

EXHIBIT C
County of Sacramento
Community Facilities District No. 2004-3 (The Ranch)
County of Sacramento
Sacramento, California

**RATE, METHOD OF APPORTIONMENT, AND MANNER OF COLLECTION
OF SPECIAL TAX**

1. Basis of Special Tax Levy

A Special Tax authorized under the Mello-Roos Community Facilities Act of 1982 (Act) applicable to the land in the County of Sacramento Community Facilities District No. 2004-3 (The Ranch) (CFD) of the County of Sacramento (County) shall be levied and collected according to the tax liability determined by the County through the application of the appropriate amount or rate, as described below.

2. Definitions

“Acre(age)” means the total acreage of a total Taxable Parcel as shown on Assessor’s Parcel Maps or as otherwise calculated by the Administrator.

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

“Administrative Expenses” means the following actual or reasonably estimated costs directly related to the administration of the CFD: the costs of computing Special Taxes and preparing the annual Special Tax collection schedules; the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Bond Indenture; the costs to the County, CFD or any designee thereof of complying with arbitrage rebate requirements; the costs to the County, CFD or any designee thereof of complying with County, CFD or obligated persons disclosure requirements associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs to the County, CFD or any designee thereof related to an appeal of the Special Tax; and the costs associated with the release of funds from an escrow account, if any.

Administrative Expenses shall also include amounts estimated or advanced by the County or CFD for any other administrative purposes, including attorney’s fees and

other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes. The costs of preparing Prepayment calculations, and the processing of Prepayments, are not an Administrative Expense and will be paid by the requesting party in the form of a fee as adopted by the County.

“Administrator” means the Administrator of the County Municipal Services Agency or his/her designee.

“Annexation Parcel” means any Parcel that is annexed to the CFD after the CFD is formed.

“Annual Costs” means, for any Fiscal Year, the total of the following:

- i) Debt Service to be paid from Special Taxes collected during such Fiscal Year;
- ii) Administrative Expenses for such Fiscal Year;
- iii) The amount needed to replenish the reserve fund for the Bonds to the level required under the Bond Indenture;
- iv) An amount equal to Special Tax delinquencies from the previous Fiscal Year and/or anticipated for the current Fiscal Year;
- v) Pay-as-you-go expenditures for Authorized Facilities to be constructed or acquired by the CFD; and
- vi) Less any earnings on the reserve fund and special tax fund that are transferred to the bond redemption fund pursuant to the Bond Indenture.

“Anticipated Construction Proceeds” means the amount available, as determined by the Administrator, for project construction after the issuance of all authorized bonds.

“Assessor’s Parcel Number” means the parcel number as recorded by the County Assessor on the equalized tax roll.

“Authorized Facilities” means those facilities to be financed as identified in the resolution forming the CFD.

“Base Year” means Fiscal Year 2004-2005.

“Board” means the Board of Supervisors of the County.

“Benefit Share” means the Maximum Annual Special Tax for a Parcel divided by the Maximum CFD Revenue.

“**Bond(s)**” means bond(s) issued by the County under the Act for the CFD.

“**Bond Indenture**” means the indenture, resolution, fiscal agent agreement, or other financing document pursuant to which the Bonds are issued.

“**Bond Proceeds**” means the net amount of Bond proceeds that are available to construct or acquire Authorized Facilities.

“**Bond Share**” means the share of Bonds assigned to a Parcel as specified in **Section 7**.

“**CFD**” means the Sacramento County Community Facilities District No. 2004-3 (The Ranch).

“**County**” means the County of Sacramento, California.

“**Debt Service**” means the total amount of bond principal, interest, and the scheduled sinking fund payments of the Bonds for the CFD.

“**Developed Parcel**” means a Parcel in one of the following land use categories that have received from the County the applicable development approval for that land use category as follows:

<u>Land Use</u>	<u>Development Approval</u>
Single-Family Residential Parcel	=> Final Subdivision Map
Other Land Uses	=> Building Permit

“**Final Subdivision Map**” means a recorded map designating individual Single-Family Residential Parcels.

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

“**Full Prepayment**” means the prepayment of a Parcel’s complete Special Tax obligation, as determined by following the procedures in **Section 7**.

“**Maximum Annual Special Tax**” means the greatest amount of Special Tax that can be levied against a Taxable Parcel in a Fiscal Year as calculated pursuant to **Section 5**.

“**Maximum Annual Special Tax Revenue**” is the greatest amount of revenue from levying the Maximum Annual Special Tax in a Fiscal Year on a group of Parcels, such as Developed Parcels.

“Maximum CFD Revenue” means the total amount of Special Tax revenue from all Taxable Parcels in a given Fiscal Year.

“Other Land Uses” means all taxable Developed Parcels with land uses other than single-family residential. Although the CFD is intended to include only single-family residential development, rezoning may allow other uses. Multifamily residential, retail, office, mixed-use, and industrial property would be taxable as Other Land Uses.

“Outstanding Bonds” means the total principal amount of Bonds that have been issued and not retired or defeased.

“Parcel” means any County Assessor's Parcel in the CFD based on the equalized tax rolls of the County as of January 1 preceding the Fiscal Year.

“Partial Prepayment” means a prepayment of a portion of a Parcel’s Special Tax obligation, as set forth in **Section 7**.

“Partial Prepayment Factor” means the factor by which the Maximum Annual Special Tax for a Partial Prepayment Parcel is multiplied to calculate an adjusted Maximum Annual Special Tax for such a Parcel. Each Partial Prepayment Factor shall be calculated according to the steps described under **Section 7** hereof.

“Partial Prepayment Parcel” means a Taxable Parcel for which a Partial Prepayment has been made following the procedures in **Section 7**.

“Prepayment” means the partial or complete fulfillment of a Parcel’s Special Tax obligation, as determined by following the procedures in **Section 7**.

“Public Parcel” means any Parcel that is or is intended to be publicly owned and that is normally exempt from the levy of general *ad valorem* property taxes under California law, including public streets, schools, parks, public drainage ways, public landscaping, wetlands, greenbelts, and public open space.

“Reserve Fund Requirement” means the amount required to be held in the bond reserve fund created under the Bond Indenture.

“Reserve Fund Share” means the product of the amount on deposit in the reserve fund, but in any event not to exceed the required bond reserve as defined in the Bond Indenture, multiplied by the Benefit Share for a given Parcel.

“Single-Family Residential Parcel” means a single-family residential lot created by the recordation of a Final Subdivision Map.

“Special Tax(es)” mean(s) the special tax levied under the Act in the CFD.

“Tax Category” means the category of Special Tax (as shown in **Attachment 1**) assigned to a Parcel.

“Tax Collection Schedule” means the document prepared by the Administrator for the County Director of Finance to use in levying and collecting the Special Tax each Fiscal Year.

“Tax Escalation Factor” means a factor of 2 percent that will be applied annually to the Maximum Annual Special Tax Rate for a Taxable Parcel beginning the Fiscal Year following the Base Year.

“Taxable Parcel” means any Parcel that is not a Tax-Exempt Parcel.

“Tax-Exempt Parcel” means a Parcel not subject to the Special Tax, that is a:

- i) Public Parcel,
- ii) Parcel used solely for recreation and/or open spaces uses, including but not limited to, golf courses and common open space Parcels, or
- iii) Parcel for which the Special Tax has been fully prepaid under **Section 7** hereof.

“Total Facility Cost Share” means the Benefit Share for a Parcel multiplied by the Anticipated Construction Proceeds for the CFD.

“Undeveloped Parcel” means a Taxable Parcel that is not a Developed Parcel.

“Unit(s)” means the number of taxable developed residential unit(s) assigned to a Parcel, or a portion thereof, by the Administrator.

3. Determination of Parcels Subject to Special Tax

The Administrator shall prepare a list of the Parcels subject to the Special Tax. The Administrator shall identify the Taxable Parcels from a list of all Parcels within the CFD boundary by excluding all Tax-Exempt Parcels.

4. Termination of the Special Tax

The Special Tax will be levied and collected for as long as needed pay the Annual Costs. However, in no event shall the Special Tax be levied on any Parcel in the CFD after Fiscal Year 2103-2104.

When all Bonds, pay-as-you-go expenditures for Authorized Facilities that the County has agreed to pay and all Administrative Expenses have been paid, the Special Tax shall cease to be levied. The Administrator shall direct the County Recorder to record a Notice of Cessation of Special Tax. Such notice will state that the obligation to pay the Special Tax has ceased and that the lien imposed by the Notice of Special Tax Lien is extinguished on all Taxable Parcels. The Notice of Cessation of Special Tax shall additionally identify the book and page of the Book of Maps of Assessment and Community Facilities Districts where the map of the boundaries of the CFD is recorded.

5. Assignment of Maximum Annual Special Tax

In each Fiscal Year the Maximum Annual Special Tax will be assigned using the procedures outlined below. Each Fiscal Year following the Base Year the Maximum Annual Special Tax Rate, as shown in **Attachment 1**, should be increased by the Tax Escalation Factor.

A. Classification of Parcels. Based on the Definitions in **Section 2** above, using the Parcel records of the County Assessor's Secured Tax Roll and other County development approval records as of June 1 of each year, the Administrator shall cause the following to be done:

1. Each Parcel to be classified as a Taxable Parcel or Tax-Exempt Parcel,
2. Each Taxable Parcel to be classified as a Developed Parcel, Partial Prepayment Parcel, or an Undeveloped Parcel,

B. Assignment of Maximum Annual Special Tax to Developed Parcels. The Maximum Annual Special Tax for each Tax Category of Developed Parcels will be assigned using **Attachment 1**.

C. Partial Prepayment Parcels. The Maximum Annual Special Tax for a Partial Prepayment Parcel is assigned by multiplying the Maximum Annual Special Tax from **Attachment 1**, or as otherwise calculated for a Developed Parcel, by the Partial Prepayment Factor for the Parcel.

D. Assignment of the Maximum Annual Special Tax to Undeveloped Parcels. The Maximum Annual Special Tax is assigned to Undeveloped Parcels by multiplying the Maximum Annual Special Tax per Acre for an Undeveloped Parcel, as shown in **Attachment 1**, by the Acres of a Parcel.

E. Conversion of a Tax-Exempt Parcel to a Taxable Parcel. If a Tax-Exempt Parcel is converted to a Taxable Parcel, it shall become subject to the Special Tax. The Maximum Annual Special Tax for each such Parcel shall be calculated using the steps outlined in **Section 5.A** through **B**.

F. Taxable Parcel Acquired by a Public Agency. A Taxable Parcel that is 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, in connection with such acquisition, if a Tax-Exempt Parcel of comparable acreage becomes a Taxable Parcel, there is no net loss in Maximum CFD Revenue, and the transfer is agreed to by the Administrator.

G. Annexation Parcels. A Parcel may be annexed to the CFD after the CFD has been formed. In the event a Taxable Parcel is annexed to the CFD, the Maximum Annual Special Tax will be assigned using the Definitions in **Section 2**, and procedures shown in **Section 5**.

6. **Setting the Annual Special Tax Levy for Taxable Parcels**

The annual Special Tax levy shall be established using the following:

- A. Compute the Annual Costs using the definition of Annual Costs in **Section 2**.
- B. Calculate the Special Tax levy for each Taxable Parcel by the following steps:
 - Step 1: Compute 100% of the Maximum Annual Special Tax Revenue for all Developed Parcels.
 - Step 2: Compare the Annual Costs with the Maximum Annual Special Tax Revenue calculated in the previous step.
 - Step 3: If the Annual Costs are less than the Maximum Annual Special Tax Revenue, decrease proportionately the Special Tax levy for each

Developed Parcel until the Special Tax Revenue equals the Annual Cost.

Step 4: If the Annual Costs are greater than the Maximum Annual Special Tax revenue from Developed Parcels, levy a Special Tax proportionately on each Undeveloped Parcel to an amount equal to the amount of Annual Costs or until 100% of the Maximum Annual Special Tax is reached for such Undeveloped Parcels.

- C. Levy on each Taxable Parcel the amount calculated above.
- D. Prepare the Tax Collection Schedule, unless an alternative method of collection has been selected pursuant to **Section 9** to be discussed, and send it to the County Auditor requesting that it be placed on the general, secured property tax roll for the Fiscal Year. The Tax Collection Schedule shall not be sent later than the date required by the Auditor for such inclusion.

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

As development and subdivision of CFD land uses take place, the County will maintain a file, available for public inspection, of each current County Assessor's Parcel Number within the CFD, its Maximum Annual Special Tax, and the Maximum Annual Special Tax Revenues for all Parcels within the CFD. This record shall show the calculation of the assigned Maximum Annual Special Tax to each Taxable Parcel.

7. Prepayment of Special Tax Obligation

Landowners may partially or permanently satisfy the Special Tax obligation by a cash settlement with the County as permitted under Government Code Section 53344.

Prepayment is permitted only under the following conditions:

- The Administrator determines that the prepayment of the Special Tax obligation does not jeopardize the ability of the County to make timely payments of Debt Service on Outstanding Bonds.
- Any landowner prepaying the Special Tax obligation must pay any and all delinquent property taxes and penalties prior to prepayment.
- Prepayment should be made on or before June 1 in order to prevent the levy of Special Taxes due during the Fiscal Year beginning July 1.

- If Special Taxes have already been levied, but not collected, at the time the Prepayment is calculated, the owner of the Parcel(s) must pay the Special Taxes included on the property tax bill in addition to the Prepayment amount.

The Prepayment amount shall be established by following the steps in Part A, B, and C.

Part A: Prepayment of Outstanding Bonds

- Step A.1: Determine the Maximum Annual Special Tax for the Parcel for which the Special Tax is to be fully prepaid by following the procedures in **Section 5**. If the Parcel is an Undeveloped Parcel, the determination of the Maximum Annual Special Tax shall assume that the Parcel is a Developed Parcel.
- Step A.2: Divide the Maximum Annual Special Tax from Step A.1 by the Maximum CFD Revenue to arrive at the Benefit Share for the prepaying Parcel.
- Step A.3: Determine the Bond Share for the Parcel by multiplying the Benefit Share from Step A.2 by the amount of the Outstanding Bonds. For the purpose of calculating the Bond Share, Bonds to be retired from Special Taxes that have been levied but not collected shall not be considered Outstanding Bonds.
- Step A.4: Determine the Reserve Fund Share associated with the Bond Share calculated in Step A.3 and reduce the Bond Share by the amount of the Reserve Fund Share.
- Step A.5: Add to the amount calculated in Step A.4 any fees, call premiums, and expenses incurred by the County in connection with the Prepayment calculation or the application of the proceeds of the prepayment to the call of bonds.

Part B: Remaining Facility Cost Share

- Step B.1: Determine the Total Facility Cost Share for the Parcel by multiplying the Benefit Share from Step A.2 above by the Anticipated Construction Proceeds.
- Step B.2: Determine the share of facilities funded by bonds already issued by the CFD for the Parcel by multiplying the Benefit Share by the construction proceeds made available from all such bonds issued by the CFD. These

amounts shall be adjusted to the year of prepayment by using the Engineering News Record Construction Cost Index.

Step B.3: Determine the share of facilities funded with pay-as-you-go special tax revenues by multiplying the Benefit Share by the total amount of pay-as-you-go funding, if any, used to acquire or construct authorized facilities.

Step B.4: Determine the remaining facility cost share for the Parcel by subtracting the results from Steps A.2.b and A.2.c from the Total Facility Cost Share determined in Step A.2.a. (Notwithstanding the above, once the County has issued all bonds for the CFD, the remaining facility cost share is set to zero for purposes of this prepayment calculation.)

Part C: Calculate Total Prepayment

Combine the amount from Step A.5 with the amount from Step B.4 to arrive at the full prepayment amount.

PART D: PARTIAL PREPAYMENT

If the Prepayment is a Partial Prepayment, then the property owner shall designate an amount which is less than the full Prepayment amount determined above for the Parcel (or group of such Parcels) for which the Special Tax is to be partially prepaid but which, based upon a calculation provided by the Administrator, will provide sufficient funds for a bond call in a whole number multiple of \$5,000. The Administrator shall determine the Partial Prepayment Factor by the following procedure:

Step D.1: Subtract the amount of the Partial Prepayment from the sum of the total amount of Bonds included in the Prepayment amount calculated in Step A.5 and the Remaining Facility Cost Share calculated in B.4 above;

Step D.2: Divide the result of Step D.1 by the sum of the total amount of Bonds included in the Prepayment amount calculated in Step A.5 and the Remaining Facility Cost Share calculated in B.4; and,

Step D.3: If a Partial Prepayment had previously been made for this Parcel, add the amount of all previous Partial Prepayment by the Partial Prepayment currently calculated, and then perform the Partial Prepayment Factor calculation, beginning with Step C.1.

8. Appeals

The Administrator has the authority to make necessary administrative adjustments to the Rate and Method of Apportionment in order to remedy any portions of the Special Tax formula that require clarification.

Any taxpayer who feels that the amount of the Special Tax levied on a Parcel is in error may file a notice with the Administrator appealing the levy of the Special Tax as to that Parcel. The Administrator will then promptly review the appeal, and if necessary, meet with the applicant. If the Administrator verifies that the Special Tax should be modified, he or she will so recommend to the Board and if the Board concurs, the levy of the Special Tax as to that Parcel shall be corrected and, if applicable, a refund may be granted. If the Administrator determines that the Special Tax should not be modified or changed, the appeal is denied and no further action will be taken. Interpretations may be made by Resolution of the Board 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.

9. Manner of Collection

The Special Tax will be collected in the same manner and at the same time as *ad valorem* property taxes, provided, however, that the Administrator or its designee may directly bill the Special Tax and may collect the Special Tax at a different time, such as on a monthly or other periodic basis, or in a different manner, if necessary, to meet the County's financial obligations.

Attachment 1
County of Sacramento
Clay Station 1200 (The Ranch) CFD No. 2004-3
Maximum Annual Special Tax by Tax Category - Base Year 2004-2005 [1]

Tax Category	Maximum Annual Special Tax [2]	
Developed Parcels		
Single Family Residential Parcels	\$1,850	Per Unit
Other Land Uses	\$1,850	Per Acre
Undeveloped Parcels	\$900	Per Acre

"attachment_1"

[1] The Base Year is Fiscal Year 2004-2005.

[2] The Maximum Annual Special Tax will be increased by the Tax Escalation Factor in each Fiscal Year following the Base Year.