TO: Mayor and City Council

FROM: Mark Moses, Director of Administrative Services

SUBJECT: RESOLUTIONS: WESTLAKE VILLAGES COMMUNITY FACILITIES DISTRICT NO. 2006-2

RECOMMENDATION

Adopt three resolutions, including:

1. A Resolution of the City Council of the City of Stockton approving a Boundary Map of the Community Facilities District No. 2006-2 (Westlake Villages);
2. A Resolution Declaring Intention of the City Council of the City of Stockton to form a Community Facilities District and Authorize the Levy of a Special Tax in the Community Facilities District No. 2006-2 (Westlake Villages) A public hearing of protest will be set for June 6, 2006; and
3. A Resolution of the City Council of the City of Stockton Declaring the Necessity to Incur Bonded Indebtedness in Community Facilities District No. 2006-2 (Westlake Villages) in an amount not-to-exceed $35 million.

Summary

The development of the Westlake Villages Community Facilities District will require the construction of certain public improvements that cannot be readily funded by property tax proceeds, impact fees or other traditional governmental funding mechanisms. A.G. Spanos Companies, Del Webb / Pulte Home Corporation, and FCB Homes / Frontiers Community Builders (the Developers) have requested that the City form a Community Facilities District to provide funding for these improvements and to ensure that all benefiting landowners participate in facility financing. CFD bonds will be used to provide the primary funding for authorized facilities.

The resolutions necessary to begin the process of forming the Westlake Villages Community Facilities District No. 2006-2 are attached to this newsletter. The resolutions have been approved as to form by the City Attorney.

DISCUSSION

Background

The Mello-Roos Community Facilities Act of 1982, as amended (Government Code Sections 53311 et seq.), was enacted by the California Legislature to provide an alternate method of financing certain essential public capital facilities
RESOLUTIONS: WESTLAKE VILLAGES COMMUNITY FACILITIES
DISTRICT NO. 2006-2

and services, especially in the developing areas of the State of California. Once
duly established by a city, county, or other local agency, a Community Facilities
District (CFD) is a legally formed governmental entity with defined boundaries,
with the governing board or legislative body of the local agency acting on its
behalf. Subject to approval by a two-thirds vote of qualified electors in
compliance with the provisions of the Act, a legislative body of a local agency
may issue bonds for a CFD and may levy and collect a special tax within such
districts to repay such indebtedness.

Present Situation

The Developers have requested that the City consider the formation of a Mello-
Roos Community Facilities District to finance public infrastructure associated with
the development of their 855± acre Westlake Villages project. This project is a
master plan mixed-use development that includes approximately a 2,622 unit
residential development, two community parks, eleven neighborhood parks, two
school sites, a fire station, and a network of man-made lakes. The project area
consists entirely of assessor parcel number (apn) 066-050-01 which is bounded
on the west by Bishop Cut as well as apn's 066-060-02 & 03, on the north by
Eight Mile Road, on the east by the existing Spanos West CFD, and on the south
by Disappointment Slough.

If formed, the CFD will fund the construction of public capital infrastructure
facilities in the project area, including major roads, traffic signals, bridges,
sanitary sewer, water, drainage systems, storm water basin, lakes and pump
station, parks, public utilities, public access and bike path improvements.

Steps in Initiating the Formation of a Community Facilities District

The formation of a CFD is subjected to a formal public process beginning with
the adoption of several resolutions by the City Council that establishes the
parameters of the CFD.

The first step in initiating the formation of a CFD is for the Council to adopt a
resolution that defines the territory that will be subject to the special tax levy. The
Boundary Map attached to this newsletter shows the territory within the boundary
of the proposed Westlake Villages CFD. The boundaries of the proposed CFD
may be reduced during subsequent public hearings held in conjunction with the
formation of the CFD; however, the boundaries can not be expanded in that
process.

The next step in initiating the formation of a CFD is for the Council to adopt a
Resolution of Intention (the 'ROI') to Form a CFD and Levy a Special Tax within
the territory of the proposed Community Facilities District. The resolution
includes:
RESOLUTIONS: WESTLAKE VILLAGES COMMUNITY FACILITIES
DISTRICT NO. 2006-2

- a formula defining the rate and method of apportionment of the special tax (Exhibit 'A' to ROI).
- a list of the types of public facilities and services proposed to be provided in the CFD (Exhibit 'B' to ROI);

In addition to the items mentioned above, adoption of the resolution sets the date, time and place for a public hearing on the establishment of the CFD. At the hearing, testimony concerning the district, the extent of the district or the furnishing of the particular types of public facilities and services will be heard. Protests will be considered from registered voters residing within the CFD and persons owning real property within the CFD. The date of the public hearing for the proposed Westlake Villages CFD is June 6, 2006 at 5:30 p.m. in the Council Chambers.

- **Rate and Method of Apportionment of the Special Tax**

Parcels within the proposed Westlake Villages CFD will pay a maximum annual special tax based on the rate and method of apportionment, and manner of collection of special tax, commonly referred to as the Special Tax Formula.

Each year, the City will approve the annual costs for the CFD. The annual costs will include:

- ♦ Debt Service (i.e., principal and interest on bonds)
- ♦ Administrative expenses
- ♦ Replenishment of the reserve fund (when necessary)
- ♦ An amount equal to estimated special tax delinquencies

The annual costs funded by the levy of the special tax will be determined by subtracting other available revenues, such as reimbursement payments, fees, funds available from prepaid special taxes, interest earnings on the bond reserve fund, or receipts of delinquent special taxes from previous fiscal years, from the annual costs. The City will then apply the Special Tax Formula to determine the special tax levy for each parcel.

The maximum annual special tax for each single-family residential unit in the proposed Westlake Villages CFD is dependent on the lot size and ranges from $500 to $1,400. For land uses other than single-family residential, the maximum annual special tax is $6,000 per acre. The CFD Act allows for the annual administrative costs of the district to be included in the annual tax levy. The tax levy also includes an allowance to cover all special tax delinquencies that may occur in the CFD in a fiscal year. In most years, interest earnings on the bond reserve fund balance will generate revenue to offset potential special tax delinquencies.
RESOLUTIONS: WESTLAKE VILLAGES COMMUNITY FACILITIES
DISTRICT NO. 2006-2

The final action taken by the Council in initiating the formation of a CFD is for the Council to adopt a Resolution of Necessity to Incur Bonded Indebtedness. The proposed Westlake Villages CFD will require one or more bond issues totaling no more than $35 million to fund major roads, traffic signals, bridges, sanitary sewer, water, drainage systems, storm water basin, lakes and pump station, parks, public utilities, public access and bike path improvements. The proposed CFD will reimburse the Developers for advance funding of the public infrastructure improvements, all of which will be dedicated to the City upon completion.

FINANCIAL SUMMARY

There is no financial impact to the City for the formation of the proposed CFD. At such time that bonds are issued, the City will receive an administrative fee of one-quarter of one percent of the par amount of the bonds, at this time estimated to be $87,500. In addition, all annual administrative fees are charged directly to the CFD as part of the annual special tax levy.

Prepared by: Jim Malberg, Program Manager III

MARK MOSES
DIRECTOR OF ADMINISTRATIVE SERVICES

Approved By City Manager

GORDON PALMER, JR.
CITY MANAGER

MM: jm
Attachments
PROPOSED BOUNDARIES OF COMMUNITY FACILITIES
DISTRICT NO. 2006-2
(WESTLAKE VILLAGES)
CITY OF STOCKTON
SAN JOAQUIN COUNTY, CALIFORNIA

BEING A PORTION OF SECTIONS 2, 3 & 10, T. 2 N., R. 5 E., MOUNT DIABLO BASE AND MERIDIAN, CITY OF STOCKTON, SAN JOAQUIN COUNTY, CALIFORNIA


CITY CLERK OF THE CITY OF STOCKTON

1. integrity except that the map showing proposed boundaries of community facilities district 2006-2 was reviewed by city of stockton, san joaquin county, california, was approved by the city council of the city of stockton at a regular meeting held on the day of 2006, by its resolution no.

2. integrity.

3. integrity of the map is not complete for all parcels that are the subject of this proposal.

Stantec Consulting Inc.
1025 23rd Street
Richmond, CA 94801
Tel: (510) 238-8550
Fax: (510) 238-8545
www.stantec.com
Resolution No. ______________

STOCKTON CITY COUNCIL

A RESOLUTION ADOPTING A BOUNDARY MAP SHOWING THE BOUNDARIES OF THE TERRITORY TO BE INCLUDED IN A PROPOSED COMMUNITY FACILITIES DISTRICT

CITY OF STOCKTON
COMMUNITY FACILITIES DISTRICT NO. 2006-2
(WESTLAKE VILLAGES)

WHEREAS, the CITY COUNCIL of the CITY OF STOCKTON, CALIFORNIA ("City Council"), desires to initiate proceedings to create a Community Facilities District pursuant to the terms and provisions of the "Mello-Roos Community Facilities Act of 1982", being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the "Act"). This Community Facilities District shall hereinafter be designated as "CITY OF STOCKTON COMMUNITY FACILITIES DISTRICT NO. 2006-2 (WESTLAKE VILLAGES)" (the "District"); and,

WHEREAS, there has been submitted a map showing the boundaries of the territory proposed for inclusion in the District including properties and parcels of land proposed to be subject to the levy of a special tax by the District.

NOW, THEREFORE, BE IT RESOLVED, as follows:

SECTION 1. The map designated as "PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2006-2 (WESTLAKE VILLAGES), CITY OF STOCKTON, COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA" showing the boundaries of the territory proposed for inclusion in the District including the parcels of land proposed to be subject to the levy of a special tax by the District is hereby approved and adopted. Such map has been prepared in accordance with and conforms to the requirements of Streets and Highways Code Section 3110 of the State of California.

SECTION 2. A certificate shall be endorsed on the original and on at least one (1) copy of the map of the District, evidencing the date and adoption of this Resolution, and within fifteen (15) days after the adoption of the Resolution fixing the time and place of the hearing on the formation or extent of such District, a copy of such map shall be filed with the correct and proper endorsements thereon with the County Recorder, all in the manner and form provided for in Sections 3110 and 3111 of the Streets and Highways Code of the State of California.
SECTION 3. This Resolution shall take effect from and after its date of adoption.

***********

PASSED, APPROVED AND ADOPTED _________________________

2006

______________________________
EDWARD CHÁVEZ, Mayor
of the City of Stockton

ATTEST:

______________________________
KATHERINE GONG MEISSNER,
City Clerk of the City of Stockton

WDIVEN\32844.2
Resolution No. __________

STOCKTON CITY COUNCIL

A RESOLUTION DECLARING INTENTION TO ESTABLISH A COMMUNITY FACILITIES DISTRICT AND TO AUTHORIZE THE LEVY A SPECIAL TAX THEREIN TO FINANCE THE ACQUISITION OR CONSTRUCTION OF CERTAIN PUBLIC FACILITIES

CITY OF STOCKTON COMMUNITY FACILITIES DISTRICT NO. 2006-2 (WESTLAKE VILLAGES)

WHEREAS, the CITY COUNCIL ("City Council") of the CITY OF STOCKTON, CALIFORNIA (the "City"), desires to initiate proceedings to establish a Community Facilities District pursuant to the terms and provisions of the "Mello-Roos Community Facilities Act of 1982", being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the "Act"). This Community Facilities District shall hereinafter be designated as "CITY OF STOCKTON COMMUNITY FACILITIES DISTRICT NO. 2006-2 (WESTLAKE VILLAGES)" (the "District"); and,

WHEREAS, this City Council desires to proceed to adopt its Resolution of Intention to initiate the proceedings to consider the establishment of such District, to describe the boundaries for such proposed District, to describe the public facilities proposed to be financed by such District, to indicate the proposed rate and apportionment of a special tax sufficient to finance the acquisition or construction of such facilities and the administration of the District and any indebtedness incurred by the District, to set a time and place for a public hearing relating to the establishment of such District; and

WHEREAS, this City Council further desires to direct, pursuant to the provisions of Section 53321.5 of the Government Code of the State of California, the preparation of a report to provide more detailed information relating to the proposed District, the proposed facilities to be financed through the District, and estimate of the cost of providing such facilities (the "Community Facilities District Report"); and

WHEREAS, the Act provides that the City Council may initiate proceedings to establish a community facilities district only if it has first considered and adopted local goals and policies concerning the use of the Act; and

WHEREAS, this City Council has adopted such local goals and policies as required pursuant to the Act.
NOW, THEREFORE, BE IT RESOLVED, as follows:

SECTION 1. Recitals. The above recitals are all true and correct.

SECTION 2. Initiation Of Proceedings. These proceedings are initiated by this City Council pursuant to the authorization of the Act.

SECTION 3. Boundaries Of District. It is the intention of this City Council to establish the boundaries of the proposed District. A description of the proposed boundaries of the territory to be included in the District including the properties and parcels of land proposed to be subject to the levy of a special tax by the District is as follows:

All that property as shown on a map as previously approved by this City Council, such map designated “PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2006-2 (WESTLAKE VILLAGES), CITY OF STOCKTON, COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA”, a copy of which is on file in the Office of the City Clerk and shall remain open for public inspection.

SECTION 4. Name Of District. The name of the proposed District shall be "City of Stockton Community Facilities District No. 2006-2 (WESTLAKE VILLAGES)."

SECTION 5. Description Of Facilities. It is the intention of this City Council to finance the acquisition or construction of certain facilities authorized to be acquired pursuant to the provisions of the Act. A general description of the facilities proposed to be authorized to be acquired is set forth in Exhibit B attached hereto and incorporated herein by this reference (the “Facilities”).

The Facilities are facilities which this legislative body is authorized by law to contribute revenue to or to construct, own or operate. It is hereby further determined that the proposed Facilities are necessitated by new development occurring in and anticipated to occur within the District.

The District may also finance Incidental Expenses, as such term is defined in Government Code Section 53317(e), which may include, but not be limited to, the costs of planning and designing the Facilities; all costs associated with the establishment of the District and the issuance of bonds for the District; all costs associated with the administration of such bonds, the levy and collection of special taxes, and the District, including but not limited to, the payment of any rebate obligation due and owing to the federal government, the determination of the amount of any special taxes to be levied, the costs of collecting any special taxes; and all costs otherwise incurred in order to carry out the authorized purposes of the District, together with any other expenses incidental to the acquisition, construction, completion and inspection of the Facilities.

SECTION 6. Special Tax. It is hereby further proposed that, except where funds are otherwise available, a special tax sufficient to pay for such Facilities and related
Incidental Expenses authorized by the Act, secured by recordation of a continuing lien against all non-exempt real property in the District, will be levied annually within the boundaries of the District.

Under no circumstances will the special tax levied against any parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner of any other parcel or parcels within the District by more than 10 percent. A parcel shall be considered "used for private residential purposes" not later than the date on which an occupancy permit or the equivalent for private residential use is issued for such parcel.

The Rate and Method of Apportionment (defined in the following paragraph) also sets forth the tax year after which no further special tax shall be levied or collected against any parcel within the District.

For further particulars as to the rate and method of apportionment of the proposed special tax (the "Rate and Method of Apportionment") reference is made to Exhibit A hereto, which is incorporated herein by this reference and which sets forth in sufficient detail the method of apportionment to allow each landowner or resident within the proposed District to clearly estimate the maximum amount that such person will have to pay.

The special taxes herein proposed, to the extent possible, shall be collected in the same manner as ad valorem property taxes or in such other manner at this City Council shall determine, including without limitation, direct billing of the affected property owners, and shall be subject to the same penalties, procedure, sale and lien priority in any case of delinquency as applicable for ad valorem taxes. Any special taxes that may not be collected on the County tax roll may be collected through a direct billing procedure by the Director of Administrative Services of the City, acting for and on behalf of the District.

The special tax obligation for any parcel may be prepaid and permanently satisfied in whole or in part pursuant to the provisions therefor contained in the Rate and Method of Apportionment.

SECTION 7. Community Facilities District Report. The City Manager, or his designee, is hereby directed and ordered to study the proposed District and, at or before the time set for the public hearing described below, prepare or cause to be prepared the Community Facilities District Report pursuant to and in accordance with the requirements of Government Code Section 53321.5 containing a brief description of the public facilities by type which will in his opinion be required to adequately meet the needs of the District and his estimate of the cost of providing those facilities.

The Community Facilities District Report, upon its preparation, shall be filed with this City Council and such report shall be made a part of the record of the public hearing on the Resolution of Intention to establish the District.
SECTION 8. Public Hearing. Notice is given that on June 6, 2006, at the hour of 5:30 o'clock p.m., in the regular meeting place of the City Council being the Council Chambers, City Hall, located at 425 North El Dorado Street, Stockton, California, a public hearing will be held where this City Council will consider the establishment of the proposed District, the Rate and Method of Apportionment of the special tax proposed to be levied within the District, and all other matters as set forth in this Resolution of Intention. At the above-mentioned time and place for public hearing any persons interested, including taxpayers and property owners may appear and be heard. The testimony of all interested persons for or against the establishment of the District, the extent of the District, or the financing of the Facilities, will be heard and considered. Any protests may be made orally or in writing, however, any protests pertaining to the regularity or sufficiency of the proceedings shall be in writing and clearly set forth the irregularities and defects to which the objection is made. All written protests shall be filed with the City Clerk of the City on or before the time fixed for the public hearing. Written protests may be withdrawn in writing at any time before the conclusion of the public hearing.

If a written majority protest against the establishment of the District is filed, the proceedings shall be abandoned. If fifty percent (50%) or more of the registered voters, or six (6) registered voters, whichever is more, residing within the territory proposed to be included in the District, or the owners of one-half (1/2) or more of the area of the land in the territory proposed to be included in the District and not exempt from the levy of the special tax, file written protests against the establishment of the District, and protests are not withdrawn prior to the closing of the public hearing so as to reduce the value of the protests to less than a majority, a majority protest shall be deemed to have been filed and no further proceedings to create the specified District shall be taken for a period of one year from the date of the decision by the City Council. If the majority protest is filed only against the furnishing of a certain Facility or Facilities within the District, or against levying a specified special tax, those Facilities or the specified special tax shall be eliminated from the proceedings.

SECTION 9. Election. If, following the public hearing described in Section 8 above, the City Council determines that a majority protest to the establishment of the District has not been filed and determines to establish the District and to authorize the levy a special tax within the District, the City Council shall then submit the levy of the special taxes to the qualified electors of the District. If at least twelve (12) persons, who need not necessarily be the same twelve (12) persons, have been registered to vote within the District for each of the ninety (90) days preceding the close of the public hearing, the vote shall be by registered voters of the District, with each voter having one (1) vote. Otherwise, the vote shall be by the landowners of District who were the owners of record at the close of the subject hearing, with each such landowner or the authorized representative thereof, having one (1) vote for each acre or portion of an acre of land owned within the District.

SECTION 10. Notice. Notice of the time and place of the public hearing shall be given by the City Clerk by causing the publication of a Notice of Public Hearing in the legally designated newspaper of general circulation, such publication pursuant to
Section 6061 of the Government Code, with such publication to be completed at least seven (7) days prior to the date set for the public hearing.

The City Clerk shall also cause notice to be given by first-class mail to each registered voter, if any, and to each landowner as defined in the Act within the proposed boundaries of the District. Such notice shall be mailed at least 15 days before the public hearing and shall contain the same information as is required to be contained in the notice published pursuant to the preceding paragraph.

SECTION 11. Reservation Of Rights To Authorize Tender Of Bonds. The City Council reserves to itself, in its capacity as the legislative body of the District if formed, the right and authority to allow any interested owner of property within the District, subject to the provisions of Government Code Section 53344.1 and to such conditions as this City Council may impose, and any applicable prepayment penalties as may be described in the bond indenture or comparable instrument or document, to tender to the Treasurer, acting for and on behalf of the District, in full payment or part payment of any installment of the special taxes or the interest or penalties thereon which may be due or delinquent, but for which a bill has been received, any bond or other obligation secured thereby, the bond or other obligation to be taken at par and credit to be given for the accrued interest shown thereby computed to the date of tender.

SECTION 12. Advances Of Funds Or Work-In-Kind. At any time either before or after the formation of the District, the City Council may accept advances of funds or work-in-kind from any source, including, but not limited to, private persons or private entities and may provide, by resolution, for the use of those funds or that work-in-kind for any authorized purpose, including, but not limited to, paying any cost incurred by the City in creating the District. The City may enter into an agreement, by resolution, with the person or entity advancing the funds or work-in-kind, to repay all or a portion of the funds so advanced, or to reimburse the person or entity for the value, or cost, whichever is less, of the work-in-kind, as determined by the City Council. No such agreement shall constitute a debt or liability of the City.

Pulte Homes Corporation("Pulte"), the master developer of the property within the District, has advanced funds to the City to pay for costs incurred by the City in undertaking the proceedings to consider the establishment of the District and the issuance of bonds for the District. Such advances shall be subject to reimbursement from the proceeds of bonds issued for the District. It is proposed that the City enter into an agreement with Pulte pursuant to which Pulte shall construct and install all or any portion of the Facilities and the District shall repay the funds expended by the Pulte for such purpose or value or cost of the work in-kind, whichever is less.

SECTION 13. Effective Date. This Resolution shall take effect from and after its date of adoption.

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PASSED, APPROVED AND ADOPTED ___________________________ 2006

__________________________
EDWARD CHAVEZ, Mayor of the City of Stockton

ATTEST:

__________________________
KATHERINE GONG MEISSNER, City Clerk of the City of Stockton
EXHIBIT A

City of Stockton
San Joaquin County, California
Community Facilities District No. 2006-2
(Westlake Villages)

RATE AND METHOD OF APPORTIONMENT 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 Community Facilities District No. 2006-2 (Westlake Villages) (CFD) of the City of Stockton (City), shall be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate, as described below.

2. Definitions


"Administrative Expenses" means the actual or reasonably estimated costs related to administration of the CFD, including these:

- Costs of computing Special Taxes and preparing annual Special Tax collection schedules (whether by the City or any designee thereof or both);
- Costs of collecting the Special Taxes (whether by San Joaquin County [County], the City, or otherwise);
- Costs of remitting the Special Taxes to the Trustee;
- Costs of the Trustee (including its legal counsel) in the discharge of duties required of it under the Bond Indenture;
- Costs to the City, CFD, or any designee thereof of complying with arbitrage rebate requirements;
- Costs to the City, CFD, or any designee thereof of complying with City, CFD, or obligated persons disclosure requirements;
- Costs associated with preparing Special Tax disclosure statements;
Exhibit A
Rate and Method of Apportionment of Special Tax
March 28, 2006

- Costs incurred in responding to public inquiries regarding the Special Taxes;
- Costs to the City, CFD, or any designee thereof related to any appeal of the Special Tax;
- Costs associated with the release of funds from an escrow account, if any; and
- Amounts estimated to be advanced or advanced by the City 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.

"Administrator" means the City Director of Administrative Services or his or her designee.

"Annual Costs" means, for any Fiscal Year, the total of these:
   a. Debt Service to be paid from Special Taxes collected during such Fiscal Year;
   b. Administrative expenses for such Fiscal Year;
   c. Any amounts needed to replenish any Bond Reserve Fund for the bonds to the level required under the Bond Indenture;
   d. An amount equal to Special Tax delinquencies anticipated for the current Fiscal Year;
   e. Less any credit from interest earnings on the Bond Reserve Fund or any other revenues accrued to the CFD as approved by the City; and
   f. Pay-as-you-go expenditures for Authorized Facilities to be constructed or acquired by the CFD.

"Anticipated Construction Proceeds" means that amount that is anticipated to be available from bonds for acquiring or constructing Authorized Facilities.

"Assessor's Parcel Number" means the parcel or 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.

"Benefit Share" means the Maximum Annual Special Tax for a parcel divided by the Maximum Annual Special Tax Revenue.

"Bond(s)" means bond(s) issued or other indebtedness incurred by the City for the CFD under the Act.
"Bond Indenture" means the indenture, resolution, fiscal agent agreement, or other financing document pursuant to which any bonds are issued.

"Bond Share" means the share of bonds assigned to a parcel as specified in Section 7 of this Rate and Method of Apportionment of Special Tax.

"CFD" means the City of Stockton Community Facilities District No. 2006–2 (Westlake Villages), San Joaquin County, California.

"City" means the City of Stockton, California.

"Council" means the City Council of the City of Stockton acting for the CFD under the Act.

"County" means San Joaquin County.

"Debt Service" means the total amount of principal, interest, and any scheduled sinking fund payments of the Bonds.

"Developed Parcel" means a parcel in one of the following parcel categories that has received from the City the applicable development approval for that parcel category as follows:

<table>
<thead>
<tr>
<th>Parcel Category</th>
<th>Development Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-Family Residential</td>
<td>- Final Small Lot Subdivision Map</td>
</tr>
<tr>
<td>Other Use Parcel</td>
<td>- Building Permit</td>
</tr>
</tbody>
</table>

"Final Small Lot Subdivision Map" means a subdivision map creating single-family residential parcels for which a building permit could be issued.

"Fiscal Year" means the period starting July 1 of any calendar year through June 30 of the following calendar year.

"Large Lot Parcel" means any parcel delineated on a Large Lot Subdivision Map. Large Lots Parcels are identified in Attachment 1 and shown on Map 1.

"Large Lot Subdivision Map" means a recorded subdivision map delineating parcels by land use. However, the Large Lot Subdivision Map does not delineate individual single-family residential parcels. A Final Small Lot Subdivision Map will create individual single-family parcels.
“Maximum Annual CFD Revenue” means the greatest amount of revenue that can be collected in a Fiscal Year by levying the Special Tax against a group of Taxable Parcels in the CFD, such as Developed Parcels.

“Maximum Annual Special Tax” means the greatest amount of Special Tax that can be levied against a parcel in any Fiscal Year. Attachment 1 shows the Maximum Annual Special Tax for Large Lot Parcels. Large Lot Parcels are identified on Map 1.

“Maximum Annual Special Tax per Unit” means the greatest amount of Special Tax that can be levied against a single-family residential parcel in any Fiscal Year. Attachment 1 shows the Maximum Annual Special Tax per Unit for all Large Lot Parcels. Each time a parcel is subdivided, a Maximum Annual Special Tax per Unit will be assigned to the Taxable Parcels based on methods defined in Section 5.C.

“Maximum Annual Special Tax Revenue” means the greatest amount of revenue that can be collected in a Fiscal Year by levying the Special Tax against all Taxable Parcels in the CFD.

“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 fully repaid or legally defeased.

“Parcel” means any Assessor’s Parcel Number in the CFD based on the equalized tax rolls of the County for the current 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 a 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 parcel. Each Partial Prepayment Factor shall be calculated according to the steps described under Section 7.

“Pay-As-You-Go Expenditure” means the use of annual Special Tax revenues that are not needed for Annual Costs, not including Pay-As-You-Go Expenditures, for Authorized Facilities to be constructed or acquired by the CFD.
"Planned Units" means the number of single-family residential parcels assigned to Large Lot Parcels in Attachment 1. Large Lot Parcels are identified on Map 1.

"Prepayment" means the partial or permanent satisfaction of the Special Tax obligation.

"Public Parcel" means any parcel that is (a) publicly owned, and (b) 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, greenbelts, and public open space.

"Reserve Fund" means the total amount held in the Bond Reserve Fund by the City for all outstanding bonds of the CFD.

"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 amount of deposit in the Bond 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 Taxable Parcel created by a Final Small Lot Subdivision Map.

"Special Tax(es)" mean(s) any tax levy under the Act in the CFD. The Special Tax shall be levied as long as necessary to pay for the facilities to be financed by the CFD and to discharge authorized bond obligations of the CFD.

"Special Tax Obligation" means the total obligation of a Taxable Parcel to pay Special Taxes for the remaining life of the CFD.

"Subdivision" or "Subdivided" means a division of a parcel into two or more parcels through the Subdivision Map Act process.

"Tax Collection Schedule" means the document prepared by the City for the County Auditor to use in levying and collecting the Special Taxes each Fiscal 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. Tax-Exempt Parcels include (a) a parcel that was a Public Parcel at the formation of the CFD or a Public Parcel created through the Subdivision process, (b) any parcel that has prepaid its
Special Taxes under Section 7, or (c) any parcel that is exempt from the Special Tax under the Act.

"Undeveloped Parcel" means a Taxable Parcel that is not a Developed Parcel or Large Lot Parcel.

3. Determination of Parcels Subject to Special Tax

The Administrator shall prepare a list of parcels subject to the Special Tax using the records of the County Assessor as of January 1 preceding the current Fiscal Year. The Administrator shall identify the parcels that are subject to the Special Tax from a list of all parcels in the CFD using the procedure described below:

a. Exclude all Tax-Exempt Parcels.

b. The remaining parcels are Taxable Parcels that shall be subject to the Special Tax according to the method detailed in Section 5.

4. Termination of the Special Tax

The Special Tax will be levied and collected from all Taxable Parcels for as long as needed to pay the Annual Costs; however, in no case shall the Special Tax be levied beyond Fiscal Year 2040-2041.

When Special Tax revenues are no longer needed to pay Annual Costs, 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. The Notice of Cessation of Special Tax, in addition, shall 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

Each Fiscal Year after forming the CFD, the Administrator shall cause these to occur:

a. Classification of Parcels. Using the Definitions in Section 2, the parcel records of the County Assessor's Secured Tax Roll for the Fiscal Year for which Special Taxes will be assigned, and building permit and final map record of the City and
County up to June 1 preceding the current Fiscal Year, the Administrator shall cause these to occur:

i. Each parcel will be classified as a Tax-Exempt Parcel or as a TaxableParcel; and

ii. Each Taxable Parcel, then, will be classified as a Developed Parcel, Large Lot Parcel, or Undeveloped Parcel.

b. Assignment of Maximum Annual Special Tax to Large Lot Parcels. The Administrator shall assign the Maximum Annual Special Tax to each Taxable Large Lot Parcel using Attachment 1, which identifies each Large Lot Parcel, and using Map 1 showing the location of the Large Lot Parcels.

c. Assignment of Maximum Annual Special Tax to Developed Parcels. The Administrator shall assign the Maximum Annual Special Tax to each Developed Parcel using Attachment 1 in the following manner:

i. Single-Family Residential Parcel. The Maximum Annual Special Tax is assigned to Developed Parcels designated for single-family residential uses in the following manner:

A. If a Large Lot Parcel is Subdivided into Developed Parcels that are Single-Family Residential Parcels or individually owned residential condominium Parcels, determine the Maximum Annual Special Tax per Unit using the following steps:

1. If the number of Single-Family Residential Parcels created by the Final Small Lot Subdivision Map is greater or equal to the number of Planned Units assigned to the Large Lot Parcel, assign the Maximum Annual Special Tax per Unit shown in Attachment 1 for the Large Lot Parcel to each Single-Family Residential Parcel.

2. If the number of Single-Family Residential Parcels created by the Final Small Lot Subdivision Map is less than the number of Planned Units assigned to the Large Lot Parcel, divide the Maximum Annual Special Tax assigned to the Large Lot Parcel by the number of Single-Family Residential Parcels created by the Final Small Lot Subdivision Map to determine the Maximum Annual Special Tax per Unit for each Single-Family Residential Parcel.

B. If a Subdivision creates Single-Family Residential Parcels and a remainder Large Lot Parcel, perform the following steps:
1. Assign the Maximum Annual Special Tax per Unit to each Single-Family Residential Parcel for the Large Lot Parcel shown in Attachment 1.

2. Planned Units are assigned to the remainder Large Lot Parcel by subtracting the total number of Single-Family Residential Parcels determined in the previous step from the total Planned Units assigned to the Large Lot Parcel that is being Subdivided. The remaining Planned Units are multiplied by the Maximum Annual Special Tax per Unit for the Large Lot Parcel to arrive at the Maximum Annual Special Tax for the remainder Large Lot Parcel.

d. Assignment of Maximum Annual Special Tax Partial Prepayment Parcel. The Maximum Annual Special Tax for a Partial Prepayment Parcel is assigned by multiplying the Maximum Annual Special Tax per Unit from Attachment 1, or as otherwise calculated for a Developed Parcel, by the Partial Prepayment Factor for the parcel.

e. Conversion of a Tax-Exempt Parcel to a Taxable Parcel. If a parcel designated as a Tax-Exempt Parcel is converted to a taxable land use, it shall become subject to the Special Tax. The Maximum Annual Special Tax for each such parcel shall be assigned by the Administrator using the appropriate parcel classification.

i. For Single-Family Residential Parcels, the Maximum Annual Special Tax per Unit is assigned to Parcels using Attachment 1 and is based on the average lot size for a Final Small Lot Subdivision Map.

ii. For Large Lot Parcels with a land use designation for single-family residential, the Administrator will assign Planned Units to the Large Lot Parcel based on the single-family residential development potential of the parcel, and then will multiply the number of Planned Units by the Maximum Annual Special Tax per Unit (as shown in Attachment 1) for the proposed average lot size, as shown in Attachment 1, to derive the Maximum Annual Special Tax for the Large Lot Parcel.

iii. For land uses other the single-family residential, the Maximum Annual Special Tax is calculated by multiplying the Taxable Acreage of the Taxable Parcel by $6,000 [THIS AMOUNT SHOULD BE REVIEWED]. If individually owned residential condominium units are created, this Maximum Annual Special Tax then is divided by the number of individually owned residential condominiums created by a Parcel Subdivision.

f. Taxable Parcel Acquired by a Public Agency. Taxable Parcels that are 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 a Public Parcel, such as a school site, is relocated to a Taxable Parcel, in which case the previously Tax-Exempt Parcel of comparable acreage becomes a Taxable Parcel and the Maximum Annual Special Tax from the previously Taxable Parcel is transferred to the new Taxable Parcel. This trading of parcels will be permitted to the extent that there is no net loss in Maximum Annual Special Tax Revenue.

6. Calculating the Annual Special Tax Levy

The Administrator shall levy Special Taxes in each Fiscal Year using the following procedures:

a. Compute the Annual Cost for the Fiscal Year using the definitions in Section 2.

b. Calculate the Special Tax for each parcel as follows:

   Step 1: Compute 100 percent of the Maximum Annual CFD Revenue for all Developed Parcels.

   Step 2: Compare the Annual Costs with the Maximum Annual CFD Revenue calculated in the previous step.

   Step 3: If the Annual Costs are less than the Maximum Annual CFD Revenue, proportionately decrease 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 Large Lot Parcel to an amount equal to the amount of Annual Costs or until 100 percent of the Maximum Annual Special Tax is reached for such Large Lot Parcels.

   Step 5: If the Annual Costs are greater than the Maximum Annual Special Tax Revenue from Developed Parcels and Large Lot Parcels, levy a Special Tax proportionately on each Undeveloped Parcel to an amount equal to the amount of Annual Costs or until 100 percent of the Maximum Annual Special Tax is reached for such Undeveloped Parcels.

c. Prepare the tax collection schedule listing the tax levy for each Assessor’s Parcel and send it to the County Auditor requesting that it be placed on the general, secured property tax roll for the following Fiscal Year.
The Administrator shall make every effort to correctly calculate the Special Tax levy. It shall be the burden of the taxpayer to correct any errors in the determination of the parcels subject to the tax and their Special Tax assignments.

The Administrator shall maintain a record showing the calculation of the assigned Maximum Annual Special Tax to each Taxable Parcel and a brief description of the process of assigning the Special Tax each time a Taxable Parcel is Subdivided.

7. Prepayment of Special Tax Obligation

Landowners may permanently satisfy the Special Tax Obligation for a parcel by a cash settlement with the City as permitted under Government Code Section 53344. By exercising the right to prepayment, a landowner can eliminate the future annual Special Tax Obligation for a parcel.

Prepayment is permitted only under the following conditions:

- The Administrator determines that Prepayment does not jeopardize the ability to make timely payments of Debt Service on outstanding bonds or repayment of the bonds.
- Any landowner who wishes to exercise the right to Prepayment for a parcel must pay any and all delinquent Special Taxes and penalties for the prepaying parcel.
- 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.

Calculate the Prepayment amount for a parcel as follows:

Part A: Full Prepayment of Special Tax Obligation before the Sale of Bonds

The Prepayment amount before bond sale is equal to the amount of the Anticipated Construction Proceeds for the parcel, plus any Administrative Expenses incurred in establishing the CFD and in calculating the Prepayment amount. The amount of the Anticipated Construction Proceeds shall be reduced for any Pay-As-You-Go Expenditures that will be used to finance the principal amount of the Anticipated Construction Proceeds if Special Taxes have already been levied for Pay-As-You-Go Expenditures up to and including the current Fiscal Year of the Prepayment.

The Prepayment amount shall be established by following the steps below:
Step A.1 Determine the Maximum Annual Special Tax for the prepaying parcel by following the procedures in Section 5.

Step A.2 Divide the Maximum Annual Special Tax from Step A.1 by the Maximum Annual Special Tax Revenue to arrive at the Benefit Share.

Step A.3 Determine the Anticipated Construction Proceeds for the parcel by multiplying the Benefit Share from Step A.2 by the Anticipated Construction Proceeds.

Step A.4 Determine the Prepayment amount by adding to the Anticipated Construction Proceeds for the prepaying parcel calculated in Step A.3 any fees and expenses incurred by the City in connection with the Prepayment calculation. If Special Taxes have already been levied, but not collected, at the time the Prepayment is calculated, the owner of the parcel must pay the Special Taxes included on the property tax bill in addition to the Prepayment amount.

Part B: Full Prepayment of Special Tax Obligation after Sale of Bonds

The Prepayment amount shall be established by following the steps below:

Step B.1 Determine the Maximum Annual Special Tax for the prepaying parcel by following the procedures in Section 5.

Step B.2 Divide the Maximum Annual Special Tax from Step B.1 by the Maximum Annual Special Tax Revenue to arrive at the Benefit Share.

Step B.3 Determine the Bond Share for the parcel by multiplying the Benefit Share from Step B.2 by the Outstanding Bonds. For the purpose of the calculation, reduce the Outstanding Bond balance by the amount of the principal payment for which Special Taxes have been levied but not collected.

Step B.4 Determine the Reserve Fund Share associated with the Bond Share determined in Step B.3 and reduce the Bond Share by the amount of the Reserve Fund Share. The Reserve Fund Share is equal to the Reserve Fund Requirement on all Outstanding Bonds or the actual Reserve Fund, whichever is less, multiplied by the Benefit Share.

Step B.5 Determine the Prepayment amount by adding to the revised Bond Share amount calculated in Step B.4 any fees, call premiums, and expenses incurred by the City in connection with the Prepayment calculation or the application of the proceeds of the Prepayment to the call of bonds. If Special Taxes have already been levied, but not collected, at the time the Prepayment is calculated, the owner of the Parcel must pay the Special Tax amount.
Taxes included on the property tax bill in addition to the Prepayment amount.

Part C: Partial Prepayment of Special Tax Obligation

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 on 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 C.1 Calculate the full Prepayment amount from Step A.4 or B.5 above.

Step C.2 Subtract the amount of the Partial Prepayment from the full Prepayment amount calculated in Part A or B above.

Step C.3 Subtract any fixed costs of the Prepayment (such as the cost of the Prepayment calculation and other fees that do not vary proportionally with the size of the Prepayment) from the full Prepayment amount in Step C.1.

Step C.4 Divide the result of Step C.2 by the result of Step C.3 to arrive at the Partial Prepayment Factor. The Partial Prepayment Factor is used to decrease the Maximum Annual Special Tax for the Parcel for which the Special Tax is partially prepaid.

Step C.5 If a Partial Prepayment has been made for this Parcel; multiply the result of Step C.4 by the previously calculated Partial Prepayment Factor.

8. Appeals and Interpretation Procedure

Any taxpayer that feels that the amount of the Special Tax assigned to a parcel is in error may file a written notice with the Administrator appealing the levy of the Special Tax. The Administrator then will promptly review the appeal, and if necessary, meet with the applicant. If the Administrator verifies that the tax should be modified or changed, a recommendation at that time will be made to the City Council, and as appropriate, the Special Tax levy shall be corrected, and if applicable in any case, a refund shall be granted.

Interpretations may be made by Resolution of the City 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.
9. Collection of Annual Special Tax

The Special Tax will be collected in the same manner and at the same time as ad valorem property taxes; provided, however, that the City 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 its financial obligation.
Attachment 1
CFD No. 2006-2 (Westlake Villages)
Maximum Annual Special Tax

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<th>Large Lot Parcel</th>
<th>Average Lot Size</th>
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<th>Maximum Annual Special Tax per Unit [2]</th>
<th>Maximum Annual Special Tax Revenue</th>
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CFD Totals 2,622 $2,352,200

[1] Planned Units are assigned to each unit of the proposed development at formation of the CFD. As Small Lot Final Subdivision Maps are recorded, Planned Units are assigned to Large Lot Parcels. If fewer Single-Family Residential Parcels are created as a result of the Small Lot Final Subdivision Maps, the Maximum Annual Special Tax per Unit will be increased so there is no net loss of Maximum CFD Revenue.

EXHIBIT B

CITY OF STOCKTON
COMMUNITY FACILITIES DISTRICT NO. 2006-2 (WESTLAKE VILLAGES)
COUNTY OF SAN JOAQUIN,
STATE OF CALIFORNIA

DESCRIPTION OF "FACILITIES"

1. Street improvements
   (a) Consumnes Drive
   (b) Eight Mile Road
   (c) Spine Streets
      (i) Regatta Lane
      (ii) Westlake Drive
      (iii) Scott Drive

2. Sanitary sewer pump station

3. Levee bike path

4. Storm water retention basin/lakes

5. Landscaping for spine streets

6. Public utilities to be located in spine streets

7. Non-potable water system

8. Entry features located in public right of way or public easements

9. Perimeter walls located in public right of way or public easements

10. Traffic signals

11. Irrigation drainage line at Eight Mile Road/golf course

12. Shima Tract Bridge design

13. Westlake/NWC property storm drainage connection
A RESOLUTION DECLARING NECESSITY OF
A COMMUNITY FACILITIES DISTRICT
TO INCUR A BONDED INDEBTEDNESS

CITY OF STOCKTON
COMMUNITY FACILITIES DISTRICT NO. 2006-2 (WESTLAKE VILLAGES)
COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA

WHEREAS, the CITY COUNCIL of the CITY OF STOCKTON, CALIFORNIA
("City Council"), desires to initiate proceedings to create a Community Facilities District
pursuant to the terms and provisions of the "Mello-Roos Community Facilities Act of
1982", being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the
State of California (the "Act") to finance the acquisition or construction of certain
authorized facilities. This Community Facilities District shall hereinafter be designated
as "CITY OF STOCKTON COMMUNITY FACILITIES DISTRICT NO. 2006-2
(WESTLAKE VILLAGES) (the "District"); and,

WHEREAS, it is the intention of this legislative body to finance the acquisition or
construction of all or a portion of such facilities through the issuance of bonds to be
issued by the District, such bonds to be secured by special taxes to be levied on taxable
property within the District, all as authorized pursuant to the Act.

NOW, THEREFORE, BE IT RESOLVED, as follows:

SECTION 1. Recitals. The above recitals are all true and correct.

SECTION 2. Declaration of Necessity to Incur Bonded Indebtedness. This City
Council declares that the public convenience and necessity require that a bonded
indebtedness be incurred by the District to contribute to the financing of all or a portion
of the authorized public facilities described in Exhibit A attached hereto and
incorporated herein by this reference (the "Facilities")

SECTION 3. Purpose of the Proposed Debt. The purpose for the proposed debt
of the District is to be incurred is to contribute to the financing of the acquisition or
construction of the Facilities and the payment of other expenses related to the financing
of the acquisition or construction of such Facilities as described in Government Code
Section 53345.3.

SECTION 4. Amount of the Proposed Debt. The amount of the bonded
indebtedness of the District may include all costs and estimated costs incidental to,
connected with, the accomplishment of the purpose for which the indebtedness is proposed to be incurred as described in Section 3 above and as authorized pursuant to the Act. The amount of the indebtedness proposed to be authorized for the District is $35,000,000.

SECTION 5. Public Hearing. Notice given that on June 6, 2006, at the hour of 5:30 o'clock p.m. in the regular meeting place of the legislative body, being the Council Chambers, City Hall, located at 425 North El Dorado Street, Stockton, California, a hearing will be held on the intention of this legislative body to incur a bonded indebtedness of the District to finance the Facilities, such indebtedness to be secured by the levy of special taxes within the District. At the time and place fixed for said public hearing any persons interested, including persons owning property within the District, may appear and present any matters relating to the proposed intention and necessity for incurring a bonded indebtedness of the District.

SECTION 6. Notice of the Public Hearing. Notice of the time and place of the public hearing shall be given by the City Clerk by publishing a Notice of Public Hearing in a legally designated newspaper of general circulation, said publication pursuant to Section 5061 of the Government Code, with said publication to be completed at least seven (7) days prior to the date set for the public hearing.

SECTION 7. Effective Date. This Resolution shall take effect from and after its date of adoption.

* * * * * * * *

PASSED, APPROVED AND ADOPTED ________________________________, 2006

EDWARD CHAVEZ, Mayor of the City of Stockton

ATTEST:

_________________________________
KATHERINE GONG MEISSNER,
City Clerk of the City of Stockton