

RESOLUTION NO. 2004-102

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ELK GROVE
DECLARING ITS INTENTION TO ANNEX TERRITORY
TO COMMUNITY FACILITIES DISTRICT
No. 2003-1 (POPPY RIDGE) (ANNEXATION No. 1)
AND TO LEVY A SPECIAL TAX TO PAY FOR
CERTAIN PUBLIC FACILITIES AND PUBLIC SAFETY SERVICES**

WHEREAS, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), the City Council (the "City Council") of the City of Elk Grove (the "City"), on January 15, 2003, approved Resolution No. 2003-15 establishing the City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) (the "CFD");

WHEREAS, the City Council called a special election for January 15, 2003, at which the questions of levying a special tax and establishing an appropriations limit with respect to the CFD were submitted to the qualified electors within the CFD;

WHEREAS, on January 15, 2003, the City Council adopted Resolution No. 2003--17 determining the results of the special election and finding that more than two-thirds (2/3) of all votes cast at the special election were cast in favor of the proposition presented, and such proposition passed; and

WHEREAS, the City Council has determined, because of the proposed development of certain property within the City, to initiate proceedings for the annexation of such property to the CFD in accordance with the Act;

NOW, THEREFORE BE IT RESOLVED by the City of Elk Grove that:

Section 1. Description of Territory to be Annexed. Public convenience and necessity require, and this City Council proposes and intends, that the City Council annex certain territory to the CFD. The territory to be annexed is described in a map entitled "Annexation Map No. 1 of Community Facilities District No. 2003-1 (Poppy Ridge), City of Elk Grove, County of Sacramento," which is on file with the City Clerk. The City Clerk is hereby authorized and directed to endorse the certificates set forth on the map and to record the map in accordance with the provisions of Section 3111 of the California Streets and Highways Code.

Section 2. Description of Territory Included in Existing CFD. The boundaries of the territory currently included in the CFD are described in a map entitled "City of Elk Grove, Community Facilities District No. 2003-1, (Poppy Ridge), City of Elk Grove, Sacramento County, State of California," approved by the City Council in Resolution No. 2002-209 and recorded on December 6, 2002, in Book 96 of Maps of Assessment and Community Facilities Districts at page 3 in the office of the County Recorder of Sacramento County.

Section 3. Specification of Types of Public Facilities and Services Provided. The types of public facilities and services to be provided in the territory proposed to be

annexed to the CFD are the same as those provided in the existing CFD and are more particularly described in Exhibit A hereto. The services authorized to be financed by the CFD are in addition to those currently provided in the territory proposed to be annexed to the CFD and do not supplant services already available within that territory.

Section 4. Determination Regarding Demands for Facilities. In accordance with Government Code Section 53326(b), the City Council finds and determines that the proposed public facilities are necessary to meet increased demands put upon the City as the result of new development occurring within the territory proposed to be annexed to the CFD.

Section 5. Plan for Sharing Facilities and Providing Services. The public facilities and services that are financed from taxes collected in the CFD will be used or shared by residents of the current CFD and residents of the territory proposed to be annexed on the same basis.

Section 6. Specification of Special Taxes to be Levied. Except where funds are otherwise available, a special tax sufficient to pay for all services and facilities to be provided in or for the territory to be annexed and secured by a continuing lien against all nonexempt real property in the CFD, will be annually levied within the territory proposed to be annexed to the CFD. The rate, method of apportionment, and manner of collection of such special tax is set forth in Exhibit B hereto.

Section 7. No Alteration of the Special Tax Levied in the Existing CFD. The City Council does not propose to alter the special tax rate levied within the existing CFD as a result of the proposed annexation.

Section 8. Public Hearing. The City Council hereby fixes 6:30 p.m., or as soon thereafter as practicable, on Wednesday, July 7, 2004, at the regular meeting place of the City Council, City Council Chambers, 8400 Laguna Palms Way, Elk Grove, California, as the time and place for a public hearing on the annexation of territory to the CFD.

Section 9. Notice of Hearing. The City Council directs the City Clerk to publish a notice of the hearing, in substantially the form attached hereto as Exhibit C, once not later than seven days prior to the date fixed for the hearing, in *The Elk Grove Citizen*, a newspaper of general circulation published in the area of the District.

Section 10. Mailing Ballots. In anticipation of its action on July 7, 2004, to call the election on the annexation for the same date, pursuant to waiver of election time limits from the landowners, the City Council hereby authorizes the City Clerk to mail to each landowner in the territory proposed to be annexed to the CFD a ballot in the form set forth in Exhibit D hereto.

Section 11. Effective Date. This Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED by the City Council of the City of Elk Grove this 19th day of May 2004.



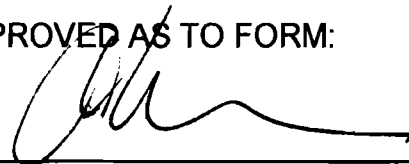
SOPHIA SCHERMAN, MAYOR of the
CITY OF ELK GROVE

ATTEST:



PEGGY E. JACKSON, CITY CLERK

APPROVED AS TO FORM:



ANTHONY B. MANZANETTI,
CITY ATTORNEY

EXHIBIT A

List of Authorized Facilities, Services and Costs

Authorized facilities, services, and costs that may be funded through the Community Facilities District (CFD) include the following public improvements, development impact fees, public services, and formation and administrative expenses:

PUBLIC IMPROVEMENTS

Transportation Improvements

Authorized facilities include the following transportation-related improvements:

- Franklin Boulevard;
- Bruceville Road;
- Bilby Road;
- Blossom Ridge Drive;
- Poppy Ridge Road; and
- Other public roadway improvements required to meet the needs of the project.

Eligible transportation-related facility improvements include, but are not limited to: grading and paving; existing pavement removal; joint trenches; utility relocations and underground utilities; curbs; gutters; bridge and/or box culvert crossings; street lights and signalization; signage and striping; and median landscaping related thereto. Eligible improvements also include reconstruction of roads (wherever located) damaged during the development of the land within the CFD.

Wastewater System Improvements

Authorized facilities include any and all on- and off-site wastewater conveyance and collection facilities designed to meet the needs of development within the CFD. These facilities include, but are not limited to: gravity sewer lines; force mains; lift stations; odor-control facilities; and related wastewater improvements (including interim facilities).

Potable and Non-Potable Water System Improvements

Authorized facilities include any and all on- and off-site water facilities designed to meet the needs of development within the CFD. These facilities include, but are not limited to: wells and well facilities, potable and non-potable water transmission and distribution facilities (including fire hydrants); water treatment and storage facilities; pressure reducing stations; pumps; flow meters; and related water system improvements.

Drainage System Improvements

Authorized facilities include any and all on- and off-site drainage and storm water conveyance improvements designed to serve the needs of development within the CFD. These facilities include, but are not limited to: pipelines and appurtenances; drainage channels; detention basins; temporary drainage facilities; water quality improvements (including basins); and related drainage system improvements.

Landscaping Improvements

Authorized facilities include any and all landscaping improvements designed to serve the needs of development within the CFD. These facilities include, but are not limited to: grading; turf and irrigation; trees and shrubs; sidewalks, pathways, and trails; masonry soundwalls; entry monumentation and signage; and other related hard and soft-scape improvements along roadways and adjacent to or within parks, open space, drainage channels, and detention basins.

Other Public Facility Improvements or Costs

Authorized facilities also include the following public improvements or costs:

- Funding share of a traffic operations center;
- Funding share of a corporation yard;
- Funding share of a library; and
- Funding share of parks, community centers, sports (including aquatic) facilities, and other recreational amenities.

PUBLIC SERVICES

Authorized services are police protection services. Eligible costs include, but are not limited to, the costs of contracting services, the salaries and benefits of City staff if the City directly provides police protection services, and City overhead costs associated with providing such services within the CFD.

DEVELOPMENT IMPACT FEES

Eligible expenditures include prepayment of development impact fees applicable to new development within the CFD. The following development impact fees will be eligible for prepayment:

- Laguna South Public Facilities Fee Program (LSPFFP) fees;
- Sacramento County Zone 11A Drainage Fees;
- Sacramento County Zone 40 Water Fees; and
- Sacramento County Sanitation District No. 1 Fees.

FORMATION AND ADMINISTRATIVE EXPENSES

In addition to the above facilities, other incidental expenses as authorized by the Mello-Roos Community Facilities Act of 1982, including, but not limited to: the cost of planning, permitting, and designing the facilities (including the cost of environmental evaluation and environmental remediation/mitigation); land acquisition for authorized CFD facilities; project management, construction staking; utility relocation and demolition costs incident to the construction of the public facilities, cost associated with the creation of the Mello-Roos CFD; issuance of bonds; determination of the amount of taxes, collection of taxes; payment of taxes; or costs otherwise incurred in order to carry out the authorized purposes of the CFD; reimbursements to other areas for infrastructure facilities serving development within the CFD; and any other expenses incidental to the construction, completion, and inspection of the facilities.

EXHIBIT B

Rate, Method of Apportionment, and Manner of Collection of the Special Tax

A Special Tax of Community Facilities District No. 2003-1 (Poppy Ridge) of the City of Elk Grove ("CFD") shall be levied on all Assessor's Parcels in the CFD and collected each Fiscal Year commencing in Fiscal Year 2003-04 in an amount determined by the City through the application of the rate and method of apportionment of the Special Tax set forth below. All of the real property in the CFD, 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:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map. The square footage of an Assessor's Parcel is equal to the Acreage multiplied by 43,560.

"Act" means the Mello-Roos Community 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 actual or estimated costs incurred by the City as administrator of the CFD to determine, levy and collect the Special Taxes, including salaries of City employees and the fees of consultants, legal counsel, paying agents, fiscal agents, and trustees; the costs of collecting installments of the Special Taxes upon the general tax rolls; the cost of arbitrage calculation and arbitrage rebates, preparation of required reports; and any other costs required to administer the CFD as determined by the City.

"Assessor's Parcel" means a lot or parcel shown in 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.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued or incurred by the CFD and secured by the levy of Special Taxes under the Act.

"CFD Administrator" means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"CFD" means Community Facilities District No. 2003-1 (Poppy Ridge) of the City of Elk Grove.

"City" means the City of Elk Grove.

"Council" means the City Council of the City of Elk Grove, acting as the legislative body of the CFD.

"County" means the County of Sacramento, California.

"Developed Property" means all Taxable Property, exclusive of Property Owner Association Property, or Public Property, for which a building permit was issued after July 1, 2001, but prior to the May 1st preceding the Fiscal Year in which the Special Tax is being levied.

"Development-Restricted Property" means property that prior to the approval of a Tentative Map may only be taxed after the City has received written authorization from the property owner allowing it to be taxed. Three properties (including four Assessor's Parcels) are classified as Development-Restricted Property: 1) Assessor's Parcel 132-0050-004, 2) 132-0050-041 and 132-0050-046 treated as a single property, and 3) 132-0050-047. Each of these properties will be treated independently. These Assessor's Parcels will no longer be classified as Development-Restricted Property once a Tentative Map has been approved on any portion of the Assessor's Parcel or any Successor Parcels.

"Facilities Special Tax" means the Special Tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property and Undeveloped Property pursuant to Sections C and D, below.

"Final Map Residential Property" means a Residential lot created by a Final Subdivision Map, but for which no building permit has been issued pursuant to the definition of Developed Property.

"Final Subdivision Map" means a subdivision of property creating buildable lots by recordation of a final subdivision 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 section 1352, that creates individual lots for which building permits may be issued without further subdivision and is recorded prior to June 1 of any Fiscal Year.

"Fiscal Year" means the period starting July 1 and ending on the following June 30.

"Gross Acre(age)" means the acreage of an Assessor's Parcel as shown on an Assessor's Parcel Map prior to dedication of right-of-way or easement for streets, roads, landscaping, and other public purposes.

"Indenture" means the indenture, trust agreement, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Land Use Class" means any of the classes listed in Table 1 or Table 2.

"Large Lot Property" means any Taxable Property created by the recordation of a final large lot subdivision map, parcel map or lot line adjustment, i.e. subdivision, parcel or other map that does not create Final Map Residential Property.

"Lot" means any Assessor's Parcel created by the recordation of a Final Subdivision Map.

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C below, that can be levied in the CFD in any Fiscal Year on any Assessor's Parcel prior to the full prepayment or partial prepayment of Special Tax.

"Multi-Family Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued for a residential structure consisting of two or more residential units that share common walls, including, but not limited to, duplexes, triplexes, townhomes, condominiums, and apartment units.

"Net Acre(age)" means the acreage of an Assessor's Parcel as shown on the Final Subdivision Map excluding right-of-way for streets, roads, and other public purposes. Net Acreage includes acreage subject to a public utility easement.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit(s) has been issued for a non-residential use.

"Other Taxable Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Final Map Residential Property, Large Lot Property, or Tentative Map Property.

"Outstanding Bonds" means, as of any date, all Bonds previously issued that are outstanding under the applicable Indenture.

"Property Owner Association Property" means any property within the boundaries of the CFD that is owned by, or irrevocably dedicated as indicated in an instrument recorded with the County Recorder to, a property owner association, including any master or sub-association.

"Proportionately" means in a manner such that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels within each Land Use Class.

"Public Property" means any property within the boundaries of the CFD that is, at the time of the CFD formation, expected to be used for rights-of-way, parks, schools or any other public purpose and is owned by or irrevocably offered for dedication to the federal government, the State, the County, the City or any other public agency. Once an Assessor's Parcel has been designated as Public Property, it shall retain such status permanently, unless transferred in accordance with the transfer provisions provided in Section G below.

"Public Safety Costs" means the estimated and reasonable costs of providing police protection services, including but not limited to the costs of contracting services, the salaries and benefits of City staff if the City directly provides police protection services and City overhead costs, associated with providing such services within the CFD. The Public Safety Special Tax provides only partial funding for police protection services.

"Public Safety Special Tax" means the Special Tax assigned to Developed Property to cover its proportionate share of Public Safety Costs pursuant to Section C.

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit(s) has been issued for purposes of constructing one residential dwelling unit.

"Special Tax" means the Special Tax to be levied in each Fiscal Year prior to full prepayment or termination of Special Tax on each Assessor's Parcel of Developed Property and Undeveloped Property to fund the Special Tax Requirement, and shall include Special Taxes levied or to be levied under Sections C and D, below.

"Special Tax Requirement" means that amount required in any Fiscal Year for the CFD to: (a) (i) pay debt service on all Outstanding Bonds for the calendar year that commences in such Fiscal Year; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay reasonable Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay directly for acquisition or construction of authorized facilities to be constructed or acquired by the CFD, except Special Taxes on Undeveloped Property shall not be levied for this purpose; (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; and (vii) pay for Public Safety Costs for Developed Property, less (b) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of the CFD that are not exempt from the Special Tax pursuant to law or as defined below.

"Tax-Exempt Property" means an Assessor's Parcel not subject to the Special Tax, Tax-Exempt Property include: (i) Public Property, (ii) Development-Restricted Property, or (iii) any Assessor's Parcel that has prepaid its Special Taxes pursuant to Section H, or (iii) Property Owner Association Property.

"Tentative Map" means the tentative subdivision map filed pursuant to the Subdivision Map Act (California Government Code section 66410 et seq.) and approved for the East Franklin Specific Plan project by the City.

"Tentative Map Property" means any Taxable Property for which a Tentative Map has been approved by the City prior to June 1 of any Fiscal Year that is not Residential Property. Once classified as Tentative Map Property, it shall not be reclassified as Other Taxable Property notwithstanding any subsequent abandonment or expiration of the applicable Tentative Map.

"Trustee" means the trustee or fiscal agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property.

"Unit" means any residence in which a person or persons may live, and is not considered to be for commercial or industrial use.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year using the definitions above, all Taxable Property within the CFD shall be classified as Developed Property or Undeveloped Property, and shall be subject to Special Taxes pursuant to Sections C and D below. Developed Property shall be further assigned to a Land Use Class as specified in Table 1. Undeveloped Property shall be further assigned to a Land Use Class as specified in Table 2.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

**TABLE 1
Maximum Special Tax for Developed Property
Community Facilities District No. 2003-1**

Land Use Class	Description	Maximum Facilities Special Tax Per Unit/Acre	Maximum Public Safety Special Tax Per Unit/Acre
1	Residential Property	\$965 per Unit	\$150 per Unit
2	Multi-Family Property	\$4,825 per Net Acre	\$115 per Unit
3	Non-Residential Property	\$4,825 per Net Acre	\$250 per Net Acre

On each July 1, commencing on July 1, 2004, the Maximum Public Safety Special Tax shall be increased by the lesser of Local Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose Area for All Urban Consumers or 5% of the amount in effect for the previous Fiscal Year. The CPI used shall be as determined by the Bureau of Labor Statistics from April to April beginning with the period from April 2003 through April 2004.

The Maximum Special Tax that may be levied on Developed Property is the sum of the Maximum Facilities Special Tax and the Maximum Public Safety Special Tax.

2. Undeveloped Property

**TABLE 2
Maximum Facilities Special Tax for Undeveloped Property
Community Facilities District No. 2003-1**

Land Use Class	Description	Maximum Facilities Special Tax Per Lot/Acre
4	Final Map Residential Property	\$965 per Lot
5	Large Lot Property	\$4,710 per Gross Acre
6	Tentative Map Property	\$3,675 per Gross Acre
7	Other Taxable Property	\$3,675 per Gross Acre

Undeveloped Property is not subject to the Public Safety Special Tax.

Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax levies that can be imposed on all Land Use Classes located on that Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2003-04, and for each following Fiscal Year, the Council shall levy the Special Tax until the amount of the Special Tax levied equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property at 100% of the applicable Maximum Special Tax;

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 Assessor's Parcel of Final Map Residential Property at up to 100% of the Maximum Special Tax for Final Map Residential Property. However, under no circumstances shall Special Taxes be levied under this second step to pay for Public Safety Costs;

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 Assessor's Parcel of Large Lot Property at up to 100% of the Maximum Special Tax for Large Lot Property. However, under no circumstances shall Special Taxes be levied under this third step to pay for Public Safety Costs;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Tentative Map Property at up to 100% of the Maximum Special Tax for Tentative Map Property. However, under no circumstances shall Special Taxes be levied under this fourth step to pay for Public Safety Costs; and

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Other Taxable Property at up to 100% of the Maximum Special Tax for Other Taxable Property. However, under no circumstances shall Special Taxes be levied under this fifth step to pay for Public Safety Costs.

Notwithstanding the above the Council may, in any Fiscal Year, levy Proportionately less than 100% of the Maximum Special Tax in step one of Section D (above), when (i) the Council is no longer required to levy a Special Tax pursuant to steps two through five above in order to meet the Special Tax Requirement; (ii) all authorized CFD Bonds have already been issued or the Council has covenanted that it will not issue any additional CFD Bonds (except refunding bonds) to be supported by Special Taxes; and (iii) all authorized facilities have been constructed or acquired and paid for from Bonds and/or Special Taxes.

Notwithstanding the above, under no circumstances will the Facilities Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent annually up to the Maximum Special Tax as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the CFD.

E. APPEALS

Any taxpayer that believes that the amount of the Special Tax assigned to a Parcel is in error may file a written notice with the CFD Administrator appealing the levy of the Special Tax. This notice is required to be filed with the CFD Administrator during the Fiscal Year the error is believed to have occurred. The CFD Administrator or designee will then promptly review the appeal and, if necessary, meet with the taxpayer. If the CFD Administrator verifies that the tax should be changed the Special Tax levy shall be corrected and, if applicable in any case, a refund shall be granted.

F. MANNER OF COLLECTION

Special Tax as levied pursuant to Section D above shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that the CFD Administrator may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet the financial obligations of the CFD or as otherwise determined appropriate by the CFD Administrator.

G. TRANSFER OF SPECIAL TAX OBLIGATION

Taxable Property acquired by a public agency after the CFD is formed will remain subject to the applicable Facilities Special Tax unless the Facilities Special Tax obligation is satisfied pursuant to Section 53317.5 of the Government Code. An exception to this may be made if an Assessor's Parcel of Public Property, such as a school site, is relocated to an Assessor's Parcel(s) of Taxable Property, the previously Tax-Exempt Property of comparable acreage becomes Taxable Property and the Maximum Special Tax from the previously Taxable Property is

transferred to the new Taxable Property. This trading of Special Taxes will be permitted to the extent that there is no net loss in Maximum Special Tax revenue.

H. PREPAYMENT OF FACILITIES SPECIAL TAX

The following definitions apply to Section H.

"CFD Public Facilities Costs" means either \$42,000,000 in 2002 dollars, which shall increase by the Construction Inflation Index on July 1, 2003, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to acquire or construct the bond financed authorized facilities to be financed by the CFD under the authorized Mello-Roos financing program for the CFD, or (ii) shall be determined by the Council concurrently with a covenant that it will not issue any more CFD Bonds (except refunding bonds) to be supported by the CFD Special Taxes.

"Construction Fund" means the fund (regardless of its name) established pursuant to the Indenture to hold funds, which 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 Construction Cost Index measured as of the calendar year, which ends in the previous Fiscal Year. In the event this index ceases to be published, the Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News-Record Construction Cost Index.

"Future Facilities Costs" means the CFD Public Facilities Costs minus (i) costs previously paid from the Construction Fund to acquire or construct the Authorized Facilities, (ii) monies currently on deposit in the Construction Fund, and (iii) monies currently on deposit in an escrow or other earmarked fund that are expected to be available to finance Public Facilities Costs.

"Outstanding Prepayment Bonds" means, as of any date, all Bonds previously issued that are anticipated by the CFD Administrator to be outstanding under the applicable Indenture immediately after the first principal payment date for such Bonds following the then current Fiscal Year as reduced by scheduled debt service payment and any previous prepayments.

"Update Property" means an Assessor's Parcel of Taxable Property for which a building permit has been issued, but which has not yet been classified as Developed Property.

1. **Prepayment of Facilities Special Tax in Full**

The Facilities Special Tax obligation described in Section D above with respect to any Assessor's Parcel of Developed Property or Update Property may be fully prepaid. A prepayment may be made on an

Assessor's Parcel only if there are no delinquent Special Tax levies with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Facilities 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 of such Assessor's Parcel. The CFD Administrator may charge the Assessor's Parcel's owner a reasonable fee for providing these figures, which must be paid by the owner of the Assessor's Parcel prior to the calculation of the prepayment amount. Prepayment must be made not less than 15 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

The Prepayment Amount (defined below) for any Assessor's Parcel of Public Property that is Taxable Property shall be determined by the CFD Administrator as authorized under Sections 53317.3 and 53317.5 of the Act. However, no Facilities Special Tax prepayment for any Assessor's Parcel of Taxable Public Property shall be allowed unless the amount of Maximum Facilities Special Tax levies that may be imposed on Taxable Property within the CFD after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Prepayment Bonds after the redemption of Bonds resulting from the proposed prepayment.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as 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

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

Paragraph No.:

1. For Assessor Parcels of Developed Property, compute the Facilities Special Tax for the Assessor's Parcel to be prepaid. For Assessor Parcels of Update Property to be prepaid, compute the Facilities Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel. For Assessor Parcels of Taxable Public Property and/or

Taxable Association Property to be prepaid, compute the Facilities Special Tax for that Assessor's Parcel.

2. Divide the Facilities Special Tax computed pursuant to paragraph 1 by the total estimated Facilities Special Taxes as set forth in Attachment 1 for the CFD which could be charged, less any Assessor Parcels which have been prepaid.
3. Multiply the quotient computed pursuant to paragraph 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "*Bond Redemption Amount*").
4. Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
5. Compute the current Future Facilities Costs.
6. Multiply the quotient computed pursuant to paragraph 2 by the amount determined pursuant to paragraph 5 to compute the amount of Future Facilities Costs to be prepaid (the "*Future Facilities Amount*").
7. Compute 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.
8. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
9. Add the amounts computed pursuant to paragraph 7 and subtract the amount computed pursuant to paragraph 8 (the "*Defeasance Amount*").
10. Add the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming the Outstanding Bonds, and the costs of recording any notices to evidence the prepayment and the redemption less the amount of the refundable deposit (the "*Administrative Fees and Expenses*").
11. 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.

12. The Facilities Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 3, 4, 6, 9 and 10, less the amount computed pursuant to paragraph 11 (the "*Prepayment Amount*").
13. From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 4, 9 and 11 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 amount computed pursuant to paragraph 6 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 10 shall be retained by the CFD.

In addition, any property owner prepaying its Facilities Special Taxes must pay current and any delinquent Special Taxes and penalties prior to prepayment.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of 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 bonds or to make debt service payments.

With respect to any Assessor's Parcel that is prepaid, once the CFD Administrator has confirmed that all levied Special Taxes have been paid, the City shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Facilities Special Tax and the release of the Facilities Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Facilities Special Tax shall cease.

Notwithstanding the foregoing, no Facilities Special Tax prepayment shall be allowed unless the amount of Facilities Special Taxes that may be levied on Taxable Property within the CFD after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Prepayment Bonds. In addition, prepayment of the Facilities Special Tax shall not relieve any property owner of Developed Property from paying the Public Safety Special Tax.

2. Prepayment in Part

The Maximum Facilities Special Tax on an Assessor's Parcel of Residential Property or an Assessor's Parcel of Update Property may be partially prepaid at or prior to the close of escrow to the first private residential user such that the resulting Maximum Facilities Special Tax for

the Assessor's Parcel is equal to \$840.00. The amount of the prepayment shall be calculated as in Section H.1, except that a partial prepayment shall be calculated according to the following formula:

$$PP = P_E \times F$$

These terms have the following meaning:

PP = the partial prepayment

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

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

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Facilities Special Tax shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Maximum Facilities Special Tax, and (ii) the company or agency that will be acting as the escrow agent, if applicable. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Maximum Facilities Special Tax for an Assessor's Parcel within 30 days of the request and may charge a reasonable fee for providing this service. Administrative Fees and Expenses calculated pursuant to Section H.1, Paragraph 10, shall be added after the partial prepayment has been calculated.

With respect to any Assessor's Parcel that is partially prepaid, the CFD Administrator shall (i) distribute the funds remitted to it according to Paragraph 13 of Section H.1, and (ii) indicate in the records of the CFD that there has been a partial prepayment of the Maximum Facilities Special Tax and that the Maximum Facilities Special Tax equal to \$840.00 shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section D.

3. Mandatory Prepayment

Upon notification by the City of the approval or the recordation of a Final Subdivision Map, the CFD Administrator will assign Units/Acres to each of the newly created parcels. If the number of Units/Acres assigned to the Final Subdivision Map is less than the number of Units/Acres assigned in Attachment 1, the City shall (i) calculate the loss of Facilities Special Taxes by multiplying the number of reduced Units/Acres by the Facilities Special Tax per Unit/Acres from Table 1; and (ii) require the Prepayment of this difference pursuant to Section H.1. Prepayment shall be made prior to, or concurrent with, recordation of the Final Subdivision Map.

Prepayment of the Facilities Special Tax shall not be required to the extent the City has allowed a transfer of Units/Acres and associated Facilities

Special Taxes to other Taxable Property pursuant to Section G or the City determines that the Facilities Special Tax base for the CFD is sufficient to meet debt service on outstanding and future bonds without the Facilities Special Tax from these Units.

I. **TERM OF SPECIAL TAX**

For each year that any Bonds are outstanding or in which there is a Facilities Special Tax Requirement the Facilities Special Tax shall be levied on all Assessor's Parcels subject to the Facilities Special Tax. The Facilities Special Tax will not be levied later than the 2045-46 Fiscal Year. The Public Safety Special Tax shall be levied in perpetuity.

**Attachment 1
City of Elk Grove
Community Facilities District 2003-1
(Poppy Ridge)**

Area	Estimated Residential Units (\$965 per Unit)	Multi-Family/Non-Residential Acreage (\$4,825 per Acre)	Maximum Facilities Special Tax
Elk Grove Meadows Phase III	434		\$418,810
Gillium Meadows Units 1 & 2	692	2.90	681,773
Quail Ridge South	798		770,070
East Meadow Units 1 & 2	243		234,495
Machado Dairy	602		580,930
Southmeadow Unit 1	229		220,985
Bilby Ranch	232		223,880
Bilby Meadows	299		288,535
Kuhn Property	41	11.90	96,983
Hoffman Meadows	98		94,570
Southmeadow Unit 2	13		12,545
Stoecker Ranch	67		64,655
Totals	3,748	14.80	\$3,688,231

EXHIBIT C

**NOTICE OF PUBLIC HEARING ON RESOLUTION OF INTENTION TO ANNEX
TERRITORY TO AN EXISTING COMMUNITY FACILITIES DISTRICT**

NOTICE IS HEREBY GIVEN that the City Council of the City of Elk Grove on May 19, 2004, adopted its Resolution No. 2004-___, in which it declared its intention to annex territory to existing Community Facilities District No. 2003-1 (Poppy Ridge) (the "CFD"), and to levy a special tax to pay for certain facilities and services, all pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, Chapter 2.5, Part 1, Division 2, Title 5 of the California Government Code. The resolution describes the territory to be annexed, specifies the type of facilities and services to be financed, and describes the rate and method of apportionment of the proposed special tax. No change in the tax levied in the existing CFD is proposed. For further details, the resolution is available at the office of the City Clerk, 8380 Laguna Palms Way, Elk Grove, California.

NOTICE IS HEREBY FURTHER GIVEN that the City Council has fixed Wednesday, July 7, 2004, at the hour of 6:30 p.m., or as soon thereafter as the matter may be heard, at the regular meeting place of the City Council, Council Chambers, 8400 Laguna Palms Way, Elk Grove, California, as the time and place when and where the City Council will hold a public hearing to consider the annexation. At the hearing, the testimony of all interested persons for or against the annexation of the territory or the levying of the special taxes will be heard.

DATED: _____, 2004

Peggy Jackson, City Clerk
City of Elk Grove

EXHIBIT D

OFFICIAL BALLOT

**SPECIAL TAX ELECTION
CITY OF ELK GROVE
ANNEXATION OF TERRITORY TO COMMUNITY FACILITIES DISTRICT
NO. 2003-1 (POPPY RIDGE), ANNEXATION NO. 1
(JULY 7, 2004)**

Number of votes entitled to cast:

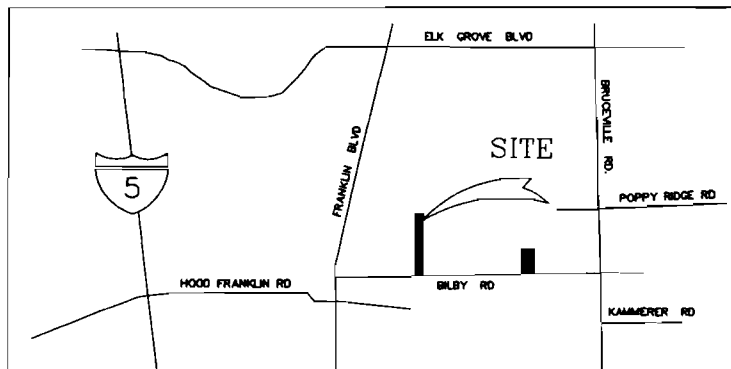
INSTRUCTIONS TO VOTERS: To vote on the measure, mark an (X) in the voting square after the word "YES" or after the word "NO." All marks otherwise made are forbidden. All distinguishing marks are forbidden and make the ballot void.

If you wrongly mark, tear or deface this ballot, return it to the City Clerk, City of Elk Grove, 8380 Laguna Palms Way, Elk Grove, California 95758, to obtain another.

MEASURE SUBMITTED TO QUALIFIED ELECTORS

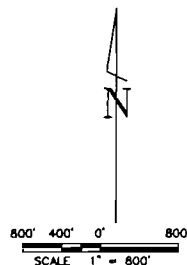
Ballot Measure: Shall the City of Elk Grove be authorized to levy a special tax at the rates and apportioned as described in Exhibit B to the Resolution Declaring its Intention to Annex Territory to Community Facilities District No. 2003-1 (Poppy Ridge) adopted by the City Council on May 19, 2004 (the "Resolution"), which is incorporated herein by this reference, within the territory identified on the map entitled "Annexation Map No. 1 of Community Facilities District No. 2003-1 (Poppy Ridge), City of Elk Grove, County of Sacramento," to finance certain facilities and services as set forth in Exhibit A to the Resolution?	YES <input type="checkbox"/>
	NO <input type="checkbox"/>

NOTE: This is a special landowner election. You must return this ballot to the City Clerk, City of Elk Grove, either (i) to her office at City Hall, 8380 Laguna Palms Way, Elk Grove, California 95758, by 4:00 p.m. on July 7, 2004 or (ii) thereafter, to the regular meeting place of the Council at 8400 Laguna Palms Way on July 7, 2004, by five minutes following the adoption of the resolution calling the election (the City Council meeting convenes at 6:30 p.m. on July 7, 2004).



VICINITY MAP

SEE DETAIL ON SHEET 2



BRUCEVILLE RD.

FILED IN THE OFFICE OF THE CITY CLERK THIS _____ DAY OF _____, 2004

CITY CLERK
CITY OF ELK GROVE

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF ANNEXATION NO. 1, TO COMMUNITY FACILITIES DISTRICT NO. 2003-1, (POPPY RIDGE), CITY OF ELK GROVE, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF ELK GROVE AT A REGULAR MEETING THEREOF, HELD ON THE _____ DAY OF _____, 2004 BY ITS RESOLUTION NO _____

CITY CLERK
CITY OF ELK GROVE

FILED THIS _____ DAY OF _____, 2004, AT THE HOUR OF _____ O'CLOCK _____ M., IN THE BOOK _____ PAGE _____ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS AND AS INSTRUMENT NO _____ IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF SACRAMENTO, STATE OF CALIFORNIA

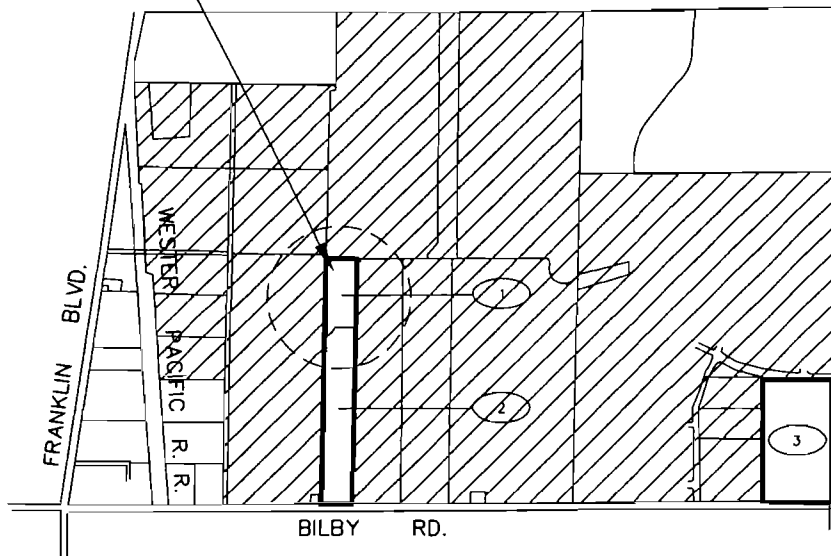
COUNTY RECORDER
COUNTY OF SACRAMENTO
STATE OF CALIFORNIA

REFERENCE IS MADE TO THAT BOUNDARY MAP OF COMMUNITY FACILITIES DISTRICT NO. 2003-1, (POPPY RIDGE) OF THE CITY OF ELK GROVE, RECORDED WITH THE SACRAMENTO COUNTY RECORDER'S OFFICE ON DECEMBER 6, 2002, IN BOOK 96 OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICT ON PAGE 3, AS INSTRUMENT NUMBER 000162938#

REFERENCE IS ALSO MADE TO THAT CERTAIN MAP OF SUBDIVISION NO. 02-358 2, SOUTHMEADOWS UNIT 2, FILED ON THE 1ST DAY OF APRIL, 2004, AT THE HOUR OF 12 54 O'CLOCK P.M. AS INSTRUMENT NO 2004-0401184 IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF SACRAMENTO, STATE OF CALIFORNIA

THE LINES AND DIMENSIONS OF EACH LOT OR PARCEL SHOWN ON THIS DIAGRAM SHALL BE THOSE LINES AND DIMENSIONS AS SHOWN ON THE SACRAMENTO COUNTY ASSESSORS MAPS FOR THOSE PARCELS LISTED

THE SACRAMENTO COUNTY ASSESSORS MAPS SHALL GOVERN FOR ALL DETAILS CONCERNING THE LINES AND DIMENSIONS OF SUCH LOTS OR PARCELS



SOUTHMEADOWS UNITS 2

MAP REF. NO	MAP OF SUBDIVISION NO. 02-358 2
1	Lot 6
1	Lot 6
1	Lot 7
1	Lot 8
1	Lot 9
1	Lot 10
1	Lot 11
1	Lot 12
1	Lot 13
1	Lot 14
1	Lot 15
1	Portion Lot 5
1	Portion Lot 16
1	Portion Lot 17
1	Portion Lot 18

LEGEND

- ANNEXATION BOUNDARY
- MAP REFERENCE NUMBER
- PORTION OF EXISTING CFD 2003-1

STOECKER RANCH

MAP REF. NO	ASSESSOR'S PARCEL NO
2	132-0020-162-0000

HOFFMAN MEADOWS

MAP REF. NO	ASSESSOR'S PARCEL NO
3	132-0020-151-0000

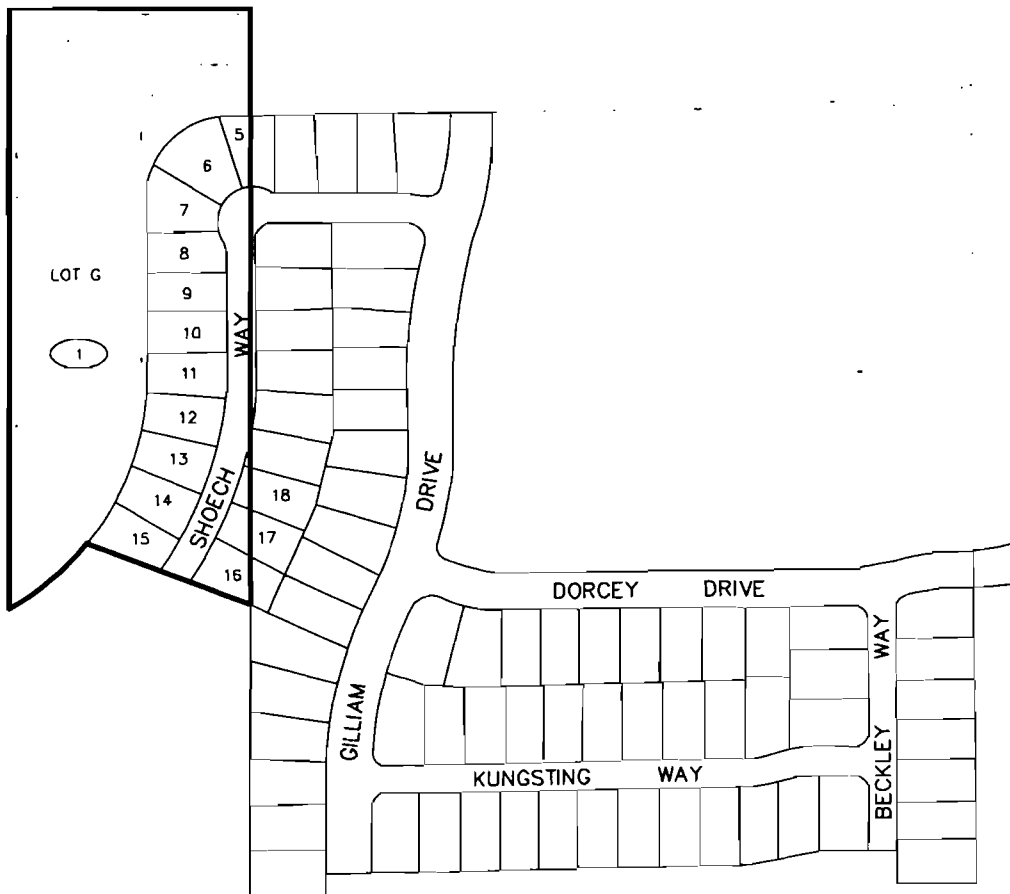


MuniFinancial

27366 Via Industria
Suite 110
Temecula, California 92590-3661
Phone (909) 587-3500 Fax (909) 587-3510

ANNEXATION MAP NO. 1 OF
COMMUNITY FACILITIES DISTRICT NO. 2003-1 (POPPY RIDGE)

CITY OF ELK GROVE
COUNTY OF SACRAMENTO
STATE OF CALIFORNIA



- LEGEND**
- ANNEXATION BOUNDARY
 - MAP REFERENCE NUMBER
 - 5 LOT NUMBER

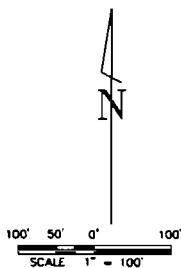
SOUTHMEADOWS UNITS 2

MAP REF. NO.	MAP OF SUBDIVISION NO 02-358.2
1	Lot G
1	Lot 6
1	Lot 7
1	Lot 8
1	Lot 9
1	Lot 10
1	Lot 11
1	Lot 12
1	Lot 13
1	Lot 14
1	Lot 15
1	Portion Lot 5
1	Portion Lot 16
1	Portion Lot 17
1	Portion Lot 18



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ANNEXATION MAP NO. 1 OF
 COMMUNITY FACILITIES DISTRICT NO. 2003-1 (POPPY RIDGE)

CITY OF ELK GROVE
 COUNTY OF SACRAMENTO
 STATE OF CALIFORNIA

CERTIFICATION
ELK GROVE CITY COUNCIL RESOLUTION NO. 2004-102

STATE OF CALIFORNIA)
COUNTY OF SACRAMENTO) ss
CITY OF ELK GROVE)

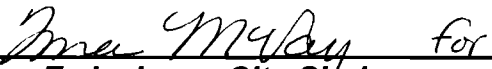
I, Peggy E. Jackson, City Clerk of the City of Elk Grove, California, do hereby certify that the foregoing resolution was duly introduced, approved, and adopted by the City Council of the City of Elk Grove at a regular meeting of said Council held on the 19th day of May 2004 by the following vote:

AYES 5: COUNCILMEMBERS: Scherman, Soares, Briggs, Cooper, Leary

NOES 0: COUNCILMEMBERS:

ABSTAIN 0: COUNCILMEMBERS:

ABSENT 0: COUNCILMEMBERS:



Peggy E. Jackson, City Clerk
City of Elk Grove, California