


NOTICE OF SPECIAL MEETING
OF THE
BOARD OF DIRECTORS OF
EAST ORANGE COUNTY WATER DISTRICT

NOTICE IS HEREBY GIVEN that a Special Meeting of the Board of Directors of the East Orange County Water District has been called by the President of the Board of Directors thereof to be held on Monday, July 9, 2018 at 5:00 p.m., at the District Office, 185 North McPherson Road, Orange, CA 92869.

The following business will be transacted:

1. see Exhibit "1" attached to this Notice
2. _____
3. _____
4. _____

DATED THIS 3rd day of July, 2018.



JEFFREY A. HOSKINSON, Secretary
East Orange County Water District
and of the Board of Directors thereof

EXHIBIT 1 to NOTICE OF SPECIAL MEETING

AGENDA

EAST ORANGE COUNTY WATER DISTRICT
(EOCWD)

Monday,
July 9, 2018
185 North McPherson Road, Orange, California

5:00 pm

1. **Call Meeting to Order and Pledge of Allegiance**
2. **Public Comments to the Board**
3. **PUBLIC HEARING:** Combined Notice Public Hearing Regarding the Formation of the Proposed Community Facilities District 2018-1 of the East Orange County Water District, the Proposed Levy of Special Taxes, and the Authorization to Incur Bonded Indebtedness
4. Resolution No. ____ - Establishment Community Facilities District ("CFD") 2018-1 of East Orange County Water District, Authorizaton of the Levy of Special Taxes, and Calling an Election Therein (Exhibit "A"):

Recommended Motion: "THAT THE BOARD ADOPT RESOLUTION NO. ____ ENTITLED, 'RESOLUTION OF THE BOARD OF DIRECTORS OF EAST ORANGE COUNTY WATER DISTRICT ESTABLISHING COMMUNITY FACILITIES DISTRICT NO. 2018-1 OF EAST ORANGE COUNTY WATER DISTRICT, AUTHORIZING THE LEVY OF SPECIAL TAXES AND CALLING AN ELECTION THEREIN.'"

**** For Item Nos. 5 - 8, the Board will be acting as the legislative body of CFD No. 2018-1 of East Orange County Water District***

5. Resolution No. ____ - Determination of Necessity to Incur Bonded Indebtedness Not-To-Exceed \$700,000 within CFD 2018-1 and Calling Election Therein (Exhibit "B"):

Recommended Motion: "THAT THE BOARD ADOPT RESOLUTON NO. ____, ENTITLED, 'RESOLUTION OF THE BOARD OF DIRECTORS OF EAST ORANGE COUNTY WATER DISTRICT, ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2018-1 OF EAST ORANGE COUNTY WATER DISTRICT, DETERMINING THE NECESSITY TO INCUR BONDED INDEBTEDNESS WITHIN SAID COMMUNITY FACILITIES DISTRICT AND CALLING AN ELECTION THEREIN.'"

6. Conduct Special Tax and Bond Election and Receive Results of Election for CFD 2018-1 of East Orange County Water District.
7. Resolution No. ____ - Certification of Results of the July 9, 2018 Special Tax and Bond Elections (Exhibit “C”):

Recommended Motion: “THAT THE BOARD ADOPT RESOLUTION NO. ____, ENTITLED, ‘RESOLUTION OF THE BOARD OF DIRECTORS OF EAST ORANGE COUNTY WATER DISTRICT, ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2018-1 OF EAST ORANGE COUNTY WATER DISTRICT, CERTIFYING THE RESULTS OF THE JULY 9, 2018 SPECIAL TAX AND BOND ELECTIONS.’”

8. Ordinance No. ____ (First Reading) - Authorizing the Levy of Special Tax Within EOCWD (Exhibit “D”):

Recommended Motion: “THAT ORDINANCE NO. __ BE PRESENTED BY READING OF TITLE ONLY AND THAT THE CLERK FOREGO THE READING OF THE ENTIRE ORDINANCE NO. ____.”

9. **Adjournment**

The scheduled date of the next Regular Meeting of the Board of Directors is **July 19, 2018**, at 5:00 p.m., in the offices of the East Orange County Water District, 185 N. McPherson Road, Orange, California.

Availability of agenda materials: Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the East Orange County Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board are available for public inspection in the District’s office, 185 N. McPherson Road, Orange, California (“District Office”). If such writings are distributed to members of the Board less than 72 hours prior to the meeting, they will be available at the reception desk of the District Office during business hours at the same time as they are distributed to the Board members, except that if such writings are distributed less than one hour prior to, or during, the meeting, they will be available in the meeting room of the District Office.

Disability-related accommodations: The East Orange County Water District Board of Directors meeting room is wheelchair accessible. If you require any special disability-related accommodations (e.g., access to an amplified sound system, etc.) please contact Sylvia Prado in the District Office at (714) 538-5815 during business hours at least eight (8) hours before the scheduled meeting. This agenda may be obtained in alternative format upon written request to Sylvia Prado in the District Office, at least eight (8) hours prior to the scheduled meeting.

MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: CREATION OF COMMUNITY FACILITIES DISTRICT 2018-1, FINDING OF NECESSITY TO INCUR BONDED INDEBTEDNESS, CONDUCT OF SPECIAL TAX & BOND ELECTION, CERTIFICATION OF ELECTION RESULTS, FIRST READING OF ORDINANCE AUTHORIZING THE LEVY OF SPECIAL TAX
DATE: JULY 9, 2018

Background

At the June 5, 2018 Special Meeting, the Board undertook several actions that announced our intention to form a Community Facilities District (CFD) and issue long-term debt for the purpose of assisting in financing of the cost to convert nine (9) single-family residential parcels from a private septic system to our publicly-owned sanitary sewer system, for the disposal of their sewage. At today's meeting, the District will take further actions in support of the formation of CFD-01.

The District has received petitions from the property owners within the proposed CFD boundaries to establish the CFD and designate one improvement areas for the purpose of financing public facilities in connection with the septic-to-sewer conversion. The CFD is generally located along Vista del Lago in the unincorporated community of Lemon Heights. The petitions authorize the levy of special taxes, the issuance of bonds for each improvement area and to establish an appropriation limit for the CFD.

Community facilities district financing is a commonly-used method of financing infrastructure and services for new development in California. Commonly referred to as "Mello-Roos," this land-secured financing permits the local agency (i.e., the District) to issue bonds to pay for the public facilities and infrastructure costs and services of local development. Debt service on the bonds is paid from special taxes levied on real property within the CFD boundary. The bonds are issued on a tax-exempt basis at the federal and state level.

On June 5th, 2018, the Board approved the Resolution of Intention to Form CFD No. 2018-1, Resolution of Intention to Incur Bonded Debt, and set the time and place for tonight's Public Hearing. The balance of this report summarizes the resolutions, actions and related documents presented for approval at tonight's Public Hearing and discusses the remaining steps after CFD No. 2018-1 is formed.

PUBLIC HEARING AND BOARD ACTIONS:

The Board has initiated proceedings to consider the establishment of a community facilities district pursuant to the provisions of the Act. The Public Hearing will provide the public an opportunity to provide testimony related to the formation of CFD No. 2018-1 and the CFD Report (attached) prepared by Webb Municipal Finance (attached under Exhibit A). The CFD Report describes the CFD boundaries, the rate and method of apportionment of the special taxes to be levied and the facilities to be financed by the CFD. The proceedings to establish CFD No. 2018-1 will be accomplished by the adoption of the Formation Resolutions, as well as the other Resolutions and Ordinance, identified in the recommended actions. The Board will be taking certain actions including:

1. Adopt the Resolution of Formation and Call for Election. This resolution establishes the boundaries of the CFD, the rate and method of apportionment of the special taxes to be levied to provide for certain services in CFD No. 2018-1 and to pay the cost of the facilities to be financed by the CFD. Because there are more than 12 voters within the proposed CFD, the election will be

by registered voters instead of the owners of the land. The Registrar of Voters has certified the number of registered voters within the proposed CFD.

2

After the Resolution of Formation is adopted and the election results reported, the Board will then sit as the legislative body of CFD No. 2018-2. Another Public Hearing will commence with information regarding the CFD, the special taxes, and public facilities and services. The public will also have the opportunity to comment on the CFD. After the conclusion of the public hearing the Council may take the following actions:

1. Adopt a Resolution of Necessity to Incur Bonded Indebtedness and Call for Election. This resolution establishes that the CFD was formed, and authorizes the levy of special taxes, the issuance of bonds to finance the improvements and incidental expenses and the establishment of an appropriations limit for the CFD. (Exhibit B)
2. Adopt Resolution declaring the results of the special elections for CFD No. 2018-1. (Exhibit C)
3. Adopt a motion to introduce and waive the first reading of the Ordinance levying special taxes within CFD No. 2018-1. (Exhibit D)

The Board may establish CFD No. 2018-1 only after conducting the public hearing and only if no majority protests to establishment of CFD No. 2018-1 or the levy of special taxes is filed by the CFD voters. Following tonight's public hearing, the proposed schedule to complete the formation of the CFD is as follows:

- July 19th: Second reading of ordinance authorizing special tax levy
- August 19, 2018: Ordinance authorizing special tax levy goes into effect

The resolutions and related documents have been prepared and reviewed by the District's special CFD project team, which includes district counsel, bond counsel, financial advisor, and special tax consultant.

Fiscal Impact

The actions taken at this meeting will have no immediate fiscal impact. The formation of the CFD will occur after tonight's public hearing and the 2nd reading of the Special Tax Ordinance scheduled for July 19th. Some costs of formation will be repaid through the debt issuance; these were presented at the June 5th meeting.

Recommendation

The Board adopt the proposed resolutions, conduct elections forming CFD 2018-1 and authorizing debt issuance, and hold the First Reading of the Ordinance authorizing the special tax levy.

RESOLUTION NO. 831

RESOLUTION OF THE BOARD OF DIRECTORS OF EAST ORANGE COUNTY WATER DISTRICT ESTABLISHING COMMUNITY FACILITIES DISTRICT NO. 2018-1 OF EAST ORANGE COUNTY WATER DISTRICT, AUTHORIZING THE LEVY OF SPECIAL TAXES AND CALLING AN ELECTION THEREIN

WHEREAS, the Board of Directors of East Orange County Water District (the “Board of Directors”) has heretofore adopted Resolution No. 822 (the “Resolution of Intention”) stating its intention to form Community Facilities District No. 2018-1 of East Orange County Water District (the “District”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “Act”); and

WHEREAS, a copy of the Resolution of Intention setting forth a description of the proposed boundaries of the District, the improvements to be owned and operated by East Orange County Water District (the “Improvements”) and the incidental expenses to be financed by the District (the “Incidental Expenses”) is on file with the Secretary and is incorporated herein by reference; and

WHEREAS, a combined notice of a public hearing to be held on July 9, 2018 was published and mailed to all registered voters of the land proposed to be included within the District; and

WHEREAS, on July 9, 2018, the Board of Directors opened the public hearing (the “Hearing”) as required by law; and

WHEREAS, at the Hearing there was filed with this Board of Directors a report containing a description of the improvements necessary to meet the needs of the District and an estimate of the cost of such improvements as required by Section 53321.5 of the Act (the “Community Facilities District Report”); and

WHEREAS, at the Hearing all persons desiring to be heard on all matters pertaining to the proposed formation of the District and the levy of the special taxes and the issuance of bonded indebtedness were heard and a full and fair hearing was held; and

WHEREAS, at the Hearing, evidence was presented to the Board of Directors on the matters before it, and the proposed formation of the District and the levy of special taxes was not precluded by a majority protest of the type described in Section 53324 of the Act, and this Board of Directors at the conclusion of the hearing is fully advised as to all matters relating to the formation of the District, the levy of the special taxes and the issuance of bonded indebtedness; and

WHEREAS, the Board of Directors has determined that there are more than twelve (12) registered voters residing in the proposed boundaries of the District for the period of 90 days prior to the Hearing and that the qualified electors in the District are the registered voters within the District; and

WHEREAS, on the basis of all of the foregoing, the Board of Directors has determined at this time to proceed with the establishment of the District and with the calling of an election within the boundaries of the District to authorize (i) the levy of special taxes within the District pursuant to the rate and method of apportionment of the special tax, (ii) the issuance of bonds to finance the Improvements and Incidental Expenses, and (iii) the establishment of an appropriations limit for the District;

NOW, THEREFORE, THE BOARD OF DIRECTORS OF EAST ORANGE COUNTY WATER DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

1. The above recitals are true and correct.
 2. A community facilities district to be designated "Community Facilities District No. 2018-1 of East Orange County Water District" is hereby established pursuant to the Act. The Board of Directors hereby finds and determines that all prior proceedings taken with respect to the establishment of the District were valid and in conformity with the requirements of law, including the Act. This finding is made in accordance with the provisions of Section 53325.1(b) of the Act.
 3. The boundaries of the District are established as shown on the map designated "Map of Proposed Boundaries of Community Facilities District No. 2018-1 of East Orange County Water District", which map is on file in the office of the Secretary and was recorded pursuant to Sections 3111 and 3113 of the Streets and Highways Code in the County of Orange Book of Maps of Assessment and Community Facilities Districts in the County Recorder's Office in Book No. 106, Page No. 25 on June 14, 2018 as Instrument No. 2018-217922.
 4. The types of Improvements and Incidental Expenses authorized to be provided for the District are those set forth in the Resolution of Intention. The estimated cost of the Improvements and Incidental Expenses to be financed is set forth in the Community Facilities District Report, which estimates may change as the Improvements are designed and bid for construction and acquisition.
- East Orange County Water District is authorized by the Act to contribute revenue to, or to construct or acquire the Improvements, all in accordance with the Act. The Board of Directors finds that the proposed Improvements are necessary to meet the increased demand that will be placed upon the District as a result of connecting homes within the District to the Water District's sewer system.
5. The Board of Directors hereby adopts the rate and method of apportionment of special tax attached to the Resolution of Intention as Attachment "C" (the "Rate and Method")

as the applicable rate and method of apportionment for the District. Except where funds are otherwise available, it is the intention of the Board of Directors, subject to the approval of the eligible voters within the District, to levy the proposed special taxes in the District at the rates set forth in the Rate and Method hereto on all non-exempt property within the District sufficient to pay (i) the principal and interest and other periodic costs on the bonds proposed to be issued by the District to finance the Improvements and Incidental Expenses, including the establishment and replenishment of reserve funds, any remarketing, credit enhancement and liquidity facility fees (including such fees for instruments which serve as the basis of a reserve fund in lieu of cash) and other expenses of the type permitted by Section 53345.3 of the Act; and (ii) the Incidental Expenses. The District expects to incur, and in certain cases has already incurred, Incidental Expenses in connection with the creation of the District, the issuance of bonds, the levying and collecting of the special tax, the completion and inspection of the Improvements and the annual administration of the bonds and the District. The Rate and Method is described in detail in Attachment "C" to the Resolution of Intention and incorporated herein by this reference, and the Board of Directors hereby finds that said Attachment "C" contains sufficient detail to allow each landowner and registered voter within the District to estimate the maximum amount that may be levied against each parcel. As described in greater detail in the Community Facilities District Report, which is incorporated by reference herein, the special tax is based on the expected demand that each parcel of real property within the District will place on the Improvements and on the benefit that each parcel will derive from the right to access the Improvements and, accordingly, is hereby determined to be reasonable. The special tax shall be levied on each assessor's parcel pursuant to the Rate and Method, but the special tax shall not be levied after Fiscal Year 2048-49. The special tax is apportioned to each parcel on the foregoing basis pursuant to Section 53325.3 of the Act and such special tax is not a tax on or a tax based upon the ownership of real property.

East Orange County Water District's General Manager will be responsible for preparing annually, or authorizing a designee to prepare, a current roll of special tax levy obligations by assessor's parcel number and will be responsible for estimating future special tax levies pursuant to Section 53340.2 of the Act.

6. In the event that a portion of the property within the District shall become for any reason exempt, wholly or partially, from the levy of the special tax specified in the Rate and Method, the Board of Directors shall, on behalf of the District, increase the levy to the extent necessary and permitted by law and these proceedings upon the remaining property within the District which is not delinquent or exempt in order to yield the required debt service payments on any outstanding bonds of the District or to prevent the District from defaulting on any other obligations or liabilities of the District; provided, however, that under no circumstances will the Special Tax in any fiscal year levied against any taxable parcel of residential property within the District be increased as a consequence of delinquency or default by the owner or owners of any other parcel or parcels within the District by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults.

7. Upon recordation of a notice of special tax lien pursuant to Section 3114.5 of the Streets and Highways Code, a continuing lien to secure each levy of the special tax shall attach to all non-exempt real property in the District; and this lien shall continue in force and effect until the special tax obligation is prepaid and permanently satisfied and the lien canceled in accordance with law or until collection of the special tax by the District ceases.

8. It is hereby further determined that there is no ad valorem property tax currently being levied on property within the proposed District for the exclusive purpose of paying the principal of or interest on bonds or other indebtedness incurred to finance the construction of capital facilities which provide the same services to the territory of the District as are proposed to be provided by the Improvements to be financed by the District.

9. Written protests against the establishment of the District have not been filed by one-half or more of the registered voters within the boundaries of the District or by the property owners of one-half or more of the area of land within the boundaries of the District. The Board of Directors hereby finds that the proposed special tax has not been precluded by a majority protest pursuant to Section 53324 of the Act.

10. An election is hereby called for the District on the propositions of levying the special tax on the property within the District and establishing an appropriations limit for the District pursuant to Section 53325.7 of the Act and shall be consolidated with the election on the proposition of incurring bonded indebtedness for the District, pursuant to Section 53351 of the Act. The propositions to be placed on the ballot for the District are attached hereto as Attachment "A."

11. The date of the election within the District shall be July 9, 2018, or such later date as is consented to by the Secretary and the registered voters within the District. The Secretary shall conduct the election. Except as otherwise provided by the Act, the election shall be conducted by personally delivered or mailed ballot and, except as otherwise provided by the Act, the election shall be conducted in accordance with the provisions of law regulating elections of East Orange County Water District insofar as such provisions are determined by the Secretary to be applicable.

It is hereby found that there are more than twelve registered voters within the territory of the District, and, pursuant to Section 53326 of the Act, each registered voter shall have one vote. The voters shall be the registered voters within the District as of July 9, 2018.

12. The preparation of the Community Facilities District Report is hereby ratified. The Community Facilities District Report, as submitted, is hereby approved and made a part of the record of the public hearing regarding the formation of the District, and is ordered to be kept on file with the transcript of these proceedings and open for public inspection.

13. This Resolution shall be effective upon its adoption.

Dated: July 9, 2018

Douglass S. Davert, President

I hereby certify that the foregoing is a full, true and correct copy of the Resolution adopted by the Board of Directors of East Orange County Water District at its meeting held on July 9, 2018.

ATTEST:

Jeff Hoskinson, Board Secretary

(SEAL)

ATTACHMENT "A"

SAMPLE BALLOT

COMMUNITY FACILITIES DISTRICT NO. 2018-1

OF EAST ORANGE COUNTY WATER DISTRICT

SPECIAL TAX AND SPECIAL BOND ELECTION

July 9, 2018

This ballot represents one vote.

To vote, write or stamp a cross ("+" or "X") in the voting line after the word "YES" or after the word "NO". All marks otherwise made are forbidden. All distinguishing marks are forbidden and make the ballot void.

If you wrongly mark, tear or deface this ballot, return it to the Secretary of East Orange County Water District and obtain another.

PROPOSITION A: Shall Community Facilities District No. 2018-1 of East Orange County Water District (the "District") incur an indebtedness and issue bonds for the District in the maximum principal amount of \$700,000, with interest at a rate or rates not to exceed the maximum interest rate permitted by law, to finance the Improvements and the Incidental Expenses described in Resolution No. 822 of the Board of Directors of East Orange County Water District? YES _____
NO _____

PROPOSITION B: Shall a special tax with a rate and method of apportionment as provided in Resolution No. 822 of the Board of Directors of East Orange County Water District for Community Facilities District No. 2018-1 of East Orange County Water District be levied to pay the principal of and interest on bonds issued to finance the Improvements and Incidental Expenses and the other purposes described in Resolution No. 822? YES _____
NO _____

PROPOSITION C: For each year commencing with Fiscal Year 2018-19, shall the appropriations limit, as defined by subdivision (h) of Section 8 of Article XIII B of the California Constitution, for Community Facilities District No. 2018-1 of East Orange County Water District be an amount equal to \$700,000? YES _____
NO _____



Community Facilities District Report



East Orange County Water District Community Facilities District No. 2018-1



July 2018

Exhibit A - CFD 2018-1 Report

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- Appendix A. Rate and Method of Apportionment
- Appendix B. Boundary Map
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1. Introduction

AGENCY: EAST ORANGE COUNTY WATER DISTRICT

PROJECT: COMMUNITY FACILITIES DISTRICT NO. 2018-1
(VISTA DEL LAGO)

TO: BOARD OF DIRECTORS
EAST ORANGE COUNTY WATER DISTRICT
ORANGE COUNTY
STATE OF CALIFORNIA

Whereas, the Board of Directors of EAST ORANGE COUNTY WATER DISTRICT, ORANGE COUNTY, CALIFORNIA (hereinafter referred to as the “Board”), did, pursuant to the provisions of the “Mello-Roos Community Facilities Act of 1982”, being chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California, and specifically Section 53321.5 thereof, (the “Act”) expressly order the filing of a written Public Report (the “Report”) with the Board for a proposed Community Facilities District. This Community Facilities District shall be referred to as COMMUNITY FACILITIES DISTRICT NO. 2018-1 of EAST ORANGE COUNTY WATER DISTRICT (hereinafter referred to as the “District” and “CFD 2018-1”); and,

Whereas, on June 5, 2018, the Board adopted Resolution No. 822 (the “Resolution”), and the Resolution ordering said Report, did direct that said Report generally contain the following:

- A brief description of the public improvements by type proposed to be financed by CFD 2018-1; and
- An estimate setting forth costs of providing such improvements.

NOW, THEREFORE, the undersigned, authorized representative of WEBB MUNICIPAL FINANCE, LLC, the appointed Special Tax Consultant and responsible officer or person directed to prepare the Report, pursuant to the provisions of the Act, does hereby submit the following data:

2. Description of Facilities/Improvements

A Community Facilities District may pay for facilities which may include all amounts necessary to eliminate any fixed special assessment liens or to pay, repay, or defease any obligation to pay or any indebtedness secured by any tax, fee, charge, or assessment levied, provide for the purchase, construction, expansion, or rehabilitation for any real or other tangible property with an estimated useful life of five (5) years or longer, which is necessary to meet increased demands placed upon local agencies as a result of development and/or rehabilitation occurring within the District.

A general description of proposed improvements and incidental expenses is as follows:

East Orange County Water District Improvements

The proposed improvements include the construction, purchase, modification, expansion, improvement or rehabilitation of sewer facilities of East Orange County Water District, and all appurtenances and appurtenant work in connection with the foregoing including the cost of engineering, planning, designing, materials testing, coordination, construction staking, construction management and supervision for such Improvements and any other expense incidental to the construction, acquisition, modification, expansion or rehabilitation of such Improvements.

Incidental Expenses

The Incidental Expenses to be paid from bond proceeds and/or Special Taxes include all costs associated with the creation of CFD No. 2018-1, the issuance of the bonds, the determination of the amount of special taxes to be levied, costs otherwise incurred in order to carry out the authorized purposes of CFD No. 2018-1, including legal fees, fees of consultants, engineering, planning, designing and the annual administration cost of CFD No. 2018-1.

2. Description of Facilities/Improvements

The description of the eligible public facilities and incidental expenses above are preliminary and general in nature. The final plans and specifications approved by the applicable public agency may show substitutes or modifications in order to accomplish the work or serve the eligible properties and any such substitution or modification shall not constitute a change or modification in the proceedings relating to CFD 2018-1.

Based upon the preceding, it is my opinion that the facilities being funded are those that are necessary to meet certain increased demands placed upon the EAST ORANGE COUNTY WATER DISTRICT, as a result of improvements and/or rehabilitation occurring within the boundaries of the District.

DATED June 14, 2018

WEBB MUNICIPAL FINANCE, LLC

By: 
SPECIAL TAX CONSULTANT FOR
EAST ORANGE COUNTY WATER DISTRICT
ORANGE COUNTY
STATE OF CALIFORNIA

3. Cost Estimate

1. The cost estimate, including incidental expenses, to be financed through the issuance of CFD 2018-1 bonds is estimated to be \$598,023 for Special Tax A and \$22,809 for Special Tax B based upon current dollars (2018-19).
2. For further particulars, reference is made to Table 3-1 below and incorporated herein by reference.
3. Pursuant to Section 53340 of the Act, the proceeds of any Special Tax levied and collected by CFD 2018-1 may be used only to pay for the cost of providing public facilities, services, and incidental expenses. As defined by the Act, incidental expenses include, but are not limited to, the annual costs associated with determination of the amount of Special Taxes, collection of Special Taxes, payment of Special Taxes, or costs otherwise incurred in order to carry out the authorized purposes of the District. The incidental expenses associated with the annual administration of CFD 2018-1 are estimated to be \$7,500 in the initial Fiscal Year. However, it is anticipated that the incidental expenses will vary due to inflation and other factors that may not be foreseen today, and the actual incidental expenses may exceed this amount accordingly.

*Table 3-1
A Cost Estimate*

Funding Requirements	Special Tax A		
	Estimated Eligible Project Costs ⁽¹⁾	Allocation of Estimated Proceeds ⁽¹⁾⁽²⁾	Estimated Unfunded Project Costs ⁽¹⁾⁽²⁾
EOCWD Project Costs ⁽³⁾	\$527,732	\$527,732	\$0
Incidental Financing Expenses	\$70,291	\$70,291	\$0
Total	\$598,023	\$598,023	\$0

Funding Requirements	Special Tax B		
	Estimated Eligible Project Costs ⁽¹⁾	Allocation of Estimated Proceeds ⁽¹⁾⁽²⁾	Estimated Unfunded Project Costs ⁽¹⁾⁽²⁾
Lateral and Abandonment Costs ⁽⁴⁾	\$22,750	\$20,000	\$2,750
Incidental Financing Expenses	\$2,809	\$2,809	\$0
Total	\$25,559	\$22,809	\$2,750

⁽¹⁾ Amounts are based upon estimated FY 2018-19 dollars.

⁽²⁾ Amounts are allocated based upon estimated bond sizing and may change based upon market conditions at the time of bond issuance.

⁽³⁾ Consists of estimated construction costs, construction contingency, engineering costs, and additional contingency costs, as provided by Murow/CM, all are subject to change.

⁽⁴⁾ Lateral and Abandonment Costs are based upon estimate provided by Street Works Engineering on 4/4/18. Only \$20,000 of the total estimated cost of \$22,750 will be financed. The estimated unfunded project cost of \$2,750 will be paid outside of the financing.

3. Cost Estimate

DATED June 14, 2018

WEBB MUNICIPAL FINANCE, LLC



By: _____
SPECIAL TAX CONSULTANT FOR
EAST ORANGE COUNTY WATER DISTRICT
ORANGE COUNTY
STATE OF CALIFORNIA

4. District Profile

CFD 2018-1 currently consists of 1 Tax Zone, however, additional Tax Zones may be created as property is annexed into the District. Tax Zone 1 of CFD 2018-1 consists of 8 single family residential homes and 1 vacant parcel located in an unincorporated area of Orange County on approximately 4.87 gross acres. Tax Zone 1 is located along Vista Del Lago, west of Jamboree Road. The proposed boundaries include the following Assessor Parcel Number(s): 502-341-11, 502-341-12, 502-341-13, 502-341-14, 502-341-15, 502-341-22, 502-341-23, 502-341-24, and 502-342-01.

The Boundary Map and Potential Annexation Area Map for CFD 2018-1 are attached hereto as Appendix B and Appendix C, respectively.

5. Rate and Method of Apportionment

1. The rate and method of apportionment allows each property owner of the proposed District to estimate the annual amount that would be required for payment for Special Tax A and Special Tax B. The rate and method of apportionment of Special Tax A and Special Tax B established pursuant to these proceedings, is attached hereto as Appendix A (the "Rate and Method"). Special Tax A and Special Tax B will be collected in the same manner and at the same time as ad valorem property taxes and subject to the same penalties and provisions; however, the Special Taxes may be collected at a different time or in a different manner if necessary for CFD 2018-1 to meet its financial obligations and may covenant to foreclose on delinquent parcels as permitted by the Act.
2. All of the property located within the applicable Tax Zones (current and future) for CFD 2018-1, unless exempted pursuant to Section P of the Rate and Method of Apportionment for CFD 2018-1 (Appendix A), shall be taxed for the purpose of providing necessary facilities to serve the District. The Boundary Map (Tax Zone 1) and Potential Annexation Area Map for CFD 2018-1 are attached hereto as Appendix B and Appendix C, respectively. Pursuant to Section 53325.3 of the Act, the tax imposed "is a special tax and not a special assessment, and there is no requirement that the tax be apportioned on the basis of benefit to any property." Special Tax A and Special Tax B may be based on benefit received by property, the cost of making facilities or authorized services available to property or any other reasonable basis as determined by the Board, although the Special Taxes may not be apportioned on an ad valorem basis pursuant to Article XIII A of the California Constitution. A property owner within the District may choose to prepay in whole or in part Special Tax A or Special Tax B. The available methods for doing so are described in the Rate and Method under Sections G and H for Special Tax A ("Prepayment of Annual Special Tax A" and "Partial Prepayment of Annual Special Tax A") and Sections M and N for Special Tax B ("Prepayment of Annual Special Tax B" and "Partial Prepayment of Annual Special Tax B").

For each year that any bonds are outstanding Special Tax A and Special Tax B shall be levied on all parcels subject to the Special Taxes. If any delinquent Special Taxes remain uncollected prior to or after all bonds are retired, the Special Taxes may be levied to the extent necessary to reimburse the CFD for uncollected Special Taxes associated with the levy of such Special Taxes, but not later than the 2048-2049 Fiscal Year.

3. For particulars as to Special Tax A Rates, Special Tax B Rates and the Methods of Apportionment for CFD No. 2018-1, see the attached and incorporated Appendix A.

It is my opinion that the Special Tax Rates and Methods of Apportionment, as described above, set forth in Appendix A, are fair and reasonable.

This Report has been prepared and consolidated by the Special Tax Consultant, Webb Municipal Finance, LLC, and is herewith submitted to the Board pursuant to the applicable provisions of the Mello-Roos Community Facilities Act of 1982.

DATED June 14, 2018

WEBB MUNICIPAL FINANCE, LLC



By: _____
SPECIAL TAX CONSULTANT FOR
EAST ORANGE COUNTY WATER DISTRICT
ORANGE COUNTY
STATE OF CALIFORNIA

APPENDIX A

Rate and Method of Apportionment



**RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 2018-1
OF THE EAST ORANGE COUNTY WATER DISTRICT**

The following sets forth the Rate and Method of Apportionment for the levy and collection of Annual Special Tax A and Annual Special Tax B of Community Facilities District No. 2018-1 of the East Orange County Water District ("CFD No. 2018-1"). An Annual Special Tax A and Annual Special Tax B shall be levied on and collected in CFD No. 2018-1 each Fiscal Year, in an amount determined through the application of the Rate and Method of Apportionment described below. All of the real property within CFD No. 2018-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**SECTION 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 the Assessor's Parcel Map, the land area as shown on the applicable Final Map, or if the land area is not shown on the applicable Final Map, the land area shall be calculated by the Administrator or District Engineer.

"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 any ordinary and necessary expenses allocable to the Special Tax A Requirement and to the Special Tax B Requirement which are incurred by the District on behalf of CFD No. 2018-1 related to the determination of the amount of the levy of Special Tax A and Special Tax B, the collection of Special Tax A and Special Tax B including the expenses of collecting delinquencies, the administration of Special Tax A Bonds and/or Special Tax B Bonds, the payment of that portion of salaries and benefits of any District employees attributable to the administration of CFD No. 2018-1, and costs otherwise incurred in order to carry out the authorized purposes of CFD No. 2018-1.

"Administrator" means an official of the District, or designee thereof, responsible for, among other things, determining the annual amount of the levy and collection of the Special Tax A and Special Tax B.

"Annual Special Tax A" means for each Assessor's Parcel, the Special Tax A actually levied in a given Fiscal Year on any Assessor's Parcel.

"Annual Special Tax B" means for each Assessor's Parcel, the Special Tax B actually levied in a given Fiscal Year on any Assessor's Parcel.

"Approved Property" means all Assessor's Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to the January 1st preceding the Fiscal Year in which the Special Tax A and/or Special Tax B is being levied, and (ii) that have not been issued a building permit on or before March 1st preceding the Fiscal Year in which the Special Tax A and/or Special Tax B is being levied.

"Assessor's Parcel" or "Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD No. 2018-1.

“Assessor’s Parcel Map” means an official map of the Assessor of the County designating parcels by Assessor’s Parcel Number.

“Assessor’s Parcel Number” means that number assigned to a lot or parcel of land by the County Assessor for purposes of identification.

“Assigned Annual Special Tax A” means the Special Tax A described in Section D below.

“Assigned Annual Special Tax B” means the Special Tax B described in Section J below.

“Backup Annual Special Tax A” means the Special Tax A described in Section E below.

“Backup Annual Special Tax B” means the Special Tax B described in Section K below.

“Board of Directors” means the Board of Directors of the East Orange County Water District, acting as the legislative body of CFD No. 2018-1.

“Boundary Map” means a recorded map of the CFD No. 2018-1 which indicates the boundaries of CFD No. 2018-1.

“Building Permit” means the first legal document issued by a local agency giving official permission for new construction. For purposes of this definition, “Building Permit” may or may not include any subsequent building permits issued or changed after the first issuance, as determined by the Administrator.

“Building Square Footage” or **“BSF”** means the square footage of assessable internal living space, exclusive of garages or other structures not used as living space, as determined by reference to the building permit application for such Assessor’s Parcel and subject to verification by the District.

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

“CFD No. 2018-1” or **“CFD”** means Community Facilities District No. 2018-1 of the East Orange County Water District established by the District under the Act.

“County” means the County of Orange.

“Developed Property” means all Assessor’s Parcels of Taxable Property for which a building permit for new construction has been issued on or prior to March 1 preceding the Fiscal Year in which the Special Tax A and/or Special Tax B is being levied.

“District” means the East Orange County Water District, or its designee.

“Exempt Property” means all Assessor’s Parcels designated as being exempt from Special Tax A and/or Special Tax B as provided for in Section P.

“Final Map” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or

recordation of a condominium plan pursuant to California Civil Code 4285 that creates individual lots for which building permits may be issued without further subdivision.

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

“Land Use Type” means Residential Property, Multifamily Residential Property, or Non-Residential Property.

“Maximum Special Tax A” means for each Assessor’s Parcel of Taxable Property, the maximum Special Tax A, determined in accordance with Section C that can be levied in any given Fiscal Year on such Assessor’s Parcel.

“Maximum Special Tax B” means for each Assessor’s Parcel of Taxable Property, the maximum Special Tax B, determined in accordance with Section I that can be levied in any given Fiscal Year on such Assessor’s Parcel.

“Multifamily Residential Property” means all Assessor’s Parcels of Developed Property for which a Building Permit has been issued for the purpose of constructing a building or buildings comprised of attached Dwelling Units available for rental by the general public, not for sale to an end user, and under common management, as determined by the Administrator.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit was issued for any type of non-residential use.

“Partial Prepayment Amount” means the amount required to prepay a portion of the Special Tax A and or Special Tax B obligation for an Assessor’s Parcel, as described in Section H for Special Tax A and Section N for Special Tax B.

“Prepayment Amount” means the amount required to prepay the Special Tax A and or Special Tax B obligation in full for an Assessor’s Parcel, as described in Section G for Special Tax A and Section M for Special Tax B.

“Proportionately” means for Special Tax A that the ratio of the Annual Special Tax A levy to the applicable Assigned Annual Special Tax A is equal for all applicable Assessor’s Parcels. In the case of Special Tax B, means that the ratio of the Annual Special Tax B levy to the applicable Assigned Special Tax B is equal for all applicable Assessor’s Parcels. In case of Developed Property subject to the apportionment of the Annual Special Tax A under Step Two of Section F, “Proportionately” means that the quotient of (a) Annual Special Tax A less the Assigned Annual Special Tax A divided by (b) the Backup Annual Special Tax A less the Assigned Annual Special Tax A, is equal for all applicable Assessor’s Parcels. In case of Developed Property subject to the apportionment of the Annual Special Tax B under Step Two of Section L, “Proportionately” means that the quotient of (a) Annual Special Tax B less the Assigned Annual Special Tax B divided by (b) the Backup Annual Special Tax A less the Assigned Annual Special Tax B, is equal for all applicable Assessor’s Parcels.

“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, which is not Multifamily Residential Property.

“Special Tax A” means any of the special taxes authorized to be levied on Taxable Property within CFD No. 2018-1 pursuant to the Act to fund the Special Tax A Requirement.

“Special Tax B” means any of the special taxes authorized to be levied on Taxable Property within CFD No. 2018-1 pursuant to the Act to fund the Special Tax B Requirement.

“Special Tax B Application” means a written request provided to the District by a Property owner within the Boundaries of an applicable Tax Zone requesting the financing of lateral and septic abandonment costs. The request shall include the Property address and the amount of such costs to be financed.

“Special Tax A Bonds” means those bonds or any other debt issued by or on behalf of any Tax Zone(s) of CFD No. 2018-1, or any refunding thereof, to which Special Tax A within CFD No. 2018-1 has been pledged.

“Special Tax B Bonds” means those bonds or any other debt issued by or on behalf of any Tax Zone(s) of CFD No. 2018-1, or any refunding thereof, to which Special Tax B within CFD No. 2018-1 has been pledged.

“Special Tax A Requirement” means, subject to the Maximum Special Tax A, the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Special Tax A Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) Administrative Expenses (apportioned between Special Tax A and Special Tax B), (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Special Tax A Bonds, and (v) the collection or accumulation of funds for the acquisition or construction of facilities or payment of fees authorized by CFD No. 2018-1 by the levy on Developed Property of the Assigned Annual Special Tax A, less (vi) any amount available to pay debt service or other periodic costs on the Special Tax A Bonds pursuant to any applicable fiscal agent agreement or trust agreement.

“Special Tax B Requirement” means, subject to the Maximum Special Tax B, the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Special Tax B Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) Administrative Expenses (apportioned between Special tax A and Special Tax B), (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Special Tax B Bonds, and (v) the collection or accumulation of funds for the acquisition or construction of facilities or payment of fees authorized by CFD No. 2018-1 by the levy on Developed Property of the Assigned Annual Special Tax B, less (vi) any amount available to pay debt service or other periodic costs on the Special Tax B Bonds pursuant to any applicable fiscal agent agreement or trust agreement.

“Taxable Property” means all Assessor’s Parcels within CFD No. 2018-1, which are not Exempt Property.

“Tax Zone” means a mutually exclusive geographic area, within which particular Special Tax rates may be levied pursuant to this Rate and Method of Apportionment of Special Tax. Exhibit "A" identifies the Tax Zone in CFD No. 2018-1 at formation; additional Tax Zones may be created when property is annexed into the CFD.

“Tax Zone 1” means the specific geographic area identified on the CFD Boundary Map as Tax Zone 1.

“Undeveloped Property” means all Assessor’s Parcels of Taxable Property which are not Developed Property or Approved Property.

“Unit” means any residential structure.

SECTION B CLASSIFICATION OF ASSESSOR’S PARCELS

Special Tax A

Each Fiscal Year, beginning with Fiscal Year 2018-2019, each Assessor’s Parcel within CFD No. 2018-1 shall be classified as Taxable Property or Exempt Property. In addition, each Assessor’s Parcel of Taxable Property shall be further classified as Developed Property, Approved Property or Undeveloped Property. Each Assessor’s Parcel of Developed Property shall further be classified as Residential Property, Multifamily Residential Property or Non-Residential Property. For the purposes of classifying parcels subject to the Annual Assigned Special Tax B, for each Tax Zone, for an Assessor’s Parcel to be classified as Taxable Property, the Parcel must have submitted a Special Tax B Application to the District prior to the date of the agenda deadline preceding the date set for approval of the Resolution of Intention to form said Tax Zone, unless accepted by the District at a later date, otherwise the Assessor’s parcel will be classified as Exempt Property for the purposes of the Annual Special Tax B.

Special Tax B

Each Fiscal Year, beginning with Fiscal Year 2018-2019, each Assessor’s Parcel within CFD No. 2018-1 shall be classified as Taxable Property or Exempt Property. For each Tax Zone, for an Assessor’s Parcel to be classified as Taxable Property, the Parcel must have submitted a Special Tax B Application to the District prior to the date of the agenda deadline preceding the date set for approval of the Resolution of Intention to form said Tax Zone, unless accepted by the District at a later date, otherwise the Assessor’s parcel will be classified as Exempt Property. In addition, each Assessor’s Parcel of Taxable Property shall be further classified as Developed Property, Approved Property or Undeveloped Property. Each Assessor’s Parcel of Developed Property shall further be classified as Residential Property, Multifamily Residential Property or Non-Residential Property.

SECTION C MAXIMUM SPECIAL TAX A

1. Developed Property

The Maximum Special Tax A for each Assessor’s Parcel of Residential Property, Multifamily Residential Property or Non-Residential Property in any Fiscal Year shall be the greater of (i) the Assigned Annual Special Tax A or (ii) the Backup Annual Special Tax A.

2. Approved Property and Undeveloped Property

The Maximum Special Tax A for each Assessor’s Parcel classified as Approved Property shall be the greater of (i) the Assigned Annual Special Tax A or (ii) the Backup Annual Special Tax A.

The Maximum Special Tax A for each Assessor’s Parcel classified as Undeveloped Property in any Fiscal Year shall be the Assigned Annual Special Tax A.

SECTION D
ASSIGNED ANNUAL SPECIAL TAX A

1. Developed Property

Each Fiscal Year, each Assessor's Parcel of Residential Property, Multifamily Residential Property or Non-Residential Property shall be subject to an Assigned Annual Special Tax A.

The Assigned Annual Special Tax A applicable to an Assessor's Parcel of Developed Property shall be determined using the Table below.

TABLE 1
ASSIGNED ANNUAL SPECIAL TAX A
FOR DEVELOPED PROPERTY

Tax Zone	Land Use Type	Rate
Tax Zone 1	Residential Property	\$5,790 per Parcel
Tax Zone 1	Non-Residential Property	\$5,790 per Parcel
Tax Zone 1	Multifamily Residential Property	\$5,790 per Parcel

2. Approved Property and Undeveloped Property

Each Fiscal Year, each Assessor's Parcel of Approved Property and Undeveloped Property shall be subject to an Assigned Annual Special Tax A. The Assigned Annual Special Tax A rate for an Assessor's Parcel classified as Approved Property or Undeveloped Property shall be determined pursuant to the Tables below:

TABLE 2
ASSIGNED ANNUAL SPECIAL TAX A
FOR APPROVED PROPERTY

Tax Zone	Rate
Tax Zone 1	\$5,790 per Parcel

TABLE 3
ASSIGNED ANNUAL SPECIAL TAX A
FOR UNDEVELOPED PROPERTY

Tax Zone	Rate
Tax Zone 1	\$11,885 per Acre

SECTION E
BACKUP ANNUAL SPECIAL TAX A

For each Tax Zone, the Administrator shall determine the Backup Annual Special Tax A for all Assessor's Parcels classified or reasonably expected to be classified as Residential Property within such Zone by

multiplying the Maximum Special Tax A rate for Undeveloped Property for the applicable Zone by the total Acreage of Taxable Property within the boundaries of such Tax Zone, excluding the Multifamily Residential Property, and/or Non-Residential Property Acreage if any, in such Tax Zone and any Acreage reasonably expected to be classified as Exempt Property, and dividing such amount by the total number of such Assessor's Parcels classified as either 1) Residential Property or 2) Approved Property for which a Building Permit is expected to be issued for Residential Property.

Notwithstanding the foregoing, if Parcels classified or to be classified as Residential Property are subsequently changed or modified by recordation of a lot line adjustment or similar instrument, then the Backup Annual Special Tax A shall be recalculated for the area that has been changed or modified using the methodology described in the preceding paragraph.

The Backup Annual Special Tax A for Multifamily Residential Property, Non-Residential Property and Undeveloped Property shall be its Annual Assigned Special Tax A rate.

SECTION F

METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX A

Commencing Fiscal Year 2018-2019 and for each subsequent Fiscal Year, the Board of Directors shall levy Annual Special Tax A in accordance with the following steps:

- Step One: The Annual Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Property at up to 100% of the applicable Assigned Annual Special Tax A in Table 1, Table 2, and Table 3 to satisfy the Special Tax A Requirement.
- Step Two: If additional moneys are needed to satisfy the Special Tax A Requirement after the first step has been completed, then the Annual Special Tax A on each Assessor's Parcel of Taxable Property for which the Maximum Special Tax A is the Backup Annual Special Tax A shall be increased Proportionately from the Assigned Annual Special Tax A up to 100% of the Backup Annual Special Tax A as needed to satisfy the Special Tax A Requirement.

SECTION G

PREPAYMENT OF ANNUAL SPECIAL TAX A

The following definition applies to this Section G:

"Outstanding Special Tax A Bonds" means all previously issued Special Tax A Bonds issued and secured by the levy of Special Tax A which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding Special Tax A Bonds to be redeemed at a later date with the proceeds of prior prepayments of Maximum Special Tax A.

Prepayment in Full

The Special Tax A obligation of an Assessor's Parcel of Developed Property, an Assessor's Parcel of Approved Property, and an Assessor's Parcel of Undeveloped Property may be prepaid in full, provided that there are no delinquent Special Tax A, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Special Tax A obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

An owner of an Assessor's Parcel intending to prepay the Special Tax A obligation shall provide the District with written notice of intent to prepay, and within 5 days of receipt of such notice, the District shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2018-1 in calculating the proper amount of a prepayment. Within 30 business days of receipt of such non-refundable deposit, the District shall notify such owner of the Prepayment Amount of such Assessor's Parcel.

The Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

$$\begin{array}{rcl} & & \text{Payoff Amount} \\ \text{plus} & & \text{Administrative Fee} \\ \text{equals} & & \text{Prepayment Amount} \end{array}$$

As of the date of prepayment, the Prepayment Amount shall be calculated as follows:

1. For an Assessor's Parcel of Developed Property, Approved Property or Undeveloped Property compute the Assigned Annual Special Tax A applicable to the Assessor's Parcel.

For each Assessor's Parcel of Developed Property, Approved Property, or Undeveloped Property to be prepaid, compute the present value of the remaining Annual Assigned Special Tax A payments using a discount rate that is equal to the weighted average interest rate on the Outstanding Special Tax A Bonds and the remaining term of the Outstanding Special Tax A Bonds determined by a Financial Advisor selected by the District. For any prepayment that occurs prior to the first issuance of Special Tax A Bonds, the discount rate used in this calculation shall be 5.0% and the term shall be the lesser of thirty (30) years or the number of remaining years in which the Special Tax A may be levied as provided in Section O. This is the "Payoff Amount."

2. For each Assessor's Parcel of Developed Property, Approved Property, or Undeveloped Property to be prepaid, divide the Assigned Annual Special Tax A computed pursuant to the first paragraph in paragraph 1 of this Section G for such Assessor's Parcel by the sum of the estimated Assigned Annual Special Tax applicable to all Assessor's Parcels of Taxable Property at build out, as reasonably determined by the Administrator.
3. Multiply the quotient computed pursuant to paragraph 2 by the Outstanding Special Tax A Bonds. The product shall be the "Bond Redemption Amount".
4. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Special Tax A Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
5. Compute the amount needed to pay interest on the Bond Redemption Amount to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the Outstanding Special Tax A Bonds.

6. Determine the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium in State and Local Government Series Treasury Obligations until the earliest call date for the Outstanding Special Tax A Bonds.
7. Subtract the amount computed pursuant to paragraph 6 from the amount computed pursuant to paragraph 5. This difference is the "Defeasance Cost."
8. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Special Tax A Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
9. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of Outstanding Special Tax A Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of Outstanding Special Tax A Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than zero.
10. The "Amount to Call Special Tax A Bonds" is equal to the sum of the Bond Redemption Amount, the Redemption Premium, and the Defeasance Cost, less the Reserve Fund Credit (the Amount to Call Special Tax A Bonds will be transferred to the debt service fund and used to defease or call Special Tax A Bonds).
11. The Prepayment Amount is the sum of the Payoff Amount and the Administrative Fee.
12. From the Prepayment Amount, the Amount to Call Special Tax A Bonds will be transferred to the debt service fund and used to defease or call Special Tax A Bonds pursuant to the fiscal agent agreement or escrow agreement; the Administrative Fee will be transferred to the Administrative Fund or functionally equivalent fund or account pursuant to the fiscal agent agreement and used to pay administrative expenses; the remainder will be transferred to the "Surplus Taxes Fund" or functionally equivalent fund or account pursuant to the fiscal agent agreement and/or Acquisition Agreement.

With respect to the Special Tax A obligation that is prepaid pursuant to this Section G, the Board of Directors shall indicate in the records of CFD No. 2018-1 that there has been a prepayment of the Special Tax A obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Special Tax A obligation and the release of the Special Tax A lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Special Tax A shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Special Tax A that may be levied on Taxable Property after such full prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all Outstanding Special Tax A Bonds in each future Fiscal Year.

SECTION H

PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAX A

The Special Tax A obligation of an Assessor's Parcel of Developed Property or an Assessor's Parcel of Approved Property or Undeveloped Property, for which a building permit has been issued or is expected to be issued, as calculated in this Section H below, may be partially prepaid, provided that there are no delinquent Special Tax A, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Special Tax A obligation would be prepaid.

The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = P_G \times F$$

The terms above have the following meanings:

PP = the Partial Prepayment Amount.
P_G = the Prepayment Amount calculated according to Section G.
F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Special Tax A obligation.

With respect to any Assessor's Parcel that is partially prepaid, the Board of Directors shall indicate in the records of CFD No. 2018-1 that there has been a partial prepayment of the Special Tax A obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Special Tax A obligation, to indicate the partial prepayment of the Special Tax A obligation and the partial release of the Special Tax A lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Special Tax A shall cease.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Special Tax A that may be levied on Taxable Property after such partial prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently Outstanding Special Tax A Bonds in each future Fiscal Year.

SECTION I

MAXIMUM SPECIAL TAX B

1. Developed Property

The Maximum Special Tax B for each Assessor's Parcel of Residential Property, Multifamily Residential Property or Non-Residential Property in any Fiscal Year shall be the greater of (i) the Assigned Annual Special Tax B or (ii) the Backup Annual Special Tax B.

2. Approved Property and Undeveloped Property

The Maximum Special Tax B for each Assessor's Parcel classified as Approved Property shall be the greater of (i) the Assigned Annual Special Tax B or (ii) the Backup Annual Special Tax B.

The Maximum Special Tax B for each Assessor's Parcel classified as Undeveloped Property in any Fiscal Year shall be the Assigned Annual Special Tax B.

**SECTION J
ASSIGNED ANNUAL SPECIAL TAX B**

1. Developed Property

Each Fiscal Year, each Assessor's Parcel of Residential Property, Multifamily Residential Property or Non-Residential Property shall be subject to an Assigned Annual Special Tax B.

The Assigned Annual Special Tax B applicable to an Assessor's Parcel of Developed Property shall be determined using the Table below.

TABLE 4
ASSIGNED ANNUAL SPECIAL TAX B
FOR DEVELOPED PROPERTY

Tax Zone	Land Use Type	Estimated Cost to be Financed	Rate
Tax Zone 1	Residential Property	≤\$20,000	\$2,350 per Parcel
Tax Zone 1	Residential Property	>\$20,000	\$2,535 per Parcel

2. Approved Property and Undeveloped Property

Each Fiscal Year, each Assessor's Parcel of Approved Property and Undeveloped Property shall be subject to an Assigned Annual Special Tax B. The Assigned Annual Special Tax B rate for an Assessor's Parcel classified as Approved Property or Undeveloped Property shall be determined pursuant to the tables below:

TABLE 5
ASSIGNED ANNUAL SPECIAL TAX B
FOR APPROVED PROPERTY

Tax Zone	Estimated Cost to be Financed	Rate
Tax Zone 1	≤\$20,000	\$2,350 per Parcel
Tax Zone 1	>\$20,000	\$2,535 per Parcel

TABLE 6
ASSIGNED ANNUAL SPECIAL TAX B
FOR UNDEVELOPED PROPERTY

Tax Zone	Estimated Cost to be Financed	Rate
Tax Zone 1	≤\$20,000	\$2,350 per Parcel
Tax Zone 1	>\$20,000	\$2,535 per Parcel

**SECTION K
BACKUP ANNUAL SPECIAL TAX B**

For each Tax Zone, the Administrator shall determine the Backup Annual Special Tax B for all Assessor's Parcels of Taxable Property classified or reasonably expected to be classified as Residential Property within such Zone by multiplying the Assigned Annual Special Tax B for each Assessor's Parcel by 1.15.

The Backup Annual Special Tax B for Multifamily Residential Property, Non-Residential Property and Undeveloped Property shall be its Annual Assigned Special Tax B.

**SECTION L
METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX B**

Commencing Fiscal Year 2018-2019 and for each subsequent Fiscal Year, the Board of Directors shall levy Annual Special Tax B in accordance with the following steps:

- Step One: The Annual Special Tax B shall be levied Proportionately on each Assessor's Parcel of Taxable Property at up to 100% of the applicable Assigned Annual Special Tax B in Table 4, Table 5, and Table 6 to satisfy the Special Tax B Requirement.
- Step Two: If additional moneys are needed to satisfy the Special Tax B Requirement after the first step has been completed, then the Annual Special Tax B on each Assessor's Parcel of Taxable Property for which the Maximum Special Tax B is the Backup Annual Special Tax B shall be increased Proportionately from the Assigned Annual Special Tax B up to 100% of the Backup Annual Special Tax B as needed to satisfy the Special Tax B Requirement.

**SECTION M
PREPAYMENT OF ANNUAL SPECIAL TAX B**

The following definition applies to this Section M:

“Outstanding Special Tax B Bonds” means all previously issued Special Tax B Bonds issued and secured by the levy of Special Tax B which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding Special Tax B Bonds to be redeemed at a later date with the proceeds of prior prepayments of Maximum Special Tax B.

Prepayment in Full.

The Special Tax B obligation of an Assessor's Parcel of Developed Property, an Assessor's Parcel of Approved Property, and an Assessor's Parcel of Undeveloped Property may be prepaid in full, provided that there are no delinquent Special Tax B, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Special Tax B obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

An owner of an Assessor's Parcel intending to prepay the Special Tax B obligation shall provide the District with written notice of intent to prepay, and within 5 days of receipt of such notice, the District shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2018-1 in calculating the proper amount of a prepayment. Within 30 business days of receipt of such non-refundable deposit, the District shall notify such owner of the Prepayment Amount of such Assessor's Parcel.

The Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

$$\begin{array}{rcl} & & \text{Payoff Amount} \\ \text{plus} & & \text{Administrative Fee} \\ \text{equals} & & \text{Prepayment Amount} \end{array}$$

As of the date of prepayment, the Prepayment Amount shall be calculated as follows:

1. For an Assessor's Parcel of Taxable Property, compute the Assigned Annual Special Tax B applicable to the Assessor's Parcel.

For each Assessor's Parcel of Taxable Property to be prepaid, compute the present value of the remaining Annual Assigned Special Tax B payments using a discount rate that is equal to the weighted average interest rate on the Outstanding Special Tax B Bonds and the remaining term of the Outstanding Special Tax B Bonds determined by a Financial Advisor selected by the District. For any prepayment that occurs prior to the first issuance of Special Tax B Bonds, the discount rate used in this calculation shall be 6.5% and the term shall be the lesser of thirty (30) years or the number of remaining years in which the Special Tax B may be levied as provided in Section O. This is the "Payoff Amount."

2. For each Assessor's Parcel of Taxable Property to be prepaid, divide the Assigned Annual Special Tax B computed pursuant to the first paragraph in paragraph 1 of this Section M for such Assessor's Parcel by the sum of the estimated Assigned Annual Special Tax B applicable to all Assessor's Parcels of Taxable Property at build out, as reasonably determined by the Administrator.
3. Multiply the quotient computed pursuant to paragraph 2 by the Outstanding Special Tax B Bonds. The product shall be the "Bond Redemption Amount".
4. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Special Tax B Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."

5. Compute the amount needed to pay interest on the Bond Redemption Amount to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the Outstanding Special Tax B Bonds.
6. Determine the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium in State and Local Government Series Treasury Obligations until the earliest call date for the Outstanding Special Tax B Bonds.
7. Subtract the amount computed pursuant to paragraph 6 from the amount computed pursuant to paragraph 5. This difference is the "Defeasance Cost."
8. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Special Tax B Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
9. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of Outstanding Special Tax B Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of Outstanding Special Tax B Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than zero.
10. The "Amount to Call Special Tax B Bonds" is equal to the sum of the Bond Redemption Amount, the Redemption Premium, and the Defeasance Cost, less the Reserve Fund Credit (the Amount to Call Special Tax B Bonds will be transferred to the debt service fund and used to defease or call Special Tax B Bonds).
11. The Prepayment Amount is the sum of the Payoff Amount and the Administrative Fee.
12. From the Prepayment Amount, the Amount to Call Special Tax B Bonds will be transferred to the debt service fund and used to defease or call Special Tax B Bonds pursuant to the fiscal agent agreement or escrow agreement; the Administrative Fee will be transferred to the Administrative Fund or functionally equivalent fund or account pursuant to the fiscal agent agreement and used to pay administrative expenses; the remainder will be transferred to the "Surplus Taxes Fund" or functionally equivalent fund or account pursuant to the fiscal agent agreement and/or Acquisition Agreement.

With respect to the Special Tax B obligation that is prepaid pursuant to this Section M, the Board of Directors shall indicate in the records of CFD No. 2018-1 that there has been a prepayment of the

Special Tax B obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Special Tax B obligation and the release of the Special Tax B lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Special Tax B shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Special Tax B that may be levied on Taxable Property after such full prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all Outstanding Special Tax B Bonds in each future Fiscal Year.

SECTION N PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAX B

The Special Tax B obligation of an Assessor's Parcel of Developed Property or an Assessor's Parcel of Approved Property or Undeveloped Property, for which a building permit has been issued or is expected to be issued, as calculated in this Section N below, may be partially prepaid, provided that there are no delinquent Special Tax B, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Special Tax B obligation would be prepaid.

The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = P_G \times F$$

The terms above have the following meanings:

- PP = the Partial Prepayment Amount.
- P_G = the Prepayment Amount calculated according to Section M.
- F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Special Tax B obligation.

With respect to any Assessor's Parcel that is partially prepaid, the Board of Directors shall indicate in the records of CFD No. 2018-1 that there has been a partial prepayment of the Special Tax B obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Special Tax B obligation, to indicate the partial prepayment of the Special Tax B obligation and the partial release of the Special Tax B lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Special Tax B shall cease.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Special Tax B that may be levied on Taxable Property after such partial prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently Outstanding Special Tax B Bonds in each future Fiscal Year.

SECTION O TERM OF SPECIAL TAX A AND SPECIAL TAX B

Special Tax A shall be levied for each Tax Zone pursuant to this Rate and Method of Apportionment not later than the Fiscal Year indicated in the Table below:

TABLE 7
TERM OF THE SPECIAL TAX A

Tax Zone	Term
Tax Zone 1	Fiscal Year 2048-2049

Special Tax B shall be levied for each Tax Zone pursuant to this Rate and Method of Apportionment not later than the Fiscal Year indicated in the Table below:

TABLE 8
TERM OF THE SPECIAL TAX B

Tax Zone	Term
Tax Zone 1	Fiscal Year 2048-2049

SECTION P EXEMPT PROPERTY

Special Tax A

The District shall classify as Exempt Property within the applicable Zone (i) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by the State of California, Federal or other local governments, including school districts, (ii) Assessor's Parcels which are used as places of worship and are exempt from ad valorem property taxes because they are owned by a religious organization, (iii) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels which are privately owned and are encumbered by or restricted solely for public uses, or (vi) other types of public uses determined by the Board of Directors.

Notwithstanding the foregoing, the Board of Directors for purposes of levying the Special Tax A, shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property within the applicable Zone to less than the Acreage amounts listed in Table 9 below. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property within the applicable Zone to less than the Acreage amounts listed in the tables below will be classified as Taxable Property.

Special Tax B

For each Tax Zone, once a Parcel is classified as Taxable Property, pursuant to Section B, and is subject to Annual Special Tax B, the parcel shall not be subsequently classified as Exempt Property so long as Special Tax B Bonds are outstanding, unless the Parcel has fully prepaid its Annual Special Tax B obligation pursuant to Section M.

TABLE 9
SPECIAL TAX A MINIMUM TAXABLE ACRES

Zone	Acres
Zone 1	4.872

**SECTION Q
APPEALS AND INTERPRETATIONS**

Any property owner claiming that the amount or application of the Special Tax A or Special Tax B is not correct may file a written notice of appeal with the Administrator not later than twelve months after having paid the first installment of the Special Tax A or Special Tax B that is disputed. A representative(s) of CFD No. 2018-1 shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax A or Special Tax B, and rule on the appeal. If the representative's decision requires that the Special Tax A or Special Tax B for an Assessor's Parcel be modified or changed in favor of the property owner, the representative shall take any of the following actions, in order of priority, to correct the error:

- (i) if possible, amend the Special Tax levy on the property owner's Assessor's Parcel(s) for the current Fiscal Year prior to the payment date;
- (ii) require CFD No. 2018-1 to reimburse the property owner for the amount of the overpayment to the extent of available CFD No. 2018-1 funds; or
- (iii) grant a credit against, eliminate or reduce the future Special Taxes on the property owner's Assessor's Parcel(s) in the amount of the overpayment.

The Board of Directors may interpret this Rate and Method of Apportionment for purposes of clarifying any ambiguity and make determinations relative to the amount of Administrative Expenses.

**SECTION R
MANNER OF COLLECTION**

The Annual Special Tax A or Annual Special Tax B shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that CFD No. 2018-1 may collect Annual Special Tax A and Annual Special Tax B at a different time or in a different manner if necessary to meet its financial obligations.

EXHIBIT A

TABLES OF APPLICABLE RATES AND FIGURES BY ZONE

CFD NO. 2018-1

TABLE 1
ASSIGNED ANNUAL SPECIAL TAX A
FOR DEVELOPED PROPERTY

Tax Zone	Land Use Type	Rate
Tax Zone 1	Residential Property	\$5,790 per Parcel

TABLE 2
ASSIGNED ANNUAL SPECIAL TAX A
FOR APPROVED PROPERTY

Tax Zone	Rate
Tax Zone 1	\$5,790 per Parcel

TABLE 3
ASSIGNED ANNUAL SPECIAL TAX A
FOR UNDEVELOPED PROPERTY

Tax Zone	Rate
Tax Zone 1	\$11,885 per Acre

TABLE 4
ASSIGNED ANNUAL SPECIAL TAX B
FOR DEVELOPED PROPERTY

Tax Zone	Land Use Type	Estimated Cost to be Financed	Rate
Tax Zone 1	Residential Property	≤\$20,000	\$2,350 per Parcel
Tax Zone 1	Residential Property	>\$20,000	\$2,535 per Parcel

TABLE 5
ASSIGNED ANNUAL SPECIAL TAX B
FOR APPROVED PROPERTY

Tax Zone	Estimated Cost to be Financed	Rate
Tax Zone 1	≤\$20,000	\$2,350 per Parcel
Tax Zone 1	>\$20,000	\$2,535 per Parcel

TABLE 6
ASSIGNED ANNUAL SPECIAL TAX B
FOR UNDEVELOPED PROPERTY

Tax Zone	Estimated Cost to be Financed	Rate
Tax Zone 1	≤\$20,000	\$2,350 per Parcel
Tax Zone 1	>\$20,000	\$2,535 per Parcel

TABLE 7
TERM OF THE SPECIAL TAX A

Tax Zone	Term
Tax Zone 1	Fiscal Year 2048-2049

TABLE 8
TERM OF THE SPECIAL TAX B

Tax Zone	Term
Tax Zone 1	Fiscal Year 2048-2049

TABLE 9
SPECIAL TAX A MINIMUM TAXABLE ACRES

Zone	Acres
Zone 1	4.872

EXHIBIT B

BOUNDARIES- POTENTIAL ANNEXATION AREA

CFD No. 2018-1

BOUNDARIES - POTENTIAL ANNEXATION AREA

COMMUNITY FACILITIES DISTRICT NO. 2018-1

EAST ORANGE COUNTY WATER DISTRICT, COUNTY OF ORANGE, STATE OF CALIFORNIA

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING
PROPOSED BOUNDARIES OF THE EAST ORANGE
COUNTY WATER DISTRICT COMMUNITY FACILITIES
DISTRICT NO. 2018-1, POTENTIAL ANNEXATION AREA,
COUNTY OF ORANGE, STATE OF CALIFORNIA, WAS
APPROVED BY THE BOARD OF DIRECTORS OF THE
EAST ORANGE COUNTY WATER DISTRICT AT A
REGULAR MEETING THEREOF HELD ON THE 5TH DAY
OF JUNE, 2018, BY ITS RESOLUTION NO.
822

[Signature]
SECRETARY OF THE BOARD OF DIRECTORS,
EAST ORANGE COUNTY WATER DISTRICT

FILED IN THE OFFICE OF THE SECRETARY OF THE BOARD
OF DIRECTORS OF THE EAST ORANGE COUNTY WATER
DISTRICT THIS 5TH DAY OF JUNE, 2018.

[Signature]
SECRETARY OF THE BOARD OF DIRECTORS,
EAST ORANGE COUNTY WATER DISTRICT

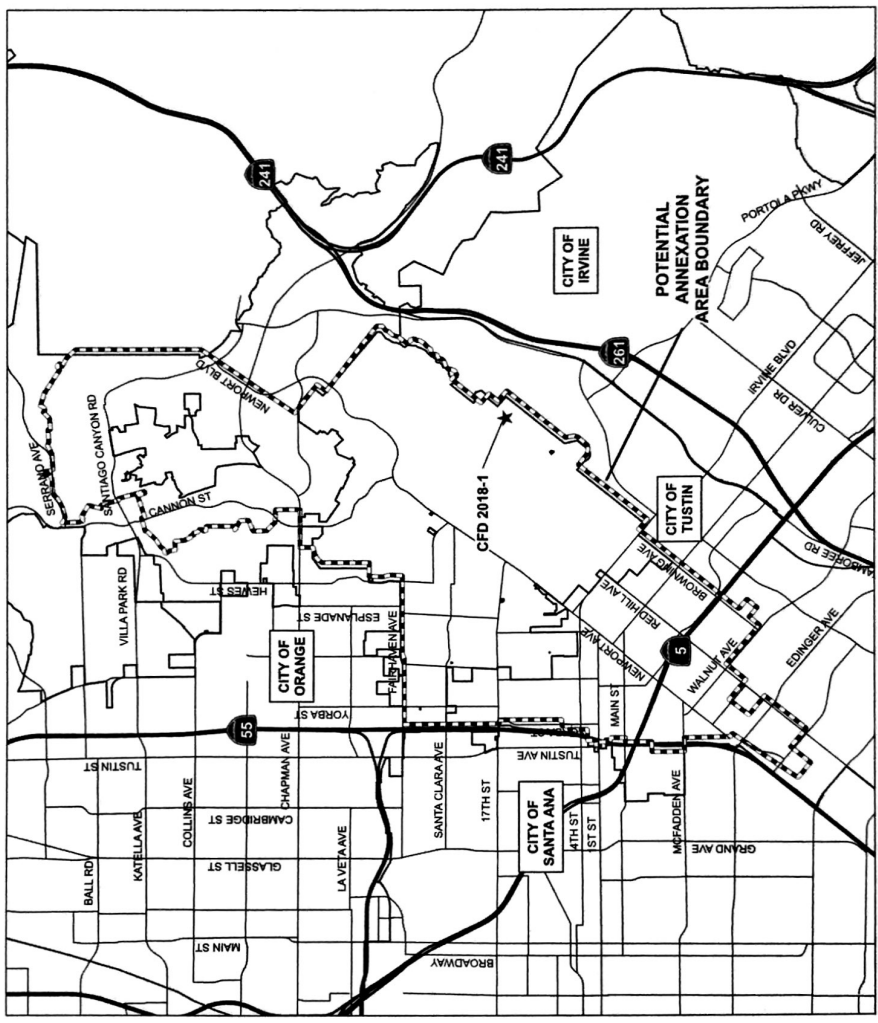
RECORDED REQUEST BY:
E. ORANGE COUNTY WATER DISTRICT

FILED THIS 19TH DAY OF JUNE, 2018
AT THE HOUR OF 12:30 O'CLOCK P.M. IN BOOK 106
OF MAPS OF ASSESSMENT AND COMMUNITY
FACILITIES DISTRICTS AT PAGE 26 19
AT THE REQUEST OF THE EAST ORANGE COUNTY
WATER DISTRICT IN THE OFFICE OF THE COUNTY
RECORDER OF THE COUNTY OF ORANGE, STATE
OF CALIFORNIA.

FEE: \$1.00
INST. NO.: 2018-21923

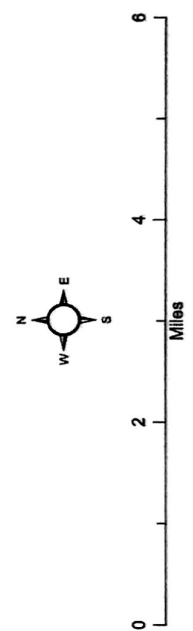
HUGH NGUYEN
COUNTY CLERK-RECORDER

[Signature]
BY DEPUTY
COUNTY CLERK-RECORDER
COUNTY OF ORANGE



LEGEND

- EAST ORANGE COUNTY WATER DISTRICT
POTENTIAL ANNEXATION AREA BOUNDARY
- CITY BOUNDARIES



APPENDIX B
Boundary Map



106 25

PROPOSED BOUNDARY MAP **COMMUNITY FACILITIES DISTRICT NO. 2018-1** **EAST ORANGE COUNTY WATER DISTRICT,** **COUNTY OF ORANGE, STATE OF CALIFORNIA**

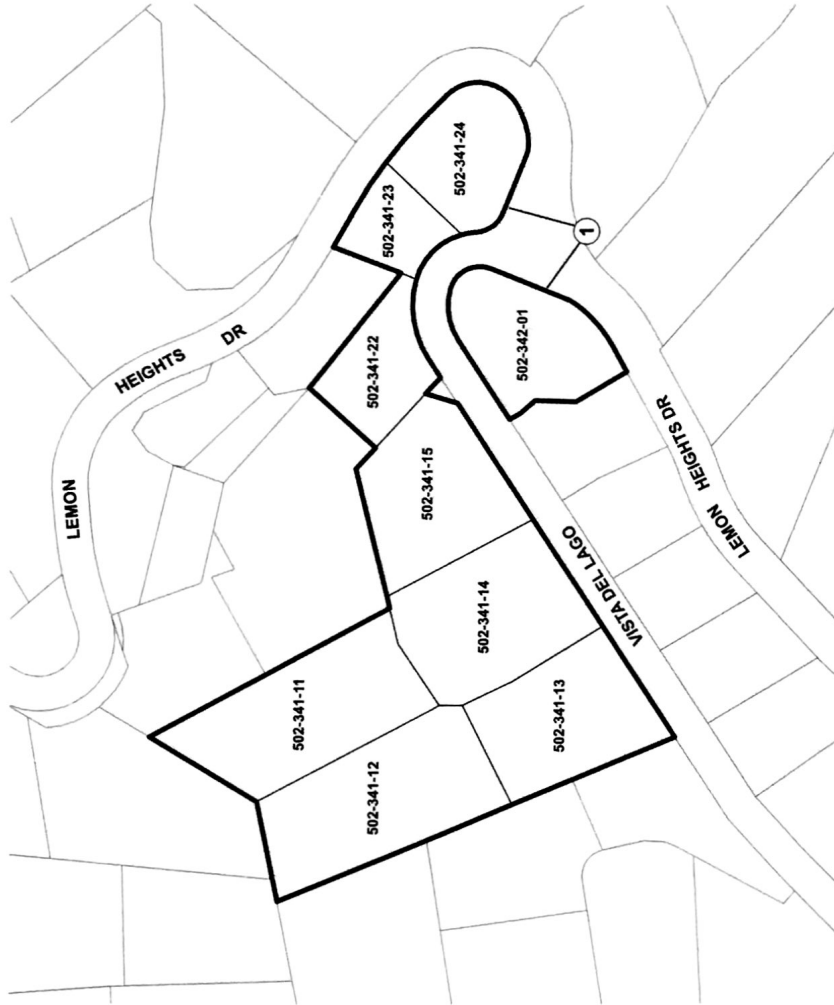
FILED IN THE OFFICE OF THE SECRETARY OF THE BOARD OF DIRECTORS OF THE EAST ORANGE COUNTY WATER DISTRICT THIS 5TH DAY OF JUNE 2018.

[Signature]
 SECRETARY OF THE BOARD OF DIRECTORS,
 EAST ORANGE COUNTY WATER DISTRICT

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF THE EAST ORANGE COUNTY WATER DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2018-1, COUNTY OF ORANGE, STATE OF CALIFORNIA, WAS APPROVED BY THE BOARD OF DIRECTORS OF THE EAST ORANGE COUNTY WATER DISTRICT AT A REGULAR MEETING HELD ON THE 5TH DAY OF JUNE 2018 BY ITS RESOLUTION NO. 822.

[Signature]
 SECRETARY OF THE BOARD OF DIRECTORS,
 EAST ORANGE COUNTY WATER DISTRICT

SHEET 1 OF 1
 RETURNED REQUESTED BY: EAST ORANGE COUNTY WATER DISTRICT
 FILED THIS 14TH DAY OF JUNE 2018
 AT THE HOUR OF 12:31 O'CLOCK P.M. IN BOOK 706
 OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS AT PAGE 21 mlg
 AT THE REQUEST OF THE EAST ORANGE COUNTY WATER DISTRICT IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF ORANGE, STATE OF CALIFORNIA.
 FEE: \$1.00
 INST. NO.: 2018-217922
 HUGH NGUYEN
 COUNTY CLERK-RECORDER
[Signature]
 BY DEPUTY
 COUNTY CLERK-RECORDER
 COUNTY OF ORANGE



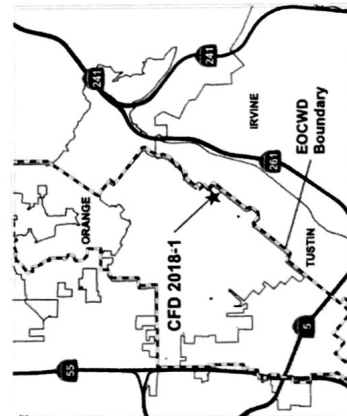
LEGEND

- CFD BOUNDARY
- PARCEL BOUNDARY
- XXX-XXX-XX ASSESSOR'S PARCEL NUMBER
- ① TAX ZONE

THE LINES AND DIMENSION OF EACH LOT OR PARCEL SHOWN ON THIS MAP SHALL BE THOSE LINES AND DIMENSIONS AS SHOWN ON THE ORANGE COUNTY ASSESSOR'S MAPS FOR THOSE PARCELS LISTED.

THE ORANGE COUNTY ASSESSOR'S MAPS SHALL GOVERN FOR ALL DETAILS CONCERNING THE LINES AND DIMENSIONS OF SUCH LOTS OR PARCELS.

Vicinity Map
 (not to scale)



ALBERT A.
WEBB
 ASSOCIATES

APPENDIX C

Potential Annexation Area Map




BOUNDARIES - POTENTIAL ANNEXATION AREA


COMMUNITY FACILITIES DISTRICT NO. 2018-1

EAST ORANGE COUNTY WATER DISTRICT, COUNTY OF ORANGE, STATE OF CALIFORNIA

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING
PROPOSED BOUNDARIES OF THE EAST ORANGE
COUNTY WATER DISTRICT COMMUNITY FACILITIES
DISTRICT NO. 2018-1, POTENTIAL ANNEXATION AREA,
COUNTY OF ORANGE, STATE OF CALIFORNIA, WAS
APPROVED BY THE BOARD OF DIRECTORS OF THE
EAST ORANGE COUNTY WATER DISTRICT AT A
REGULAR MEETING THEREOF HELD ON THE 5TH DAY
OF JUNE, 2018, BY ITS RESOLUTION NO.
822


SECRETARY OF THE BOARD OF DIRECTORS,
EAST ORANGE COUNTY WATER DISTRICT

FILED IN THE OFFICE OF THE SECRETARY OF THE BOARD
OF DIRECTORS OF THE EAST ORANGE COUNTY WATER
DISTRICT THIS 5TH DAY OF JUNE, 2018.


SECRETARY OF THE BOARD OF DIRECTORS,
EAST ORANGE COUNTY WATER DISTRICT

RECORDED REQUEST BY:
E. ORANGE COUNTY WATER DISTRICT

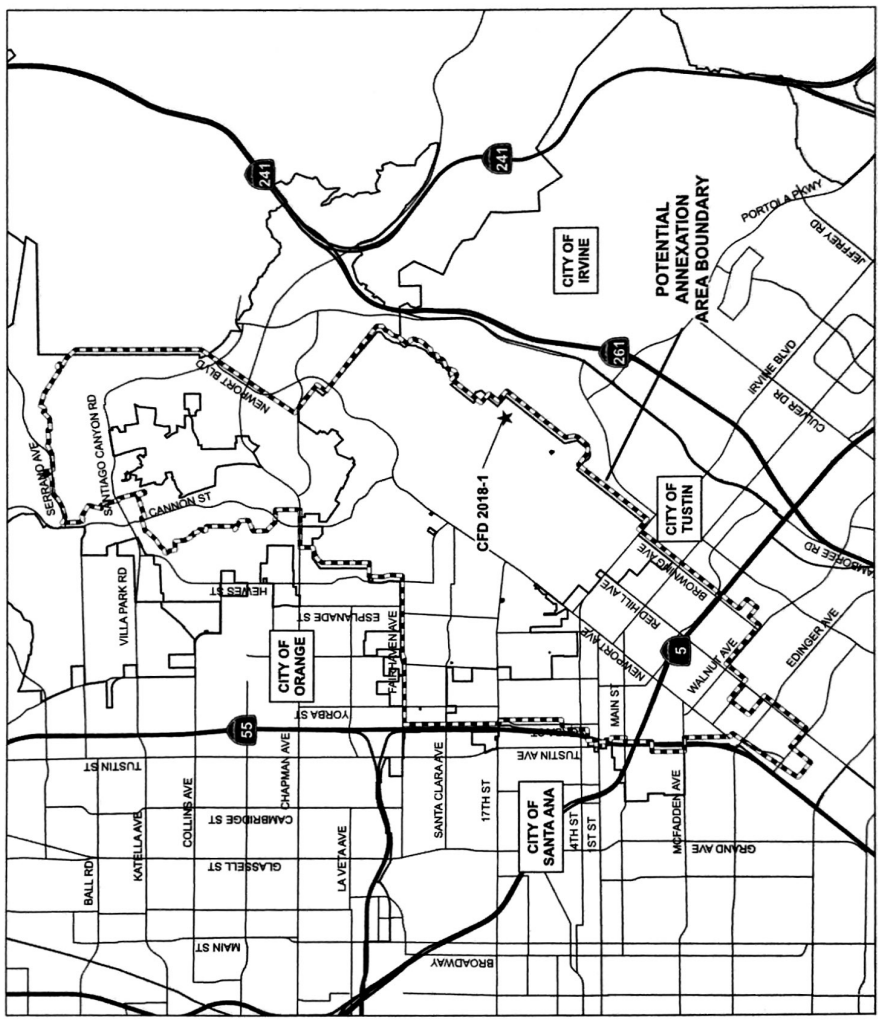
FILED THIS 19TH DAY OF JUNE, 2018
AT THE HOUR OF 12:30 O'CLOCK P. M. IN BOOK 106
OF MAPS OF ASSESSMENT AND COMMUNITY
FACILITIES DISTRICTS AT PAGE 26 19
AT THE REQUEST OF THE EAST ORANGE COUNTY
WATER DISTRICT IN THE OFFICE OF THE COUNTY
RECORDER OF THE COUNTY OF ORANGE, STATE
OF CALIFORNIA.

FEE: \$1.00

INST. NO.: 2018-21923

HUGH NGUYEN
COUNTY CLERK-RECORDER


BY DEPUTY
COUNTY CLERK-RECORDER
COUNTY OF ORANGE



LEGEND

-  EAST ORANGE COUNTY WATER DISTRICT
POTENTIAL ANNEXATION AREA BOUNDARY
-  CITY BOUNDARIES

RESOLUTION NO. 832

RESOLUTION OF THE BOARD OF DIRECTORS OF EAST ORANGE COUNTY WATER DISTRICT, ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2018-1 OF EAST ORANGE COUNTY WATER DISTRICT, DETERMINING THE NECESSITY TO INCUR BONDED INDEBTEDNESS WITHIN SAID COMMUNITY FACILITIES DISTRICT AND CALLING AN ELECTION THEREIN

WHEREAS, on June 5, 2018, the Board of Directors of East Orange County Water District (the "Board of Directors") adopted Resolution No. 822 (the "Resolution of Intention") stating its intention to form Community Facilities District No. 2018-1 of East Orange County Water District (the "District") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"); and

WHEREAS, on June 5, 2018, the Board of Directors also adopted Resolution No. 823 stating its intention to incur bonded indebtedness within the proposed District in an amount not to exceed \$700,000 to finance: (1) the purchase, construction, expansion, improvement or rehabilitation of public improvements identified in Attachment "B" to Resolution No. 822, including all furnishings, equipment and supplies related thereto (collectively, the "Improvements") and (2) the incidental expenses to be incurred in financing the Improvements and forming and administering the District (the "Incidental Expenses"); and

WHEREAS, notice was published as required by law relative to the intention of the Board of Directors to form the proposed District and to incur bonded indebtedness for the District; and

WHEREAS, on July 9, 2018, the Board of Directors opened a noticed public hearing to determine whether it should proceed to form the District, issue bonds to pay for the Improvements and Incidental Expenses and to authorize the rate and method of apportionment of a special tax to be levied within the District for the purposes described in the Resolution of Intention; and

WHEREAS, at said public hearing all persons desiring to be heard on all matters pertaining to the formation of the District, the levy of a special tax and the issuance of bonds to pay for the cost of the proposed Improvements and Incidental Expenses were heard and a full and fair hearing was held; and

WHEREAS, subsequent to such hearing the Board of Directors adopted a resolution establishing the District (the "Resolution of Formation"); and

WHEREAS, the Board of Directors desires to make the necessary findings to incur bonded indebtedness for the District, to declare the purpose for said indebtedness, and to

authorize the submittal of certain propositions to the voters of the District, being the registered voters within the District, all as authorized and required by law;

NOW, THEREFORE, THE BOARD OF DIRECTORS OF EAST ORANGE COUNTY WATER DISTRICT HEREBY FINDS, DETERMINES, RESOLVES, AND ORDERS AS FOLLOWS:

1. It is necessary to incur bonded indebtedness of the District in a maximum aggregate principal amount not to exceed \$700,000.

2. The indebtedness is to be incurred for the purpose of financing the costs of purchasing, constructing, modifying, expanding, improving, or rehabilitating the Improvements, as described in the Resolution of Intention and the Resolution of Formation, financing the Incidental Expenses, and carrying out the powers and purposes of the District, including, but not limited to, financing the costs of selling the bonds, establishing and replenishing bond reserve funds and paying remarketing, credit enhancement and liquidity facility fees (including such fees for instruments which serve as the basis of a reserve fund in lieu of cash), administrative expenses and other expenses of the type authorized by Section 53345.3 of the Act.

3. The whole of the property within the District, other than property exempted from the special tax pursuant to the provisions of the rate and method of apportionment attached to the Resolution of Intention as Attachment "C," shall pay for the bonded indebtedness of the District pursuant to the levy of the special tax authorized by the Resolution of Formation.

4. The maximum term of the bonds to be issued shall in no event exceed thirty (30) years.

5. The bonds shall bear interest at the rate or rates not to exceed the maximum interest rate permitted by law, payable annually or semiannually, or in part annually and in part semiannually, except the first interest payment may be for a period of less than six months, with the actual rate or rates and times of payment to be determined at the time or times of sale thereof.

6. The bonds may bear a variable or fixed interest rate, provided that such variable rate or the fixed rate shall not exceed the maximum rate permitted by Section 53531 of the California Government Code, or any other applicable provision of law limiting the maximum interest rate on the bonds.

7. Pursuant to Section 53351 of the Act, a special election is hereby called for the District on the proposition of incurring the bonded indebtedness. The proposition relative to incurring bonded indebtedness for the District shall be in the form set forth in Attachment "A" to the Resolution of Formation. The election in the District on the proposition of incurring bonded indebtedness shall be consolidated with the election on the propositions to levy a

special tax and to establish an appropriations limit for the District, which propositions shall be in the form set forth in Attachment "A" to the Resolution of Formation.

8. The date of the consolidated special election for the District shall be July 9, 2018, or such later date as is consented to by the Secretary of East Orange County Water District (the "Secretary") and the registered voters within the District. The election shall be conducted by the Secretary. Except as otherwise provided by the Act, the election shall be conducted in accordance with the provisions of law regulating elections of East Orange County Water District insofar as such provisions are determined by the Secretary to be applicable. The Secretary is authorized to conduct the election following the adoption of the Resolution of Formation and this resolution; and all ballots shall be received by, and the Secretary shall close the election by 5:00 p.m. on the election day; provided the election shall be closed at such earlier time as all qualified electors have voted as provided in Section 53326(d) of the Act. It is hereby found that there are more than 12 registered voters within the territory of the District and, pursuant to Section 53351(j) of the Act, the ballots for the special election shall be distributed in person or by mail with return postage prepaid to the registered voters within the District as of the close of the July 9, 2018 hearing regarding the formation of the District. Each registered voter shall have one vote, as provided in Section 53326 of the Act.

9. This Resolution shall be effective upon its adoption.

Dated: July 9, 2018

Douglass S. Davert, President

I hereby certify that the foregoing is a full, true and correct copy of the Resolution adopted by the Board of Directors of East Orange County Water District at its meeting held on July 9, 2018.

ATTEST:

Jeff Hoskinson, Board Secretary

RESOLUTION NO. 833

RESOLUTION OF THE BOARD OF DIRECTORS OF EAST ORANGE COUNTY WATER DISTRICT, ACTING IN ITS CAPACITY AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2018-1 OF EAST ORANGE COUNTY WATER DISTRICT, CERTIFYING THE RESULTS OF THE JULY 9, 2018 SPECIAL TAX AND BOND ELECTIONS

WHEREAS, on July 9, 2018, the Board of Directors of East Orange County Water District (the "Board of Directors"), adopted certain resolutions which established Community Facilities District No. 2018-1 of East Orange County Water District (the District"), determined the necessity to incur bonded indebtedness of the District, and duly called an election within the District on the propositions attached hereto as Attachment "A"; and

WHEREAS, the election was duly held on July 9, 2018, at which the propositions attached hereto as Attachment "A" were presented to the qualified electors within the District; and

WHEREAS, there has been presented to the Board of Directors a certificate of the Secretary canvassing the results of the election, a copy of which is attached hereto as Attachment "B";

NOW, THEREFORE, THE BOARD OF DIRECTORS, DOES HEREBY RESOLVE, ORDER AND DETERMINE AS FOLLOWS:

1. Each of the above recitals is true and correct and is adopted by the legislative body of the District.

2. Propositions A, B and C presented to the qualified electors of the District on July 9, 2018 were approved by more than two-thirds of the votes cast at the election held for the District, and each of Propositions A, B and C has carried. The Board of Directors is hereby authorized to levy on the land within the District the special tax described in Proposition B for the purposes described therein and to take the necessary steps to levy the special tax authorized by Proposition B and to issue bonds in an amount not to exceed \$700,000 specified in Proposition A.

3. The Secretary is hereby directed to record in the Office of the County Recorder within fifteen days of the date hereof a notice of special tax lien which Bond Counsel to the District shall prepare in the form required by Streets and Highways Code Section 3114.5.

4. This Resolution shall be effective upon its adoption.

Dated: July 9, 2018

Douglass S. Davert, President

I hereby certify that the foregoing is a full, true and correct copy of the Resolution adopted by the Board of Directors of East Orange County Water District at its meeting held on July 9, 2018.

ATTEST:

Jeff Hoskinson, Board Secretary

ATTACHMENT A

SAMPLE BALLOT

COMMUNITY FACILITIES DISTRICT NO. 2018-1
OF EAST ORANGE COUNTY WATER DISTRICT
SPECIAL TAX AND SPECIAL BOND ELECTION

July 9, 2018

This ballot represents one vote.

To vote, write or stamp a cross (“+” or “X”) in the voting line after the word “YES” or after the word “NO”. All marks otherwise made are forbidden. All distinguishing marks are forbidden and make the ballot void.

If you wrongly mark, tear or deface this ballot, return it to the Secretary of East Orange County Water District and obtain another.

PROPOSITION A: Shall Community Facilities District No. 2018-1 of East Orange County Water District (the “District”) incur an indebtedness and issue bonds for the District in the maximum principal amount of \$700,000, with interest at a rate or rates not to exceed the maximum interest rate permitted by law, to finance the Improvements and the Incidental Expenses described in Resolution No. 822 of the Board of Directors of East Orange County Water District?

YES_____

NO_____

PROPOSITION B: Shall a special tax with a rate and method of apportionment as provided in Resolution No.822 of the Board of Directors of East Orange County Water District for Community Facilities District No. 2018-1 of East Orange County Water District be levied to pay the principal of and interest on bonds issued to finance the Improvements and Incidental Expenses and the other purposes described in Resolution No. 822?

YES_____

NO_____

PROPOSITION C: For each year commencing with Fiscal Year 2018-19, shall the appropriations limit, as defined by subdivision (h) of Section 8 of Article XIII B of the California Constitution, for Community Facilities District No. 2018-1 of East Orange County Water District be an amount equal to \$700,000?

YES_____

NO_____

ATTACHMENT B

**CERTIFICATE OF SECRETARY
AS TO THE RESULTS OF THE CANVASS OF THE ELECTION RETURNS**

I, Jeff Hoskinson, Board Secretary of East Orange County Water District, do hereby certify that I have examined the returns of the Special Tax and Bond Election for Community Facilities District No. 2018-1 of East Orange County Water District (the "District"). The election was held in the chambers of the Board of Directors at 185 North McPherson Road, Orange, California, on July 9, 2018. I caused to be delivered ballots to each qualified elector. _____ () ballots were returned.

I further certify that the results of said election and the number of votes cast for and against Propositions A, B and C are as follows:

<u>PROPOSITION A</u>	<u>PROPOSITION B</u>	<u>PROPOSITION C</u>
YES:	YES:	YES:
NO:	NO:	NO:
TOTAL:	TOTAL:	TOTAL:

Dated this 9th day of July, 2018.

Jeff Hoskinson
Jeff Hoskinson, Board Secretary
East Orange County Water District

ORDINANCE NO. 2018-1

ORDINANCE OF THE BOARD OF DIRECTORS OF EAST ORANGE COUNTY WATER DISTRICT, ACTING IN ITS CAPACITY AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2018-1 OF EAST ORANGE COUNTY WATER DISTRICT, AUTHORIZING THE LEVY OF A SPECIAL TAX WITHIN THE DISTRICT

WHEREAS, on June 5, 2018, the Board of Directors (the "Board of Directors") of East Orange County Water District (the "Water District") adopted Resolution No. 822 declaring its intention to form Community Facilities District No. 2018-1 of East Orange County Water District (the "District") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"), and adopted Resolution No. 823 declaring its intention to incur bonded indebtedness of the District; and

WHEREAS, on July 9, 2018, after providing all notice required by the Act, the Board of Directors opened a public hearing required by the Act relative to the formation of the District, the proposed levy of a special tax within the District to finance certain public improvements described in Resolution No. 822 and to secure the payment of any bonded indebtedness of the District, and the proposed issuance of up to \$700,000 of bonded indebtedness; and

WHEREAS, at the July 9, 2018 public hearing, all persons desiring to be heard on all matters pertaining to the formation of the District, the proposed levy of the special tax within the District to finance the improvements and the payment of a special tax lien described in Resolution No. 822 and the proposed issuance of bonded indebtedness of the District were heard and a full and fair hearing was held; and

WHEREAS, on July 9, 2018, following the close of the public hearing, the Board of Directors adopted a resolution establishing the District (the "Resolution of Formation") and a resolution determining the necessity to incur bonded indebtedness of the District (the "Resolution to Incur Bonded Indebtedness") each of which called a consolidated special election on July 9, 2018 within the District on three propositions relating to the levying of a special tax, the incurring of bonded indebtedness and the establishment of an appropriations limit for the District; and

WHEREAS, on July 9, 2018, a special election was held within the District at which the qualified electors approved by more than a two-thirds vote Propositions A, B and C authorizing the levy of a special tax within the District for the purposes described in the Resolution of Formation and the issuance of bonded indebtedness for the District as described in the Resolution to Incur Bonded Indebtedness.

NOW, THEREFORE, THE BOARD OF DIRECTORS, ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2018-1 OF EAST ORANGE COUNTY WATER DISTRICT, ORDAINS AS FOLLOWS:

1. The above recitals are all true and correct.
2. By the passage of this Ordinance, the Board of Directors authorizes the levy of a special tax within the District at the maximum rates and in accordance with the rates and method of apportionment set forth in Attachment “C” to Resolution No. 822, which rate and method of apportionment is incorporated by reference herein (the “Rate and Method”).
3. The Board of Directors is hereby further authorized to determine in each subsequent fiscal year, by ordinance, or by resolution if permitted by then applicable law, on or before August 10 of each year, or such later date as is permitted by law, the specific special tax rate and amount to be levied on each parcel of land in the District pursuant to the Rate and Method. The special tax rate to be levied pursuant to the Rate and Method shall not exceed the applicable maximum rates set forth therein, but the special tax may be levied at a lower rate.
4. Properties or entities of the state, federal or other local governments shall be exempt from the special tax, except as otherwise provided in Sections 53317.3 and 53317.5 of the Act and the Rate and Method. No other properties or entities are exempt from the special tax unless the properties or entities are expressly exempted in the Resolution of Formation, or in a resolution of consideration to levy a new special tax or special taxes or to alter the Rate or Method of an existing special tax as provided in Section 53334 of the Act.
5. All of the collections of the special tax pursuant to the Rate and Method shall be used as provided for in the Act and the Resolution of Formation. The special tax shall be levied within the District only so long as needed for the purposes described in the Resolution of Formation.
6. The special tax levied pursuant to the Rate and Method shall be collected in the same manner as ordinary *ad valorem* property taxes are collected and shall be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ad valorem taxes (which such procedures include the exercise of all rights and remedies permitted by law to make corrections, including, but not limited to, the issuance of amended or supplemental tax bills), as such procedure may be modified by law or by this Board of Directors from time to time.
7. As a cumulative remedy, if any amount levied as a special tax for payment of the interest or principal of any bonded indebtedness of the District, together with any penalties and other charges accruing under this Ordinance, are not paid when due, the Board of Directors may, not later than four years after the due date of the last installment of principal on the Bonds, order that the same be collected by an action brought in the superior court to foreclose the lien of such special tax.

8. The President shall sign this Ordinance and the Secretary shall attest to the President's signature and then cause the same to be published within fifteen (15) days after its passage at least once in a newspaper of general circulation published and circulated in East Orange County Water District.

9. This Ordinance relating to the levy of the special tax within the District shall take effect 30 days following its final passage, and the specific authorization for adoption is pursuant to the provisions of Section 53340 of the Act.

10. The Secretary is hereby authorized to transmit a certified copy of this ordinance to the Orange County Assessor and Treasurer-Tax Collector, and to perform all other acts which are required by the Act, this Ordinance or by law in order to accomplish the purpose of this Ordinance.

INTRODUCED ON the 9th day of July, 2018 and adopted on the 19th day of July, 2018.

Douglass S. Davert, President

I hereby certify that the foregoing is a full, true and correct copy of the Ordinance approved by the Board of Directors of East Orange County Water District at its meeting held on July 19, 2018.

ATTEST:

Jeff Hoskinson, Board Secretary