

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

15160 JACKSON ROAD
RANCHO MURIETA, CA. 95683



SPECIAL BOARD MEETING August 1, 2014 at 2:00 p.m. District Administration Building

NOTICE IS HEREBY GIVEN that the President of the Board of Directors of the Rancho Murieta Community Services District has called a Special Meeting of the Board to be held on August 1, 2014 at 2:00 p.m., at the Rancho Murieta Community Services District Board Room at 15160 Jackson Road, Rancho Murieta.

AGENDA

1. **CALL TO ORDER, ROLL CALL** - Determination of Quorum - President Pasek (**Roll Call**) 2:00
2. **ADOPT AGENDA** (**Motion**) 2:05
*The running times listed on this agenda are only estimates and may be discussed earlier or later than shown. At the discretion of the Board, an item may be moved on the agenda and or taken out of order. **TIMED ITEMS** as specifically noted, such as Hearings or Formal Presentations of community-wide interest, will not be taken up earlier than listed.*
3. **COMMENTS FROM THE PUBLIC** 2:10
*For this Special Meeting, members of the public may **ONLY** comment on items specifically agendized. Members of the public wishing to address a specific agendized item are encouraged to offer their public comment during consideration of that item. With certain exceptions, the Board may not discuss or take action on items that are not on the agenda.*
If you wish to address the Board at the time of the agendized item, as a courtesy, please state your name and address, and reserve your comments to no more than 3 minutes so that others may be allowed to speak. (5 min.)
4. **CONSIDER ADOPTION OF RESOLUTION NO. 2014-15 ADOPTING DISTRICT GOALS AND POLICIES PURSUANT TO THE MELLO-ROOS COMMUNITY FACILITIES ACT OF 1982** (Discussion/Action) (**Motion**) (**Roll Call Vote**) (10 min.) 2:15
5. **CONSIDER ADOPTION OF RESOLUTION 2014-16, STATING INTENTION TO ESTABLISH COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS) UNDER THE MELLO-ROOS COMMUNITY FACILITIES ACT** (Discussion/Action) (**Motion**) (**Roll Call Vote**) (10 min.) 2:25
6. **CONSIDER ADOPTION OF RESOLUTION 2014-17, STATING INTENTION TO INCUR BONDED INDEBTEDNESS WITHIN THE PROPOSED COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS)** (Discussion/Action) (**Motion**) (**Roll Call Vote**) (10 min.) 2:35
7. **DIRECTOR COMMENTS/SUGGESTIONS** 2:45
8. **ADJOURNMENT** (**Motion**) 2:50

MEMORANDUM

Date: July 28, 2014
To: Board of Directors
From: Joseph Blake, General Manager
Richard Shanahan, District General Counsel
Subject: Consider Adoption of Resolution 2014-15, Adopting Goals and Policies Pursuant to the Mello-Roos Community Facilities Act of 1982

RECOMMENDED ACTION

Adopt Resolution 2014-15, a resolution adopting goals and policies pursuant to the Mello-Roos Community Facilities Act of 1982.

BACKGROUND

In order to facilitate the financing of the Owners' Financial Obligation as defined in the Rancho North Properties and Murieta Gardens Financing and Services Agreement, Rancho Murieta Properties in a letter dated July 1, 2014 requested the Rancho Murieta Community Services District (District) to form a Community Facilities District (CFD), levy special taxes and issue bonds under the Mello-Roos Community Facilities District Act. In the agreement, the District agreed to expeditiously form and implement a municipal financing for the landowners' share of the water treatment plant improvement costs.

The Mello-Roos Act requires that, prior to commencing proceedings to establish a CFD; the District Board must first consider and adopt local goals and policies concerning the use of the Act. The policies must address the following: priority that various kinds of public facilities will have for financing under the Act; credit quality to be required of bond issues; steps to be taken to ensure that prospective property purchasers are fully informed about their taxpaying obligations; criteria for evaluating the equity of tax allocation formulas; desirable and maximum amounts of special tax to be levied; and, definitions, standards, and assumptions to be used in appraisals. (Government Code section 53312.7.)

District staff, with the assistance of Youmans Consulting and EPS, have developed the following recommended Goals and Policies on debt financing as guidelines to assist concerned parties in following the District's approach to and policies concerning CFD debt financing under the Mello-Roos Act. It is the District's goal to support CFD projects that address a public need and provide a public benefit. Proposed CFD projects requesting community facility district debt financing will be evaluated to determine if such financing is financially viable and in the best interest of the District and current and future District and project residents, property owners and ratepayers. The Goals and Policies document sets forth staff's recommendation concerning District policies to be applied in using the Mello-Roos Act for a CFD financing, including bond credit quality, disclosure

requirements, rate and method of apportionment of the special tax, land appraisals, and landowner funding of CFD formation and bond issuance costs.

All District costs and any consultant costs incurred in evaluating applications requesting the establishment of community facilities districts will be paid by the Landowner by advance deposit increments or as otherwise agreed in writing by the District. The District shall not incur any non-reimbursable expense for processing such applications. Expenses not chargeable to the community facilities districts shall be borne by the Landowner.

RESOLUTION NO. 2014-15

RESOLUTION OF THE BOARD OF DIRECTORS OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT ADOPTING GOALS AND POLICIES PURSUANT TO THE MELLO-ROOS COMMUNITY FACILITIES ACT OF 1982

WHEREAS, the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the Government Code of the State of California (the "Act") provides that on and after January 1, 1994, a local agency may initiate proceedings to establish a district pursuant to the Act only if it has first considered and adopted local goals and policies concerning the use of the Act; and

WHEREAS, the Board of Directors (the "Board") of the Ranch Murieta Community Services District desires to initiate proceedings to form community facilities districts to finance certain public capital improvements;

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The Board adopts the "Rancho Murieta Community Services District Comprehensive Mello-Roos Goals and Policies" in the form attached as "Exhibit A" and a copy of which shall be kept on file with the District Secretary.

Section 2. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED, APPROVED AND ADOPTED this 1st day of August 2014, by the following vote:

Ayes:
Noes:
Abstain:
Absent:

**Gerald Pasek, President of the Board
Rancho Murieta Community Services District**

ATTEST:

**Suzanne Lindenfeld
District Secretary**

Exhibit A

Rancho Murieta Community Services District Comprehensive Mello-Roos Goals and Policies

1. Introduction

The Rancho Murieta Community Services District (Services District) has developed the following Goals and Policies on debt financing as guidelines to assist concerned parties in following the Services District's approach to and policies concerning community facilities district debt financing under the Mello-Roos Community Facilities Act of 1982. It is the Services District's goal to support CFD projects that address a public need and provide a public benefit. Proposed projects requesting community facility district debt financing will be evaluated to determine if such financing is financially viable and in the best interest of the Services District and current and future Services District and project residents, property owners and ratepayers. These Goals and Policies are designed to comply with Section 53312.7 of the Government Code.

The Services District will consider applications requesting formation of community facilities districts and the issuance of bonds to finance eligible public facilities pursuant to the Mello-Roos Act. The Services District reserves the right to request any additional reports, information, or studies reasonably necessary in evaluating these applications.

All Services District costs and any consultant costs incurred in evaluating applications requesting the establishment of community facilities districts will be paid by the Landowner by advance deposit increments or as otherwise agreed in writing by the Services District. The Services District shall not incur any non-reimbursable expense for processing such applications. Expenses not chargeable to the community facilities districts shall be borne by the Landowner.

2. Definitions

"Bonds" means bonds authorized and issued under the Mello-Roos Act.

"CFD" means a community facilities district formed or proposed to be formed under the Mello-Roos Act.

"Landowner" means the owner or owners of the real property within the CFD or a real estate developer designated by the owner or owners.

"Mello-Roos Act" means the Mello-Roos Community Facilities Act of 1982, as amended.

"Public Facilities" means improvements authorized to be constructed or acquired under the Mello-Roos Act, including fees for capital facilities imposed by public agencies as a condition to approval of the development encompassed by the CFD or as a condition to service the CFD.

"Services District" means the Rancho Murieta Community Services District.

"Value" means the amount of cash or its equivalent a seller would receive concerning real property exposed for sale in the open market under conditions in which neither buyer nor seller

could take advantage of a difficulty of the other and both have knowledge of all uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on uses and purposes.

3. Eligible Public Facilities and Priorities

The improvements eligible to be financed must be owned by a public agency or public utility, must have a useful life of at least five (5) years, and must be authorized by the Mello-Roos Act. In any event, no bonds shall be issued with a maturity date greater than the useful life of the facilities or improvements being financed. The development proposed within the CFD must be consistent with the Services District's general plan, if any, and must have obtained all discretionary land use entitlements required for development into their intended uses.

The list of public facilities eligible to be financed by a Services District CFD may include these:

- Governmental facilities
- Security facilities
- Storm drain facilities
- Sanitary sewer facilities
- Potable and reclaimed water facilities
- Flood control facilities
- Public utilities
- Biological mitigation measures involving land acquisition, dedication, and re-vegetation

In general, none of these types of facilities will have priority over the others; however, the Services District has final determination as to any facility's eligibility for financing, as well as the prioritization of facilities to be included in a CFD.

4. Credit Quality Required of Bond Issues

To qualify for bond financing, a project must satisfy certain minimum credit quality requirements as described in this section 4. The Services District may apply other credit criteria in determining whether to issue bonds, and the Services District may disregard certain of the criteria by resolution of the Board of Directors if it is determined that such action would not significantly affect the security of the bonds or that the issuance of the bonds would accomplish a specified public policy goal. The Services District retains its discretion to decline to issue bonds even if a project satisfies all the requirements described below:

- A. Value-to-Lien Ratio. The value of all taxable CFD property is at least three (3) times the principal amount of the bonds to be sold and the principal amount of all other bonds outstanding that are secured by special taxes or assessments levied on the property. The value of taxable property will be established on the basis of (1) an appraisal made by a real estate appraiser with a California-certified general license obtained from the State Bureau of Real Estate Appraisers under the Real Estate Appraisers Licensing and Certification Law and related regulations; or (2) the full cash value of such taxable property as shown on the assessment roll of the Sacramento County Assessor. If property value is determined by an appraisal, the appraiser shall be selected by the Services District, and the appraisal shall be based on criteria as

described below under **Section 7** of these goals and policies. The appraisal must be dated within 4 months of the date the bonds are issued. Although it is not required that the value-to-lien ratio be 3:1 on a parcel-by-parcel basis, consideration will be given to this ratio when apportioning special taxes to different parcels.

B. Developer Capability. The Landowner must demonstrate the feasibility of its financial plan and its ability to pay all special taxes before full buildout has taken place. Before the Board of Directors' approval of CFD formation, any property owner that will be responsible for more than 10 percent of the aggregate special taxes in the CFD will, at Services District staff's request, provide detailed information regarding these matters:

1. Legal structure of the title-holding entity and legal structure of the entity's owners or partners.
2. Detailed, audited financial statements of the property-owning entity and, if the owning entity is a subsidiary or affiliate of another entity, detailed audited financial statements of such parent or affiliate. Three years of statements are required. The Services District shall immediately advise the property-owning entity of any request for the audited financial statements pursuant to California Public Records Act (Government Code section 6250 et seq.). The Services District shall allow the property-owning entity to defend against any proposed disclosure of the audited financial statements. All costs incurred by the Services District under this paragraph shall be the responsibility of the property-owning entity. The Services District shall incur no liability for the inadvertent disclosure of the audited financial statements.
3. A list of bank, credit, or investment references that the Services District may contact.
4. A list of other public agencies with which the developer or its parent or affiliate company has participated in forming CFDs and selling bonds, including a history of special tax payments in such CFDs.
5. A comprehensive property development pro forma financial statement detailing development costs and funding sources, whether from equity, bank, investor, or bond proceeds sources. The pro forma must clearly identify timing and amount of private funds required to develop the project and pay the special taxes pending project completion and sale. The developer will be expected to demonstrate the level of certainty of obtaining such private funds and the sources thereof.
6. Any tax delinquencies, defaults, or bankruptcies of the developer or its parent or affiliate company.
7. Developer's (and parent or affiliate company's) compliance with prior continuing disclosure requirements.

- C. Credit Enhancement. The Services District, in certain instances, may require additional security for the issuance of bonds in the form of credit enhancement (such as a letter of credit). If the Services District requires letters of credit or other security, the credit enhancement will be issued by an institution in a form and based on terms and conditions satisfactory to the Services District. To the extent permitted by law, all fees payable on the letter of credit or other security may be reimbursed from revenues derived from the specific CFD for which the security was required. Any security required to be provided by the Landowner may be discharged by the Services District upon the opinion of a State-certified appraiser (as described in section 4.A) retained by the Services District demonstrating that a value-to-lien ratio of 3:1 has been attained.
- D. Reserve Fund. A reserve fund equal to the least of (1) 10 percent of the stated principal amount of the bond issue; (2) the maximum annual debt service on the bond issue; and (3) 125 percent of the average annual debt service on the bond issue shall be required for all CFD bonds, where 60 percent or more of the special tax revenues generated in the CFD will be generated from undeveloped property. A smaller reserve fund as determined by the Services District may be permitted for bond issues in a CFD where 40 percent or more of the special tax revenues will be generated from developed property. In lieu of satisfying this requirement for a reserve fund, the Services District may allow the Landowner to substitute a surety bond or a letter of credit for all or a portion of the amount of the reserve fund. Earnings on a reserve fund not needed to be retained in the fund to maintain it at the required amount shall be transferred to the acquisition and construction fund or to the debt service fund or other fund, as appropriate, or shall be used to pay rebate obligations under federal tax law. The Services District, with the advice of its financing consultants, will decide the amount of the reserve requirement, the method by which it will be satisfied, and the use of any earnings on investment of a reserve fund.
- E. Capitalized Interest. The Services District, with the advice of its financing consultants, will determine, on a case-by-case basis, the amount of interest to be funded from bond proceeds (capitalized interest) for a particular financing. The amount of capitalized interest ordinarily will be limited to the amount of interest payable on the bonds before receipt of the first tax collections; however, it may be set at a higher amount, based on other factors, such as the length of the construction period and taking into consideration the overall effect of such additional borrowing on the financing, including on the value-to-lien ratio, the total tax burden, and the ability of the property owner(s) to pay the taxes.
- F. Foreclosure Covenants. Documentation for every bond issuance shall include a covenant for judicial foreclosure of liens securing special tax delinquencies. Such covenants may vary with each financing but shall at a minimum provide for the institution of foreclosure proceedings within a reasonable time and shall authorize the General Manager or his delegate to commence foreclosure without further Board of Directors' action on notification of a delinquency. The requirement in the covenant to institute foreclosure proceedings may be subject to reasonable threshold delinquency amounts, either by individual parcels or in the aggregate.

- G. Absorption Studies. The Services District may require a development absorption study for property in the CFD as a condition of the issuance of bonds if the Services District determines that such objective information is necessary to analyze the development feasibility of the property proposed for the CFD. This study must be prepared by a qualified consultant concurrently with preparation of the appraisal, so the absorption conclusions may be reflected in the appraisal. The consultant must be hired by the Services District and must not have a personal or professional interest in the property in the CFD. The market-absorption study will be funded by the Landowner; however, the cost of this study may be reimbursed from bond proceeds with the Services District's approval, provided such reimbursement is consistent with applicable law.
- H. Land Use Entitlements. Before issuing bonds, the properties to be included in the CFD must have obtained all discretionary land use entitlements required for development into their intended uses.
- I. Financing Team. The Services District shall select and employ the members of its financing team, including bond counsel, disclosure counsel, special tax consultant, financial advisor, underwriter, appraiser, and, if the Services District determines the need therefore, an absorption or marketing consultant. Costs incurred by the Services District for these services shall be paid by the Landowner; however, the Services District may allow for the Landowner to be reimbursed from bond proceeds, provided such reimbursement is consistent with applicable law.
- J. Exceptions. The Services District Board of Directors may consider exceptions to the above policies for bond issues that do not represent an unusual credit risk, either because of credit enhancement, the escrowing of bond proceeds pending satisfaction of credit requirements, or other reasons specified by the Services District. Further, the credit criteria may be disregarded if the Services District determines, by a four-fifths vote of the Board of Directors, that a bond issue should proceed for specified public policy reasons.

The Landowner has the responsibility and burden of demonstrating to the Services District that the proposed CFD transaction has sufficient credit quality and strength consistent with the standards of these Goals and Policies.

5. Disclosure Requirements

- A. Disclosure Requirement for Developers. The Landowner will be required to demonstrate, to the satisfaction of the Services District, that there will be full disclosure of the Mello-Roos special taxes and any other special tax, assessment, overlapping special taxes or assessment of other districts, other liens on individual parcels to existing and future property owners, and to prospective purchasers of property including interim purchasers and sales to merchant builders (Section 53341.5 of the Government Code). In addition to all requirements of law, the Services District shall require the Landowner to provide disclosure of such information as the Services District deems appropriate to the purchasers of property in the CFD, with respect to the existence of the CFD, maximum or backup special taxes to be levied in the CFD, facilities to be constructed, the foreclosure process, and the terms and conditions of bond issues on behalf of the CFD. Such disclosure shall include

home buyer notifications requiring signature before home purchases, as well as methods to notify subsequent home purchasers.

- B. Compliance with Federal Securities Laws. The Services District shall use all reasonable means to ensure compliance with applicable federal securities laws in connection with the issuance of debt and the provision of annual information regarding any CFD established by the Services District with respect to which bonds have been issued, including requiring any developer in a CFD who is material to the bond issue to transmit appropriate information to the Services District or its designee for disclosure to bond investors.

6. Equity of Tax Allocation Formulas

- A. The rate and method of apportionment of the special tax must be both reasonable and equitable in apportioning the costs of the public facilities to be financed to each of the parcels within the boundaries of the proposed CFD and otherwise consistent with the policies in this section 6. The Services District prefers this apportionment of costs to be based on the benefit that each parcel is to receive from the public facilities.
- B. The rate and method of apportionment of the special tax is to provide for the administrative expenses of the proposed CFD, including those expenses necessary for enrollment and collection of the special tax and bond administration.
- C. All property in the CFD not otherwise exempted by the Mello-Roos Act from taxation shall be subject to the special tax. The rate and method of apportionment may provide for exemptions to be extended to parcels that are to be reserved or dedicated at a future date to public entities, held by a homeowner's association, or designated open space.
- D. The annual special tax levy on each residential parcel developed to its final land use shall be approximately equal each year, except that a variation for administrative expenses will be allowed. The Services District will allow an annual escalation factor on parcels in a CFD.
- E. The maximum annual special tax, together with ad valorem property taxes; special assessments or taxes for an overlapping financing district; or any other charges, taxes, or fees payable from and secured by the property, including potential charges, taxes, or fees relating to authorized but unissued debt of public entities other than the Services District, in relation to the expected assessed value of each parcel, upon completion of the private improvements to the parcel, is of great importance to the Services District in evaluating the proposed financing. The objective of the Services District is to limit the "overlapping" tax/assessment/property-related service charge burden on any parcel to no more than 2 percent of the expected assessed value of the parcel upon completion of the development project infrastructure and improvements. In evaluating whether this objective can be met, the Services District will consider the aggregate public service needs for the proposed project. It will consider what public improvements the Landowner is proposing to be financed in relation to these aggregate needs, and it will decide what is an appropriate amount to extend in public financing to the identified public improvements.

- F. This evaluation will be based on information obtained from other affected taxing entities that have jurisdiction to impose a tax, assessment or property-related service charge levy on the proposed CFD land.
- G. The total maximum annual special taxes that can be collected from taxable property in a CFD, taking into account any potential changes in land use or development density or rate, and less all projected administrative expenses, must be equal to at least 110 percent of the gross annual debt service on any bonds issued by or on behalf of the CFD in each year that the bonds will remain outstanding.
- H. The rate and method of apportionment of the special tax shall include a provision or a backup tax to protect against any changes in development that would result in insufficient special tax revenues to meet the debt service requirements of the CFD. Such backup tax shall be structured in such a manner that it shall not violate any provisions of the Mello-Roos Act regarding cross-collateralization limitations for residential properties.
- I. A formula to provide for the prepayment of the special tax may be provided; however, neither the Services District nor the CFD shall be obligated to pay for the cost of determining the prepayment amount, which is to be paid by the Landowner.

7. Appraisals

As stated in **Section 4.A**, all CFD bond issues shall require a minimum 3:1 value-to-lien ratio. To establish the value-to-lien ratio, the Services District may elect to have an appraisal performed. Any appraiser selected by the Services District must be a State-certified appraiser as described at section 4.A.

- A. Definition of Appraisal. An appraisal is a written statement independently and impartially prepared by a qualified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by the presentation and analysis of relevant market information.
- B. Standards of Appraisal. The format and level of documentation for an appraisal shall depend on the complexity of the appraisal problem. A detailed appraisal shall be prepared for complex appraisal problems. A detailed appraisal shall reflect recognized appraisal standards, including, to the extent appropriate, the Uniform Standards of Professional Appraisal Practice and the California Debt and Investment Advisory Commission's "Appraisal Standards for Land-Secured Financings," as they may be amended from time to time.
- C. Content of Appraisal. An appraisal must contain sufficient documentation, including valuation data and the appraiser's analysis of the data to support his or her opinion of value. At a minimum, the appraisal shall contain the following items:
 - 1. The purpose or function of the appraisal, a definition of the property being appraised, and a statement of the assumptions and limiting conditions affecting the appraisal.
 - 2. An adequate description of the physical characteristics of the property being appraised, its location, zoning, present use, and an analysis of highest and best use.

3. All relevant and reliable approaches to value consistent with commonly accepted professional appraisal practices. If a discounted cash flow analysis is used, it should be supported with at least one other valuation method, such as a market approach using sales that are at the same stage of land development. If more than one approach is used, there shall be an analysis and reconciliation of approaches to value sufficient to support the appraiser's opinion of value.
4. A description of comparable sales, including a description of all relevant physical, legal, and economic factors such as parties to the transaction, source and method of financing, and verification by a party involved in the transaction.
5. A statement of the value of real property.
6. The effective date of valuation, date of appraisal, signature, and certification of the appraiser.
7. No appraiser or review appraiser shall have any interest direct or indirect in the real property being appraised for the Services District that would in any way conflict with the preparation or review of the appraisal. Compensation for making an appraisal shall not be based on the amount of the valuation.

8. Acquisition Provisions

- A. The Services District will consider authorizing the use of bond proceeds to acquire completed improvements from the Landowner (as well as to construct improvements directly). The Services District, in its sole and unlimited discretion, shall have final determination as to whether, under what conditions, and to what extent it will allow the financing of public facilities through acquisition. An acquisition agreement shall be required and approved by the Board of Directors before closing the bond sale for the subject CFD.
- B. The Services District shall have approval authority over the plans and specifications for all improvements to be acquired and shall have the right to inspect the improvements during construction.
- C. Specification and contracts for improvements to be acquired by the CFD must require payment of "prevailing wages" and compliance with other public works project requirements as set forth in Sections 1720-1861 of the California Labor Code.
- D. For improvements completed after passage of the resolution of formation, sealed competitive bids must be taken on Services District approved plans and specifications. Services District staff shall be in attendance at the bid opening, and a copy of the engineer's estimate of cost shall be furnished to Services District staff before the date for receiving bids. The minimum advertising acceptable is the distribution of approved plans and specifications to the Builders Exchanges and Construction Services shown on the distribution list obtainable from Services District staff, and the time fixed for opening bids shall be a reasonable time not less than 14 days after distribution of plans and specifications to the Builders Exchanges and Construction Services.

- E. Upon completion of construction, the following items shall be submitted to Services District staff:
- i. An itemized list of the improvements proposed for acquisition that gives a description of the individual items, the final quantity for each item, the unit price bid for the item, and the total cost for each item.
 - ii. Basis and billing for all engineering fees paid and claimed for reimbursement.
 - iii. Description of any Services District fees paid and claimed for reimbursement.
 - iv. Release from contractor, subcontractors, and suppliers indicating payment in full.
 - v. Certification from the Landowner or its engineer that the improvements have been completed in accordance with the professional standards applicable to the improvements.
 - vi. Guaranty there are no liens on the improvements to be acquired together with an agreement indemnifying the Services District regarding unknown or future claims.

The Landowner shall defend and indemnify the Services District from and against all claims, demands, and liabilities arising from any failure to construct such improvements in accordance with applicable laws, rules, and regulations.

9. District Deposits and Reimbursements

- A. All Services District and consultant costs incurred in the evaluation of requests to form CFDs, the establishment of CFDs, and CFD bond issuance shall be paid by the requesting Landowner by advance deposit increments. The Services District shall not incur any expenses for processing and administering CFDs. Expenses not chargeable to the CFD shall be borne directly by the Landowner.
- B. The deposits shall be used by the Services District to pay for costs and expenses incurred by the Services District incident to the proceedings, including engineering, appraisal, special tax consultant, financial advisor, legal, and other consultant expenses; administrative costs and expenses; required notifications; and printing and publication of transaction related documents.
- C. The Services District shall refund any unexpended portion of the deposits if the CFD is not formed, the issuance of bonds is not approved by the Services District, or the proceedings for formation of the CFD or issuance of bonds is abandoned in writing by the Landowner.
- D. The Landowner shall be entitled to reimbursement from bond proceeds for all reasonable costs and expenses incident to the proceedings and construction of the public facilities as provided and allowed under the Mello-Roos Act and other applicable law. All such costs and expenses will be limited to those CFD-related consultants hired or authorized by the Services District, invoices shall be verified by the Services District as a condition of reimbursement, and the Services District shall have sole

discretion as to what costs and expenses are reimbursable and as to their reasonableness.

- E. The Landowner shall not be entitled to reimbursement from bond proceeds for (A) in-house administrative and overhead expenses incurred by the Landowner, (B) interest expense incurred by the Landowner during construction of public facilities, or (C) any other costs and expenses incurred by the Landowner that are not otherwise authorized for reimbursement under the Mello-Roos Act or other applicable law.

10. Exceptions to these Policies

The Services District may find in limited and exceptional instances that a waiver of any of the above-stated policies is reasonable, given identified special Services District benefits to be derived from such waiver. Such waivers may be granted only by action of the Board of Directors of the Services District, based on specific public purpose or public health, safety or welfare findings.

DRAFT

MEMORANDUM

Date: July 28, 2014
To: Board of Directors
From: Joseph Blake, General Manager
Richard Shanahan, District General Counsel
Subject: Consider Adoption of Resolution 2014-16, Stating Intention to Establish Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) Under the Mello-Roos Community Facilities Act

RECOMMENDED ACTION

Adopt Resolution 2014-16, a resolution of intention to establish Community Facilities District No. 2014-1, (Rancho North/Murieta Gardens) Under the Mello-Roos Community Facilities Act.

BACKGROUND

The District's Board of Directors has received a petition requesting the institution of proceedings for (i) formation of a community facilities district ("CFD 2014-1") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the California Government Code (the "Act"), (ii) authorization of issuance of bonds for CFD 2014-1, and (iii) establishment of an appropriations limit for CFD 2014-1.

District bond counsel, Fulbright & Jaworski, has prepared a proposed resolution of intention to initiate CFD formation proceedings in accordance with the requirements of the Mello-Roos Act. The resolution (1) states the District's proposal to form the CFD, (2) approves and authorizes the recording of the CFD boundary map, (3) describes the facilities proposed to be financed (i.e., the water treatment plant improvement project), (4) states the District's intention to levy a special tax within the CFD area and describes the rate and method of apportionment of the special tax, (5) fixes a public hearing before the Board to further consider and receive comments on the proposal to form the CFD and levy the special tax, and (6) addresses other matters relating to formation of the CFD and special tax levy.

RESOLUTION NO. 2014-16

RESOLUTION OF INTENTION OF THE BOARD OF DIRECTORS OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT TO ESTABLISH RANCHO MURIETA CSD COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS)

WHEREAS, the Board of Directors (the "Board") of the Rancho Murieta Community Services District (the "District") has received a petition (the "Petition") requesting the institution of proceedings for (i) formation of a community facilities district ("CFD 2014-1") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the California Government Code (the "Act"), (ii) authorization of issuance of bonds for CFD 2014-1, and (iii) establishment of an appropriations limit for CFD 2014-1; and

WHEREAS, the Board has determined that the Petition complies with the requirements of Government Code Section 53318(c) and now intends to initiate such proceedings; and

WHEREAS, it is the intention of the Board to finance the acquisition and construction of the Facilities (as defined below) or any combination thereof through the formation of CFD 2014-1, subject to the authorization of bonds and the levy of a special tax to pay lease payments, installment purchase payments or other payments, or principal and interest on bonds, being approved at an election to be held within the boundaries of CFD 2014-1.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The Board hereby proposes to institute proceedings for the formation of a community facilities district under the terms of the Act. The exterior boundaries of CFD 2014-1 are hereby specified and described to be as shown on that certain map now on file in the office of the Clerk entitled "Map of Proposed Boundaries Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens" which map indicates by a boundary line the extent of the territory included in CFD 2014-1 and shall govern for all details as to the extent of CFD 2014-1. On the original and one copy of the map on file in the District Secretary's office, the District Secretary shall endorse the certificate evidencing the date and adoption of this resolution. The District Secretary shall file the original of such map in her office and, within fifteen (15) days after the adoption of this Resolution, the District Secretary shall file a copy of such map so endorsed in the

records of the County Recorder, County of Sacramento, State of California.

Section 2. The name of the proposed community facilities district shall be “Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens).”

Section 3. The facilities proposed to be financed by CFD 2014-1 are public infrastructure facilities and other governmental facilities with an estimated useful life of five years or longer, which CFD 2014-1 is authorized by law to construct, own or operate and that are necessary to meet increased demands placed upon the District as a result of development or rehabilitation occurring within the proposed CFD 2014-1, including but not limited to the improvements to the District’s Water Treatment Plant #1, and related costs including designs, inspections, professional fees, connection fees and acquisition costs (the “Facilities”). Such Facilities need not be physically located within CFD 2014-1.

Section 4. Except where funds are otherwise available, it is the intention of the Board to levy annually in accordance with procedures contained in the Act a special tax (the “Special Tax”) within CFD 2014-1 sufficient to pay for the costs of financing the acquisition and/or construction of the Facilities, including the principal of and interest on the bonds proposed to be issued to finance the Facilities and other periodic costs, the establishment and replenishment of reserve funds, the remarketing, credit enhancement and liquidity fees, the costs of administering the levy and collection of the Special Tax and all other costs of the levy of the Special Tax and issuance of the bonds, including any foreclosure proceedings, architectural, engineering, inspection, legal, fiscal, and financial consultant fees, discount fees, interest on bonds due and payable prior to the expiration of one year from the date of completion of facilities (but not to exceed two years), election costs and all costs of issuance of the bonds, including, but not limited to, fees for bond counsel, disclosure counsel, financing consultants and printing costs, and all other administrative costs of the tax levy and bond issue. The Special Tax will be secured by recordation of a continuing lien against all non-exempt real property in CFD 2014-1. In the first year in which such a Special Tax is levied, the levy shall include a sum sufficient to repay to the District all amounts, if any, transferred to CFD 2014-1 pursuant to Section 53314 of the Act and interest thereon. The schedule of the rate and method of apportionment and

manner of collection of the Special Tax is described in detail in Exhibit A attached hereto and by this reference incorporated herein. The Special Tax is based upon the cost of financing the Facilities in CFD 2014-1, the demand that each parcel will place on the Facilities and the benefit (direct and/or indirect) received by each parcel from the Facilities.

The Special Tax is apportioned to each parcel on the foregoing basis pursuant to Section 53325.3 of the Act. In the event that a portion of the property within CFD 2014-1 shall become for any reason exempt, wholly or partially, from the levy of the Special Tax, the Board shall, on behalf of CFD 2014-1, increase the levy to the extent necessary upon the remaining property within CFD 2014-1 which is not delinquent or exempt in order to yield the required payments, subject to the maximum tax. Under no circumstances, however, shall the Special Tax levied in any fiscal year against any parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner or owners of any other parcel or parcels within CFD 2014-1 by more than 10 percent above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. Furthermore, the maximum special tax authorized to be levied against any parcel used for private residential purposes shall not be increased over time in excess of 2 percent per year.

Section 5. The Board hereby finds that the proposed Facilities are necessary to meet increased demands put upon the District as a result of the new development or rehabilitation within the proposed CFD 2014-1.

Section 6. A public hearing (the "Hearing") on the establishment of CFD 2014-1 and the proposed rate and method of apportionment of the Special Tax shall be held on September 17, 2014, at 5:30 o'clock p.m., or as soon thereafter as practicable, at the District office, 15160 Jackson Road, Rancho Murieta, California 95683.

Section 7. At the time and place set forth above for the Hearing, any interested person, including all persons owning lands or registered to vote within the proposed CFD 2014-1, may appear and be heard.

Section 8. Each District officer who is or will be responsible for the Facilities to be financed by CFD 2014-1, if it is established, is hereby directed to study the proposed CFD 2014-1 and, at

or before the time of the above-mentioned Hearing, file a report with the Board, and which is to be made a part of the record of the Hearing, containing a brief description of the Facilities by type which will in his or her opinion be required to adequately meet the needs of CFD 2014-1 and his or her estimate of the cost of providing the Facilities. The General Manager is directed to estimate the fair and reasonable cost of all incidental expenses, including the cost of planning and designing the Facilities to be financed pursuant to the Act, including the cost of environmental evaluations of such facilities, all costs associated with the creation of CFD 2014-1, issuance of bonds, determination of the amount of any special taxes, collection of any special taxes, or costs otherwise incurred in order to carry out the authorized purposes of the District with respect to CFD 2014-1, and any other expenses incidental to the construction, completion and inspection of the authorized work to be paid through the proposed financing.

Section 9. The District may accept advances of funds from any sources, including private persons or private entities, and is authorized and directed to use such funds for any authorized purpose, including any cost incurred by the District in creating CFD 2014-1. The District may enter into an agreement to repay all of such funds as are not expended or committed for any authorized purpose at the time of the election on the levy of the Special Tax, if the proposal to levy such tax should fail, and to repay all of such funds advanced if the levy of the Special Tax shall be approved by the qualified electors of CFD 2014-1.

Section 10. The District Secretary is hereby directed to publish a notice ("Notice") of the Hearing pursuant to Section 6061 of the Government Code in a newspaper of general circulation published in the area of the proposed CFD 2014-1. Such Notice shall contain information set forth in Section 53322 of the Act. Such publication shall be completed at least 7 days prior to the date of the Hearing.

Section 11. Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, is hereby appointed as bond and disclosure counsel, and Willdan Financial Services is hereby appointed as special tax consultant in connection with the formation of CFD 2014-1, issuance of bonds and any administration of CFD 2014-1 as determined by the District.

Section 12. Pursuant to Section 53344.1 of the Act, the Board hereby reserves to itself, in its sole discretion, the right and authority by subsequent resolution to allow any owner of property within CFD 2014-1, subject to the provisions of Section 53344.1 of the Act and those conditions as it may impose, and any applicable prepayment penalties as prescribed in the bond indenture or comparable instrument or document, to tender to CFD 2014-1 treasurer in full payment or part payment of any installment of the special taxes or the interest or penalties thereon which may be due or delinquent, but for which a bill has been received, any bond or other obligation secured thereby, the bond or other obligation to be taken at par and credit to be given for the accrued interest shown thereby computed to the date of tender.

Section 13. The voting procedure with respect to the imposition of the Special Tax shall be by hand delivered or mailed ballot election.

Section 14. This Resolution shall take effect upon its adoption.

PASSED, APPROVED AND ADOPTED this 1st day of August, 2014, by the following Roll Call Vote:

Ayes:

Noes:

Abstain:

Absent:

Gerald Pasek, President of the Board
Rancho Murieta Community Services District

ATTEST:

Suzanne Lindenfeld
District Secretary

EXHIBIT A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

DRAFT

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

RANCHO MURIETA COMMUNITY SERVICES DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS)

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels within Community Facilities District No. 2014-1 (CFD No. 2014-1) of the Rancho Murieta Community Services District, other than Assessor's Parcels classified as Exempt Property as defined herein, and collected each Fiscal Year commencing in Fiscal Year 2014-2015, in an amount determined by the CFD Administrator through the application of the procedures described below. All of the real property within CFD No. 2014-1, unless exempted by law or by the provisions hereof, 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:

"Acreage" means the land area in acres of an Assessor's Parcel as shown on the Assessor's Parcel Map or, if the land area is not shown on an Assessor's Parcel Map, the land area in acres shown on a recorded Subdivision document recorded with the County. The square footage of an Assessor's Parcel is equal to the Acreage of such parcel multiplied by 43,560.

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

"Administrative Expenses" means the following actual or reasonably estimated expenses related to the administration of CFD No. 2014-1: the costs of determining the amount of the levy of Special Taxes, the collection of Special Taxes, including the expenses of collecting delinquencies, the payment of a proportional share of salaries and benefits of any District employees and District overhead whose duties are related to the administration of CFD No. 2014-1, costs associated with responding to public inquiries regarding CFD No. 2014-1, and any and all other costs incurred in connection with the administration of CFD No. 2014-1.

"Assessor's Parcel" means a lot or parcel within CFD No. 2014-1 shown on an Assessor's Parcel Map with an assigned assessor's parcel number.

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

"Authorized Facilities" means those facilities eligible to be funded by CFD No. 2014-1.

"Boundary Map" means a recorded map of CFD No. 2014-1 which indicates by a boundary line the extent of the territory identified to be subject to the levy of Special Taxes.

"Calendar Year" means the period commencing January 1 of any year and ending the following December 31.

“CFD Administrator” means an official of the District, or designee thereof, responsible for determining the Special Tax Requirement, and providing for the levy and collection of the Special Taxes for CFD No. 2014-1.

“CFD No. 2014-1” means Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) of the Rancho Murieta Community Services District established by the District under the Act to fund Authorized Facilities.

“County” means the County of Sacramento.

“District” means the Rancho Murieta Community Services District.

“District Board” means the Board of Directors of the District, acting as the legislative body of CFD No. 2014-1.

“Estimated Special Tax Delinquency Amount” means an amount equal to a reasonable estimate of delinquencies expected to occur in the Fiscal Year in which Special Taxes will be levied.

“Exempt Property” means all Assessor’s Parcels within CFD No. 2014-1 that are exempt from the Special Tax pursuant to the Act or Section G herein.

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

“Indenture” means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which CFD No. 2014-1 bonds are issued, as modified, amended and/or supplemented from time to time or any instrument(s) replacing the same.

“Maximum Special Tax” means for each Assessor’s Parcel of Taxable Property, the maximum Special Tax determined in accordance with Section C, which may be levied in a given Fiscal Year on such Assessor’s Parcel.

“Original Parcel” means an Assessor’s Parcel identified and assigned a Maximum Special Tax in Table 1 of Section C.1 below.

“Outstanding Bonds” means all CFD No. 2014-1 bonds, notes or other debt instruments which are outstanding under an Indenture or other documentation of such debt.

“Property Owner Association Property” means, for each Fiscal Year, any Assessor’s Parcel that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year.

“Proportionately” means for Taxable Property that the ratio of the actual Special Tax levy to Maximum Special Tax is the same for all Assessor’s Parcels.

“Public Property” means all Assessor’s Parcels which, as of the January 1 preceding the Fiscal Year in which the Special Tax is being levied, are (i) owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State, the County, District or any other public agency (each, a “Public Entity”), provided, however, that any property leased by a Public Entity to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use; or (ii) encumbered by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement.

“Special Tax” means the special tax authorized to be levied within CFD No. 2014-1 pursuant to this Rate and Method of Apportionment and the Act to fund the Special Tax Requirement.

“Special Tax Requirement” means for each Fiscal Year, the amount, as determined by the CFD Administrator, to: (i) pay debt service on all Outstanding Bonds due in the calendar year commencing in such Fiscal Year; (ii) pay periodic costs associated with the Outstanding Bonds,

including but not limited to the costs of credit enhancements and federal rebate payments due in the Calendar Year commencing in such Fiscal Year; (iii) pay Administrative Expenses associated with Special Tax; (iv) establish or replenish any operational reserve fund; (v) pay incidental expenses related to the Authorized Facilities; (vi) fund the Estimated Special Tax Delinquency Amount; (vii) pay directly for the acquisition or construction of Authorized Facilities; and (viii) fund the shortfall, if any, in Special Tax revenues collected in the preceding Fiscal Year necessary to fund the Special Tax Requirement for such Fiscal Year where the shortfall resulting from delinquencies in the payment of Special Taxes exceeded the Estimated Special Tax Delinquency Amount.

“Subdivision” 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 66140 *et seq.*); recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual lots for which building permits may be issued; other actions that result in a change of Assessor’s Parcel boundaries or numbering within CFD No. 2014-1; or a combination of the foregoing.

“Successor Parcel” means an Assessor’s Parcel created by the Subdivision of one or more Original Parcels or other Successor Parcels.

“Taxable Property” means property that is not exempt from the Special Tax pursuant to the Act or Section G.

B. CLASSIFICATION OF ASSESSOR’S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2014-2015, each Assessor’s Parcel shall first be classified by the CFD Administrator as an Original Parcel or a Successor Parcel. In addition, each such Fiscal Year, each Successor Parcel shall be further classified by the CFD Administrator as Taxable Property or Exempt Property. Commencing with Fiscal Year 2014-2015 and for each subsequent Fiscal Year, all Taxable Property shall be subject to the levy of Special Taxes pursuant to Section C below.

C. MAXIMUM SPECIAL TAX

1. Original Parcels

Each Fiscal Year commencing in Fiscal Year 2014-2015, each Assessor’s Parcel classified as an Original Parcel shall be subject to the Special Tax. The Maximum Special Tax for each Original Parcel shall be equal to the amount shown in Table 1 below.

TABLE 1
FISCAL YEAR 2014-2015
MAXIMUM SPECIAL TAX RATES

APN	Maximum Special Tax
073-0470-004	\$24,336
073-0470-005	\$36,786
073-0470-006	\$1,132
073-0180-029	\$22,638
073-0090-062	\$28,297
073-0790-023	\$113,188
073-0800-003	\$155,633
073-0800-007	\$566
073-0800-008	\$84,891
073-0800-009	\$70,743

2. Successor Parcels

For any Fiscal Year, each Assessor's Parcel classified as a Successor Parcel shall be subject to the Special Tax. For Successor Parcels that were valid Assessor's Parcels in the previous Fiscal Year, the Maximum Special Tax for the current Fiscal Year shall be equal to the Maximum Special Tax assigned to such Assessor's Parcel in the previous Fiscal Year. For Successor Parcels that were not valid Assessor's Parcels in the previous Fiscal Year, the Maximum Special Tax shall be determined by the CFD Administrator based on the method of apportionment described in Section D below and shall apply for all future years that such Assessor's Parcel is valid and the Special Tax is applicable.

D. METHOD OF APPORTIONMENT OF SPECIAL TAX

Commencing with Fiscal Year 2014-2015 and for each following Fiscal Year, the District Board shall apportion the annual Special Tax as set forth below until the amount of Special Taxes equals the Special Tax Requirement.

First: All Original Parcels will be assigned the Maximum Special Tax shown in Table 1 of Section C above.

Second: All Successor Parcels that have been assigned a Maximum Special Tax in a previous Fiscal Year will be assigned that same Maximum Special Tax for the current Fiscal Year.

Third: Each Successor Parcel that has not been assigned a Maximum Special Tax in a previous Fiscal Year will be assigned a Maximum Special Tax by the CFD Administrator using the following apportionment formula:

- a) For each Subdivision, (i) all Original Parcels and Successor Parcels that were assigned a Maximum Special Tax in a previous Fiscal Year but are no longer valid Assessor's Parcels

shall be designated “Parent Parcels” and (ii) all Successor Parcels that are within the boundaries of CFD No. 2014-1 but have not been assigned a Maximum Special Tax in a previous Fiscal Year shall be designated “Child Parcels”.

- b) The sum of Maximum Special Taxes assigned to the Parent Parcels within the Subdivision shall be apportioned to the Child Parcels based on each Child Parcel’s proportionate Acreage of Taxable Property within the Subdivision. Under no circumstances shall the sum of Maximum Special Tax amounts for the Child Parcels associated with any Subdivision be less than the sum of Maximum Special Tax amounts of the Parent Parcels associated with such Subdivision (all Child Parcels shall henceforth be considered Successor Parcels).

Fourth: The Special Tax shall be levied Proportionately on each Original Parcel and on each Successor Parcel up to 100% of the applicable Maximum Special Tax.

E. PREPAYMENT OF SPECIAL TAX

1. Prepayment in Full

The obligation of the property within CFD No. 2014-1 to pay the Special Tax may be satisfied through prepayment as described herein only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of the Assessor’s Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor’s Parcel. The CFD Administrator may charge such owner a reasonable fee for providing this service. Prepayment must be made not less than 30 days prior to a date that notice of redemption of CFD No. 2014-1 Outstanding Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture that is specified in the report of the Special Tax Prepayment Amount (defined below).

The Special Tax Prepayment Amount shall be calculated as summarized below (capitalized terms defined in the following paragraphs of this section):

	Bond Redemption Amount
plus (+)	Redemption Premium
plus (+)	Future Facilities Amount
plus (+)	Defeasance Amount
plus (+)	Administrative Fees and Expenses
less (-)	Reserve Fund Credit
less (-)	Capitalized Interest Credit
less (-)	Reinvestment Earnings Credit
equals (=):	Special Tax Prepayment Amount

As of the proposed date of prepayment, the Special Tax Prepayment Amount shall be calculated as follows:

Paragraph No.:

1. Confirm that no Special Tax Delinquencies apply to such Assessor’s Parcel.
2. Divide the Maximum Special Tax for such Assessor’s Parcel by the total estimated Maximum Special Tax levy for CFD No. 2014-1 that could be levied in the current fiscal year excluding any Assessor’s Parcels that have been prepaid (the “Prepayment Percentage”).

3. Multiply the Prepayment Percentage by the amount of bonds that are expected to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year (the “Bond Redemption Amount”).
4. Multiply the Bond Redemption Amount calculated in paragraph 3 by the applicable redemption premium (i.e. the redemption price less 100 percent), if any, on the Outstanding Bonds referenced in paragraph 3 (the “Redemption Premium”).
5. Compute the “Future Facilities Costs” which is equal to \$4,136,099 minus (i) the cost of Authorized Facilities previously paid from the Improvement Fund, (ii) moneys currently on deposit in the Improvement Fund and available to pay for Authorized Facilities, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance the costs of Authorized Facilities.
6. Multiply the Prepayment Percentage by the Future Facilities Costs computed in paragraph 5 (the “Future Facilities Amount”).
7. Add the amount (if any) needed to pay interest on the Bond Redemption Amount between the prepayment date and the redemption date to the Special Tax levied on such Assessor’s Parcel in the current Fiscal Year that has not yet been paid (the “Defeasance Amount”).
8. Determine the administrative fees and expenses associated with computation of the Special Tax Prepayment Amount and redemption of previously issued bonds (“Administrative Fees and Expenses”).
9. Determine the expected reduction in the reserve requirement (as defined in the Indenture) associated with the prepayment (the “Reserve Fund Credit”). If the amount on deposit in the reserve fund at the time of prepayment is less than the reserve requirement (as defined in the Indenture) then the Reserve Fund Credit shall equal zero.
10. If any capitalized interest for the Previously Issued Bonds will not have been expended as of the date immediately following the first interest and/or principal payment following the current Fiscal Year, that amount shall be multiplied by the Prepayment Percentage (the “Capitalized Interest Credit”).
11. Determine the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Bond Redemption Amount, the Defeasance Amount and the Future Facilities Amount between the date of prepayment and the date those funds are expended (the “Reinvestment Earnings Credit”).
12. The Special Tax prepayment amount is equal to the sum of the amounts computed in paragraphs 3, 4, 6, 7 and 8 less the amounts computed in paragraphs 9, 10 and 11 (the “Special Tax Prepayment Amount”).

The Bond Redemption Amount, Redemption Premium and Defeasance Amount less the Reserve Fund Credit, Capitalized Interest Credit and Reinvestment Earnings Credit associated with those amounts shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The Future Facilities Amount less the portion of the Reinvestment Earnings Credit associated with that amount shall be deposited into the Improvement Fund. The Administrative Fees and Expenses associated with the prepayment shall be retained by CFD No. 2014-1.

The Special Tax Prepayment Amount may be insufficient to redeem a full \$5,000 increment of Outstanding Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of CFD No. 2014-1 bonds or to make debt service payments.

Upon confirmation of the payment of the current Fiscal Year's Special Tax levy associated with paragraph 7 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. For any Assessor's Parcel that is prepaid, the County shall cause a suitable notice to be recorded in compliance with the Act to indicate that the prepayment of the Special Tax and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless, at the time of such proposed prepayment, the amount of Maximum Special Taxes that may be levied on Taxable Property within CFD No. 2014-1 both prior to and after the proposed prepayment is at least equal to the sum of (i) the Administrative Expenses as defined in Section A above and (ii) 1.10 times the annual debt service on the Outstanding Bonds for each remaining Fiscal Year.

2. Prepayment in Part

The obligation of an Assessor's Parcel to pay the Special Tax may be partially prepaid as described herein, provided that a partial prepayment may only be made if there are no delinquent Special Taxes associated with such Assessor's Parcel at the time of partial prepayment. The full Special Tax Prepayment Amount shall be calculated as described in Section E.1 above, then the partial prepayment amount will be determined by using the following formula:

$$PP = [(PE - A) \times F] + A$$

These terms have the following meaning:

PP = the partial prepayment amount

PE = the Special Tax Prepayment Amount determined according to Section E.1 above

F = the percentage, expressed as a decimal, by which the owner of the Assessor's Parcel is partially prepaying the Special Tax

A = the Administrative Fees and Expenses calculated in paragraph 8 of Section E.1 above

The owner of any Assessor's Parcel who desires to make a partial prepayment shall notify the CFD Administrator of such owner's intent and the percentage of Special Tax obligation that the owner intends to prepay. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax within 30 days of the request and may charge a reasonable fee for providing this service. The CFD Administrator shall (i) distribute or cause to be distributed the funds remitted to it according to Section E.1 and (ii) indicate in the records of CFD No. 2014-1 that there has been a partial prepayment of the Special Tax.

F. TERMINATION OF SPECIAL TAX

The Special Tax shall be levied as long as necessary to meet the Special Tax Requirement for a period not to exceed fifty years commencing with Fiscal Year 2014-15, provided however that the Special Tax will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required interest and principal payments on CFD No. 2014-1 bonds have been paid.

G. EXEMPTIONS

For each Subdivision that takes place within CFD No. 2014-1, for the Fiscal Year immediately following the Subdivision of such property, the CFD Administrator shall classify as Exempt Property all Public Property and Property Owner Association Property resulting from such Subdivision. If an Assessor's Parcel of Taxable Property becomes Public Property or Property

Owner Association Property in its entirety, it will remain Taxable Property and must be prepaid in full in accordance with Section E.1 above prior to it being transferred to the public entity or property owner's association.

H. APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the CFD Administrator not later than twelve months after having paid the first installment of the Special Tax that is disputed. The CFD 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, and rule on the appeal. If the decision of the CFD Administrator requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made, but an adjustment shall be made to the Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s) to compensate for the overpayment of the Special Tax.

I. MANNER OF COLLECTION

The annual Special Taxes shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the Special Taxes may be billed and collected at a different time or in a different manner if necessary to meet the financial obligations of CFD No. 2014-1.

MEMORANDUM

Date: July 28, 2014
To: Board of Directors
From: Joseph Blake, General Manager
Richard Shanahan, District General Counsel
Subject: Consider Adoption of Resolution 2014-17, Stating Intention to Incur Bonded Indebtedness within the Proposed Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens)

RECOMMENDED ACTION

Adopt Resolution 2014-17, a resolution stating the intention to incur bonded indebtedness within the proposed Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens).

BACKGROUND

The District's Board of Directors has adopted Resolution No. 2014-16, stating the Board's intention to establish Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) ("CFD 2014-1"), pursuant to the Mello-Roos Community Facilities Act of 1982, to finance the purchase, construction, expansion and rehabilitation of the District water treatment plant, which is necessary to meet increased demands placed upon the District as a result of development occurring within the proposed CFD 2014-1.

In order to finance the treatment plant improvements, it is necessary to incur bonded indebtedness on behalf of the CFD 2014-1 in the amount not to exceed \$6,750,000, the repayment of which is to be secured by special taxes levied in accordance with Section 53340 et seq. of the Act on all property within CFD 2014-1, other than those properties exempted from taxation as provided in the rate and method of apportionment attached as Exhibit A to Resolution No. 2014-16.

District bond counsel, Fulbright & Jaworski, has prepared a proposed resolution of intention concerning the proposal to incur bonded indebtedness within the CFD in accordance with the requirements of the Mello-Roos Act. The resolution (1) states the necessity to incur bonded indebtedness and the purpose of the debt (i.e., to fund the water treatment plant improvements), (2) states the intention to authorize the sale of bonds, (3) fixes a public hearing before the Board to further consider and receive comments on the proposal, and (4) confirms that approval of the special tax will be subject to approval by the CFD qualified electors (landowners) at a special election.

RESOLUTION NO. 2014-17

RESOLUTION OF INTENTION OF THE BOARD OF DIRECTORS OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT TO INCUR BONDED INDEBTEDNESS IN THE AMOUNT NOT TO EXCEED \$6,750,000 WITHIN THE PROPOSED RANCHO MURIETA CSD COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS)

WHEREAS, the Board of Directors (the "Board") of the Rancho Murieta Community Services District (the "District") has heretofore adopted Resolution No. 2014-16, stating the Board's intention to establish Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) ("CFD 2014-1"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the California Government Code (the "Act"), to finance the acquisition and construction of public infrastructure facilities and other governmental facilities with an estimated useful life of five years or longer, which CFD 2014-1 is authorized by law to construct, own or operate and that are necessary to meet increased demands placed upon the District as a result of development or rehabilitation occurring within the proposed CFD 2014-1, including but not limited to the improvements to the District's Water Treatment Plant #1, and related costs including designs, inspections, professional fees, connection fees and acquisition costs (the "Facilities"); and

WHEREAS, in order to finance the Facilities it is necessary to incur bonded indebtedness on behalf of the CFD 2014-1 in the amount not to exceed \$6,750,000, the repayment of which is to be secured by special taxes levied in accordance with Section 53340 et seq. of the Act on all property within CFD 2014-1, other than those properties exempted from taxation as provided in the rate and method of apportionment attached as Exhibit A to Resolution No. 2014-16.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:

- Section 1. The above recitals are true and correct.
- Section 2. It is necessary to incur bonded indebtedness within CFD 2014-1 in the amount not to exceed \$6,750,000 to finance the costs of the Facilities.
- Section 3. The bonded indebtedness will be incurred for the purpose of financing the costs of designing, constructing and acquiring the Facilities, the acquisition of necessary equipment and property therefor and fulfilling contractual commitments and carrying out the powers and purposes of CFD 2014-1, including, but not limited to, the financing of the costs associated with the issuance of the bonds and all other costs

necessary to finance the Facilities which are permitted to be financed pursuant to the Act.

Section 4. It is the intent of the Board, acting as the legislative body of CFD 2014-1, to authorize the sale of bonds in one or more series, in the maximum aggregate principal amount not to exceed \$6,750,000, bearing interest payable semi-annually or in such other manner as the Board shall determine at a maximum interest rate of 12 percent per annum or such rate not in excess of the maximum rate permitted by law at the time the bonds are issued. The term of the bonds of each series shall be determined pursuant to a resolution of the Board authorizing the issuance of the bonds of such series, but such term shall in no event exceed 40 years or such longer term as is then permitted by law.

Section 5. A public hearing (the "Hearing") on the proposed debt issue shall be held on September 17, 2014 at 5:30 o'clock p.m., or as soon thereafter as practicable, at the District office, 15160 Jackson Road, Rancho Murieta, California 95683.

Section 6. At the Hearing at the time and place set forth above, any interested persons, including all persons owning land or registered to vote within the proposed CFD 2014-1, may appear and be heard.

Section 7. The proposition to incur bonded indebtedness in the maximum aggregate principal amount not to exceed \$6,750,000 shall be submitted to the qualified electors of CFD 2014-1. A special community facilities district election shall be conducted on September 17, 2014. The special election shall be conducted by hand delivered or mailed ballot election with return postage prepaid. The ballots shall be returned to the office of the election officer no later than 11:00 o'clock p.m. on September 18, 2014.

Section 8. The District Secretary is hereby directed to publish a notice ("Notice") of the Hearing pursuant to Section 6061 of the Government Code in a newspaper of general circulation published in the area of the proposed CFD 2014-1. Such Notice shall contain information set forth in Section 53346 of the Act.

Section 9. This Resolution shall take effect upon its adoption.

PASSED, APPROVED AND ADOPTED this 1st day of August, 2014, by the following Roll Call Vote:

Ayes:

Noes:

Abstain:

Absent:

Gerald Pasek, President of the Board
Rancho Murieta Community Services District

ATTEST:

Suzanne Lindenfeld
District Secretary

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