

**IMPARTIAL ANALYSIS OF MEASURE "A"**

The Governing Board (the "Board") of the Temecula Valley Unified School District and Hemet Unified School District Joint Facilities Authority on August 25, 2011, adopted Resolution No. 2011-12/9 that established Community Facilities District No. 1 (the "Community Facilities District") pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 (the "Act"). The Community Facilities District was formed, in part, to provide for public facilities to be planned for, designed, acquired, constructed, leased, expanded, improved, rehabilitated, and financed. Public facilities is defined, in part, in Resolution No. 2011-12/9, Exhibit B, to include elementary, middle, and high school facilities with an estimated useful life of 5 years or longer.

Resolution No. 2011-12/9 also authorized the levy of a special tax consistent with a rate and methods of apportionment that was attached as Exhibit C to the Resolution. Said Resolution set an annual appropriations limit for the Community Facilities District to be equal to the proposed amount of bonded indebtedness of \$60,000,000.

On the same date, the Board also adopted Resolution No. 2011-12/10 determining the necessity for the Community Facilities District to incur bonded indebtedness in an aggregate principal amount not to exceed \$60,000,000. The term of said bonds is not to exceed 30 years and not to bear interest at a rate greater than that allowed by applicable law.

On October 13, 2011 the Board passed Resolution 2011-12/12 calling for a Special Election to be held January 10, 2012, as required by the Act.

Measure "A" provides for the Community Facilities District to sell bonds in an aggregate principal amount not to exceed \$60,000,000, to levy a special tax consistent with the rate and apportionment attached as Exhibit C to the Resolution No. 2011-12/9, and to establish an annual appropriations limit for the Community Facilities District to be equal to the amount of the bonded indebtedness of \$60,000,000. The purpose of the bonds, special tax, and appropriations is to provide for the above defined public facilities.

The Board determined in Resolution 2011-12/9, the annual maximum special tax to not exceed \$44.00 per Existing Residential Dwelling Unit and \$1,253.00 per New Residential Dwelling Unit. Existing and New Residential Dwelling Units are defined in Exhibit C to the said Resolution. The annual maximum special tax for Existing Residential Dwelling Units will not increase. The annual maximum special tax for New Residential Dwelling Units will increase consistent with Exhibit C to the said Resolution. The special tax is to be collected in the same manner as ordinary ad valorem property taxes.

For Measure "A" to be approved two-thirds of qualified voters who vote on Measure "A" must vote yes.

A "Yes" vote on Measure "A" is a vote to allow the Community Facilities District to sell bonds, to levy a special tax, and to establish an annual appropriations limit of \$60,000,000.

A "No" vote on Measure "A" is a vote against the Community Facilities District to sell bonds, to levy a special tax, and to establish an annual appropriations limit of \$60,000,000.

By: County Counsel

The above statement is an impartial analysis of Measure "A". If you desire a copy of the measure, please call the district elections official's office at (951) 486-7200 and a copy will be mailed at no cost to you.

**NO ARGUMENTS FILED IN FAVOR OR AGAINST MEASURE "A"**

**MEASURE "A" - TAX RATE STATEMENT**

COMBINED SPECIAL TAX AND BOND ELECTION CONDUCTED WITHIN  
COMMUNITY FACILITIES DISTRICT NO. 1 OF THE  
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT AND  
HEMET UNIFIED SCHOOL DISTRICT  
JOINT SCHOOL FACILITIES AUTHORITY

**STATEMENT IN COMPLIANCE WITH ELECTIONS**  
**CODE SECTIONS 9400 TO 9404**

As shown in the attached ballot and ballot materials, an election is being held within the boundaries of Community Facilities District No. 1 of the Temecula Valley Unified School District and Hemet Unified School District Joint School Facilities Authority ("Authority") ("CFD No. 1") on January 10, 2012, for the purpose of submitting to the qualified voters within territory within CFD No. 1 the question of whether or not CFD No. 1 shall be authorized to levy and collect a special tax to finance certain public facilities, including, but not limited to, public school facilities and the planning and design work related thereto ("CFD Facilities") to repay certain proposed bonded indebtedness, and to pay certain related costs and administrative expenses.

The special tax may be used to pay principal and interest on securities or bonds which have been authorized for issuance by CFD No. 1. Concurrent with the measure for the proposed special taxes, the qualified electors within CFD No. 1 will be voting on a proposition to authorize CFD No. 1 to incur bonded indebtedness in an amount not to exceed \$60,000,000. Such bonds will bear interest at a rate or rates established at the time such bonds or securities are sold. Such bonds or securities may be sold in one or more series and may be sold at a fixed or variable interest rate, provided that such interest rate shall not exceed the maximum rate permitted by any then applicable provision of law limiting the maximum interest rate on the bonds. If the bonds are sold, the principal thereof and interest thereon will be payable from the proceeds of special tax levies ("Special Tax") made on an annual or periodic basis upon the taxable property in CFD No. 1.

The following information regarding tax rates, including maximum special tax rates, is given to comply with Section 9400 to 9404 of the Elections Code. Such information is based upon the best estimates and projections presently available from official sources, but is subject to change.

The First Amended Rate and Method of Apportionment of Special Tax for CFD No. 1, as adopted by the Board of the Authority is attached hereto:

**FIRST AMENDED  
RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX  
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT  
AND  
HEMET UNIFIED SCHOOL DISTRICT  
JOINT SCHOOL FACILITIES AUTHORITY  
COMMUNITY FACILITIES DISTRICT NO. 1**

The Board ("Authority Board") of the Temecula Valley Unified School District and Hemet Unified School District Joint School Facilities Authority ("Authority"), acting as the Legislative Body of Community Facilities District No. 1 of the Authority ("CFD" or "District"), shall levy and collect special taxes ("Special Taxes") applicable to each Assessor's Parcel (as defined below) located within the boundaries of the CFD.

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

**Section 1. Definitions**

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

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

"Age-Restricted Unit" means a residential unit restricted for the use consistent with the provisions of Section 65995.1 of the Government Code or subsequent successor statutory provisions.

"Annual Maximum Special Tax" means the maximum Special Tax which may be annually levied on an Assessor's Parcel that has been classified as Developed Property. The Annual Maximum Special Tax is established in the Initial Fiscal Year based upon Table 2, as applicable, adjusted as described in Section 3. The Annual Maximum Special Tax for a Residential Dwelling Unit is not subject to increase once established in the Initial Fiscal Year.

"Assessor's Parcel" means a parcel of land as designated on an official map of the County Assessor and for which a discrete identifying parcel number has been assigned.

**"Authority"** means the Temecula Valley Unified School District and the Hemet Unified School District Joint School Facilities Authority.

**"Authority Board"** means the Board of the Temecula Valley Unified School District and Hemet Unified School District Joint School Facilities Authority.

**"Bonds"** means the bonds authorized and issued or to be issued on behalf of the CFD or equivalent securities, including but not limited to bond anticipation notes, certificates of participation or leases issued and sold by or on behalf of the CFD or which are to be funded by proceeds of Special Taxes of the CFD, or to which the Special Taxes have been pledged to finance School Facilities.

**"Calendar Year"** means the period of time commencing on January 1 of any year and ending the following December 31.

**"County"** means the County of Riverside.

**"Developed Property"** means Assessor's Parcels for which a building permit for a Residential Dwelling Unit has been issued by the applicable agency on or before the March 1 prior to each Fiscal Year which is not Exempt Property and for which the Annual Maximum Special Tax obligation has not been fully prepaid and/or permanently satisfied. Assessor's Parcels for which a building permit has been issued by the applicable agency on or before March 1 shall be designated as Developed Property and subject to the levy of the Annual Maximum Special Tax in the following Fiscal Year. If a building permit has been issued for which the improvements to be constructed by the building permit together with previously issued building permits, if applicable, does not constitute the ultimate development of the entire Assessor's Parcel, as reasonably determined by the Authority, the remaining undeveloped portion of the Assessor's Parcel will be classified as Undeveloped Property and will be subject to the levy of the Annual Maximum Special Tax at the then current rate, if and when such additional building permits are issued.

**"Exempt Property"** means all Assessor's Parcels which are exempt from Special Tax pursuant to law or Section 7, hereof.

**"Existing Residential Dwelling Unit"** means a Residential Dwelling Unit which received a building permit from the issuing agency on or before the date of the canvass by the CFD of a successful election as provided by the County Assessor data.

**"Fiscal Year"** means the period of time commencing on July 1 of any year and ending the following June 30.

**"Index"** means the Marshall and Swift Class "D" Wood Frame Construction Cost Index as shown in the index titled, "Current Building Cost Indexes, Western Division, Class D" or such other index as the Authority Board shall determine if the Index herein ceases publication. The first increase shall occur March 1, 2012. The increase in the Index to be in effect for Fiscal Year 2012/13 shall be based upon the last available data as of March 1, 2012.

**"Initial Fiscal Year"** applies only to Developed Property and means the first Fiscal Year in which the Annual Maximum Special Tax will be apportioned and levied as to an Assessor's Parcel classified as Developed Property.

**"Land Use Classification"** means the land use classifications listed in Table 1.

**"New Residential Dwelling Unit"** means a Residential Dwelling Unit which receives a building permit from the issuing agency after the date of the canvass by the CFD of a successful election approving the Special Taxes and Bonds.

**"Nonresidential Development"** means the development of a portion of or an entire Assessor's Parcel for nonresidential use including Age-Restricted Units, hotel, motel, timeshares, commercial, industrial or any other uses, other than uses associated with a Residential Dwelling Unit. Such development shall be subject to the payment of statutory school fees.

**"Occupied Residential Property"** means all Assessor's Parcels of Residential Property which have closed escrow to an end user (homeowner).

**"Residential Dwelling Unit"** means one residential unit, or residential area of a mixed commercial/residential unit, of any configuration, including, but not limited to a single family attached or detached dwelling unit, second dwelling unit, condominium unit, apartment unit, mobile home, or otherwise, but excludes therefrom Nonresidential Development. The addition of a second dwelling unit, of any configuration, onto a parcel containing an Existing Residential Dwelling Unit constitutes a Residential Dwelling Unit.

**"Residential Property"** means all Developed Property within the CFD for which a building permit is requested or has been issued for the purpose of constructing one or more Residential Dwelling Units.

**"School Facilities"** means the planning, designing, acquisition, construction, leasing, expanding, improving, relocation, rehabilitating and/or financing of interim and permanent facilities, including classrooms, multi-purpose, administration and auxiliary space at a school, central support and administrative facilities and special education facilities, together with furniture, equipment and technology, needed in order to serve development occurring within the Temecula Valley Unified School District, including the project students, as more particularly set forth in the Authority's Resolution of Intention to Establish the CFD, in addition to all land or interests in land required for the construction of such on-site or off-site facilities and all land or interests in land required to be provided by the Authority as mitigation of impacts associated with the development of such facilities.

**"Special Tax" or "Special Taxes"** means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property pursuant to Section 3 of this First Amended Rate and Method of Apportionment.

**"Taxable Property"** means all Assessor's Parcels, except Exempt Property and Undeveloped Property, that are subject to the levy of the Special Taxes.

**"Undeveloped Property"** means all Assessor's Parcels that are not classified as Developed Property or Exempt Property.

## Section 2. Assignment to Land Use Classifications

The District shall classify all Assessor's Parcels within the boundaries of the CFD as Developed Property, Undeveloped Property or Exempt Property. Such classification shall be made annually on or before July 1 of each year. All Developed Property shall be assigned to one of the applicable designated Land Use Classifications listed in Table 1 and taxed as set forth in Table 2. For purposes of this determination, the District may rely on the building permit(s) issued by the applicable issuing agency and for an Existing Residential Dwelling Unit on the County Assessor data as to land use, year of construction and assessed improvement value. Undeveloped Property shall not be taxed.

**Table 1  
Land Use Classifications for Developed Property**

| Land Use Classification | Description                        |
|-------------------------|------------------------------------|
|                         | Type of Development                |
| 1                       | Existing Residential Dwelling Unit |
| 2                       | New Residential Dwelling Unit      |

## Section 3. Annual Maximum Special Tax

The Annual Maximum Special Tax for each Assessor's Parcel classified as Developed Property shall be the amount determined by reference to Table 2 as applicable and the paragraphs that follow Table 2.

**Table 2  
Annual Maximum Special Tax  
Fiscal Year 2011/12 per Land Use Classification**

| Land Use Classification | Annual Maximum Special Tax               |
|-------------------------|--|
| 1                       | \$44.00 per Residential Dwelling Unit    |
| 2                       | \$1,253.00 per Residential Dwelling Unit |

### Escalation of Land Use Classification 1 - Annual Maximum Special Tax:

The Annual Special Tax for Land Use Classification 1 does not increase.

### Escalation of Land Use Classification 2 - Annual Maximum Special Tax:

In determining the Annual Maximum Special Tax applicable to an Assessor's Parcel of Developed Property in its Initial Fiscal Year, the Annual Maximum Special Tax for Land Use Classification 2 only, as shown in Table 2, shall be increased for the 2012/13 Fiscal Year, and each Fiscal Year thereafter by the greater of: (i) the annual percentage change in the Index determined on March 1, 2012 for the prior twelve (12) month period, and on each March 1<sup>st</sup> thereafter for the prior twelve (12) month period, or (ii) two percent (2%). The Annual Maximum Special Tax for a Residential Dwelling Unit in Land Use Classification 2, after the Initial Fiscal Year, and each Fiscal Year thereafter, shall be fixed and no longer subject to any increases.

## Section 4. Levy of the Special Tax

Commencing in Fiscal Year 2012/13, the Authority Board shall levy the Annual Maximum Special Tax on each Assessor's Parcel which is classified as Developed Property.

## Section 5. Partial Prepayment of the Annual Maximum Special Tax

A property owner may make a one-time election to prepay a portion of the Annual Maximum Special Tax on an Assessor's Parcel by notifying the Authority in writing of such intention no less than thirty (30) business days prior to such Assessor's Parcel becoming Occupied Residential Property. The written notification shall include such owner's intent to partially prepay the Annual Maximum Special Tax, the date the Assessor's Parcel is expected to close escrow to a homeowner, a copy of the final map, the Acres of each lot, the lot number(s) and Assessor's Parcel Number(s) for which partial prepay is requested, the Building Square Footage of the Residential Dwelling Unit(s) and the percentage by which the Annual Maximum Special Tax shall be prepaid. The partial prepayment formula per Residential Dwelling Unit is defined as follows:

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

The variables are described as: PP - the partial prepayment amount per Residential Dwelling Unit. PVT - the present value of the current Annual Maximum Special Tax using a 5.0% interest rate and a term of 35 years. PCT - the partial prepayment percent. F - all prepayment fees, and RP - redemption premium on the Bonds, if applicable. The partial prepayment percent shall be indicated in the notification described above.

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

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

#### **Section 6. Prepayment of the Annual Maximum Special Tax**

An Assessor's Parcel classified as Developed Property which is subject to the Annual Maximum Special Tax may prepay the *entire outstanding* Special Tax obligation at any time. The prepayment formula per Residential Dwelling Unit is defined as follows:

$$\text{Prepayment Formula: } P = PVT + F + RP$$

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

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

Redemption premium on the Bonds or RP means a prepayment premium as set forth in the Bond indenture for a mandatory redemption of the Bonds as of the prepayment date.

Bonds shall be redeemed in a manner such that the yield on the Bonds outstanding after the prepayment is as close as possible to the original yield on all of the Bonds.

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

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

#### **Section 7. Limitations**

The Authority Board shall not levy any Special Taxes on properties conveyed or irrevocably dedicated to a public agency, land which is in the public right-of-way, unmanned utility easements which make utilization for other than the purpose set forth in the easement impractical, common areas including homeowner's association property, private streets, school, parks, property used as a golf course other than the clubhouse facilities, open space lots and Assessor's Parcels of Nonresidential Development, although subject to applicable statutory fees. Except as set forth above, the Authority Board shall not levy any Special Taxes on properties which are owned by the State of California, Federal or local governments, except as otherwise provided in Sections 53317.3 and 53317.5 of the Act.

#### **Section 8. Manner of Collection**

The Annual Maximum Special Taxes will be collected in the same manner and at the same time as ordinary ad valorem real property taxes, unless otherwise authorized by the CFD. The Annual Maximum Special Taxes shall be subject to the same penalties, procedures, sale and lien priority in any case of delinquency as provided for with ad valorem taxes. The collection of the Annual Maximum Special Taxes shall otherwise be subject to the provisions of the Act. The Authority Board reserves the power to provide for alternative means of collection of special taxes as permitted by the Act.

#### **Section 9. Term of the Special Taxes**

The Annual Maximum Special Tax Land Use Classification 1 shall be levied for a period not to exceed thirty (30) years from the beginning of the Initial Fiscal Year a property is taxed as Developed Property. The Annual Maximum Special Tax Land Use Classification 2 shall be levied for a period not to exceed thirty-five (35) years from the beginning of the Initial Fiscal Year a property is taxed as Developed Property.

#### **Section 10. Review/Appeals Panel**

Any property owner who feels that the amount or application of the Special Tax, as to their Assessor's Parcel, is not correct may file a written notice of appeal with the CFD not later than twelve months after having paid the first installment of the Special Tax that is disputed. The CFD shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the Board of the CFD or its designee's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment may be made to the Annual Maximum Special Tax on that Assessor's Parcel in the subsequent Fiscal Years, if applicable.