

**SPECIAL TAX AND  
BOND ACCOUNTABILITY REPORT  
FOR  
IMPROVEMENT AREA A OF  
COMMUNITY FACILITIES DISTRICT No. 10  
OF THE  
POWAY UNIFIED SCHOOL DISTRICT**

**December 23, 2002**

**SPECIAL TAX AND  
BOND ACCOUNTABILITY REPORT  
FOR  
IMPROVEMENT AREA A OF  
COMMUNITY FACILITIES DISTRICT NO. 10**

**Prepared For**

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**December 23, 2002**

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## **EXHIBITS**

Exhibit A: Rate and Method of Apportionment for Improvement Area A

## **I. INTRODUCTION**

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The Board of Education ("Board") of the Poway Unified School District ("School District"), pursuant to the provisions of the Local Agency Special Tax and Bond Accountability Act ("Accountability Act"), has directed the filing of the Special Tax and Bond Accountability Report ("Accountability Report") for Improvement Area ("IA") A of Community Facilities District ("CFD") No. 10. According to Senate Bill ("SB") 165, any local special tax and/or bond measure subject to voter approval on or after January 1, 2001, must follow the requirements of the Accountability Act. As directed by SB 165, the Accountability Report shall contain a description of (i) the Special Tax funds collected and expended from Bond inception through December 1, 2002, (ii) the initial allocation of Bond proceeds, and (iii) the expenditure of Bond proceeds to fund authorized facilities of IA A of CFD No. 10 through December 1, 2002. All capitalized terms not otherwise defined herein shall have the meanings as defined in the Rate and Method of Apportionment ("RMA") of IA A of CFD No. 10 (included herein as Exhibit A).

## **II. COLLECTION AND EXPENDITURES OF SPECIAL TAXES**

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Each Fiscal Year, IA A of CFD No. 10 will levy, collect, and expend Annual Special Taxes in an amount necessary to pay interest and principal to bondholders, cover Administrative Expenses, and fund authorized facilities to serve Units constructed within the boundaries of IA A of CFD No. 10.

IA A of CFD No. 10 issued the Special Tax Bonds ("Bonds") on October 25, 2001, in the amount of \$9,700,000. As a result of the Bonds being issued on October 25, 2001, no special Taxes were levied in Fiscal Year 2001-02; therefore, no transactions occurred in the Special Tax fund of IA A of CFD No. 10 prior to December 1, 2002.

### III. USE OF BOND PROCEEDS

This section outlines (i) the initial allocation of the Bond proceeds and (ii) the expenditure of Bond proceeds to fund authorized facilities of IA A of CFD No. 10.

#### A. Allocation of Bond Proceeds

In accordance with the Bond Indenture by and between the School District and State Street Bank and Trust Company of California, N.A. dated September 1, 2001, the proceeds of the Bonds were deposited into the funds and subaccounts as shown in Table 1.

**TABLE 1**

**INITIAL DEPOSIT OF BONDS PROCEEDS**

<b>Subaccounts and Funds</b>	<b>Initial Deposit</b>
Special Tax Fund	\$0.00
Bond Fund	\$0.00
Principal Subaccount of the Bond Fund	\$0.00
Capitalized Interest Subaccount of the Bond Fund	\$468,066.13
Reserve Fund	\$948,539.85
Administrative Expense Fund	\$15,000.00
Improvement Fund	\$7,927,828.51
Rebate Fund	\$0.00
Costs of Issuance Fund <sup>1</sup>	\$340,565.51
Redemption Fund	\$0.00
Letter of Credit Fund	\$0.00
<b>Total</b>	<b>\$9,700,000.00</b>
<sup>1</sup> This amount includes the Underwriter's discount of \$183,583.50. However, the actual amount deposited in the Costs of Issuance Account was \$156,982.01.	

**B. Use of Construction Funds**

The Supplement to the School Impact Mitigation Agreement entered into by and between (i) the School District, CFD No. 2 (Subarea IV – Torrey Highlands), and Western Pacific Housing and (ii) the School District, CFD No. 2 (Subarea IV – Torrey Highlands), and D.R. Horton San Diego Holding Company, Inc. outlined the facilities to be funded by IA A of CFD No. 10. The authorized facilities to be funded include (i) non-school facilities with the issuance of the special tax bond and (ii) school facilities with surplus Special Taxes. Non-school facilities include the construction of Camino Ruiz, Street "A", Street "B", and the State Route 56 interchange. School facilities include elementary schools, middle schools, high schools, and administrative facilities to serve students generated from residential units constructed within the boundaries of IA A of CFD No. 10. To allow for IA A of CFD No. 10 to finance non-school facilities, the School District entered into a Joint Community Facilities Agreement with the City of San Diego, which established the terms by which IA A of CFD No. 10 would finance the non-school facilities required to serve the development within the boundaries of IA A of CFD No. 10.

Table 2 shows the accruals and expenditures in the improvement fund for IA A of CFD No. 10 for the construction of non-school facilities.

**TABLE 2**

**IMPROVEMENT FUND OF IA A OF CFD NO. 10**

<b><i>Initial Deposit from Bond Proceeds</i></b>	<b>\$7,927,829</b>
<b>Previously Accrued</b>	<b>\$60,545</b>
<b>Previously Expended</b>	<b>(\$6,469,447)</b>
<b><i>Balance as of December 1, 2001</i></b>	<b>\$1,518,927</b>
<b>Accruals</b>	<b>\$27,302</b>
Interest Earnings	\$6,164
Transfer from Administrative Expense Fund	\$328
Transfer from Reserve Fund <sup>2</sup>	\$20,810
<b>Expenditures</b>	<b>(\$1,481,548)</b>
Construction of non-school facilities	(\$1,447,225)
Transfer to the Interest Account	(\$17,627)
Legal/Consulting Service Fees	(\$16,696)
<b><i>Balance as of December 1, 2002<sup>1</sup></i></b>	<b>\$64,681</b>
<sup>1</sup> Balances may not sum due to rounding.	
<sup>2</sup> Represents a shortfall in the Capitalized Interest Subaccount which was covered by the excess interest earned in the Reserve Fund.	

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**EXHIBIT A**

**RATE AND METHOD OF APPORTIONMENT  
FOR  
IMPROVEMENT AREA A  
OF  
COMMUNITY FACILITIES DISTRICT NO. 10**



**RATE AND METHOD OF APPORTIONMENT FOR  
COMMUNITIES FACILITIES DISTRICT NO. 10  
OF THE POWAY UNIFIED SCHOOL DISTRICT  
(IMPROVEMENT AREA A)**

An Annual Special Tax A, an Annual Special Tax B, and a One-Time Special Tax shall be levied on and collected in Improvement Area A ("IA A") of Community Facilities District No. 10 ("CFD No. 10") of the Poway Unified School District ("School District") in each Fiscal Year, in an amount determined through the application of the rate and method of apportionment described below. All of the real property in IA A of CFD No. 10, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**SECTION 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.

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

**"Administrative Expenses"** means any ordinary and necessary expenses of the School District to carry out its duties as the legislative body of IA A of CFD No. 10.

**"Affordable Unit"** means any Unit subject to deed restrictions, resale restrictions, and/or regulatory agreements recorded in favor of the City or County providing for affordable housing.

**"Annual Special Tax A"** means the Special Tax to be levied in each Fiscal Year on each Assessor=s Parcel as set forth in Section G. In each Fiscal Year, Annual Special Tax A revenues shall be used in the following order of priority: (i) to satisfy the Annual Special Tax Requirement A and (ii) to pay for the acquisition, construction, and improvement of School Facilities.

**"Annual Special Tax B"** means the Special Tax to be levied in each Fiscal Year on each Assessor=s Parcel as set forth in Section G. In each Fiscal Year Annual Special Tax B revenues shall be used in the following order of priority: (i) to satisfy the Annual Special Tax Requirement B and (ii) to pay for the acquisition, construction, and improvement of School Facilities.

**"Annual Special Tax Requirement A"** means the amount required in any Fiscal Year to pay: (1) the debt service on all School Bonds or other indebtedness or other periodic costs on

the School Bonds, (2) an allocable portion of the Administrative Expenses of IA A of CFD No. 10, (3) an allocable portion of any costs associated with the release of funds from an escrow account, (4) any amount required to establish or replenish any reserve funds established in association with the School Bonds, less (5) any amounts on deposit in any fund or account which are available to pay for items (1) through (4) above pursuant to any applicable fiscal agent agreement, bond indenture, or trust agreement.

**"Annual Special Tax Requirement B"** means the amount required in any Fiscal Year to pay: (1) the debt service on all Non-School Bonds or other indebtedness or other periodic costs on the Non-School Bonds, (2) an allocable portion of the Administrative Expenses of IA A of CFD No. 10, (3) an allocable portion of any costs associated with the release of funds from an escrow account, (4) any amount required to establish or replenish any reserve funds established in association with the Non-School Bonds, less (5) any amounts on deposit in any fund or account which are available to pay for items (1) through (4) above pursuant to any applicable fiscal agent agreement, bond indenture, or trust agreement.

**"Assessor=s Parcel"** means a lot or parcel of land in IA A of CFD No. 10 which is designated on an Assessor=s Parcel Map with an assigned Assessor=s Parcel Number.

**"Assessor=s Parcel Map"** means an official map of the Assessor of the County designating parcels by Assessor=s Parcel Number.

**"Assessor=s Parcel Number"** means that number assigned to an Assessor=s Parcel by the County Assessor for purposes of identification.

**"Assigned Annual Special Tax A"** means the Special Tax of that name as set forth in Section E.

**"Assigned Annual Special Tax B"** means the Special Tax of that name as set forth in Section E.

**"Assistant Superintendent"** means the Assistant Superintendent of Business of the School District or his/her designee.

**"Attached Unit"** means a Unit that (i) consists or shall consist of a building or buildings in which each of the individual Units has at least one common wall with another Unit and (ii) is not an Affordable Unit or a Senior Citizen Unit.

**"Backup Annual Special Tax B"** means the Special Tax of that name described in Section F below.

**"Board"** means the Board of Education of the School District or its designee.

**"Bonds"** means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to the repayment of which Special Taxes of IA A of CFD No. 10 are pledged.

**"Building Square Footage" or "BSF"** means the square footage of internal living space of a Unit, exclusive of garages or other structures not used as living space, as determined by reference to the building permit application for such Unit.

**"Calendar Year"** means any period beginning January 1 and ending December 31.

**"City"** means City of San Diego.

**"County"** means the County of San Diego.

**"Detached Unit"** means a Unit which is not an Attached Unit, an Affordable Unit, or a Senior Citizen Unit.

**"Developed Property"** means all Assessor's Parcels for which building permits were issued on or before May 1 of the prior Fiscal Year, provided that such Assessor's Parcels were created on or before January 1 of the prior Fiscal Year and that each such Assessor's Parcel is associated with a Lot, as determined reasonably by the Assistant Superintendent.

**"Developed A Property"** means all Assessor's Parcels of Developed Property which are not Exempt A Property.

**"Developed B Property"** means all Assessor's Parcels of Developed Property which are not Exempt B Property.

**"Exempt A Property"** means the property designated as Exempt A Property in Section L.

**"Exempt B Property"** means the property designated as Exempt B Property in Section L.

**"Final Subdivision Map"** means a final tract map, parcel map, lot line adjustment, or functionally equivalent map or instrument that creates building sites, recorded in the County Office of the Recorder.

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

**"Gross Floor Area" or "GFA"** means the covered and enclosed space within the perimeters of a commercial or industrial structure, not including any storage area incidental to the principal use of the development, garage, parking structure, unenclosed walkway, or utility or disposable area, as defined in Section 65995 of the Government Code.

**"Gross Prepayment Amount A"** means any amount determined by reference to Table 4 and adjusted as set forth in Section H.

**"Gross Prepayment Amount B"** means any amount determined by reference to Table 5 and adjusted as set forth in Section I.

**"Index"** means the Marshall & Swift Western Region Class D Wood Frame Index, or if the Marshall & Swift Western Region Class D Wood Frame Index ceases to be used by the State Allocation Board, a reasonably comparable index used by the State Allocation Board to estimate changes in school construction costs, or in the absence of such an index, the Engineering News Record, Construction Cost Index (Los Angeles Area) published by McGraw-Hill, Inc.

**"Inflator"** means the greater of (i) the annual percentage change in the Index, as calculated for the twelve (12) months ending December 31 of the prior Calendar Year or (ii) two percent (2.0%).

**"Lot"** means an individual legal lot created by a Final Subdivision Map for which a building permit has been or could be issued, provided that land for which one or more building permits have been or could be issued for the construction of one or more model Units shall not be construed as a Lot until such land has been subdivided by a Final Subdivision Map.

**"Non-School Bonds"** means any Bonds which are not School Bonds.

**"Non-School Facilities"** means the public facilities funded by the Non-School Bonds.

**"One-Time Special Tax"** means the single payment Special Tax to be levied as set forth in Section D.

**"Partial Prepayment Amount"** means the dollar amount required to prepay a portion of the Annual Special Tax B obligation on any Assessor=s Parcel, determined pursuant to Section J.

**"Preferred A Property"** means all Assessor=s Parcels of Developed Property for which building permits have been issued exclusively for Senior Citizen Units and GFA.

**"Preferred B Property"** means all Assessor=s Parcels of Developed Property for which building permits have been issued exclusively for Affordable Units, Senior Citizen Units, and GFA.

**"Prepayment Amount"** means the dollar amount required to prepay all of the Annual Special Tax A or Annual Special Tax B obligation on any Assessor=s Parcel, determined pursuant to Sections H and I.

**"Proportionately"** means that the ratio of the actual Annual Special Tax levy to the applicable Special Tax is equal for all applicable Assessor=s Parcels.

**"School Bonds"** means any Bonds allocable to proceeds used or to be used to fund the acquisition, construction, or improvement of School Facilities.

**"School Facilities"** means any public facilities owned or to be owned by the School District.

**"Senior Citizen Unit"** means a Unit designated as senior citizen housing, part of a residential care facility for the elderly, or part of a multi-level care facility for the elderly as

referred to in California Government Code Section 65995.1. For purposes hereof, it shall be sufficient to designate a Unit as a Senior Citizen Unit if Senior Citizen Restrictions have been effected with respect to such Unit.

**"Senior Citizen Restriction"** means (i) a restriction limiting the use of Units to senior citizen housing under a specific plan, a final map or other governmental entitlements, or a declaration of covenants, conditions and restrictions or any similar recorded instrument or (ii) licensing from appropriate agencies received for residential care facilities for the elderly or multi-level care facilities as those terms are defined in Health and Safety Code Section 1569.2 and Government Code Section 15432(d)(9), respectively.

**"Special Tax"** means any of the special taxes authorized to be levied by IA A of CFD No. 10 under the Act.

**"Undeveloped Property"** means all Assessor=s Parcels which are not Developed Property.

**"Undeveloped A Property"** means all Assessor=s Parcels of Undeveloped Property which are not Exempt A Property.

**"Undeveloped B Property"** means all Assessor=s Parcels of Undeveloped Property which are not Exempt B Property.

**"Unit"** means each separate residential dwelling unit which comprises an independent facility capable of conveyance separate from adjacent residential dwelling units. Each Unit shall be classified as either a Detached Unit or an Attached Unit.

**"Zone"** means either of the areas identified as a Zone in Exhibit A to this Rate and Method of Apportionment.

**"Zone A"** means all property located within the area identified as Zone A in Exhibit A to this Rate and Method of Apportionment.

**"Zone B"** means all property located within the area identified as Zone B in Exhibit A to this Rate and Method of Apportionment.

**"Zone C"** means all property located within the area identified as Zone C in Exhibit A to this Rate and Method of Apportionment.

## **SECTION B ASSIGNMENT OF ASSESSOR'S PARCELS**

For each Fiscal Year, beginning with Fiscal Year 2001-02, (i) each Assessor's Parcel shall be classified as Developed Property or Undeveloped Property; (ii) each Assessor's Parcel of Developed Property shall be classified as (a) Developed A Property or Exempt A Property and (b) Developed B Property or Exempt B Property; (iii) each Assessor's Parcel of Undeveloped Property shall be classified as (a) Undeveloped A Property or Exempt A Property and (b) Undeveloped B Property or Exempt B Property; and (iv) each Assessor=s Parcel shall be assigned to a Zone in accordance with Exhibit A.

**SECTION C  
MAXIMUM SPECIAL TAX**

**1. Developed Property**

The Maximum Special Tax for each Assessor=s Parcel classified as Developed Property in any Fiscal Year shall be the sum of (i) the greater of the Assigned Annual Special Tax A or the Backup Annual Special Tax A plus (ii) the greater of the Assigned Annual Special Tax B or the Backup Annual Special Tax B.

**2. Undeveloped Property**

The Maximum Special Tax for any Assessor=s Parcel classified as Undeveloped Property in any Fiscal Year shall be the sum of (i) the Assigned Annual Special Tax A, (ii) the Assigned Annual Special Tax B plus (iii) the One-Time Special Tax.

**SECTION D  
ONE-TIME SPECIAL TAX**

The One-Time Special Tax shall be collected for each Assessor=s Parcel on or before the date a building permit is issued for such Assessor=s Parcel. From May 1, 2001 to April 30, 2002, the One-Time Special Tax amounts shall be (i) \$2.14 per square foot of BSF for Detached Units, Affordable Units, and Attached Units, (ii) \$0.36 per square foot of BSF for Senior Citizen Units, and (iii) \$0.36 per GFA. On each May 1, commencing May 1, 2002, the amount of the One-Time Special Tax amounts shall be increased by the Inflator.

**SECTION E  
ASSIGNED ANNUAL SPECIAL TAXES**

**1. Developed A Property**

**a. Assigned Annual Special Tax A for New Developed A Property**

The Assigned Annual Special Tax A applicable to an Assessor's Parcel in the first Fiscal Year in which such Assessor's Parcel is classified as Developed A Property shall be the amount determined by reference to Table 1 below, subject to adjustment as described below, as applicable. No Assigned Annual Special Tax A shall apply to Senior Citizen Units.

**TABLE 1**

<i><b>ASSIGNED ANNUAL SPECIAL TAX A FOR NEW DEVELOPED A PROPERTY FOR FISCAL YEAR 2001-02</b></i>	
<b>Unit Type</b>	<b>Assigned Annual Special Tax A<sup>1</sup></b>
Detached Unit	\$1,817.70 per Unit
Affordable Unit	\$749.15 per Unit
Attached Unit	\$749.15 per Unit
1. No Assigned Annual Special Tax A shall apply to Senior Citizen Units.	

Each July 1, commencing July 1, 2002, the Assigned Annual Special Tax A applicable to an Assessor's Parcel in the first Fiscal Year in which such Assessor's Parcel is classified as Developed A Property shall be increased by the Inflator.

**b. Assigned Annual Special Tax A for Existing Developed A Property**

Each July 1, commencing the July 1 immediately following the Fiscal Year in which the Assessor's Parcel was first classified as Developed A Property, the Assigned Annual Special Tax A applicable to an Assessor's Parcel shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

**c. Assigned Annual Special Tax B for Developed B Property**

The Assigned Annual Special Tax B for each Assessor's Parcel of Developed B Property in any Fiscal Year shall be the amount determined by reference to Table 2 below, subject to adjustment as described below. No Assigned Annual Special Tax B shall apply to Affordable Units or Senior Citizen Units.

**TABLE 2**

<b>ASSIGNED ANNUAL SPECIAL TAX B FOR DEVELOPED B PROPERTY FOR FISCAL YEAR 2001-02</b>		
<b>Zone</b>	<b>Building Square Feet</b>	<b>Assigned Annual Special Tax B<sup>1</sup></b>
A	<= 2,600	\$_____ per Detached/Attached Unit
A	2,601 - 2,900	\$_____ per Detached/Attached Unit
A	> 2,900	\$_____ per Detached/Attached Unit
B	<= 2,400	\$_____ per Detached/Attached Unit
B	2,401 - 2,600	\$_____ per Detached/Attached Unit
B	> 2,600	\$_____ per Detached/Attached Unit
C	<= 2,900	\$_____ per Detached/Attached Unit
C	2,901 - 3,300	\$_____ per Detached/Attached Unit
C	> 3,300	\$_____ per Detached/Attached Unit
1. No Assigned Annual Special Tax B shall apply to Affordable Units or Senior Citizen Units.		

Each July 1, commencing July 1, 2002, the Assigned Annual Special Tax B for each Assessor=s Parcel of Developed B Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

**2. Undeveloped Property**

**a. Assigned Annual Special Tax B for Undeveloped B Property**

The Assigned Annual Special Tax B for an Assessor=s Parcel of Undeveloped B Property in any Fiscal Year shall be \$\_\_\_\_\_ per acre of Acreage. On each July 1, commencing July 1, 2002, the Assigned Annual Special Tax B for each Assessor=s Parcel of Undeveloped B Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

**SECTION F  
BACKUP ANNUAL SPECIAL TAX B**

Each Fiscal Year, each Assessor's Parcel of Developed B Property shall be subject to a Backup Annual Special Tax B. In each Fiscal Year, the Backup Annual Special Tax B rate for Developed B Property shall be the rate per Lot calculated according to the following formula:

$$B = (Z H A) )L$$

The terms above have the following meanings:



- B = Backup Annual Special Tax B per Lot for the applicable Fiscal Year
- Z = Backup Annual Special Tax B per Acre for the applicable Zone for the applicable Fiscal Year (see Table 3 below for rates)
- A = Acreage of Developed B Property expected to exist in the applicable Final Subdivision Map at buildout, as determined by the Assistant Superintendent pursuant to Section L
- L = Lots in the Final Subdivision Map

The Backup Annual Special Tax B per Acre for each Zone shall be the amount determined by reference to Table 3 below, subject to adjustment as described below, as applicable.

**TABLE 3**

<i><b>BACKUP ANNUAL SPECIAL TAX B FOR DEVELOPED B PROPERTY FOR FISCAL YEAR 2001-02</b></i>	
<b>Zone</b>	<b>Backup Annual Special Tax B</b>
Zone A	\$_____ per Acre
Zone B	\$_____ per Acre
Zone C	\$_____ per Acre

On each July 1, commencing July 1, 2002, the Backup Annual Special Tax B per Acre for each Zone shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

**SECTION G**  
**METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX**

Commencing Fiscal Year 2001-02 and for each subsequent Fiscal Year, the Assistant Superintendent shall determine the Annual Special Tax Requirement A and Annual Special Tax Requirement B to be collected in IA A of CFD No. 10 in such Fiscal Year. The Annual Special Tax A and Annual Special Tax B shall be levied as follows:

**1. Annual Special Tax Requirement A**

**First:** The Annual Special Tax A shall be levied on each Assessor’s Parcel of Developed A Property at the Assigned Annual Special Tax A applicable to such Assessor’s Parcel.

**Second:** If the sum of the amounts levied on Assessor's Parcels in the first step above is less than the Annual Special Tax Requirement A, then the Annual Special Tax A shall be levied on each Assessor's Parcel of Undeveloped A Property up to the Assigned Annual Special Tax A applicable to such Assessor's Parcel to satisfy the Annual Special Tax Requirement A.

**Third:** If the sum of the amounts levied on Assessor's Parcels in the second step above is less than the Annual Special Tax Requirement A, then the Annual Special Tax A shall be levied on each Assessor's Parcel of Developed A Property up to the Backup Annual Special Tax A applicable to such Assessor's Parcel to satisfy the Annual Special Tax Requirement A.

**2. Annual Special Tax Requirement B**

**First:** The Annual Special Tax B shall be levied on each Assessor's Parcel of Developed B Property at the Assigned Annual Special Tax B applicable to such Assessor's Parcel.

**Second:** If the sum of the amounts levied on Assessor's Parcels in the first step above is less than the Annual Special Tax Requirement B, then the Annual Special Tax B shall be levied on each Assessor's Parcel of Undeveloped A Property up to the Assigned Annual Special Tax B applicable to such Assessor's Parcel to satisfy the Annual Special Tax Requirement B.

**Third:** If the sum of the amounts levied on Assessor's Parcels in the second step above is less than the Annual Special Tax Requirement B, then the Annual Special Tax B shall be levied on each Assessor's Parcel of Developed B Property up to the Backup Annual Special Tax B applicable to such Assessor's Parcel to satisfy the Annual Special Tax Requirement B.

**SECTION H  
PREPAYMENT OF ANNUAL SPECIAL TAX A**

The Annual Special Tax A obligation of an Assessor's Parcel of Developed A Property or an Assessor's Parcel of Undeveloped A Property for which a building permit has been issued may be prepaid. An owner of an Assessor's Parcel intending to prepay the Annual Special Tax A obligation shall provide IA A of CFD No. 10 with written notice of intent to prepay. Within 30 days of receipt of such written notice, IA A of CFD No. 10 shall notify such owner of the Prepayment Amount of such Assessor's Parcel.

**1. Prior to Issuance of School Bonds**

Prior to the issuance of any School Bonds, the Prepayment Amount for each Assessor=s Parcel of Developed A Property and Undeveloped A Property for which a building permit has been issued shall be the amount equal to the Gross Prepayment Amount A. The Gross Prepayment Amount A for the period May 1, 2001 to April 30, 2002 shall be the amount determined by reference to Table 4.

**TABLE 4**

<b><i>GROSS PREPAYMENT AMOUNT A FOR MAY 1, 2001 TO APRIL 30, 2002</i></b>	
<b>Unit Type</b>	<b>Gross Prepayment Amount A</b>
Detached Unit	\$18,870.40 per Unit
Affordable Unit	\$8,083.83 per Unit
Attached Unit	\$8,083.83 per Unit

On each May 1, commencing May 1, 2002, the Gross Prepayment Amount A for each Unit shall be increased by two percent (2.00%) of the amount in effect in the prior twelve-month period.

**2. Subsequent to Issuance of School Bonds**

Subsequent to the issuance of School Bonds, the Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Defeasance
plus	Administrative Fee
<u>less</u>	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

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

1. For each Assessor's Parcel of Developed A Property, compute the Assigned Annual Special Tax A. For each Assessor's Parcel of Undeveloped A Property, compute the Assigned Annual Special Tax A as though it was already designated as Developed A Property, based upon the building permit issued for that Assessor's Parcel.
2. For each Annual Special Tax A obligation to be prepaid, divide the

Assigned Annual Special Tax A computed pursuant to paragraph 1 for such Assessor's Parcel by the estimated Assigned Annual Special Tax A applicable to all Assessor's Parcels of Developed A Property at buildout, as reasonably determined by the Assistant Superintendent.

3. The amount determined pursuant to Section H.1. shall be (a) increased by the portion of the School Bonds allocable to costs of issuance, reserve fund deposits, and capitalized interest with respect to the applicable Assessor's Parcel and (b) reduced by the amount of regularly retired principal of the School Bonds which is allocable to the applicable Assessor's Parcel, as determined by the Assistant Superintendent. The result is the "Outstanding Gross Prepayment Amount." In no event shall any Annual Special Tax A determined to have been used to make a regularly scheduled principal payment on the School Bonds be adjusted for any increase in any cost index or other basis subsequent to the applicable payment.
4. Multiply the quotient computed pursuant to paragraph 2 by the face value of all outstanding School Bonds. If the product is greater than the Outstanding Gross Prepayment Amount, then the product shall be the "Bond Redemption Amount." If the product is less than the Outstanding Gross Prepayment Amount, then the Outstanding Gross Prepayment Amount shall be the "Bond Redemption Amount."
5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the outstanding School Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
6. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 10) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding School Bonds.
7. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the outstanding School Bonds.
8. Subtract the amount computed pursuant to paragraph 7 from the amount computed pursuant to paragraph 6. This difference is the "Defeasance."
9. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming School Bonds, and the costs of recording any notices to evidence the prepayment and the

redemption. This amount is the "Administrative Fee."

10. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of outstanding School Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of outstanding School Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.
11. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

With respect to an Annual Special Tax obligation that is prepaid pursuant to this Section H, the Assistant Superintendent shall indicate in the records of IA A of CFD No. 10 that there has been a prepayment of the Annual Special Tax A obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Annual Special Tax A obligation and the release of the Annual Special Tax A lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Tax A shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Annual Special Tax B that may be levied in IA A of CFD No. 10, net of an allocable portion of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding School Bonds in each future Fiscal Year and such prepayment will not impair the security of all currently outstanding School Bonds, as reasonably determined by the Assistant Superintendent.

## **SECTION I PREPAYMENT OF ANNUAL SPECIAL TAX B**

The Annual Special Tax B obligation of an Assessor's Parcel of Developed B Property or an Assessor's Parcel of Undeveloped B Property for which a building permit has been issued may be prepaid. An owner of an Assessor's Parcel intending to prepay the Annual Special Tax B obligation shall provide IA A of CFD No. 10 with written notice of intent to prepay. Within 30 days of receipt of such written notice, IA A of CFD No. 10 shall notify such owner of the Prepayment Amount of such Assessor's Parcel.

### **1. Prior to Issuance of Non-School Bonds**

Prior to the issuance of any Non-School Bonds, the Prepayment Amount for each Assessor's Parcel of Developed B Property and Undeveloped B Property for which a

building permit has been issued shall be the amount equal to the Gross Prepayment Amount B. The Gross Prepayment Amount B for the period May 1, 2001 to April 30, 2002 shall be the amount determined by reference to Table 5.

**TABLE 5**

<b><i>GROSS PREPAYMENT AMOUNT B FOR MAY 1, 2001 TO APRIL 30, 2002</i></b>		
<b>Zone</b>	<b>Building Square Feet</b>	<b>Gross Prepayment Amount B</b>
A	<= 2,600	\$_____ per Unit
A	2,601 - 2,900	\$_____ per Unit
A	> 2,900	\$_____ per Unit
B	<= 2,400	\$_____ per Unit
B	2,401 - 2,600	\$_____ per Unit
B	> 2,600	\$_____ per Unit
C	<= 2,900	\$_____ per Unit
C	2,901 - 3,300	\$_____ per Unit
C	> 3,300	\$_____ per Unit

On each May 1, commencing May 1, 2002, the Gross Prepayment Amount B for each Unit shall be increased by two percent (2.00%) of the amount in effect in the prior twelve-month period.

**2. Subsequent to Issuance of Non-School Bonds**

Subsequent to the issuance of Non-School Bonds, the Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Defeasance
plus	Administrative Fee
less	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

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

1. For each Assessor's Parcel of Developed B Property, compute the Assigned Annual Special Tax B and the Backup Annual Special Tax B. For each Assessor's Parcel of Undeveloped B Property, compute the Assigned Annual Special Tax B and the Backup Annual Special Tax B applicable to the Assessor's Parcel as though it was already

designated as Developed B Property, based upon the building permit issued for that Assessor's Parcel.

2. For each Annual Special Tax B obligation to be prepaid, (a) divide the Assigned Annual Special Tax B computed pursuant to paragraph 1 for such Assessor's Parcel by the estimated Assigned Annual Special Tax B applicable to all Assessor's Parcels of Developed B Property at buildout, as reasonably determined by the Assistant Superintendent, and (b) divide the Backup Annual Special Tax B computed pursuant to paragraph 1 for such Assessor's Parcel by the estimated Backup Annual Special Tax B applicable to all Assessor's Parcels of Developed B Property at buildout, as reasonably determined by the Assistant Superintendent.
3. The amount determined pursuant to Section I.1. shall be (a) increased by the portion of the Non-School Bonds allocable to costs of issuance, reserve fund deposits, and capitalized interest with respect to the applicable Assessor's Parcel and (b) reduced by the amount of regularly retired principal of Non-School Bonds which is allocable to the applicable Assessor's Parcel, as determined by the Assistant Superintendent. The result is the "Outstanding Gross Prepayment Amount." In no event shall any Annual Special Tax B determined to have been used to make a regularly scheduled principal payment on the Non-School Bonds be adjusted for any increase in any cost index or other basis subsequent to the applicable payment.
4. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the face value of all outstanding Non-School Bonds. If the product is greater than the Outstanding Gross Prepayment Amount, then the product shall be the "Bond Redemption Amount." If the product is less than the Outstanding Gross Prepayment Amount, then the Outstanding Gross Prepayment Amount shall be the "Bond Redemption Amount."
5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the outstanding Non-School Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
6. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 10) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Non-School Bonds.
7. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the outstanding Non-School

Bonds.

8. Subtract the amount computed pursuant to paragraph 7 from the amount computed pursuant to paragraph 6. This difference is the "Defeasance."
9. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Non-School Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
10. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of outstanding Non-School Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of outstanding Non-School Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.
11. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

With respect to an Annual Special Tax obligation that is prepaid pursuant to this Section I, the Assistant Superintendent shall indicate in the records of IA A of CFD No. 10 that there has been a prepayment of the Annual Special Tax B obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Annual Special Tax B obligation and the release of the Annual Special Tax B lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Tax B shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Annual Special Tax B that may be levied in IA A of CFD No. 10, net of an allocable portion of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Non-School Bonds in each future Fiscal Year and such prepayment will not impair the security of all currently outstanding Non-School Bonds, as reasonably determined by the Assistant Superintendent.

## **SECTION J PARTIAL PREPAYMENT OF SPECIAL TAX B**



At the time a Final Subdivision Map is recorded for any Undeveloped B Property, the property owner filing said Final Subdivision Map for recordation may concurrently elect to prepay all or any portion of the applicable Annual Special Tax B obligations for all of the Assessor=s Parcels created by such Final Subdivision Map. In order to prepay all or any portion of the applicable Annual Special Tax B obligations, the residential Final Subdivision Map must contain at least 25 Detached Units or 50 Attached Units. The partial prepayment of each Annual Special Tax B obligation shall be collected at the issuance of each applicable building permit. The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = P_1 H F.$$

These terms have the following meanings:

- PP = the Partial Prepayment Amount
- P<sub>1</sub> = the Prepayment Amount calculated according to Section I
- F = the percent by which the owner of the Assessor=s Parcel is partially prepaying the Annual Special Tax B obligation.

The owner of any Assessor=s Parcel who desires such partial prepayment shall notify the Assistant Superintendent of (i) such owner=s intent to partially prepay the Annual Special Tax B obligation and, (ii) the percentage by which the Annual Special Tax B obligation shall be prepaid. The Assistant Superintendent shall provide the owner with a statement of the amount required for the partial prepayment of the Annual Special Tax B obligation for an Assessor=s Parcel within ten (10) working days of the request and may charge a reasonable fee for providing this service.

With respect to any Assessor=s Parcel's Annual Special Tax B obligation that is partially prepaid, the Assistant Superintendent shall indicate in the records of IA A of CFD No. 10 that there has been a partial prepayment of the Annual Special Tax B obligation and shall cause a suitable notice to be recorded in compliance with the Act within 30 days of receipt of such partial prepayment, to indicate the partial prepayment of Annual Special Tax B obligation and the partial release of the Annual Special Tax B lien on such Assessor=s Parcel, and the obligation of such Assessor=s Parcel to pay such prepaid portion of the Annual Special Tax B shall cease. The portion of the Annual Special Tax B with respect to any Assessor=s Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Annual Special Tax B, shall continue to be levied on such Assessor=s Parcel.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Annual Special Tax B that may be levied in IA A of CFD No. 10, net of an allocable portion of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Non-School Bonds in each future Fiscal Year and such partial prepayment will not impair the security of all currently outstanding Non-School Bonds, as reasonably determined by the Assistant Superintendent.

## **SECTION K TERMINATION OF SPECIAL TAX**

The Annual Special Tax A and the Annual Special Tax B shall be levied for a term of thirty (30) Fiscal Years after the last Bond series is issued for IA A of CFD No. 10, but in no event shall the Annual Special Tax A or the Annual Special Tax B be levied later than Fiscal Year 2045-46.

## **SECTION L EXEMPTIONS**

### **1. Exempt A Property**

The Assistant Superintendent shall classify as Exempt A Property (i) Assessor=s Parcels owned by the State of California, Federal or other local governments, (ii) Assessor=s Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor=s Parcels used exclusively by a homeowners' association, (iv) Assessor=s Parcels with public or utility easements or other restrictions making impractical their utilization for other than the purposes set forth in the easement or the restriction, (v) Assessor's Parcels of Preferred A Property, or (vi) other types of Assessor's Parcels, at the reasonable discretion of the Assistant Superintendent, provided that no such classification would reduce the sum of all Developed A Property and Undeveloped A Property to less than \_\_\_\_\_ acres of Acreage. Assessor's Parcels which cannot be classified as Exempt A Property because such classification would reduce the Acreage of all Developed A Property and Undeveloped A Property to less than \_\_\_\_\_ acres of Acreage will continue to be classified as Developed A Property or Undeveloped A Property, as applicable, and will continue to be subject to Special Taxes accordingly.

**2. Exempt B Property**

The Assistant Superintendent shall classify as Exempt B Property (i) Assessor=s Parcels owned by the State of California, Federal or other local governments, (ii) Assessor=s Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor=s Parcels used exclusively by a homeowners' association, (iv) Assessor=s Parcels with public or utility easements or other restrictions making impractical their utilization for other than the purposes set forth in the easement or the restriction, (v) Assessor's Parcels of Preferred B Property, or (vi) other types of Assessor's Parcels, at the reasonable discretion of the Assistant Superintendent, provided that no such classification would reduce the sum of all Developed B Property and Undeveloped B Property to less than \_\_\_\_\_ acres of Acreage. Assessor's Parcels which cannot be classified as Exempt B Property because such classification would reduce the Acreage of all Developed B Property and Undeveloped B Property to less than \_\_\_\_\_ acres of Acreage will continue to be classified as Developed B Property or Undeveloped B Property, as applicable, and will continue to be subject to Special Taxes accordingly.

**SECTION M  
APPEALS**

Any property owner claiming that the amount or application of any Special Tax is not correct may file a written notice of appeal with the Assistant Superintendent not later than twelve (12) months after having paid the Special Tax that is disputed. The Assistant Superintendent shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the Assistant Superintendent's decision requires that the Special Tax for an Assessor=s Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Special Tax on that Assessor=s Parcel in the subsequent Fiscal Year(s).

**SECTION N  
MANNER OF COLLECTION**

The Annual Special Tax A and Annual Special Tax B shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that IA A of CFD No. 10 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations. The One-Time Special Tax shall be collected prior to the issuance of a building permit.

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