

RESOLUTION NO. 2002-81

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ELK GROVE ESTABLISHING THE EAST FRANKLIN COMMUNITY FACILITIES DISTRICT NO. 2002-1 AND CALLING AN ELECTION FOR THE PURPOSE OF SUBMITTING THE LEVY OF THE SPECIAL TAX AND THE ESTABLISHMENT OF AN APPROPRIATIONS LIMIT TO THE QUALIFIED ELECTORS OF THE DISTRICT

WHEREAS, the City Council, on March 7, 2002, adopted its Resolution No. 2002-40 (the "Resolution of Intention") (i) declaring its intention to establish East Franklin Community Facilities District No. 2002-1 (the "District") pursuant to the Mello-Roos Community Facilities Act of 1982 (Chapter 2.5, Part 1, Division 2, Title 5 (commencing with Section 53311) of the California Government Code) (the "Act"), (ii) proposing to levy a special tax therein for the purpose of providing for the financing of the construction and acquisition of certain public facilities (the "Facilities") described in Exhibit A hereto, and (iii) calling a public hearing on the establishment of the District;

WHEREAS, at the conclusion of the public hearing, on April 10, 2002, the City Council adopted its Resolution No. 2002-60 (i) finding that the public hearing was duly held in accordance with the Act, (ii) declaring that no written protests were filed against the establishment of the District, the furnishing of specified type or types of facilities within the District as listed in the Facilities Report filed with the City Council before the hearing, or the levying of the special tax, and (iii) determining to proceed with establishing the District;

WHEREAS, on the basis of all of the foregoing, the City Council has determined at this time to establish the District and to submit to the qualified electors of the District the levy of the special tax therein (as such tax is more particularly described in Exhibit B hereto) and the establishment of an appropriations limit for the District;

WHEREAS, the Sacramento County Registrar of Voters has certified that fewer than twelve persons were registered to vote within the territory of the District as of March 21, 2002, which date is within the 90-day period preceding the close of the hearing;

WHEREAS, the City Council has received a written instrument from each landowner in the District consenting to the shortening of election time requirements, waiving analysis and arguments, and waiving all notice requirements relating to the conduct of the election;

WHEREAS, the City Clerk has concurred in the election date set forth herein;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Elk Grove, that:

1. **Recitals.** The foregoing recitals are true and correct.

2. **No Majority Protest.** The proposed special tax to be levied in the District has not been precluded by majority protest pursuant to Section 53324 of the Act.

3. **Establishment of District.** As proposed in the Resolution of Intention, a community facilities district is hereby established pursuant to the Act, designated "East Franklin Community Facilities District No. 2002-1."

4. **Finding of Procedural Regularity.** The City Council finds and determines that all prior proceedings had and taken by the City Council with respect to the formation of the District are valid and in conformity with requirements of the Act.

5. **Boundaries of District.** The boundaries of the District shall be as set forth in the map of the proposed boundaries of the District that was filed with the Sacramento County Recorder on March 12, 2002, in Book 95 of Maps of Assessment and Community Facilities Districts, at Page 9.

6. **Description of Facilities.** The Facilities to be financed by the District are set forth in Exhibit A hereto, which include completed facilities. The Facilities have a useful life of five years or longer. The cost of financing the acquisition and construction of the Facilities includes "incidental expenses," which include the cost of planning and designing the Facilities and environmental evaluations thereof; costs associated with the creation of the District, issuance of bonds, determination of the amount of special taxes, collection or payment of special taxes, or costs otherwise incurred in order to carry out the authorized purposes of the District; and any other expenses incidental to the construction, completion, and inspection of the Facilities.

7. **Repayment of Advances.** The City and the owners of property within the District have entered into an "Agreement for Advance of Funds" pursuant to which the property owners have deposited funds with the City for the payment of certain costs related to the establishment of the District. To the extent proceeds of any bonds issued are sufficient therefore (as determined by the City), the City proposes to repay a portion of the funds advanced.

8. **Special Tax.** As stated in the Resolution of Intention, except where funds are otherwise available, subject to the approval of the qualified electors of the District, a special tax sufficient to pay the costs of the Facilities (including incidental expenses and debt service on bonds issued to finance the Facilities), secured by recordation of a continuing lien against all nonexempt real property in the District, will be levied annually in the District. The rate, method of apportionment, and manner of collection of the special tax are specified in Exhibit B. Exhibit B specifies the conditions under which the special tax may be repaid and permanently satisfied. Exhibit B also specifies the date after which no further special tax shall be levied against any parcel of land used for private residential purposes. Under no circumstances will the special tax levied against any parcel of land used for private residential purposes be increased by more than ten per cent as a consequence of delinquency or default by the owner of any other parcel or parcels of land within the District.

9. **Apportionment of Tax.** The special tax as apportioned to each parcel is based on the cost of making the Facilities available to each parcel, or other reasonable basis, and is not based on or upon the ownership of real property.

10. **Tax Roll Preparation.** The office of the Director of Administrative Services, 8400 Laguna Palms Way, Elk Grove, California 95758, telephone (916) 478-2272, is hereby designated as the office that will be responsible for annually preparing a current roll of special tax levy obligations by assessor's parcel number and that will be responsible for estimating future special tax levies pursuant to Government Code section 53340.2. The Director of Administrative Services may cause these functions to be performed by his or her deputies, assistants, or other designated agents.

11. **Appropriations Limit.** The City Council proposes that the appropriations limit, as defined by Article XIII B, Section 8(h), of the Constitution of the State of California, for the District be established in the amount of special taxes collected.

12. **Accountability Measures.** Pursuant to Sections 50075.1 and 53411 of the California Government Code, the City shall create separate accounts into which tax and bond proceeds will be deposited; and the Director of Administrative Services annually shall file a report with the City Council that will state (a) the amount of funds collected and expended and (b) the status of the Facilities financed in the District.

13. **Special Election; Voting Procedures.** The City Council hereby submits the questions of levying the special tax and the establishment of the annual appropriations limit for the District to the qualified electors within the District, in accordance with and subject to the Act. The special election shall be held on May 15, 2002, and shall be conducted as follows:

(a) **Qualified Electors.** The City Council hereby determines that the Facilities are necessary to meet increased demands placed upon the City and other local agencies as a result of development occurring within the boundaries of the District. Because fewer than twelve registered voters resided within the District on March 21, 2002 (a date within the 90 days preceding the close of the public hearing on the establishment of the District), the qualified electors shall be the landowners within the District, and each landowner who was the owner of record at the close of the hearing shall have one vote for each acre or portion of an acre of land that such landowner owns within the District.

(b) **Consolidation of Elections; Combination of Propositions on Ballot.** As authorized by Government Code Section 53351(h), the elections on the questions of levying the special tax, establishing an appropriations limit, and incurring a bonded indebtedness for the District shall be consolidated; and, as authorized by Government Code Section 53353.5, the three propositions shall be combined into a single ballot proposition for submission to the voters. The combined ballot proposition shall read as shown in the form of the ballot attached hereto as Exhibit C.

(c) Mail Ballot Election. Pursuant to Government Code section 53327.5, the election shall be conducted as a mail ballot election. The City Council hereby ratifies the City Clerk's delivery to each landowner in the District of a ballot in the form set forth in Exhibit C.

(d) Return of Ballots. The City Clerk shall accept the ballots of the landowners up to 10:00 p.m. on the day of the election. The City Clerk shall have available ballots that may be marked at the City Clerk's office on the Election Day by voters. Once all qualified electors have voted, the City Clerk may close the election.

(e) Canvass of Election. The City Clerk shall commence the canvass of the returns of the special election as soon as the election is closed (i.e., 10:00 p.m. on the election day or when all qualified electors have voted) at the City Clerk's office. At the conclusion of the canvass, the City Clerk shall declare the results of the election.

(f) Declaration of Results. The City Council shall declare the results of the special election following the completion of the canvass of the returns and shall cause to be inserted into its minutes a statement of the results of the special election as ascertained by the canvass of the returns.

14. Filing of Resolution and Map with City Clerk. The City Council hereby directs the City Clerk to file a copy of this resolution and the map of the boundaries of the District in her office.

15. Lien to Secure Special Tax. Upon a determination by the City Council that two-thirds of the votes cast upon the question of levying the special tax were in favor thereof, the City Clerk shall record the notice of special tax lien provided for in Section 3114.5 of the California Streets and Highways Code. Upon recordation of the notice of special tax lien, a continuing lien to secure each levy of the special tax shall attach to all nonexempt real property in the District, and this lien shall continue in force and effect until the special tax obligation is prepaid and permanently satisfied and the lien cancelled in accordance with law or until collection of the tax by the City Council ceases.

PASSED AND ADOPTED by the Elk Grove City Council on May 15, 2002.


MICHAEL P. LEARY, Mayor

ATTEST:


PEGGY E. JACKSON, City Clerk

APPROVED AS TO FORM:

ANTHONY MANZANETTI, City Attorney

AYES: Leary, Scherman, Cooper,
Soares, Briggs
NOES: None
ABSTAIN: None
ABSENT: None

EXHIBIT A

List of Authorized Facilities and Costs

Authorized facilities and costs that may be funded through the Community Facilities District (CFD) include the following public improvements, development impact fees, and formation and administrative expenses:

PUBLIC IMPROVEMENTS

Transportation Improvements

Authorized facilities include the following transportation-related improvements:

- Poppy Ridge Road;
- Franklin Boulevard;
- Bruceville Road;
- Elk Grove Boulevard;
- Franklin Boulevard Bridge;
- 6th Street Bridge; and
- Other public roadway improvements required to meet the needs of the project.

Eligible transportation-related facility improvements include, but are not limited to: grading and paving; existing pavement removal; joint trenches; utility relocations and underground utilities; curbs; gutters; bridge and/or box culvert crossings; street lights and signalization; signage and striping; and median landscaping related thereto.

Wastewater System Improvements

Authorized facilities include any and all on- and off-site wastewater conveyance and collection facilities designed to meet the needs of development within the CFD. These facilities include, but are not limited to: gravity sewer lines; force mains; lift stations; odor-control facilities; and related wastewater improvements (including interim facilities).

Potable and Non-Potable Water System Improvements

Authorized facilities include any and all on- and off-site water facilities designed to meet the needs of development within the CFD. These facilities include, but are not limited to: wells and well facilities, potable and non-potable water transmission and distribution facilities (including fire hydrants); water treatment and storage facilities; pressure reducing stations; pumps; flow meters; and related water system improvements.

Drainage System Improvements

Authorized facilities include any and all on- and off-site drainage and storm water conveyance improvements designed to serve the needs of development within the CFD. These facilities include, but are not limited to: pipelines and appurtenances; drainage channels; detention basins; temporary drainage facilities; water quality improvements (including basins); and related drainage system improvements.

Landscaping Improvements

Authorized facilities include any and all landscaping improvements designed to serve the needs of development within the CFD. These facilities include, but are not limited to: grading; turf and irrigation; trees and shrubs; sidewalks, pathways, and trails; masonry soundwalls; entry monumentation and signage, and other related hard and soft-scape improvements along roadways and adjacent to or within parks, open space, drainage channels, and detention basins.

Other Public Facility Improvements

Authorized facilities also include the following public improvements:

- Elk Grove Blvd Soundwall;
- Railroad Bridges;
- Pedestrian Bridges; and
- Jungkeit House Restoration.

DEVELOPMENT IMPACT FEES

Eligible expenditures include prepayment of development impact fees applicable to new development within the CFD. The following development impact fees will be eligible for prepayment:

- Laguna South Public Facilities Fee Program (LSPFFP) fees;
- School mitigation fees for the Elk Grove Unified School District (EGUSD);
- Sacramento County Zone 11A Drainage Fees
- Sacramento County Zone 40 Water Fees;
- Sacramento County Sanitation District No. 1 Fees; and
- Sacramento County Regional Sanitation District Fees.

FORMATION AND ADMINISTRATIVE EXPENSES

In addition to the above facilities, other incidental expenses as authorized by the Mello-Roos Community Facilities Act of 1982, including, but not limited to: the cost of planning, permitting, and designing the facilities (including the cost of environmental evaluation and environmental remediation/mitigation); land acquisition for authorized CFD facilities; project management, construction staking; utility relocation and

demolition costs incident to the construction of the public facilities, cost associated with the creation of the Mello-Roos CFD; issuance of bonds; determination of the amount of taxes, collection of taxes; payment of taxes; or costs otherwise incurred in order to carry out the authorized purposes of the CFD; reimbursements to other areas for infrastructure facilities serving development within the CFD; and any other expenses incidental to the construction, completion, and inspection of the facilities.

EXHIBIT B

Rate, Method of Apportionment, and Manner of Collection of the Special Tax

A Special Tax of East Franklin Community Facilities District No. 2002-1 of the City of Elk Grove ("CFD") shall be levied on all Assessor's Parcels in the CFD and collected each Fiscal Year commencing in Fiscal Year 2002-03 in an amount determined by the City through the application of the rate and method of apportionment of the Special Tax set forth below. All of the real property in the CFD, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map. The square footage of an Assessor's Parcel is equal to the Acreage multiplied by 43,560.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2 of Title 5 of the Government Code of the State of California.

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

"Assessor's Parcel" means a lot or parcel shown in an Assessor's Parcel Map with an assigned assessor's parcel number.

"Assessor's Parcel Map" means an official map of the Assessor of the County designating parcels by assessor's parcel number.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued or incurred by the CFD and secured by the levy of Special Taxes under the Act.

"CFD Administrator" means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"CFD" means East Franklin Community Facilities District No. 2002-1 of the City of Elk Grove.

"City" means the City of Elk Grove.

"Council" means the City Council of the City of Elk Grove, acting as the legislative body of the CFD.

"County" means the County of Sacramento, California.

"Developed Property" means all Taxable Property, exclusive of Property Owner Association Property, or Public Property, for which a building permit was issued after July 1, 2001, but prior to the May 1st preceding the Fiscal Year in which the Special Tax is being levied.

"Development-Restricted Property" means Assessor's Parcel 132-0020-034 prior to approval of a Tentative Map on any portion of this Assessor's Parcel or any Successor Parcels. Prior to the approval of a Tentative Map, this Assessor's Parcel may only be taxed after the City has received written authorization from the property owner allowing it to be taxed. This Assessor's Parcel will no longer be classified as Development-Restricted Property once a Tentative Map has been approved on any portion of this Assessor's Parcel or any Successor Parcels.

"Final Map Residential Property" means a Residential lot created by a Final Subdivision Map, but for which no building permit has been issued pursuant to the definition of Developed Property.

"Final Subdivision Map" means a subdivision of property creating buildable lots by recordation of a final subdivision 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 1352, that creates individual lots for which building permits may be issued without further subdivision and is recorded prior to June 1 of any Fiscal Year.

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

"Gross Acre(age)" means the acreage of an Assessor's Parcel as shown on an Assessor's Parcel Map prior to dedication of right-of-way or easement for streets, roads, landscaping, and other public purposes.

"Indenture" means the indenture, trust agreement, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Land Use Class" means any of the classes listed in Table 1 or Table 2.

"Large Lot Property" means any Taxable Property created by the recordation of a final large lot subdivision map, parcel map or lot line adjustment, i.e. subdivision, parcel or other map that does not create Final Map Residential Property.

"Lot" means any Assessor's Parcel created by the recordation of a Final Subdivision Map.

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C below, that can be levied in the CFD in any Fiscal Year on any Assessor's Parcel prior to the full prepayment or partial prepayment of Special Tax.

"Multi-Family Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued for a residential structure consisting of two or more residential units that share common walls, including, but not limited to, duplexes, triplexes, townhomes, condominiums, and apartment units.

"Net Acre(age)" means the acreage of an Assessor's Parcel as shown on the Final Subdivision Map excluding right-of-way for streets, roads, and other public purposes. Net Acreage includes acreage subject to a public utility easement.

"Non-Residential Property" means all Assessors' Parcels of Developed Property for which a building permit(s) has been issued for a non-residential use.

"Other Taxable Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Final Map Residential Property, Large Lot Property, or Tentative Map Property.

"Outstanding Bonds" means, as of any date, all Bonds previously issued that are outstanding under the applicable Indenture.

"Property Owner Association Property" means any property within the boundaries of the CFD that is owned by, or irrevocably dedicated as indicated in an instrument recorded with the County Recorder to, a property owner association, including any master or sub-association.

"Proportionately" means in a manner such that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels within each Land Use Class.

"Public Property" means any property within the boundaries of the CFD that is, at the time of the CFD formation, expected to be used for rights-of-way, parks, schools or any other public purpose and is owned by or irrevocably offered for dedication to the federal government, the State, the County, the City or any other public agency. Once an Assessor's Parcel has been designated as Public Property, it shall retain such status permanently, unless transferred in accordance with the transfer provisions provided in Section G below.

"Residential Property" means all Assessors' Parcels of Developed Property for which a building permit(s) has been issued for purposes of constructing one residential dwelling unit.

"Special Tax" means the Special Tax to be levied in each Fiscal Year prior to full prepayment or termination of Special Tax on each Assessor's Parcel of Developed Property and Undeveloped Property to fund the Special Tax Requirement, and shall include Special Taxes levied or to be levied under Sections C and D, below.

"Special Tax Requirement" means that amount required in any Fiscal Year for the CFD to: (a) (i) pay debt service on all Outstanding Bonds for the calendar year that commences in such Fiscal Year; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay reasonable Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay directly for acquisition or construction of authorized facilities to be constructed or acquired by the CFD, except Special Taxes on Undeveloped Property shall not be levied for this purpose; (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (b) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

"State" means the State of California.

"Successor Parcel" means an Assessor's Parcel(s) created by subdivision, lot line adjustment, or parcel map from Assessor's Parcel 132-0020-034.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of the CFD that are not exempt from the Special Tax pursuant to law or as defined below.

"Tax-Exempt Property" means an Assessor's Parcel not subject to the Special Tax, Tax-Exempt Property include: (i) Public Property, or (ii) Development-Restricted Property, or (iii) any Assessor's Parcel that has prepaid its Special Taxes pursuant to Section H, or (iv) Property Owner Association Property.

"Tentative Map" means the tentative subdivision map filed pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) and approved for the East Franklin Specific Plan project by the City.

"Tentative Map Property" means any Taxable Property for which a Tentative Map has been approved by the City prior to June 1 of any Fiscal Year that is not Residential Property. Once classified as Tentative Map Property, it shall not be reclassified as Other Taxable Property notwithstanding any subsequent abandonment or expiration of the applicable Tentative Map.

"Trustee" means the trustee or fiscal agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property.

"Unit" means any single-family residence in which a person or persons may live, and is not considered to be for commercial, industrial use or Multi-Family Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year using the definitions above, all Taxable Property within the CFD shall be classified as Developed Property or Undeveloped Property, and shall be subject to Special Taxes pursuant to Sections C and D below. Developed Property shall be further assigned to a Land Use Class as specified in Table 1. Undeveloped Property shall be further assigned to a Land Use Class as specified in Table 2.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

**TABLE 1
Maximum Special Tax for Developed Property
Community Facilities District No. 2002-1**

Land Use Class	Description	Maximum Special Tax Per Unit/Acre
1	Residential Property	\$840 per Unit
2	Multi-Family Property	\$4,200 per Net Acre
3	Non-Residential Property	\$4,200 per Net Acre

2. Undeveloped Property

**TABLE 2
Maximum Special Tax for Undeveloped Property
Community Facilities District No. 2002-1**

Land Use Class	Description	Maximum Special Tax Per Lot/Acre
4	Final Map Residential Property	\$840 per Lot
5	Large Lot Property	\$4,100 per Gross Acre
6	Tentative Map Property	\$3,200 per Gross Acre
7	Other Taxable Property	\$3,200 per Gross Acre

Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax levies that can be imposed on all Land Use Classes located on that Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2002-03, and for each following Fiscal Year, the Council shall levy the Special Tax until the amount of the Special Tax levied equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property at 100% of the applicable Maximum Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Final Map Residential Property at up to 100% of the Maximum Special Tax for Final Map Residential Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Large Lot Property at up to 100% of the Maximum Special Tax for Large Lot Property;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Tentative Map Property at up to 100% of the Maximum Special Tax for Tentative Map Property; and;

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Other Taxable Property at up to 100% of the Maximum Special Tax for Other Taxable Property.

Notwithstanding the above the Council may, in any Fiscal Year, levy Proportionately less than 100% of the Maximum Special Tax in step one of Section D (above), when (i) the Council is no longer required to levy a Special Tax pursuant to steps two through five above in order to meet the Special Tax Requirement; (ii) all authorized CFD Bonds have already been issued or the Council has covenanted that it will not issue any additional CFD Bonds (except refunding bonds) to be supported by Special Taxes; and (iii) all authorized facilities have been constructed or acquired and paid for from Bonds and/or Special Taxes.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent annually up to the Maximum Special Tax as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the CFD.

E. APPEALS

Any taxpayer that believes that the amount of the Special Tax assigned to a Parcel is in error may file a written notice with the City appealing the levy of the Special Tax. This notice is required to be filed with the City during the Fiscal Year the error is believed to have occurred. The City will then promptly review the appeal and, if necessary, meet with the taxpayer. If the City verifies that the tax should be changed, a recommendation at that time will be made to the City Council and, if directed by the Council, the Special Tax levy shall be corrected and, if applicable in any case, a refund shall be granted.

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

F. MANNER OF COLLECTION

Special Tax as levied pursuant to Section D above shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that the CFD Administrator may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet the financial obligations of the CFD or as otherwise determined appropriate by the CFD Administrator.

G. TRANSFER OF SPECIAL TAX OBLIGATION

Taxable Property acquired by a public agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Government Code. An exception to this may be made if an Assessor's Parcel of Public Property, such as a school site, is relocated to an Assessor's Parcel(s) of Taxable Property, the previously Tax-Exempt Property of comparable acreage becomes Taxable Property and the Maximum Special Tax from the previously Taxable Property is transferred to the new Taxable Property. This trading of Special Taxes will be permitted to the extent that there is no net loss in Maximum Special Tax revenue.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to Section H.

"Outstanding Prepayment Bonds" means, as of any date, all Bonds previously issued that are anticipated by the CFD Administrator to be outstanding under the applicable Indenture immediately after the first principal payment date for such Bonds following the then current Fiscal Year as reduced by scheduled debt service payment and any previous prepayments.

"Update Property" means an Assessor's Parcel of Taxable Property for which a building permit has been issued, but which has not yet been classified as Developed Property.

Prepayment in Full

The Special Tax obligation described in Section D above with respect to any Assessor's Parcel of Developed Property or Update Property may be fully prepaid. A prepayment may be made on an Assessor's Parcel only if there are no delinquent Special Tax levies with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor's Parcel. The CFD Administrator may charge the Assessor's Parcel's owner a reasonable fee for providing these figures, which must be paid by the owner of the Assessor's Parcel prior to the calculation of the prepayment amount. Prepayment must be made not less than 15 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

The Prepayment Amount (defined below) for any Assessor's Parcel of Public Property that is Taxable Property shall be determined by the CFD Administrator as authorized under Sections 53317.3 and 53317.5 of the Act. However, no Special Tax prepayment for any Assessor's Parcel of Taxable Public Property shall be allowed unless the amount of Maximum Special Tax levies that may be imposed on Taxable Property within the CFD after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Prepayment Bonds after the redemption of Bonds resulting from the proposed prepayment.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

P = PVT + Premium + F , where
P = Prepayment Amount
PVT = Present Value of Special Taxes
F = Fees

Present Value of Special Taxes (PVT) shall mean the present value of the Maximum Annual Special Tax applicable to the subject lot or parcel in each year remaining until the year ending thirty-five (35) years after the 2002/03 Fiscal Year, using seven percent (7%) as the discount rate.

The Maximum Annual Special Tax used in such calculation shall be determined by the classification of parcels shown in Table 1 above.

Premium shall mean, if Bonds have been issued, the bond call costs (not to exceed three percent (3%) of PVT) associated with the redemption of Bonds. If no Bonds have been issued, no premium shall be applied.

Fees shall mean the administrative fees and expenses of the CFD, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption.

In addition, any property owner prepaying its Special Taxes must pay current and any delinquent Special Taxes and penalties prior to prepayment.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of bonds or to make debt service payments.

With respect to any Assessor's Parcel that is prepaid, the City shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Tax and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on Taxable Property within the CFD after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Prepayment Bonds.

I. TERM OF SPECIAL TAX

For each year that any Bonds are outstanding or in which there is a Special Tax Requirement the Special Tax shall be levied on all Assessor's Parcels subject to the Special Tax. The Special Tax will not be levied later than the 2037-38 Fiscal Year.

EXHIBIT C

Form of Ballot

OFFICIAL BALLOT

**SPECIAL TAX AND BOND ELECTION
CITY OF ELK GROVE
EAST FRANKLIN COMMUNITY FACILITIES DISTRICT NO. 2002-1**

MAY 15, 2002

Number of votes entitled to cast: _____

INSTRUCTIONS TO VOTERS: To vote on the measure, mark an (X) in the voting square after the word "YES" or after the word "NO". All marks otherwise made are forbidden. All distinguishing marks are forbidden and make the ballot void.

If you wrongly mark, tear or deface this ballot, return it to the City Clerk, City of Elk Grove, 8400 Laguna Palms Way, Elk Grove, California 95758, to obtain another.

MEASURE SUBMITTED TO VOTE OF VOTERS

Ballot Measure: Shall the City of Elk Grove be authorized to levy a special tax at the rates and apportioned as described in Exhibit B to the Resolution of Formation (the "Resolution of Formation") for the East Franklin Community Facilities District No. 2002-1 (the "District") adopted by the City Council on May 15, 2002, which is incorporated herein by this reference, within the District to finance certain public facilities as set forth in Exhibit A to the Resolution of Formation, including any incidental expenses related thereto, and shall a bonded indebtedness in the amount of \$125,000,000 be incurred for the District, and shall an appropriations limit be established for the District in the amount of the special taxes collected?	YES <input type="checkbox"/>
	NO <input type="checkbox"/>

NOTE: This is a special landowner election. You must return this ballot to the City Clerk, City of Elk Grove, by 10:00 p.m. on May 15, 2002. The City Clerk's office is located at City Hall, 8400 Laguna Palms Way, Elk Grove, California 95758.