RESOLUTION NO. 2005-865

Adopted by the Sacramento City Council

November 29, 2005

ANNEXING TERRITORY TO THE NORTH NATOMAS DRAINAGE COMMUNITY FACILITIES DISTRICT NO. 97-01 (ANNEXATION NO. 1), PROVIDING FOR THE LEVY A SPECIAL TAX WITHIN THE ANNEXED TERRITORY TO FINANCE DRAINAGE FACILITIES AND LAND ACQUISITION, AND CALLING A SPECIAL ELECTION ON LEVYING THE SPECIAL TAX AND ESTABLISHING AN APPROPRIATIONS LIMIT

BACKGROUND:

A. The City Council has previously established the City of Sacramento North Natomas Drainage Community Facilities District No. 97-01 (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 financing, acquisition, and construction of drainage facilities and to pay for the acquisition of land needed to provide habitat mitigation, all in accordance with the Act.

B. On October 25, 2005, the City Council adopted Resolution No. 2005-766, declaring its intent to annex territory to the District (the "Resolution of Intention"). The territory to be annexed will be designated as "City of Sacramento North Natomas Drainage Community Facilities District No. 97-01, Annexation No. 1" ("Annexation No. 1") and is depicted on the map attached to this resolution as **Exhibit A**.

C. As described in the Resolution of Intention, the public facilities provided in and for the District, and the public facilities to be provided in and for Annexation No. 1, are as follows: levees, channel improvements, and pumping plants, plus all necessary appurtenances to these facilities and all rights in real and personal property needed for these facilities; and land for habitat mitigation as required by the Natomas Basin Habitat Conservation Plan (collectively, the "Public Facilities"). 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 and in Annexation No. 1. To pay cost of financing, acquiring, and constructing the Public Facilities, as well as the cost of establishing the District and annexing the territory shown in Exhibit A, the Resolution of Intention proposes that a special tax be levied annually on all nonexempt real property within Annexation No. 1. The proposed special-tax formula (i.e., the rate, method of apportionment, and manner of collection for the tax) is attached to this resolution as **Exhibit B**.

D. The Resolution of Intention fixed 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 No. 1, the proposed special-tax formula, and all other matters set forth in the Resolution of Intention. The City Clerk has published and mailed notice of the hearing as directed by the Resolution of Intention.

E. The Development Engineering and Finance Manager, Development Services Department, prepared the report required by section 53321.5 of the Act and filed the report with the City Council, all as directed by the Resolution of Intention. The City Council has reviewed the report and directs that it be included in the record of the public hearing.

F. At the time and place fixed by the Resolution of Intention, the City Council convened the public hearing, during which it considered the proposed Annexation No. 1, the proposed special-tax formula, and all other matters set forth in the Resolution of Intention. All interested persons were given the opportunity to appear and be heard, including all registered voters, taxpayers, and owners of land within proposed Annexation No. 1, and the City Council heard and considered testimony for and against the annexation, the levy of the special tax, the extent of territory to be annexed, the Public Facilities to be provided, and any other matters addressed in the Resolution of Intention.

G. No majority protest was presented at the public hearing in accordance with section 53339.6 of the Act. Accordingly, the City Council has determined to proceed with the proposed annexation and to call an election on whether a special tax should be levied on land within proposed Annexation No. 1 to pay for financing, acquiring, and constructing the Public Facilities and whether an appropriations limit (as defined by subdivision (h) of section 8 in article XIIIB of the California Constitution) should be established for Annexation No. 1.

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

Section 1. The statements in paragraphs A through G of the Background are accurate.

Section 2. The City Council readopts the Resolution of Intention and confirms all of its findings and determinations. The proposed special-tax formula (i.e., the rate, method of apportionment, and manner of collection of the special tax) in and for Annexation No. 1 is set forth in Exhibit B to this resolution, and, upon the recording of a notice of special-tax lien in accordance with section 3114.5 of the Streets and Highways Code, a continuing lien to secure each levy of the special tax will attach to all nonexempt real property within Annexation No. 1. This lien will continue in effect until the City Council discontinues collection of the tax or until the lien is cancelled in accordance with law.

Section 3. The City Council finds and determines that written protests to the proposed annexation, the proposed levy of the special tax, the extent of the territory to be annexed, or the Public Facilities are insufficient to constitute a majority protest under the Act. Accordingly, the City Council overrules all such protests.

Section 4. The City Council finds and determines that all of its prior proceedings concerning the proposed annexation were and are valid and in conformity with the Act. Accordingly, the City Council determines that, consistent with the Resolution of Intention, the territory depicted on the map attached to this resolution as Exhibit A is added to the District as Annexation No. 1.

Section 5. Except when funds are otherwise available, a special tax sufficient to pay the costs of financing, acquiring, and constructing the Public Facilities will be levied annually within the boundaries of Annexation No. 1. For purposes of this resolution, the costs of financing, acquiring, and constructing the Public Facilities include but are not limited to the following: 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 to finance the acquisition and construction of the Public Facilities, with determining the amount of any taxes, and with collecting or paying any taxes; costs of paying interest on, and principal of, the bonds; costs of repaying any funds the City advances (or has advanced) for the District or for Annexation No. 1; costs of repaying any funds advanced for the District or for Annexation No. 1, or of reimbursing for work provided in kind for the Public Facilities (at the lesser of value or cost), when repayment or reimbursement is made under an agreement with the person or entity who advanced the funds or provided the work; and costs otherwise incurred to carry out the authorized purposes of the District, together with any other expenses incidental to financing, acquiring, or constructing the Public Facilities. The tax will be secured by recordation of a continuing lien against all nonexempt property within Annexation No. 1. Exhibit B to this resolution sets forth the special-tax formula (i.e., the rate, method of apportionment, and manner of collection or the special tax) in sufficient detail to allow each landowner or resident within Annexation No. 1 to estimate the maximum amount the landowner or resident will have to pay.

Section 6. In accordance with section 53317.3 of the Act, the City Council intends to levy the special tax on property that is not otherwise exempt from the tax and 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. The City Council orders that a special election be held on **Wednesday, December 21, 2005**, within in the territory to be annexed. At the election, the proposal to levy the special tax described in this resolution and to establish an annual (fiscal year) appropriations limit of **$15,000** shall be submitted to the qualified electors of Annexation No. 1.

Section 10. The City Clerk is directed to conduct the special election in accordance with the Act, other applicable law, and the following provisions:

(a) The election shall be conducted, the votes canvassed, the returns made, and the results determined as provided in this resolution. For matters not addressed by this resolution, the Act and the law for conducting general elections in the City shall govern.

(b) All landowners within Annexation No. 1 on the date of the special election shall be qualified to vote on the proposition to be submitted.

(c) The special election shall be conducted as a mailed-ballot election in accordance with section 4000 et seq. and section 4108 of the Elections Code and the City's prior proceedings under those sections; hence, there will be no polling places for the election. The City Clerk shall deliver all ballots to the eligible landowners, and all voted ballots must be received at the City Clerk's office no later than 5:00 p.m. on election day to be counted; however, if all qualified electors have voted before that deadline, then the election shall be closed earlier.

Section 11. Each voter who votes for the proposition submitted at the election (i.e., in favor of the special tax and the appropriations limit) shall mark a cross (+) in the blank space opposite the word "YES" on the ballot to the right of the proposition, using either a pen or a pencil. Each voter who votes against the proposition submitted at the election (i.e., against the special tax and the appropriations limit) shall mark a cross (+) in the blank space opposite the word "NO" on the ballot to the right of the proposition, using either a pen or a pencil.

Section 12. The City Clerk shall commence the canvass of the election returns at 5:00 p.m. on Wednesday, December 21, 2005, at her office in Historic City Hall, 915 I Street, Sacramento, California. At the conclusion of the canvass, the City Clark shall determine the election results. If, however, all qualified electors have voted before that time and date, then the City Clark shall close the election, canvass the election returns, and determine the election results.

Section 13. At its regular afternoon meeting (2:00 p.m.) on Tuesday, January 10, 2006, the City Council will declare the election results and direct that a statement of the results be included in the minutes for the meeting. If, after reviewing the City Clerk's canvass

of returns and determination of election results, the City Council determines that two-thirds of the votes cast on the proposition are in favor of levying the special tax and establishing the appropriations limit, then the City Council may levy the special tax and establish the appropriations limit. The special tax may be levied only at the rate and may be apportioned only in the manner specified in this resolution and in accordance with the Act, subject to the following: the tax may be levied at a rate lower than that specified in this resolution. The special tax may be levied only as long as it is needed to pay the costs of financing, acquiring, and constructing the Public Facilities.

Section 14. Robert Cooper, a Senior Engineer with the City's Development Services Department (Special Districts), is responsible for (a) preparing a current roll of special-tax levy obligations, using parcel numbers assigned by the Sacramento County Assessor; and (b) estimating future special-tax levies in accordance with section 53340.1 of the Act. His address is 915 I Street, Third Floor, Sacramento, California 95814; his telephone number is (916) 808-5778.

Section 15. Exhibits A and B are part of this resolution.

Adopted by the City of Sacramento City Council on November 29, 2005 by the following vote:

Ayes: Councilmembers Cohn, Fong, Hammond, McCarty, Pannell, Sheedy, Tretheway, Waters and Mayor Fargo.

Noes: None

Abstain: None

Absent: None.

Heather Fargo

Mayor Heather Fargo

Attest:

Shirley Concolino

Shirley Concolino, City Clerk

Exhibit A

Annexation #1 to the North Natomas Drainage Community Facilities District No. 97-01

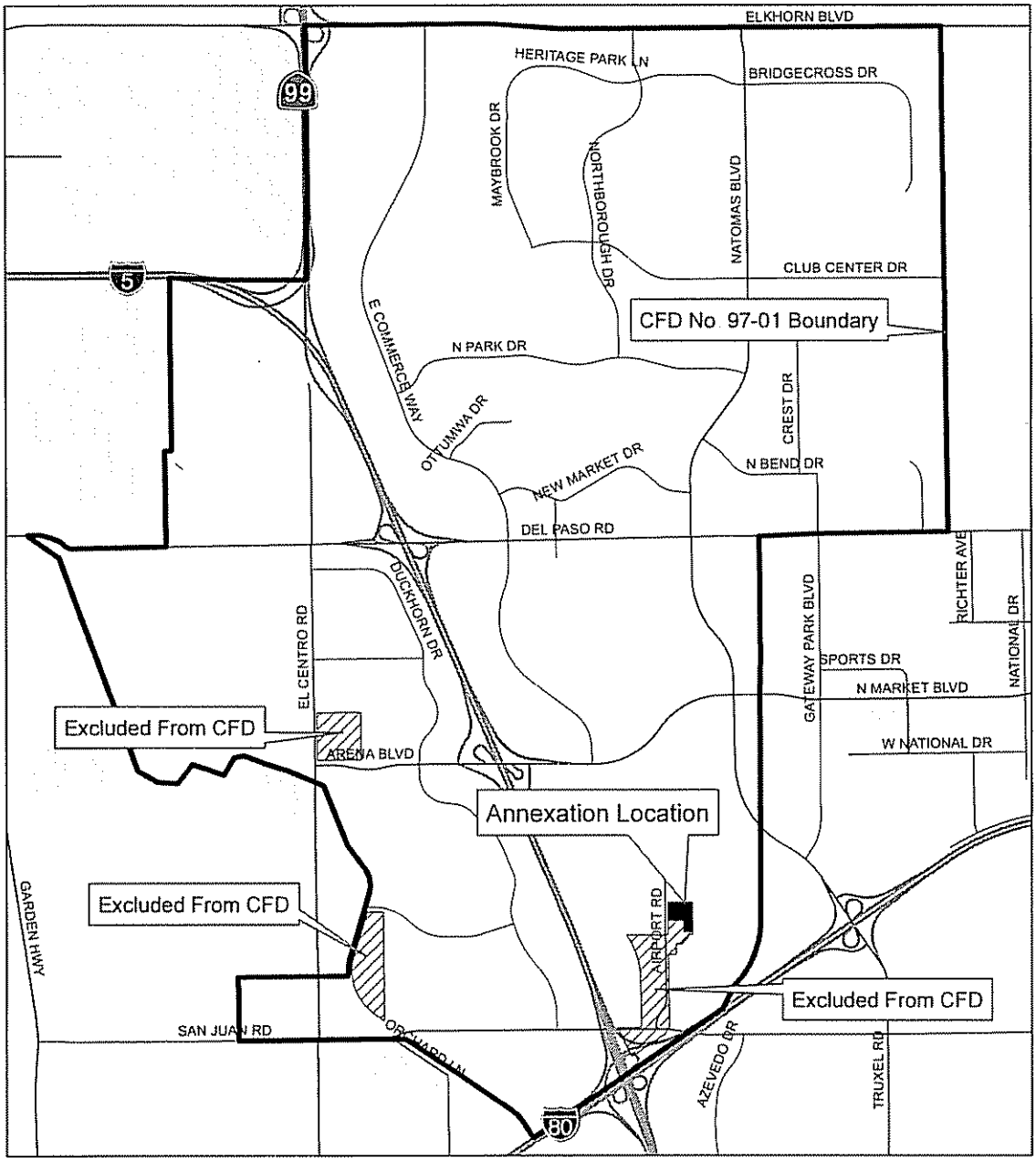

Exhibit B

City of Sacramento, California
North Natomas Drainage
Community Facilities District No. 97-01

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 Community Facilities District No. 97-01 (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 which 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.

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

"**Authorized Facilities**" means those improvements, as listed in the Resolution forming the CFD adopted on March 4, 1997.

"**Base Fiscal Year**" means the Fiscal Year beginning July 1, 1997 and ending June 30, 1998.

"**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 Community Facilities District No. 97-01 of the City of Sacramento, California.

"**City**" means City of Sacramento, California.

"**City Stadium Parcel**" means the City-owned parcel with Assessor's Parcel Number 225-0070-076 designated in the Community Plan as a sports stadium. This Parcel shall be classified into Land Use Category 5 until it is certified as a Developed Parcel by the City or is transferred to a private owner. For this Parcel, Developed Parcel means that an occupancy permit has been issued. Once the Parcel is a Developed Parcel, it will be treated as Land Use Category 3 and taxed the same as other Developed Parcels. The Parcel will not be considered an Undeveloped Parcel for the purpose of calculating the annual levy as described in Section 5. If transferred to a private owner, the Parcel will be treated like any other Taxable Parcel.

"**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.

"**Developed Parcel**" means a Parcel which has:

- an approved final small lot map for residential uses permitting up to 2 units per lot,
- an approved special use permit for residential use permitting 3 or more units per lot, or

- an approved special use permit for Non-Residential Development.

Once classified as developed, no Parcel shall be removed from the developed classification unless the special use permit expires, is revoked, or is otherwise terminated.

"**Development Year**" means, for each Developed Parcel, the Fiscal Year in which the Parcel changes classifications from Undeveloped Parcel to Developed Parcel.

"**Estimated Net Acre**" 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.

"**East of I-5 Parcel**" means a Parcel located on the east side of Interstate 5.

"**Final Map Parcel**" means a Parcel which has:

- an approved large lot final map, or
- an approved final master parcel map.

"**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.

"**Land Use Category 1**" means a Developed Parcel with an approved land use for a single family, detached residential dwelling unit.

"**Land Use Category 2**" means a Developed Parcel with an approved land use for a duplex (two units per lot) or condominium (more than two attached dwelling units which are owned individually).

"**Land Use Category 3**" means a Developed Parcel with an approved land use for other than Land Use Category 1 or 2 land uses such as three or more attached residential units owned in common, non-residential uses, or a combination thereof.

"**Land Use Category 4**" means a Final Map Parcel.

"**Land Use Category 5**" means a Tentative Map Parcel or an Unmapped Parcel.

"**Master Parcel Map**" means a map that subdivides large tracts of land into smaller parcels for the purpose of later selling or otherwise transferring the parcels for further subdivision in accordance with City procedures, or for the purpose of securing financing, together with planning and construction of infrastructure elements, but not for the

purpose of creating either individual residential lots for sale to end-user homeowners, and not for the purpose of allowing construction or other improvements on non-residential parcels.

"**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 or units of the parcel.

"**Maximum Annual Special Tax Rate**" means the amount shown in either **Attachments 1 or 2** for a Fiscal Year that is used in calculating the Maximum Annual Special Tax for a Parcel based on its land use classification.

"**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 or the sports complex 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 March 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 which 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. Any such Parcel shall be a Tax-Exempt Parcel, except for Taxable parcels that are acquired by a public agency, in which case the Special Tax obligation for such parcels

shall be required to be permanently satisfied pursuant to Sections 53317.3 and 53317.5 of the Government Code by the procedure described in Section 6.

"**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.

"**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) or (ii) any Prepayment Parcel. Certain non-developable privately-owned Parcels may also be exempt from the levy of Special Taxes as determined by the City such as common areas, wetlands, and open space.

"**Tentative Map**" means a tentative subdivision map defined under the California Subdivision Map Act and Title 40 of the Sacramento City Code.

"**Tentative Map Parcel**" means a Parcel which has an approved Tentative Master Parcel Map or an approved Tentative Map.

"**Undeveloped Parcel**" means a Parcel which is not a Developed Parcel.

"**Unmapped Parcel**" means a Parcel without an approved tentative master parcel map.

"Veteran Developed Parcel" means a Parcel which had been classified as a Developed Parcel for thirty years. After 30 years of being subject to the Special Tax as a Developed Parcel, the Veteran Developed Parcel is only subject to the Special Tax if there is a shortfall in the revenues generated from all other Taxable Parcels to pay for the Annual Cost of the CFD.

"**West of I-5 Parcel**" means a Parcel located on the west side of Interstate 5.

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, 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 classified as an East of I-5 Parcel or West of I-5 Parcel.

3. Each East of I-5 Parcel and West of I-5 Parcel to be further classified as a Developed Parcel, Veteran Developed Parcel or Undeveloped Parcel. Once classified as developed, no Parcel shall be removed from the developed classification unless the special use permit expires, is revoked, is otherwise terminated, or the Parcel is classified as a Veteran Developed Parcel.

4. Each Developed Parcel or Veteran Developed Parcel will be classified as Land Use Category 1, 2 or 3.

5. Each Undeveloped Parcel will be classified as Land Use Category 4 or 5.

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. Developed Parcels and Veteran Developed Parcels

Attachment 1 shows the Maximum Special Tax Rates for Developed Parcels and Veteran Developed Parcels for each Land Use Category by Fiscal Year. The only change in the Maximum Annual Special Tax for a Developed Parcel shall be if a Prepayment occurs after the Development Year in accordance with Section 6 below.

2. Undeveloped Parcels

Attachment 2 shows the Maximum Special Tax Rates for Undeveloped Parcels for each Land Use Category by Fiscal Year.

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.

1. Catch-up Special Tax. Parcels, included within the boundaries of the Finance Plan Area as identified in the August 9, 1994 North Natomas Finance Plan, annexing to the District after the CFD is formed are subject to the Catch-up Special Tax. The catch-up special tax will be set equal to sum of the applicable Maximum Special Tax per Acre for Land Use Category 5 for the prior ten Fiscal Years in which the special tax was levied for Undeveloped Parcels times the gross acres of the annexing Parcel. The Catch-up Special Tax shall be paid prior to or concurrent with annexation.

2. Exempt Parcels. Those Parcels not included within the boundaries of the Finance Plan Area as identified in the August 9, 1994 North Natomas Finance Plan will not be subject to the Catch-up Special Tax.

   However, any Parcels added to the Finance Plan Area which do not concurrently annex to the CFD will be subject to the Catch-up Special Tax based on the years between annexation to the Financing Plan Area and annexation to the CFD.

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.

E. Development of the City Stadium Parcel or Transfer of the Parcel to a Private Owner. When the City Stadium Parcel is developed or ownership is transferred to a private owner, the City or private owner will be required to pay the Special Taxes that would have been paid if the City Stadium Parcel had been classified as an Undeveloped Parcel for each year that Special Taxes were levied on Undeveloped Parcels.

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 Developed Parcel at 100% of its Maximum Annual Special Tax. If revenues are greater than the Annual Costs, the tax is reduced proportionately against Developed Parcels until the tax levy is set at an amount sufficient to cover Annual Costs.

- If revenues from taxing Developed Parcels at 100% of their Maximum Annual Special Tax are not sufficient, the City will then proportionately levy the tax on Undeveloped Parcels up to 100% of their Maximum Annual Special Tax until the tax levy is set at an amount sufficient to cover Annual Costs.

- If revenues from taxing Developed Parcels and Undeveloped Parcels at 100% of their Maximum Annual Special Taxes are not sufficient, the City will then levy the tax on the City Stadium Parcel up to 100% of its Maximum Annual Special Tax until the tax levy is set at an amount sufficient to cover Annual Costs.

- If revenues from taxing Developed Parcels, Undeveloped Parcels, and the City Stadium Parcel at 100% of their respective Maximum Annual Special Taxes are not sufficient to pay for the Annual Cost, the City will then proportionately tax Veteran Developed Parcels up to 100% of the Maximum Special Annual Tax 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 or 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.

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

Parcels East of Interstate 5: Divide the appropriate cost basis (construction cost, bond authorization, or total outstanding bonds) by the acreage from each

of the three acreage categories. Multiply the dividend of the previous calculation by a factor of 1.1 (to account for cost allocation differences between West of I-5 and East of I-5). 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.

Parcels West of Interstate 5: Divide the appropriate cost basis (construction cost, bond authorization, or total outstanding bonds) by the acreage from each of the three acreage categories; multiply the dividend by a factor of 0.75 (to account for cost allocation differences between West of I-5 and East of I-5). 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 3** based on the above calculations to reflect the base Prepayment amount per acre for the upcoming Fiscal Year. The **Attachment 3** 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 West of I-5 Parcel or an East of I-5 Parcel.

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

Step 5: 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 3**--for the appropriate acreage and location category--by the Parcel's total acreage.

Step 6: In addition to the base Prepayment amount, the City will also require a contribution to the security fund for the notes issued related to the Habitat Conservation Plan (HCP) based on 10% of the HCP fee obligation for the parcel(s) prepaying. Payment will be made in cash or by another financial instrument acceptable to the City.

Step 7: Determine the total Prepayment amount for a Parcel by adding to the base Prepayment amount calculated in Step 5, the contribution towards the HCP security fund from Step 6, 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 land 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 3** will be used. If all bonds have been sold, column 3 of **Attachment 3** will be used.

Step 8: Determine the Parcel's base Prepayment amount by multiplying the base Prepayment Amount per acre from either column 2 or 3 of **Attachment 3**--for the appropriate acreage, location, and bond issuance category--by the Parcel's total acreage.

Step 9: Determine the total Prepayment amount for a Parcel by adding to the base Prepayment amount calculated in Step 8 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.

For each Developed Parcel, the City shall further maintain records of:

- the Parcel's Development Year; and
- the Parcel's net acreage;
- the amount of the Maximum Annual Special Tax applied in the Parcel's Development Year and each following Fiscal Year.

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

8. 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 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.

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. 97-01
Maximum Special Tax Rates for Developed Parcels and Veteran Developed Parcels

		Maximum Special Tax East of I-5 Land Use Category			Maximum Special Tax West of I-5 Land Use Category		
		1	2	3	1	2	3
Development Year	Fiscal Year Ending	Detached Res. Unit	Duplex/ Condominium	Other Res./ Non-Residential	Detached Res. Unit	Duplex/ Condominium	Other Res./ Non-Residential
	June 30	*per unit*	*per unit*	*per net acre [1]*	*per unit*	*per unit*	*per net acre [1]*
1	1998	$90.00	$60.00	$800.00	$63.00	$42.00	$560.00
2	1999	$91.80	$61.20	$816.00	$64.26	$42.84	$571.20
3	2000	$93.64	$62.42	$832.32	$65.55	$43.70	$582.62
4	2001	$95.51	$63.67	$848.97	$66.86	$44.57	$594.28
5	2002	$97.42	$64.95	$865.95	$68.19	$45.46	$606.16
6	2003	$99.37	$66.24	$883.26	$69.56	$46.37	$618.29
7	2004	$101.35	$67.57	$900.93	$70.95	$47.30	$630.65
8	2005	$103.38	$68.92	$918.95	$72.37	$48.24	$643.26
9	2006	$105.45	$70.30	$937.33	$73.81	$49.21	$656.13
10	2007	$107.56	$71.71	$956.07	$75.29	$50.19	$669.25
11	2008	$109.71	$73.14	$975.20	$76.80	$51.20	$682.64
12	2009	$111.90	$74.60	$994.70	$78.33	$52.22	$696.29
13	2010	$114.14	$76.09	$1,014.59	$79.90	$53.27	$710.22
14	2011	$116.42	$77.62	$1,034.89	$81.50	$54.33	$724.42
15	2012	$118.75	$79.17	$1,055.58	$83.13	$55.42	$738.91
16	2013	$121.13	$80.75	$1,076.69	$84.79	$56.53	$753.69
17	2014	$123.55	$82.37	$1,098.23	$86.49	$57.66	$768.76
18	2015	$126.02	$84.01	$1,120.19	$88.22	$58.81	$784.14
19	2016	$128.54	$85.69	$1,142.60	$89.98	$59.99	$799.82
20	2017	$131.11	$87.41	$1,165.45	$91.78	$61.19	$815.81
21	2018	$133.74	$89.16	$1,188.76	$93.61	$62.41	$832.13
22	2019	$136.41	$90.94	$1,212.53	$95.49	$63.66	$848.77
23	2020	$139.14	$92.76	$1,236.78	$97.40	$64.93	$865.75
24	2021	$141.92	$94.61	$1,261.52	$99.34	$66.23	$883.06
25	2022	$144.76	$96.51	$1,286.75	$101.33	$67.55	$900.72
26	2023	$147.65	$98.44	$1,312.48	$103.36	$68.91	$918.74
27	2024	$150.61	$100.41	$1,338.73	$105.43	$70.28	$937.11
28	2025	$153.62	$102.41	$1,365.51	$107.53	$71.69	$955.86
29	2026	$156.69	$104.46	$1,392.82	$109.68	$73.12	$974.97
30	2027	$159.83	$106.55	$1,420.68	$111.88	$74.59	$994.47
31	2028	$163.02	$108.68	$1,449.09	$114.12	$76.08	$1,014.36
32	2029	$166.28	$110.86	$1,478.07	$116.40	$77.60	$1,034.65
33	2030	$169.61	$113.07	$1,507.63	$118.73	$79.15	$1,055.34
34	2031	$173.00	$115.33	$1,537.79	$121.10	$80.73	$1,076.45
35	2032	$176.46	$117.64	$1,568.54	$123.52	$82.35	$1,097.98
36	2033	$179.99	$119.99	$1,599.91	$125.99	$84.00	$1,119.94
37	2034	$183.59	$122.39	$1,631.91	$128.51	$85.68	$1,142.34
38	2035	$187.26	$124.84	$1,664.55	$131.08	$87.39	$1,165.18
39	2036	$191.01	$127.34	$1,697.84	$133.70	$89.14	$1,188.49
40	2037	$194.83	$129.88	$1,731.80	$136.38	$90.92	$1,212.26
41	2038	$198.72	$132.48	$1,766.43	$139.11	$92.74	$1,236.50
42	2039	$202.70	$135.13	$1,801.76	$141.89	$94.59	$1,261.23
43	2040	$206.75	$137.83	$1,837.80	$144.73	$96.48	$1,286.46

"dev tax"

[1] Net Acre is the area of the parcel associated with residential and nonresidential uses after dedication of all right-of-way

Prepared by EPS *15511 model1.xls 9/21/2005*

Attachment 2
North Natomas Drainage CFD No. 97-01
Maximum Special Tax Rates for Undeveloped Parcels

	Maximum Special Tax East of I-5 Land Use Category:		Maximum Special Tax West of I-5 Land Use Category:	
Fiscal	4	5	4	5
Year	Final Map	Tentative Map	Final Map	Tentative Map
Ending	Parcels [1]	Unmapped & Stadium	Parcels [1]	Unmapped & Stadium
June 30	*per gross developable acre [1]*	*per gross acre [2]*	*per gross developable acre [1]*	*per gross acre [2]*
1998	$650.00	$500.00	$460.00	$350.00
1999	$663.00	$510.00	$469.20	$357.00
2000	$676.26	$520.20	$478.58	$364.14
2001	$689.79	$530.60	$488.16	$371.42
2002	$703.58	$541.22	$497.92	$378.85
2003	$717.65	$552.04	$507.88	$386.43
2004	$732.01	$563.08	$518.03	$394.16
2005	$746.65	$574.34	$528.40	$402.04
2006	$761.58	$585.83	$538.96	$410.08
2007	$776.81	$597.55	$549.74	$418.28
2008	$792.35	$609.50	$560.74	$426.65
2009	$808.19	$621.69	$571.95	$435.18
2010	$824.36	$634.12	$583.39	$443.88
2011	$824.36	$634.12	$583.39	$443.88
2012	$824.36	$634.12	$583.39	$443.88
2013	$824.36	$634.12	$583.39	$443.88
2014	$824.36	$634.12	$583.39	$443.88
2015	$824.36	$634.12	$583.39	$443.88
2016	$824.36	$634.12	$583.39	$443.88
2017	$824.36	$634.12	$583.39	$443.88
2018	$824.36	$634.12	$583.39	$443.88
2019	$824.36	$634.12	$583.39	$443.88
2020	$824.36	$634.12	$583.39	$443.88
2021	$824.36	$634.12	$583.39	$443.88
2022	$824.36	$634.12	$583.39	$443.88
2023	$824.36	$634.12	$583.39	$443.88
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2037	$824.36	$634.12	$583.39	$443.88
2038	$824.36	$634.12	$583.39	$443.88
2039	$824.36	$634.12	$583.39	$443.88
2040	$824.36	$634.12	$583.39	$443.88

"undev_tax"

[1] Gross Developable Acre is the area of the parcel designated for residential and taxable non-residential uses after dedication of major streets. but prior to dedication of minor streets Final map parcels are identified as parcels with a large lot final map or final master parcel map

[2] Gross Acre is the entire area of the parcel prior to dedication of major streets, school, parks and other right-of-way.

Attachment 3
North Natomas Drainage CFD No. 97-01
Estimated Base Prepayment Amount
(Amounts shown are subject to change annually)

	Column 1 Prior to 1st Bond Sale	Column 2 Between 1st & Last Bond Sale	Column 3 After Last Bond Sale
	1996$	Inflated $	Inflated $
Construction and Formation Cost - 1996 $ [1]	$24,775,000	$24,775,000	$24,775,000
Estimated Bonds - Inflated $ [1]	n/a	$35,000,000 authorization	$32,300,000 estimated
East of I-5 Base Prepayment [2]			
Gross Acre	$4,677	$6,112	$5,640
Gross Developable Acre	$6,414	$8,381	$7,735
Net Acre	$7,485	$9,781	$9,026
West of I-5 Base Prepayment [2]			
Gross Acre	$3,189	$4,167	$3,846
Gross Developable Acre	$4,373	$5,715	$5,274
Net Acre	$5,103	$6,669	$6,154

Initial Estimated CFD Acreage	
Gross Acres [3]	5,827
Gross Developable Acres [3]	4,249
Net Acres [3]	3,641

"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.