

RESOLUTION NO.02-12

RESOLUTION DECLARING OF FORMATION OF
COMMUNITY FACILITIES DISTRICT; DEEMING IT NECESSARY
TO INCUR INDEBTEDNESS, AND CALLING ELECTION

Community Facilities District No. 2011-1
(Wastewater System Improvement Project)

WHEREAS, reference is made to Resolutions No. 16-11 and No. 17-11 of this Board of Directors (this "Board") adopted December 8, 2011, for a preliminary description of the authorized public improvements, a statement of the rate and method of apportionment of the proposed special tax, a statement of the annual appropriations limit for the proposed community facilities district for the first fiscal year for which the special tax is levied, and the maximum amount of authorized indebtedness contemplated by these proceedings, each of which is being finalized by this resolution without modification; and

WHEREAS, by further provisions in Resolution No. 16-11, this Board scheduled the required public hearing for January 11, 2012, commencing at 6:30 p.m. or as soon thereafter as the matter may be heard, to consider CFD No. 2011-1, and (a) authorized and directed the District Secretary (the "Secretary") to provide for published notice of hearing containing the information prescribed by Section 53322 of the California Government Code (the "Code") and (b) authorized the Secretary to provide for mailed notice of hearing to both the registered voters of CFD No. 2011-1 and the owners of land within CFD No. 2011-1 which is not exempt from the proposed special tax of CFD No. 2011-1 (the "Special Tax"); and

WHEREAS, the Secretary has confirmed to this Board that she has on file both (a) a proof of publication of the notice of hearing, showing that the notice of hearing was

published one time on December 27, 2011, in the *Red Bluff Daily News*, and (b) a Certificate of Mailing, executed on December 20, 2011, by the General Manager of the District, and certifying that mailing of the notice of hearing by first class mail postage prepaid to both the landowners and the registered voters within CFD No. 2011-1 was completed December 20, 2011; and

WHEREAS, prior to the commencement of the public hearing, a hearing report prepared by Goodwin Consulting Group, as special tax consultant to the District for CFD No. 2011-1, was filed with the Secretary and made available to the members of this Board; and

WHEREAS, on January 11, 2012, at the time set for the public hearing, this Board opened, conducted and closed the public hearing, and at the close of the public hearing, this Board determined that a majority protest under Section 53324 of the Code was not made at the hearing; and

WHEREAS, this Board by this resolution wishes to (a) declare the formation of CFD No. 2011-1, (b) declare that this Board deems it necessary to incur indebtedness to be secured by and made payable from the proceeds of the Special Tax and (c) call a special mailed-ballot election for April 17, 2012 (the "Election Date"), for submission of a measure to the qualified electors of CFD No. 2011-1;

NOW, THEREFORE, the Board of Directors of the Rio Alto Water District hereby finds, determines and resolves as follows:

1. This Board finds and determines that the foregoing recitals are true and correct.

2. There is hereby formed a community facilities district by the Rio Alto Water District (the "District") under the terms of the Mello-Roos Community Facilities Act of 1982, Chapter 2.5 of Division 2 of Title 5 of the Code, commencing with Section 53311 (the "Mello-Roos Act"). The boundaries of the community facilities district are shown on the boundary map approved by Resolution No. 15-11, adopted by this Board on December 8, 2011. A copy of the recorded boundary map is on file with the Secretary.

3. The name of the community facilities district is "Community Facilities District No. 2011-1 (Wastewater System Improvement Project), Rio Alto Water District, County of Tehama, State of California" ("CFD No. 2011-1").

4. The types of public facilities authorized to be financed by CFD No. 2011-1 are set forth on Exhibit A attached to this resolution.

5. Except where funds are otherwise available, the Special Tax, in amounts sufficient to pay for all such facilities, including repayment of bonds or other forms of indebtedness, will be annually levied within CFD No. 2011-1. Upon recordation of a notice of special tax lien pursuant to Section 3114.5 of the California Streets and Highways Code, a continuing lien to secure each levy of the Special Tax shall attach to all nonexempt real property within CFD No. 2011-1, 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 District ceases. The rate and method of apportionment of the Special Tax is set forth in Exhibit B attached to this resolution. The authority to levy the Special Tax for CFD No. 2011-1 will expire following Fiscal Year 2055-2056.

6. The types of incidental expenses proposed to be incurred and authorized to be paid from proceeds of indebtedness or directly from proceeds of the Special Tax, including but not limited to the costs of issuance of bonds or other forms of indebtedness of CFD No. 2011-1, are described in Exhibit C attached to this resolution.

7. Advances of funds or contributions of work in kind from any lawful source, specifically including funds advanced from the general fund or the water enterprise fund of the District, may be reimbursed from bond proceeds or from Special Tax revenue or both to the extent of the lesser of the value or cost of the contribution.

8. The General Manager of the District, 22099 River View Drive, Cottonwood, CA 96022, telephone (530) 347-3835 is designated as the person responsible for preparing or causing the preparation and submission to the Tehama County Auditor annually of a current roll of the amount of the Special Tax being levied on each Taxable Parcel, listing the amount of the Special Tax by assessor's parcel number, and for responding to inquiries regarding estimates of future Special Tax levies. The District may contract with private consultants to assist the General Manager or to provide this service in lieu of the General Manager.

9. Any bonds issued in these proceedings shall be callable and any other form of indebtedness shall be subject to prepayment in accordance with the provisions of the Mello-Roos Act and as more specifically to be set forth in any resolution or other instrument providing for the form, issuance, execution and delivery of bonds or other forms of indebtedness.

10. All Taxable Property, as said term is defined in Exhibit B hereto, as established from time to time within CFD No. 2011-1, shall be subject to the Special

Tax obligation. The Special Tax will be collected and enforced as a separate line item on the regular property tax bill of the County of Tehama. However, this Board reserves the right, under Section 53340, to utilize any method of collecting the Special Tax which it shall, from time to time, determine to be in the best interests of the District, including, but not limited to, direct billing by the District to the property owners and supplemental billing. Without limiting the generality of the foregoing sentence, this Board intends to provide for direct billing and collection by the District of the Catch-Up Special Tax, as said term is defined in Exhibit B hereto.

11. This Board hereby establishes the annual appropriations limit of CFD No. 2011-1 at \$650,000 for the first fiscal year in which the Special Tax is levied, presently expected to be 2012-2013.

12. This Board now finds and determines that all proceedings up to and including the adoption of this resolution were and are valid and in conformity with the requirements of the Mello-Roos Act. This determination and finding is final and conclusive in accordance with Government Code Section 53325.1(b).

14. This Board hereby deems it necessary to incur indebtedness on behalf of CFD No. 2011-1.

15. The purposes for which such indebtedness is to be incurred are (a) to provide a portion of the funds necessary to finance the acquisition and construction of public wastewater system improvements described on Exhibit A attached hereto and (b) to pay a portion of the incidental expenses proposed to be incurred as set forth on Exhibit C attached hereto.

16. Subject to the limit of \$6,215,000 on the aggregate principal amount of such indebtedness and to the requirements of this resolution, determinations respecting (a) the amount of indebtedness to be incurred and (b) the amount and timing of each issuance of bonds and/or execution and delivery of instruments representing other forms of indebtedness shall be subject to the discretion of this Board. The refunding of one form of authorized indebtedness by another shall not count against the limitation on the aggregate principal amount of such indebtedness, as provided by Section 533362.7 of the Code.

17. The last maturity of any series of bonds issued under this authority shall be not greater than 40 years from the first maturity of any bonds of such series, and the last maturity of any bonds issued for CFD No. 2011-1 shall be not later than calendar year 2051.

18. The maximum rate of interest shall be determined by competitive sale or by negotiation at the time of bond sale or at the time of execution and delivery of any instrument representing another form of indebtedness, but in any case shall not exceed the maximum permitted legal rate as specified, from time to time, by Section 53531 of the Code or any similar controlling provision of law.

19. It is the intention of this Board that any bonds issued shall be made callable and any other form of indebtedness shall be subject to prepayment on terms to be specified in any resolution, indenture, trust agreement or fiscal agent agreement providing for the form, execution and issuance of bonds or specified in any like instrument providing for the execution and delivery of any other instrument providing for any other form of indebtedness, in accordance with the terms of the Mello-Roos Act.

20. In order to proceed with (1) the levy of the Special Tax, (2) the establishment of an appropriations limitation for CFD No. 2011-1 and (3) the incurring of indebtedness, each as provided by this resolution, the three propositions must be submitted to an election of the qualified electors of CFD No. 2011-1. The three propositions described in the foregoing sentence shall be combined into a single ballot measure pursuant to Section 53353.5 of the Code, and this Board wishes to provide that the wording of the single ballot measure by which the three propositions shall be submitted to the qualified electors of CFD No. 2011-1 shall be as follows:

“Shall the Board of Directors of the Rio Alto Water District be authorized to incur up to \$6,215,000 of indebtedness of its Community Facilities District No. 2011-1 (“CFD 2011-1”), levy a special tax, and finance public wastewater system improvements and incidental expenses through its CFD 2011-1, as specified in its resolution pertaining thereto, adopted on January 11, 2012; and shall the appropriations limit for CFD 2011-1 for fiscal year 2012-2013 be established at \$650,000?”

21. Based upon the Certificate Re Landowners, executed by the General Manager, on file with the Secretary and presented to this Board, the qualified electors for the election to be held in these proceedings shall be the registered voters who are registered to vote at addresses within CFD No. 2011-1, with each registered voter having one vote. This Board hereby designates the Tehama County Clerk or the designee of the County Clerk as the election official to supervise and conduct the mailed-ballot election (the “Election Officer”).

22. Pursuant to Sections 53326 and 53351 of the Code, this Board hereby calls an election with respect to the District’s measure respecting CFD No. 2011-1 to be held as a special, mailed-ballot election on the Election Date, and the deadline for

receipt of completed ballots by the Election Officer shall be 8:00 p.m. on the Election Date.

23. This Board hereby requests of the Election Officer and the County Elections Department that they provide such services as they deem necessary or appropriate for (a) the conduct of the election with respect to the District's measure respecting CFD No. 2011-1 as a special, mailed-ballot election to be concluded on the Election Date, and (b) the conduct of the election on behalf of the District as accordance with all applicable provisions of the Elections Code. The ballots may be manually counted pursuant to Elections Code Section 15290, or an approved voting system may be used, as determined by the Tehama County Board of Supervisors in accordance with Elections Code Section 19210. The District shall pay or reimburse the County Elections Department for all of its reasonable cost and expense, including but not limited to the reasonable cost of the time expended by staff of the County Elections Department and County Counsel in providing such services.

23. In accordance with the provisions of Section 53326 of the Code:

(a) Since the Election Date is less than 125 days following the adoption of the Resolution of Formation, the concurrence of the Election Officer, as the elections official formally in charge of conducting the election on said date, has been obtained; and

(b) The Secretary is hereby authorized and directed to provide the Election Officer with (i) a certified copy of this resolution and (ii) a full-size print of the Boundary Map.

24. This resolution shall take effect from and after its adoption.

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PASSED AND ADOPTED by the Board of Directors of the Rio Alto Water District on January 11, 2012, by the following vote of said Board:

AYES: 5 Board Members Max Richman, Joe Adams, Don Montano, Dave Anders, Mark Reese

NOES: 0 Board Members _____

ABSENT: 0 Board Members _____

Signed and approved by me after its passage this 11th day of January, 2012.

Max A. Richman
Max A. Richman, President, Board of Directors

STATE OF CALIFORNIA)
) ss.
COUNTY OF TEHAMA)

I, Terri Taggart, the undersigned Secretary of the Rio Alto Water District, County of Tehama, State of California, hereby certify the foregoing to be a full, true, and correct copy of a resolution adopted by the Board of Directors of the District and that the same has not been modified, amended or rescinded and remains in full force and effect.

Terri Taggart
Terri Taggart, District Secretary

EXHIBIT A

DESCRIPTION OF AUTHORIZED FACILITIES

The proposed Wastewater System Improvement Project, to be financed in part via CFD No. 2011-1 (Wastewater System Improvement Project), includes installation of a selector and screening unit; construction and installation of a secondary clarifier and improvements to upgrade the existing secondary clarifier and effluent pumps; construction and installation of a return activated sludge (RAS) pump station and conversion of the existing RAS pump station into an aerobic digester; electrical improvements at the wastewater treatment plant; construction and installation of approximately 11,600 linear feet of 10-inch chlorination force main; and acquisition of land and development thereon of constructed wetlands, together with appurtenant work and improvements to the existing wastewater system of the Rio Alto Water district in order to provide for the collection and treatment of sewage and the transmission and discharge of treated wastewater effluent onto the constructed wetlands.

These improvements address requirements of the California Toxics Rule as detailed in the California Regional Water Quality Control Board's Waste Discharge Requirements Order No. R5-2010-0103 and Cease and Desist Order No. R5-2010-0104. These improvements will result in the District ceasing regular discharge to the Sacramento River and discharging to land only via the constructed wetlands except during extreme peak flows in excess of the 100-year event.

EXHIBIT B

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

Special Taxes applicable to each Assessor's Parcel in the Rio Alto Water District Community Facilities District No. 2011-1 (Wastewater System Improvement Project) shall be calculated, levied, and collected according to the tax liability determined by the Administrator through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in CFD No. 2011-1, unless exempted by law or by the provisions of Section F below, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to CFD No. 2011-1 unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the California Government Code.

"Administrative Expenses" means any or all of the following actual or reasonably estimated costs directly related to the administration of CFD No. 2011-1: the costs of computing the Special Taxes and preparing the annual collection schedules (whether by the Water District or any designee thereof or both), the costs of collecting the Special Taxes, the fees and expenses of legal counsel, charges levied by the County in connection with the levy and collection of Special Taxes, costs related to responding to public inquiries, protests, or appeals regarding the Special Taxes, costs associated with complying with any continuing disclosure requirements with respect to the Obligations and the Special Taxes (if applicable), attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes, and all other costs and expenses of the Water District and County in any way related to the establishment or administration of the CFD.

"Administrator" shall mean the person or firm designated by the Water District to administer the Special Taxes according to this RMA.

"Annual Special Tax" means an annual special tax calculated and levied on each Parcel of Taxable Property for any Fiscal Year to pay the Special Tax Requirement, as defined below, subject to the limitation that the Annual Special Tax to be levied on any Parcel of Taxable Property cannot exceed the Maximum Annual Special Tax applicable to that Parcel.

"Application for Sewer Service" means the application submitted by the owner of a Parcel to connect one or more structures on the Parcel to the Water District's sewer system.

"Assessor's Parcel" or "Parcel" means a lot or parcel shown on a County Assessor's Parcel map with an assigned County Assessor's Parcel number.

“Authorized Facilities” means the public facilities authorized to be financed, in whole or in part, by Special Tax proceeds and/or proceeds of sale of Obligations.

“Board” means the Board of Directors of the Rio Alto Water District.

“Buildable Lot” means an individual lot within the CFD for which a building permit may be issued without further subdivision of such lot.

“Catch-Up Special Tax” means a one-time special tax paid by a Parcel of Optional LPSS Property or Optional Septic Property prior to approval by the Water District of the property owner’s Application for Sewer Service.

“CFD” or **“CFD No. 2011-1”** means the Rio Alto Water District Community Facilities District No. 2011-1 (Wastewater System Improvement Project).

“CFD Formation” means the date on which the Resolution of Formation relating to the CFD was adopted by the Board.

“County” means the County of Tehama.

“EDU” means the equivalent dwelling unit factor assigned to each Parcel of Taxable Property for purposes of apportioning the Maximum Annual Special Tax.

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

“Halfplex” means a Residential Unit that shares a common wall with another Residential Unit and is assigned its own unique Assessor’s Parcel number.

“Maximum Annual Special Tax” means the greatest amount of Annual Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year determined in accordance with Section C below.

“Multiple EDU Parcel” means a Parcel of Taxable Property that is assigned two or more EDUs.

“Obligations” means bonds, loans, or other debt (as defined in the Act), whether in one or more series, issued, insured, or assumed by the CFD related to public infrastructure and/or improvements that are authorized to be funded by the CFD.

“Optional LPSS Property” means any Parcel within the boundaries of the CFD that is currently connected to, or has the option to connect to, a private septic system, but also has the option to connect to a private low pressure sewer system at a later date, as determined by the Water District.

“Optional Septic Property” means any Parcel within the boundaries of the CFD that is currently connected to, or has the option to connect to, a private septic system, but also has the option to connect to the Water District’s sewer system at a later date, as determined by the Water District.

“Property Owner Association” or “POA” means a property owner association, including any master or sub-association, existing within the CFD.

“Property Owner Association Property” or “POA Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2011-1 that was owned by a Property Owner Association as of January 1 of the prior Fiscal Year.

“Public Property” means any property within the boundaries of the CFD that is owned by or irrevocably offered for dedication to the federal government, State of California, County, or other local government or public agency.

“Residential Property” means, in any Fiscal Year, a Parcel for which a building permit was issued on or prior to June 30 of the preceding Fiscal Year for the construction of one or more Residential Units.

“Residential Unit” means an individual single-family detached unit; an individual residential unit within a duplex, Halfplex, triplex, fourplex, townhome, live/work or condominium structure; an individual mobile home; or an individual apartment unit.

“RMA” means this Rate and Method of Apportionment of Special Tax.

“Special Taxes” means, collectively, the Annual Special Tax and the Catch-Up Special Tax.

“Special Tax Requirement” means the amount necessary in any Fiscal Year (i) to pay principal and interest, including scheduled sinking fund payments, on the Obligations, (ii) pay Administrative Expenses of CFD No. 2011-1, (iii) to create or replenish reserve funds, subject to the 10% limitation set forth in Section D below, (iv) to cure any delinquencies in the payment of principal or interest on indebtedness of CFD No. 2011-1 which have occurred in the prior Fiscal Year or (based on delinquencies in the payment of the Annual Special Taxes which have already taken place) are expected to occur in the Fiscal Year in which the tax will be collected, subject to the 10% limitation set forth in Section D below, and (v) to construct or acquire Authorized Facilities. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Obligations to the extent that such earnings or balances are available to apply against debt service pursuant to legal documents that set forth these terms; (ii) proceeds received by CFD No. 2011-1 from the collection of penalties associated with delinquent Annual Special Taxes; and (iii) any other revenues available to pay debt service on the Obligations as determined by the Administrator.

“Single EDU Parcel” means a Parcel of Taxable Property that is assigned one EDU.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of the CFD which are not exempt from the Special Taxes pursuant to law or Section F below.

“Taxable Property Owner Association Property” or “Taxable POA Property” means:

1. The following four Parcels that were owned by the POA at CFD Formation and not expected to be sold for residential development:
 - a. APN 009-080-36 (Steelhead Landing)
 - b. APN 102-010-11 (Parcel above Steelhead)
 - c. APN 102-100-73 (Park on Edgewater)
 - d. APN 102-120-60 (Park on North/South Marina); and
2. APN 102-070-12 (Lake Club); and
3. Any Buildable Lot owned by the POA that is expected to be resold to an individual property owner.

“Taxable Public Property” means, in any Fiscal Year, any Parcel of Public Property that had in its entirety been a Parcel of Taxable Property in a prior Fiscal Year.

“Tract 1017, Phase 2 Property” means any Parcel within Phase 2 of Tract Map 1017 at CFD Formation, as identified in the CFD boundary map.

“Water District” means the Rio Alto Water District.

B. ASSIGNMENT OF EDUs

1. Single EDU Parcels

For purposes of levying Special Taxes pursuant to this RMA, the following Parcels shall be categorized as Single EDU Parcels and shall be assigned one EDU:

- a. Except as otherwise provided in any subsection of this Section B, Residential Property on which one single family detached unit has been constructed.
- b. Each Parcel with a Halfplex.
- c. Any Parcel of Taxable Property that is a Buildable Lot on which no structure has yet been constructed.
- d. The following Assessor’s Parcels which, at the time of CFD Formation, were Taxable POA Property:
 - (i) APN 009-080-36 (Steelhead Landing)
 - (ii) APN 102-010-11 (Parcel above Steelhead)

- (iii) APN 102-100-73 (Park on Edgewater)
- (iv) APN 102-120-60 (Park on North/South Marina)

2. Multiple EDU Parcels

For purposes of levying Special Taxes pursuant to this RMA, the following Parcels shall be categorized as Multiple EDU Parcels with the following EDU assignments:

- a. A Parcel of Residential Property with a duplex shall be assigned two EDUs.
- b. A Parcel of Residential Property with a triplex shall be assigned three EDUs.
- c. A Parcel of Residential Property with a fourplex shall be assigned four EDUs.
- d. Any Parcel with a residential structure with five or more Residential Units shall be assigned a number of EDUs equal to the number of Residential Units on the Parcel.
- e. The following Assessor's Parcels shall be assigned two EDUs:
 - (i) APN 102-070-12 (Lake Club)
 - (ii) APN 100-300-26 (3 or more merged lots)
 - (iii) APN 102-055-22 (3 or more merged lots)
 - (iv) APN 102-100-71 (3 or more merged lots)
 - (v) APN 102-120-55 (3 or more merged lots)
- f. If two or more Parcels are combined to form one or more new Parcels, the aggregate number of EDUs that had been assigned to the original Parcels shall be assigned to the newly-created Parcel(s).
- g. Any Parcel of Residential Property with more than one Residential Unit may be a Multiple EDU Parcel as determined by the Water District based on services requested for each Residential Unit.
- h. Parcels with commercial or other non-residential buildings shall be assigned two EDUs unless the Water District determines a different number of EDUs is more appropriate based on the type of non-residential building constructed.

If a Parcel is subdivided to create two or more Parcels, the newly-created Parcels shall be assigned EDUs by the Water District based on their planned use. The Water District shall have full discretion in assigning EDUs to newly-created Parcels, and at no time shall a subdivision, reconfiguration or consolidation of Parcels in the CFD result in a reduction in the total number of EDUs that were assigned to the Parcel or Parcels being subdivided, reconfigured, or consolidated.

C. MAXIMUM SPECIAL TAXES

1. Annual Special Tax

The Maximum Annual Special Tax for each Parcel of Taxable Property in CFD No. 2011-1 shall be \$289 per EDU.

2. Catch-Up Special Tax

The Catch-Up Special Tax for any Parcel of Optional LPSS Property or Optional Septic Property that is submitting an Application for Sewer Service shall be calculated as follows:

- Step 1:* Determine the actual Annual Special Tax per EDU that was levied in all prior Fiscal Years and sum the annual amounts to calculate the total amount levied to date for a single EDU. If the Annual Special Tax levy for the CFD for the current Fiscal Year has already been submitted to the County for placement on the secured tax roll and an Annual Special Tax is not being levied on such Parcel for the current Fiscal Year, then the Annual Special Tax per EDU for the current Fiscal Year shall also be included in the total amount levied per EDU.
- Step 2:* Determine the number of EDUs assigned to the Parcel of Optional LPSS Property or Optional Septic Property for which the Catch-Up Special Tax is being calculated.
- Step 3:* Multiply the amount determined in Step 1 by the number of EDUs determined in Step 2 to determine the Catch-Up Special Tax for the Parcel.

D. METHOD OF LEVY OF THE ANNUAL SPECIAL TAX

Not later than the 15th day of July in each Fiscal Year, the Administrator shall perform the following:

- Step 1:* Determine the classification of each Parcel within the CFD for purposes of assigning EDUs to each Parcel for that Fiscal Year.
- Step 2:* Determine the amount of the Maximum Annual Special Tax for each Parcel of Taxable Property, taking into account (i) the amount of the Maximum Annual Special Tax per EDU, as set forth in Section C of this RMA, and (ii) the number of EDUs assigned to each Parcel, and then determine the aggregate amount of the Maximum Annual Special Tax for all Parcels of Taxable Property for that Fiscal Year.

- Step 3:* Determine the Special Tax Requirement for that Fiscal Year, subject to the limitation that the amount of the Special Tax Requirement cannot exceed the aggregate amount of the Maximum Annual Special Tax for all Parcels of Taxable Property as determined in Step 2.
- Step 4:* Determine the amount of the Annual Special Tax to be levied for that Fiscal Year on each Parcel of Taxable Property by distributing the Special Tax Requirement among all of the Parcels of Taxable Property in proportion to the number of EDUs assigned to each such Parcel, subject to the limitations that (i) the amount of the Annual Special Tax on each Parcel cannot exceed the Maximum Annual Special Tax for such Parcel, and (ii) in no case shall the amount allocated to any Parcel of Residential Property be more than ten percent (10%) above what the amount would otherwise have been had nothing been included in the Special Tax Requirement on account of delinquencies or defaults in the payment of the Annual Special Tax by the owner or owners of any other Parcel or Parcels.

E. MANNER OF COLLECTION OF SPECIAL TAXES

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted as set forth in Section G below and provided further that the Water District may directly bill, collect at a different time or in a different manner, and/or collect delinquent Annual Special Taxes through foreclosure or other available methods.

The Catch-Up Special Tax shall be collected from Parcels of Optional LPSS Property and Optional Septic Property prior to approval by the Water District of the property owner's Application for Sewer Service.

The Special Taxes shall be levied and collected until principal and interest on Obligations have been repaid and Authorized Facilities to be constructed directly from proceeds of Special Taxes have been completed. However, in no event shall the Special Taxes be levied after Fiscal Year 2055-2056.

F. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Taxes shall be levied on the following:

- (i) Public Property, except Taxable Public Property, as defined herein.
- (ii) POA Property, except Taxable POA Property, as defined herein.
- (iii) Parcels of Optional LPSS Property. Once a Parcel of Optional LPSS Property has connected to the Water District's sewer system, it shall thereafter be classified as

- Taxable Property. The Water District shall identify such Parcel as either a Single EDU Parcel or a Multiple EDU Parcel and assign EDUs accordingly.
- (iv) Parcels of Optional Septic Property. Once a Parcel of Optional Septic Property has connected to the Water District's sewer system, it shall thereafter be classified as Taxable Property. The Water District shall identify such Parcel as either a Single EDU Parcel or a Multiple EDU Parcel and assign EDUs accordingly.
 - (v) Parcels of Tract 1017, Phase 2 Property. All Parcels of Tract 1017, Phase 2 Property shall be exempt until such time as the Water District accepts water and sewer improvements for property within Phase 2 of Tract 1017. Once such water and sewer improvements have been accepted by the Water District, those Parcels of Tract 1017, Phase 2 Property which can be served by such improvements shall thereafter be classified as Taxable Property. The Water District shall identify such Parcels as either a Single EDU Parcel or a Multiple EDU Parcel and assign EDUs accordingly.
 - (vi) Parcels owned by a public utility for an unmanned facility.
 - (vii) Parcels subject to an easement that precludes any other use on the Parcels.
 - (viii) Any Parcel that has fully prepaid the Annual Special Tax obligation assigned to such Parcel pursuant to the formula set forth in Section G below.

G. PREPAYMENT OF ANNUAL SPECIAL TAX

The following definition applies to this Section G:

"Outstanding Obligations" means all Obligations that remain outstanding, with the following exception: if an Annual Special Tax has been levied against, or already paid by, an Assessor's Parcel making a prepayment, and a portion of the Annual Special Tax will be used to pay a portion of the next principal payment on the Obligations that remain outstanding (as determined by the Administrator), that next principal payment shall be subtracted from the total principal that remains outstanding, and the difference shall be used as the amount of Outstanding Obligations for purposes of this prepayment formula.

The Annual Special Tax obligation applicable to an Assessor's Parcel in the CFD may be prepaid and the obligation of the Assessor's Parcel to pay the Annual Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide the Water District with written notice of intent to prepay. Within 30 days of receipt of such written notice, the Water District or its designee shall notify such owner of the prepayment amount for such Assessor's Parcel.

1. Prior to Entering into Obligations

If a property owner requests to prepay their Annual Special Tax obligation prior to Obligations being entered into by the CFD, the prepayment amount shall be calculated as follows:

- Step 1:** Determine the Maximum Annual Special Tax that could be collected from the Assessor's Parcel prepaying the Annual Special Tax in the Fiscal Year in which prepayment would be received by the Water District.
- Step 2:** Divide the Maximum Annual Special Tax computed pursuant to Step 1 by the Maximum Annual Special Tax revenues that could be collected in that Fiscal Year from property in the entire CFD.
- Step 3:** Multiply the quotient computed pursuant to Step 2 by the expected net proceeds of Obligations that will be secured by Annual Special Taxes to pay for Authorized Facilities, as determined by the Water District. The amount determined shall be the Annual Special Tax prepayment amount.

2. After Entering into Obligations

If a property owner requests to prepay their Annual Special Tax obligation after Obligations have been entered into by the CFD, the Prepayment Amount shall be calculated as follows (capitalized terms as defined below):

Redemption Amount	
plus	Administrative Fees and Expenses
<u>less</u>	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount shall be determined by application of the following steps:

- Step 1:** Determine the Maximum Annual Special Tax that could be collected from the Assessor's Parcel prepaying the Annual Special Tax in the Fiscal Year in which prepayment would be received by the Water District.
- Step 2:** Divide the Maximum Annual Special Tax computed pursuant to Step 1 by the Maximum Annual Special Tax revenues that could be collected in that Fiscal Year from property in the entire CFD.
- Step 3:** Multiply the quotient computed pursuant to Step 2 by the Outstanding Obligations to compute the amount of Outstanding Obligations to be retired and prepaid (the "*Redemption Amount*").
- Step 4:** Determine the costs of computing the prepayment amount, redeeming Obligations, and recording any notices to evidence the prepayment and redemption (the "*Administrative Fees and Expenses*").

- Step 5:** If and to the extent so provided, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Obligations to be redeemed pursuant to the prepayment (the "*Reserve Fund Credit*").
- Step 6:** The Annual Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3 and 4, less the amount computed pursuant to Step 5 (the "*Prepayment Amount*").
- Step 7:** From the Prepayment Amount, the amount computed pursuant to Step 3 shall be deposited into the appropriate fund as established in the legal documents for the Obligations and be used to retire Outstanding Obligations or make debt service payments. The amount computed pursuant to Step 4 shall be retained in the account or fund that is established to pay administrative expenses of the CFD.

Once a prepayment has been received, a Notice of Cancellation of Special Tax Lien shall be recorded against the Parcel. However, a Notice of Cancellation of Special Tax Lien shall not be recorded until all Special Taxes levied on the Parcel in the current or prior Fiscal Years have been collected.

H. INTERPRETATION OF SPECIAL TAX FORMULA

The Water District may interpret, clarify, and revise this RMA to correct any inconsistency, vagueness, or ambiguity, by resolution and/or ordinance, that does not materially affect the levy and collection of the Special Taxes and any security for any Obligations.

I. APPEAL OF SPECIAL TAX LEVY

Any property owner claiming that the amount or application of the Special Taxes (and/or assignment of EDUs) is incorrect may file a written notice of appeal with the Administrator no later than one calendar year after having paid the Special Taxes that are being disputed. The Administrator shall promptly review the appeal within 30 days of receipt of such written notice, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount or application of the Special Taxes, and decide the appeal. If the property owner disagrees with the Administrator's decision, the property owner may then file a written appeal with the Board, whose decision shall be final and conclusive. If the decision of the Administrator (if the appeal is not filed with the Board) or the Board (if the appeal is filed with the Board) requires the Special Taxes to be modified in favor of the property owner, no cash shall be refunded for prior years' Special Taxes (unless it is determined that such Parcel will not have an Annual Special Tax Levy in future Fiscal Years, in which case a cash refund shall be given from the proceeds of the following Fiscal Year's Annual Special Tax collection). Rather, an adjustment shall be made to the next Annual Special Tax levy(ies) as needed. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any legal action by such property owner.

EXHIBIT C

INCIDENTAL EXPENSES AND COSTS OF ISSUANCE OF OBLIGATIONS

It is anticipated that the following incidental expenses may be incurred in the proposed legal proceedings for formation of CFD No. 2011-1, implementation of the authorized Wastewater System Improvement Project and related debt financing and will be payable from proceeds of the Obligations secured by proceeds of the Special Tax or directly from the proceeds of the Special Tax:

- Engineering consulting services
- Facilities design services
- Construction management services
- Special tax consultant services
- District staff and District general counsel review, oversight and administrative services
- Bond Counsel services
- Special tax administration services
- Real estate appraisal services
- Services for the administration of the Obligations
- Publishing and mailing of notices
- Recording fees
- Establishment of debt service reserve fund and subsequent restoration of the amount on deposit therein to the "reserve requirement," as said term is defined in the instrument by which any Obligation is issued or executed
- Establishment of or deposits into a short-lived asset replacement reserve in compliance with any condition respecting such replacement reserve imposed in connection with any Obligation
- Governmental notification and filing fees
- Misc. costs for conducting the special election, including but not limited to printing, publication and mailing expenses and fees charged by the Tehama County Elections Department for services provided

The expenses of certain recurring services pertaining to CFD No. 2011-1 may be included in each annual special tax levy, and these expenses are described in the Special Tax Formula attached hereafter as Exhibit C.

The foregoing enumeration shall not be regarded as exclusive and shall be deemed to include any other incidental expenses of a like nature which may be incurred from time to time with respect to CFD No. 2011-1.