



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
[www. CityofSacramento.org](http://www.CityofSacramento.org)

CONSENT
 October 10, 2006

Honorable Mayor and
 Members of the City Council

Title: Natomas Central Community Facilities District (CFD) No. 2006-02, Initiate Proceedings

Location/Council District: North Natomas – Southwest corner of Del Paso Road and El Centro Road, located in Council District 1 (Location Map, Page 5)

Recommendation: 1) Adopt a **Resolution** approving the bond counsel agreement for legal services; 2) Adopt a **Resolution** of intention to levy a special tax, approve the boundary map, and set the public hearing date for November 14, 2006; 3) Adopt a **Resolution** of intention to incur bonded indebtedness.

Contact: Bob Cooper, Senior Engineer, (916) 808-5778; Mark Griffin, Fiscal Manager, (916) 808-8788

Presenters: Not Applicable

Department: Planning Department

Division: Public Improvement Financing

Organization No: 4915

Description/Analysis

Issue: K. Hovnanian, the property owner of the Natomas Central development has applied to the City to form a CFD to sell bonds. The bond proceeds will partially reimburse the owner for development fees and costs for public infrastructure. Approval of the CFD will authorize the City to sell bonds and to levy the special tax to pay for the bonds.

Policy Considerations: The procedures under which this district is being formed are set forth in Title 5 of the government code, Section 53311-53317.5 entitled "The Mello-Roos Community Facilities Act of 1982." Formation of the Natomas Central CFD is consistent with the City's Strategic Plan to achieve sustainability and enhance livability and to expand economic development throughout the City.

Environmental Considerations: Under the California Environmental Quality

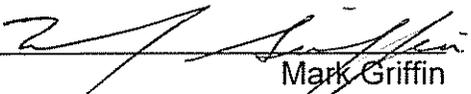
Act Guidelines, the formation of special districts does not constitute a project and is therefore exempt from review.

Rationale for Recommendation: The actions in the recommended Resolutions are required by the Mello-Roos Community Facilities Act of 1982 in order to form a CFD.

Financial Considerations: There will be no impact to the general fund. The owner will fund fees and improvements and be reimbursed at a later time if and when sufficient bond proceeds are available.

The bond sale for this district is anticipated to occur in March or April, 2007, and will not exceed \$35,000,000. One bond sale is planned.

Emerging Small Business Development (ESBD): City Council approval of these proceedings is not affected by City policy related to the ESBD Program.

Respectfully Submitted by: 
Mark Griffin
Fiscal Manager, Planning Department

Approved by: 
Carol Shearly
Director, Planning Department

Recommendation Approved:


Ray Kerridge
City Manager

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ATTACHMENT 1

BACKGROUND

The proposed Natomas Central CFD No. 2006-02 consists of approximately 398 gross developable acres. The project has been divided into residential, parks, open space, fire station, and schools. The proposed project includes approximately 1,693 single family lots, 4 parcels for multi-family development, a 5 acre park, a 6 acre park, a 13 acre joint park/school site, a 7 acre private recreation center, a 26 acre detention basin/lake, a 2 acre fire station, and 28 acres of open space.

The developer proposes to construct the project in one phase with one bond sale being proposed. Construction is estimated to be completed in 2008.

Purpose of the CFD

The proposed district will finance certain development fees and public improvements within the public right of way and adjacent public utility easements of the major public roads intersecting and/or bordering the district boundary. A full description of the improvements is shown as Exhibits B and C to the resolution of intention to form the district.

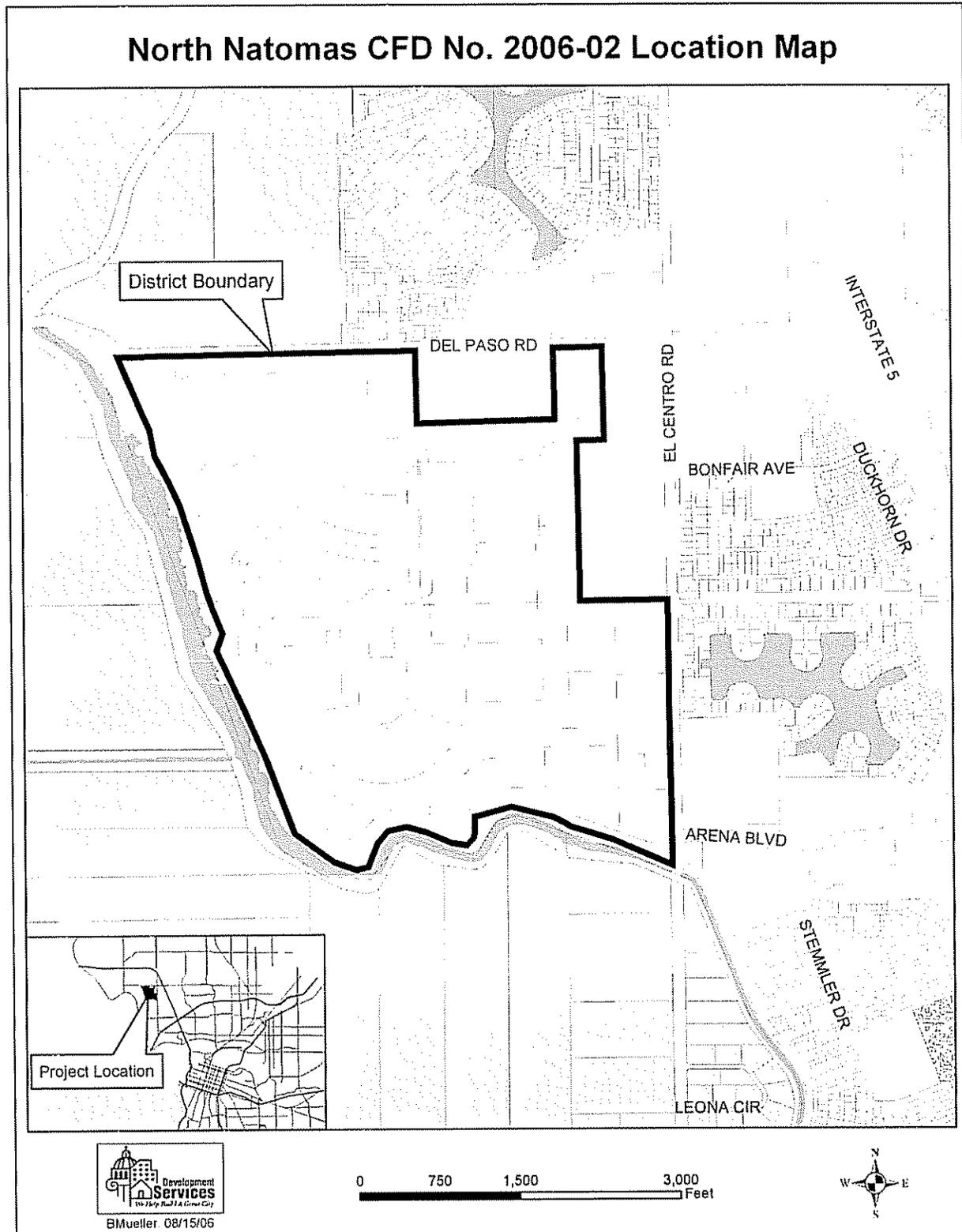
CFD Special Election Proceedings

The proposed district will be formed in compliance with the Mello-Roos Community Facilities District Act of 1982. As part of the proceedings a special election is required. In this case where there are less than 12 registered voters, the vote is by landowners. There are 5 landowners within this proposed district and each landowner is assigned one vote per acre or a fraction thereof. A 2/3 majority is required to finalize the CFD formation. A schedule for the CFD proceedings is provided on Attachment 3.

Special Tax Formula

The Rate and Method of Apportionment (RMA) of the Improvement and Maintenance Special Tax is attached as Exhibit D to the Resolution of Intention to establish the district. The improvement tax is applied to both developed and undeveloped properties. The maximum special tax rates for developed properties are shown in Section C, Table 1 of the RMA. The maximum special tax rate for undeveloped property is \$10,600 per acre. The rates escalate 2% annually to compensate for inflation.

ATTACHMENT 2



ATTACHMENT 3

SCHEDULE OF PROCEEDINGS

**PROPOSED
NATOMAS CENTRAL COMMUNITY FACILITIES DISTRICT
(CFD) NO. 2006-02**

October 10, 2006	City Council – Initiate Proceedings <ul style="list-style-type: none">o Adopt Resolution Approving Agreement for Legal Serviceso Adopt Resolution of Intention To Form CFD and Levy Special Tax (set hearing date and approves boundary map)o Adopt Resolution of Intention to Incur Bonded Indebtedness
October 11, 2006	Mail and Publish Notice of Hearing and record Boundary Map
November 14, 2006	City Council – Public Hearing and Notice for a Special Election <ul style="list-style-type: none">o Conduct Public Hearingo Adopt Resolutions approving various Joint Community Facilities Agreementso Adopt Resolution of Formationo Adopt Resolution to Incur Debto Adopt Resolution for Special Election
November 15, 2006	Mail Special Election Ballots
December 1, 2006	Special Election Ballots Due
December 12, 2006	City Council <ul style="list-style-type: none">o Adopt Resolution Declaring Results of Special Electiono Pass for Publication Ordinance to Levy Tax
December 13, 2006	Record Notice of “Special Tax”
January 2, 2006	City Council <ul style="list-style-type: none">o Adopt Ordinance to Levy Special Tax

RESOLUTION NO.

Adopted by the Sacramento City Council

**RESOLUTION APPROVING AGREEMENT FOR LEGAL SERVICES
NATOMAS CENTRAL COMMUNITY FACILITIES DISTRICT
NO. 2006-02 CITY OF SACRAMENTO
COUNTY OF SACRAMENTO, STATE OF CALIFORNIA**

BACKGROUND

- A. The City Council (the "Council") of the City of Sacramento (the "City") is undertaking proceedings pursuant to the Mello-Roos Community Facilities Act of 1982 to consider formation of a community facilities district to be known and designated "Natomas Central Community Facilities District No. 2006-02, City of Sacramento, County of Sacramento, State of California" (the "Community Facilities District"), the authorization of a special tax within the Community Facilities District, and the authorization and issuance of bonds of the Community Facilities District.
- B. The Council is fully advised in this matter.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. This Council approves that certain Agreement for Legal Services, dated October 10, 2006, between the City of Sacramento (the "City") and Orrick, Herrington & Sutcliffe LLP, marked Exhibit A and attached hereto and incorporated herein, for services of that firm as Special Bond Counsel to the City in connection with the Community Facilities District, and the City Attorney of the City is authorized to sign the agreement and the City Clerk of the City is authorized to attest its execution.

Section 2. This Resolution shall take effect immediately upon its adoption.

Table of Contents:
Exhibit A, Legal Services Agreement

EXHIBIT A
AGREEMENT FOR LEGAL SERVICES
CITY OF SACRAMENTO

NATOMAS CENTRAL
COMMUNITY FACILITIES DISTRICT NO. 2006-02

This is an agreement for legal services between the City of Sacramento, a municipal corporation of the State of California (the "City"), and Orrick, Herrington & Sutcliffe LLP, San Francisco, California (the "Bond Counsel").

Section 1. City retains Bond Counsel as special counsel to perform the following legal services relating to the Natomas Central Community Facilities District No. 2006-02, City of Sacramento, County of Sacramento, State of California (the "CFD"):

- (a) Preparation of all forms of resolutions, notices, affidavits and other documents required by the laws governing the financing.
- (b) Preparation of written instructions to the City Clerk and other staff members concerning the performance of legally-required duties in connection with the financing.
- (c) Review of documents prepared by City's engineering staff, consulting engineers and tax rate consultants, including the method of allocation of the special tax; provided, that Bond Counsel shall not be required to express an opinion with respect to the plans, specifications, maps, financial report or other engineering or financial details of the proceedings, or upon the rate and method of apportionment of the Special Tax or the validity of the Special Tax levied upon any individual parcel in the CFD.
- (d) Attendance (if requested) at public hearings held in the furtherance of the financing, upon request of the City, after reasonable notice.
- (e) Attendance (if requested) at public meetings of City officials as requested by City, at which matters relating to the financing are considered, except routine matters.
- (f) Attendance at staff meetings or meetings of interested citizens, upon request of the City, after reasonable notice.
- (g) Telephone consultation with staff members and interested citizens to answer legal questions about the proceedings.

- (h) Coordination with the City Clerk's office in the scheduling and conduct of the election.
- (i) Arrangements for the preparation of the bonds.
- (j) Assistance with the sale of bonds by negotiation, including a review of disclosure documents in connection with the offering, and in this regard Bond Counsel will give an opinion that the descriptions of the bonds and of Bond Counsel's bond opinion (but not of the Mello-Roos Act itself) in the Official Statement are "accurate in all material respects"; provided, that Bond Counsel will require a statement in the Official Statement to the effect that Bond Counsel expresses no opinion regarding the accuracy, completeness or fairness of the information contained in the Official Statement.
- (k) Preparation of bond delivery documents and coordination of the closing.
- (l) Rendition of Bond Counsel's usual and customary legal opinion with respect to the validity of the bonds, and the tax exempt status thereof.
- (m) Preparation of the required reports to the California Debt and Investment Advisory Commission (pursuant to Section 8855 et seq. of the Government Code) and to the Internal Revenue Service (pursuant to Section 149 of the Internal Revenue Code of 1986).
- (n) Preparation of a transcript of the legal proceedings in loose-leaf form for the use of the City.
- (o) After the issuance of any bonds, telephone consultation with City officials and staff to answer questions about the facts and circumstances of the bond financing.

Section 2. The services of Bond Counsel under this agreement shall not include

the following:

- (a) Legal services in connection with the acquisition of interests in real property, either through negotiation or through exercise of the power of eminent domain.
- (b) Legal services in connection with litigation.
- (c) Legal services relating to compliance with environmental laws for the project.

- (d) Legal services relating to state blue sky laws or for title to or perfection of security interests in real or personal property or for any financial advice or analysis.
- (e) Also, Bond Counsel will not be responsible for the services performed or acts or omissions of any other participant, and Bond Counsel's services will not extend past the date of issuance of the bonds and will not, for example, include services related to rebate compliance or continuing disclosure, although barring any conflict not otherwise waived or waivable, Bond Counsel would be willing to perform such excluded services on such terms as might be mutually agreed to at the time, and the performance by Bond Counsel of services excluded by this paragraph, if required by City, shall be under separate written agreement.

Section 3. In consideration of the services set forth in paragraph 1, City shall pay to Bond Counsel the following fee and costs:

- (a) The legal fee of Bond Counsel for the legal services rendered hereunder for the first series of the bonds shall be an amount equal to one per cent (1%) of that portion of the bonds issued for the first series of the bonds not exceeding \$5 million, plus three-quarters of one per cent (0.75%) of that portion thereof exceeding \$5 million but not exceeding \$10 million, plus one-half of one per cent (0.5%) of that portion exceeding \$10 million but not exceeding \$20 million, plus one-quarter of one per cent (0.25%) of that portion thereof exceeding \$20 million, except that the fee shall not be less than \$50,000 for the first series of the bonds, payable upon the successful closing for such series of the bonds; and for each subsequent series of the bonds, the fee shall be one-half of one per cent (0.5%) of that portion of the bonds not exceeding \$10 million, plus one-quarter of one per cent (0.25%) of that portion thereof exceeding \$10 million, except that the fee shall not be less than \$30,000 for each subsequent series of the bonds, payable upon the successful closing for such series of the bonds, provided, that if there is no bond issuance, then Bond Counsel shall be paid no such fee. The fee shall be due immediately following the bond closing.
- (b) In addition to the foregoing, Bond Counsel shall be paid \$3,000 for each change proceedings or annexation in which a 100% waiver of election requirements is obtained from the qualified electors, and \$6,000 for each change proceedings or annexation in which a 100% waiver of election requirements is not obtained from the qualified electors, except that if change or annexation proceedings are abandoned prior to completion, an appropriate portion of the fee shall

be paid. This fee shall be due immediately following the recordation of the Amended Notice of Special Tax Lien, except that when the proceedings are abandoned, the fee shall be due within 30 days after Bond Counsel bills the City.

- (c) In addition to the fees provided in paragraphs (a) and (b) above, Bond Counsel shall be reimbursed on a timely basis for its expenses (copying, telephone, telecopy, word processing, legal research database charges, travel, postage, express delivery service, and the like), but not to exceed \$5,000 in total for each series of the bonds; provided, that the cost of some services for which Bond Counsel makes arrangements under this agreement (such as bond printing costs, publication costs and filing fees) shall be billed to the City and shall be paid by City directly to the payee.

Section 4. Bond Counsel certifies that it has no interest, either direct or contingent, in any property or contract arising from or affected by the proposed financing, except as Bond Counsel under this agreement, and certifies that it does not represent any owner of property within the limits of the CFD, and has not received a fee from any source for services connected with the project.

Section 5. This Agreement and all legal services to be rendered under it may be terminated at any time by written notice from either party, with or without cause. In that event, all finished and unfinished documents prepared for adoption or execution by City, shall, at the option of City, become its property and shall be delivered to it or to any party it may designate; provided, that Bond Counsel shall have no liability whatsoever for any subsequent use of such documents. In the event of termination by City, Bond Counsel shall be paid for all satisfactory work, unless the termination is made for cause, in which event compensation, if any, shall be adjusted in the light of the particular facts and circumstances involved in the termination. If not sooner terminated as aforesaid, this Agreement and all legal services to be rendered under it shall terminate upon issuance of all of the bonds; provided, that City shall remain liable for any unpaid compensation or

reimbursement due under Section 3 hereof. Upon termination, Bond Counsel shall have no future duty of any kind to or with respect to the bonds or the City under this Agreement.

Section 6. The role of bond counsel, generally, is to prepare or review the procedures for issuance of the bonds, notes or other evidence of indebtedness and to provide an expert legal opinion with respect to the validity thereof and other subjects addressed by the opinion. Consistent with the historical origin and unique role of bond counsel, and reliance thereon by the public finance market, Bond Counsel's role as bond counsel under this Agreement is to provide an opinion and related legal services that represent an objective judgment on the matters addressed rather than the partisan position of an advocate. Bond Counsel's function and responsibility under this Agreement, and as bond counsel with respect to the issuance of the bonds, terminates upon issuance of the bonds (unless terminated sooner as provided herein). Bond Counsel's services as bond counsel through bond issuance are limited to those contracted for explicitly in this Agreement, and any engagement of Bond Counsel with respect to rebate compliance, post-issuance disclosure or any other matter after bond issuance shall be separate and distinct from its engagement as bond counsel through bond issuance. However, unless otherwise provided, any such post-issuance engagement with respect to the bonds shall continue on the same basis set forth in this Section 6.

Section 7. Bond Counsel shall staff the financing project with the following attorneys: Daniel C. Bort. Bond Counsel may use other attorneys and paralegals on the project, who will always be under the direct supervision of Mr. Bort, to provide the most efficient delivery of services and expertise to the financing.

Section 8. City understands that Bond Counsel regularly performs legal services for many private and public entities in connection with a wide variety of matters. Some of these entities may have some direct or indirect relationship with City or City's other consultants or agents, as, for example, underwriters, financial advisors, fiscal agents, paying agents, trustees, insurers, suppliers, lenders, bankers, landlords, developers or owners of property within the jurisdiction of the City. Bond Counsel may represent or have represented or in the future may represent the underwriter, fiscal agent or other participants in the financing on other matters. With such varied client representation, there is always the possibility of other transactions between clients or disputes among them. Given the special, limited role of bond counsel described above, the City acknowledges that no conflict of interest exists or would exist, and waives any conflict of interest that might appear actually or potentially to exist, now or in the future, by virtue of this Agreement or any such other attorney-client relationship that Bond Counsel may have had, have or enter into, and the City specifically consents to any and all such relationships; provided, that Bond Counsel does not represent any participant other than the City in connection with the financing which is the subject of this Agreement.

Section 9. Nothing in this Agreement or in any of the documents contemplated hereby, expressed or implied, is intended or shall be construed to give any person other than the City and Bond Counsel any legal or equitable right or claim under or in respect of this Agreement, and this Agreement shall inure to the sole and exclusive benefit of the City and Bond Counsel.

Section 10. Bond Counsel may not assign its obligations under this Agreement without written consent of the City except to a successor partnership or corporation to

which all or substantially all of the assets and operations of Bond Counsel are transferred. The City shall assign its rights and obligations under this Agreement to (but only to) any other public entity that issues the bonds (if not the City), in which case the City hereby acknowledges that any relationship or obligation of Bond Counsel to the City under or by virtue of this Agreement shall be deemed to be totally annulled ab initio. The City shall not otherwise assign its rights and obligations under this Agreement without written consent of Bond Counsel. All references to Bond Counsel and the City in this Agreement shall be deemed to refer to any such successor of Bond Counsel and to any such assignee of the City and shall bind and inure to the benefit of such successor and assignee whether so expressed or not.

Section 11. This Agreement may be executed in any number of counterparts and each counterpart shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same Agreement.

Section 12. Any and all notices pertaining to this Agreement shall be sent by U.S. Postal Service, first class, postage prepaid to Bond Counsel at The Orrick Building, 405 Howard Street, San Francisco, CA 94105, Attention: Daniel C. Bort and to the City at 915 "I" Street, Historic City Hall, Third Floor #0900, Sacramento, CA 95814-2704, Attention: City Treasurer. ///

The City and Bond Counsel have executed this Agreement by their duly authorized representatives as of the date provided below.

DATED: October 10, 2006

CITY OF SACRAMENTO,
a municipal corporation of the State of
California

By _____
City Attorney

ATTEST:

City Clerk

ORRICK HERRINGTON & SUTCLIFFE
LLP

By _____
Daniel C. Bort

APPROVED AS TO FORM:

Sacramento City Attorney

RESOLUTION NO.

Adopted by the Sacramento City Council

RESOLUTION DECLARING INTENTION TO ESTABLISH THE NATOMAS CENTRAL COMMUNITY FACILITIES DISTRICT NO. 2006-02, CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, AND TO LEVY A SPECIAL TAX THEREIN TO FINANCE CERTAIN PUBLIC FACILITIES AND FEES

BACKGROUND

- A. The City Council (the "Council") of the City of Sacramento (the "City") has duly considered the advisability and necessity of establishing a community facilities district within its jurisdictional boundaries, which community facilities district and boundaries are more particularly described herein, and levying a special tax therein to finance the acquisition and construction of certain public capital facilities and of governmental fees for public capital facilities under and pursuant to the terms and provisions of the "Mello-Roos Community Facilities Act of 1982," being Chapter 2.5, Part 1, Division 2, Title 5 (beginning with Section 53311) of the Government Code of the State of California (the "Act"); and
- B. The public facilities will assist in mitigating the impact on the need for public facilities occasioned by new development that is expected to occur within the boundaries of the community facilities district; and
- C. The Council has determined that the establishment of the community facilities district is consistent with and follows the local goals and policies concerning the use of the Act that have been adopted by the Council and are now in effect; and
- D. The Council is fully advised in this matter;

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The above recitals are true and correct, and the Council so finds and determines.

Section 2. It is the intention of the Council, and the Council hereby proposes, to establish a community facilities district under and pursuant to the terms and provisions of the Act, to be known and designated as the "Natomas Central Community Facilities District No. 2006-02, City of Sacramento, County of Sacramento, State of California" (the "Community Facilities District"). The boundaries of the territory proposed for inclusion in the Community Facilities District are more particularly described and shown

on a map entitled "Proposed Boundaries of Natomas Central Community Facilities District No. 2006-02, City of Sacramento, County of Sacramento, State of California" now on file in the office of the City Clerk (the "Clerk"), which map is hereby approved by the Council. A copy of the map is marked Exhibit A and is attached hereto, and by this reference is incorporated herein and made a part of this Resolution. The Council finds that the map is in the form and contains the matters prescribed by Section 3110 of the California Streets and Highways Code and directs the Clerk to certify the adoption of this resolution on the face of the map. The Clerk is hereby authorized and directed to record a copy of the map with the County Recorder of Sacramento County in accordance with the provisions of Section 3111 of the Streets and Highways Code of the State of California. The Council hereby finds that any property included within the boundary that is currently in agricultural use will nonetheless be benefited by the proposed facilities.

Section 3. It is the intention of the Council to finance the acquisition and construction, pursuant to the Act, of those public facilities, and to finance the governmentally imposed development fees, shown on Exhibit B attached hereto, which by this reference is incorporated herein and made a part of this Resolution (collectively, the "Facilities"). All of the Facilities, including those to be financed by the fees, have an estimated useful life of five (5) years or longer. They are public facilities that the City or other local governmental agencies are authorized by law to construct, own or operate, or to which they may contribute revenue, and that are necessary to meet increased demands placed upon the City or upon the other local governmental agencies as a result of development occurring and anticipated to occur within the Community Facilities District. The cost of financing the acquisition and construction of the Facilities includes incidental expenses for the Facilities comprising the costs of planning and designing the Facilities, together with the costs of environmental evaluations thereof, and all costs associated with the creation of the Community Facilities District, the issuance of bonds, the determination of the amount of any special taxes or the collection or payment of any special taxes and costs otherwise incurred in order to carry out the authorized purposes of the Community Facilities District, together with any other expenses incidental to the acquisition and construction of the Facilities. A representative list of incidental expenses proposed to be incurred are set forth on Exhibit C attached hereto, which by this reference is incorporated herein and made a part of this Resolution.

Section 4. It is the intention of the Council that, except where funds are otherwise available, a special tax shall be annually levied within the Community Facilities District sufficient to: finance the acquisition and construction of the Facilities, including but not limited to the payment of interest on and principal of bonds to be issued to finance the acquisition and construction or payment of the Facilities; the making of lease payments for Facilities (whether in conjunction with the issuance of certificates of participation or not); the repayment of funds advanced by the City for the Community Facilities District and including the repayment under any agreement (which shall not constitute a debt or liability of the City) of advances of funds or reimbursement for the lesser of the value or cost of work in-kind provided by any person for the Community Facilities District. 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 in the Community Facilities District, and this

lien shall continue in force and effect until the special tax obligation is prepaid and permanently satisfied and the lien is cancelled in accordance with law, or until levy of the special tax by the City ceases.

Section 5. It is the intention of the Council that the proposed special tax will be collected through the regular County of Sacramento secured property tax bills, and will be subject to the same enforcement mechanism, and the same penalties and interest for late payment, as regular *ad valorem* property taxes; however, the Council reserves the right to utilize any other lawful means of billing, collecting and enforcing the special tax, including direct billing, supplemental billing, and, when lawfully available, judicial foreclosure of the special tax lien.

Section 6. The rate and method of apportionment of the special tax, including the maximum annual special tax, is set forth on Exhibit D attached hereto, which by this reference is incorporated herein and made a part of this Resolution. Exhibit D provides sufficient detail to allow each landowner or resident within the Community Facilities District to estimate the maximum amount that such person will have to pay, and specifies the conditions under which the obligation to pay the special tax may be prepaid and permanently satisfied. As required by the Act: (1) the maximum authorized special tax for financing the acquisition and construction of the Facilities that may be levied against any parcel of land used for private residential purposes (which use commences no later than the date on which an occupancy permit for private residential use is issued) is specified as a dollar amount and shall not increase by more than two percent (2%) per year; (2) the special tax shall not be levied against such property after Fiscal Year 2046-2047; and (3) under no circumstances shall the special tax be increased on such property, as a consequence of delinquency or default by the owner of any other parcel or parcels of land within the Community Facilities District, by more than ten per cent (10%).

Section 7. It is the intention of the Council, pursuant to Section 53340.1 of the Government Code of the State of California, to levy the special tax on the leasehold or possessory interests in property owned by a public agency (which property is otherwise exempt from the special tax), to be payable by the owner of the leasehold or possessory interests in such property.

Section 8. It is the intention of the Council, pursuant to Section 53325.7 of the Government Code of the State of California, to establish the initial appropriations limit, as defined by subdivision (h) of Section 8 of Article XIII B of the California Constitution, for the Community Facilities District in the amount of \$5 million.

Section 9. Notice is given that Tuesday, the 14th day of November, 2006, at the hour of two o'clock P.M., in the Council Chambers at the Sacramento City Hall at 915 I Street, Sacramento, California, has been fixed by the Council as the time and place for a public hearing to be held by the Council to consider the establishment of the Community Facilities District, the proposed rate, method of apportionment and manner of collection of the special tax and all other matters as set forth in this Resolution. At such public hearing, any persons interested, including all taxpayers, property owners and registered voters within the Community Facilities District, may appear and be heard, and the testimony of all interested persons or taxpayers for or against the

establishment of the Community Facilities District and the levy of such special tax, or the extent of the Community Facilities District, or the acquisition or construction of any of the Facilities proposed therefor, or the establishment of an appropriations limit therefor, or on any other matters set forth herein, will be heard and considered.

Section 10. Any protests to the proposals in this Resolution may be made orally or in writing by any interested persons or taxpayers, except that any protests pertaining to the regularity or sufficiency of these proceedings shall be in writing and shall clearly set forth the irregularities and defects to which objection is made. The Council may waive any irregularities in the form or content of any written protest and at such public hearing may correct minor defects in such proceedings. All written protests not presented in person by the protester at the public hearing shall be filed with the Clerk at or before the time fixed for the public hearing in order to be received and considered. Any written protest may be withdrawn in writing at any time before the conclusion of such public hearing.

Section 11. Written protests by a majority of the registered voters residing and registered within the Community Facilities District (if at least six such voters protest), or by the owners of a majority of the land area within the Community Facilities District not exempt from the proposed special tax, will require suspension of these proceedings for at least one year. If such protests are directed only against certain elements of the proposed Facilities or special tax of the Community Facilities District, only those elements need be excluded from the proceedings.

Section 12. The public hearing may be continued from time to time, but shall be completed within thirty (30) days, except that if the Council finds that the complexity of the Community Facilities District or the need for public participation requires additional time, the public hearing may be continued from time to time for a period not to exceed six (6) months.

Section 13. The Council may at the public hearing modify this resolution by eliminating any of the Facilities, or by changing the method of apportionment of the special tax so as to reduce the maximum special tax for all or a portion of the owners of property within the Community Facilities District or by removing any territory from the Community Facilities District, except that if the Council proposes to modify this resolution in a way that will increase the probable (as distinct from the maximum, which may not be increased) special tax to be paid by the owner of any lot or parcel of land in the Community Facilities District, the Council shall direct that a report be prepared that includes a brief analysis of the impact of the proposed modifications on the probable special tax to be paid by the owners of such lots or parcels of land in the Community Facilities District, and the Council shall receive and consider such report before approving any such modifications or any resolution forming the Community Facilities District which includes such modifications.

Section 14. At the conclusion of the public hearing, the Council may abandon the proposed establishment of the Community Facilities District or may, after passing upon all protests, determine to proceed with establishing the Community Facilities District. If the Council determines at the conclusion of the public hearing to proceed with the establishment of the Community Facilities District, it expects that the proposed voting

procedure will be by landowners voting in accordance with the Act, as the Council is informed that during the 90 days prior to the date set for the hearing, there have been times when there were fewer than twelve (12) registered voters residing within the Community Facilities District. The Council will require this information to be confirmed before ordering the election.

Section 15. The Director of Planning of the City (the "Director") is hereby directed to study the Community Facilities District and, at or before the time of the public hearing, to cause to be prepared and filed with the Council a report which shall contain a brief description of the Facilities by type which in his opinion will be required to adequately meet the needs of the new development expected to occur within the Community Facilities District, together with estimates of the cost of financing the acquisition and construction or payment of the Facilities, and an estimate of the incidental expenses related thereto. The report shall, upon its presentation, be submitted to the Council for review, shall be available for inspection by the public, and shall be made a part of the record of the public hearing on this Resolution of Intention to establish the Community Facilities District. The Director may retain consultants to prepare the reports.

Section 16. In the opinion of the Council, the public interest will not be served by allowing the property owners in the Community Facilities District to enter into a contract pursuant to Section 53329.5(a) of the Government Code of the State of California to do the work to be financed under the Act.

Section 17. Notice of the time and place of the public hearing shall be given by the Clerk in the following manner:

(a) A Notice of Public Hearing in the form required by the Act shall be published once in the *DAILY RECORDER*, a newspaper of general circulation published in the area of the Community Facilities District, pursuant to Section 6061 of the Government Code of the State of California and shall be completed at least seven (7) days prior to the date set for such public hearing; and

(b) A Notice of Public Hearing in the form required by the Act shall be mailed, first class postage prepaid, to each owner of land, and to each registered voter residing, within the boundaries of the Community Facilities District (to property owners at their addresses as shown on the last equalized assessment roll, and to registered voters at their addresses as shown on the records of the Sacramento County Registrar of Voters, or in either case as otherwise known to the Clerk). The mailing shall be completed at least fifteen (15) days prior to the date set for the public hearing.

Section 19. This resolution shall take effect immediately upon its adoption.

Table of Contents:

Exhibit A - Boundary Map

Exhibit B - Description of Authorized Facilities

Exhibit C - Listing of Incidental Expenses

Exhibit D - Rate and Method of Apportionment of Special Tax

Exhibit A

PROPOSED BOUNDARY OF
CITY OF SACRAMENTO NATOMAS CENTRAL
COMMUNITY FACILITIES DISTRICT
NO. 2006-2
CITY OF SACRAMENTO
COUNTY OF SACRAMENTO, STATE OF CALIFORNIA
SHEET 1 OF 1

CLERK'S MAP FILING STATEMENT.
FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF SACRAMENTO, COUNTY
OF SACRAMENTO, STATE OF CALIFORNIA, THIS _____ DAY OF _____
2006.

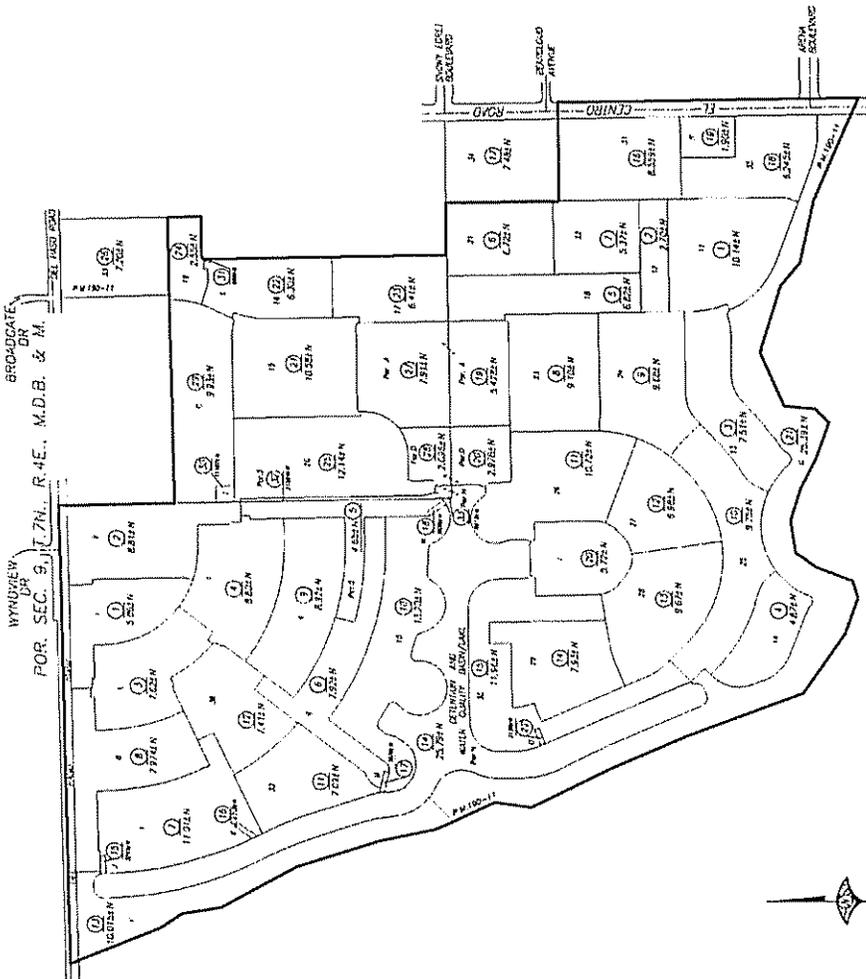
CITY CLERK
CITY OF SACRAMENTO, CALIFORNIA

CLERK'S CERTIFICATE:
I, _____, CLERK OF THE OFFICE OF THE CITY CLERK OF THE CITY OF
SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, WAS
APPOINTED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO AT A MEETING
HELD ON THE _____ DAY OF _____, 2006.

COUNTY RECORDER'S FILING STATEMENT.
FILED THIS _____ DAY OF _____ 2006 AT THE HOUR OF _____
O'CLOCK _____ M. BY _____ OF _____
COUNTY RECORDER OF THE COUNTY OF SACRAMENTO, STATE OF CALIFORNIA.

COUNTY RECORDER OF THE COUNTY OF
SACRAMENTO, CALIFORNIA

BY: DEPUTY _____ DOCUMENT NO. _____



LEGEND
COMMUNITY FACILITIES
DISTRICT BOUNDARY

0 200 400 600
SCALE 1" = 400'

EXHIBIT B**CITY OF SACRAMENTO
NATOMAS CENTRAL COMMUNITY FACILITIES DISTRICT NO. 2006-02****LIST OF AUTHORIZED FACILITIES AND FEES**

1. Sacramento Metropolitan Air Quality Management District fees
2. Habitat conservation plan fees associated with (a) lands located within the CFD and acquired for public use, and (b) lands located outside the CFD and acquired for habitat
3. Water connection fees
4. Development fees
5. Regional Park fees
6. Sacramento County Sewer Fees
(a) County Sanitation District No. 1
(b) Sacramento Regional County Sanitation District
7. Supplemental drainage fee (building permit fee)
8. Construction of detention basins, including but not limited to grading, excavation, and landscaping
9. All work, materials, and equipment needed to install traffic signals and to widen intersections at (a) Del Paso Road @ Natomas Central Drive, and (b) Del Paso Road @ Hovnanian Drive
10. Collector roadways (Natomas Central Drive, Hovnanian Drive, and Manera Rica Drive) and other major roads that are eligible for funding under guidelines set forth in the City's Policies and Procedures for Use of Special Assessment and Mello-Roos Community Facilities District Financing, as may be amended. Improvements may include but are not limited to clearing, grading, installing asphalt concrete with aggregate base, raised center median, median landscaping where appropriate, storm drainage facilities, street signs, streetlights, widening at intersections, corridor landscaping and sound walls, major utility conduits, utility conduit crossing, right-of-way acquisition, and all necessary appurtenances to mentioned roads.
11. Landscaping, equipment, and facilities for nature parks and open space

12. Private dry utilities (e.g., electric, telephone, natural gas, and CATV)
13. Engineering, construction staking, construction management, plan check and inspection, administrative and legal expenses
14. Public land acquisition, subject to the following: (1) land acquired by the city or another public agency before CFD formation is eligible only if covered by a reimbursement agreement or a city policy allowing for reimbursement; (2) fee credits associated with the land will be deducted from the reimbursable amount.

EXHIBIT C

**CITY OF SACRAMENTO
NATOMAS CENTRAL COMMUNITY FACILITIES DISTRICT NO. 2006-02**

**REPRESENTATIVE LISTING OF INCIDENTAL EXPENSES
AND BOND ISSUANCE COSTS**

It is anticipated that the following incidental expenses may be incurred in the proposed legal proceedings for formation of CFD 2006-02, construction or acquisition of the authorized public facilities and related bond financing and will be payable from proceeds of the Bonds or directly from the proceeds of the Special Tax:

- Special tax consultant services
- City, Participating District staff review, oversight and administrative services
- Bond Counsel and Disclosure Counsel services
- Financial advisor services
- Special tax administrator services
- Appraiser/Market absorption consultant services
- Initial bond transfer agent, fiscal agent, registrar and paying agent services,
and rebate calculation service set up charge
- Bond printing and Preliminary Official Statement and Official Statement printing and mailing
- Publishing, mailing and posting of notices
- Recording fees
- Underwriter's discount
- Bond reserve fund
- Capitalized interest
- Governmental notification and filing fees
- Credit enhancement costs
- Rating agency fees
- Continuing disclosure services

The expenses of certain recurring services pertaining to CFD 2006-02 may be included in each annual special tax levy, and these expenses are described in the definition of the term "Administrative Expenses" as set forth in the RMA attached hereafter as Exhibit D.

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 2006-02.

EXHIBIT D

**CITY OF SACRAMENTO
NATOMAS CENTRAL COMMUNITY FACILITIES DISTRICT NO. 2006-02**

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in the City of Sacramento Natomas Central Community Facilities District No. 2006-02 (herein "CFD No. 2006-02") shall be levied and collected according to the tax liability determined by the City Council through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in CFD No. 2006-02, unless exempted by law or by the provisions of Section G below, 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 or other parcel map recorded at the County Recorder's Office.

"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 Government Code of the State of California.

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to CFD No. 2006-02 and the Bonds, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County in connection with the levy and collection of Special Taxes, costs related to property owner inquiries regarding the Special Tax, amounts needed to pay rebate to the federal government with respect to Bonds, costs associated with complying with continuing disclosure requirements under the California Government Code with respect to the Bonds and the Special Tax, and all other costs and expenses of the City in any way related to the establishment or administration of CFD No. 2006-02.

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

“Assessor’s Parcel” or **“Parcel”** means a lot or parcel shown on an Assessor’s Parcel Map with an assigned Assessor’s Parcel Number.

“Assessor’s Parcel Map” means an official map of the County Assessor designating Parcels by Assessor’s Parcel Number.

“Authorized Facilities” means those facilities that are authorized to be funded by CFD No. 2006-02.

“Bonds” means bonds or other debt (as defined in the Act), whether in one or more series, issued, insured or assumed by CFD No. 2006-02 related to public infrastructure and/or improvements that will serve property included within CFD No. 2006-02.

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

“Capitalized Interest” means funds in any capitalized interest account available to pay debt service on Bonds.

“CFD Formation” means the date on which the Resolution of Formation to form CFD No. 2006-02 was adopted by the City Council.

“City” means the City of Sacramento.

“City Council” means the City Council of the City of Sacramento.

“County” means the County of Sacramento.

“Developed Property” means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit for new construction was issued prior to June 1 of the preceding Fiscal Year.

“Exempt Property” means:

- (1) Public Property, except as otherwise authorized by Sections 53317.3 and 53317.5 of the Act;
- (2) Parcels that are owned by a public utility for an unmanned facility;
- (3) Parcels that are subject to an easement or other instrument that precludes any other use on the Parcel; and
- (4) Parcels identified as lettered lots on a large lot parcel map because such Parcels are designated as a park site, school site, or other site that will ultimately be owned by a public agency.

“Expected Land Uses” means the total number of Residential Units expected within the CFD at the time of CFD Formation. The Expected Land Uses are identified in Attachment

2 of this RMA.

“Expected Maximum Special Tax Revenues” means the amount of annual revenue that would be available within the CFD if the Maximum Special Tax was levied on the Expected Land Uses, assuming a five percent loss of units that were originally part of the Expected Land Uses in Tax Zone 1. The Expected Maximum Special Tax Revenues are shown in Attachment 2 of this RMA and may be reduced due to prepayments in future Fiscal Years or changes in land use as set forth in Section D below.

“Final Bond Sale” means the issuance of the last series of Bonds that will be issued on behalf of CFD No. 2006-02 (excluding any Bond refundings), as determined in the sole discretion of the City.

“Final Map” means a final map, or portion thereof, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq*) that creates Buildable Lots. The term “Final Map” shall not include (i) any large-lot subdivision map, Assessor’s Parcel Map, or subdivision map or portion thereof that does not create Buildable Lots, or (ii) Assessor’s Parcels that are designated as remainder parcels.

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

“Indenture” means the bond indenture, fiscal agent agreement, trust 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.

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

“Other Taxable Property” means all Parcels of Taxable Property in CFD No. 2006-02 which are not Residential Property as defined herein.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Taxes levied in any Fiscal Year to the Maximum Special Taxes authorized to be levied in that Fiscal Year is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax levied to the Maximum Special Taxes is equal for all Assessor’s Parcels of Undeveloped Property.

“Public Property” means any property within the boundaries of CFD No. 2006-02 that is owned by the City, federal government, State of California or other public agency; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use. Privately owned property that is otherwise constrained by public use and necessity through easement, lease or license shall be considered Public Property.

“Residential Property” means all Parcels in CFD 2006-02 that are developed or are expected to be developed with Residential Units as defined herein.

“Residential Unit” means a single family detached unit or an individual unit within a duplex, triplex, halfplex, fourplex, condominium, townhome, live/work, or apartment structure. A second unit (granny flat) that shares a Parcel with a single family detached unit shall not be considered a Residential Unit for purposes of levying the Special Tax.

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

“Special Tax” means a Special Tax levied in any Fiscal Year to pay the Special Tax Requirement.

“Special Tax Requirement” means the amount necessary in any Fiscal Year (i) to pay principal and interest on Bonds which are due in the calendar year which begins in such Fiscal Year, (ii) to create or replenish reserve funds, (iii) to cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year or (based on delinquencies in the payment of Special Taxes which have already taken place) are expected to occur in the Fiscal Year in which the tax will be collected (iv) to pay Administrative Expenses, and (v) to pay the costs of public improvements and public infrastructure authorized to be financed by CFD No. 2006-02. The Special Tax Requirement may be reduced in any Fiscal Year by (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture or other legal document that sets forth these terms, (ii) proceeds from the collection of penalties associated with delinquent Special Taxes, and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

“Tax Zone 1” means the geographic area that is specifically identified in Attachment 1 of this Rate and Method of Apportionment of Special Tax as Tax Zone 1.

“Tax Zone 2” means the geographic area that is specifically identified in Attachment 1 of this Rate and Method of Apportionment of Special Tax as Tax Zone 2.

“Tax Zone 3” means the geographic area that is specifically identified in Attachment 1 of this Rate and Method of Apportionment of Special Tax as Tax Zone 3.

“Tax Zone 4” means the geographic area that is specifically identified in Attachment 1 of this Rate and Method of Apportionment of Special Tax as Tax Zone 4.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2006-02 which are not exempt from the Special Tax pursuant to law or Section G below.

“Undeveloped Property” means, in any Fiscal Year, all Parcels of Taxable Property that are not Developed Property as defined herein.

B. DATA FOR ADMINISTRATION OF SPECIAL TAX

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor's Parcel numbers for all Parcels of Taxable Property. The Administrator shall also determine: (i) within which Tax Zone each Assessor's Parcel is located, (ii) whether each Assessor's Parcel of Taxable Property is Developed Property or Undeveloped Property, and (iii) the Special Tax Requirement.

In addition, the Administrator shall, ***on an ongoing basis***, monitor whether changes in land use have been proposed that will affect the Expected Maximum Special Tax Revenues. If the Expected Maximum Special Tax Revenues will be reduced pursuant to a proposed land use change, the Administrator shall apply the steps set forth in Section D below.

In any Fiscal Year, if it is determined that (i) a parcel map for a portion of property in CFD No. 2006-02 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created Parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new Parcels created by the parcel map, and (iii) one or more of the newly-created Parcels meets the definition of Developed Property, the Administrator shall calculate the Special Taxes for the property affected by recordation of the parcel map by determining the Special Taxes that applies separately to each newly-created Parcel, then applying the sum of the individual Special Taxes to the Parcel that was subdivided by recordation of the parcel map.

C. MAXIMUM SPECIAL TAX

1. Developed Property

Following are the Maximum Special Tax rates for Parcels of Developed Property in CFD 2006-02:

Table 1

Tax Zone	Maximum Special Tax Fiscal Year 2006-07 *
Tax Zone 1	\$1,140 per Residential Unit
Tax Zone 2	\$960 per Residential Unit
Tax Zone 3	\$840 per Residential Unit
Tax Zone 4	\$8,000 per Acre
Other Taxable Property	\$10,600 per Acre

**** On July 1, 2007 and each July 1 thereafter, the Maximum Special Taxes shown above shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.***

2. *Undeveloped Property*

The Maximum Special Tax for Undeveloped Property for Fiscal Year 2006-07 is \$10,600 per Acre. On July 1, 2007 and each July 1 thereafter, the Maximum Special Tax for Undeveloped Property shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.

D. CHANGES TO LAND USES WITHIN CFD NO. 2006-02

Prior to the Final Bond Sale, changes to the Expected Land Uses (including a reduction in Buildable Lots) may occur without any required prepayment of Special Taxes. If such changes result in a reduction to the Expected Maximum Special Tax Revenues anticipated at CFD Formation, the Administrator shall revise Attachment 2 to reflect the new Expected Maximum Special Tax Revenues, which shall then be used to determine the amount of Bonds that can be issued. If a land use change occurs after the Final Bond Sale and such change results in a reduction in the Expected Maximum Special Tax Revenues, the following steps shall be applied to ensure there is no reduction in Maximum Special Tax revenues:

- Step 1:** By reference to Attachment 2 (which will be updated by the Administrator each time a land use change has been processed according to this Section D), the Administrator shall identify the then-current Expected Maximum Special Tax Revenues for CFD No. 2006-02;
- Step 2:** The Administrator shall calculate the Maximum Special Tax Revenues that could be collected from property in the CFD if the land use change is approved;
- Step 3:** If the revenues calculated in Step 2 are: (i) less than those calculated in Step 1 and (ii) not sufficient to maintain 110% coverage on the Bonds' debt service, the landowner of the property affected by the change in Expected Land Uses must prepay an amount sufficient to retire a portion of the Bonds and maintain 110% coverage on the Bonds' debt service. The required prepayment shall be calculated using the formula set forth in Section H below. If the mandatory prepayment has not been received by the City prior to the issuance of the first building permit for new construction within the Final Map that reflects that land use change, the Administrator may, in the next Fiscal Year, levy the amount of the mandatory prepayment on any Parcel(s) of Undeveloped Property within that Final Map.

If the revenues calculated in Step 2 are less than those calculated in

Step 1, but the revenues calculated in Step 2 are sufficient to maintain 110% coverage on the Bond's debt service, no such mandatory prepayment will be required. In addition, if the amount determined in Step 2 is higher than that calculated in Step 1, no such mandatory prepayment will be required.

E. METHOD OF LEVY OF THE SPECIAL TAXES

Each Fiscal Year, the Administrator shall determine the Special Tax Requirement to be collected in that Fiscal Year. A Special Tax shall then be levied according to the following steps:

Step 1: The Special Tax shall be levied Proportionately on each Parcel of Developed Property in CFD No. 2006-02 up to 100% of the Maximum Special Tax for Developed Property determined pursuant to Section C.1 above until the amount levied on Developed Property is equal to the Special Tax Requirement prior to applying Capitalized Interest that is available under the applicable Indenture.

Step 2: If additional revenue is needed after Step 1 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for such Undeveloped Property determined pursuant to Section C.2.

Step 3: If additional revenue is needed to meet the Special Tax Requirement after applying the first two steps, the Special Tax shall be levied Proportionately on each Parcel of Public Property, exclusive of property exempt from the Special Tax pursuant to Section G below, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year determined pursuant to Section C.2.

F. MANNER OF COLLECTION OF SPECIAL TAXES

The Special Taxes for CFD No. 2006-02 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 H below and provided further that the City may directly bill the Special Taxes, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on Bonds have been repaid and authorized facilities to be constructed directly from Special Tax proceeds have been completed. However, in no event shall Special Taxes be levied after Fiscal Year 2046-2047.

G. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Taxes shall be levied in any Fiscal Year on Exempt Property or on Parcels that have fully prepaid the Special Tax obligation assigned to the Parcel pursuant to the formula set forth in Section H below.

H. PREPAYMENT OF FACILITIES SPECIAL TAX

The following definitions apply to this Section H:

“Remaining Facilities Costs” means the Public Facilities Requirement minus public facility costs funded by Outstanding Bonds, developer equity and/or any other source of funding.

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

“Previously Issued Bonds” means all Bonds that have been issued prior to the date of prepayment.

“Public Facilities Requirements” means either \$35,000,000 in 2006 dollars, which shall increase on January 1, 2007, and on each January 1 thereafter by the percentage increase, if any, in the construction cost index for the San Francisco region for the prior twelve (12) month period as published in the Engineering News Record or other comparable source if the Engineering News Record is discontinued or otherwise not available, or such lower number as shall be determined by the City as sufficient to fund improvements that are authorized to be funded by CFD No. 2006-02.

The Special Tax obligation applicable to an Assessor’s Parcel in CFD No. 2006-02 may be prepaid and the obligation of the Assessor’s Parcel to pay the 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 Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the

prepayment amount for such Assessor’s Parcel. Prepayment must be made not less than 75 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes. Included, as Attachment 3 herein, is a sample prepayment calculation for one Parcel in Tax Zone 1. The Prepayment Amount shall be calculated as follows (capitalized terms as defined above or below):

$$\begin{array}{l}
 \text{Bond Redemption Amount} \\
 \text{plus Remaining Facilities Amount} \\
 \text{plus Redemption Premium} \\
 \text{plus Defeasance Requirement} \\
 \text{plus Administrative Fees and Expenses} \\
 \text{less } \underline{\text{Reserve Fund Credit}} \\
 \text{equals Prepayment Amount}
 \end{array}$$

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

- Step 1.** Compute the total Maximum Special Tax that could be collected from the Assessor’s Parcel prepaying the Special Tax in the Fiscal Year in which prepayment would be received by the City. If this Section H is being applied to calculate a prepayment pursuant to Section D above, use, for purposes of this Step 1, the amount by which the Expected Maximum Special Tax Revenues have been reduced below the amount needed to maintain 110% coverage on the Bond’s debt service due to the change in land use that necessitated the prepayment.
- Step 2.** Divide the Maximum Special Tax computed pursuant to Step 1 for such Assessor’s Parcel by the total Expected Maximum Special Tax Revenues for all property in the CFD, as shown in Attachment 2 of this RMA or as adjusted by the Administrator after prepayments or land use changes.
- Step 3.** Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the “Bond Redemption Amount”*).
- Step 4.** Compute the current Remaining Facilities Costs (if any).
- Step 5.** Multiply the quotient computed pursuant to Step 2 by the amount determined pursuant to Step 4 to compute the amount of Remaining Facilities Costs to be prepaid (*the “Remaining Facilities Amount”*).

- Step 6.** Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (*the "Redemption Premium"*).
- Step 7.** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the first Bond interest payment date after which the prepayment will be received until the earliest redemption date for the Outstanding Bonds. However, if Bonds are callable at the first interest payment date after the prepayment has been received, Steps 7, 8 and 9 of this prepayment formula will not apply.
- Step 8:** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 9:** Subtract the amount computed pursuant to Step 8 from the amount computed pursuant to Step 7 (*the "Defeasance Requirement"*).
- Step 10.** The administrative fees and expenses associated with the prepayment will be determined by the Administrator and include the costs of computing the prepayment, redeeming Bonds and recording any notices to evidence the prepayment and the redemption (*the "Administrative Fees and Expenses"*).
- Step 11.** If, at the time the prepayment is calculated, the reserve fund is greater than or equal to the reserve requirement, and to the extent so provided in the Bond indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (*the "Reserve Fund Credit"*).
- Step 12.** The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 5, 6, 9, and 10, less the amount computed pursuant to Step 11 (*the "Prepayment Amount"*).

See Attachment 3 for sample prepayment calculation.

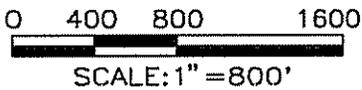
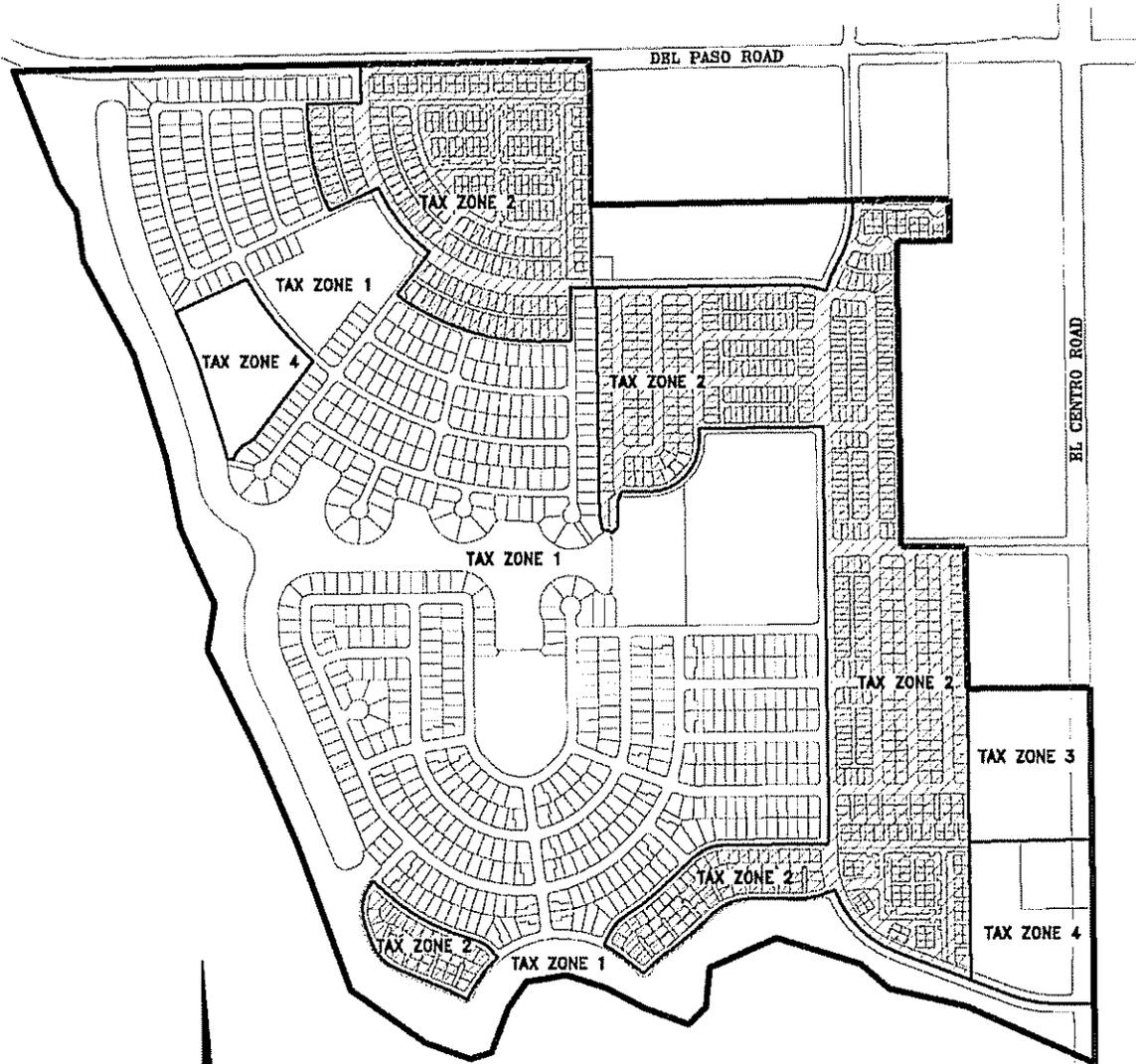
I. INTERPRETATION OF SPECIAL TAX FORMULA

Interpretations may be made by Resolution of the Council for purposes of clarifying any vagueness or ambiguity as it relates to the Special Tax rates, method of apportionment, classification of properties or any definition applicable to the CFD.

J. APPEALS

Any taxpayer who feels that the amount of the Special Tax assigned to a Parcel is in error may file a notice with the City appealing the levy of the Special Tax. The City shall then promptly review the appeal and, if necessary, meet with the applicant. If the City verifies that the Special Tax should be modified, a recommendation at that time will be made to the Council and, as appropriate, the Special Tax levy shall be corrected and, if applicable in any case, a refund shall be granted.

ATTACHMENT 1
CITY OF SACRAMENTO NATOMAS CENTRAL CFD NO. 2006-2
IDENTIFICATION OF TAX ZONES



WOOD RODGERS
ENGINEERING • MAPPING • PLANNING • SURVEYING
3301 C St. Bldg. 100-B Tel 916.341.7760
Sacramento, CA 95816 Fax 916.341.7767

ATTACHMENT 2

**Natomas Central Community Facilities District No. 2006-02
Expected Land Uses and Expected Maximum Special Tax Revenues**

Zoning Designation	Expected # of Residential Units/Acres	Expected Net Acreage	Maximum Special Tax per Residential Unit/Acre FY 2006-07[1]	Expected Maximum Special Tax Revenues[1]
Tax Zone 1	694 Units	99.0 Acres	\$1,140 per Lot	\$791,160
Tax Zone 2	970 Units	76.1 Acres	\$960 per Lot	\$931,200
Tax Zone 3	95 Units	8.6 Acres	\$840 per Lot	\$79,800
Tax Zone 4	13 Acres	13.0 Acres	\$8,000 per Acre	\$104,000
Maximum Special Tax Revenues Based on Estimated Units at CFD Formation				\$1,906,160
CFD Buffer (Assumes loss of 5 Percent of Units in Tax Zone 1)				<u>(\$39,558)</u>
Expected Maximum Special Tax Revenues, Fiscal Year 2006-07				\$1,866,602

[1]: On July 1, 2007 and each July 1 thereafter, the Maximum Special Tax and Expected Maximum Special Tax Revenues shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year

ATTACHMENT 3
Natomas Central Community Facilities District No. 2006-02
Sample Prepayment Calculation

Assumptions (2006 \$)	
Maximum Tax on a Unit in Tax Zone 1	\$1,140
Expected Maximum Special Tax Revenues in CFD	\$1,866,602
Total Facilities Costs	\$25,000,000
Construction Proceeds from First Bond Issue	\$25,000,000
Total Remaining Facilities Costs	\$0
Redemption Premium Reserve Fund Requirement	3.00%
	10.00%
Outstanding Bonds	\$29,000,000
Sample Prepayment Calculation (Tax Zone 1 Unit)	
<u>Steps from Section H of the RMA</u>	
Step 1: Maximum Special Tax per Unit	\$1,140
Step 2: Maximum Tax as a % of Total Expected Revenues	0.061074%
Step 3: "Bond Redemption Amount"	\$17,711
Step 4: Total Remaining Facilities Costs	\$0
Step 5: "Remaining Facilities Amount"	\$0
Step 6: "Redemption Premium"	\$531
Step 7: Interest Required on Bond Redemption Amount	\$0 ^{1/}
Step 8: Interest City makes on Bond Redemption Amount and Redemption Premium	\$0
Step 9: "Defeasance Requirement"	\$0
Step 10: "Administrative Fees and Expenses"	\$500
Step 11: "Reserve Fund Credit"	(\$1,771)
Step 12: "Prepayment Amount"	\$16,972
Prepayment for One Unit in Tax Zone 1	
	\$16,972

^{1/}: Assumes bonds can be redeemed at the first interest payment after the prepayment has been received.

RESOLUTION NO.

Adopted by the Sacramento City Council

**RESOLUTION TO INCUR BONDED INDEBTEDNESS TO
FINANCE THE ACQUISITION AND CONSTRUCTION OF
CERTAIN PUBLIC FACILITIES, AND THE PAYMENT OF FEES
RELATED THERETO IN ORDER TO MITIGATE THE IMPACTS
OF DEVELOPMENT WITHIN THE NATOMAS CENTRAL
COMMUNITY FACILITIES DISTRICT NO. 2006-02, CITY OF
SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF
CALIFORNIA**

BACKGROUND

- A. The City Council (the "Council") of the City of Sacramento (the "City") has duly adopted Resolution No. _____ (the "Resolution") this date, wherein it declared its intention to establish a community facilities district under and pursuant to the terms and provisions of the "Mello-Roos Community Facilities Act of 1982," being Chapter 2.5, Part 1, Division 2, Title 5 (commencing with Section 53311) of the Government Code of the State of California (the "Act"), to be known and designated as "Community Facilities District No. 2006-02, City of Sacramento, County of Sacramento, State of California" (the "Community Facilities District"), and to levy a special tax therein to finance the acquisition and construction of certain public facilities and development fees related thereto (collectively, the "Facilities," as that term is defined in the Resolution) that will assist in mitigating the impact on the need for public facilities occasioned by new development that is expected to occur within the boundaries of the Community Facilities District; and
- B. The Council is fully advised in this matter;

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The above recitals are true and correct, and the Council so finds and determines.

Section 2. The Council hereby declares that the public convenience and necessity require that a bonded indebtedness be incurred to finance the acquisition and construction of, or payment for, the Facilities. The cost of the acquisition and construction or payment of the Facilities includes incidental expenses for the Facilities comprising the costs of planning and designing the Facilities, together with the costs of environmental evaluations thereof, and all costs associated with the creation of the Community Facilities District, the issuance of bonds, the determination of the amount of any special taxes or the collection or payment of any special taxes and costs otherwise incurred in order to carry out the authorized purposes of the Community Facilities

District, together with any other expenses incidental to the acquisition and construction of the Facilities.

Section 3. The amount of the proposed bonded indebtedness to be incurred to finance the acquisition and construction of the Facilities shall not exceed thirty-five million dollars (\$35,000,000), which amount includes all costs and estimated costs incidental to, or connected with, the accomplishment of the purpose for which the bonded indebtedness is proposed to be incurred, including, but not limited to, the estimated costs of acquisition of land, rights-of-way, capacity or connection fees, satisfaction of contractual obligations relating to expenses or the advancement of funds for expenses existing at the time the bonds are issued pursuant to the Act, architectural, engineering, inspection, legal, fiscal, and financial consultant fees, bond and other reserve funds, discount fees, interest on any bonds of the Community Facilities District estimated to be due and payable within two (2) years of issuance of the bonds, election costs, and all costs of issuance of the bonds, including, but not limited to, fees for bond counsel, costs of obtaining credit ratings, bond insurance premiums, fees for letters of credit, and other credit enhancement costs, and printing costs.

Section 4. Notice is given that Tuesday, the 14th day of November, 2006, at the hour of two o'clock P.M., in the Council Chambers at the Sacramento City Hall at 915 I Street, Sacramento, California, has been fixed by the Council as the time and place for a public hearing to be held by the Council to consider the incurring of the bonded indebtedness to finance the acquisition and construction or payment of the Facilities for the Community Facilities District. At such public hearing, any persons interested, including all taxpayers, property owners and registered voters within the Community Facilities District, may appear and be heard on the proposed debt issuance or on any other matters set forth herein, and they may present any matters relating to the necessity for incurring such bonded indebtedness to finance the acquisition and construction or payment of the Facilities and to be secured by a special tax to be levied within the Community Facilities District.

Section 5. Notice of the time and place of such public hearing shall be given by the Clerk of the City Council of the City (the "Clerk") in the following manner:

(a) A Notice of Public Hearing in the form required by the Act shall be published once in the *DAILY RECORDER*, a newspaper of general circulation circulated within the area of the Community Facilities District. The publication shall be made pursuant to Section 6061 of the Government Code of the State of California and shall be completed at least seven (7) days prior to the date set for such public hearing; and

(b) A Notice of Public Hearing in the form required by the Act shall be mailed, first class postage prepaid, to each owner of land, and to each registered voter residing, within the boundaries of the proposed Community Facilities District (to property owners at their addresses as shown on the last equalized assessment roll, and to registered voters at their addresses as shown on the records of the Sacramento County Registrar of Voters, or in either case as otherwise known to

the Clerk). The mailing shall be completed at least fifteen (15) days prior to the date set for the public hearing.

Section 6. It is the intention of the Council that any bonds issued shall be callable (may be redeemed prior to their maturity dates) in accordance with the terms of the Act.

Section 7. This resolution shall take effect immediately upon its passage.