

COUNTY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT
No. 98-1

July 25, 2018

Public Finance
Public Private Partnerships
Urban Economics

Newport Beach
Riverside
San Francisco
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Dallas

**FISCAL YEAR 2018-2019
ADMINISTRATION REPORT**

**COUNTY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT No. 98-1**

PREPARED FOR

COUNTY OF IMPERIAL
940 West Main Street, Suite 208
El Centro, California 92243

PREPARED BY

DAVID TAUSSIG & ASSOCIATES, INC.
5000 Birch Street, Suite 6000
Newport Beach, California 92660
(949) 955-1500

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INTRODUCTION

This report provides an analysis of the financial and administrative obligations of Community Facilities District No. 98-1 (“CFD No. 98-1”) of the County of Imperial (the “County”) resulting from the sale of the \$8,360,000 Series 1999 Special Tax Bonds (the “1999 Bonds”) in June, 1999.

CFD No. 98-1 is a legally constituted governmental entity established under the Mello-Roos Community Facilities Act of 1982 (the “Act”), as amended. The Act provides an alternative method for the financing of certain public capital facilities and services. Specifically, CFD No. 98-1 is authorized to issue up to \$40,000,000 in bonds. The proceeds of the 1999 Bonds are to be used to finance the acquisition and construction of certain water, sewer, drainage and road related facilities necessary to meet increased demands placed on the County of Imperial as a result of the development of CFD No. 98-1 and the undergrounding and relocation of a portion of the South Alamo Canal. Additional bonds are authorized to be issued as development progresses within CFD No. 98-1. The current outstanding principal is equal to \$6,105,000 which is based on principal paid through September 2, 2017. The Bonds are scheduled to be paid off in year 2031. Pursuant to the Rate and Method of Apportionment (“RMA”), the special tax shall be levied for a period not to exceed fifty years. The RMA is included in Exhibit B.

The bonded indebtedness of CFD No. 98-1 is both secured and repaid through the annual levy and collection of special taxes from all property subject to the tax within the community facilities district. In calculating the special tax liability for fiscal year 2018-2019, this report not only examines the financial obligations of the current fiscal year, but also analyzes the amount of new development, which has occurred within the boundaries of the community facilities district.

A map showing the property in CFD No. 98-1 is included in Exhibit A.

This report is organized into the following sections:

Section I

Section I provides an update of the development activity occurring within CFD No. 98-1.

Section II

Section II analyzes the previous fiscal year's special tax levy and includes a discussion of delinquent special taxes.

Section III

Section III determines the financial obligations of CFD No. 98-1 for fiscal year 2018-2019.

Section IV

Section IV reviews the methodology used to apportion the special tax requirement between Developed Property, Approved Property, Taxable Free Standing Parking Property, Taxable Public Property and Undeveloped Property. A table of the 2018-2019 special taxes for each classification of property is included.

I. SPECIAL TAX CLASSIFICATIONS AND DEVELOPMENT UPDATE

Special Tax Classifications

The methodology employed to calculate and apportion the special tax is contained in a document entitled the Rate and Method of Apportionment of the Special Tax. The Rate and Method of Apportionment defines five categories of property, namely “Developed Property,” “Approved Property,” “Taxable Free Standing Parking Property,” “Taxable Public Property” and “Undeveloped Property.” The category of Developed Property is in turn divided into three separate special tax classifications based on the zoning and type of structure built thereon. Developed Property special tax classifications are shown in Table 1 below.

Table 1
Community Facilities District No. 98-1
Developed Property Classifications

Special Tax Class	Description
Class 1	Commercial Property
Class 2	Industrial Property
Class 3	Residential Property

Developed Property is distinguished from Approved Property and Undeveloped Property by the issuance of a building permit. Specifically, property for which a building permit was issued as of January 1 will be classified as Developed Property in the following fiscal year. For example, all property in CFD No. 98-1 for which building permits were issued prior to January 1, 2018, will be classified as Developed Property in fiscal year 2018-2019. Hence, the development research discussed below focuses on the twelve month period ending January 1, 2018.

Approved Property is defined as property, other than Developed Property, for which a final parcel map or final subdivision map has been recorded.

Development Update

CFD No. 98-1 consists of a portion of the Gateway of the Americas Specific Plan Area, which is located on the Mexico/United States border, approximately six miles east of the City of Calexico.

CFD No. 98-1 includes 850.0 gross acres. At buildout, it is expected that CFD No. 98-1 will consist of approximately 146.6 net taxable acres of Commercial Property (which are anticipated to generate 1,468,756 square feet of commercial buildings) and approximately 586.4 net taxable acres of Industrial Property (which are anticipated to generate 7,663,075 square feet of industrial building area).

Background research was conducted to determine the amount and type of development activity that occurred within CFD No. 98-1 during the previous fiscal year. Review of the County of Imperial's building permit records indicated that between January 1, 2017 and December 31, 2017, no new building permits had been issued within CFD No. 98-1.

Table 2 below lists the aggregate amount of Developed Property by special tax classification and the amount of remaining Approved Property and Undeveloped Property.

Table 2
Community Facilities District No. 98-1
Developed Property, Approved Property and Undeveloped Property

Special Tax Class	Description	Number of Acres	Building Square Footage
Class 1	Commercial Property	10.95	47,722
Class 2	Industrial Property	81.74	906,704
Class 3	Residential Property	0.00	NA
NA	Approved Property	99.32	NA
NA	Undeveloped Property	615.49	NA
	<i>Total</i>	<i>807.50</i>	<i>954,426</i>

II. FISCAL YEAR 2017-2018 SPECIAL TAX LEVY

The aggregate special tax levy for fiscal year 2017-2018 equaled \$683,501. As of July 19, 2018, according to the County Tax Collector, all \$683,501 in special taxes had been collected by the County.

Pursuant to the Bond Indenture, CFD No. 98-1 has covenanted to determine no later than February 15 and August 15 of each year whether or not any owners of property within CFD No. 98-1 are delinquent in the payment of their special taxes. If such delinquencies exist CFD No. 98-1 is required to commence judicial foreclosure proceedings no later than October 1, provided that CFD No. 98-1 may defer foreclosure proceedings on any parcel if (a) the total special tax delinquency in CFD No. 98-1 for such fiscal year is less than 5% of total special tax levied in such fiscal year, and (b) if the amount in the Reserve Fund is equal to the initial reserve requirement plus the accumulated reserve requirement. Notwithstanding the above, if CFD No. 98-1 determines that (a) any single property owner is delinquent in excess of \$25,000 in the payment of the special tax, or (b) if any property owner, together with entities known to CFD No. 98-1 to be affiliates of such property owner, is responsible for the payment of 25% or more of the special taxes levied in a fiscal year and is delinquent in the payment of the special tax, then CFD No. 98-1 will diligently institute, prosecute and pursue foreclosure proceedings against such property owner.

At this time, CFD No. 98-1 is not required to commence foreclosure proceedings.

III. FISCAL YEAR 2018-2019 SPECIAL TAX REQUIREMENT

Pursuant to the Rate and Method of Apportionment, the Special Tax may be levied in CFD No. 98-1 to pay for (i) debt service on all outstanding bonds, (ii) periodic costs on bonds, including but not limited to, credit enhancement and rebate payments on the bonds, (iii) Administrative Expenses, (iv) any amounts required to establish or replenish any reserve funds for all bonds, (v) pay directly for construction of facilities described in the resolution of formation required by Section 53325.1 of the Act, if any, and (vi) reasonably anticipated delinquent Special Taxes based on delinquency rate for Special Taxes levied in the previous Fiscal Year. For fiscal year 2018-2019, the Special Tax Requirement is equal to \$679,967 as shown below:

Table 3
Community Facilities District No. 98-1
Fiscal Year 2018-2019 Special Tax Requirement

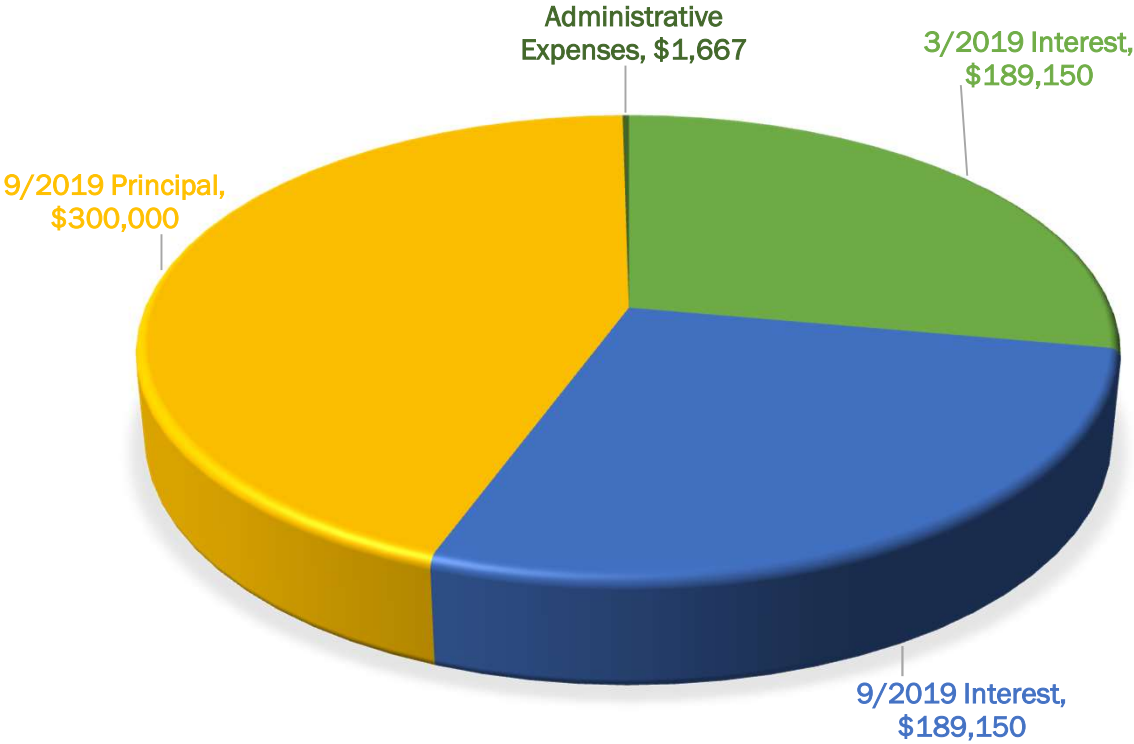
FISCAL YEAR 2018-2019 OBLIGATIONS	
INTEREST DUE MARCH 1, 2019 [1]	(\$189,150)
INTEREST DUE SEPTEMBER 1, 2019 [1]	(\$189,150)
PRINCIPAL DUE SEPTEMBER 1, 2019 [1]	(\$300,000)
ADMINISTRATIVE EXPENSES [2]	(\$1,667)
FISCAL YEAR 2018-2019 SPECIAL TAX REQUIREMENT	(\$679,967)

[1] Reflects revised debt service after \$100,000 in bonds called on September 1, 2011.

[2] Levy for collection charge only since the County has sufficient funds on hand in the Administrative Expense Account for other expenses.

The components of the fiscal year 2018-2019 special tax requirement are shown graphically on the following page.

Community Facilities District No. 98-1 of the
County of Imperial
Fiscal Year 2018-2019 Gross Special Tax Requirement



Total Fiscal Year 2018-2019 Gross Special Tax Requirement: \$679,967

IV. METHOD OF APPORTIONMENT

Maximum Special Taxes

The amount of special taxes that CFD No. 98-1 may levy is strictly limited by the maximum special taxes set forth in the Rate and Method of Apportionment. The initial maximum special taxes for each classification of Developed Property, or the "Assigned Special Taxes," are specified in Table 1 of Section C of the Rate and Method of Apportionment.¹

The initial maximum special taxes for each classification of Developed Property, which escalate in each fiscal year, are set forth in Table 1 of Section C. The rate of escalation is two tiered and changes after the first fiscal year in which the parcel is classified as Developed Property. Specifically, the maximum special tax for a parcel of Developed Property is equal to the applicable initial special tax in Table 1 escalated at a rate equal to the annual percentage change in prices published by the U.S. Bureau of Labor Statistics for "All Urban Consumers" in the San Diego Area. Consequently, parcels assigned to the same classification may have different maximum special taxes depending on when each parcel was developed. As of January 1, 2018, the annual percentage change was 2.76%. Therefore, an increase of 2.76% is applied to property first classified as Developed Property for fiscal year 2018-2019. The assigned and maximum special taxes for all other tax classes escalate by 2.00%.

Apportionment of Special Taxes

The special tax that is apportioned to each parcel is determined through the application of Section D of the Rate and Method of Apportionment. Section D apportions the special tax requirement in seven steps which prioritize the order in which Developed Property, Approved Property, Taxable Free Standing Parking Property, Taxable Public Property and Undeveloped Property are taxed.

The first step states that the special tax shall be levied against each parcel of Developed Property at up to 100 percent of the assigned special tax. If the special taxes raised pursuant to the first step are less than the special tax requirement, then the second step is applied. The second step states that the special tax shall be levied against all parcels of Approved Property at up to 100 percent of the expected special tax per acre. If the special taxes raised pursuant to the second step are less than the special tax requirement, then the third step is applied. The third step states that the special tax shall be levied against all parcels of Undeveloped Property at up to 100 percent of the applicable expected special tax per acre.

The fourth through eighth steps are designed to accommodate changes in land use and are intended to be used only as a last resort. Since actual land uses have not substantially deviated from the original projections, these steps are not necessary.

Application of the maximum special taxes under the first step generates special tax revenues of \$478,261 from Developed Property, leaving \$201,706 to be levied against Approved Property. Application of the expected special taxes under the second step generates special tax revenues of \$496,140 from Approved Property, which is more than sufficient to meet all obligations for fiscal year 2018-2019 as discussed in Section III. The fiscal year 2018-2019 maximum and actual special taxes are shown for each classification of Developed Property, Approved Property and Undeveloped Property in Tables 4 and 5. The Special Tax Roll which lists the total special tax levy for each parcel is shown in Exhibit C.

¹ Technically, Section C states that the maximum special tax for a parcel of Developed Property is equal to the greater of (i) the "Backup Special Tax" or (ii) the rate set forth for the applicable Developed Property classification in Table 1 of Section C. The Backup Special Tax was established for the contingency of a shortfall in revenues resulting from significant changes in development densities. Since the actual density of development is consistent with original projections, the contingency for which the Backup Special Tax was established does not exist and hence, all discussion of maximum tax rates focuses on the rates set forth for each classification of Developed Property in Section C of the Rate and Method of Apportionment.

**Table 4
FY 2018-2019 Maximum Special Tax Rates**

Special Tax Class	Description	FY 2018-2019 Maximum Special Tax [12]				
		2000 Property[1]	2001 Property[2]	2004 Property[3]	2005 Property[4]	2006 Property[5]
Class 1	Commercial Property (per building s.f.)	\$0.6877	\$0.7014	\$0.7354	\$0.7476	\$0.7622
Class 2	Industrial Property (per building s.f.)	\$0.4586	\$0.4675	\$0.4901	\$0.4984	\$0.5081
Class 3	Residential Property (per Acre)	\$7,435.99	\$7,581.80	\$7,948.15	\$8,078.81	\$8,237.22
NA	Approved Property Acre	NA	NA	NA	NA	NA
NA	Undeveloped Property Acre	NA	NA	NA	NA	NA

Special Tax Class	Description	FY 2018-2019 Maximum Special Tax [12]					
		2009 Property[6]	2011 Property[7]	2015 Property[8]	2016 Property[9]	2017 Property[10]	2018 Property[11]
Class 1	Commercial Property (per building s.f.)	\$0.7803	\$0.7803	\$0.7857	\$0.7892	\$0.7892	\$0.7950
Class 2	Industrial Property (per building s.f.)	\$0.5201	\$0.5201	\$0.5239	\$0.5261	\$0.5261	\$0.5300
Class 3	Residential Property (per Acre)	\$8,433.69	\$8,433.69	\$8,492.28	\$8,529.55	\$8,529.55	\$8,592.69
NA	Approved Property Acre	NA	NA	NA	NA	NA	\$5,095.33
NA	Undeveloped Property Acre	NA	NA	NA	NA	NA	\$5,095.33

**Table 5
FY 2018-2019 Actual Special Tax Rates**

Special Tax Class	Description	FY 2018-2019 Actual Special Tax [12]				
		2000 Property[1]	2001 Property[2]	2004 Property[3]	2005 Property[4]	2006 Property[5]
Class 1	Commercial Property (per building s.f.)	\$0.0000	\$0.0000	\$0.7210	\$0.0000	\$0.0000
Class 2	Industrial Property (per building s.f.)	\$0.4586	\$0.4675	\$0.4901	\$0.4984	\$0.5081
Class 3	Residential Property (per Acre)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
NA	Approved Property Acre	NA	NA	NA	NA	NA
NA	Undeveloped Property Acre	NA	NA	NA	NA	NA

Special Tax Class	Description	FY 2018-2019 Actual Special Tax [12]					
		2009 Property[6]	2011 Property[7]	2015 Property[8]	2016 Property[9]	2017 Property[10]	2018 Property[11]
Class 1	Commercial Property (per building s.f.)	\$0.7803	\$0.0000	\$0.0000	\$0.0000	\$0.7892	\$0.0000
Class 2	Industrial Property (per building s.f.)	\$0.5201	\$0.5201	\$0.5239	\$0.5261	\$0.0000	\$0.0000
Class 3	Residential Property (per Acre)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
NA	Approved Property Acre	NA	NA	NA	NA	NA	\$2,030.89
NA	Undeveloped Property Acre	NA	NA	NA	NA	NA	\$0.00

1. Developed Property for which a building permit was issued before 1/1/2000.
2. Developed Property for which a building permit was issued between 1/1/2000 and 12/31/2000.
3. Developed Property for which a building permit was issued between 1/1/2003 and 12/31/2003.
4. Developed Property for which a building permit was issued between 1/1/2004 and 12/31/2004.
5. Developed Property for which a building permit was issued between 1/1/2005 and 12/31/2005.
6. Developed Property for which a building permit was issued between 1/1/2008 and 12/31/2008.
7. Developed Property for which a building permit was issued between 1/1/2010 and 12/31/2010.
8. Developed Property for which a building permit was issued between 1/1/2014 and 12/31/2014.
9. Developed Property for which a building permit was issued between 1/1/2015 and 12/31/2015.
10. Developed Property for which a building permit was issued between 1/1/2016 and 12/31/2016.
11. Developed Property for which a building permit was issued between 1/1/2017 and 12/31/2017. Also includes special tax per acre for all Approved Property and Undeveloped Property.
12. No Permits were issued between 1/1/2001 and 12/31/2002, between 1/1/2006 and 12/31/2007, between 1/1/2009 and 12/31/2009, between 1/1/2011 and 12/31/2013. Therefore tax rates are not shown for 2002, 2003, 2007, 2008, 2010, 2012, 2013, and 2014 property.

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EXHIBIT A

*CFD No. 98-1 of the
County of Imperial*

Boundary Map

County of Imperial Community Facilities District No. 98-1 (Los Alamos International Center)



Av. República de Brasil

Abelardo L. Rodriguez

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Google Earth

EXHIBIT B

*CFD No. 98-1 of the
County of Imperial*

Rate and Method of Apportionment

**RATE AND METHOD OF APPORTIONMENT FOR
COUNTY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT NO. 98-1
(LOS ALAMOS INTERNATIONAL CENTER)**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in County of Imperial Community Facilities District No. 98-1 (Los Alamos International Center) ("CFD No. 98-1") and collected each Fiscal Year commencing in Fiscal Year 1998-99, in an amount determined by the Board through the application of the appropriate Special Tax for "Developed Property," "Approved Property," "Taxable Free Standing Parking Property," and "Taxable Public Property" as described below. All of the real property in CFD No. 98-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 98-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the County or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the County, CFD No. 98-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the County, CFD No. 98-1 or any designee thereof of complying with County, CFD No. 98-1 or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the County, CFD No. 98-1 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the County's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the County or CFD No. 98-1 for any other administrative purposes of CFD No. 98-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Approved Property" means, for each Fiscal Year, all Taxable Property, exclusive of Developed Property, Taxable Free Standing Parking Property, and Taxable Public Property, for which a final parcel map or final subdivision map has been recorded.

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

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

"Assigned Special Tax" means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C below.

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

"Board" means the Board of Supervisors of the County, acting as the legislative body of CFD No. 98-1.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 98-1 under the Act.

"CFD Administrator" means the official of the County, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"CFD No. 98-1" means County of Imperial Community Facilities District No. 98-1 (Los Alamos International Center).

"Commercial Property" means all Assessor's Parcels of Non-Residential Property that are assigned to the Gateway Commercial land use category in the Gateway of the Americas Specific Plan.

"Consumer Price Index" means for each Fiscal Year the annual percentage change in prices published by the U.S. Bureau of Labor Statistics for "All Urban Consumers" in the San Diego Area, measured as of the second half of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Consumer Price Index shall be another index as determined by the County Administrative Officer that is reasonably comparable to the Consumer Price Index for the City of San Diego.

"County" means the County of Imperial.

"Developed Property" means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Free Standing Parking Property and Taxable Public Property, for which a building permit for new construction was issued prior to January 1 of the prior Fiscal Year.

"Expected Special Tax" means the Special Tax for each Acre of Approved Property and Undeveloped Property, as determined in accordance with Section C below.

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

"Free Standing Parking Property" means all Assessor's Parcels within CFD No. 98-1 on which a garage, parking lot or parking structure is the only structure, except for Public Property.

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Industrial Property" means all Assessor's Parcels of Non-Residential Property that are assigned to the Gateway Industrial land use category in the Gateway of the Americas Specific Plan.

"Land Use Class" means any of the classes listed in Table 1 below.

"Maximum Special Tax" means the Maximum Special Tax, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor's Parcel.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit was issued for a non-residential use.

"Outstanding Bonds" means all Bonds which remain outstanding.

"Proportionately" means, for Developed Property, that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor's Parcels of Developed Property. For Approved Property or Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Expected Special Tax or the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Approved Property, or for all Assessor's Parcels of Undeveloped Property.

"Public Property" means any property within the boundaries of CFD No. 98-1, including all property assigned to the Government/Special Public land use category in the Gateway of the Americas Specific Plan, that is used for rights-of-way or any other purpose and is owned by or dedicated to the federal government, the State of California, the County, or any other public agency; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use.

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount required in any Fiscal Year for CFD No. 98-1 to: (i) pay debt service on all Outstanding Bonds; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay directly for construction of facilities described in the resolution of formation required by Section 53325.1 of the Act, if any; and (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year.

"Square Footage" means the total building square footage of the building(s) located on an Assessor's Parcel, measured from outside wall to outside wall, exclusive of overhangs, porches, patios, carports, or similar spaces attached to the building but generally open on at least two sides, as determined by the County's Planning and Building Department and listed on the building permit(s) issued for that Assessor's Parcel, or if these are not available, as otherwise determined by the Board.

"State" means the State of California.

"Taxable Free Standing Parking Property" means all Assessor's Parcels of Free Standing Parking Property that are not exempt pursuant to Section E below.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 98-1 which are not exempt from the Special Tax pursuant to law or Section E below.

"Taxable Public Property" means all Assessor's Parcels of Public Property that are not exempt pursuant to Section E below.

"Trustee" means the trustee or fiscal agent under the Indenture.

"Undeveloped Property" means all Taxable Property not classified as Approved Property, Developed Property, Taxable Public Property, or Taxable Free Standing Parking Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 98-1 shall be classified as Developed Property, Approved Property, Taxable Public Property, Taxable Free Standing Parking Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below. Developed Property shall be assigned to Land Use Classes 1 through 3 based on the primary land use of each Assessor's Parcel.

The Assigned Special Tax for Non-Residential Property shall be based on the Square Footage of the buildings on the Assessor's Parcel, and the Assigned Special Tax for Residential Property shall be based on the Acreage of the Assessor's Parcel.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

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

b. Assigned Special Tax

The Fiscal Year 1998-99 Assigned Special Tax for each Land Use Class is shown below in Table 1.

TABLE 1

**Assigned Special Taxes for Developed Property in
Community Facilities District No. 98-1 (Los Alamos International Center)
(Fiscal Year 1998-99)**

Land Use Class	Description	Assigned Special Tax
1	Commercial Property	\$0.4533 per building Square Foot
2	Industrial Property	\$0.3022 per building Square Foot
3	Residential Property	\$4,901 per Acre

c. Increase in the Assigned Special Tax

The Assigned Special Tax in Table 1 shall be applicable for Fiscal Year 1998-99, but for an Assessor's Parcel which is first designated as Developed Property in a later Fiscal Year, the Assigned Special Tax for such Assessor's Parcel in that later Fiscal Year shall be increased above the levels listed in Table 1, based on the Consumer Price Index, commencing on July 1, 1999 and on July 1 of each Fiscal Year thereafter, with a maximum annual increase of four percent (4%) and a minimum annual increase of two percent (2%). After the first Fiscal Year in which any Assessor's Parcel is designated as Developed Property, the Assigned Special Tax for such Assessor's Parcel shall be increased every July 1 by two percent (2%) per year.

d. Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Assigned Special Tax levied on an Assessor's Parcel shall be the sum of the Assigned Special Taxes for all Land Use Classes located on that Assessor's Parcel (i.e., the sum of the product of the building Square Footage or Acreage and the applicable Assigned Special Tax). The Maximum Special Tax that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Taxes that can be levied for all Land Use Classes located on that Assessor's Parcel.

In cases where an Assessor's Parcel contains both Residential Property and Non-Residential Property, the land area apportioned to each property type shall be based on the amount of non-residential and residential building Square Footage located on the Assessor's Parcel.

e. Backup Special Tax

The Fiscal Year 1998-99 Backup Special Tax shall equal \$4,901 per Acre.

f. Increase in the Backup Special Tax

On each July 1, commencing July 1, 1999, the Backup Special Tax shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.

2. Undeveloped Property, Approved Property, Taxable Free Standing Parking Property and Taxable Public Property

a. Maximum Special Tax

The Maximum Special Tax for Undeveloped Property, Approved Property, Taxable Free Standing Parking Property and Taxable Public Property shall be \$4,898 per Acre for Fiscal Year 1998-99.

b. Expected Special Tax

The Expected Special Tax for Undeveloped Property and Approved Property shall be \$3,429 per Acre for Fiscal Year 1998-99.

c. Increases in the Maximum Special Tax and Expected Special Tax

On each July 1, commencing July 1, 1999, the Maximum Special Tax for Undeveloped Property, Approved Property, Taxable Free Standing Parking Property and Taxable Public Property and the Expected Special Tax for Undeveloped Property and Approved Property shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 1998-99 and for each following Fiscal Year, the Board shall determine the Special Tax Requirement and shall levy the Special Tax until the amount of Special Taxes equal the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Expected Special Tax for Approved Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Expected Special Tax for Undeveloped Property;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the third step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax for Approved Property;

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

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

Seventh: If additional monies are needed to satisfy the Special Tax Requirement after the first six steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Free Standing Parking Property and Taxable Public Property up to the Maximum Special Tax for Taxable Free Standing Parking Property or Taxable Public Property.

Under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the CFD.

E. EXEMPTIONS

No Special Tax shall be levied on up to 117 Acres of Public Property and Free Standing Parking Property. Tax-exempt status will be irrevocably assigned by the CFD Administrator in the chronological order in which property becomes Public Property or Free Standing Parking Property.

Public Property and Free Standing Parking Property that is not exempt from Special Taxes under this section shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the seventh step in Section D above, at up to 100% of the applicable Maximum Special Tax for Taxable Public Property or Taxable Free Standing Parking Property. However, on a year to year basis, the CFD Administrator may exempt such Assessor's Parcels from the levy of the Special Tax in any Fiscal Year provided the Special Tax Requirement can be satisfied without imposing a levy on said Assessor's Parcels.

F. REVIEW/APPEAL COMMITTEE

The Board shall establish as part of the proceedings and administration of CFD No. 98-1 a special three-member Review/Appeal Committee. Any landowner or resident who feels that the amount of the Special Tax, as to their Assessor's Parcel, is in error, may file a notice with the Review/Appeal Committee appealing the amount of the Special Tax levied on such Assessor's Parcel. The Review/Appeal Committee shall interpret this Rate and Method of Apportionment and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals, as herein specified. The decision of the Review/Appeal Committee shall be final and binding as to all persons.

G. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 98-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

"**CFD Public Facilities**" means either \$29.6 million in 1998 dollars, which shall increase by the Construction Inflation Index on July 1, 1999, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities to be provided by CFD No. 98-1 under the authorized bonding program for CFD No. 98-1, or (ii) shall be determined by the Board concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section D.

"Construction Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

"Construction Inflation Index" means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

"Future Facilities Costs" means the CFD Public Facilities minus public facility costs available to be funded through existing construction or escrow accounts or funded by Previously Issued Bonds, minus public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment, and minus public facilities costs paid directly with Special Taxes.

"Outstanding Bonds" means all Previously Issued Bonds which remain outstanding as of the first interest and/or principal payment date following the current Fiscal Year.

"Previously Issued Bonds" means all Bonds that have been issued by CFD No. 98-1 prior to the date of prepayment.

Only an Assessor's Parcel of Developed Property, Approved Property or Undeveloped Property for which a building permit has been issued may be prepaid. The Special Tax obligation applicable to such Assessor's Parcel in CFD No. 98-1 may be fully prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide CFD No. 98-1 with written notice of intent to prepay. Within 30 days of receipt of such written notice, CFD No. 98-1 shall notify such owner of the prepayment amount of such Assessor's Parcel. Prepayment must be made not less than 45 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Future Facilities Amount
plus	Redemption Premium
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
less	<u>Capitalized Interest Credit</u>
Total: equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

Paragraph No.:

1. For Assessor's Parcels of Developed Property, compute the Assigned Special Tax and Backup Special Tax applicable for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Approved Property or Undeveloped Property to be prepaid, compute the Assigned Special Tax and Backup Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel.
2. (a) Divide the Assigned Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel, or for Approved Property or Undeveloped Property, the Assigned Tax that would have been levied based upon the building permit issued for such Assessor's Parcel, by the estimated Assigned Special Taxes for the entire CFD No. 98-1 based on the Developed Property Special Taxes which could be charged in the current Fiscal Year on all expected development through buildout of CFD No. 98-1, excluding any Assessor's Parcels which have been prepaid, and (b) Divide the Backup Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the estimated Backup Special Taxes for the entire CFD No. 98-1 excluding any Assessor's Parcels which have been prepaid.
3. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
4. Compute the current Future Facilities Costs
5. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the amount determined pursuant to paragraph 4 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
6. Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
7. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
8. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
9. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.

10. Compute the minimum amount the CFD Administrator expects to derive from the reinvestment of the Bond Redemption Amount plus the Redemption Premium from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
11. Add the amounts computed pursuant to paragraphs 7 and 9 and subtract the amount computed pursuant to paragraph 10.
12. Compute the net present value of the amount computed pursuant to paragraph 11, using as a discount rate the rate of return assumed by the CFD Administrator in paragraph 10 (the "Defeasance Amount").
13. Verify the administrative fees and expenses of No. 98-1, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").
14. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement.
15. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated as a reduction in the capitalized interest fund, for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "Capitalized Interest Credit").
16. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 3, 5, 6, 12 and 13, less the amounts computed pursuant to paragraphs 14 and 15 (the "Prepayment Amount").

From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 5, 6, 12, 14 and 15 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 13 shall be retained by CFD No. 98-1.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 9 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any

Assessor's Parcel that is prepaid, the Board shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Assigned Special Taxes that may be levied on Taxable Property within CFD No. 98-1 both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

Tenders of Bonds in prepayment of Special Taxes may be accepted upon the terms and conditions established by law and CFD No. 98-1.

I. TERM OF SPECIAL TAX

The Special Tax shall be levied for a period not to exceed fifty years.

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Revised: July 10, 2016

EXHIBIT C

*CFD No. 98-1 of the
County of Imperial*

*Special Tax Roll
Fiscal Year 2018-2019*

Exhibit C

**County of Imperial CFD No. 98-1
FY 2018-2019 Special Tax Levy**

<u>APN</u>	<u>TAX CLASS</u>	<u>FY 2018-2019 SPECIAL TAX</u>
059-381-001	A	\$4,305.50
059-381-002	A	\$2,193.36
059-381-003	A	\$2,538.62
059-382-001	A	\$2,132.44
059-382-002	A	\$2,498.00
059-383-001	A	\$4,508.58
059-383-002	A	\$2,741.70
059-383-003	A	\$3,147.88
059-384-001	04C	\$7,740.82
059-384-002	A	\$2,680.78
059-384-003	A	\$3,757.16
059-384-004	A	\$2,477.70
059-384-005	A	\$1,868.42
059-384-006	A	\$1,868.42
059-384-007	A	\$1,868.42
059-384-008	A	\$1,868.42
059-384-009	A	\$2,579.24
059-384-010	15I	\$20,674.14
059-385-007	A	\$3,919.62
059-385-008	05I	\$45,196.42
059-385-009	09C	\$29,024.04
059-386-001	A	\$2,680.78
059-386-002	A	\$2,701.08
059-391-007	A	\$2,782.32
059-391-008	A	\$11,007.42
059-391-009	A	\$3,736.84
059-392-001	A	\$2,701.08
059-392-002	A	\$2,701.08
059-393-001	A	\$2,599.54
059-393-002	A	\$2,619.86
059-393-003	A	\$2,619.86
059-393-004	A	\$2,579.24
059-394-001	16I	\$16,645.80
059-394-007	00I	\$107,875.56
059-394-008	04I	\$44,942.66
059-394-009	04I	\$18,648.80
059-395-001	01I	\$24,910.28
059-395-003	04I	\$21,784.96
059-395-004	00I	\$45,860.00

Exhibit C

County of Imperial CFD No. 98-1
FY 2018-2019 Special Tax Levy

<u>APN</u>	<u>TAX CLASS</u>	<u>FY 2018-2019 SPECIAL TAX</u>
059-396-001	A	\$3,675.92
059-396-002	A	\$3,046.34
059-401-001	06I	\$2,634.50
059-511-006	A	\$15,392.12
059-511-009	A	\$13,160.18
059-511-010	09I	\$64,908.48
059-511-011	17I	\$22,359.26
059-512-001	11I	\$5,055.38
059-512-002	A	\$7,940.78
059-513-004	A	\$12,388.44
059-513-005	A	\$7,331.52
059-513-006	A	\$6,498.86
059-513-007	A	\$6,092.68
059-513-008	A	\$5,341.24
059-513-010	A	\$4,264.88
059-513-015	A	\$30,889.84
Total Number of Parcels Taxed		55
Total FY 2018-2019 Special Tax Levy		\$679,967.26