RESOLUTION NO. 2000-06

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE WESTERN HILLS WATER DISTRICT OF FORMATION OF COMMUNITY FACILITIES DISTRICT AND TO LEVY A SPECIAL TAX IN DIABLO GRANDE COMMUNITY FACILITIES DISTRICT NO. 1

The Board of the Western Hills Water District (the "Water District") resolves:

1. Reference is made to Resolutions No. 2000-02, No. 2000-03 and No. 2000-04 of this Board adopted August 24, 2000 for the preliminary scope of the project and financing contemplated by these proceedings.

2. This Board has conducted the public hearing set by Resolution No. 2000-03 and No. 2000-04, and determines that a majority protest under Section 53324 of the Government Code was not made at the hearing.

3. There is hereby formed a community facilities district by the Western Hills Water District under the terms of the Mello-Roos Community Facilities Act of 1982, Chapter 2.5 of Division 2 of Title 5 of the California Government Code, commencing with Section 53311 (the "Act").

4. The name of the community facilities district is "Diablo Grande Community Facilities District No. 1, Western Hills Water District, Stanislaus County, California" (the "District").

5. The types of public facilities proposed to be provided within the District are set forth on Exhibit A attached to this Resolution. The types of incidental expenses proposed to be incurred by the District are set forth in Exhibit B attached to this Resolution. The Board hereby finds that these facilities and incidental expenses are necessitated by new development occurring or anticipated within the District.

6. The office of the Board of Directors of the Western Hills Water District, 10001 Oak Flat Road, Patterson, California 95363 (209-892-7651) is designated as the office responsible for preparing annually a current roll of special tax levy obligations by assessor's parcel number, estimating future special tax levies and for establishing procedures to promptly respond to inquiries regarding estimates of future special tax levies. The Water District may contract with private consultants to provide this service in lieu of the Board of Directors.

7. Except where funds are otherwise available, a special tax sufficient to pay for all such facilities and incidental expenses will be annually levied within the District. Upon recordation of a notice of special tax lien pursuant to Section 3114.5 of the California Streets and Highways Code, a continuing lien to secure each levy of the special tax shall attach to all nonexempt real property within the District, and this lien shall continue in force and effect until the special tax obligation is prepaid and permanently satisfied and the special tax lien is canceled in accordance with law or until collection of the special tax by the legislative body of the Water District ceases. The rate and method of apportionment of the special tax is set forth in Exhibit C attached to this Resolution.

8. The boundaries of the District are shown on proposed boundary map on file with the Secretary, which was approved by our Resolution No. 2000-02 adopted August 24, 2000 and filed for record on September 21, 2000 in the Office of the County Recorder of the County of Stanislaus as Document No. 00-0079284 and in Book 3, at Page 40 of the Maps of Assessment and Community Facilities District.

9. Advances of funds or contributions of work in kind from any lawful source, specifically including owners of property within the District, may be reimbursed from bond proceeds or from special tax revenue or both to the extent of the lesser of the value or cost of the contribution, but any agreement to do so shall not constitute a debt or liability of the Water District.

10. Any bonds issued in these proceedings shall be callable in accordance with the provisions of the Act and as more specifically to be set forth in any resolution providing for the form, execution and issuance of bonds.

11. The special tax will be collected and enforced as a separate line item on the regular property tax bill. However, this Board reserves the right, under Section 53340, to utilize any method of collecting the special tax which it shall, from time to time, determine to be in the best interests of the Water District, including, but not limited to, direct billing by the Water District to the property owners and supplemental billing. In particular, the Water District may bill the 2000-01 special taxes directly, and not post those taxes to the regular, secured property tax roll. The procedure for collection in any case when the Water District chooses to collect the special tax through direct billing shall be as follows:

After levy by the Board, whether pursuant to authorizing ordinance or annual resolution, the Water District Treasurer shall prepare and send to the property owners by first class U.S. Mail, at their addresses as shown on the last equalized assessment roll, a tax bill substantially in the form shown in Exhibit D, hereto, which shall specify the amount due, give instructions for payment to the Water District Treasurer, state (as is hereby authorized and provided) that the first installment of the special tax (50% of the annual special tax shall be payable in each installment) shall be delinquent if not received by the Water District Treasurer by the close of business on the next succeeding December 10, and the second installment shall be delinquent if not paid by the Water District Treasurer by the close of business on the next succeeding April 10, shall specify (as is hereby authorized and provided) that all delinquencies shall incur an immediate 10% penalty, and an additional 1½% penalty on the first day of each month beginning with the next succeeding July 1, and shall specify (as is hereby authorized and provided) that delinquencies are subject to judicial foreclosure under the procedure set forth in §53356.1 and following of the Government Code.

The Board, as an alternative enforcement mechanism, may by resolution elect to place delinquent special taxes on the next secured property tax roll. In such event, attorneys' fees and costs to date in any foreclosure action, and penalties on the delinquency through the following December 1, may be included in the amount to be placed on the roll. Both remedies may be pursued simultaneously, but if the property owner pays the regular property tax bill for the subsequent year, including the delinquent special tax posted to that bill, the foreclosure action may thereafter be pursued solely for attorneys' fees and costs incurred subsequent to the posting of the delinquent special tax on the secured roll.

12. This Board hereby establishes the annual appropriations limit of the District at $5,700,000.

13. Based upon the Certificate of Engineer heretofore filed with this Board, the qualified electors for the election to be held in these proceedings shall be the landowners owning land within the District. The Board will conduct the election by mailed ballot and hereby designates the Secretary as the official to conduct the mailed-ballot election.

14. This Board now finds and determines that all proceedings up to and including the adoption of this Resolution were and are valid and in conformity with the requirements of the Act. This determination and finding is final and conclusive in accordance with Government Code Section 53325.1.

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I hereby certify that the foregoing resolution was duly and regularly adopted by the Board of Directors of the Western Hills Water District, California, at a regularly scheduled meeting thereof, held on the 28th day of September, 2000 by the following vote of the Board of Directors:

AYES:	Directors DUCK, LIGHTLY and President SCHNEIDER
NOES:	None
ABSENT:	Directors BALFOUR and WEST
ABSTAIN:	None

Chairman

ATTEST:

Secretary of the Board

EXHIBIT A - CFD Improvements
EXHIBIT B - Incidental Expenses and Bond Issuance Costs
EXHIBIT C - Rate and Method of Apportionment
EXHIBIT D - Form of Special Tax Bill

EXHIBIT A

Diablo Grande
Community Facilities District No. 1
Western Hills Water District
Stanislaus County, California

LIST OF AUTHORIZED FACILITIES

Authorized facilities that may be funded through the CFD include the following public improvements:

Transportation Improvements

Authorized facilities include the following public transportation-related improvements:

- Off-site public roadways serving the Diablo Grande development;
- On-site public roadways, and,
- Other public roadway improvement required meeting the needs of the project.

Eligible roadway improvements include; purchase of rights-of-way; roadway design; project management; bridge crossings, grading and paving; joint trenches and underground utilities; curbs, gutters, and sidewalks; street lights (including reimbursements to the City/County) and signalization; signs and striping; and median and parkway landscaping related thereto.

Wastewater System Improvements

Authorized facilities include any and all wastewater facilities designed to meet the needs of development within Diablo Grande CFD No. 1. These facilities include, but are not limited to; wastewater treatment facilities, including any land purchase; sewer transmission lines; and related wastewater system improvements.

Water System Improvements

Authorized facilities include any and all water facilities designed to meet the needs of development within Diablo Grande CFD No. 1. These facilities include, but are not limited to, water treatment facilities and water distribution facilities including fire hydrants, and related water system improvements; pressure reducing stations, and flow meters along with any land required to site water treatment or transmission facilities. In addition, the CFD is authorized to purchase water rights required to provide water service to development within the CFD.

Drainage System Improvements

Authorized facilities include any and all drainage and storm sewer improvements designed to serve the needs of development within the CFD including, but not limited to pipelines and appurtenances, temporary drainage facilities, detention basins, and drainage pretreatment facilities.

Emergency Facilities

Includes the purchase of fire fighting equipment, paramedic equipment, or the construction or purchase of other public emergency facilities required to meet the needs of development within the Diablo Grande project.

Park Improvements

Authorized facilities include any and all improvements to public park facilities located in the Diablo Grande development, including acquisition of property and the design and construction thereof.

Other Expenses

In addition to the above facilities, other incidental expenses as authorized by the Mello-Roos Community Facilities Act of 1982, including, but not limited to, the cost of planning and designing the facilities (including the cost of environmental evaluation and environmental remediation); construction staking; utility relocation and demolition costs incident to the construction of the public facilities, cost associated with the creation of the Mello-Roos CFD; issuance of bonds; determination of the amount of taxes, collection of taxes; payment of taxes; or costs otherwise incurred in order to carry out the authorized purposes of the CFD; reimbursements to other areas for infrastructure facilities serving the Diablo Grande Project; and any other expenses incidental to the construction, completion, and inspection of the facilities.

EXHIBIT B

Incidental Expenses and Bond Issuance Costs

DIABLO GRANDE COMMUNITY FACILITIES DISTRICT NO. 1
WESTERN HILLS WATER DISTRICT, STANISLAUS COUNTY, CALIFORNIA

It is anticipated that the following incidental expenses may be incurred in the proposed financing:

Engineering services
Special tax consultant services
Water District review and administration
Bond counsel services
Bond counsel out of pocket expenses
Independent financial advisor services
Appraiser services
Initial bond transfer agent, fiscal agent, registrar and paying agent fees
Rebate calculation service set up charge
Bond printing
Offering memorandum printing and mailing costs
Publishing, mailing and posting of notices
Underwriter's discount
Bond reserve fund
Capitalized interest
Bond syndication costs
Governmental notification and filing costs
Credit enhancement costs
Real estate acquisition costs
Special disclosure counsel
Rating agency fees

Certain annual costs may be included in each annual special tax levy. These include:

Annual bond transfer agent, fiscal agent, registrar and paying agent fees
Annual rebate calculation costs
Special tax consultant costs
Other necessary consultant costs
Costs of posting and collecting the special taxes
Personnel costs of the Water District
Arbitrage rebate
Rating agency fees

Exhibit C

Western Hills Water District
Diablo Grande Community Facilities District No. 1

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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1. Basis of Special Tax Levy

A Special Tax authorized under the Mello-Roos Community Facilities Act of 1982 (the "Act") applicable to the land in the Diablo Grande Community Facilities District No. 1 (the "CFD") of the Western Hills Water District (the "Water District") shall be levied and collected according to the tax liability determined by the Water District through the application of the appropriate amount or rate, as described below.

2. Definitions

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

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

"**Annual Costs**" means, for any Fiscal Year, the total of the following:

i) Debt Service for the Calendar Year commencing January 1 of such Fiscal Year through December 31 of the following Fiscal Year;
ii) Administrative Expenses for such Fiscal Year;
iii) Any amounts needed to replenish any bond reserve fund for bonds of the Water District issued for the CFD to the level required under the documents pursuant to which such bonds were issued;
iv) An amount equal to the amount of delinquencies in payments of Special Taxes levied in the previous Fiscal Year and/or anticipated for the current Fiscal Year; and,
v) Pay-as-you-go expenditures for Authorized Facilities to be constructed or acquired by the CFD;
vi) Less earnings on the bond reserve fund pursuant to the bond indenture and any reimbursements.

The total Annual Costs shall be limited to that necessary to provide the Authorized Facilities.

"**Anticipated Construction Proceeds**" means $50,000,000 as adjusted annually after the Base Year in accordance with the Engineering News Record Building Cost Index. The Water District Board may reduce the base level from $50,000,000 once all facility costs are known with certainty. The Anticipated Construction Proceeds may be reduced by an approved resolution of the Board once determining the actual costs funded by the CFD are less than the Anticipated Construction Costs determined at CFD formation.

"**Auditor-Controller**" means the Auditor-Controller of the County.

"**Authorized Facilities**" means those improvements, as listed in the Resolution forming the CFD.

"**Benefit Percentage**" means the calculation that shows the percentage share of benefits accruing to a Parcel for all proposed and realized facility improvements within the CFD.

"**Board**" means the Board of Directors of the Water District.

"**Bond Share**" means the calculation that shows the percentage share of bonds issued that accrues to a Parcel for public facilities.

"**Bond Year**" means the 12-month period ending on the bond principal payment date of each calendar year as defined in the bond documents under which the bonds will be issued.

"**CFD**" means the Diablo Grande Community Facilities District No. 1 of the Western Hills Water District.

"**Commercial Use Parcel**" means the land use designations permitting the following uses: retail, restaurant, tennis club, town center, office, industrial, or other commercial uses.

"**County**" means Stanislaus County, California.

"**Debt Service**" means for each Bond Year, the total amount of principal and interest for any bonds, notes or certificates of participation of the Water District for the CFD during that Bond Year, less any applicable credits that may be available from any other sources available to the Water District to pay principal and interest for the previous or current Bond Year.

"<u>Developed Parcel</u>" means a Parcel receiving one of the following development approvals from the County:

<u>Land Use</u>	<u>Development Approval</u>
Single family Use Residential	Final Subdivision Map
Multi-Family Use Residential	Building Permit issuance
Commercial Use	Final Map or Final Parcel Map (as defined by the Subdivision Map Act)

"**<u>Final Subdivision Map</u>**" means a recorded map in compliance with the Subdivision Map Act of the State of California.

"**<u>Fiscal Year</u>**" means the period starting July 1 and ending the following June 30.

"**<u>Golf Course Parcel</u>**" means a parcel that is designated and/or developed as a golf course, and may include the golf club house.

"**<u>Gross Taxable Acre(age)</u>**" means the acreage of the Parcel prior to dedication of right-of-way for streets, roads, landscaping, open space, and other public purposes.

"**<u>Hotel Use Parcel</u>**" means any Taxable Parcel that is designated and/or developed as a hotel/conference center.

"**<u>Maximum Annual Special Tax</u>**" means the greatest amount of Special Tax that can be levied against a Parcel.

"**<u>Maximum Annual Special Tax Rate</u>**" means the amount shown in **Attachment** 1 and **Attachment** 2 that is used in calculating the Maximum Annual Special Tax for a Taxable Parcel based on its land use classification and development status.

"**<u>Maximum Annual Special Tax Revenue</u>**" means the greatest amount of revenue that can be collected in any Fiscal Year by taxing all Taxable Parcels at the Maximum Annual Special Tax Rate.

"**<u>Maximum CFD Revenue</u>**" means the sum of the Maximum Annual Special Tax for all Taxable Parcels in the CFD assuming that all parcels are Developed Parcels or Golf Course Parcels. At the time of formation of the CFD, the Maximum CFD Revenue was calculated to be $4,908,350. The Maximum CFD Revenue may be increased or decreased by an approved resolution of the Board once determining the actual Maximum CFD Revenue has increased or decreased from the time of formation of the CFD.

"**<u>Multi-Family Residential Use</u>**" means any parcel designated and/or developed for more than one residential dwelling unit per parcel. Such uses may consist of apartments, condominiums, townhouses, time-share units, duplexes, or tri-plexes.

"Open Space Parcel" means any Parcel created by subdivision of land within the CFD that is not planned or designated for development, and that is not designated as a Public Parcel.

"Original Parcel" means any Parcel in the CFD that existed at the date of formation of the CFD. An Original Parcel lies wholly or partially within the PDP Area. Each Original Parcel is assigned Taxable Acres and a Maximum Annual Special Tax, as shown in **Attachment 1.**

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

"Parcel Number" means the County Assessor's Parcel Number for any Parcel based on the equalized tax rolls of the County as of January 1 of each Fiscal Year.

"Partial Prepayment Parcel" means a Parcel that has permanently satisfied a portion of the Special Tax obligation by a cash settlement with the Water District as permitted under Government Code Section 53344 and described in Section 6.

"Partial Prepayment Factor" means a factor that is applied to the Maximum Annual Special Tax Rate of a Parcel classified as a Partial Prepayment Parcel. This factor is applied when the prepayment is made as well as at any time that the Maximum Annual Special Tax Rate is recalculated.

"PDP Area" means that area of the CFD, which has a Preliminary Development Plan approval from the County. The Preliminary Development Plan has a definitive boundary as shown on **Map 1.** The PDP Area may be expanded to include new areas within the CFD after formation of the CFD.

"Prepayment" means the permanent satisfaction of all of the Special Tax obligation for one or more Parcels by a cash settlement with the Water District as permitted under Government Code Section 53344 and described in Section 6.

"Prepayment Parcel" means a Parcel that has permanently satisfied the entire Special Tax obligation by a cash settlement with the Water District as permitted under Government Code Section 53344 and described in Section 6.

"Public Parcel" means any Parcel, in its entirety, that is or is intended to be publicly owned within the CFD as approved by the County or Water District--or as subsequently designated by the County or Water District--that is normally exempt from the levy of general ad valorem property taxes under California law, including public streets, schools, parks, public drainage ways, public landscaping, wetlands, greenbelts, and public open space. Public Parcels are exempt from the levy of Special Taxes.

"**Raw Land Parcel**" means a Parcel within the boundaries of the CFD, which lies wholly outside the PDP Area. Raw Land Parcels are "tax-exempt".

"**Remaining Facility Cost Share**" means that calculation that shows the percentage share of the Anticipated Construction Proceeds, less the construction proceeds from bonds issued, less the share of pay-as-you-go funding used to acquire authorized facilities that accrues to a Parcel.

"**Reserve Fund Share**" means the calculation that shows the percentage share of the reserve fund balance that accrues to a Parcel.

"**Single family Residential Use Parcel**" means the land use designation permitting development of one single family unit per Parcel.

"**Special Tax(es)**" mean(s) any tax levy under the Act in the CFD.

"**Successor Parcel**" means any Parcel in the CFD that was created by subdividing an Original Parcel, or another Successor Parcel, and which lies partially or wholly within the PDP Area. Each Successor Parcel is designated as a Developed Parcel, Undeveloped Parcel, Golf Course Parcel, Public Parcel or Open Space Parcel, based on the designated land use of the new Parcel. Each Successor Parcel is assigned a Maximum Annual Special Tax based on land use(s) and units as shown in **Attachment 2.**

"**Tax Collection Schedule**" means the document prepared by the District for the County Auditor-Controller to use in levying and collecting the Special Taxes each Fiscal Year.

"**Taxable Acres or Acreage**" means the area of an Original Parcel that lies within the boundaries of the PDP Area, as shown in **Attachment 1**. For Successor Parcels, the Taxable Acres or Acreage is defined as the gross acreage of the Taxable Parcel that lies within the boundaries of the PDP Area. For Successor Parcels designated as Undeveloped Parcels the Taxable Acreage is defined as the Gross Taxable Acres.

"**Taxable Parcel**" means any Original Parcel, Developed Parcel, Golf Course Parcel or Undeveloped Parcel that lies wholly or partially within the PDP Area.

"**Tax-Exempt Parcel**" means a Parcel not subject to the Special Tax. Tax-Exempt Parcels include: (i) Public Parcels (subject to the limitations set forth in Section 4, below), (ii) any Prepayment Parcel, (iii) Open Space Parcels, and (iv) Raw Land Parcels.

"**Total Facility Cost Share**" means that calculation that shows the percentage share of the Anticipated Construction Proceeds that accrues to a Parcel.

"**Undeveloped Parcel**" means any Taxable Parcel that lies within the boundaries of the PDP Area, and is not designated as a Developed Parcel or Golf Course Parcel.

"**Water District**" means the Western Hills Water District.

"**Winery Use Parcel**" means any Taxable Parcel that is designated and/or developed as a winery.

3. Termination of the Special Tax

The Special Tax will be levied and collected from Taxable Parcels in the CFD for as long as needed to pay the principal and interest on debt for the Bonds issued to fund authorized facilities. However, in no event shall the Special Tax be levied after Fiscal Year 2039-2040.

When all of the bonds issued to pay for authorized facilities have been retired, the Special Tax shall cease to be levied. The District 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.

4. Assignment of Maximum Annual Special Tax

Each year, prior to August 1, the Water District shall assign the Maximum Annual Special Tax for each Parcel by following the steps below.

A. Classify Parcels as Taxable or Tax-exempt. The Water District shall prepare a list of the Parcels subject to the Special Tax using the records of the County Assessor and any other County or Water District records. The Water District shall identify the Taxable Parcels from a list of all Parcels within the CFD.

B. Classify Each Parcel as an Original or Successor Parcel. Original Parcels are those Parcels shown in **Attachment 1**. Successor Parcels are created when Original Parcels are subdivided.

   1. Original Parcels are listed in **Attachment 1**.

   2. Successor Parcels. Successor Parcels are created when an Original Parcel is subdivided. Successor Parcels that are subdivided are classified as Successor Parcels. When a Successor Parcel is created a Maximum Annual Special Tax Rate and Maximum Annual Special Tax shall be assigned using the steps in Section C.2 below.

C. Determine the Maximum Annual Special Tax Rates.

1. Original Parcels. The Maximum Annual Special Tax Rates, Taxable Acreage, and Maximum Annual Special Tax are shown in **Attachment** 1 for each Original Parcel.

2. Successor Parcels. The Maximum Annual Special Tax Rates are shown in **Attachment 2** for each land use category. When a Successor Parcel is created, it is classified as a Developed Parcel, Golf Course Parcel, Undeveloped Parcel, Public Parcel or Open Space Parcel, and it shall be assigned a Maximum Annual Special Tax Rate and Maximum Annual Special Tax based on the land use classification from **Attachment 2** using the steps below.

    a. Determine portion of Successor Parcel to be taxed. Only that portion of an Original Parcel or Successor Parcel that lies within the PDP Area will be subject to the assignment of the Maximum Annual Special Tax in this section. **Map 1** shows all Original Parcels and the boundaries of the PDP Area. For each Successor Parcel, determine the area (in acres) of the Parcel that lie within the boundaries of the PDP Area.

    b. Assign Maximum Annual Special Tax Rate and Maximum Annual Special Tax. For each Successor Parcel, assign a land use, as shown in **Attachment 2** and defined in Section 2 above. If a parcel has more than one land use, determine the Taxable Acreage for each use. A Successor Parcel that lies wholly outside the PDP Area will be designated as a Raw Land Parcel and is designated as 'Tax-Exempt".

        1) Developed Parcels. The Maximum Annual Special Tax for a Developed Parcel is based on the Maximum Annual Special Tax Rate shown on **Attachment 2** times the number of units assigned to that Parcel. A Single Family Residential Use Parcel will be assigned one unit. A Multi-family Residential Use Parcel will be assigned the number of units created by the building permit. For Commercial Parcels, the units are equal to the Taxable Acreage of the Parcel.

        2) Undeveloped Parcels. The Maximum Annual Special Tax for an Undeveloped Parcel is based on the Maximum Annual Special Tax Rate shown on **Attachment 2** times the number of Gross Taxable Acres assigned to that Parcel.

            a) Sum the Taxable Acres of Original Parcels and/or Successor Parcels to be subdivided.

            b) Sum the Taxable Acres of all new Successor Parcels.

            c) Subtract b) from a).

d) If the result from c) is greater than zero , assign the amount in c) on a *pro rata* basis to new Successor Parcels. Calculate a percentage by dividing the gross acreage of the new Successor Parcel by the number derived in a). Multiply this percentage times the number derived in c). This amount is then added to the gross acreage of the new Successor Parcel and this new number becomes the Gross Taxable Acreage for the new Successor Parcel. The administrator may allocate the acreage calculated in c) to new Successor Parcels based on the development potential of the new Successor Parcels if the administrator deems the calculation detailed in this step does not properly reflect their development potential. However, the maximum special tax revenue assigned to a Successor Parcel, calculated by multiplying the Gross Taxable Acreage times the tax rate for Undeveloped Parcels, shall not exceed the maximum special tax revenue that the parcel would generate if all of the potential development area were taxed at the Developed Parcel tax rate.

e) Repeat for all new Successor Parcels created.

3) <u>Golf Course Parcels</u>. The Maximum Annual Special Tax for a Golf Course Parcel is the Maximum Annual Special Tax Rate shown on **Attachment 2** times the number of Taxable Acres assigned to the Parcel.

3. <u>Parcels Classified as Partial Prepayment Parcels</u>. A Parcel classified as a Partial Prepayment Parcel is assigned its Maximum Annual Special Tax Rate by multiplying the calculated Maximum Special Tax Rate from Step B, 1. or 2. above by the Partial Prepayment Factor for that Parcel as calculated in Section 6, Part B.

D. <u>Conversion of a Tax-Exempt Parcel to a Taxable Parcel</u>. If a Tax-Exempt Parcel is not needed for public use and is converted to a taxable use, it shall become subject to the Special Tax. The Maximum Annual Special Tax for such a Parcel shall be assigned as described beginning with Section 4.A above.

E. <u>Taxable Parcels Acquired by a Public Entity</u>. Taxable Parcels that are acquired by a public entity 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, 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 Special Tax Revenue.

F. Parcels Annexed to the CFD after formation. Parcels annexed to the CFD after formation shall be classified as Taxable or Tax-Exempt, based on the definitions in Section 2. The annexed parcels shall then be assigned a Maximum Annual Special Tax Rate and Maximum Annual Special Tax using the steps beginning with Section 4.A above.

5. Calculating Annual Special Taxes

The Water District shall compute the Annual Costs and determine the Maximum Annual Special Tax for each parcel based on the assignment of the Maximum Annual Special Tax in Section 4. The District will then determine the Special Tax levy for each Parcel through the following steps:

A. Compute the Annual Cost using the definition in Section 2 for the Fiscal Year.

B. Determine the Maximum Special Tax Revenue for all Developed Parcels. If Maximum Special Tax Revenue is greater than the Annual Cost, reduce the Maximum Annual Special Tax Rate for Developed Parcels until the total Special Taxes are equal to the Annual Cost.

C. If the Annual Costs are greater than the Maximum Special Tax Revenue calculated under Step B, calculate the additional Maximum Special Tax Revenue from all Undeveloped Parcels and Golf Course Parcels. If this amount, together with the amount from Step B, is greater than the Annual Cost, reduce the Maximum Annual Special Tax Rate for Undeveloped and Golf Course Parcels until the total Special Taxes are equal to the Annual Cost.

D. If the Annual Costs are greater than the Maximum Special Tax Revenue calculated under Step C, calculate the additional Maximum Special Tax Revenue from all Original Parcels. If this amount, together with the amount from Step C, is greater than the Annual Cost, reduce the Maximum Annual Special Tax Rate for Original Parcels until the total Special Taxes are equal to the Annual Cost.

E. Levy on each Taxable Parcel the amount calculated above.

F. Prepare the Tax Collection Schedule listing the Special Tax levy for each Taxable Parcel and send it to the County Auditor-Controller requesting that it be placed on the general, secured property tax roll for the Fiscal Year. The Tax Collection Schedule shall not be sent later than the date required by the Auditor-Controller for such inclusion.

The Water District shall make every effort to correctly calculate the Special Tax for each Parcel. It shall be the burden of the owner of the Parcel levied a Special Tax to correct any errors in the determination of the parcels subject to the tax and their Special Tax assignments.

6. Prepayment of Special Tax Obligation

The Special Tax obligation of a Parcel may be permanently satisfied by a cash settlement with the District as permitted under Government Code Section 53344. Prepayment is permitted only under the following conditions:

- The Water District determines that the Prepayment of the Special Tax obligation does not jeopardize its ability to make timely payments of debt service on outstanding bonds.
- Any landowner prepaying the Special Tax obligation must pay any and all delinquent Special Taxes and penalties for the prepaying Parcel.
- Prior to the calculation of the prepayment amount, the landowner must notify the District whether such landowner intends to execute a full Prepayment or Partial Prepayment. If the landowner intends to execute a Partial Prepayment, the landowner shall further notify the District of the dollar amount of the intended Prepayment.

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

Part A: Prepayment of Outstanding Bonds

Step A.1: Determine the Special Tax to be prepaid for the Parcel as either the Maximum Annual Special Tax for the Parcel as if it were a Developed Parcel, or as calculated in Section 4.B.1. Determine the Maximum Annual Special Tax for the Parcel based on the assignment of the Maximum Annual Special Tax described in Section 4 above.

Step A.2: Determine the Benefit Percentage by dividing the Maximum Annual Special Tax from Step A.1 by the Maximum CFD Revenue as defined in Section 2.

Step A.3: Determine the Bond Share for the Parcel by multiplying the Benefit Percentage from Step A.2 by the total amount of outstanding bonds issued by the CFD. The bond principal that will be retired in an upcoming Bond Year if Special Taxes have already been levied to pay Debt Service for that Bond Year shall reduce the amount of outstanding bonds.

Step A.4: Determine the Reserve Fund Share associated with the Bond Share determined in Step A.3. The Reserve Fund Share is equal to the lesser of the reserve requirement on all outstanding bonds or the actual Reserve Fund amount multiplied by the Benefit Percentage. Reduce the Bond Share by the amount of the Reserve Fund Share to arrive at the total amount of bonds to be included in the Prepayment amount.

Step A.5: Determine the total Prepayment amount required by adding to the Bond Share amount calculated in Step A.4 any fees, call premiums, amounts necessary to cover negative arbitrage from the date of the prepayment to first call date on the bonds, and expenses incurred by the District in connection with the prepayment calculation or the application of the proceeds of the prepayment. 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.

Part B: Calculate Remaining Facility Cost Share

Step B.1: Determine the Total Facility Cost Share for the Parcel by multiplying the Benefit Percentage from Part A, Step A.2 above by the Anticipated Construction Proceeds.

Step B.2: Determine the share of facilities funded by bonds already issued by the CFD for the Parcel by multiplying the Benefit Percentage by the construction proceeds made available from all such bonds issued by the CFD.

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

Step B.4: Determine the Remaining Facility Cost Share for the Parcel by subtracting the results from Steps B.2 and B.3 above from the Total Facility Cost Share determined in Step B.1. (Notwithstanding the above, once the Water District has issued all bonds for the CFD, the remaining facility cost share shall be set to zero for purposes of this prepayment calculation.)

Step B.5: Combine the amount from Part A Step A.5 with the amount from Part B Step B.4 to arrive at the Full Prepayment amount.

Part C: Calculate the Partial Prepayment Factor

If the prepayment is a partial prepayment, then the property owner shall designate an amount which is less than the total prepayment amount determined above for the prepaying Parcel (or group of prepaying Parcels) that results in a bond call in a whole number multiple of $5,000. The District shall then determine the Partial Prepayment Factor by the following procedure:

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

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

Step C.3: If a Partial Prepayment had previously been made for this Parcel, add the amount of all previous partial prepayment amounts to the partial prepayment currently proposed, then perform the Partial Prepayment Factor calculation, beginning with Step C.1.

Part D: Transfers

Make the appropriate transfers from the Reserve Fund to the prepayment fund, as follows:

Step D.1: For a full prepayment transfer the amount of the Reserve Fund Share.

Step D.2: For a partial prepayment, transfer an amount equal to the Reserve Fund Share times one minus the Partial Prepayment Factor.

7. Records Maintained for the CFD

As development and subdivision of the Diablo Grande Project occurs, the Water District will maintain a written record of the following information for each Parcel:

- the current Parcel Number;
- the number of units or acres for each Developed Parcel;
- the Gross Taxable Acreage of each Undeveloped Parcel;
- the acreage of each Undeveloped Parcel, Open Space and Raw Land Parcel
- the acreage by land use for each Undeveloped Parcel and Raw Land Parcel;
- the Maximum Annual Special Taxes which applied in each Fiscal Year; and
- the authorized Special Taxes levied in each Fiscal Year.

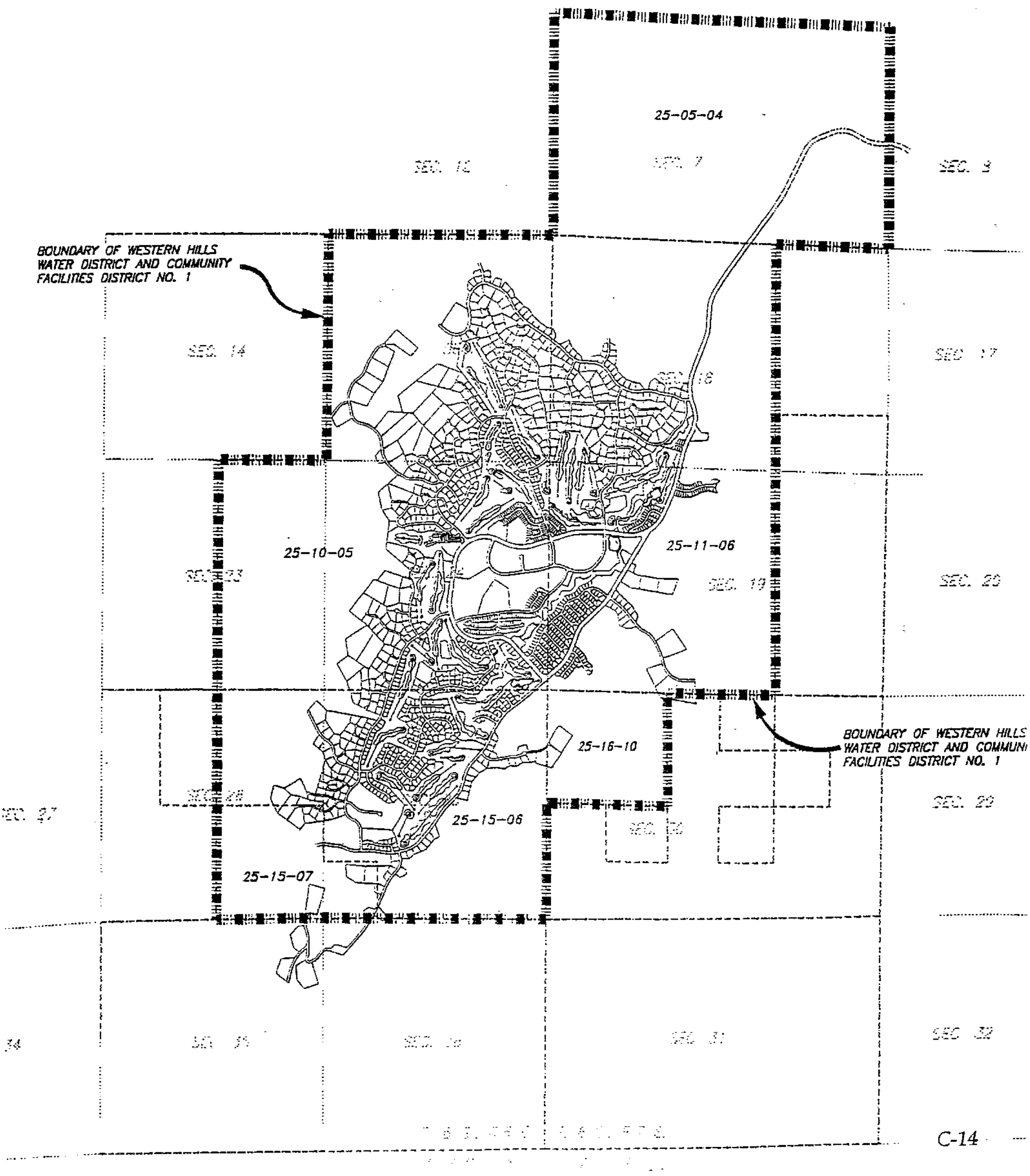
The file containing the information listed above will be available for public inspection.

8. Appeals

Any taxpayer that feels that the amount of the Special Tax assigned to a Parcel is in error may file a notice with the Water District appealing the levy of the Special Tax. The Water District will then promptly review the appeal, and if necessary, meet with the applicant. If the Water District verifies that the tax should be modified or changed, a recommendation at that time will be made to the Water District Board 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 Water District Board for purposes of clarifying any vagueness or ambiguity as it relates to the calculation of the Maximum Annual Special Tax Rate, the method of apportionment, the classification of properties or any definition applicable to the CFD.

Diablo Grande Community Facilities District No. 1
Boundary Map



Attachment 1
Western Hills Water District
Diablo Grande Community Facilities District No. 1
County of Stanislaus
Maximum Special Tax Rate - Original Parcels

APNS	Taxable Acres	Maximum Annual Special Tax Rate	Maximum Annual Special Tax Revenue
	[1]		
		per acre	
25-10-05	1,050	$1,350	$1,417,500
25-15-06	530	$1,350	$715,500
25-05-04	280	$1,350	$378,000
25-11-06	1,043	$1,350	$1,408,050
25-16-10	44	$1,350	$59,400
25-15-07	90	$1,350	$121,500
Totals	**3,037**		**$4,099,950**

"original"

[1] Total gross acres of PDP

Attachment 2
Western Hills Water District
Diablo Grande Community Facilities District No. 1
County of Stanislaus
Successor Parcel Maximum Annual Special Tax Rates

Land Use	Maximum Annual Special Tax Rate
<u>DEVELOPED PARCELS</u>	
Single Family Residential Use	*<u>per unit</u>*
Estate (greater than 3 acres)	$3,000
40,000 s.f. minimum lot size	$3,000
20,000 s.f. minimum lot size	$3,000
8,000 s.f. minimum lot size [1]	$2,400
Patio Home - Detached residential [2]	$1,800
Multi-Family Residential Use	*<u>per unit</u>*
Townhouses	$1,200
Condominiums	$900
Apartments	$900
Commercial Use Parcels	*<u>per acre</u>*
Commercial Use Parcel	$7,500
Hotel Use Parcel	$5,000
Winery Use Parcel	$3,600
	<u>per acre</u>
<u>UNDEVELOPED PARCEL</u>	$1,350
	<u>per acre</u>
<u>GOLF COURSE PARCEL</u>	$1,350
	<u>per acre</u>
<u>OPEN SPACE PARCEL</u>	*tax-exempt*
	<u>per acre</u>
<u>RAW LAND PARCEL</u>	*tax-exempt*
	<u>per acre</u>
<u>PUBLIC PARCEL</u>	*tax-exempt*

"successor"

[1] The Diablo Grande Specific Plan does not identify an R-8 residential land use. This special tax category covers lots 8,000 - 19,999 s.f. in size. This category shall include R-10 residential land uses shown in the Specific Plan.

[2] Lots are 4,500 square foot minimum.

EXHIBIT D

SPECIAL TAX BILL

COMMUNITY FACILITIES DISTRICT NO. 1
WESTERN HILLS WATER DISTRICT
STANISLAUS COUNTY, CALIFORNIA

To: ______________________________
____
____

RE: PROPERTY AT ____________________________________ APN: ____________

TAX: $______________
First Installment: $_____________
Second Installment: $_____________

Reference is made to Paragraph 11 of the Western Hills Water District's Resolution of Formation of the above- referenced Community Facilities District, and the Notice of Special Tax Lien recorded in the Office of the County Recorder of Stanislaus County on ______________, 2000 under Recorder's Document Number ____________ (copies of which are available from the Secretary), which set forth the authority for this Special Tax.

A Special Tax has been levied on the above-referenced parcel in the amount shown above by Ordinance No. ___________, adopted ______________, 2000 of the Western Hills Water District (the "Water District").

THIS TAX IS NOW DUE AND PAYABLE

Checks should be made payable to: **Treasurer, Western Hills Water District** and mailed to:

Treasurer, Western Hills Water District
Diablo Grande CFD No. 1 Special Tax
10001 Oak Flat Road
Patterson, California 95363

or the bill may be paid in person at the same location.

The amounts which must be paid to avoid incurring penalties and additional costs is shown above. The **FIRST INSTALLMENT of this Special Tax will be delinquent if not paid by December 10, ____.** The **SECOND INSTALLMENT of this Special Tax will be delinquent if not paid by April 10, ____.** All delinquencies incur an immediate 10% penalty and an additional 1½% penalty on the first day of each month beginning July 1, _____. Delinquencies are also subject to judicial foreclosure under the procedure set forth in §53356.1 and following of the Government Code.

Dated: ________________

____
Treasurer