LOCAL GOALS AND POLICIES CONCERNING FORMATION OF COMMUNITY FACILITIES DISTRICT AND USE OF COMMUNITY FACILITIES ACT
#6120

The Board of Directors (the "Board") of the El Dorado Hills Community Services District (The "District") hereby adopts the following in compliance with Government Code Section 53312.7 and 53345.8 of the Community Facilities District Act (CFD) of 1982 (Government Code Section 53311 et. seq.).

A. **General Policies Respecting Use of the Act**

As a matter of general policy, the District will utilize the Act for purposes of:

1. Acquiring and constructing and providing financing for all or a prescribed portion of the cost and expense of public capital improvements ("facilities") to be owned by the District and which serve a public purpose to the District and its inhabitants and,

2. Financing all or a prescribed portion of the estimated cost and expense of maintaining and operating such facilities. In general, it will be the policy of the District not to provide for facilities which are to be owned by another public agency or shareholder-owned utility entity, it being the policy of the District that provision of such facilities should be left to the county of El Dorado or such other public agency.

B. **Priorities of Use of Act**

Reserving the right to make exceptions when circumstances warrant, the District establishes the following priorities in order of preference for use of the Act:

1. **Size and Use of the Project**

- **a)** Facilities which support and provide active recreation with community-wide benefit to all inhabitants of the District shall have priority over;
- **b)** Facilities which provide for passive recreation with community-benefit to all inhabitants of the District shall have priority over;
- **c)** Facilities which provide for active recreation for a specific area of benefit shall have priority over;
- **d)** Facilities which provide for passive recreation for a specific area shall have priority over;
- **e)** The cost and expense of maintaining and operating any of the foregoing facilities shall have priority over;
- **f)** Other facilities permitted by the Act.

2. **Capital Facilities Plan (CFP)**

- **a)** Projects included in the CFP shall have priority over projects not included in CFP.

3. **Community Support**

- **a)** Active support for the project as demonstrated by signatures, willingness to fiscally support the proposed project, and/or volunteer time, shall have priority over projects for which active support is not indicated.

4. **Lien Limitations**
   For a lien to be considered, projects must comply with the following lien limitations:
   - **a)** Passive specific areas shall be less than .1%;
   - **b)** Active specific area shall be less than .2%; and
   - **c)** Community-wide projects, whether active, supportive or passive shall be less than .7%.

Required Credit Quality

The Board adopts the requirements of Section 53345.8 of the Act as sufficient minimum standards for the credit quality of any bonds issued pursuant of the Act.

Disclosure to Property Purchasers

The Board finds that the statutory requirements of disclosure to property purchasers contained in the ACT, most notably, but not limited to, Sections 53348.3, 53328.5 (including the reference sections of the California Streets and Highways Code), 53340.2 and 53341.5 adequately address this need, and no additional procedures need be imposed by the district. The Board reserves the right to require additional disclosure procedures in any particular case.

Requirements for Special Tax Formulas

The proposed amount and apportionment of the special tax for each CFD shall comply with the following criteria:

1. The special tax formula shall be structured to produce sufficient annual special tax revenue to pay:
   - **a)** annual debt service on special tax bonds which have been issued, if any;
   - **b)** reasonable annual administrative expenses of the District in the administration of the special taxes and the bonds of the CFD; and
   - **c)** the cost of any services and “pay as you go” programs funded by the CFD special tax.
2. A backup special tax to protect against unforeseen contingencies, including but not limited to unusual levels of delinquency in the payment of the special tax.
3. The rate and method of apportionment may provide for an annual increase in the maximum special tax for residential properties not to exceed two percent (2%) annually and shall provide for prepayment and discharge of that portion of the special tax obligation on any residential properties pertaining to debt service on special tax bonds, if any, as distinguished from that portion of the special tax obligation on such residential properties pertaining to services.
4. The total projected annual special tax revenues, less estimated annual administrative expenses, shall exceed the projected annual gross debt service on outstanding special tax bonds, if any, by ten percent (10%).
5. All property within the CFD not otherwise statutorily exempted or owned (or to be owned) by a public entity and to be benefitted shall bear its appropriate share of the special tax liability.
6. The special tax shall be allocated and apportioned on the basis of reasonableness to all categories and classes of property within the CFD.

7. The total amount of projected ad valorem property tax and other direct and overlapping debt for the proposed CFD (including estimated CFD charges, projected benefit assessments, levies for authorized but unissued debt and any other anticipated municipal charges which may be included on a property owner=s annual property tax bill), including the proposed maximum special tax, shall not exceed two percent (2%) of the estimated market value for any single family home, condominium or town home. Any deviations from the foregoing must be specifically approved by the Board.

Appraisal Standards

The Appraisal Standards for Land Secured Financings (the "Standards") published by the California Debt and Investment Advisory Commission and dated May 1994 are adopted as the appraisal standards for the District with the following modifications:

1. The independent review appraiser is an option and not a requirement.
2. The Comparable Sales method may be used whenever there is sufficient data available.
3. The appraiser should assume the presence of the facilities to be financed with the proposed special tax bonds.
4. The special tax lien need not be computed as the present value of the future tax payments if there is a pre-payment mechanism or other more appropriate measure.
5. Except where necessary to make a meaningful comparable sale comparison, the appraiser is not to discount the value of property for the amount of the special tax or assessment liens. This also means that the special tax should be ignored in the Discounted Cash Flow Analysis ("DCFA").
6. Page 29 of the Standards, in the definition of "Bulk Sale Value", states the requirement that all parcels within a tract or development be included. Instead, it may be any defined parcel of property.

Adopted: August 27, 1998