

**BOARD OF DIRECTORS**

**June 1, 2018**

Douglass S. Davert  
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**Vice President**

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**Director**

John L. Sears  
**Director**

Lisa Ohlund  
**General Manager**

**Board of Directors  
East Orange County Water District  
185 N. McPherson Road  
Orange, CA 92869**

**Dear Members of the Board:**

Please be advised that the a special meeting of the Board of Directors of the East Orange County Water District will be held on Tuesday, June 5, 2018, at 5:00 p.m. in the offices of the East Orange County Water District, 185 N. McPherson Road, Orange, California.

Enclosed please find the agenda for the meeting.

Sincerely,

**EAST ORANGE COUNTY WATER DISTRICT**

By: 

**Jeff Hoskinson  
District Secretary**

JAH:pks

Enclosures

cc: Mailing List

EXHIBIT 1 to NOTICE OF SPECIAL MEETING

AGENDA

EAST ORANGE COUNTY WATER DISTRICT  
(EOCWD)

Tuesday,  
June 5, 2018  
185 North McPherson Road, Orange, California

5:00 pm

1. Call Meeting to Order and Pledge of Allegiance
2. Public Comments
3. Update on Vista Del Lago Sewer and Septic Conversion
4. Action Items Relative to Vista Del Lago Sewer Conversion

- A. Resolution No. \_\_\_\_ – Intention of the Board of Directors of East Orange County Water District to Approve a Debt Issuance and Management Policy in Accordance with S.B. 1029 (Exhibit “A”)

Recommended Motion: “THAT THE BOARD ADOPT RESOLUTION NO. \_\_\_\_ ENTITLED, ‘RESOLUTION OF INTENTION OF THE BOARD OF DIRECTORS OF EAST ORANGE COUNTY WATER DISTRICT APPROVING A DEBT ISSUANCE AND MANAGEMENT POLICY IN ACCORDANCE WITH S.B. 1029.’”

- B. Resolution No. \_\_\_\_ – Intention of the Board of Directors of East Orange County Water District to Adopt Local Goals and Policies relating to Community Facilities Districts (Exhibit “B”)

Recommended Motion: “THAT THE BOARD ADOPT RESOLUTION NO. \_\_\_\_ ENTITLED, ‘RESOLUTION OF THE BOARD OF DIRECTORS OF EAST ORANGE COUNTY WATER DISTRICT ADOPTING LOCAL GOALS AND POLICIES RELATING TO COMMUNITY FACILITIES DISTRICTS.’”

- C. Resolution No. \_\_\_\_ - Intention of the Board of Directors of East Orange County Water District to Establish Community Facilities District No. 2018-1 of East Orange County Water District, to authorize the levy of a special tax to pay the cost of acquiring or constructing certain improvements and expenses and to pay debt service on bonded indebtedness (Exhibit “C”)

Recommended Motion: “THAT THE BOARD ADOPT RESOLUTION NO. \_\_\_\_ ENTITLED, ‘RESOLUTION OF INTENTION OF THE BOARD OF DIRECTORS OF EAST ORANGE COUNTY WATER DISTRICT TO ESTABLISH COMMUNITY FACILITIES DISTRICT NO. 2018-1 OF EAST ORANGE COUNTY WATER DISTRICT,

TO AUTHORIZE THE LEVY OF A SPECIAL TAX TO PAY THE COST OF ACQUIRING OR CONSTRUCTING CERTAIN IMPROVEMENTS AND EXPENSES AND TO PAY DEBT SERVICE ON BONDED INDEBTEDNESS.”

- D. Resolution No. \_\_\_\_ - Intention of the Board of Directors of East Orange County Water District to incur bonded indebtedness within Community Facilities District No. 2018-1 of East Orange County Water District (Exhibit “D”)

Recommended Motion: “THAT THE BOARD ADOPT RESOLUTION NO. \_\_\_\_ ENTITLED, ‘RESOLUTION OF INTENTION OF THE BOARD OF DIRECTORS OF EAST ORANGE COUNTY WATER DISTRICT TO INCUR BONDED INDEBTEDNESS WITHIN COMMUNITY FACILITIES DISTRICT NO. 2018-1 OF EAST ORANGE COUNTY WATER DISTRICT.’”

6. Adjournment

The scheduled date of the next Regular Meeting of the Board of Directors is June 21, 2018, at 5:00 p.m., in the offices of the East Orange County Water District, 185 N. McPherson Road, Orange, California.

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Availability of agenda materials: Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the East Orange County Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board are available for public inspection in the District’s office, 185 N. McPherson Road, Orange, California (“District Office”). If such writings are distributed to members of the Board less than 72 hours prior to the meeting, they will be available at the reception desk of the District Office during business hours at the same time as they are distributed to the Board members, except that if such writings are distributed less than one hour prior to, or during, the meeting, they will be available in the meeting room of the District Office.

Disability-related accommodations: The East Orange County Water District Board of Directors meeting room is wheelchair accessible. If you require any special disability-related accommodations (e.g., access to an amplified sound system, etc.) please contact Sylvia Prado in the District Office at (714) 538-5815 during business hours at least eight (8) hours before the scheduled meeting. This agenda may be obtained in alternative format upon written request to Sylvia Prado in the District Office, at least eight (8) hours prior to the scheduled meeting.


NOTICE OF SPECIAL MEETING  
OF THE  
BOARD OF DIRECTORS OF  
EAST ORANGE COUNTY WATER DISTRICT

NOTICE IS HEREBY GIVEN that a Special Meeting of the Board of Directors of the East Orange County Water District has been called by the President of the Board of Directors thereof to be held on Tuesday, June 5, 2018 at 5:00 p.m., at the District Office, 185 North McPherson Road, Orange, CA 92869.

The following business will be transacted:

1. see Exhibit "1" attached to this Notice
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

DATED THIS 1<sup>st</sup> day of June 2018.

  
\_\_\_\_\_  
JEFFREY A. HOSKINSON, Secretary  
East Orange County Water District  
and of the Board of Directors thereof

## **EAST ORANGE COUNTY WATER DISTRICT**

### **DEBT MANAGEMENT POLICY**

This Debt Management Policy (the “Debt Policy”) of the EAST ORANGE COUNTY WATER DISTRICT (the “District”) was approved by the Board of Directors on June 5, 2018. The Debt Policy may be amended by Board of Directors as it deems appropriate from time to time in the prudent management of the debt of the District.

The Debt Policy has been developed to provide guidance in the issuance and management of debt by the District and is intended to comply with section 8855(i) of the California Government Code effective on January 1, 2017. The main objectives are to establish conditions for the use of debt; to ensure that debt capacity and affordability are adequately considered; to minimize the District’s interest and issuance costs; to maintain the highest possible credit rating; to provide complete financial disclosure and reporting; and to maintain financial flexibility for the District.

Debt, properly issued and managed, is a critical element in any financial management program. It assists in the District’s effort to allocate limited resources to provide the highest quality of service to the public. The District understands that poor debt management can have ripple effects that hurt other areas of the District. On the other hand, a properly managed debt program promotes economic growth and enhances the vitality of the District for its residents and businesses.

#### **1. Findings**

This Debt Policy shall govern all debt undertaken by the District. The District hereby recognizes that a fiscally prudent debt policy is required in order to:

- Maintain the District’s sound financial position.
- Ensure the District has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses.
- Protect the District’s credit-worthiness.
- Ensure that all debt is structured in order to protect both current and future taxpayers, ratepayers and constituents of the District.
- Ensure that the District’s debt is consistent with the District’s planning goals and objectives and capital improvement program or budget, as applicable.
- Encourage those that benefit from a facility/improvement to pay the cost of that facility/improvement without the need for the expenditure of limited general fund resources.

## **2. Policies**

### **A. Purposes For Which Debt May Be Issued**

The District will consider the use of debt financing primarily for capital improvement projects (CIP) when the project's useful life will equal or exceed the term of the financing and when resources are identified sufficient to fund the debt service requirements. An exception to this CIP driven focus is the issuance of short-term instruments such as tax and revenue anticipation notes, which are to be used for prudent cash management purposes. Bonded debt should not be issued for projects with minimal public benefit or support, or to finance normal operating expenses.

(i) Long-Term Debt. Long-term debt may be issued to finance or refinance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and/or operated by the District.

(a) Long-term debt financings are appropriate when the following conditions exist:

- When the project to be financed is necessary to provide basic services.
- When the project to be financed will provide benefit to constituents over multiple years.
- When total debt does not constitute an unreasonable burden to the District and its taxpayers and ratepayers.
- When the debt is used to refinance outstanding debt in order to produce debt service savings or to realize the benefits of a debt restructuring.

(b) Long-term debt financings will not generally be considered appropriate for current operating expenses and routine maintenance expenses.

(c) The District may use long-term debt financings subject to the following conditions:

- The project to be financed has been or will be approved by the Board of Directors.
- The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20%, unless specific conditions exist that would mitigate the extension of time to repay the debt and it would not cause the District to violate any covenants to maintain the tax-exempt status of such debt, if applicable.
- The District estimates that sufficient income or revenues will be available to service the debt through its maturity.

- The District determines that the issuance of the debt will comply with the applicable requirements of state and federal law.
- The District considers the improvement/facility to be of vital, time-sensitive need of the community and there are no plausible alternative financing sources

(d) Periodic reviews of outstanding long-term debt will be undertaken to identify refunding opportunities. Refunding will be considered (within federal tax law constraints, if applicable) if and when there is a net economic benefit of the refunding. Refundings which are non-economic may be undertaken to achieve District objectives relating to changes in covenants, call provisions, operational flexibility, tax status of the issuer, or the debt service profile.

In general, refundings which produce a net present value savings of at least three (3) percent of the refunded debt will be considered economically viable. Refundings which produce a net present value savings of less than three (3) percent or negative savings will be considered on a case-by-case basis, and are subject to Board of Directors approval.

(ii) Short-term debt. Short-term borrowing may be issued to generate funding for cash flow needs in the form of Tax and Revenue Anticipation Notes (TRAN).

Short-term borrowing, such as commercial paper, and lines of credit, will be considered as an interim source of funding in anticipation of long-term borrowing. Short-term debt may be issued for any purpose for which long-term debt may be issued, including capitalized interest and other financing-related costs. Prior to issuance of the short-term debt, a reliable revenue source shall be identified to secure repayment of the debt. The final maturity of the debt issued to finance the project shall be consistent with the economic or useful life of the project and, unless the Board of Directors determines that extraordinary circumstances exist, must not exceed seven (7) years.

Short-term debt may also be used to finance short-lived capital projects; for example, the District may undertake financings for equipment, and such financings may be longer than 7 years.

## **B. Types of Debt**

In order to maximize the financial options available to benefit the public, it is the policy of the District to allow for the consideration of issuing all generally accepted types of debt, including, but not exclusive to the following:

- general obligation bonds
- bond or grant anticipation notes
- revenue bonds, certificates of participation and installment sale transactions
- tax and revenue anticipation notes
- community facilities district bonds/assessment district bonds

The District may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy.

To maintain a predictable debt service burden, the District will give preference to debt that carries a fixed interest rate. An alternative to the use of fixed rate debt is variable rate debt. The District may choose to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of securities. When making the determination to issue bonds in a variable rate mode, consideration will be given in regards to the useful life of the project or facility being financed or the term of the project requiring the funding, market conditions, credit risk and third party risk analysis, and the overall debt portfolio structure when issuing variable rate debt for any purpose. The maximum amount of variable-rate debt should be limited to no more than 20 percent of the total debt portfolio.

The District will not employ derivatives, such as interest rate swaps, in its debt program. A derivative product is a financial instrument which derives its own value from the value of another instrument, usually an underlying asset such as a stock, bond, or an underlying reference such as an interest rate. Derivatives are commonly used as hedging devices in managing interest rate risk and thereby reducing borrowing costs. However, these products bear certain risks not associated with standard debt instruments.

### **C. Relationship of Debt to Capital Improvement Program and Budget**

The District intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the District's capital budget and the capital improvement plan.

The District shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues. The District shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear, unless a specific revenue source has been identified for this purpose.

The District shall integrate its debt issuances with the goals of its capital improvement program by timing the issuance of debt to ensure that projects are available when needed in furtherance of the District's public purposes.

The District shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its general fund.

### **D. Policy Goals Related to Planning Goals and Objectives**

The District is committed to financial planning, maintaining appropriate reserves levels and employing prudent practices in governance, management and budget administration. The District intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the District's annual operating budget.

It is a policy goal of the District to protect taxpayers, ratepayers and constituents by utilizing conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical borrowing costs.

The District will comply with applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates and charges.

Except as described in Section 2.A., when refinancing debt, it shall be the policy goal of the District to realize, whenever possible, and subject to any overriding non-financial policy considerations minimum net present value debt service savings equal to or greater than 3% of the refunded principal amount.

#### **E. Internal Control Procedures**

When issuing debt, in addition to complying with the terms of this Debt Policy, the District shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds.

The District will periodically review the requirements of and will remain in compliance with the following:

- any continuing disclosure undertakings under SEC Rule 15c2-12,
- any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior bond issues, and
- the District's investment policies as they relate to the investment of bond proceeds.

Whenever reasonably possible, proceeds of debt will be held by a third-party trustee and the District will submit written requisitions for such proceeds. The District will submit a requisition only after obtaining the signature of the General Manager.

#### **F. Waivers of Debt Policy**

There may be circumstances from time to time when strict adherence to a provision of this Debt Policy is not possible or in the best interests of the District and the failure of a debt financing to comply with one or more provisions of this Debt Policy shall in no way affect the validity of any debt issued by the District in accordance with applicable laws.

**RESOLUTION NO. 820**

**RESOLUTION OF INTENTION OF THE BOARD OF DIRECTORS OF  
EAST ORANGE COUNTY WATER DISTRICT APPROVING A DEBT  
ISSUANCE AND MANAGEMENT POLICY IN ACCORDANCE WITH  
S.B. 1029**

**WHEREAS**, the State legislature has recently enacted Senate Bill 1029 ("S.B. 1029"), which bill amends Government Code Section 8855 to require that all public agencies certify, 30 days prior to the issuance of any debt, that it has adopted local debt policies addressing the topics set forth in Government Code Section 8855(i); and

**WHEREAS**, the Board of Directors (the "Board") of the East Orange County Water District (the "District") expects to issue debt in the form of community facilities district bonds; and

**WHEREAS**, from time-to-time the District shall have the opportunity to consider other forms of debt issuance; and

**WHEREAS**, the Board desires to adopt a Debt Issuance and Management Policy in compliance with Government Code Section 8855;

**NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE EAST ORANGE COUNTY WATER DISTRICT DOES HEREBY FIND, DETERMINE AND CERTIFY AS FOLLOWS:**

1. The Board finds and determines that the foregoing recitals are true and correct.
2. The Board approves the Debt Issuance and Management Policy attached hereto.
3. Officers of the District are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to give effect to and comply with the terms and intent of this Resolution. Such actions heretofore taken by such officers, officials and staff are hereby ratified, confirmed and approved.

4. This Resolution shall be effective upon its adoption.

Dated: June 5, 2018

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Douglass S. Davert, President

I hereby certify that the foregoing is a full, true and correct copy of the Resolution adopted by the Board of Directors of East Orange County Water District at its meeting held on June 5, 2018.

ATTEST:

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Jeff Hoskinson, Board Secretary

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**EAST ORANGE COUNTY WATER DISTRICT**  
**GOALS AND POLICIES FOR COMMUNITY FACILITIES DISTRICTS**

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**East Orange County Water District**  
185 N. McPherson Road,  
Orange, CA 92869-3720  
(714) 538-5815

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# **EAST ORANGE COUNTY WATER DISTRICT GOALS AND POLICIES FOR COMMUNITY FACILITIES DISTRICTS**

## **I. Introduction**

As of January 1, 1994, the Mello-Roos Community Facilities Act (“Act”) requires any public agency initiating proceedings to establish a Community Facilities District (“CFD”) to first consider and adopt local goals and policies related to CFDs (Government Code Section 53312.7(a)). At a minimum, these goals and policies must include the following:

1. A statement of the priority that various kinds of public facilities will have for financing through a CFD. Public facilities to be owned and operated by public agencies other than the East Orange County Water District must also be included in the statement of priorities.
2. A statement concerning the credit quality which is to be required of CFD bond issues. This statement must include criteria for evaluating credit quality.
3. A statement concerning the steps to be taken to ensure that prospective property purchasers are fully informed about the special taxes imposed on property within any CFD.
4. A statement concerning the criteria to be used for evaluating the equity of tax allocation formulas (i.e., special taxes allocated to different land use categories). This statement must include the desirable and maximum special tax levels to be levied against any CFD properties.
5. A statement establishing the criteria for preparing appraisals, including definitions, standards, and assumptions to be used in appraisals.

The following are the local goals and policies adopted by the East Orange County Water District (the “District”) and are intended to meet the requirements of the Act.

## **II. Priorities for CFD Financing**

The priority for CFD financing shall be given to otherwise eligible facilities as follows: (a) facilities needed to serve approved development which is deficient in infrastructure or other public facilities needed to develop the area as planned; (b) other facilities for which there is a clearly demonstrated public benefit; and (c) other facilities permitted by the Act.

The improvements eligible to be financed by a CFD must be owned and/or operated by a public agency except that CFD funds (i.e., special taxes and up to five percent of the proceeds of a tax-exempt bond issue may be owned and/or operated by a privately-owned public utility), and must have a useful life of five or more years. The development proposed within a CFD must be consistent with the planning authority’s general plan. The construction or acquisition of improvements pursuant to a CFD shall not vest any rights to future entitlements on any properties, including those which are responsible for paying special taxes.

The funding of facilities to be owned and/or operated by agencies other than the District shall be considered on a case-by-case basis. Consistent with the Act, permitted services may also be considered for inclusion in a CFD.

Prior to the initiation of CFD formation proceedings, the proponent(s) shall meet and confer with District staff for the purpose of delineating a list of proposed facilities to be financed. As part of any CFD application or property owner petition, all public facilities and services shall be described and prioritized, including those District facilities and services that would be included in the CFD.

### **III. Credit Quality Requirements for CFD Bond Issues**

Bonds to be issued by a CFD of the District must satisfy certain credit quality requirements. Satisfaction of these requirements would not compel the District to issue bonds. The District may apply other credit criteria in determining whether to issue bonds, and the District may disregard certain of the criteria if it is determined that such action would not imperil the security of the bonds or that the issuance of the bonds would accomplish a specified public policy goal.

#### **A. Value to Debt Ratio**

In order to minimize the likelihood of a CFD defaulting on its payment to bond owners, all CFD bond issues shall require at least a three-to-one property value to public lien ratio. Property value may be based on either an appraisal, or on assessed values as indicated on the county assessor's tax roll or a combination of both. The appraiser shall be selected by the District, and the appraisal shall be based on criteria as described below under Section VI of these goals and policies. The appraisal must be dated within three months of the date the bonds are issued or if dated more than three months of the date the bonds are issued, a "bring down" or "update" letter from the appraiser shall be provided. The public lien amount shall be based on the size of the bond issue currently being sold, plus any parity, public indebtedness currently existing against the properties secured by special taxes or special assessments. Although it is not required that the value to debt/lien ratio be three-to-one on a parcel by parcel basis, consideration must be given to this ratio when apportioning special taxes to different parcels in order to assure that CFD property owners will accept their responsibilities for paying the special taxes of each parcel.

#### **B. Reserve Fund**

A bond reserve fund equal to the least of (i) ten percent of the original proceeds of the bond issue, (ii) the maximum annual debt service on all outstanding bonds, or (iii) 125 percent of the average annual debt service on all outstanding bonds shall be required for all bond issues in CFDs where less than 90 percent of the buildable acreage has been developed. Notwithstanding the foregoing, a smaller reserve fund may be permitted by the District for private placements or bond issues in CFDs where a significant portion of the buildable acreage has been developed and the value-to-debt ratio for undeveloped property is in excess of the ratio required in IIIA above. The reserve fund may be funded with cash or an acceptable reserve surety or other credit facility.

**C. Property Tax Delinquency Rates**

Property tax delinquency rates on parcels included in a CFD must be no greater than ten percent on the date on which bonds are issued for that CFD.

**D. Development Feasibility**

Each bond issue may require a current CFD absorption study prepared by a consultant hired by the District, if the District determines that such objective data is necessary to analyze the feasibility of the project. An inadequate property value to public lien ratio, tax delinquencies in excess of ten percent, or projects of questionable economic viability may cause the District, at its sole discretion, to disallow the sale of bond issues or require additional credit enhancement prior to bond sale.

**E. Exceptions**

The District may consider exceptions to the above policies for bond issues that do not represent an unusual credit risk, either due to credit enhancement or other reasons specified by the District, or for private placements of bonds to accredited investors or qualified institutional buyers. Furthermore, the District may consider exceptions to these policies for projects which meet public policy goals. Bond issues which have less than a three-to-one value lien ratio but are approved by the District for public policy reasons must be approved by four-fifths of the members of the District's legislative body (the "Board").

**IV. Disclosure Requirements for Prospective Property Purchasers**

**A. Disclosure Requirements for Builders and Developers**

In order to ensure that prospective property purchasers are fully informed about the taxpaying obligations imposed under the Act, the District will require that the requirements of disclosure to prospective property purchasers contained in the Act, including, but not limited to, Sections 53328.3, 53328.5 (including the referenced sections of the California Streets and Highways Code), 53340.2 and 53341.5, be met.

**B. Disclosure Requirements for the Resale of Homes or Lots**

The person who is designated by the District to determine the special tax liability each year shall also be designated to provide a notice of special taxes to sellers of property (other than builders or developers) which will enable them to comply with their notice requirements under Sections 1102.6b of the Civil Code. This disclosure shall be in a form substantially equivalent to that set forth in California Government Code Section 53340.2. This notice shall be provided by the District within five working days of receiving a request for the notice. A reasonable fee may be charged for providing the notice.

The person who is designated by the District to determine the special tax liability each year shall also establish procedures to promptly respond to inquiries concerning current and future special tax liability.

## **V. Equity of Special Tax Formulas and Maximum Special Taxes**

Special tax formulas shall provide for special tax levels which satisfy the following:

- 110 percent gross debt service coverage for all bonded indebtedness
- Funding for the reasonable and necessary administrative expenses of the CFD

Additionally, the special tax formula may provide for the following:

- Lease payments for existing or future facilities
- The costs of remarketing, credit enhancement and liquidity facility fees
- The cost of acquisition, construction, furnishing or equipping of facilities
- The accumulation of funds reasonably required for future debt service
- Any amounts required to establish or replenish any reserve fund established in association with the indebtedness of the CFD
- Amounts equal to projected delinquencies of special tax payments
- Any other costs or payments permitted by law
- Costs associated with the release of funds from an escrow account

The special tax formula shall be reasonable and equitable in allocating public facilities costs to parcels within the CFD. Exemptions from the special tax may be given to parcels which are publicly owned, are held by a property owners association, are used for a public purpose such as open space or wetlands, are affected by easements making impractical their utilization for other than the purposes set forth in the easements, or have insufficient value to support bonded indebtedness or as otherwise determined by the Board.

The total projected property tax levels for any residential parcel within a CFD shall not exceed two percent (2%) of the projected initial sales prices of a fully developed parcel (i.e., with a completed structure) at the time of CFD formation and at the time of bond issue. The total projected property tax level shall include *ad valorem* property taxes, special taxes and special assessments. Commercial properties which provide economic benefits to the District may exceed the two percent (2%) property tax level if approved by the District.

The maximum special tax for any developed residential parcel shall not increase at a rate greater than two percent (2%) annually. Notwithstanding the foregoing, the special taxes should be structured such that special taxes levied on developed property are consistent year to year. Unforeseen changes in the special tax needs from year to year should, to the degree possible, be borne by undeveloped property. Under no circumstances shall the special tax levied on any parcel of developed residential property be increased by more than ten percent (10%) as a consequence of delinquency or default by the owner of any other parcel.

## **VI. Appraisal Standards**

### **A. Definition of Appraisal**

An appraisal is a written self-contained report independently and impartially prepared by a qualified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by the presentation and analysis of relevant market information.

## **B. Standards of Appraisal**

A detailed complete appraisal shall be prepared for complex appraisal problems. A detailed complete appraisal shall reflect nationally recognized appraisal standards including, to the extent appropriate, the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. An appraisal should also generally conform to the Appraisal Standards for Land - Secured Financings provided by the California Debt and Investment Advisory Commission (“CDIAC”). Appraisals undertaken to establish value-to-lien ratios in CFD’s should value the fee simple estate, subject to special assessment and special tax liens. The estimate of Market Value should be refined to reflect the Retail Value of fully improved and occupied properties and the Bulk Sale Value of all vacant properties, including both unimproved properties and improved or partially improved but unoccupied properties. An appraisal must contain sufficient documentation including valuation data and the appraiser’s analysis of the data to support his or her opinion of value. At a minimum, the appraisal shall contain the following:

- a. The purpose and/or function of the appraisal, an identification of the property being appraised, the intended use, the identity of the current and intended uses, and a statement of the assumptions and limiting conditions affecting the appraisal.
- b. An adequate description of the physical characteristics of the property being appraised, location, zoning, present use, and an analysis of highest and best use.
- c. Relevant and reliable approaches to value consistent with commonly accepted professional appraisal practices. If a discounted cash flow analysis is used, it should be supported with at least one other valuation method, such as a market approach using sales that are at the same stage of land development. If more than one approach is utilized, there shall be an analysis and reconciliation of approaches to value that are sufficient to support the appraiser’s opinion of value.
- d. A description of comparable sales, including a description of all relevant physical, legal and economic factors such as parties to the transaction, source and method of financing, and verification by a party involved in the transaction.
- e. A statement of the value of real property.
- f. The effective date of valuation, date of appraisal, signature and certification of the appraiser.

## **C. Conflict of Interest**

No appraiser shall have any interest direct or indirect in the real property being appraised for the District that would in any way conflict with the preparation or review of the appraisal.

## **D. Refunding and Restructuring**

In the context of a workout or bond restructuring, including a refunding, the requirement for an appraisal shall be based on findings of the Board in light of the particular bond structure and the nature of the bondowners of the new restructured obligations.

## **VII. Deposits**

If the CFD is developer driven, an initial deposit in an amount of not less than \$50,000 for a CFD shall be required. The deposit shall be placed in a separate trust account held by the District. All costs of the District and/or its consultants retained during the pre-formation process, the formation process, and prior to the sale of any Bonds, are to be paid from this account.

If, in the judgment of the District, the costs incurred or projected will cause the balance in this account to fall below \$5,000, a written demand shall be made to the applicant to advance additional monies sufficient to bring the account to a balance that is projected to meet remaining costs required to establish the CFD. Failure to advance the requested monies within ten (10) days of a written demand by the District will result in all processing of the CFD to cease, and no further actions to be taken toward establishing the CFD until the monies have been received. Waiver of these requirements can be made only by formal action of the Board.

Monies held in the trust account are to be applied to pay the District and its staff in reviewing and processing the CFD request as well as the costs of the bond counsel, financial advisor, special tax consultant, appraiser, all publication expenses, and any other costs determined by the District to be necessary to establish the CFD.

After formation of a CFD and issuance of CFD bonds, the petitioners may be reimbursed from bond proceeds for costs paid by the petitioners, however, reimbursement will be limited to the cost of CFD related consultants and staff costs approved by the District.

Notwithstanding the above, the District may accept an agreement by the petitioners to pay all costs of the District and its attorneys and consultants in connection with the CFD formation.

## **VIII. Minimum Standards; Waiver and Amendment**

The policies set forth herein reflect the minimum standards under which the District will assist development through the use of the Act. The District, may, in its discretion, require additional measures and procedures, enhanced security and higher standards in particular cases.

The District may, in limited and exceptional circumstances and to the extent permitted by law, in its discretion, waive any of the policies set forth herein in particular cases. The goals and policies set forth herein may be amended at any time and from time to time by the District.

## **RESOLUTION NO. 821**

### **RESOLUTION OF THE BOARD OF DIRECTORS OF EAST ORANGE COUNTY WATER DISTRICT ADOPTING LOCAL GOALS AND POLICIES RELATING TO COMMUNITY FACILITIES DISTRICTS**

**WHEREAS**, the Board of Directors of East Orange County Water District (the "Board of Directors") desires to form community facilities districts pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Act") to finance certain public facilities to be owned and operated by the East Orange County Water District (the "Water District"); and

**WHEREAS**, pursuant to Section 53312.7 of the Act, the Water District must adopt local goals and policies relating to the use of the Act to finance public facilities prior to initiating proceedings to form a community facilities district.

**THE BOARD OF DIRECTORS OF THE EAST ORANGE COUNTY WATER DISTRICT HEREBY FINDS, DETERMINES, RESOLVES, AND ORDERS AS FOLLOWS:**

1. The "East Orange County Water District Goals and Policies for Community Facilities Districts" (the "Policies") on file with the Board of Directors are hereby approved. The Policies may be amended from time to time by the Board of Directors as necessary to comply with legal requirements or otherwise.
2. The General Manager and Water District staff are hereby directed and authorized to take all actions necessary to comply with the Policies.
3. This Resolution shall be effective upon its adoption.

Dated: June 5, 2018

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Douglass S. Davert, President

I hereby certify that the foregoing is a full, true and correct copy of the Resolution adopted by the Board of Directors of the East Orange County Water District at its meeting held on June 5, 2018.

ATTEST:

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Jeff Hoskinson, Board Secretary

## **RESOLUTION NO. 822**

### **RESOLUTION OF INTENTION OF THE BOARD OF DIRECTORS OF EAST ORANGE COUNTY WATER DISTRICT TO ESTABLISH COMMUNITY FACILITIES DISTRICT NO. 2018-1 OF EAST ORANGE COUNTY WATER DISTRICT, TO AUTHORIZE THE LEVY OF A SPECIAL TAX TO PAY THE COST OF ACQUIRING OR CONSTRUCTING CERTAIN IMPROVEMENTS AND EXPENSES AND TO PAY DEBT SERVICE ON BONDED INDEBTEDNESS**

**WHEREAS**, East Orange County Water District (the "District") has received petitions signed by more than 10% of the registered voters within the boundaries of the territory which is proposed for inclusion in a community facilities district, which petitions meet the requirements of Sections 53318 and 53319 of the Government Code of the State of California (the "Government Code"); and

**WHEREAS**, the Board of Directors of the District (the "Board of Directors") desires to adopt this resolution of intention as provided in Section 53321 of the Government Code to establish a community facilities district consisting of the territory described in Attachment "A" hereto (which attachment is incorporated herein by this reference), which the Board of Directors hereby determines shall be known as "Community Facilities District No. 2018-1 of East Orange County Water District" ("CFD No. 2018-1"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the Government Code (the "Act"), to finance (1) the purchase, construction, expansion, improvement or rehabilitation of certain public sewer improvements described in Attachment "B" hereto (which attachment is incorporated herein by this reference) to be owned and operated by the District, including all furnishings, equipment and supplies related thereto (collectively, the "Improvements"), which Improvements have a useful life of five years or longer, and (2) the incidental expenses to be incurred in connection with financing the Improvements, and forming and administering CFD No. 2018-1 described in Attachment "B" (the "Incidental Expenses"); and

**WHEREAS**, the Board of Directors further intends to approve an estimate of the costs of the Improvements and the Incidental Expenses for CFD No. 2018-1; and

**WHEREAS**, it is the intention of the Board of Directors to consider financing the Improvements and the Incidental Expenses through the formation of CFD No. 2018-1, and the sale of bonds in an amount not to exceed \$700,000 (the "Obligations") and the levy of a special tax to pay debt service on the Obligations, provided that the bond sale and special tax levy are approved at elections to be held for CFD No. 2018-1;

**THE BOARD OF DIRECTORS OF EAST ORANGE COUNTY WATER DISTRICT HEREBY FINDS, DETERMINES, RESOLVES, AND ORDERS AS FOLLOWS:**

1. The above recitals are true and correct.

2. A community facilities district is proposed to be established under the terms of the Act to be designated as "Community Facilities District No. 2018-1 of East Orange County Water District." It is further proposed that the boundaries of CFD No. 2018-1 and its future annexation area shall be the legal boundaries as described in Attachment "A" hereto which boundaries shall, upon recordation of the boundary map for CFD No. 2018-1, include the entirety of any parcel subject to taxation by CFD No. 2018-1 and as depicted on the map of CFD No. 2018-1 which is on file with the Secretary of the Board of Directors. The Secretary of the Board of Directors is hereby directed to sign the original map of CFD No. 2018-1 and record it with all proper endorsements thereon with the County Recorder of the County of Orange within 15 days after the adoption of this resolution, all as required by Section 3111 of the Streets and Highways Code of the State of California.

3. The Improvements proposed to be provided within CFD No. 2018-1 are public facilities as defined in the Act. The District is authorized by law to construct, acquire, own and operate the Improvements for the benefit of CFD No. 2018-1. The Board of Directors hereby finds and determines that the description of the Improvements herein is sufficiently informative to allow taxpayers within CFD No. 2018-1 to understand what the funds of CFD No. 2018-1 may be used to finance, the Improvements and the Incidental Expenses expected to be incurred, including the cost of planning and designing the Improvements, the costs of forming CFD No. 2018-1, issuing bonds, levying and collecting a special tax within CFD No. 2018-1 and the annual administration costs of CFD No. 2018-1. The Board of Directors hereby finds that the proposed Improvements are necessary to connect the parcels within CFD No. 2018-1 to the District's sewer system. The Improvements may be acquired from one or more of the property owners as completed public improvements or may be constructed by or on behalf of the District and paid for with bond proceeds.

4. Except where funds are otherwise available, it is the intention of the Board of Directors to levy annually in accordance with the procedures contained in the Act a special tax, secured by a continuing lien against all non-exempt real property in CFD No. 2018-1, sufficient to pay for the principal and interest and other periodic costs on bonds or other indebtedness issued to finance the Improvements and Incidental Expenses, including the establishment and replenishment of any reserve funds deemed necessary by the District, and any remarketing, credit enhancement and liquidity facility fees (including such fees for instruments which serve as the basis of a reserve fund in lieu of cash) attributable to CFD No. 2018-1. The rate and method of apportionment and manner of collection of the special tax in CFD No. 2018-1 is described in detail in Attachment "C" attached hereto (which attachment is incorporated herein by this reference). Attachment "C" allows each registered voter within CFD No. 2018-1 to estimate the maximum amount that may be levied against each parcel. In the first year in which such special tax is levied, the levy shall include an amount sufficient to repay to the District all amounts, if any, transferred to CFD No. 2018-1 pursuant to Section 53314 of the Act and interest thereon.

If special taxes of CFD No. 2018-1 are levied against any parcel used for private residential purposes, (i) the maximum special tax rate shall not be increased over time, (ii) such

tax shall not be levied later than the 2048-49 Fiscal Year and (iii) under no circumstances shall such special tax in CFD No. 2018-1 be increased as a consequence of delinquency or default by the owner of any other parcel or parcels within CFD No. 2018-1 by more than ten percent (10%).

The special tax is based on the expected demand that each parcel of real property within CFD No. 2018-1 will place on the Improvements and on the benefit that each parcel derives from the services to be provided by the Improvements. The Board of Directors hereby determines the rate and method of apportionment of the special tax set forth in Attachment "C" to be reasonable. The special tax is apportioned to each parcel on the foregoing basis pursuant to Section 53325.3 of the Act; and such special tax is not on or based upon the value or ownership of real property. In the event that a portion of the property within CFD No. 2018-1 shall become for any reason exempt, wholly or partially, from the levy of the special tax specified in Attachment "C," the Board of Directors shall, on behalf of CFD No. 2018-1 cause the levy to be increased, subject to the limitation of the maximum special tax for a parcel as set forth in Attachment "C," to the extent necessary upon the remaining property within CFD No. 2018-1 which is not exempt in order to yield the special tax revenues required for the purposes described in this Section. The obligation to pay special taxes may be prepaid as provided in the rate and method of apportionment set forth in Attachment "C," as such rate and method may be amended hereafter.

5. A combined public hearing (the "Hearing") on the establishment of CFD No. 2018-1, the proposed rate and method of apportionment of the special tax and the proposed issuance of bonds to finance the Improvements and the Incidental Expenses shall be held at 5:00 p.m., or as soon thereafter as practicable, on July 9, 2018, at the Board of Directors Meeting Room, 185 North McPherson Road, Orange, California. If the Board of Directors determines to form CFD No. 2018-1, a special election will be held to authorize the issuance of the bonds and the levy of the special tax in accordance with the procedures contained in Government Code Section 53326. If such election is held, the proposed voting procedure at the election will be a registered voter vote with each registered voter within CFD No. 2018-1 at the close of the Hearing, or the authorized representative thereof, having one vote. Ballots for the special election may be distributed by mail or by personal service.

6. At the time and place set forth above for the Hearing, the Board of Directors will receive testimony as to whether CFD No. 2018-1 shall be established and as to the method of apportionment of the special tax and shall consider:

(a) if an ad valorem property tax is currently being levied on property within CFD No. 2018-1 for the exclusive purpose of paying principal of or interest on bonds, lease payments or other indebtedness incurred to finance construction of capital facilities; and

(b) if the capital facilities to be financed and constructed by CFD No. 2018-1 will provide the same services as were provided by the capital facilities mentioned in subsection (a); and

(c) if the Board of Directors makes the findings specified in subsections (a) and (b) above, it will consider appropriate action to determine that the total annual amount of ad valorem property tax revenue due from parcels within CFD No. 2018-1, for purposes of paying principal and interest on the debt identified in subsection (a) above, shall not be increased after the date on which CFD No. 2018-1 is created, or after a later date determined by the Board of Directors with the concurrence of the legislative body which levied the property tax in question.

7. At the time and place set forth above for the Hearing, any interested person, including all persons owning lands or registered to vote within CFD No. 2018-1, may appear and be heard.

8. Each District officer who is or will be responsible for providing the Improvements within CFD No. 2018-1, if it is established, is hereby directed to study CFD No. 2018-1 and, at or before the time of the Hearing, file a report with the Board of Directors containing a brief description of the public improvements by type which will in his or her opinion be required to meet adequately the needs of CFD No. 2018-1 and an estimate of the cost of providing those public improvements, including the cost of environmental evaluations of such improvements and an estimate of the fair and reasonable cost of any Incidental Expenses to be incurred.

9. The District may accept advances of funds or work-in-kind from any source, including, but not limited to, private persons or private entities, for any authorized purpose, including, but not limited to, paying any cost incurred by the District in creating CFD No. 2018-1. The District may enter into an agreement with the person or entity advancing the funds or work-in-kind, to repay all or a portion of the funds advanced, or to reimburse the person or entity for the value, or cost, whichever is less, of the work-in-kind, as determined by the Board of Directors, with or without interest.

10. The Secretary of the Board of Directors is hereby authorized and directed to publish a notice (the "Notice") of the Hearing pursuant to Section 6061 of the Government Code in a newspaper of general circulation published in the area of CFD No. 2018-1. The Secretary of the Board of Directors is further authorized and directed to mail a copy of the Notice to each of the registered voters within the boundaries of CFD No. 2018-1 at least 15 days prior to the Hearing. The Notice shall contain the text or a summary of this Resolution, the time and place of the Hearing, a statement that the testimony of all interested persons or taxpayers will be heard, a description of the protest rights of the registered voters in CFD No. 2018-1 and a description of the proposed voting procedure for the election required by the Act. Such publication shall be completed at least seven (7) days prior to the date of the Hearing.

11. The reasonably expected maximum principal amount of the Obligations is Seven Hundred Thousand Dollars (\$700,000).

12. Except to the extent limited in any bond resolution or trust indenture related to the issuance of bonds, the Board of Directors hereby reserves to itself all rights and powers set forth in Section 53344.1 of the Act (relating to tenders in full or partial payment).

13. This Resolution shall be effective upon its adoption.

Dated: June 5, 2018

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Douglass S. Davert, President

I hereby certify that the foregoing is a full, true and correct copy of the Resolution adopted by the Board of Directors of East Orange County Water District at its meeting held on June 5, 2018.

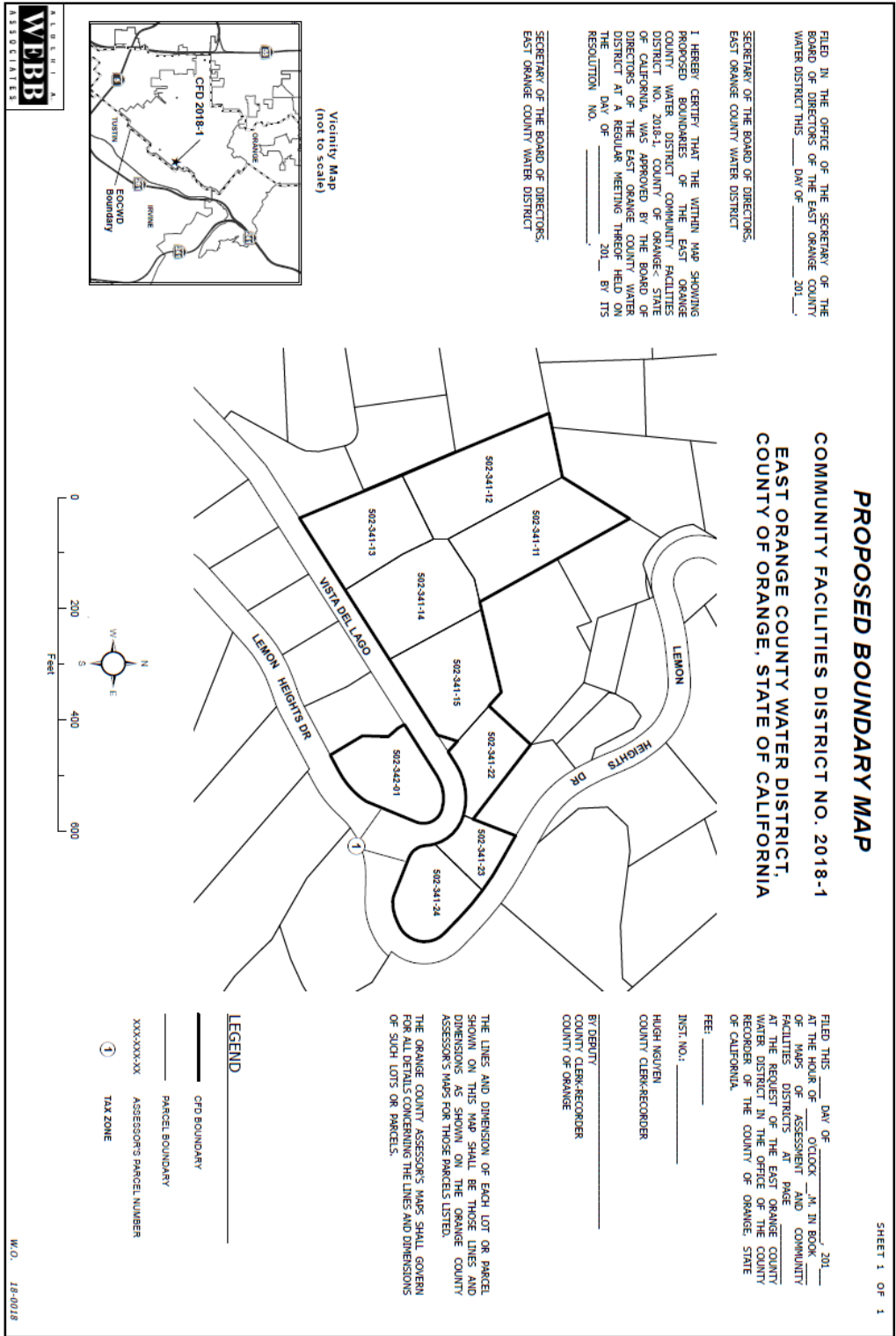
ATTEST:

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Jeff Hoskinson, Board Secretary

ATTACHMENT A

TERRITORY



# **BOUNDARIES - POTENTIAL ANNEXATION AREA** **COMMUNITY FACILITIES DISTRICT NO. 2018-1** **EAST ORANGE COUNTY WATER DISTRICT,** **COUNTY OF ORANGE, STATE OF CALIFORNIA**

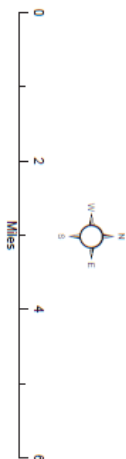
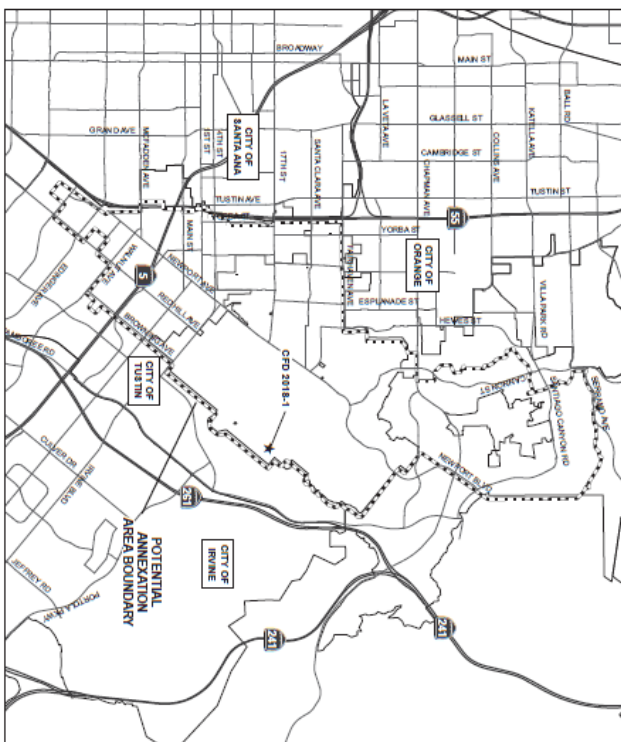
SHEET 1 OF 1

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING  
 THE BOUNDARIES OF THE EAST ORANGE  
 COUNTY WATER DISTRICT COMMUNITY FACILITIES  
 DISTRICT NO. 2018-1, POTENTIAL ANNEXATION AREA,  
 COUNTY OF ORANGE, STATE OF CALIFORNIA, WAS  
 APPROVED BY THE BOARD OF DIRECTORS OF THE  
 EAST ORANGE COUNTY WATER DISTRICT AT A  
 REGULAR MEETING THEREOF HELD ON THE \_\_\_\_\_ DAY  
 OF \_\_\_\_\_, 201\_\_\_\_, BY ITS RESOLUTION NO. \_\_\_\_\_

SECRETARY OF THE BOARD OF DIRECTORS,  
 EAST ORANGE COUNTY WATER DISTRICT

FILED IN THE OFFICE OF THE SECRETARY OF THE BOARD  
 OF DIRECTORS OF THE EAST ORANGE COUNTY WATER  
 DISTRICT THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 201\_\_\_\_.

SECRETARY OF THE BOARD OF DIRECTORS,  
 EAST ORANGE COUNTY WATER DISTRICT



**LEGEND**  
 EAST ORANGE COUNTY WATER DISTRICT  
 COMMUNITY FACILITIES DISTRICT NO. 2018-1  
 POTENTIAL ANNEXATION AREA BOUNDARY  
 CITY BOUNDARIES

FILED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 201\_\_\_\_  
 AT THE HOUR OF \_\_\_\_\_ O'CLOCK \_\_\_\_\_ M. IN BOOK \_\_\_\_\_  
 OF MAPS OF ASSESSMENT AND COMMUNITY  
 FACILITIES DISTRICTS AT PAGE \_\_\_\_\_  
 AT THE REQUEST OF THE EAST ORANGE COUNTY  
 WATER DISTRICT IN THE OFFICE OF THE COUNTY  
 RECORDER OF THE COUNTY OF ORANGE, STATE  
 OF CALIFORNIA

FEE: \_\_\_\_\_

INST. NO.: \_\_\_\_\_

HUGH NGUYEN  
 COUNTY CLERK-RECORDER

BY DEPUTY  
 COUNTY CLERK-RECORDER  
 COUNTY OF ORANGE

W.O. 18-0018

**WEBB**  
 ENGINEERS

## **ATTACHMENT B**

### **DESCRIPTION OF IMPROVEMENTS AND INCIDENTAL EXPENSES**

#### **Improvements.**

The proposed improvements include the construction, purchase, modification, expansion, improvement or rehabilitation of water and sewer facilities including the acquisition of capacity in the sewer system and/or water system of East Orange County Water District, and all appurtenances and appurtenant work in connection with the foregoing including the cost of engineering, planning, designing, materials testing, coordination, construction staking, construction management and supervision for such Improvements and any other expense incidental to the construction, acquisition, modification, expansion or rehabilitation of such Improvements.

The Improvements listed herein are representative of the types of improvements authorized to be financed by CFD No. 2018-1. Detailed scope and limits of specific projects will be determined as appropriate, consistent with the standards of the East Orange County Water District. Addition, deletion or modification of descriptions of the Improvements may be made consistent with the requirements of the Board of Directors of East Orange County Water District, CFD No. 2018-1 and the Act.

#### **Incidental Expenses.**

The Incidental Expenses to be paid from bond proceeds and/or special taxes include:

All costs associated with the creation of CFD No. 2018-1, the issuance of the bonds, the determination of the amount of special taxes to be levied, costs otherwise incurred in order to carry out the authorized purposes of CFD No. 2018-1, including legal fees, fees of consultants, engineering, planning, designing and the annual administration cost of CFD No. 2018-1.

## ATTACHMENT C

### RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 2018-1 OF EAST ORANGE COUNTY WATER DISTRICT

The following sets forth the Rate and Method of Apportionment for the levy and collection of Annual Special Tax A and Annual Special Tax B of Community Facilities District No. 2018-1 of the East Orange County Water District ("CFD No. 2018-1"). An Annual Special Tax A and Annual Special Tax B shall be levied on and collected in CFD No. 2018-1 each Fiscal Year, in an amount determined through the application of the Rate and Method of Apportionment described below. All of the real property within CFD No. 2018-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

#### SECTION A DEFINITIONS

The terms hereinafter set forth have the following meanings:

**"Acre" or "Acreage"** means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on the Assessor's Parcel Map, the land area as shown on the applicable Final Map, or if the land area is not shown on the applicable Final Map, the land area shall be calculated by the Administrator or District Engineer.

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

**"Administrative Expenses"** means any ordinary and necessary expenses allocable to the Special Tax A Requirement and to the Special Tax B Requirement which are incurred by the District on behalf of CFD No. 2018-1 related to the determination of the amount of the levy of Special Tax A and Special Tax B, the collection of Special Tax A and Special Tax B including the expenses of collecting delinquencies, the administration of Special Tax A Bonds and/or Special Tax B Bonds, the payment of that portion of salaries and benefits of any District employees attributable to the administration of CFD No. 2018-1, and costs otherwise incurred in order to carry out the authorized purposes of CFD No. 2018-1.

**"Administrator"** means an official of the District, or designee thereof, responsible for, among other things, determining the annual amount of the levy and collection of the Special Tax A and Special Tax B.

**"Annual Special Tax A"** means for each Assessor's Parcel, the Special Tax A actually levied in a given Fiscal Year on any Assessor's Parcel.

**"Annual Special Tax B"** means for each Assessor's Parcel, the Special Tax B actually levied in a given Fiscal Year on any Assessor's Parcel.

**“Approved Property”** means all Assessor’s Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to the January 1st preceding the Fiscal Year in which the Special Tax A and/or Special Tax B is being levied, and (ii) that have not been issued a building permit on or before March 1st preceding the Fiscal Year in which the Special Tax A and/or Special Tax B is being levied.

**“Assessor’s Parcel” or “Parcel”** means a lot or parcel of land designated on an Assessor’s Parcel Map with an assigned Assessor’s Parcel Number within the boundaries of CFD No. 2018-1.

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

**“Assessor’s Parcel Number”** means that number assigned to a lot or parcel of land by the County Assessor for purposes of identification.

**“Assigned Annual Special Tax A”** means the Special Tax A described in Section D below.

**“Assigned Annual Special Tax B”** means the Special Tax B described in Section J below.

**“Backup Annual Special Tax A”** means the Special Tax A described in Section E below.

**“Backup Annual Special Tax B”** means the Special Tax B described in Section K below.

**“Board of Directors”** means the Board of Directors of the East Orange County Water District, acting as the legislative body of CFD No. 2018-1.

**“Boundary Map”** means a recorded map of the CFD No. 2018-1 which indicates the boundaries of CFD No. 2018-1.

**“Building Permit”** means the first legal document issued by a local agency giving official permission for new construction. For purposes of this definition, “Building Permit” may or may not include any subsequent building permits issued or changed after the first issuance, as determined by the Administrator.

**“Building Square Footage” or “BSF”** means the square footage of assessable internal living space, exclusive of garages or other structures not used as living space, as determined by reference to the building permit application for such Assessor’s Parcel and subject to verification by the District.

**“Calendar Year”** means the period commencing January 1 of any year and ending the following December 31.

**“CFD No. 2018-1” or “CFD”** means Community Facilities District No. 2018-1 of the East Orange County Water District established by the District under the Act.

**“County”** means the County of Orange.

**“Developed Property”** means all Assessor’s Parcels of Taxable Property for which a building permit for new construction has been issued on or prior to March 1 preceding the Fiscal Year in which the Special Tax A and/or Special Tax B is being levied.

**“District”** means the East Orange County Water District, or its designee.

**“Exempt Property”** means all Assessor’s Parcels designated as being exempt from Special Tax A and/or Special Tax B as provided for in Section P.

**“Final Map”** means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 4285 that creates individual lots for which building permits may be issued without further subdivision.

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

**“Land Use Type”** means Residential Property, Multifamily Residential Property, or Non-Residential Property.

**“Maximum Special Tax A”** means for each Assessor’s Parcel of Taxable Property, the maximum Special Tax A, determined in accordance with Section C that can be levied in any given Fiscal Year on such Assessor’s Parcel.

**“Maximum Special Tax B”** means for each Assessor’s Parcel of Taxable Property, the maximum Special Tax B, determined in accordance with Section I that can be levied in any given Fiscal Year on such Assessor’s Parcel.

**“Multifamily Residential Property”** means all Assessor’s Parcels of Developed Property for which a Building Permit has been issued for the purpose of constructing a building or buildings comprised of attached Dwelling Units available for rental by the general public, not for sale to an end user, and under common management, as determined by the Administrator.

**“Non-Residential Property”** means all Assessor’s Parcels of Developed Property for which a building permit was issued for any type of non-residential use.

**“Partial Prepayment Amount”** means the amount required to prepay a portion of the Special Tax A and or Special Tax B obligation for an Assessor’s Parcel, as described in Section H for Special Tax A and Section N for Special Tax B.

**“Prepayment Amount”** means the amount required to prepay the Special Tax A and or Special Tax B obligation in full for an Assessor’s Parcel, as described in Section G for Special Tax A and Section M for Special Tax B.

**“Proportionately”** means for Special Tax A that the ratio of the Annual Special Tax A levy to the applicable Assigned Annual Special Tax A is equal for all applicable Assessor’s Parcels. In the

case of Special Tax B, means that the ratio of the Annual Special Tax B levy to the applicable Assigned Special Tax B is equal for all applicable Assessor's Parcels. In case of Developed Property subject to the apportionment of the Annual Special Tax A under Step Two of Section F, "Proportionately" means that the quotient of (a) Annual Special Tax A less the Assigned Annual Special Tax A divided by (b) the Backup Annual Special Tax A less the Assigned Annual Special Tax A, is equal for all applicable Assessor's Parcels. In case of Developed Property subject to the apportionment of the Annual Special Tax B under Step Two of Section L, "Proportionately" means that the quotient of (a) Annual Special Tax B less the Assigned Annual Special Tax B divided by (b) the Backup Annual Special Tax A less the Assigned Annual Special Tax B, is equal for all applicable Assessor's Parcels.

**"Residential Property"** means all Assessor's Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units, which is not Multifamily Residential Property.

**"Special Tax A"** means any of the special taxes authorized to be levied on Taxable Property within CFD No. 2018-1 pursuant to the Act to fund the Special Tax A Requirement.

**"Special Tax B"** means any of the special taxes authorized to be levied on Taxable Property within CFD No. 2018-1 pursuant to the Act to fund the Special Tax B Requirement.

**"Special Tax B Application"** means a written request provided to the District by a Property owner within the Boundaries of an applicable Tax Zone requesting the financing of lateral and septic abandonment costs. The request shall include the Property address and the amount of such costs to be financed.

**"Special Tax A Bonds"** means those bonds or any other debt issued by or on behalf of any Tax Zone(s) of CFD No. 2018-1, or any refunding thereof, to which Special Tax A within CFD No. 2018-1 has been pledged.

**"Special Tax B Bonds"** means those bonds or any other debt issued by or on behalf of any Tax Zone(s) of CFD No. 2018-1, or any refunding thereof, to which Special Tax B within CFD No. 2018-1 has been pledged.

**"Special Tax A Requirement"** means, subject to the Maximum Special Tax A, the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Special Tax A Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) Administrative Expenses (apportioned between Special Tax A and Special Tax B), (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Special Tax A Bonds, and (v) the collection or accumulation of funds for the acquisition or construction of facilities or payment of fees authorized by CFD No. 2018-1 by the levy on Developed Property of the Assigned Annual Special Tax A, less (vi) any amount available to pay debt service or other periodic costs on the Special Tax A Bonds pursuant to any applicable fiscal agent agreement or trust agreement.

**“Special Tax B Requirement”** means, subject to the Maximum Special Tax B, the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Special Tax B Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) Administrative Expenses (apportioned between Special tax A and Special Tax B), (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Special Tax B Bonds, and (v) the collection or accumulation of funds for the acquisition or construction of facilities or payment of fees authorized by CFD No. 2018-1 by the levy on Developed Property of the Assigned Annual Special Tax B, less (vi) any amount available to pay debt service or other periodic costs on the Special Tax B Bonds pursuant to any applicable fiscal agent agreement or trust agreement.

**“Taxable Property”** means all Assessor’s Parcels within CFD No. 2018-1, which are not Exempt Property.

**"Tax Zone"** means a mutually exclusive geographic area, within which particular Special Tax rates may be levied pursuant to this Rate and Method of Apportionment of Special Tax. Exhibit "A" identifies the Tax Zone in CFD No. 2018-1 at formation; additional Tax Zones may be created when property is annexed into the CFD.

**"Tax Zone 1"** means the specific geographic area identified on the CFD Boundary Map as Tax Zone 1.

**“Undeveloped Property”** means all Assessor’s Parcels of Taxable Property which are not Developed Property or Approved Property.

**“Unit”** means any residential structure.

## **SECTION B CLASSIFICATION OF ASSESSOR’S PARCELS**

### **Special Tax A**

Each Fiscal Year, beginning with Fiscal Year 2018-2019, each Assessor’s Parcel within CFD No. 2018-1 shall be classified as Taxable Property or Exempt Property. In addition, each Assessor’s Parcel of Taxable Property shall be further classified as Developed Property, Approved Property or Undeveloped Property. Each Assessor’s Parcel of Developed Property shall further be classified as Residential Property, Multifamily Residential Property or Non-Residential Property. For the purposes of classifying parcels subject to the Annual Assigned Special Tax B, for each Tax Zone, for an Assessor’s Parcel to be classified as Taxable Property, the Parcel must have submitted a Special Tax B Application to the District prior to the date of the agenda deadline preceding the date set for approval of the Resolution of Intention to form said Tax Zone, unless accepted by the District at a later date, otherwise the Assessor’s parcel will be classified as Exempt Property for the purposes of the Annual Special Tax B.

## **Special Tax B**

Each Fiscal Year, beginning with Fiscal Year 2018-2019, each Assessor's Parcel within CFD No. 2018-1 shall be classified as Taxable Property or Exempt Property. For each Tax Zone, for an Assessor's Parcel to be classified as Taxable Property, the Parcel must have submitted a Special Tax B Application to the District prior to the date of the agenda deadline preceding the date set for approval of the Resolution of Intention to form said Tax Zone, unless accepted by the District at a later date, otherwise the Assessor's parcel will be classified as Exempt Property. In addition, each Assessor's Parcel of Taxable Property shall be further classified as Developed Property, Approved Property or Undeveloped Property. Each Assessor's Parcel of Developed Property shall further be classified as Residential Property, Multifamily Residential Property or Non-Residential Property.

### **SECTION C MAXIMUM SPECIAL TAX A**

#### **1. Developed Property**

The Maximum Special Tax A for each Assessor's Parcel of Residential Property, Multifamily Residential Property or Non-Residential Property in any Fiscal Year shall be the greater of (i) the Assigned Annual Special Tax A or (ii) the Backup Annual Special Tax A.

#### **2. Approved Property and Undeveloped Property**

The Maximum Special Tax A for each Assessor's Parcel classified as Approved Property shall be the greater of (i) the Assigned Annual Special Tax A or (ii) the Backup Annual Special Tax A.

The Maximum Special Tax A for each Assessor's Parcel classified as Undeveloped Property in any Fiscal Year shall be the Assigned Annual Special Tax A.

### **SECTION D ASSIGNED ANNUAL SPECIAL TAX A**

#### **1. Developed Property**

Each Fiscal Year, each Assessor's Parcel of Residential Property, Multifamily Residential Property or Non-Residential Property shall be subject to an Assigned Annual Special Tax A.

The Assigned Annual Special Tax A applicable to an Assessor's Parcel of Developed Property shall be determined using the Table below.

TABLE 1  
ASSIGNED ANNUAL SPECIAL TAX A  
FOR DEVELOPED PROPERTY

<b>Tax Zone</b>	<b>Land Use Type</b>	<b>Rate</b>
Tax Zone 1	Residential Property	\$5,695 per Parcel
Tax Zone 1	Non-Residential Property	\$5,695 per Parcel
Tax Zone 1	Multifamily Residential Property	\$5,695 per Parcel

**2. Approved Property and Undeveloped Property**

Each Fiscal Year, each Assessor's Parcel of Approved Property and Undeveloped Property shall be subject to an Assigned Annual Special Tax A. The Assigned Annual Special Tax A rate for an Assessor's Parcel classified as Approved Property or Undeveloped Property shall be determined pursuant to the Tables below:

TABLE 2  
ASSIGNED ANNUAL SPECIAL TAX A  
FOR APPROVED PROPERTY

<b>Tax Zone</b>	<b>Rate</b>
Tax Zone 1	\$5,695 per Parcel

TABLE 3  
ASSIGNED ANNUAL SPECIAL TAX A  
FOR UNDEVELOPED PROPERTY

<b>Tax Zone</b>	<b>Rate</b>
Tax Zone 1	\$11,690 per Acre

**SECTION E  
BACKUP ANNUAL SPECIAL TAX A**

For each Tax Zone, the Administrator shall determine the Backup Annual Special Tax A for all Assessor's Parcels classified or reasonably expected to be classified as Residential Property within such Zone by multiplying the Maximum Special Tax A rate for Undeveloped Property for

the applicable Zone by the total Acreage of Taxable Property within the boundaries of such Tax Zone, excluding the Multifamily Residential Property, and/or Non-Residential Property Acreage if any, in such Tax Zone and any Acreage reasonably expected to be classified as Exempt Property, and dividing such amount by the total number of such Assessor's Parcels classified as either 1) Residential Property or 2) Approved Property for which a Building Permit is expected to be issued for Residential Property.

Notwithstanding the foregoing, if Parcels classified or to be classified as Residential Property are subsequently changed or modified by recordation of a lot line adjustment or similar instrument, then the Backup Annual Special Tax A shall be recalculated for the area that has been changed or modified using the methodology described in the preceding paragraph.

The Backup Annual Special Tax A for Multifamily Residential Property, Non-Residential Property and Undeveloped Property shall be its Annual Assigned Special Tax A rate.

## **SECTION F**

### **METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX A**

Commencing Fiscal Year 2018-2019 and for each subsequent Fiscal Year, the Board of Directors shall levy Annual Special Tax A in accordance with the following steps:

- Step One: The Annual Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Property at up to 100% of the applicable Assigned Annual Special Tax A in Table 1, Table 2, and Table 3 to satisfy the Special Tax A Requirement.
- Step Two: If additional moneys are needed to satisfy the Special Tax A Requirement after the first step has been completed, then the Annual Special Tax A on each Assessor's Parcel of Taxable Property for which the Maximum Special Tax A is the Backup Annual Special Tax A shall be increased Proportionately from the Assigned Annual Special Tax A up to 100% of the Backup Annual Special Tax A as needed to satisfy the Special Tax A Requirement.

## **SECTION G**

### **PREPAYMENT OF ANNUAL SPECIAL TAX A**

The following definition applies to this Section G:

**“Outstanding Special Tax A Bonds”** means all previously issued Special Tax A Bonds issued and secured by the levy of Special Tax A which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding Special Tax A Bonds to be redeemed at a later date with the proceeds of prior prepayments of Maximum Special Tax A.

## Prepayment in Full

The Special Tax A obligation of an Assessor's Parcel of Developed Property, an Assessor's Parcel of Approved Property, and an Assessor's Parcel of Undeveloped Property may be prepaid in full, provided that there are no delinquent Special Tax A, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Special Tax A obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

An owner of an Assessor's Parcel intending to prepay the Special Tax A obligation shall provide the District with written notice of intent to prepay, and within 5 days of receipt of such notice, the District shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2018-1 in calculating the proper amount of a prepayment. Within 30 business days of receipt of such non-refundable deposit, the District shall notify such owner of the Prepayment Amount of such Assessor's Parcel.

The Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

$$\begin{array}{rcl} & & \text{Payoff Amount} \\ \text{plus} & & \text{Administrative Fee} \\ \text{equals} & & \text{Prepayment Amount} \end{array}$$

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

1. For an Assessor's Parcel of Developed Property, Approved Property or Undeveloped Property compute the Assigned Annual Special Tax A applicable to the Assessor's Parcel.

For each Assessor's Parcel of Developed Property, Approved Property, or Undeveloped Property to be prepaid, compute the present value of the remaining Annual Assigned Special Tax A payments using a discount rate that is equal to the weighted average interest rate on the Outstanding Special Tax A Bonds and the remaining term of the Outstanding Special Tax A Bonds determined by a Financial Advisor selected by the District. For any prepayment that occurs prior to the first issuance of Special Tax A Bonds, the discount rate used in this calculation shall be 5.0% and the term shall be the lessor of thirty (30) years or the number of remaining years in which the Special Tax A may be levied as provided in Section O. This is the "Payoff Amount."

2. For each Assessor's Parcel of Developed Property, Approved Property, or Undeveloped Property to be prepaid, divide the Assigned Annual Special Tax A computed pursuant to the first paragraph in paragraph 1 of this Section G for such Assessor's Parcel by the sum of the estimated Assigned

Annual Special Tax applicable to all Assessor's Parcels of Taxable Property at build out, as reasonably determined by the Administrator.

3. Multiply the quotient computed pursuant to paragraph 2 by the Outstanding Special Tax A Bonds. The product shall be the "Bond Redemption Amount".
4. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Special Tax A Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
5. Compute the amount needed to pay interest on the Bond Redemption Amount to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the Outstanding Special Tax A Bonds.
6. Determine the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium in State and Local Government Series Treasury Obligations until the earliest call date for the Outstanding Special Tax A Bonds.
7. Subtract the amount computed pursuant to paragraph 6 from the amount computed pursuant to paragraph 5. This difference is the "Defeasance Cost."
8. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Special Tax A Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
9. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of Outstanding Special Tax A Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of Outstanding Special Tax A Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than zero.
10. The "Amount to Call Special Tax A Bonds" is equal to the sum of the Bond Redemption Amount, the Redemption Premium, and the Defeasance

Cost, less the Reserve Fund Credit (the Amount to Call Special Tax A Bonds will be transferred to the debt service fund and used to defease or call Special Tax A Bonds).

11. The Prepayment Amount is the sum of the Payoff Amount and the Administrative Fee.
12. From the Prepayment Amount, the Amount to Call Special Tax A Bonds will be transferred to the debt service fund and used to defease or call Special Tax A Bonds pursuant to the fiscal agent agreement or escrow agreement; the Administrative Fee will be transferred to the Administrative Fund or functionally equivalent fund or account pursuant to the fiscal agent agreement and used to pay administrative expenses; the remainder will be transferred to the "Surplus Taxes Fund" or functionally equivalent fund or account pursuant to the fiscal agent agreement and/or Acquisition Agreement.

With respect to the Special Tax A obligation that is prepaid pursuant to this Section G, the Board of Directors shall indicate in the records of CFD No. 2018-1 that there has been a prepayment of the Special Tax A obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Special Tax A obligation and the release of the Special Tax A lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Special Tax A shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Special Tax A that may be levied on Taxable Property after such full prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all Outstanding Special Tax A Bonds in each future Fiscal Year.

## **SECTION H**

### **PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAX A**

The Special Tax A obligation of an Assessor's Parcel of Developed Property or an Assessor's Parcel of Approved Property or Undeveloped Property, for which a building permit has been issued or is expected to be issued, as calculated in this Section H below, may be partially prepaid, provided that there are no delinquent Special Tax A, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Special Tax A obligation would be prepaid.

The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = P_G \times F$$

The terms above have the following meanings:

- PP = the Partial Prepayment Amount.
- $P_G$  = the Prepayment Amount calculated according to Section G.
- F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Special Tax A obligation.

With respect to any Assessor's Parcel that is partially prepaid, the Board of Directors shall indicate in the records of CFD No. 2018-1 that there has been a partial prepayment of the Special Tax A obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Special Tax A obligation, to indicate the partial prepayment of the Special Tax A obligation and the partial release of the Special Tax A lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Special Tax A shall cease.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Special Tax A that may be levied on Taxable Property after such partial prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently Outstanding Special Tax A Bonds in each future Fiscal Year.

## **SECTION I**

### **MAXIMUM SPECIAL TAX B**

#### **1. Developed Property**

The Maximum Special Tax B for each Assessor's Parcel of Residential Property, Multifamily Residential Property or Non-Residential Property in any Fiscal Year shall be the greater of (i) the Assigned Annual Special Tax B or (ii) the Backup Annual Special Tax B.

#### **2. Approved Property and Undeveloped Property**

The Maximum Special Tax B for each Assessor's Parcel classified as Approved Property shall be the greater of (i) the Assigned Annual Special Tax B or (ii) the Backup Annual Special Tax B.

The Maximum Special Tax B for each Assessor's Parcel classified as Undeveloped Property in any Fiscal Year shall be the Assigned Annual Special Tax B.

**SECTION J**  
**ASSIGNED ANNUAL SPECIAL TAX B**

**1. Developed Property**

Each Fiscal Year, each Assessor's Parcel of Residential Property, Multifamily Residential Property or Non-Residential Property shall be subject to an Assigned Annual Special Tax B.

The Assigned Annual Special Tax B applicable to an Assessor's Parcel of Developed Property shall be determined using the Table below.

TABLE 4  
ASSIGNED ANNUAL SPECIAL TAX B  
FOR DEVELOPED PROPERTY

<b>Tax Zone</b>	<b>Land Use Type</b>	<b>Estimated Cost to be Financed</b>	<b>Rate</b>
Tax Zone 1	Residential Property	≤\$21,000	\$2,330 per Parcel
Tax Zone 1	Residential Property	>\$21,000	\$2,515 per Parcel

**2. Approved Property and Undeveloped Property**

Each Fiscal Year, each Assessor's Parcel of Approved Property and Undeveloped Property shall be subject to an Assigned Annual Special Tax B. The Assigned Annual Special Tax B rate for an Assessor's Parcel classified as Approved Property or Undeveloped Property shall be determined pursuant to the tables below:

TABLE 5  
ASSIGNED ANNUAL SPECIAL TAX B  
FOR APPROVED PROPERTY

<b>Tax Zone</b>	<b>Estimated Cost to be Financed</b>	<b>Rate</b>
Tax Zone 1	≤\$21,000	\$2,330 per Parcel
Tax Zone 1	>\$21,000	\$2,515 per Parcel

TABLE 6  
ASSIGNED ANNUAL SPECIAL TAX B  
FOR UNDEVELOPED PROPERTY

<b>Tax Zone</b>	<b>Estimated Cost to be Financed</b>	<b>Rate</b>
Tax Zone 1	≤\$21,000	\$2,330 per Parcel
Tax Zone 1	>\$21,000	\$2,515 per Parcel

**SECTION K  
BACKUP ANNUAL SPECIAL TAX B**

For each Tax Zone, the Administrator shall determine the Backup Annual Special Tax B for all Assessor's Parcels of Taxable Property classified or reasonably expected to be classified as Residential Property within such Zone by multiplying the Assigned Annual Special Tax B for each Assessor's Parcel by 1.15.

The Backup Annual Special Tax B for Multifamily Residential Property, Non-Residential Property and Undeveloped Property shall be its Annual Assigned Special Tax B.

**SECTION L  
METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX B**

Commencing Fiscal Year 2018-2019 and for each subsequent Fiscal Year, the Board of Directors shall levy Annual Special Tax B in accordance with the following steps:

- Step One: The Annual Special Tax B shall be levied Proportionately on each Assessor's Parcel of Taxable Property at up to 100% of the applicable Assigned Annual Special Tax B in Table 4, Table 5, and Table 6 to satisfy the Special Tax B Requirement.
- Step Two: If additional moneys are needed to satisfy the Special Tax B Requirement after the first step has been completed, then the Annual Special Tax B on each Assessor's Parcel of Taxable Property for which the Maximum Special Tax B is the Backup Annual Special Tax B shall be increased Proportionately from the Assigned Annual Special Tax B up to 100% of the Backup Annual Special Tax B as needed to satisfy the Special Tax B Requirement.

**SECTION M**  
**PREPAYMENT OF ANNUAL SPECIAL TAX B**

The following definition applies to this Section M:

**“Outstanding Special Tax B Bonds”** means all previously issued Special Tax B Bonds issued and secured by the levy of Special Tax B which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding Special Tax B Bonds to be redeemed at a later date with the proceeds of prior prepayments of Maximum Special Tax B.

**Prepayment in Full.**

The Special Tax B obligation of an Assessor's Parcel of Developed Property, an Assessor's Parcel of Approved Property, and an Assessor's Parcel of Undeveloped Property may be prepaid in full, provided that there are no delinquent Special Tax B, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Special Tax B obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

An owner of an Assessor's Parcel intending to prepay the Special Tax B obligation shall provide the District with written notice of intent to prepay, and within 5 days of receipt of such notice, the District shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2018-1 in calculating the proper amount of a prepayment. Within 30 business days of receipt of such non-refundable deposit, the District shall notify such owner of the Prepayment Amount of such Assessor's Parcel.

The Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

$$\begin{array}{rcl} & & \text{Payoff Amount} \\ \text{plus} & & \text{Administrative Fee} \\ \text{equals} & & \text{Prepayment Amount} \end{array}$$

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

1. For an Assessor's Parcel of Taxable Property, compute the Assigned Annual Special Tax B applicable to the Assessor's Parcel.

For each Assessor's Parcel of Taxable Property to be prepaid, compute the present value of the remaining Annual Assigned Special Tax B payments using a discount rate that is equal to the weighted average interest rate on the Outstanding Special Tax B Bonds and the remaining term of the Outstanding Special Tax B Bonds determined by a Financial Advisor selected by the District. For any prepayment that occurs prior to the first issuance of Special Tax B Bonds, the discount rate used in this calculation shall be 6.5% and the term shall be the lessor of thirty

(30) years or the number of remaining years in which the Special Tax B may be levied as provided in Section O. This is the "Payoff Amount."

2. For each Assessor's Parcel of Taxable Property to be prepaid, divide the Assigned Annual Special Tax B computed pursuant to the first paragraph in paragraph 1 of this Section M for such Assessor's Parcel by the sum of the estimated Assigned Annual Special Tax B applicable to all Assessor's Parcels of Taxable Property at build out, as reasonably determined by the Administrator.
3. Multiply the quotient computed pursuant to paragraph 2 by the Outstanding Special Tax B Bonds. The product shall be the "Bond Redemption Amount".
4. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Special Tax B Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
5. Compute the amount needed to pay interest on the Bond Redemption Amount to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the Outstanding Special Tax B Bonds.
6. Determine the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium in State and Local Government Series Treasury Obligations until the earliest call date for the Outstanding Special Tax B Bonds.
7. Subtract the amount computed pursuant to paragraph 6 from the amount computed pursuant to paragraph 5. This difference is the "Defeasance Cost."
8. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Special Tax B Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
9. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of Outstanding Special Tax B Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of Outstanding Special Tax B Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if

the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than zero.

10. The "Amount to Call Special Tax B Bonds" is equal to the sum of the Bond Redemption Amount, the Redemption Premium, and the Defeasance Cost, less the Reserve Fund Credit (the Amount to Call Special Tax B Bonds will be transferred to the debt service fund and used to defease or call Special Tax B Bonds).
11. The Prepayment Amount is the sum of the Payoff Amount and the Administrative Fee.
12. From the Prepayment Amount, the Amount to Call Special Tax B Bonds will be transferred to the debt service fund and used to defease or call Special Tax B Bonds pursuant to the fiscal agent agreement or escrow agreement; the Administrative Fee will be transferred to the Administrative Fund or functionally equivalent fund or account pursuant to the fiscal agent agreement and used to pay administrative expenses; the remainder will be transferred to the "Surplus Taxes Fund" or functionally equivalent fund or account pursuant to the fiscal agent agreement and/or Acquisition Agreement.

With respect to the Special Tax B obligation that is prepaid pursuant to this Section M, the Board of Directors shall indicate in the records of CFD No. 2018-1 that there has been a prepayment of the Special Tax B obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Special Tax B obligation and the release of the Special Tax B lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Special Tax B shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Special Tax B that may be levied on Taxable Property after such full prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all Outstanding Special Tax B Bonds in each future Fiscal Year.

#### **SECTION N**

##### **PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAX B**

The Special Tax B obligation of an Assessor's Parcel of Developed Property or an Assessor's Parcel of Approved Property or Undeveloped Property, for which a building permit has been issued or is expected to be issued, as calculated in this Section N below, may be partially prepaid, provided that there are no delinquent Special Tax B, penalties, or interest charges

outstanding with respect to such Assessor's Parcel at the time the Special Tax B obligation would be prepaid.

The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = P_G \times F$$

The terms above have the following meanings:

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

With respect to any Assessor's Parcel that is partially prepaid, the Board of Directors shall indicate in the records of CFD No. 2018-1 that there has been a partial prepayment of the Special Tax B obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Special Tax B obligation, to indicate the partial prepayment of the Special Tax B obligation and the partial release of the Special Tax B lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Special Tax B shall cease.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Special Tax B that may be levied on Taxable Property after such partial prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently Outstanding Special Tax B Bonds in each future Fiscal Year.

#### **SECTION O** **TERM OF SPECIAL TAX A AND SPECIAL TAX B**

Special Tax A shall be levied for each Tax Zone pursuant to this Rate and Method of Apportionment not later than the Fiscal Year indicated in the Table below:

TABLE 7  
TERM OF THE SPECIAL TAX A

<b>Tax Zone</b>	<b>Term</b>
Tax Zone 1	Fiscal Year 2048-2049

Special Tax B shall be levied for each Tax Zone pursuant to this Rate and Method of Apportionment not later than the Fiscal Year indicated in the Table below:

TABLE 8  
TERM OF THE SPECIAL TAX B

<b>Tax Zone</b>	<b>Term</b>
Tax Zone 1	Fiscal Year 2048-2049

### SECTION P EXEMPT PROPERTY

The District shall classify as Exempt Property within the applicable Zone (i) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by the State of California, Federal or other local governments, including school districts, (ii) Assessor's Parcels which are used as places of worship and are exempt from ad valorem property taxes because they are owned by a religious organization, (iii) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels which are privately owned and are encumbered by or restricted solely for public uses, or (vi) other types of public uses determined by the Board of Directors.

Notwithstanding the foregoing, the Board of Directors for purposes of levying the Special Tax A and or Special Tax B shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property within the applicable Zone to less than the Acreage amounts listed in Table 9 and Table 10 below. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property within the applicable Zone to less than the Acreage amounts listed in the tables below will be classified as Taxable Property.

TABLE 9  
SPECIAL TAX A MINIMUM TAXABLE ACRES

<b>Zone</b>	<b>Acres</b>
Zone 1	4.872

TABLE 10  
SPECIAL TAX B MINIMUM TAXABLE ACRES

<b>Zone</b>	<b>Acres</b>
Zone 1	1.708

**SECTION Q**  
**APPEALS AND INTERPRETATIONS**

Any property owner claiming that the amount or application of the Special Tax A or Special Tax B is not correct may file a written notice of appeal with the Administrator not later than twelve months after having paid the first installment of the Special Tax A or Special Tax B that is disputed. A representative(s) of CFD No. 2018-1 shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax A or Special Tax B, and rule on the appeal. If the representative's decision requires that the Special Tax A or Special Tax B for an Assessor's Parcel be modified or changed in favor of the property owner, the representative shall take any of the following actions, in order of priority, to correct the error:

- (i) if possible, amend the Special Tax levy on the property owner's Assessor's Parcel(s) for the current Fiscal Year prior to the payment date;
- (ii) require CFD No. 2018-1 to reimburse the property owner for the amount of the overpayment to the extent of available CFD No. 2018-1 funds; or
- (iii) grant a credit against, eliminate or reduce the future Special Taxes on the property owner's Assessor's Parcel(s) in the amount of the overpayment.

The Board of Directors may interpret this Rate and Method of Apportionment for purposes of clarifying any ambiguity and make determinations relative to the amount of Administrative Expenses.

**SECTION R**  
**MANNER OF COLLECTION**

The Annual Special Tax A or Annual Special Tax B shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that CFD No. 2018-1 may collect Annual Special Tax A and Annual Special Tax B at a different time or in a different manner if necessary to meet its financial obligations.

## EXHIBIT A

### TABLES OF APPLICABLE RATES AND FIGURES BY ZONE

#### CFD NO. 2018-1

TABLE 1  
ASSIGNED ANNUAL SPECIAL TAX A  
FOR DEVELOPED PROPERTY

<b>Tax Zone</b>	<b>Land Use Type</b>	<b>Rate</b>
Tax Zone 1	Residential Property	\$5,695 per Parcel

TABLE 2  
ASSIGNED ANNUAL SPECIAL TAX A  
FOR APPROVED PROPERTY

<b>Tax Zone</b>	<b>Rate</b>
Tax Zone 1	\$5,695 per Parcel

TABLE 3  
ASSIGNED ANNUAL SPECIAL TAX A  
FOR UNDEVELOPED PROPERTY

<b>Tax Zone</b>	<b>Rate</b>
Tax Zone 1	\$11,690 per Acre

TABLE 4  
ASSIGNED ANNUAL SPECIAL TAX B  
FOR DEVELOPED PROPERTY

<b>Tax Zone</b>	<b>Land Use Type</b>	<b>Estimated Cost to be Financed</b>	<b>Rate</b>
Tax Zone 1	Residential Property	≤\$21,000	\$2,330 per Parcel
Tax Zone 1	Residential Property	>\$21,000	\$2,515 per Parcel

TABLE 5  
ASSIGNED ANNUAL SPECIAL TAX B  
FOR APPROVED PROPERTY

<b>Tax Zone</b>	<b>Estimated Cost to be Financed</b>	<b>Rate</b>
Tax Zone 1	≤\$21,000	\$2,330 per Parcel
Tax Zone 1	>\$21,000	\$2,515 per Parcel

TABLE 6  
ASSIGNED ANNUAL SPECIAL TAX B  
FOR UNDEVELOPED PROPERTY

<b>Tax Zone</b>	<b>Estimated Cost to be Financed</b>	<b>Rate</b>
Tax Zone 1	≤\$21,000	\$2,330 per Parcel
Tax Zone 1	>\$21,000	\$2,515 per Parcel

TABLE 7  
TERM OF THE SPECIAL TAX A

<b>Tax Zone</b>	<b>Term</b>
Tax Zone 1	Fiscal Year 2048-2049

TABLE 8  
TERM OF THE SPECIAL TAX B

<b>Tax Zone</b>	<b>Term</b>
Tax Zone 1	Fiscal Year 2048-2049

TABLE 9  
SPECIAL TAX A MINIMUM TAXABLE ACRES

<b>Zone</b>	<b>Acres</b>
Zone 1	4.872

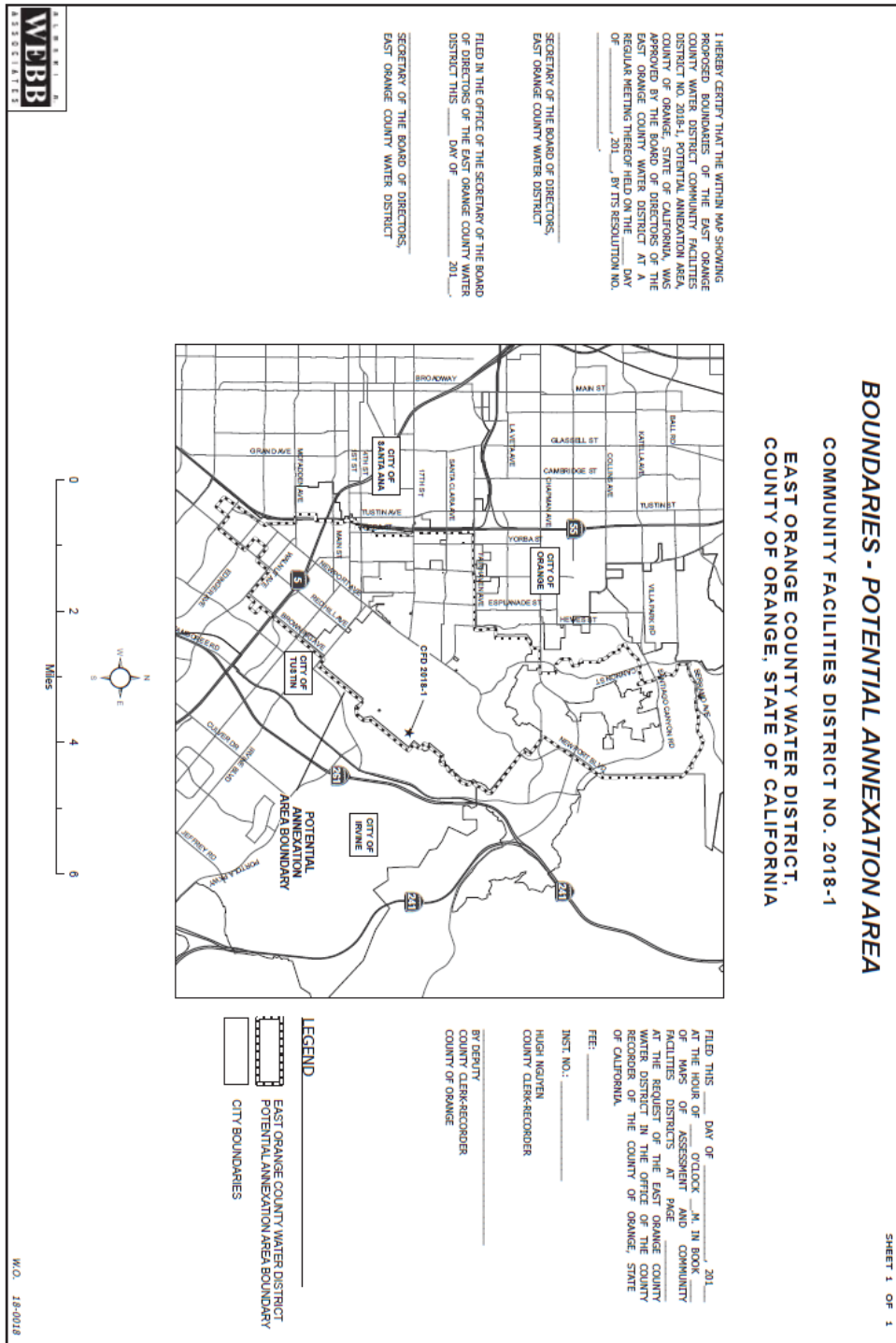
TABLE 10  
SPECIAL TAX B MINIMUM TAXABLE ACRES

<b>Zone</b>	<b>Acres</b>
Zone 1	1.708

## EXHIBIT B

### BOUNDARIES- POTENTIAL ANNEXATION AREA

CFD No. 2018-1



## **RESOLUTION NO. 823**

### **RESOLUTION OF INTENTION OF THE BOARD OF DIRECTORS OF EAST ORANGE COUNTY WATER DISTRICT TO INCUR BONDED INDEBTEDNESS WITHIN COMMUNITY FACILITIES DISTRICT NO. 2018-1 OF EAST ORANGE COUNTY WATER DISTRICT**

**WHEREAS**, upon receipt of a petition as provided in Section 53318 of the Government Code of the State of California, the Board of Directors of East Orange County Water District (the "Board of Directors") instituted proceedings to form Community Facilities District No. 2018-1 of East Orange County Water District ("CFD No. 2018-1"), pursuant to the Mello-Roos Community Facilities Act of 1982 (the "Act"), as amended, and adopted a resolution on the date hereof (the "Resolution of Intention") stating its intention to form CFD No. 2018-1 and to finance (1) the purchase, construction, expansion, improvement or rehabilitation of public improvements identified in Attachment "A" (which attachment is incorporated herein by this reference), including all furnishings, equipment and supplies related thereto (collectively, the "Improvements") and (2) the incidental expenses to be incurred in connection with financing the Improvements, and forming and administering CFD No. 2018-1 (collectively, the "Incidental Expenses"); and

**WHEREAS**, the Board of Directors estimates that the amount required to finance the Improvements and Incidental Expenses is approximately \$700,000; and

**WHEREAS**, in order to finance the Improvements and Incidental Expenses, the Board of Directors intends to authorize the issuance of bonds in the maximum principal amount that is set forth in the preceding recital, the repayment of which is to be secured by special taxes levied in accordance with Section 53328 of the Act on all property in CFD No. 2018-1, other than those properties exempted from taxation in the rate and method of apportionment set forth in Attachment "C" to the Resolution of Intention;

**THE BOARD OF DIRECTORS OF EAST ORANGE COUNTY WATER DISTRICT HEREBY FINDS, DETERMINES, RESOLVES, AND ORDERS AS FOLLOWS:**

1. The above recitals are true and correct.
2. It is necessary to incur bonded indebtedness within the boundaries of CFD No. 2018-1 in an amount not to exceed \$700,000, in order to finance certain of the costs of the Improvements and Incidental Expenses, as permitted by the Act.
3. The indebtedness will be incurred for the purpose of financing the costs of the Improvements and the Incidental Expenses, including, but not limited to, the funding of reserve funds for the bonds, the financing of costs associated with the issuance of the bonds and all other costs and expenses necessary to finance the Improvements which are permitted to be financed pursuant to the Act.

4. It is the intent of the Board of Directors to authorize the sale of bonds in one or more series, which bonds may be issued to fund Improvements costs and Incidental Expenses in the maximum amount set forth in Section 2, and which bonds may bear interest at a rate not in excess of the maximum rate permitted by law at the time that the bonds are issued. The term of the bonds of each series shall be determined pursuant to a resolution of this Board of Directors authorizing the issuance of the bonds of such series, but such term shall in no event exceed 40 years from the date of issuance of the bonds of such series, or such longer term as is then permitted by law.

5. A combined public hearing (the "Hearing") on the proposed debt issue and the levy of special taxes shall be held at 5:00 p.m. or as soon thereafter as practicable, on July 9, 2018, at the Board of Directors Meeting Room, 185 North McPherson Road, Orange, California.

6. At the time and place set forth in this Resolution for the Hearing, any interested persons, including all persons owning land or registered to vote within proposed CFD No. 2018-1, may appear and be heard.

7. The Secretary of the Board of Directors is hereby directed to publish a notice of the Hearing (the "Notice") pursuant to Section 6061 of the Government Code in a newspaper of general circulation published in the area of the proposed CFD No. 2018-1. Such publication shall be completed at least seven days prior to the date of the Hearing. The Secretary of the Board of Directors is further directed to mail a copy of the Notice to each of the landowners and registered voters within the boundaries of proposed CFD No. 2018-1 at least 15 days prior to the Hearing.

8. This Resolution shall be effective upon its adoption.

Dated: June 5, 2018

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Douglass S. Davert, President

I hereby certify that the foregoing is a full, true and correct copy of the Resolution adopted by the Board of Directors of East Orange County Water District at its meeting held on June 5, 2018.

ATTEST:

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Jeff Hoskinson, Board Secretary

## **ATTACHMENT A**

### **DESCRIPTION OF PROPOSED IMPROVEMENTS AND INCIDENTAL EXPENSES**

#### **EOCWD Improvements.**

The proposed improvements include the construction, purchase, modification, expansion, improvement or rehabilitation of sewer facilities of East Orange County Water District, and all appurtenances and appurtenant work in connection with the foregoing including the cost of engineering, planning, designing, materials testing, coordination, construction staking, construction management and supervision for such Improvements and any other expense incidental to the construction, acquisition, modification, expansion or rehabilitation of such Improvements.

The Improvements listed herein are representative of the types of improvements authorized to be financed by CFD No. 2018-1. Detailed scope and limits of specific projects will be determined as appropriate, consistent with the standards of the East Orange County Water District. Addition, deletion or modification of descriptions of the Improvements may be made consistent with the requirements of the Board of Directors of East Orange County Water District, CFD No. 2018-1 and the Act.

#### **Incidental Expenses.**

The Incidental Expenses to be paid from bond proceeds and/or special taxes include:

All costs associated with the creation of CFD No. 2018-1, the issuance of the bonds, the determination of the amount of special taxes to be levied, costs otherwise incurred in order to carry out the authorized purposes of CFD No. 2018-1, including legal fees, fees of consultants, engineering, planning, designing and the annual administration cost of CFD No. 2018-1.