community Facilities District No. 04-2 and the proposed levy of
22 the special tax to finance the facilities described in Resolution No. 04-427 and to secure the payment of
23 up to \$32,500,000 of bonded indebtedness of the District as described in Resolution No. 04-428 (the
24 "Bonds") were heard and full and fair hearings were held; and

25 WHEREAS, on January 11, 2005, the Board adopted Resolution Nos. 2005-03 and CFD 2005-
26 01 which formed the District and called a special election within Community Facilities District No. 04-2
27 on January 11, 2005 or such later date as was approved by the County Executive Officer or his designee
28 on three propositions relating to the levying of a special tax within the District and the issuing of the
Bonds; and

1 WHEREAS, on January 11, 2005, a special election was held within the District at which the
2 qualified electors approved by more than a two thirds vote Propositions A, B and C authorizing the levy
3 of a special tax within the District for the purposes described in Resolution No. 2005-03 and the
4 issuance of the Bonds as described in Resolution No. CFD 2005-01;

5 The Board of Supervisors of the County of Riverside ordains as follows:

6 Section 1. The above recitals are all true and correct.

7 Section 2. By the passage of this Ordinance, the Board authorizes the levy of a special tax within
8 Community Facilities District No. 04-2 at up to the maximum rate in accordance with the rate and
9 method of apportionment set forth in Attachment "A" hereto, which is incorporated by reference herein
10 (the "Rate and Method").

11 Section 3. The Board is hereby further authorized to determine in each subsequent fiscal year,
12 by ordinance, or by resolution if permitted by then applicable law, on or before August 10 of each year,
13 or such later date as is permitted by law, the specific special tax rate and amount to be levied on each
14 parcel of land in Community Facilities District No. 04-2 pursuant to the special tax described in the Rate
15 and Method. The special tax rate to be levied pursuant to the Rate and Method shall not exceed the
16 maximum rates set forth therein, but the special tax may be levied at a lower rate.

17 Section 4. Properties or entities of the state, federal or other local governments shall be exempt
18 from the special tax, except as otherwise provided in Sections 53317.3 and 53317.5 of the Act and
19 Section E of the Rate and Method. No other properties or entities are exempt from the special tax unless
20 the properties or entities are expressly exempted in Resolution No. 2005-03, or in a resolution of
21 consideration to levy a new special tax or special taxes or to alter the rate or method of apportionment or
22 an existing special tax as provided in Section 53334 of the Act.

23 Section 5. All of the collections of the special tax shall be used as provided for in the Act and
24 Resolution No. 2005-03. The special tax shall be levied only so long as needed for the purposes
25 described in Resolution No. 2005-03.

26 Section 6. The special tax shall be collected in the same manner as ordinary ad valorem property
27 taxes are collected and shall be subject to the same penalties and the same procedure, sale and lien
28 priority in case of delinquency as is provided for ad valorem taxes (which such procedures include the

1 exercise of all rights and remedies permitted by law to make corrections, including, but not limited to,
2 the issuance of amended or supplemental tax bills), as such procedure may be modified by law or by this
3 Board from time to time.

4 Section 7. As a cumulative remedy, if any amount levied as a special tax for payment of the
5 interest or principal of any Bond, together with any penalties and other charges accruing under this
6 Ordinance, are not paid when due, the Board may, not later than four years after the due date of the last
7 installment of principal on the Bonds, order that the same be collected by an action brought in the
8 superior court to foreclose the lien of such special tax.

9 Section 8. The Chairman of the Board shall sign this Ordinance and the Clerk of the Board shall
10 attest to the Chairman's signature and then cause the same to be published within fifteen (15) days after
11 its passage at least once in a newspaper of general circulation published and circulated in the County of
12 Riverside.

13 Section 9. The specific authorization for adoption of this Ordinance is pursuant to the provisions
14 of Section 53340 of the Act.

15 Section 10. The Clerk of the Board is hereby authorized to transmit a certified copy of this
16 ordinance to the Riverside County Assessor and Treasurer Tax Collector, and to perform all other acts
17 which are required by the Act, this Ordinance or by law in order to accomplish the purpose of this
18 Ordinance.

19 Section 11. A full reading of this Ordinance is dispensed with prior to its final passage, a written
20 or printed copy having been available to the Board of Supervisors and the public a day prior to its final
21 passage.

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ATTACHMENT A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 04-2 OF THE COUNTY OF RIVERSIDE (LAKE HILLS CREST)

A Special Tax (all capitalized terms are defined in Section A. Definitions below), shall be applicable to each Parcel of Taxable Property located within the boundaries of Community Facilities District No. 04-2 (Lake Hills Crest) of the County of Riverside. The amount of Special Tax to be levied each Fiscal Year, commencing in Fiscal Year 2005-2006 for a Parcel shall be determined by the Legislative Body of the CFD by applying the appropriate Special Tax for Developed Property, Approved Property, Undeveloped Property, and Public Property and/or Property Owner's Association Property that is not Exempt Property as set forth in Sections B, C, and D below. All of the real property within the CFD, unless exempted by law or by the provisions hereof in Section E., shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the acreage of a Parcel as indicated on the most recent Assessor's Parcel Map, or if the land area is not shown on such Assessor's Parcel Map, the land area shown on the applicable Final Map, parcel map, condominium plan, or other similar instrument.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, of Part 1 of Division 2 of Title 5 of the California Government Code.

"Administrative Expenses" means all actual or reasonably estimated costs and expenses of the County that are chargeable or allocable to carry out its duties as the administrator of the CFD as allowed by the Act, which shall include without limitation, all costs and expenses arising out of or resulting from the annual levy and collection of the Special Tax, Special Tax appeals, foreclosure, trustee fees, rebate compliance calculation fees, any litigation involving the CFD, continuing disclosure undertakings of the County as imposed by applicable laws and regulations, communication with bondholders and normal administrative expenses.

"Administrator" means the County Executive Officer of the County, or his or her designee.

"Approved Property" means all Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to the January 1st preceding the Fiscal Year in which the Special Tax is being levied, and (ii) that have not been issued a building permit prior to the April 1st preceding the Fiscal Year in which the Special Tax is being levied.

"Assessor's Parcel Map" means an official map of the Assessor of the County designating parcels by an Assessor's parcel number.

“Assigned Special Tax” means the Special Tax for each Land Use Category of Developed Property, as determined in accordance with Section C.1.a. below.

“Backup Special Tax” means the Special Tax amount set forth in Section C.1.b., below.

“Bonds” means any bonds or other debt (as defined in the Act) issued by the CFD and secured by the levy of Special Taxes.

“CFD” means Community Facilities District No. 04-2 (Lake Hills Crest) of the County of Riverside established pursuant to the Act.

“County” means the County of Riverside.

“Developed Property” means all Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to the January 1st preceding the Fiscal Year in which the Special Tax is being levied, and (ii) that have been issued a building permit prior to the April 1st preceding the Fiscal Year in which the Special Tax is being levied.

“Exempt Property” means any Parcel which is exempt from Special Taxes pursuant to Section E., below.

“Final Map” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual Parcels for which building permits may be issued without further subdivision.

“Fiscal Year” means the period starting on July 1 of any calendar year and ending on June 30 of the following calendar year, commencing July 1, 2005.

“Indenture” means the bond indenture, fiscal agent agreement, trust agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time.

“Land Use Category” means any of the categories listed in Table 1, below.

“Legislative Body” means the Board of Supervisors of the County acting ex officio as the Legislative Body of the CFD.

“Maximum Special Tax” means the maximum Special Tax, determined in accordance with Section C, which can be levied in any Fiscal Year on any Parcel.

“Non-Residential Property” means all Parcels of Developed Property for which a building permit was issued for a non-residential use.

“Outstanding Bonds” means all issued Bonds, which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayment of a Parcel’s obligation.

“Parcel(s)” means a lot or parcel shown on an Assessor’s Parcel Map within the boundary of the CFD with an assigned parcel number valid at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied.

“Property Owner’s Association Property” means any Parcel which, as of the January 1 preceding the Fiscal Year for which the Special Tax is being levied, is owned by a property owner association, including any master or sub-association.

“Proportionately” means for (i) Developed Property, that the ratio of the actual Special Tax levy to the Assigned Special Tax is the same for all Parcels of Developed Property, (ii) Approved Property that the ratio of the actual Special Tax levy to the Maximum Special Tax is the same for all Parcels of Approved Property, (iii) Undeveloped Property, that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is the same for all such Parcels , and (iv) Public Property and/or Property Owner’s Association Property, that is not Exempt pursuant to Section E., the ratio of the actual Special Tax levy per Acre to the maximum Special Tax per Acre is the same for all such Property.

“Public Property” means, for any Fiscal Year, any Parcel within the boundary of the CFD which, as of the January 1 preceding the Fiscal Year for which the Special Tax is being levied, is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County, or any other public agency, provided, however, that any Parcel leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use.

“Residential Floor Area” means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio or similar area, on a Parcel. The determination of Residential Floor Area shall be made by reference to the building permit(s) for the Parcel.

“Residential Property” means all Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

“Special Tax(es)” means the special tax to be levied in any Fiscal Year on each Parcel of Taxable Property.

“Special Tax Requirement” means that amount required in any Fiscal Year to pay: (i) annual debt service on all Outstanding Bonds due in the calendar year which commences in such Fiscal Year; (ii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) Administrative Expenses; and (iv) an amount equal to any anticipated shortfall due to Special Tax delinquencies in the prior Fiscal Year; and (v) any amount required to establish or replenish any reserve funds for the Bonds, less (vi) a credit for funds available to reduce the annual Special Tax levy as determined by the Administrator.

“Taxable Property” means all Parcels in the CFD which are not exempt from the Special Tax pursuant to law or Section E., below.

“Undeveloped Property” means all Taxable Property not classified as Developed Property, Approved Property, Public Property and/or Property Owner’s Association Property that is not Exempt Property pursuant to the provisions of Section E.

B. ASSIGNMENT TO LAND USE CATEGORY

Each Fiscal Year, commencing with the 2005-2006 Fiscal Year, all Parcels of Taxable Property within the CFD shall be classified as Developed Property, Approved Property, Undeveloped Property, Public Property, or Property Owner’s Association Property and shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment as determined pursuant to Sections C., D., and E. below.

Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property. A Parcel of Residential Property shall further be classified to the appropriate Land Use Category based on the Residential Floor Area for such Parcel as shown in Table 1 below.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

Commencing Fiscal Year 2005-2006, and each Fiscal Year thereafter, the Maximum Special Tax for each Parcel of Residential Property classified as Developed Property shall be the greater of (i) an amount derived by application of the applicable Assigned Special Tax set forth in Table 1 or (ii) the amount derived by application of the Backup Special Tax as provided for in Section C.1.b. below.

Commencing Fiscal Year 2005-2006, and each Fiscal Year thereafter, the Maximum Special Tax for each Parcel of Non-Residential Property classified as Developed Property shall be the Assigned Special Tax described in Table 1.

a. Assigned Special Tax

The Assigned Special Tax for each Land Use Category within the CFD is shown in Table 1 below.

TABLE 1
Assigned Special Taxes for Developed Property
Community Facilities District No. 04-2

<i>Land Use Category</i>	<i>Taxable Unit</i>	<i>Assigned Special Tax Per Taxable Unit</i>
1-Residential Property (4,201 or more Sq.Ft.)	D/U	\$5,170
2-Residential Property (4,001 to 4,200 Sq.Ft.)	D/U	\$4,615
3-Residential Property (3,601 to 4,000 Sq.Ft.)	D/U	\$4,470
4-Residential Property (3,401 to 3,600 Sq.Ft.)	D/U	\$4,065
5-Residential Property (3,201 to 3,400 Sq.Ft.)	D/U	\$3,965
6-Residential Property (3,001 to 3,200 Sq.Ft.)	D/U	\$3,740
7-Residential Property (2,801 to 3,000 Sq.Ft.)	D/U	\$3,515
8-Residential Property (2,501 to 2,800 Sq.Ft.)	D/U	\$3,415
9-Residential Property (2,500 or less Sq Ft.)	D/U	\$3,170
10 - Non-Residential Property	Acre	\$14,445

b. Backup Special Tax

The Backup Special Tax for each Parcel of Residential Property created by a specific Final Map shall be determined by multiplying \$14,445 by the total Acreage of Taxable Property within said Final Map, excluding the Acreage associated with lots or Parcels that are or are expected to be classified as Non-Residential Property, Public Property and Property Owner's Association Property pursuant to the current land use entitlements in such Final Map and dividing such amount by the total number of lots classified or expected to be classified as Residential Property within the specific Final Map.

If a single Final Map is recorded for Tract No. 28815 and a single Final Map is recorded for Tract No. 28816 at the same time, both Final Maps shall be treated as a single Final Map for purposes of determining the Backup Special Tax.

Notwithstanding the foregoing, if the number of Parcels of Residential Property in a specific Final Map is subsequently changed or modified by recordation of a lot line adjustment or similar instrument, then the Backup Special Tax shall be recalculated for the area that has been changed or modified using the methodology described in the preceding paragraph.

2. Approved Property

The Maximum Special Tax for each Parcel of Approved Property expected to be classified as Residential Property pursuant to the current land use entitlements shall be the Backup Special Tax computed pursuant to Section C.1.b. The Maximum Special Tax for each Parcel of Approved Property expected to be classified as Non-Residential Property pursuant to the current land use entitlements shall be \$14,445 per Acre.

3. Public Property and/or Property Owner's Association Property that is not Exempt Property pursuant to the provisions of Section E.

The Maximum Special Tax for each Parcel of Public Property and/or Property Owner's Association Property that is not Exempt Property pursuant to the provisions of Section E., shall be the amount determined by multiplying the Acreage of the Parcel by \$14,445 per Acre.

4. Undeveloped Property

The Maximum Special Tax for each Parcel of Undeveloped Property shall be the amount determined by multiplying the Acreage of the Parcel by \$14,445 per Acre.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2005-2006, and for each following Fiscal Year, the Legislative Body shall determine the Special Tax Requirement and shall levy the Special Tax until the amount of Special Taxes equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax to satisfy the Special Tax Requirement;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Parcel of Approved Property at up to 100% of the Maximum Special Tax for Approved Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax to be levied on each Parcel of Developed Property whose Maximum Special Tax is derived by the application of the Backup Special Tax which shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax for each such Parcel, as needed;

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Public Property and/or Property Owner's Association Property that is not Exempt Property pursuant to the provisions of Section E. at up to 100% of the Maximum Special Tax.

Notwithstanding the above, under no circumstances will the Special Taxes levied against any Parcel of Residential Property be increased by more than ten percent (10%) per Fiscal year as a consequence of delinquency or default by the owner of any other Parcel within the CFD.

E. EXEMPTIONS

The Legislative Body shall not levy Special Taxes on up to 628.30 Acres of Public Property and Property Owner's Association Property. Exempt Property status will be assigned by the Administrator in the chronological order in which property becomes Public Property and Property Owner's Association Property.

After the limit of 628.30 Acres has been reached, the Maximum Special Tax obligation for any additional Public Property and/or Property Owner's Association Property shall be subject to the levy of the Special Tax as provided for in the fifth step in Section D., to the extent permitted under the Act and applicable laws. However, if 10.11 acres are dedicated for the purpose of a school site, these 10.11 Acres will be exempt in addition to the 628.30 Acres.

F. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary Ad valorem property taxes and shall be subject to the same penalties, the same procedure, sale and lien priority in the case of delinquency; provided, however, that County may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on Parcels having delinquent Special Taxes as permitted by the Act.

G. APPEALS

Any owner of a Parcel claiming that the amount or application of the Special Tax levied on the Parcel is not correct and requesting a refund may file a written notice of appeal with the Administrator after the Special Tax in dispute has been paid but, not later than 12 months after the mailing of the property tax bill on which the Special Tax appears. The Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, convene the CFD special tax review board and decide the appeal. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any legal action by such owner.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to Section H only:

"CFD Public Facilities" means either \$24,592,241 (in 2004 dollars), which shall increase by the Construction Inflation Index on July 1, 2004, and on each July 1 thereafter, or such lower number as (i) shall be determined by the Administrator as sufficient to provide the public facilities under the authorized bonding program of the CFD, or (ii) shall be determined by the Legislative Body concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes levied under this Rate and Method of Apportionment.

"Construction Fund" means an account specifically identified in the Indenture to hold funds that are currently available for expenditure to acquire or construct public facilities eligible under the Act.

“Construction Inflation Index” means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year, which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the Administrator that is reasonably comparable to the Engineering News Record Building Cost Index for the City of Los Angeles.

“Future Facilities Costs” means the CFD Public Facilities minus public facility costs available to be funded through escrow accounts or funded by the Outstanding Bonds as defined in Section A, and minus public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment.

1. Prepayment in Full

The Maximum Special Tax obligation may only be prepaid and permanently satisfied for a Parcel of Public Property, Property Owner’s Association Property, Developed Property, Approved Property or Undeveloped Property for which a building permit has been issued. If Lot 277 of Tract 28816 has been acquired by a school district, this Parcel may be fully prepaid as if a building permit had been issued for Residential Property with Residential Floor Area of 4,201 square feet. The Maximum Special Tax obligation applicable to a Parcel may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay the Maximum Special Tax obligation for the Parcel shall provide the Administrator with written notice of intent to prepay and within 10 business days of receipt of such notice, the Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the costs to be incurred by the CFD in calculating the Prepayment Amount (as defined below) for the Parcel. Within 15 business days of receipt of such nonrefundable deposit, the Administrator shall notify such owner of the Prepayment Amount for the Parcel.

The Prepayment Amount (defined below) shall equal the sum of the amounts as identified below (capitalized terms are defined below):

Bond Redemption Amount	
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
Total: equals	Prepayment Amount

The Prepayment Amount shall be determined as of the proposed prepayment date as follows:

1. Confirm that no Special Tax delinquencies apply to such Parcel.

2. For a Parcel of Developed Property, compute the Maximum Special Tax obligation for the Parcel. For Parcels of Approved Property and Undeveloped Property, compute the Maximum Special Tax obligation for the Parcel as though it was already designated as Developed Property, based upon the building permit, which has been issued for the Parcel. For Parcels of Public Property or Property Owner's Association Property, compute the Maximum Special Tax obligation for the Parcel.
3. Divide the Maximum Special Tax obligation derived pursuant to paragraph 2 by the total projected Maximum Special Taxes at build out of \$2,027,160, less the Maximum Special Tax obligation for any Parcels which have prepaid.
4. Multiply the quotient derived pursuant to paragraph 3 by the principal amount of the Outstanding Bonds to determine the amount of Outstanding Bonds to be redeemed with the Prepayment Amount (the "*Bond Redemption Amount*").
5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
6. Determine the Future Facilities Costs.
7. Multiply the quotient derived pursuant to paragraph 3 by the amount derived pursuant to paragraph 6 to determine the amount of Future Facilities Costs for the Parcel (the "*Future Facilities Amount*").
8. Determine the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds on which Bonds can be redeemed from Special Tax prepayments.
9. Determine the Special Taxes levied on the Parcel in the current Fiscal Year which have not yet been paid.
10. Determine the amount the Administrator reasonably expects to derive from the investment of the Bond Redemption Amount from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the Prepayment Amount.
11. Add the amounts derived pursuant to paragraphs 8 and 9 and subtract the amount derived pursuant to paragraph 10 (the "*Defeasance Amount*").
12. Verify the administrative fees and expenses, including the cost of computing of the Prepayment Amount, the cost to invest the Prepayment Amount, the cost of redeeming the Outstanding Bonds, and the cost of recording notices to evidence the prepayment of the Maximum Special Tax obligation for the Parcel and the redemption of Outstanding Bonds (the "*Administrative Fees and Expenses*").

13. The reserve fund credit (the "*Reserve Fund Credit*") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
14. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount and the Administrative Fees and Expenses, less the Reserve Fund Credit.
15. From the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, and the Defeasance Amount shall be deposited into the appropriate fund as established under the Indenture and be used to redeem Outstanding Bonds or make debt service payments. The Future Facilities Amount shall be deposited into the Construction Fund. The Administrative Fees and Expenses shall be retained by the CFD.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such event, the increment above \$5,000 or an integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next redemption from other Maximum Special Tax obligation prepayments of Outstanding Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined pursuant to paragraph 9 above, the Administrator shall remove the current Fiscal Year's Special Tax levy for the prepaying Parcel from the County tax roll. With respect to any Parcel for which the Maximum Special Tax obligation is prepaid, the Legislative Body shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Maximum Special Tax obligation and the release of the Special Tax lien for the Parcel, and the obligation of the Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on all Parcels of Taxable Property after the proposed prepayment will be at least 1.1 times maximum annual debt service on the Bonds that will remain outstanding after the prepayment plus estimated annual Administrative Expenses.

2. **Prepayment in Part**

The Maximum Special Tax obligation on a Parcel of Developed Property may be partially prepaid in increments of \$5,000. For purposes of determining the partial prepayment amount of the provisions of Section H.1 shall be modified as provided by the following formula:

$$PP = ((P_E - A) \times F) + A$$

These terms have the following meaning:

PP = Partial Prepayment

P_E = the Prepayment Amount calculated according to Section H.1

F = the percent by which the owner of the Parcel(s) is partially prepaying the Maximum Special Tax obligation.

A = the Administrative Fees and Expenses determined pursuant to Section H.1

The owner of a Parcel who desires to partially prepay the Maximum Special Tax obligation for the Parcel shall notify the Administrator of (i) such owner's intent to partially prepay the Maximum Special Tax obligation, (ii) the percentage by which the Maximum Special Tax obligation shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if any. Within 10 business days of receipt of such notice, the Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the proper amount of a Partial Prepayment. Within 15 business days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the amount of the Partial Prepayment for the Parcel. A Partial Prepayment must be made not less than 60 business days prior to any redemption date for the Outstanding Bonds to be redeemed with the proceeds of the Partial Prepayment.

With respect to any Parcel for which the Maximum Special Tax obligation is partially prepaid, the Administrator shall (i) distribute the Partial Prepayment as provided in Paragraph 13 of Section H.1, and (ii) indicate in the records of the CFD that there has been a Partial Prepayment for the Parcel and that a portion of the Maximum Special Tax obligation equal to the remaining percentage (1.00 - F) of the Maximum Special Tax obligation will continue, and the Special Tax shall continue on the Parcel pursuant to Section D.

I. TERM OF THE SPECIAL TAX

Special Taxes shall be levied for the period necessary to satisfy the Special Tax Requirement, but in no event shall it be levied after Fiscal Year 2035-2036 or the stated maturity of the Bonds, whichever is sooner.