

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES
FOR
MORENO VALLEY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2019-1

A Special Tax, as hereinafter defined, shall be levied on all Assessor's Parcels within Community Facilities District No. 2019-1 ("CFD No. 2019-1") of the Moreno Valley Unified School District ("School District") and collected in each Fiscal Year, commencing in Fiscal Year 2019/2020, in amount(s) as determined by the School District, on behalf of CFD No. 2019-1, through the application of this Rate and Method of Apportionment of Special Taxes as described below. All of the real property within the boundaries of CFD No. 2019-1, unless exempted by law or by the provisions hereof, shall be subject to the Special Tax 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 acreage of an Assessor's Parcel as shown on an Assessor's Parcel Map. If the acreage is not shown on an Assessor's Parcel Map, the acreage shown on the applicable Final Map, parcel map, condominium plan, or other recorded County map shall be used. If the acreage information supplied by these alternative sources is not available, or in conflict, the acreage used shall be determined by the Assistant Superintendent of Business Services.

"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 following actual or reasonably estimated costs directly related to the administration of CFD No. 2019-1: for the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the School District or designee thereof or both); 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 Indenture; the costs to the School District, CFD No. 2019-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the School District, CFD No. 2019-1 or any designee thereof of complying with School District's, CFD No. 2019-1's or obligated persons' disclosure requirements associated with applicable federal and State securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to property owner and public inquiries regarding CFD No. 2019-1, including its Special Taxes; the cost associated with the computation of the Backup Special Tax; the costs of the School District, CFD No. 2019-1 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the School District's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the

School District and/or CFD No. 2019-1 for any other administrative purposes of CFD No. 2019-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

“Assessable Space” means for any Dwelling Unit, the square footage within the perimeter of the residential structure, but excluding any carport, walkways, garages, overhangs, enclosed patios, detached accessory structures or similar areas. For purposes of this determination, the School District, acting for CFD No. 2019-1, may rely on the square footage of assessable space contained on the initial and any subsequent building permit(s) issued by the applicable issuing agency prior to the initial occupancy. A property owner that adds square footage after initial occupancy of a Dwelling Unit is subject to the payment of applicable School Fees.

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

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

“Assigned Special Tax” means the Special Tax for each Assessor's Parcel of Developed Property, as determined in accordance with Section C.1.b below.

“Assistant Superintendent of Business Services” means the Assistant Superintendent of Business Services of the School District, the Chief Business Official, or equivalent School District officer, as appropriate, or his or her designee(s).

“Backup Special Tax” means the Special Tax applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section C.1.c below.

“Bonds” means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by or on behalf of CFD No. 2019-1, pursuant to the Act which are secured by a pledge of the Special Taxes.

“CFD No. 2019-1” means Community Facilities District No. 2019-1 of the Moreno Valley Unified School District.

“City” means the City of Moreno Valley, California.

“County” means the County of Riverside, California.

“Developed Property” means, for each Fiscal Year, all Taxable Property for which a building permit for new construction was issued prior to May 1st of the prior Fiscal Year.

“Dwelling Unit” or “DU” means each residential dwelling unit which comprises an independent facility capable of conveyance separate from adjacent residential dwelling units.

“Exempt Property” means all Assessor’s Parcels designated as being exempt from Special Taxes pursuant to Section E.

“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.*), an applicable local ordinance or recordation of a condominium plan pursuant to California Civil Code Section 66241 that creates individual lots for which building permits may be issued without further subdivision.

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

“Indenture” means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time.

“Land Use Category” means any of the categories listed in Table 1.

“Maximum Special Tax” means for each Assessor’s Parcel the Maximum Special Tax, determined in accordance with Section C, below, that shall be levied in a given Fiscal Year on such Assessor’s Parcel.

“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.

“Outstanding Bonds” means all Bonds which are deemed to be outstanding under the Indenture(s).

“Property Owner Association Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2019-1 that is owned by or irrevocably dedicated to a property owner association, including any master or sub-association as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year provided, however, that no such classification shall reduce the sum of all Taxable Property to less than 27.06 Acres as described in Section E.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessors’ Parcels of Developed Property whose Maximum Special Tax is derived by the application of the Backup Special Tax. For Undeveloped Property “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessors’ Parcels of Undeveloped Property.

“Public Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2019-1 that is (i) used for rights-of-way or any other purpose and is owned by or irrevocably dedicated to the federal government, the State, the County, the City or any other public agency as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year or (ii) encumbered by an unmanned utility easement making

impractical its utilization for other than the purpose set forth in the easement as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year, provided however that no such classification shall reduce the sum of all Taxable Property to less than 27.06 Acres as described in Section E and provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in a Land Use Category in accordance with its zoning or use whichever is greater.

“Rate and Method of Apportionment” means this “Rate and Method of Appointment of Special Taxes for Community Facilities District No. 2019-1 of the Moreno Valley Unified School District.”

“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.

“School District” means the Moreno Valley Unified School District, a public school district organized and operating pursuant to the laws of the State.

“School Fees” means the then applicable authorized amount per Assessable Space being collected by the School District for residential and nonresidential development pursuant to the provisions of State law.

“Special Tax” or “Special Taxes” means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within the boundaries of CFD No. 2019-1 in accordance with this Rate and Method of Apportionment.

“Special Tax Requirement” means that amount required in any Fiscal Year for CFD No. 2019-1 to: (i) pay Administration Expenses of CFD No. 2019-1 as provided in this Rate and Method of Apportionment; (ii) pay debt service on all Outstanding Bonds due in the calendar year that commences in such Fiscal Year; (iii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay directly for acquisition or construction of facilities that are eligible to be financed through CFD No. 2019-1 under the Act as reasonably determined by the School District, on behalf of CFD No. 2019-1, so long as the inclusion of such amount does not cause an increase in the Special Tax attributable to the Undeveloped Property; (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate of Special Taxes within CFD No. 2019-1, levied in the previous Fiscal Year if available or if not available, the lowest delinquency rate of all community facilities districts of the School District, less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the Assistant Superintendent of Business Services pursuant to the Indenture.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2019-1 which have not been prepaid pursuant to Section J hereof or, which are not exempt from the Special Tax pursuant to law or Section E below.

“Trustee” means the trustee or fiscal agent designated and serving under an Indenture(s).

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property not classified as Developed Property which may consist of a portion of an Assessor’s Parcel if, as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year, subdivision has not occurred.

“Weighted Average Interest Rate” calculated as of the date the most recent series of Bonds were issued (including refunding Bonds) means the net interest cost of the Bonds derived by adding together all the interest payments for the term of the Bonds and dividing that sum by the sum of the amount of each Bond multiplied by the number of years such Bond is outstanding.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2019-1 shall be classified as Developed Property or Undeveloped Property, and shall be subject to Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections C and D below. Assessor’s Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property.

C. MAXIMUM SPECIAL TAX RATE

1. **Developed Property**

a. Maximum Special Tax

The Maximum Special Tax for each Assessor’s Parcel of Residential Property that is classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

The Maximum Special Tax for each Assessor’s Parcel of Non-Residential Property shall be the Assigned Special Tax described in Table 1.

b. Assigned Special Tax

The Assigned Special Tax for each Assessor’s Parcel of Developed Property is shown in Table 1 below.

TABLE 1
Assigned Special Taxes for Developed Property
Fiscal Year 2018/2019

Land Use Category	Taxable Unit	Assessable Space	Assigned Special Tax Per Taxable Dwelling Unit
1 - Residential Property	DU	Less than 1,701 sq. ft.	\$2,987.76
2 - Residential Property	DU	1,701 sq. ft. to 1,900 sq. ft.	\$3,084.90
3 - Residential Property	DU	1,901 sq. ft. to 2,100 sq. ft.	\$3,235.03
4 - Residential Property	DU	Greater than 2,100 sq. ft.	\$3,305.67
5 – Non-Residential Property	Acre	N/A	\$11,311.00

c. Backup Special Tax

When a Final Map is recorded within CFD No. 2019-1 the Backup Special Tax for the Assessor's Parcels of Residential Property within such Final Map area shall be determined. The owner of the property within the Final Map area shall provide the Assistant Superintendent of Business Services a copy of the recorded Final Map and a listing of the square footage of all lots within such Final Map prior to the first request for a certificate of compliance from the School District.

The Backup Special Tax per Assessor's Parcel of Residential Property within a Final Map shall be determined by multiplying \$11,311.00 for Fiscal Year 2018/2019 by the total Acreage of Taxable Property, excluding the Acreage associated with Non-Residential Property, Public Property and Property Owner's Association Property in such Final Map and dividing such amount by the number of Assessor's Parcels that are or are expected to be Residential Property (i.e., the number of residential lots or dwelling units) within the Final Map. Table 2 below provides the projected Backup Special Tax for Fiscal Year 2018/2019 for Tract 24203. The actual Backup Special Tax for Tract 24203 will be calculated at the time the Final Map is recorded, as described above.

TABLE 2

**Backup Special Taxes
Fiscal Year 2018/2019**

Map Status	Projected Final Map Acreage of Taxable Property	Projected Backup Special Tax per Lot or Dwelling Unit*	Status of Backup Tax*	Projected Number of Dwelling Units
Tentative Map	28.48	(\$11,311.00 times 28.48 divided by 97 lots) \$3,321.00	Projected	97

* Note: The Backup Special Tax per lot or Dwelling Unit shown may be modified as described below.

Notwithstanding the foregoing, if all or any portion of the Final Map contained within the boundaries of CFD No. 2019-1 described in the preceding paragraph is subsequently changed or modified, then the Backup Special Tax for each Assessor's Parcel of Residential Property in such Final Map area contained within the boundaries of CFD No. 2019-1 that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

1. Determine the total Backup Special Taxes anticipated to apply to the changed or modified Final Map area prior to the change or modification.
2. The result of paragraph 1 above shall be divided by the total Acreage of Taxable Property within such changed or modified Final Map area, excluding the Acreage associated with Non-Residential Property, Public Property and Property Owner Association Property which is ultimately expected to exist in such changed or modified Final Map area contained within the boundaries of CFD No. 2019-1, as reasonably determined by the Assistant Superintendent of Business Services.
3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Special Tax per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property classified as Residential Property in such changed or modified Final Map area contained within the boundaries of CFD No. 2019-1 for all remaining Fiscal Years in which the Special Tax may be levied.

d. Escalation

Commencing on July 1, 2019, to be effective for Fiscal Year 2019/2020, the Assigned Special Tax and the Backup Special Tax shall escalate by two percent (2%) annually and annually thereafter.

2. Undeveloped Property

a. Maximum Special Tax

The Maximum Special Tax for Undeveloped Property within CFD 2019-1 shall be \$11,311.00 per Acre for Fiscal Year 2018/2019.

b. Escalation

Commencing on July 1, 2019, to be effective for Fiscal Year 2019/2020, the Maximum Special Tax for Undeveloped Property shall escalate by two percent (2%) annually and annually thereafter.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2019/2020 and for each following Fiscal Year, the School District, on behalf of CFD No. 2019-1, shall levy the Special Tax as follows:

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

Second: If additional moneys 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 Undeveloped Property, including Public Property and Property Owner Association Property which is not then exempt at up to 100% of the Maximum Special Tax for Undeveloped Property; and

Third: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax as to each such Assessor's Parcel.

E. EXEMPTIONS

Any property within the boundaries of CFD No. 2019-1 that is owned or irrevocably dedicated to a public agency as of the date of the formation of CFD No. 2019-1 shall be classified as Exempt Property and shall be exempt from the Special Tax in accordance with Section 53340 of the Act.

Tax-exempt status will be irrevocably assigned by the Assistant Superintendent of Business Services in the chronological order in which property becomes Non-Residential Property, Public Property or Property Owner Association Property provided however, that no such

classification shall reduce the sum of all Taxable Property to less than 27.06 Acres. Property that would, if designated as exempt, cause the sum of all Taxable Property to be less than 27.06 Acres shall be required to either (1) prepay the Special Tax on such property in full at the then applicable rate per Acre for Undeveloped Property pursuant to Section J.1 or (ii) be subject to taxation as Undeveloped Property pursuant to the second step of Section D. Assessor's Parcels, or portions thereof, developed as Non-Residential Property are also subject to the payment of applicable School Fees.

F. APPEAL

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Assistant Superintendent of Business Services not later than twelve months after having paid the first installment of the Special Tax that is disputed. The Assistant Superintendent of Business Services 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, and rule on the appeal. If the Assistant Superintendent of Business Service's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

G. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2019-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

H. ASSIGNED SPECIAL TAX FROM DEVELOPED PROPERTY AFTER FUNDING PRINCIPAL, INTEREST AND ADMINISTRATIVE EXPENSES

In any Fiscal Year, when proceeds of the Assigned Special Tax for Developed Property are greater than the amount needed to (i) pay principal and interest on Bonds, (ii) pay Administrative Expenses, and (iii) replenish the reserve fund(s), such amount(s) shall be available for the School District for acquisition, construction or financing school facilities in accordance with the Act and other applicable law as determined by the School District.

I. PURPOSE OF THE SPECIAL TAXES

The proposed facilities to be financed include: A) elementary, middle and high school buildings, as well as central administration and support facilities and infrastructure as needed

and applicable, together with land and all necessary equipment of the School District; B) from proceeds of Bonds, Eastern Municipal Water District sewer and water facilities connection and facility capacity fees, as well as water and sewer facilities; and C) from proceeds of Bonds, City of Moreno Valley Street Improvements, all as required by the development of the properties within the District, each with an estimated useful life of five (5) years or longer, to serve the properties within the District. The foregoing is only by way of explanation and is not a limitation or change to any of the provisions of this RMA.

J. PREPAYMENT OF SPECIAL TAX

1. Prepayment in Full

The Maximum Special Tax obligation may only be prepaid and permanently satisfied by an Assessor's Parcel of Developed Property, Undeveloped Property for which a building permit has been issued, and Public Property and/or Property Owner's Association Property that is not Exempt Property pursuant to Section E. The Maximum Special Tax obligation applicable to such Assessor's Parcel may be fully prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Maximum Special Tax obligation shall provide the Assistant Superintendent of Business Services with written notice of intent to prepay, and within five (5) days of receipt of such notice, the Assistant Superintendent of Business Services shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2019-1 in calculating the proper amount of a prepayment. Within fifteen (15) days of receipt of such non-refundable deposit, the Assistant Superintendent of Business Services shall notify such owner of the prepayment amount of such Assessor's Parcel.

- a) The prepayment amount for an Assessor's Parcel will be equal to the present value of the Assigned Special Tax of such Assessor's Parcel and the amount determined pursuant to Section J.1.c., if applicable, using a discount rate equal to 4.5% prior to the Issuance of Bonds or the Weighted Average Interest Rate after the issuance of Bonds and the remaining term for which the Special Tax may be levied pursuant to Section J. Special Taxes that have already been levied as of the date of the prepayment shall not be considered in the calculations made pursuant to this Section J.1.
- b) A reasonable administrative fee (net of the non-refundable deposit) for determining such prepayment and the call premium, if any, as provided in the Indenture shall be added to the amount determined in Section J.1.a. to determine the total prepayment amount due. The total prepayment amount shall be distributed in accordance with the Indenture.

- c) If at the date of the prepayment calculation all or a portion of the Backup Special Tax is being levied as a result of the total Residential Property units within CFD No. 2019-1 at build out being less than the total estimated residential units that were assumed when the Bonds were issued as determined by the Assistant Superintendent of Business Services, that portion of the Backup Special Tax being levied in excess of the Assigned Special Tax for the Assessor's Parcel which is seeking the prepayment shall be added to the Assigned Special Tax in Section J.1.a. (before calculating the present value) for purposes of calculating the prepayment amount.

Upon cash payment of the prepayment amount due pursuant to the above and upon owner providing confirmation from the County to the Assistant Superintendent of Business Services that all prior and current Fiscal Year's Special Taxes, including any delinquency penalties and interest for such Assessor's Parcel has been paid, the School District shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes 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 both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

2. Prepayment in Part

The Maximum Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid, provided an Assessor's Parcel of Developed Property may only be partially prepaid prior to or concurrent with the close of escrow of a sale to the initial homebuyer. The amount of the prepayment shall be calculated as in Section J.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (P_E \times F) + G$$

These terms have the following meaning:

PP = the partial prepayment amount

P_E = the prepayment amount calculated according to Section J.1.a., the call premium, if any, as determined by Section J.1.b.

F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Special Tax.

G = the administrative fee determined in Section J.1.b.

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Special Tax shall notify the Assistant Superintendent of Business Services of (i) such owner's intent to partially prepay the Maximum Special Tax, and (ii) the percentage by which the Maximum Special Tax shall be prepaid, and within five (5) days of receipt of such notice, the Assistant

Superintendent of Business Services shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2019-1 in calculating the proper amount of a partial prepayment. Within fifteen (15) days of receipt of such non-refundable deposit, the Assistant Superintendent of Business Services shall notify such owner of the partial prepayment amount of such Assessor's Parcel.

With respect to any Assessor's Parcel that is partially prepaid, the Assistant Superintendent of Business Services shall (i) distribute the funds remitted to it according to the Indenture, and (ii) indicate in the records of CFD No. 2019-1 that there has been a partial prepayment of the Maximum Special Tax and that a portion of the Maximum Special Tax equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section D.

K. TERM OF THE SPECIAL TAX

The Special Tax shall be levied annually on all Assessor's Parcels of Taxable Property for a maximum of thirty-five (35) years as Developed Property from the first levy of Special Taxes on an applicable Assessor's Parcel.