

RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX

TEMECULA VALLEY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2018-1

The Board of Trustees (“Board”) of the Temecula Valley Unified School District (“School District”), acting as the Legislative Body of Community Facilities District No. 2018-1 of the Temecula Valley Unified School District (“CFD” or “District”), shall levy and collect Special Taxes (as defined below) applicable to each Assessor’s Parcel (as defined below) located within the boundaries of the CFD.

The Special Taxes will be levied as herein specified. All property located within the boundaries of the CFD shall be taxed, to the extent and in the manner herein set forth, unless exempted by law or as herein provided.

Section 1. Definitions

“**Act**” means the Mello-Roos Community Facilities District Act of 1982, as amended, being Section 53311, et seq. of the California Government Code.

“**Administrative Expense**” means any actual or estimated ordinary and necessary expense incurred by the School District on behalf of the CFD related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes, including the expenses of collecting delinquencies, the administration of Bonds, the payment of salaries and benefits or appropriate allocation thereof of any School District employee whose duties are directly related to the administration of the CFD, and costs otherwise incurred in order to carry out the authorized purposes of the CFD.

“**Annual Maximum Special Tax**” or “**Annual Maximum Special Taxes**” means the Annual Maximum Special Tax – Developed Property which may be levied annually as described herein.

“**Annual Maximum Special Tax - Developed Property**” means the maximum Special Tax which may be annually levied on an Assessor’s Parcel that has been classified as Developed Property. The Annual Maximum Special Tax – Developed Property is established in the Initial Fiscal Year based upon Table 1 and adjusted as described in the paragraph following Table 1. The Annual Maximum Special Tax – Developed Property for a Dwelling Unit is not subject to increase once established in the Initial Fiscal Year.

“**Assessor’s Parcel**” means a parcel of land as designated on an official map of the Riverside County Assessor and for which a discrete identifying parcel number has been assigned.

“**Board**” means the Board of Trustees of the Temecula Valley Unified School District.

“Bonds” means the bonds authorized and issued or to be issued on behalf of the CFD or equivalent securities, including but not limited to certificates of participation or leases issued and sold by or on behalf of the CFD or to which the Special Taxes have been pledged to finance School Facilities.

“Building Square Footage” means for each Dwelling Unit the square footage determined by calculating all of the square footage within the perimeter of the Dwelling Unit (exclusive of garages, carports, overhangs or patios). For purposes of this determination, the District may rely on the square footage as identified on the building permit(s) issued by the applicable issuing agency. The Building Square Footage will be based upon the building permit(s) issued for each Dwelling Unit prior to it being classified as Occupied Residential Property, and shall not change as a result of additions or modifications made after such classification as Occupied Residential Property, except as authorized by statute.

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

“County” means the County of Riverside.

“Developed Property” means Assessor’s Parcels for which a building permit for one or more Dwelling Units has been issued by the applicable agency on or before the March 1 prior to the Fiscal Year for which the Annual Maximum Special Tax – Developed Property is being levied on all or a portion thereof which are not Exempt Property and for which the Annual Maximum Special Tax - Developed Property obligation has not been fully prepaid and/or permanently satisfied. Assessor’s Parcels, or portions thereof, for which a building permit has been issued by the applicable agency on or before March 1 shall be designated as Developed Property and subject to the levy of the Annual Maximum Special Tax - Developed Property in the following Fiscal Year. If a building permit has been issued for which the improvements to be constructed by the building permit together with previously issued building permits, if applicable, does not constitute the ultimate development of the entire Assessor’s Parcel, as reasonably determined by the School District, the remaining undeveloped portion of the Assessor’s Parcel will be classified as Undeveloped Property.

“Dwelling Unit” means one residential unit of any configuration, including, but not limited to a single family attached or detached dwelling unit, second dwelling unit, condominium, townhome, an apartment unit, mobile home, or otherwise, but excludes therefrom hotels and motels.

“Exempt Property” means all Assessor’s Parcels which are exempt from the levy of the Special Tax pursuant to law or Section 7, hereof.

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

“Index” means the Marshall and Swift Class “B” Wood Frame Construction Cost Index as shown in the index titled, “Current Building Cost Indexes, Western Division, Class B” for the month of November or such other index as the District shall determine if the Marshall and Swift Class “B” Wood Frame Construction Cost Index herein ceases publication. The Index shall be utilized as prescribed in Section 3 to calculate the increase in the Annual Maximum Special Taxes.

“Initial Fiscal Year” applies only to Developed Property and means the first Fiscal Year in which the Annual Maximum Special Tax - Developed Property will be levied.

“Occupied Residential Property” means all Assessor’s Parcels of Residential Property which have closed escrow to an end user (homeowner) as opposed to the developer or builder of the Dwelling Unit.

“Residential Property” means all Developed Property within the CFD for which a building permit has been issued for constructing one or more Dwelling Units.

“School District” means the Temecula Valley Unified School District.

“School Facilities” include, but not by way of limitation the planning, engineering, design, acquisition, construction, lease and lease rental payments, expansion, improvement, relocation, rehabilitation, modernization and/or financing of interim and permanent facilities (including any debt and the cost to issue and sell such debt) to provide classrooms, multi-purpose, administration and auxiliary space for new or existing schools, central support and administrative facilities, special education facilities and transportation facilities inclusive of all land and land interests on or off site such as land required for construction or land required to be provided by the School District as mitigation for impacts, together with furniture, equipment, transportation including buses and vehicles and technology, needed by the School District in order to serve students as more particularly set forth in the District’s Resolution of Intention to Establish Community Facilities District No. 2018-1,

“Special Tax” or **“Special Taxes”** means the special tax authorized to be levied in each Fiscal Year on each Assessor’s Parcel, or portion thereof, of Developed Property pursuant to Section 3 and collected pursuant to Section 4 of this Rate and Method of Apportionment.

“Special Tax Requirement” means that amount required in any Fiscal Year, after taking into consideration available funds pursuant to the CFD Bond documents to: 1. Pay annual debt service on all then outstanding Bonds, 2. Pay periodic costs on the Bonds including, but not limited to, credit enhancement and rebate payments on the Bonds, 3. Pay Administrative Expenses, 4. Pay any amounts required to replenish any reserve fund related to all then outstanding Bonds, and 5. Pay directly for the acquisition and construction of School Facilities.

“Taxable Property” means all Assessor’s Parcels, except Exempt Property, that are subject to the levy of the Special Taxes.

“Undeveloped Property” means all Assessor’s Parcels or portions thereof that are not classified as Developed Property or Exempt Property.

“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.

Section 2. Assignment to Land Use Classifications

The District shall classify all Assessor’s Parcels within the boundaries of the CFD as Developed Property, Undeveloped Property or Exempt Property. Such classification shall be made on or before July 1 of each year. All Developed Property shall be taxed as set forth in Table 1. For purposes of this determination, the District may rely on the Building Square Footage as identified on the building permit(s) issued by the applicable issuing agency.

Section 3. Annual Maximum Special Tax - Developed Property

The Annual Maximum Special Tax - Developed Property for each Assessor’s Parcel or portion thereof classified as Developed Property shall be the amount determined by reference to Table 1 as applicable and the paragraphs that follow Table 1.

**Table 1
Annual Maximum Special Tax - Developed Property**

Fiscal Year	Annual Maximum Special Tax – Developed Property per Square Foot
2017/18	\$0.7898

In determining the Annual Maximum Special Tax applicable to an Assessor’s Parcel of Developed Property in the Initial Fiscal Year, the Annual Maximum Special Tax – Developed Property shall be increased for the 2018/19 Fiscal Year, and each Fiscal Year thereafter by the greater of: (i) the annual percentage change in the Index determined on January 1, 2018 for the prior twelve (12) month period, and on each January 1st thereafter for the prior twelve (12) month period, or (ii) two percent (2%).

The Annual Maximum Special Tax – Developed Property for a Developed Property, or portion thereof, after the Initial Fiscal Year shall be fixed and no longer subject to any increases.

Section 4. Levy of the Special Tax

Commencing in Fiscal Year 2018/19, the Board shall levy the Annual Maximum Special Tax - Developed Property on each Assessor's Parcel, or portion thereof, which is classified as Developed Property.

Section 5. Partial Prepayment of the Annual Maximum Special Tax - Developed Property

A property owner may make a one-time election to prepay a portion of the Annual Maximum Special Tax - Developed Property for a Dwelling Unit for which a building permit is pending by notifying the School District in writing of such intention no less than ten (10) business days prior to requesting a certificate of compliance for such Dwelling Unit. The written notification shall include such owner's intent to partially prepay the Annual Maximum Special Tax - Developed Property, the date on which a certificate of compliance is expected to be requested for the Dwelling Unit, a copy of the final map and condominium plan, the lot and unit number(s) and Assessor's Parcel number(s) for which partial prepayment is being requested, the Building Square Footage of the Dwelling Unit(s) and the percentage by which the Annual Maximum Special Tax - Developed Property shall be prepaid. If partial prepayment is requested on a limited number of Dwelling Units of a group for which certificates of compliance will be requested together, the above required information must be supplied for all Dwelling Units for which certificates of compliance will be requested. The partial prepayment formula per Dwelling Unit is defined as follows:

$$\text{Partial Prepayment Formula per Dwelling Unit: } PP = (PVT \times PCT) + F + RP$$

The variables can be described as: PP - the partial prepayment amount per Dwelling Unit. PVT - the present value of the current Annual Maximum Special Tax – Developed Property using a 5.0% discount rate, prior to the issuance of Bonds, and a term of 35 years. After the issuance of Bonds the discount rate used to calculate the present value will be based on the lesser of 5.0% or the Weighted Average Interest Rate on the Bonds. PCT - the partial prepayment percent. F – all prepayment fees, and RP - redemption premium on the Bonds, if applicable. The RP shall be calculated by multiplying the redemption premium as set forth in the Bond documents for a mandatory redemption of the Bonds, or other such category for which prepayment is identified, as of the prepayment date by the PVT and then multiplied by the PCT. The partial prepayment percent shall be indicated in the notification described above.

An example of the partial prepayment Dwelling Unit during Fiscal Year 2017/18 is as follows. This is only an example.

Partial Prepayment Example

Formula	PP = (PVT	X PCT)	+ F	+ RP
Example	PP = ((\$1,559.07 x 16.37)	X 50%)	+ \$850.00	+ (0.03 x (PVT x PCT))
	PP = (\$25,528.52	X 0.5)	+ \$850.00	+ (0.03 x (PVT x PCT))
	PP = \$12,764.26		+ \$850.00	+ (0.03 x \$12,764.26)
	PP = \$12,764.26		+ \$850.00	+ \$382.93
	PP = \$13,997.19			

The CFD administrator shall provide the owner with a statement of the amount required per Dwelling Unit for the partial prepayment of the Annual Maximum Special Tax - Developed Property within ten (10) business days of the request and may charge a reasonable fee for providing this service. The payment of the partial prepayment of the Annual Maximum Special Tax - Developed Property is due prior to the issuance of the certificate of compliance for the Dwelling Unit.

Notwithstanding the foregoing, no partial prepayment shall be allowed unless the amount of the Annual Maximum Special Tax that may be levied on all Taxable Property within the CFD both prior to and after the proposed partial prepayment less annual Administrative Expenses is at least 1.1 times the annual debt service on the outstanding Bonds.

Section 6. Prepayment of the Annual Maximum Special Tax - Developed Property

The owner of a Dwelling Unit classified as Developed Property which is subject to the Annual Maximum Special Tax - Developed Property may prepay the *entire outstanding* Special Tax obligation at any time. The prepayment formula per Dwelling Unit is defined as follows:

Prepayment Formula: $P = PVT + F + RP$

The variables are described as: P - the prepayment amount, PVT - the present value of taxes, F – all prepayment fees, and RP - redemption premium on the Bonds if applicable. The PVT or present value of taxes means the present value of the Annual Maximum Special Tax - Developed Property applicable to the Dwelling Unit in each remaining Fiscal Year that such taxes may be levied subsequent to the Fiscal Year in which the calculation is made. The present value of the Annual Maximum Special Tax - Developed Property is calculated by using a discount rate of 5.0% prior to the issuance of Bonds. After the issuance of Bonds the discount rate used to calculate the present value will be based on the lesser of 5.0% or the Weighted Average Interest Rate on the Bonds. The remaining Fiscal Years, or the term for the present value calculation, is calculated by subtracting the number of years, including the present Fiscal Year, the Dwelling Unit has been subject to the Annual Maximum Special Tax - Developed Property from thirty-five (35). The current year's Special Taxes must be paid directly to the County and will not be accepted by the School District with the prepayment.

Prepayment fees or F means the fees of the School District, the fiscal agent and any consultants retained by the School District in connection with the prepayment calculations and redemption of the Bonds.

Redemption premium on the Bonds or RP means a prepayment premium as set forth in the Bond documents for a mandatory redemption, or other such category for which prepayment is identified, of the Bonds as of the prepayment date. The RP shall be calculated by multiplying such redemption premium as of the prepayment date by the PVT.

The CFD administrator shall provide the owner with a statement of the amount required for the prepayment of the Annual Maximum Special Tax - Developed Property within ten (10) business days of the request and may charge a reasonable fee for providing this service. In addition, any property owner prepaying his or her Annual Maximum Special Tax - Developed Property must also pay the present Fiscal Year levy and all delinquent Special Taxes, interest and penalties owing on the Dwelling Unit for which prepayment is being made, if any, to the County of Riverside.

Notwithstanding the foregoing, no full prepayment shall be allowed unless the amount of the Annual Maximum Special Tax that may be levied on all Taxable Property within the CFD both prior to and after the proposed prepayment less annual Administrative Expenses is at least 1.1 times the annual debt service on the outstanding Bonds.

Section 7. Exemptions

The Board shall not levy any Special Taxes on: 1) properties conveyed or irrevocably dedicated to a public agency, land which is in the public right-of-way, unmanned utility easements which make utilization for other than the purpose set forth in the easement impractical, common areas, private streets, school, parks, and deeded open space lots; 2) properties which are owned by the State of California, Federal or other local governments, except as otherwise provided in Sections 53317.3 and 53317.5 of the Act; 3) Assessor's Parcels, or portions thereof, developed as commercial or industrial property; 4) Assessor's Parcels, or portions thereof, developed as age-restricted Dwelling Units; and 5) Assessor's Parcels for which the Annual Maximum Special Tax has been fully discharged, as determined pursuant to Section 6. Although exempt from the levy of any Special Taxes as Developed Property, commercial property, industrial property, and age-restricted Dwelling Units are subject to the payment of applicable statutory school fees

Section 8. Manner of Collection

The Special Tax will be collected in the same manner and at the same time as ordinary ad valorem real property taxes. The Special Tax shall be subject to the same penalties, procedures, sale and lien priority in any case of delinquency as provided for with ad

valorem taxes. The collection of the Special Tax shall otherwise be subject to the provisions of the Act. The Board reserves the power to provide for alternative means of collection of Special Tax as permitted by the Act.

Section 9. Term of the Special Taxes

The term of the payment of the Annual Maximum Special Tax – Developed Property shall be determined on a Dwelling Unit by Dwelling Unit basis and shall be levied for a period not to exceed thirty-five (35) years as Developed Property.

Section 10. Excess Annual Maximum Special Tax – Developed Property

In any Fiscal Year, when proceeds of Annual Maximum Special Tax - Developed Property are greater than principal and interest on any Bonds and Administrative Expenses, such amount shall be available for the School District subject to any required reserve fund replenishment. The School District shall use proceeds for acquisition, construction or financing of School Facilities in accordance with the Act and other applicable law as determined by the School District.

Section 11. Review/Appeals Panel

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 a Dwelling Unit be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of the levy), but an adjustment shall be made to the Annual Maximum Special Tax – Developed Property on such Dwelling Unit in the subsequent Fiscal Year(s).