



REPORT TO COUNCIL

City of Sacramento

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915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

CONSENT
October 25, 2005

Honorable Mayor and
Members of the City Council

Subject: Annexation No. 1 to North Natomas Community Facilities District No. 2 -
Initiate Proceedings

Location/Council District:

The North Natomas Community Facilities District (CFD) No. 2 is located in Council District 1 (Drainage Basin 5 & 6). Annexation No. 1 includes one property that is in Council District 1 (Attachment A, page 4).

Recommendation:

Adopt a Resolution: 1) initiating the CFD annexation process and setting a time and place for a Public Hearing, November 29, 2005.

Contact: Bob Cooper, Senior Engineer, (916) 808-5778; Edward Williams, Development Engineering & Finance Manager, (916) 808-5778

Presenters: Ron Wicky, Program Specialist

Department: Development Services

Division: Development Engineering and Finance

Organization No: 4815

Summary:

This report proposes the annexation of territory into the existing CFD to fund internal storm drainage and flood control improvements specific to drainage basins 5 & 6. The recommended Council action will set the public hearing for November 29, 2005 (Attachment B, page 5).

Committee/Commission Action: None

Background Information:

On May 26, 1998, City Council approved formation of the North Natomas CFD No. 2. The purpose of the CFD was to construct storm drainage and flood control

improvements specific to drainage basins 5 & 6. The improvements included drainage channels, detention basins, and pump stations. Drainage basins 5 & 6 are independent drainage systems. The annexation will consist of new residential development and is located only within Basin 6. The development project for this annexation is listed as follows:

This action will annex the Machado Subdivision (Planning File P04-114) into the existing North Natomas CFD No. 2 boundary.

Financial Considerations:

There is no impact to the General Fund. The North Natomas CFD No. 2 has been structured to allow parcels to annex to the district through a Catch-up Special Tax.

The Catch-up Special Tax is usually set equal to the sum of the applicable Maximum Special Tax per acre for the prior ten years in which the Special Tax was levied for undeveloped parcels times the gross acres of the annexing Parcel. However, since no bonds have been sold to date to fund the drainage improvements in basin 6, the special tax has not been levied on any of the parcels in basin 6. The annexing property will not be subject to paying a Catch-up Special Tax.

Environmental Considerations:

Under California Environmental Quality Act (CEQA) Guidelines, administration and annexation into a CFD do not constitute a project and therefore is exempt from review.

Policy Considerations:

The procedures under which this CFD annexation is being initiated are set forth in Title 5 of the Government Code, Sections 53311-53317.5, entitled "The Mello-Roos Community Facilities Act of 1982." Annexation into North Natomas CFD No. 2 is consistent with the City's Strategic Plan to promote and protect economic vitality.

Emerging Small Business Development (ESBD):

None. No goods or services are being purchased.

Respectfully Submitted by: 
Edward Williams
Manager, Development Engineering and Finance

Recommendation Approved:

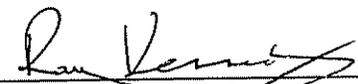
For

ROBERT P. THOMAS
City Manager

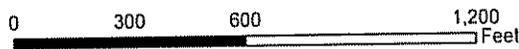
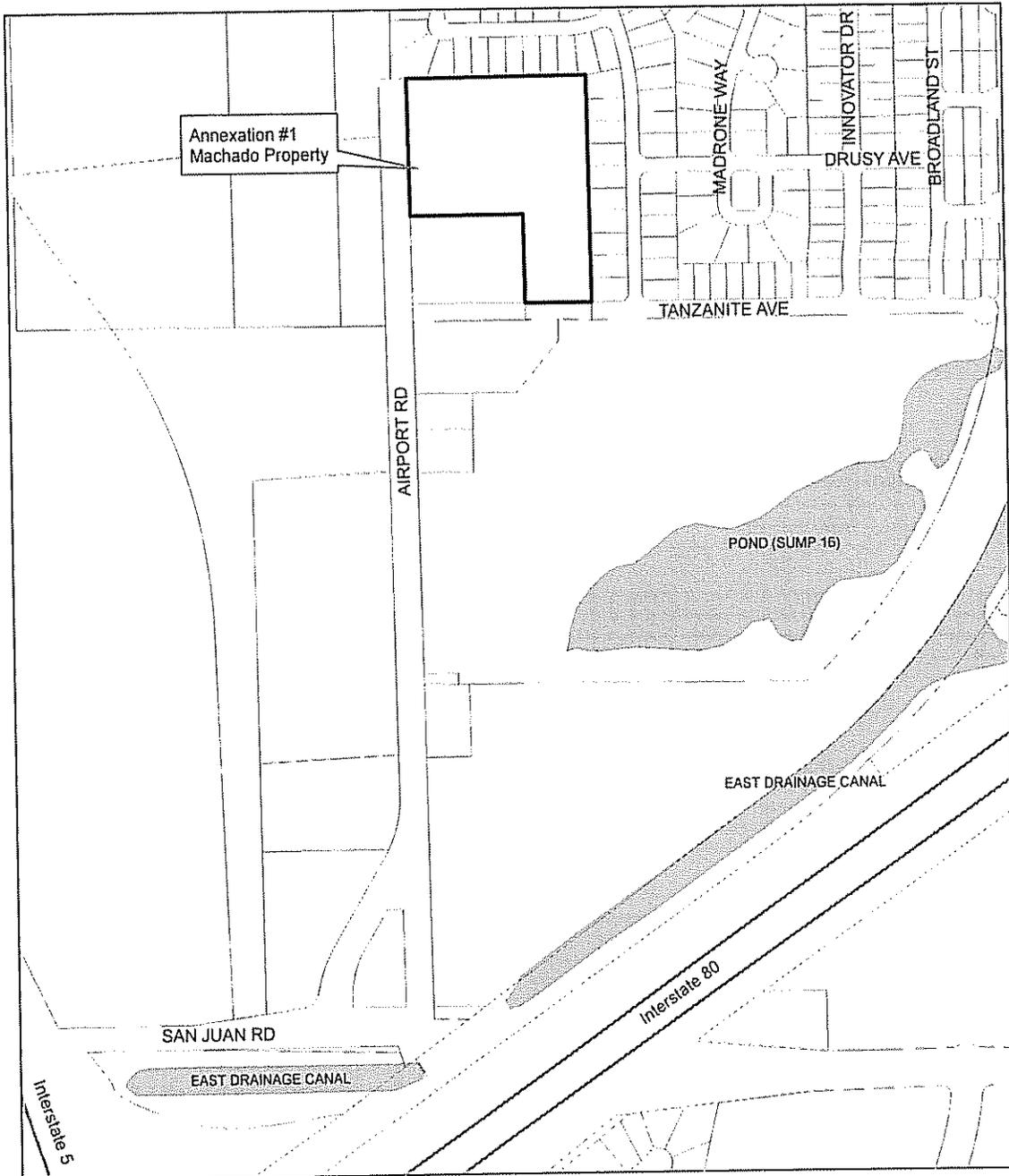
Table of Contents:

Pg 1-3	Report
Pg 4	Attachment A, Map of CFD No. 2
Pg 5	Attachment B, Schedule of Proceedings
Pg 6-9	Resolution of Intention to Annex Territory
Pg 10	Exhibit A, Map of Existing Territory & Territory to be Annexed
Pg 11-21	Exhibit B, Rate and Method of Apportionment of Special Tax
Pg 22	Attachment 1 to Exhibit B
Pg 23	Attachment 2 to Exhibit B
Pg 24	Attachment 3 to Exhibit B

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ATTACHMENT A

Location Map



ATTACHMENT B

ANNEXATION #1 TO THE NORTH NATOMAS COMMUNITY FACILITIES DISTRICT (CFD) NO. 2 SCHEDULE

October 25, 2005	City Council - Resolution of Intention
October 26, 2005	Mail Notice of Hearing
November 29, 2005	City Council - Hearing, Call for Special Election
November 30, 2005	Mail Ballots
December 21, 2005	Ballots Due
January 10, 2005	City Council - Election Results & Pass for Publication Ordinance to Levy Tax
October 11, 2005	Record Notice of "Special Tax"
January 17, 2005	City Council - Adopt Ordinance to Levy Tax

RESOLUTION NO.

Adopted by the Sacramento City Council

RESOLUTION OF INTENTION TO ANNEX TERRITORY TO THE NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 2 AND TO LEVY A SPECIAL TAX WITHIN THE ANNEXED TERRITORY TO FINANCE DRAINAGE FACILITIES (ANNEXATION NO. 1)

BACKGROUND:

- A. The City Council has previously established the City of Sacramento North Natomas Community Facilities District No. 2 (the "District") under the Mello-Roos Community Facilities Act of 1982 (Government Code sections 53311 to 53368.3) (the "Act") and has previously levied a special tax on real property in the District to pay for the acquisition and construction of drainage facilities, all in accordance with the Act.
- B. The City Council has determined that establishing the District was and is consistent with the City's goals and policies concerning the use of the Act. The City Council has also determined that public convenience and necessity require that territory be added to the District.
- C. The City 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 statements in paragraphs A through C of the Background are accurate.

Section 2. The City Council intends and proposes to annex territory to the District in accordance with the Act. The territory included in the existing District and the territory proposed for annexation are shown on the map attached to this resolution as **Exhibit A**. In addition, a map showing the territory proposed to be annexed in the form required by Streets and Highways Code section 3110 (the "Boundary Map") is on file in the Office of the City Clerk and is approved. In accordance with Streets and Highways Code section 3111, the City Clerk is directed to file a copy of the Boundary Map with the Sacramento County Recorder within 15 days after this resolution is adopted (but no later than 15 days before the hearing) for placement in the Book of Maps of Assessment and Community Facilities Districts.

Section 3. The name of the proposed annexation to the District is "City of Sacramento North Natomas Community Facilities District No. 2, Annexation No. 1."

Section 4. The types of public facilities provided in and for the District in accordance with the Act, and the types of public facilities to be provided in and for the territory proposed for annexation to the District, are as follows (the "Public Facilities"): pipes, collection drains and channels, pump stations, detention basins, and outfall drains. The Public Facilities have an estimated useful life of at least five years; are facilities that the City is authorized by law to construct, own, or operate; and are needed to meet increased demands placed on the City as a result of development occurring and anticipated to occur in the District.

Section 5. Except where funds are otherwise available, a special tax in an amount sufficient to pay for the following will be levied annually on all nonexempt real property within the territory to be annexed to the District:

- (a) Costs of acquiring and constructing the Public Facilities. These costs include but are not limited to incidental expenses for the Public Facilities (e.g., costs of planning and design); costs of environmental evaluations for the Public Facilities; costs associated with establishing the District and annexing the territory described in Exhibit A to the District; costs associated with issuing bonds, determining the amount of any taxes, and collecting or paying any taxes; and costs otherwise incurred to carry out the authorized purposes of the District, together with any other expenses incidental to the acquisition and construction of the Public Facilities.
- (b) Interest on, and principal of, bonds issued and to be issued to finance the acquisition and construction of the Public Facilities.
- (c) Repayment of funds the City advances for the District.
- (d) Repayment of funds advanced or reimbursement for work provided in kind (at the lesser of value or cost) for the Public Facilities, when repayment or reimbursement is under an agreement with the person or entity who advanced the funds or provided the work (such an agreement will not be a debt or liability of the City).

The tax will be secured by recordation of a continuing lien against all nonexempt real property in the territory to be annexed to the District. **Exhibit B** to this resolution sets forth the rate, method of apportionment, and manner of collection of the special tax in sufficient detail to allow each landowner or resident within the territory to be annexed to the District to estimate the maximum amount the landowner or resident will have to pay, and it specifies the conditions under which the obligation to pay the tax may be prepaid and permanently satisfied. When the tax is levied against a parcel used for private residential purposes (a use that begins on the date an occupancy permit is issued), the following will apply: the maximum special tax will be specified as a dollar amount calculated and established not later than the date on which the parcel is first subject to the tax because of its use for private residential purposes, and this amount may not be increased over time except as provided by the Act; the tax will no longer be levied or collected against the parcel after fiscal-year 2039-2040; and the tax will not be

increased because of any delinquency or default by the owner or owners of any other parcel or parcels within the District.

Section 6. In accordance with section 53317.3 of the Act, the City Council intends to continue to levy the special tax on property, not otherwise exempt from the tax, that is acquired by a public entity through a negotiated transaction or by gift or devise.

Section 7. In accordance with section 53317.5 of the Act, the City Council intends to treat the obligation to pay the special tax levied against property that is acquired by a public entity through eminent-domain proceedings as if the tax were a special annual assessment.

Section 8. In accordance with section 53340.1 of the Act, the City Council intends to levy the special tax on any leasehold or possessory interest in property that is owned by a public agency and otherwise exempt from the special tax, with the tax to be payable by the owner of the leasehold or possessory interest.

Section 9. In accordance with section 53325.7 of the Act, the City Council has established an appropriations limit for the District, as defined by subdivision (h) of section 8 of article XIII B of the California Constitution, and the electors of the District have approved the appropriations limit.

Section 10. The City Council fixes **2:00 p.m. on November 29, 2005**, in the Council Chambers at City Hall, 915 I Street, First Floor, Sacramento, California, as the time and place for a public hearing on the proposed annexation to the District, the proposed levy of special taxes, and all other matters as set forth in this resolution. At the public hearing, any persons interested, including all taxpayers, owners of property within the territory to be annexed, and registered voters residing within the territory to be annexed, may appear and be heard, and the testimony of all interested persons or taxpayers for or against the proposed annexation and the levy of the special tax within the territory to be annexed, or Public Facilities to be provided, or any other matters set forth herein, will be heard and considered. Any protests to the foregoing may be made orally or in writing by any interested persons or taxpayers, except that protests pertaining to the regularity or sufficiency of the proceedings must be in writing and must clearly set forth the irregularities and defects to which the objection is made. The City Council may waive any irregularities in the form or content of any written protest and at the public hearing may correct minor defects in the proceedings. All written protests must be filed with the City Clerk on or before the time fixed for the public hearing, and any written protest may be withdrawn in writing at any time before the conclusion of the public hearing. If, at the conclusion of the hearing, the City Council determines to proceed with the proposed annexation of territory to the District, then the question of levying a special tax within the territory proposed to be annexed will be submitted to the qualified electors of that territory in an election under sections 53326, 53339.7, and 53339.8 of the Act, to be held not less than 90 days after the hearing, unless appropriate waivers have been filed with the City Clerk in accordance with section 53326. The special tax may be levied if at least two-thirds of those voting approve the measure.

Section 11. In the opinion of the Council, the public interest will not be served by allowing the owners of property in the territory to be annexed to the District to enter into a contract under section 53329.5, subdivision (a), of the Act to acquire and construct the Public Facilities to be financed under the Act.

Section 12. The Council directs Edward Williams, Development Engineering and Finance Manager, Development Services Department of the City, to prepare the report required by section 53321.5 of the Act and to file the report with the City Council at or before the time of the hearing.

Section 13. The City Clerk is directed to publish and mail notice of the hearing in accordance with sections 53322, 53322.4, and 53339.4 of the Act, as follows:

- (a) A notice of public hearing in the form required by the Act is to be published in the *Daily Recorder*, a newspaper of general circulation published in the area of the District. The publication must be made in accordance with Government Code section 6061 and completed at least seven days before the date set for the public hearing.
- (b) A notice of public hearing in the form required by the Act is to be mailed, first-class postage prepaid, to each owner of property within the territory proposed to be annexed and to each registered voter residing within the territory proposed to be annexed. The mailing to property owners is to be made to the property owners at their addresses as shown on the records of the Sacramento County Treasurer-Tax Collector or as otherwise known to the City Clerk. The mailing to registered voters is to be made to the registered voters at their addresses as shown on the records of the Sacramento County Registrar of Voters or as otherwise known to the City Clerk. All mailings must be completed at least 15 days before the date set for the public hearing. The notice of hearing must include a description of the voting procedures in accordance with section 53322, subdivision (b)(4), of the Act.

Section 14. Exhibits A and B are part of this resolution.

Table of Contents:

Exhibit A, Map of Existing Territory & Territory to be Annexed – 1 Page
Exhibit B, Rate and Method of Apportionment of Special Tax – 11 Pages
Attachment 1 to Exhibit B – 1 Page
Attachment 2 to Exhibit B – 1 Page
Attachment 3 to Exhibit B – 1 Page

Exhibit A

Map of Existing Territory and Territory to be Annexed

Annexation #1 to the North Natomas Community Facilities District No. 2

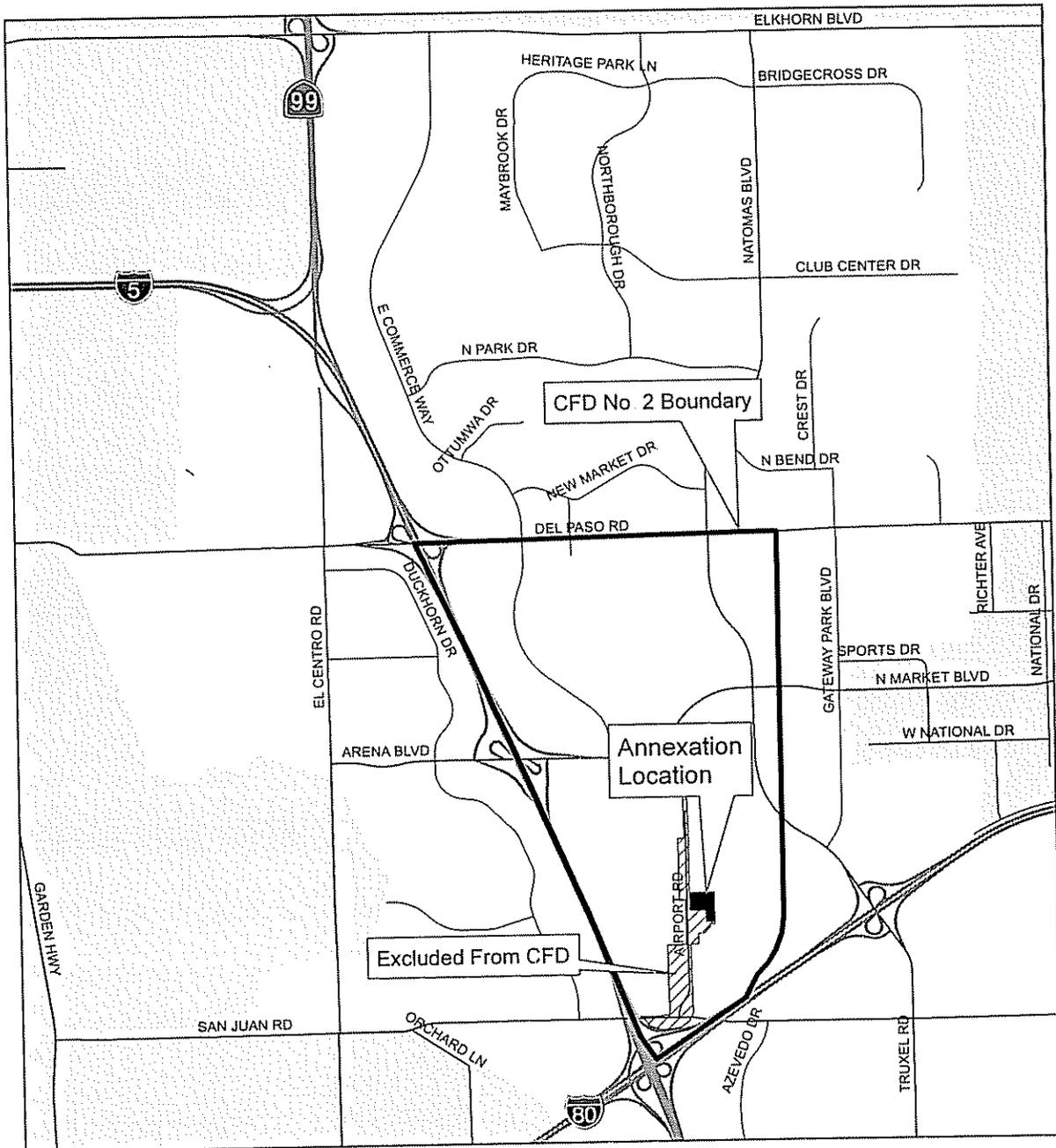


Exhibit B

City of Sacramento, California
North Natomas Community Facilities District No. 2
(Drainage Basins 5 & 6)

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

1. Basis of Special Tax Levy

A Special Tax authorized under the Mello-Roos Community Facilities Act of 1982 (the "Act") applicable to the land in the North Natomas Drainage Basins 5 & 6 Community Facilities District No. 2 (the "CFD") of the City of Sacramento (the "City") shall be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate, as described below.

2. Definitions

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311 and following of the California Government Code.

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

"Annexation Parcel" means a Parcel that was not included within the boundaries of the CFD at the time of formation. Later participation in the CFD requires annexation proceedings.

"Annual Costs" means, for any Fiscal Year, the total of (i) Debt Service for the Calendar Year commencing January 1 of such Fiscal Year through December 31 of the following Fiscal Year; (ii) Administrative Expenses for such Fiscal Year; (iii) any amounts needed to replenish any bond reserve fund for bonds of the City issued for the CFD to the level required under the documents pursuant to which such bonds were issued; (iv) an amount equal to the amount of delinquencies in payments of Special Taxes levied in the previous Fiscal Year and an amount for anticipated delinquencies for the current Fiscal Year; (v) pay-as-you-go expenditures for Authorized Facilities to be constructed or acquired by the CFD, less any credit from earnings on the bond

reserve fund, less any reimbursements, less any grants/other project funding and/or less the application of any funds available from Prepayments as described in Section 6. The total Annual Costs shall be limited to those necessary to provide the Authorized Facilities.

"Arena Parcel" means the Parcels with Assessor Parcel Numbers 225-0070-059, 225-0070-060, 225-0070-063, and 225-0070-067 that is owned by the City at the formation of the CFD. This Parcel is leased to a nonexempt leasehold interest and is subject to levy of the Maximum Annual Special Tax in the same manner as any other Taxable Parcel pursuant to Section 53340.1 of the Act.

"Assessor" means the Assessor of the County of Sacramento.

"Authorized Facilities" means those improvements, as listed in the Resolution forming the CFD.

"Base Fiscal Year" means the Fiscal Year beginning July 1, 1998 and ending June 30, 1999.

"Bond Year" means the 12-month period ending on the second bond payment date of each calendar year as defined in the resolution authorizing the issuance of bonds.

"Catch-up Special Tax" means a one-time special tax assigned to Annexation Parcels as described in Section 4.

"CFD" means the North Natomas Drainage Basins 5 & 6 Community Facilities District No. 2 of the City of Sacramento, California.

"City" means City of Sacramento, California.

"Council" means the City Council of the City of Sacramento acting for the CFD under the Act.

"County" means the County of Sacramento, California.

"Debt Service" means for each Fiscal Year or Bond Year, the total amount of principal and interest for any bonds, notes or certificates of participation of the City for the CFD during that Fiscal Year or Bond Year, less any applicable credits that may be available from any other sources available to the City to pay principal and interest for the previous or current Fiscal Year or Bond Year.

"Developable Parcel" means a Parcel that is developable as a result of the construction of drainage improvements funded by outstanding bonds of the CFD.

"Development-Restricted Parcel" means a Parcel that is not developable until additional drainage improvements are funded by the CFD. The Maximum Annual Special Tax Rate for a Development-Restricted Parcel is set at fifty percent (50%) of a

Developable Parcel's Maximum Annual Special Tax Rate for the given Parcel. (Note: The CFD Financing Plan assumes a series of bond issues and some parcels may not be have adequate drainage until facilities are constructed in a later bond issue.)

"Drainage Shed 5 Parcel" means a Parcel located within Drainage Shed 5 as shown in **Attachment 3**.

"Drainage Shed 6 Parcel" means a Parcel located within Drainage Shed 6 as shown in **Attachment 3**.

"Estimated Net Acres" means the actual Net Acre of a Parcel(s) or an approximation of the Net Acres based upon the total Gross Developable Acres less an allowance for minor streets as indicated in the North Natomas Community Plan.

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

"Gross Acre" means the entire area of a Parcel prior to dedication of major streets, schools, parks, open space and other public right-of-way.

"Gross Developable Acre" means the area of a Parcel associated with residential and non-residential uses after dedication of major streets, but prior to dedication of minor streets.

"Maximum Annual Special Tax" means the greatest amount of Special Tax that can be levied against a Parcel calculated by multiplying the Maximum Annual Special Tax Rate times the relevant acres (Gross, Gross Developable, or Net) or units of the parcel.

"Maximum Annual Special Tax Rate" means the amount shown in **Attachment 1** that is used in calculating the Maximum Annual Special Tax for a Parcel based on its land use classification and location in a given Fiscal Year.

"Maximum Annual Special Tax Revenue" means the greatest amount of revenue that can be collected in total from a group of Parcels by levying the Maximum Annual Special Tax Rates.

"Net Acre" is the area of a Parcel associated with residential and non-residential uses after dedication of all public uses and rights-of-way.

"Non-Residential Development" means a Taxable Parcel designated for commercial, office, light industrial, sports complex, or similar use as defined in the North Natomas Community Plan.

"Parcel" means any Assessor's parcel in the CFD based on the equalized tax rolls of the County as of March 1 of each Fiscal Year.

"Parcel Number" means the Assessor's Parcel Number for any Parcel based on the equalized tax rolls of the County as of January 1 of each Fiscal Year.

"Prepayment" means the permanent satisfaction of all of the Special Tax obligation for one or more Parcels by a cash settlement with the City as permitted under Government Code Section 53344 and described in Section 6. Prepayment may occur before or after the initial bond sale, with differing criteria.

"Prepayment Parcel" means a Parcel that has permanently satisfied all of the Special Tax obligation by a cash settlement with the City as permitted under Government Code Section 53344 and described in Section 6.

"Public Parcel" means any Parcel, in its entirety, that is or is intended to be publicly owned in the North Natomas Community Plan as adopted by the City--or as subsequently designated by the City--that is normally exempt from the levy of general ad valorem property taxes under California law, including public streets; schools; parks; and public drainageways, public landscaping, wetlands, greenbelts, and public open space. These parcels are exempt from the levy of Special Taxes as described below. The Arena and Stadium Parcels are not defined as Public Parcels. These Parcels have separate definitions.

"Reimbursement Parcel" means a Parcel for which the Parcel owner has advanced-funded all of the Parcel's allocated CFD drainage improvement costs, as determined by the City, but has not received any reimbursement from CFD bond proceeds. Once a reimbursement has been made, the Parcel shall be reclassified as a Developable Parcel or a Development-Restricted Parcel.

"Remediation Parcel" means a Parcel within Assessor Parcel Numbers (APN) 225-015-14, 225-015-15, 225-015-18, 225-015-28, 225-015-30 and 225-015-032 that contain toxics and therefore require cleanup and abatement. A Remediation Parcel shall remain non-taxable until the City declares it to have been remediated. Once declared remediated, that Parcel shall become a Taxable Parcel.

"Special Tax(es)" mean(s) any tax levy under the Act in the CFD.

"Stadium Parcel" means the Parcel with Assessor Parcel Number 225-0070-076 that is owned by the City at the formation of the CFD. This Parcel will remain a Tax-Exempt Parcel until it is transferred to private ownership, through sale or lease; or when there a funding mechanism to pay Special Taxes that is acceptable to the City Council is identified.

"Tax Collection Schedule" means the document prepared by the City for the County Auditor-Controller to use in levying and collecting the Special Taxes each Fiscal Year.

"Taxable Parcel" means any Parcel that is not a Tax-Exempt Parcel or a Remediation Parcel.

"Tax-Exempt Parcel" means a Parcel not subject to the Special Tax. Tax-Exempt Parcels include: (i) Public Parcels (subject to the limitations set forth in Section 4,

below), (ii) any Prepayment Parcel, and the (iii) the Stadium Parcel (subject to the limitations set-forth above and in Section 4). Certain non-developable privately owned Parcels, such as common areas, wetlands, and open space, may also be exempt from the levy of Special Taxes as determined by the City.

3. Termination of the Special Tax

The Special Tax will be levied and collected from Taxable Parcels in the CFD for as long as needed to pay the principal and interest on debt for the Bonds issued to fund Authorized Facilities. However, in no event shall the Special Tax be levied after Fiscal Year 2039-2040.

When all of the bonds issued to pay for Authorized Facilities have been retired, the Special Tax shall cease to be levied. The City shall direct the County Recorder to record a Notice of Cessation of Special Tax. Such notice will state that the obligation to pay the Special Tax has ceased and that the lien imposed by the Notice of Special Tax Lien is extinguished.

4. Assignment of Maximum Annual Special Tax

A. Classification of Parcels. By May 1 of each Fiscal Year, using the Definitions above, the parcel records of the Assessor's Secured Tax Roll as of January 1, and other City development approval records, the City shall cause:

1. Each Parcel to be classified as a Tax-Exempt Parcel, Remediation Parcel, Reimbursement Parcel, or a Taxable Parcel;

However, Taxable Parcels that are acquired by a public agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Government Code. An exception to this may be made if Public Parcels, such as a school site, are relocated and the previously Tax-Exempt Parcels of comparable acreage become Taxable Parcels. This trading of Parcels will be permitted to the extent that there is no net loss in maximum Special Tax revenue.

2. Each Taxable Parcel to be further classified as a Drainage Shed 5 Parcel or a Drainage Shed 6 Parcel.
3. Then each Taxable Parcel to be further classified as a Developable Parcel, Development-Restricted Parcel, or Prepayment Parcel. Once classified as a Developable Parcel, no Parcel shall be removed from that classification unless the Parcel becomes a Prepayment Parcel.

B. Assignment of Maximum Annual Special Tax. The City shall assign the appropriate Maximum Annual Special Tax for the Fiscal Year of the tax levy to each Taxable Parcel as follows:

1. Developable Parcels

Attachment 1 shows the Maximum Special Tax Rates for Developable Parcels for each Land Use Category within each Drainage Shed by Fiscal Year.

2. Development-Restricted Parcels

The Maximum Special Tax Rates of Development-Restricted Parcels shall be 50% of the Maximum Special Tax Rates for Developable Parcels as shown on **Attachment 1**.

3. Reimbursement Parcels

The Maximum Special Tax Rate for a Reimbursement Parcel shall be set to zero until it is reclassified as a Developable Parcel or a Development-Restricted Parcel.

4. Residential Parcels

The Maximum Special Tax Rate for a single-family residential, duplex, and condominium Parcel shall be calculated by the following steps:

- a) calculate the total Maximum Special Tax Revenue for the Net Acres of the Final Map or Parcel Map creating the single-family, duplex, or condominium Parcels; and,
- b) divide the Maximum Special Tax Revenue from a) by the total number of Parcels created in the Final Map or Parcel Map.

5. Stadium Parcel

The Maximum Special Tax Rate for the Stadium Parcel shall be set to zero until it is transferred to private ownership through a sale, is controlled by a private entity through a lease, or a funding mechanism acceptable to the City Council is identified to pay the Special Taxes. Once one of these events occurs, the Stadium Parcel shall be treated as a Developed Parcel for purposes of setting the Maximum Annual Special Tax.

6. Arena Parcel

The Arena Parcel will be treated as any other Taxable Parcel for purposes of setting the Maximum Annual Special Tax.

C. Annexation Parcels. Parcels annexing to the CFD shall have their Maximum Special Tax Rate assigned by following the procedures in Section 4.B above. In addition, a Catch-up special tax shall be charged to the annexing Parcel. The Catch-up Special Tax will be set equal to sum of the Special Taxes levied for Development-Restricted Parcels within the same Drainage Shed for the prior ten Fiscal Years in which the special tax was levied times the gross acres of the annexing Parcel. The Catch-up Special Tax shall be paid prior to or concurrent with annexation.

D. Conversion of a Tax-Exempt Parcel to a Taxable Parcel. If a Tax-Exempt Parcel is not needed for public use and is converted to a taxable use, it shall become subject to the Special Tax. The Maximum Annual Special Tax for such a Parcel shall be assigned according to the 4.A and 4.B above and excluded from the provisions of Section 4.C. The catch-up tax provisions described in Section 4.C.1 will not apply to a Parcel converted to a Taxable Parcel under this section.

5. Calculating Annual Special Taxes

The City shall compute the Annual Costs and determine the Maximum Annual Special Tax for each parcel based on the assignment in the Special Tax in Section 4. The City will then determine the tax levy for each parcel using the following process:

- A. Computes the Annual Cost using the definition in Section 2 for the Fiscal Year.
- B. Calculate the Special Tax for each Taxable Parcel by the following steps:
 - Determine if sufficient special tax revenues are available by taxing each Developable Parcel at 100% of its Maximum Annual Special Tax. If revenues are greater than the Annual Costs, the tax is reduced proportionately until the tax levy is set at an amount sufficient to cover Annual Costs.
 - If revenues from taxing Developable Parcels at 100% of their Maximum Annual Special Tax are not sufficient, the City will then proportionately levy the tax on Development-Restricted Parcels up to 100% of their Maximum Annual Special Tax (50% of their Maximum Annual Special Tax as Developable Parcels) until the tax levy is set at an amount sufficient to cover Annual Costs.
- C. Levy on each Taxable Parcel the amount calculated above.

D. Prepare the Tax Collection Schedule listing the Special Tax levy for each Taxable Parcel and send it to the County Auditor-Controller requesting that it be placed on the general, secured property tax roll for the Fiscal Year. The Tax Collection Schedule shall not be sent later than the date required by the Auditor-Controller for such inclusion.

The City shall make every effort to correctly calculate the Special Tax for each Parcel. It shall be the burden of the taxpayer to correct any errors in the determination of the parcels subject to the tax and their Special Tax assignments.

6. Prepayment of Special Tax Obligation

With a Prepayment, a landowner may permanently satisfy the Special Tax obligation for one or more Parcels. By exercising the right to Prepayment, a landowner can eliminate the future annual Special Tax liability for one or more Parcels.

Prepayment is permitted only under the following conditions:

- The City determines that the Prepayment does not jeopardize the ability to make timely payments of Debt Service on outstanding bonds.
- Any landowner who wishes to exercise the right to a Prepayment for a Parcel must pay any and all delinquent Special Taxes and penalties, and any Catch-up Special Taxes attributable to that Parcel.
- Prepayment shall be made on or before June 1 in order to prevent the levy of special taxes due during the Fiscal Year beginning July 1.

The total Prepayment amount will include the Parcel's proportionate share of all estimated costs necessary to construct the Authorized Facilities (the "base Prepayment amount") plus any additional administrative and financing costs necessary to redeem bonds and calculate the prepayment. These calculations are described below.

The base Prepayment amount will vary each year depending upon whether or not bonds have been issued and whether any bonds have been redeemed. The base Prepayment amount will be recalculated with each bond issue and on an annual basis at the time that the CFD's annual report is prepared. The annual base Prepayment amount shall be calculated using the following steps.

Step 1: Determine the total number of acres within the CFD in each of the following categories: Gross Acres, Gross Developable Acres, and Net Acres. The acreage of all prior Prepayment Parcels will be excluded from the calculation of total acres.

- Gross Acres equal the original Gross Acres at the formation of the CFD plus any acreage that has been annexed into the CFD.
- If the acreage in the Gross Developable Acreage category is not known, it will be set by multiplying Gross Acres by a factor of 0.729.

- If the acreage in the Net Acreage category is not known, it will be set by multiplying Gross Developable Acres by a factor of 0.857.

Step 2: Determine the amount of the facility construction cost including CFD formation costs; total bond authorization; or total outstanding bonds, if all bonds have been issued. The facility construction cost will be based on the cost of facilities that have been constructed or bid plus the estimated cost of facilities yet to be constructed or bid with inflation to date.

Step 3: Calculate the base Prepayment amount per acre based on the location of the Prepayment Parcel:

Drainage Shed 5 Parcels: Divide the appropriate cost basis (construction cost, bond authorization, or total outstanding bonds) by the acreage from each of the three acreage categories. Where the cost basis is the bond authorization or outstanding bonds, multiply the product of the previous calculation by a factor of 0.925 (to account for the Parcel's share of the Reserve Fund). Multiply the Parcel's total acreage by the appropriate cost per acre (e.g., per Gross Acre, Gross Developable Acre, or Net Acre) to arrive at the base Prepayment amount.

Drainage Shed 6 Parcels: Divide the appropriate cost basis (construction cost, bond authorization, or total outstanding bonds) by the acreage from each of the three acreage categories. Where the cost basis is the bond authorization or outstanding bonds, multiply the product of the previous calculation by a factor of 0.925 (to account for the Parcel's share of the Reserve Fund). Multiply the Parcel's total acreage by the appropriate cost per acre (e.g., per Gross Acre, Gross Developable Acre, or Net Acre) to arrive at the base Prepayment amount.

Step 4: Update **Attachment 2** based on the above calculations to reflect the base Prepayment amount per acre for the upcoming Fiscal Year. The **Attachment 2** included in this document is as of the formation of the CFD based on the current estimated acreage, by category, and estimated costs.

The following steps will be used to determine a Parcel's total Prepayment Amount.

Step 5: Determine whether the acreage of the Parcel making a Prepayment is Gross Acres, Gross Developable Acres, or Net Acres and determine whether the Parcel is a Drainage Shed 5 Parcel or a Drainage Shed 6 Parcel.

Prior to First Bond Sale (skip to Step 8 if bonds have been sold)

Step 6: If the Prepayment is made prior to the first bond sale, the City will determine the Parcel's base Prepayment amount by multiplying the base Prepayment Amount per acre from column 1 of **Attachment 2**--for the appropriate acreage and location category--by the Parcel's total acreage.

Step 7: Determine the total Prepayment amount for a Parcel by adding to the base Prepayment amount calculated in Step 5 and the City's administrative cost for calculating these amounts.

Subsequent to the Initial Sale of Bonds

Step 8: Determine if all bonds have been sold or if the District is between the first and last bond sale. This will determine the bond issuance category for the base Prepayment amount. If the District is between the first and last bond sale, column 2 of **Attachment 2** will be used. If all bonds have been sold, column 3 of **Attachment 2** will be used.

Step 9: Determine the Parcel's base Prepayment amount by multiplying the base Prepayment Amount per acre from either column 2 or 3 of **Attachment 2**--for the appropriate acreage, location, and bond issuance category--by the Parcel's total acreage.

Step 10: Determine the total Prepayment amount for a Parcel by adding to the base Prepayment amount calculated in Step 9 any fees, call premiums, amounts necessary to cover negative arbitrage from the date of the prepayment to first call date on the bonds, early call penalties, and other expenses incurred by the City in connection with the prepayment calculation or the application of the proceeds of the prepayment.

7. Records Maintained for the CFD

As development and subdivision of North Natomas takes place, the City will maintain a file containing records of the following information for each Parcel:

- the current Parcel Number;
- the Parcel acreage (gross, gross developable or net);
- the Maximum Annual Special Taxes which applied in each Fiscal Year; and
- the authorized Special Taxes levied in each Fiscal Year.

The file containing the information listed above will be available for public inspection.

8. Appeals

Any taxpayer that 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 will then promptly review the appeal, and if necessary, meet with the applicant. If the City verifies that the tax should be modified or changed, 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.

Annexation No. 1 to the North Natomas
CFD No. 2: Initiate Proceedings

October 25, 2005

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

Attachment 1
North Natomas Drainage CFD No. 2
Maximum Special Tax Rates for Developable Parcels [1]

Fiscal Year Ending	Maximum Special Tax					
	Drainage Shed 5 Parcels			Drainage Shed 6 Parcels		
	Per Gross Acre	Per Gross Developable Acre	Per Net Acre	Per Gross Acre	Per Gross Developable Acre	Per Net Acre
<i>June 30</i>						
1999	\$2,180	\$2,520	\$2,770	\$2,680	\$3,090	\$3,400
2000	\$2,224	\$2,571	\$2,825	\$2,734	\$3,152	\$3,468
2001	\$2,268	\$2,622	\$2,882	\$2,788	\$3,215	\$3,537
2002	\$2,313	\$2,674	\$2,940	\$2,844	\$3,279	\$3,608
2003	\$2,360	\$2,728	\$2,998	\$2,901	\$3,345	\$3,680
2004	\$2,407	\$2,782	\$3,058	\$2,959	\$3,412	\$3,754
2005	\$2,455	\$2,838	\$3,119	\$3,018	\$3,480	\$3,829
2006	\$2,504	\$2,895	\$3,182	\$3,079	\$3,549	\$3,906
2007	\$2,554	\$2,953	\$3,245	\$3,140	\$3,620	\$3,984
2008	\$2,605	\$3,012	\$3,310	\$3,203	\$3,693	\$4,063
2009	\$2,657	\$3,072	\$3,377	\$3,267	\$3,767	\$4,145
2010	\$2,711	\$3,134	\$3,444	\$3,332	\$3,842	\$4,227
2011	\$2,765	\$3,196	\$3,513	\$3,399	\$3,919	\$4,312
2012	\$2,820	\$3,260	\$3,583	\$3,467	\$3,997	\$4,398
2013	\$2,876	\$3,325	\$3,655	\$3,536	\$4,077	\$4,486
2014	\$2,934	\$3,392	\$3,728	\$3,607	\$4,159	\$4,576
2015	\$2,993	\$3,460	\$3,803	\$3,679	\$4,242	\$4,667
2016	\$3,053	\$3,529	\$3,879	\$3,753	\$4,327	\$4,761
2017	\$3,114	\$3,599	\$3,956	\$3,828	\$4,413	\$4,856
2018	\$3,176	\$3,671	\$4,035	\$3,904	\$4,502	\$4,953
2019	\$3,239	\$3,745	\$4,116	\$3,983	\$4,592	\$5,052
2020	\$3,304	\$3,820	\$4,198	\$4,062	\$4,683	\$5,153
2021	\$3,370	\$3,896	\$4,282	\$4,143	\$4,777	\$5,256
2022	\$3,438	\$3,974	\$4,368	\$4,226	\$4,873	\$5,361
2023	\$3,506	\$4,054	\$4,455	\$4,311	\$4,970	\$5,469
2024	\$3,577	\$4,135	\$4,544	\$4,397	\$5,069	\$5,578
2025	\$3,648	\$4,217	\$4,635	\$4,485	\$5,171	\$5,690
2026	\$3,721	\$4,302	\$4,728	\$4,575	\$5,274	\$5,803
2027	\$3,795	\$4,388	\$4,823	\$4,666	\$5,380	\$5,919
2028	\$3,871	\$4,475	\$4,919	\$4,759	\$5,487	\$6,038
2029	\$3,949	\$4,565	\$5,017	\$4,855	\$5,597	\$6,159
2030	\$4,028	\$4,656	\$5,118	\$4,952	\$5,709	\$6,282
2031	\$4,108	\$4,749	\$5,220	\$5,051	\$5,823	\$6,407
2032	\$4,190	\$4,844	\$5,325	\$5,152	\$5,940	\$6,536
2033	\$4,274	\$4,941	\$5,431	\$5,255	\$6,058	\$6,666
2034	\$4,360	\$5,040	\$5,540	\$5,360	\$6,180	\$6,800
2035	\$4,447	\$5,141	\$5,650	\$5,467	\$6,303	\$6,936
2036	\$4,536	\$5,244	\$5,763	\$5,576	\$6,429	\$7,074
2037	\$4,627	\$5,349	\$5,879	\$5,688	\$6,558	\$7,216
2038	\$4,719	\$5,456	\$5,996	\$5,802	\$6,689	\$7,360
2039	\$4,814	\$5,565	\$6,116	\$5,918	\$6,823	\$7,507
2040	\$4,910	\$5,676	\$6,239	\$6,036	\$6,959	\$7,657

"attachment_1"

[1] The Maximum Annual Special Tax for Development-Restricted Parcels is set at 50 percent of the Maximum Annual Special Tax for Developable Parcels shown above.

Attachment 2
North Natomas Drainage CFD No. 2
Estimated Base Prepayment Amount
(Amounts shown are subject to change annually)

	Column 1	Column 2	Column 3
	Prior to 1st Bond Sale 1998\$	Between 1st & Last Bond Sale Inflated \$	After Last Bond Sale Inflated \$
Construction and Formation Cost - 1996 \$ [1]	\$19,590,771	\$20,690,345	\$20,690,345
Estimated Bonds - Inflated \$ [1]	n/a	\$32,000,000 authorization	\$28,966,483 estimated
Shed 5 Parcels Prepayment			
Share of Facilities Cost	40.99%	40.99%	40.99%
Gross Acre	\$15,437	\$25,215	\$22,825
Gross Developable Acre	\$17,643	\$28,819	\$26,087
Net Acre	\$19,590	\$31,999	\$28,966
Shed 6 Parcels Prepayment			
Share of Facilities Cost	59.01%	59.01%	59.01%
Gross Acre	\$18,956	\$30,963	\$28,028
Gross Developable Acre	\$21,665	\$35,388	\$32,034
Net Acre	\$24,056	\$39,294	\$35,569
<hr/>			
Initial Estimated CFD Acreage			
	<u>Shed 5</u>	<u>Shed 6</u>	<u>Total</u>
Gross Acres [3]	520.2	609.9	1,130.1
Gross Developable Acres [3]	455.1	533.6	988.7
Net Acres [3]	409.9	480.6	890.5

"prepayment"

Notes: Assumes 7.5% reserve fund credit.

- [1] Determined annually under Step 2 of the Prepayment formula described in Section 6.
- [2] Determined annually under Step 3 of the Prepayment formula described in Section 6. Add to these amounts the additional costs described under Steps 6 and 9 of Section 6 to arrive at the total Prepayment Amount.
- [3] Determined annually under Step 1 of the Prepayment formula described in Section 6.

Attachment 3

North Natomas CFD No. 2

