

RESOLUTION NO. 2003-15

**A RESOLUTION OF
THE CITY COUNCIL OF THE CITY OF ELK GROVE
ESTABLISHING COMMUNITY FACILITIES
DISTRICT NO. 2003-1 (POPPY RIDGE)
AND CALLING AN ELECTION FOR THE PURPOSE OF SUBMITTING THE LEVY OF
THE SPECIAL TAX AND THE ESTABLISHMENT OF AN APPROPRIATIONS LIMIT
TO THE QUALIFIED ELECTORS OF THE DISTRICT**

WHEREAS, the City Council, on December 4, 2002, adopted its Resolution No. 2002-209 (the "Resolution of Intention") (i) declaring its intention to establish Community Facilities District No. 2003-1 (Poppy Ridge) (the "District") pursuant to the Mello-Roos Community Facilities Act of 1982 (Chapter 2.5, Part 1, Division 2, Title 5 (commencing with Section 53311) of the California Government Code) (the "Act"), (ii) proposing to levy a special tax therein for the purpose of providing for the financing of certain services (the "Services") and the financing of the design, construction, and acquisition of certain public facilities (the "Facilities") described in Exhibit A hereto, and (iii) calling a public hearing on the establishment of the District;

WHEREAS, before the time for the hearing, as directed in the Resolution of Intention, the Public Works Director filed with the City Council the report required by California Government Code section 53321.5 (the "Hearing Report");

WHEREAS, a notice of the hearing was duly published as required by the Act, as evidenced by the affidavit of publication on file with the City Clerk; and notice of the hearing was also mailed to the property owners and registered voters within the District;

WHEREAS, pursuant to the Act and the Resolution of Intention, a noticed public hearing was convened by the Council on January 15, 2003 at the hour of 6:30 p.m. at the City Hall, 8400 Laguna Palms Way, Elk Grove, California 95758, relative to the establishment of the District;

WHEREAS, at the hearing, the testimony of all interested persons, including all taxpayers, property owners, and registered voters within the District, desiring to be heard on the establishment of the District, the extent thereof, the furnishing of specified types of services, the proposed special tax, the establishment of an appropriations limit for the District, or any other matters set forth in the Resolution of Intention was heard and a full and fair hearing was conducted thereon;

WHEREAS, written protests against the establishment of the District, the furnishing of specified type or types of facilities within the District as listed in the Facilities Report, or the levying of the special tax have not been filed by six registered voters residing within the territory proposed to be included in the District or by the owners of one-half or more of the area of land in the territory proposed to be included in the District and not exempt from this special tax;

WHEREAS, the City Council has determined to modify the rate and method of apportionment to include a partial prepayment provision and create an exemption from special taxes for certain property until the property is developed, which modifications do not increase the probable special tax to be paid by the owners of the property within the District.

WHEREAS, on the basis of all of the foregoing, the City Council has determined at this time to establish the District and to submit to the qualified electors of the District the levy of the special tax therein (as such tax is more particularly described in Exhibit B hereto) and the establishment of an appropriations limit for the District;

WHEREAS, the Sacramento County Registrar of Voters has certified that fewer than twelve persons were registered to vote within the territory of the District as of December 23, 2002, which date is within the 90-day period preceding the close of the hearing;

WHEREAS, the City Council has received a written instrument from each landowner in the District consenting to the shortening of election time requirements, waiving analysis and arguments, and waiving all notice requirements relating to the conduct of the election;

WHEREAS, the City Clerk has concurred in the election date set forth herein;

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

1. **Recitals.** The foregoing recitals are true and correct.
2. **Facilities Report.** The City Council hereby makes the Hearing Report a part of the record of the hearing.
3. **No Majority Protest.** The proposed special tax to be levied in the District has not been precluded by majority protest pursuant to Section 53324 of the Act.
4. **Establishment of District.** As proposed in the Resolution of Intention, a community facilities district is hereby established pursuant to the Act, designated "Community Facilities District No. 2003-1 (Poppy Ridge)."
5. **Finding of Procedural Regularity.** The City Council finds and determines that all prior proceedings had and taken by the City Council with respect to the formation of the District are valid and in conformity with requirements of the Act.
6. **Boundaries of District.** The boundaries of the District shall be as set forth in the map of the proposed boundaries of the District that was filed with the Sacramento County Recorder on December 6, 2002, in Book 96 of Maps of Assessment and Community Facilities Districts, at Page 3.

7. **Description of Services and Facilities.** The Services and Facilities to be financed by the District are set forth in Exhibit A hereto, which include completed Facilities. The Facilities have a useful life of five years or longer. The cost of financing the acquisition and construction of the Facilities and the provisions of the Services include "incidental expenses," which include the cost of planning and designing the Facilities and environmental evaluations thereof; costs associated with the creation of the District, issuance of bonds, determination of the amount of special taxes, collection or payment of special taxes, or costs otherwise incurred in order to carry out the authorized purposes of the District; and any other expenses incidental to the construction, completion, and inspection of the Facilities. The Services authorized to be financed by the District are in addition to those provided in the territory of the District and do not supplant Services already available within that territory.

8. **Repayment of Advances.** The City and the owners of property within the District have entered into an "Agreement for Advance of Funds" pursuant to which the property owners have deposited funds with the City for the payment of certain costs related to the establishment of the District. To the extent proceeds of any bonds issued are sufficient therefor (as determined by the City), the City proposes to repay a portion of the funds advanced and may also repay the value or cost (whichever is less) of any work-in-kind advanced.

9. **Special Tax.** As stated in the Resolution of Intention, except where funds are otherwise available, subject to the approval of the qualified electors of the District, a special tax sufficient to pay the costs of the Services and Facilities (including incidental expenses and debt service on bonds issued to finance the Facilities and Services), secured by recordation of a continuing lien against all nonexempt real property in the District, will be levied annually in the District. The rate, method of apportionment, and manner of collection of the special tax are specified in Exhibit B, which includes modifications to the rate and method specified in the Resolution of Intention to include a partial prepayment provision and an exemption from special taxes for certain property until the property is developed. Exhibit B specifies the conditions under which the special tax may be repaid and permanently satisfied. Exhibit B also specifies the year after which no further special tax to pay for the Facilities and Services shall be levied against any parcel of land used for private residential purposes. Under no circumstances will the special tax levied against any parcel of land used for private residential purposes to pay for the Facilities and the Services be increased by more than ten per cent as a consequence of delinquency or default by the owner of any other parcel or parcels of land within the District.

10. **Apportionment of Tax.** The special tax as apportioned to each parcel is based on the cost of making the Facilities and Services available to each parcel, or other reasonable basis, and is not based on or upon the ownership of real property.

11. **Tax Roll Preparation.** The office of the Director of Administrative Services, 8400 Laguna Palms Way, Elk Grove, California 95758, telephone (916) 478-2272, is hereby designated as the office that will be responsible for annually preparing a

current roll of special tax levy obligations by assessor's parcel number and that will be responsible for estimating future special tax levies pursuant to Government Code section 53340.2. The Director of Administrative Services may cause these functions to be performed by his or her deputies, assistants, or other designated agents.

12. **Appropriations Limit.** The City Council proposes that the appropriations limit, as defined by Article XIII B, Section 8(h), of the Constitution of the State of California, for the District be established in the amount of special taxes collected.

13. **Accountability Measures.** Pursuant to Sections 50075.1 and 53411 of the California Government Code, the City shall create separate accounts into which tax and bond proceeds will be deposited; and the Director of Administrative Services annually shall file a report with the City Council that will state (a) the amount of funds collected and expended and (b) the status of the Facilities financed in the District.

14. **Special Election; Voting Procedures.** The City Council hereby submits the questions of levying the special tax and the establishment of the annual appropriations limit for the District to the qualified electors within the District, in accordance with and subject to the Act. The special election shall be held on January 15, 2003, and shall be conducted as follows:

(a) **Qualified Electors.** The City Council hereby determines that the Facilities and Services are necessary to meet increased demands placed upon the City and other local agencies as a result of development occurring within the boundaries of the District. Because fewer than twelve registered voters resided within the District on December 23, 2002 (a date within the 90 days preceding the close of the public hearing on the establishment of the District), the qualified electors shall be the landowners within the District, and each landowner who was the owner of record at the close of the hearing shall have one vote for each acre or portion of an acre of land that such landowner owns within the District.

(b) **Consolidation of Elections; Combination of Propositions on Ballot.** As authorized by Government Code section 53351(h), the elections on the questions of levying the special tax, establishing an appropriations limit, and incurring a bonded indebtedness for the District shall be consolidated; and, as authorized by Government Code section 53353.5, the three propositions shall be combined into a single ballot proposition for submission to the voters. The combined ballot proposition shall read as shown in the form of the ballot attached hereto as Exhibit C.

(c) **Mail Ballot Election.** Pursuant to Government Code section 53327.5, the election shall be conducted as a mail ballot election. The City Council hereby ratifies the City Clerk's delivery to each landowner in the District of a ballot in the form set forth in Exhibit C.

(d) **Return of Ballots.** The City Clerk shall accept the ballots of the landowners up to five minutes following the adoption of the resolution of the Council determining the necessity to incur a bonded indebtedness for the District. The City

Clerk shall have available ballots that may be marked at the City Clerk's office on the election day by voters. Once all qualified electors have voted, the City Clerk may close the election.

(e) **Canvass of Election.** The City Clerk shall commence the canvass of the returns of the special election as soon as the election is closed (i.e., five minutes following the adoption of the resolution of the Council determining the necessity to incur a bonded indebtedness for the District or when all qualified electors have voted) at the City Clerk's office. At the conclusion of the canvass, the City Clerk shall declare the results of the election.

(f) **Declaration of Results.** The City Council shall declare the results of the special election following the completion of the canvass of the returns and shall cause to be inserted into its minutes a statement of the results of the special election as ascertained by the canvass of the returns.

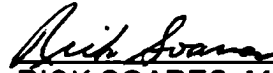
15. **Filing of Resolution and Map with City Clerk.** The City Council hereby directs the City Clerk to file a copy of this resolution and the map of the boundaries of the District in her office.

16. **Lien to Secure Special Tax.** Upon a determination by the City Council that two-thirds of the votes cast upon the question of levying the special tax were in favor thereof, the City Clerk shall record the notice of special tax lien provided for in Section 3114.5 of the California Streets and Highways Code. Upon recordation of the notice of special tax lien, a continuing lien to secure each levy of the special tax shall attach to all nonexempt real property in the District, and this lien shall continue in force and effect until the special tax obligation is prepaid and permanently satisfied and the lien cancelled in accordance with law or until collection of the tax by the City Council ceases.

17. **CEQA Exemption.** The environmental impacts of construction of the public facilities that will be needed to serve development in the East Franklin Specific Plan area, including the Facilities, which is a "project" within the meaning of the California Environmental Quality Act ("CEQA"), were analyzed in the environmental impact reports prepared for the County of Sacramento General Plan and the East Franklin Specific Plan prior to their approval by the Sacramento County Board of Supervisors, as required by CEQA. The City Council hereby determines that its formation of the District is not a "project" as defined in CEQA (see CEQA Guidelines section 15378(c)).

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PASSED AND ADOPTED by the Elk Grove City Council on January 15, 2003.



RICK SOARES, MAYOR of the
CITY OF ELK GROVE

ATTEST:



PEGGY E. JACKSON, City Clerk

APPROVED AS TO FORM:



ANTHONY B. MANZANETTI
CITY ATTORNEY

AYES: Soares, Briggs, Cooper
Scherman, Leary
NOES: None
ABSTAIN: None
ABSENT: None

List of Authorized Facilities 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 Class	Use	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/Acre 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
Totals	3,570	14.80	\$3,516,461

[ResFormation]

EXHIBIT C

Form of Ballot

OFFICIAL BALLOT

**SPECIAL TAX AND BOND ELECTION
CITY OF ELK GROVE
COMMUNITY FACILITIES DISTRICT
NO. 2003-1 (POPPY RIDGE)
JANUARY 15, 2003**

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, 8400 Laguna Palms Way, Elk Grove, California 95758, to obtain another.

MEASURE SUBMITTED TO VOTE OF VOTERS

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 of Formation (the "Resolution of Formation") for Community Facilities District No. 2003-1 (the "District") adopted by the City Council on January 15, 2003, which is incorporated herein by this reference, within the District to finance certain services and public facilities as set forth in Exhibit A to the Resolution of Formation, including any incidental expenses related thereto, and shall a bonded indebtedness in the amount of \$55,000,000 be incurred for the District, and shall an appropriations limit be established for the District in the amount of the special taxes collected?	YES <input type="checkbox"/> NO <input type="checkbox"/>
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NOTE: This is a special landowner election. You must return this ballot to the City Clerk, City of Elk Grove, either to her office at City Hall, 8400 Laguna Palms Way, Elk Grove, California 95758, by 5:00 p.m. on January 15, 2003, or thereafter, to the regular meeting place of the Council in City Hall, by five minutes following the adoption of the resolution of the Council determining the necessity to incur a bonded indebtedness for the District on January 15, 2003.