

**RESOLUTION NO. 16-076**

**A RESOLUTION OF FORMATION OF CITY OF SARATOGA COMMUNITY FACILITIES DISTRICT NO. 2016-1 (ARROWHEAD PROJECT), AUTHORIZING THE LEVY OF A SPECIAL TAX WITHIN THE DISTRICT, AND PRELIMINARILY ESTABLISHING AN APPROPRIATIONS LIMIT FOR THE DISTRICT**

**RESOLVED** by the City Council (the "City Council") of the City of Saratoga (the "City"), as follows:

**WHEREAS**, on November 2, 2016, the City Council adopted Resolution No. 16-061 entitled "A Resolution of the City Council of the City of Saratoga of Intention to Establish a Community Facilities District and to Authorize the Levy of Special Taxes" (the "Resolution of Intention") stating its intention to form the City of Saratoga Community Facilities District No. 2016-1 (Arrowhead Project) (the "District") pursuant to the Mello-Roos Community Facilities Act of 1982, California Government Code Section 53311 et seq. (the "Law"); and

**WHEREAS**, the Resolution of Intention, incorporating by reference a map of the proposed boundaries of the District and describing the water improvements eligible to be financed by the District (the "Facilities"), the cost of financing the Facilities, and the rate and method of apportionment of the special tax to be levied within the District to pay the cost of financing the Facilities and to pay the principal and interest on bonds proposed to be issued with respect to the District, is on file with the City Clerk and the provisions thereof are incorporated herein by this reference as if fully set forth herein; and

**WHEREAS**, on this date, the City Council of the City held the noticed public hearing as required by the Law and the Resolution of Intention relative to the proposed formation of the District; and

**WHEREAS**, at the hearing all interested persons desiring to be heard on all matters pertaining to the formation of the District, the Facilities eligible to be funded by the District and the levy of the special tax were heard and a full and fair hearing was held; and

**WHEREAS**, at the hearing evidence was presented to the City Council of the City on the matters before it, including (i) a report (the "Report") as to the Facilities eligible to be funded by the District and the costs thereof, a copy of which is on file with the City Clerk, and (ii) a draft of the rate and method of apportionment of special taxes for the District, in the form attached hereto as Exhibit A, and the City Council at the conclusion of the hearing was fully advised regarding the District; and

**WHEREAS**, written protests with respect to the formation of the District and/or the furnishing of specified types of Facilities as described in the Resolution of Intention have not been filed with the City Clerk by fifty percent (50%) or more of the registered voters residing within the territory of the District or property owners of one-half (1/2) or more of the area of land within the District and not exempt from the special tax; and

**WHEREAS**, the special tax proposed to be levied in the District to pay for the costs of the Facilities, as set forth in Exhibit B hereto has not been eliminated by protest by fifty percent (50%) or more of the registered voters residing within the territory of the District or the owners of one-half (1/2) or more of the area of land within the District and not exempt from the special tax.

**NOW, THEREFORE**, the City Council of the City resolves and declares, as follows:

1. The foregoing recitals are true and correct.
2. The proposed special tax to be levied within the District has not been precluded by majority protest pursuant to Section 53324 of the Law. On May 16, 2016, this City Council adopted a resolution approving Local Goals and Policies for Community Facilities Districts, and this City Council hereby finds and determines that the District is in conformity with said goals and policies.
3. The community facilities district designated "City of Saratoga Community Facilities District No. 2016-1 (Arrowhead Project)" is hereby established pursuant to the Law.
4. The boundaries of the District, as described in the Resolution of Intention and set forth in the boundary map of the District recorded on November 28, 2016 in the County of Santa Clara Recorder's Office in San Jose, CA, where maps of assessment and community facilities districts are so recorded, are hereby approved, are incorporated herein by this reference and shall be the boundaries of the District.
5. The type of improvements eligible to be funded by the District pursuant to the Law are as described in Exhibit A to the Resolution of Intention which Exhibit is by this reference incorporated herein.
6. Except to the extent that funds are otherwise available to the District to pay for the Facilities and/or to pay the principal and interest as it becomes due on bonds of the District issued to finance the Facilities, a special tax sufficient to pay the costs thereof, secured by recordation of a continuing lien against all non-exempt real property in the District, will be levied within the District and collected in the same manner as ordinary ad valorem property taxes or in such other manner as this City Council shall determine, including direct billing of the affected property owners. The proposed rate and method of apportionment of the special tax among the parcels of real property within the District (the "Rate and Method"), in sufficient detail to allow each landowner within the proposed District to estimate the maximum amount such owner will have to pay, are described in Exhibit A to this Resolution which Exhibit is by this reference incorporated herein. The conditions under which the obligation to pay the special tax may be prepaid and permanently satisfied are specified in the Rate and Method. Under no circumstances shall the special tax levied against a parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner of any other parcel or parcels in the District by more than 10%.
7. The Finance and Administrative Services Director of the City, is the officer of the City that will be responsible for preparing annually and whenever otherwise necessary a current roll of special tax levy obligations by assessor's parcel number and which will be responsible for estimating future special tax levies pursuant to Section 53340.2 of the Law.
8. Upon recordation of a notice of special tax lien pursuant to Section 3114.5 of the California Streets and Highways Code, a continuing lien to secure each levy of the special tax shall attach to all nonexempt real property 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 tax by the City ceases.
9. In accordance with Section 53325.7 of the California Government Code, the appropriations limit, as defined by subdivision (h) of Section 8 of Article XIII B of the California Constitution, of the District is hereby preliminarily established at \$6,000,000 and said appropriations limit shall be submitted to the voters of the District as provided below. The proposition establishing the appropriations limit shall become effective if approved by the qualified electors voting thereon and shall be adjusted in accordance with the applicable provisions of Section 53325.7 of the Law.

10. Pursuant to the provisions of the Law, the proposition of the levy of the special tax and the proposition of the establishment of the appropriations limit specified above shall be submitted to the qualified electors of the District at an election, the time, place and conditions of which election shall be as specified by a separate resolution of the City Council.

11. The officers, employees and agents of the City are hereby authorized and directed to take all actions and do all things which they, or any of them, may deem necessary or desirable to accomplish the purposed of this Resolution and not inconsistent with the provisions hereof.

12. All prior proceedings up to and including the adoption of this Resolution taken by this City Council in connection with the establishment of the District and the levy of the special tax have been duly considered and are hereby found and determined to be valid and in conformity with the Law. In accordance with Section 53325.1 of the Law, such finding is final and conclusive.

13. This Resolution shall take effect upon its adoption.

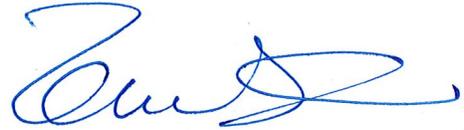
PASSED AND ADOPTED this 21<sup>st</sup> day of December 2016 by the following vote:

AYES: Mayor Emily Lo, Vice Mayor Mary-Lynne Bernald, Council Member E. Manny Cappello, Howard A. Miller

NOES:

ABSENT: Council Member Rishi Kumar

ABSTAIN:



Emily Lo, Mayor

ATTEST:

  
Crystal Bothelio, City Clerk

DATE: 12/22/2016

I, the undersigned, the duly appointed and qualified City Clerk of the City of Saratoga, do hereby certify that the foregoing Resolution was duly adopted by the City Council of said City at a duly called meeting of the City Council of said City held in accordance with law on December 21, 2016.

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Name: Crystal Bothelio

Title: City Clerk/Asst. to the City Manager

**EXHIBIT A**

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX**

## **EXHIBIT B**

### **FACILITIES**

The types of facilities to be financed by the District are water storage, transmission and delivery facilities, including but not limited to: pump stations, motor control center, storage tanks, pipes, valves, related buildings, fire hydrants, and other related facilities. Such facilities will be owned and operated by the San Jose Water Company, or another public utility (as defined under the Act).

The District may also finance the following:

- 1) Bond related expenses, including underwriter's discount, reserve fund, capitalized interest, related legal and consultant fees and other incidental expenses (including expenses of the City).
- 2) Administrative fees of the bond trustee or fiscal agent related to the District and any bonded indebtedness of the District.
- 3) Reimbursement of costs related to the formation of the District advanced by Arrowhead Cooperative, or any landowner, for other purposes of the Communities Facility District.

**RATE AND METHOD OF APPORTIONMENT FOR  
CITY OF SARATOGA  
COMMUNITY FACILITIES DISTRICT NO. 2016-1  
(Arrowhead Water Infrastructure Project)**

A Special Tax as hereinafter defined shall be levied on each Assessor's Parcel of Taxable Property within the City of Saratoga Community Facilities District No. 2016-1 (Arrowhead Water Infrastructure Project) and collected each Fiscal Year commencing in Fiscal Year 2017-2018 in an amount determined by the City Council through the application of the appropriate Special Tax as described below. All Taxable Property within CFD No. 2016-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes to the extent and in the manner herein provided.

**A. DEFINITIONS**

The terms hereinafter set forth have the following meaning:

**"Acre or Acreage"** means the land area of an Assessor's Parcel as shown on County records, such as an Assessor's Parcel Map and secured roll data. If the land area is not available, the Acreage of such land area shall be determined by the City Engineer of the City or designee thereof.

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

**"Administrative Expenses"** means the actual or reasonably estimated costs directly related to the administration of CFD No. 2016-1 including, but not limited to, the following: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the County, the City, or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2016-1 or any designee thereof of complying with arbitrage rebate requirements or responding to questions from the IRS pertaining to any Bonds or any audit of any Bonds by the IRS; the costs to the City, CFD No. 2016-1 or any designee thereof of providing continuing disclosure regarding the Bonds pursuant to applicable state or federal securities law; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 2016-1 or any designee thereof related to any appeal of the levy or application of the Special Tax; and the costs associated with the release of funds from an escrow account, if any. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 2016-1 for any other administrative purposes, including, but not limited to, attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

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

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

**“Bonds”** means any bonds or other debt (as defined in the Act), whether in one or more series, issued by CFD No. 2016-1 under the Act.

**“Bond Year”** means a one-year period beginning on September 2<sup>nd</sup> in each year and ending on September 1<sup>st</sup> in the following year, unless defined differently in the applicable Indenture.

**“CFD Administrator”** means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

**“CFD No. 2016-1”** means City of Saratoga Community Facilities District No. 2016-1 (Arrowhead Water Infrastructure Project).

**“City”** means the City of Saratoga.

**“Council”** means the City Council of the City, acting as the legislative body of CFD No. 2016-1.

**“County”** means the County of Santa Clara.

**“Developable Property”** means, for Successor Parcels, that in each Fiscal Year, all Taxable Property for which a building permit could be issued for new construction.

**“Exempt Property”** means all Assessors’ Parcels that are exempt from the Special Tax pursuant to Section F.

**“Finance Director”** means the chief financial officer of the City.

**“Fiscal Year”** means the period starting July 1 and ending on the following June 30.

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

**“Open Space Property”** means property within the boundaries of CFD No. 2016-1 which (a) has been designated with specific boundaries and acreage on a Final Subdivision Map as open space, (b) is classified by the County Assessor as open space, (c) has been irrevocably offered for dedication as open space to the federal government, the State of California, the County, the City, any other public agency, or (d) is encumbered by an easement or other restriction required by the City limiting the use of such property to open space.

**“Original Parcel”** means an Assessor’s Parcel listed in the table of Attachment A to this Rate and Method of Apportionment.

**“Outstanding Bonds”** mean all Bonds, which remain outstanding as defined in the Indenture pursuant to which such Bonds were issued.

**“Property Owner Association Property”** means any property within the boundaries of CFD No. 2016-1 which is (a) owned by a property owner association or (b) designated with specific boundaries and acreage on a Final Subdivision Map as property owner association property. As used in this definition, a property owner association includes any master or sub-association.

**“Proportionately”** means for Taxable Property that the ratio of the Special Tax levy to the Maximum Special Tax is equal for all Assessors’ Parcels of Taxable Property within CFD No. 2016-1.

**“Public Property”** means any property within the boundaries of CFD No. 2016-1 which (a) is owned by a public agency, (b) has been irrevocably offered for dedication to a public agency, or (c) is designated with specific boundaries and acreage on a Final Subdivision Map as property which will be owned by a public agency. For purposes of this definition, a public agency includes the federal government, the State of California, the County, the City or any other public agency.

**“Special Tax”** means the annual special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property to fund the Special Tax Requirement.

**“Special Tax Requirement”** means that amount of Special Tax revenue required in any Fiscal Year for CFD No. 2016-1 to: (i) Pay Administrative Expenses as designated by the City; (ii) pay annual debt service on all Outstanding Bonds due in the Bond Year beginning in such Fiscal Year; (iii) pay other periodic costs on Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on Outstanding Bonds; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds in accordance with the Indenture; to the extent such replenishment has not been included in the Special Tax Requirement in any prior Fiscal Year; (v) to cure any delinquencies in the payment of debt service on all Outstanding Bonds in the prior Fiscal Year; and (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; and (vii) pay directly for the acquisition and/or construction of public improvements which are authorized to be financed by CFD No. 2016-1 ; less (viii) a credit for funds available to reduce the annual Special Tax levy as determined by the CFD Administrator pursuant to the Indenture.

**“State”** means the State of California.

**“Successor Parcel”** means an Assessor’s Parcel located within the boundaries of CFD 2016-1 that is the result of a parcel change of an Original Parcel.

**“Taxable Property”** means all of the Assessor’s Parcels within the boundaries of CFD No. 2016-1 that are not exempt from the Special Tax pursuant to law or that are classified as Exempt Property.

**“Trustee”** means the financial institution appointed pursuant to an Indenture to act as the trustee, fiscal agent, or paying agent or a combination thereof for a series of Bonds for and on behalf of CFD No. 2016-1 and the City under such Indenture.

## **ASSIGNMENT OF PARCEL CLASSIFICATIONS**

Each Fiscal Year, all Assessor's Parcels within CFD No. 2016-1 shall be classified as Taxable Property or Exempt Property. Taxable Property shall be further classified as an Original Parcel or a Successor Parcel. Taxable Property shall be subject to the levy of annual Special Taxes determined pursuant to Section C below.

### **C. MAXIMUM SPECIAL TAX RATE**

#### **1. Taxable Property**

The Maximum Annual Special Tax for each Original Parcel shall be \$9,542.00.

##### **a. Assessor's Parcel changes**

When an Original Parcel changes, merges or subdivides, the Maximum Special Tax shall be apportioned to each Successor Parcel so that there is no net loss in aggregate Maximum Special Tax revenue for CFD 2016-1. The process for apportioning the Maximum Special Tax of an Original Parcel(s) to the Successor Parcel(s) is as follows:

- Step 1: Identify the number of Successor Parcels created by the Original Parcel(s) change, merger or subdivision that are considered Developable Property. Successor Parcels classified as Public Property, Property Owner Association Property, Open Space Property or that cannot be considered Developable Property will not be considered in the identification of newly created parcels.
- Step 2: Multiply the number of parcels from Step 1 by the Maximum Annual Special Tax for Taxable Property.
- Step 3: Sum the Maximum Annual Special Tax for the Original Parcel(s) being changed, merged or subdivided.
- Step 4: If the result of Step 2 exceeds the results of Step 3, assign the Maximum Special Tax to each Successor Parcel.
- Step 5: If the result of Step 2 is less than the result of Step 3, the result of Step 3 will be divided by the number of Successor Parcels identified in Step 1 to determine the Maximum Annual Special Tax for the Successor Parcels.

Once created, if a Successor Parcel further changes or subdivides, the steps shall be repeated to determine the Maximum Special Tax for each additional Successor Parcel created from the change or subdivision.

### **E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX**

Commencing with Fiscal Year 2017-2018 and for each following Fiscal Year, the Council shall determine the Special Tax Requirement and shall levy the Special Tax until the amount of Special Taxes equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

The Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Property at a rate up to 100% of the applicable Maximum Special Tax to satisfy the Special

Tax Requirement.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel used for residential purposes be increased by more than ten percent (10%) above what the Assessor's Parcel would have been levied had there been no delinquencies.

#### **F. EXEMPTIONS**

1. Parcels that are not considered Developable Property are exempt from Special Taxes under this section.
2. Open Space Property, Property Owner Association Property, or Public Property is exempt from Special Taxes under this section.
3. The Maximum Special Tax obligation for any property which would be classified as Public Property upon its transfer or dedication to a public agency but which is classified as Developable Property pursuant to Section B above shall be prepaid in full by the seller pursuant to Section J, prior to the transfer/dedication of such property to such public agency. Until the Maximum Special Tax obligation for any such property is prepaid, the property shall continue to be subject to the levy of the Special Tax as Developed Property regardless of ownership.
4. If the use of an Assessor's Parcel changes so that such Assessor's Parcel is no longer eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

#### **G. REVIEW/APPEAL COMMITTEE**

Any landowner or resident who feels that the amount of the Special Tax levied on their Assessor's Parcel is in error shall first consult with the CFD Administrator regarding such error. If following such consultation, the CFD Administrator determines that an error has occurred, the CFD Administrator may amend the amount of the Special Tax levied on such Assessor's Parcel and any other Assessor's Parcel affected by the error. If following such consultation and action (if any by the CFD Administrator), the landowner or resident believes such error still exists, such person may file a written notice with the City appealing the amount of the Special Tax levied on such Assessor's Parcel. The City may establish such procedures, as it deems necessary to undertake the review of any such appeal. The City shall interpret this Rate and Method of Apportionment and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals, as herein specified. The decision of the City shall be final and binding to all persons.

#### **H. INTERPRETATIONS**

Interpretations may be made by the Council, by ordinance or resolution, for purposes of clarifying any vagueness or ambiguity as it relates to this Rate and Method of Apportionment.

#### **I. MANNER OF COLLECTION**

The annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2016-1 may, at the sole discretion of the City, directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner as necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on Assessor's Parcels of Taxable Property that are delinquent in the payment of Special Taxes.

**J. PREPAYMENT IN FULL**

The following definitions apply to this Section J:

**“Outstanding Bonds”** means all previously issued Bonds which will remain outstanding after the first principal payment date following the then current Fiscal Year, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Maximum Special Taxes.

**1. Prepayment in Full**

The Maximum Special Tax obligation of an Assessor's Parcel of Taxable Property may be prepaid and permanently satisfied as described herein; provided that there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Maximum Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor's Parcel. Prepayment must be made not less than 60 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture. The CFD Administrator may charge a fee for providing this service.

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

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

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

Step Number:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. Determine the Maximum Special Tax for the Assessor's Parcel.

3. Divide the Maximum Special Tax from Step 2 by the total Maximum Special Taxes for the entire CFD No. 2016-1, excluding any Assessor's Parcels which have prepaid the Maximum Special Tax.
4. Multiply the quotient computed pursuant to Step 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "*Bond Redemption Amount*").
5. Multiply the Bond Redemption Amount computed pursuant to Step 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
6. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
7. Compute the amount the Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
8. Add the amounts computed pursuant to Steps 6 and 7 and subtract the amount computed pursuant to Step 9 (the "*Defeasance Amount*").
9. Verify the administrative fees and expenses, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming the Outstanding Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "*Administrative Fees and Expenses*").
10. A reserve fund credit (the "*Reserve Fund Credit*") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
11. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to Step 3 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "*Capitalized Interest Credit*").
12. The Maximum Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 4, 5, 8 and 9, less the amount computed pursuant to Steps 10 and 11.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such cases, the increment amount that is not \$5,000 or integral multiple thereof

will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of bonds or to make debt service payments.

In addition, the City's Finance Director has the authority to adjust the prepayment amount per Taxable Parcel calculated above if the Property Owner has paid a portion or all of their current property tax bill and the portion attributable to the payment of Special Taxes has not been used to make an interest and/or principal payment on the Bonds.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on Taxable Property after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

## **2. Prepayment in Part**

The Maximum Special Tax obligation of an Assessor's Parcel of Developed Property may be partially prepaid in increments of \$5,000. The amount of the prepayment shall be calculated as in Section J; except that a partial prepayment shall be calculated according to the following formula:

$$PP = ((PE - A) \times F) + A$$

These terms have the following meaning:

**PP** = the Partial Prepayment Amount

**PE** = the Prepayment Amount calculated according to Section J

**A** = the Administrative Fees and Expenses calculated according to Section J

**F** = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Special Tax obligation.

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Special Tax obligation shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Maximum Special Tax obligation, (ii) the amount of partial prepayment expressed in increments of \$5,000, and (iii) the company or agency that will be acting as the escrow agent, if applicable. Partial prepayment must be made not less than 60 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such partial prepayment may be given to the Trustee pursuant to the Indenture. The CFD Administrator may charge a fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the Administrator shall indicate in the records of CFD No. 2016-1 that there has been a partial prepayment of the Maximum Special Tax obligation and that a portion of the Maximum Special Tax obligation equal to the outstanding percentage  $(1.00 - F)$  of the remaining Maximum Special Tax obligation shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section E.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Maximum Special Taxes that may be levied on Taxable Property after the proposed partial prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

**K. TERM OF SPECIAL TAX**

The Maximum Special Tax shall be levied commencing in Fiscal Year 2017-18 to the extent necessary to fully satisfy the Special Tax Requirement and shall be levied for a period no longer than the 2049-2050 Fiscal Year.

**Attachment A**

**City of Saratoga  
Community Facilities District No. 2016-1  
(Arrowhead Water Infrastructure Project)  
Original Parcels  
(Fiscal Year 2016-2017)**

<b>Assessor's Parcel Number</b>		
366-06-004	366-06-030	366-06-047
366-06-005	366-06-031	366-06-048
366-06-010	366-06-032	366-07-004
366-06-011	366-06-034	366-07-006
366-06-012	366-06-038	366-07-007
366-06-014	366-06-039	366-07-008
366-06-016	366-06-040	366-07-009
366-06-019	366-06-041	366-07-014
366-06-021	366-06-042	366-07-015
366-06-022	366-06-043	366-07-016
366-06-025	366-06-044	366-31-002
366-06-026	366-06-045	366-31-003
366-06-027	366-06-046	366-32-007

## **EXHIBIT B**

### **FACILITIES**

The types of facilities to be financed by the District are water storage, transmission and delivery facilities, including but not limited to: pump stations, motor control center, storage tanks, pipes, valves, related buildings, fire hydrants, and other related facilities. Such facilities will be owned and operated by the San Jose Water Company, or another public utility (as defined under the Act).

The District may also finance the following:

- 1) Bond related expenses, including underwriter's discount, reserve fund, capitalized interest, related legal and consultant fees and other incidental expenses (including expenses of the City).
- 2) Administrative fees of the bond trustee or fiscal agent related to the District and any bonded indebtedness of the District.
- 3) Reimbursement of costs related to the formation of the District advanced by Arrowhead Cooperative, or any landowner, for other purposes of the Communities Facility District.