



COUNTY OF ORANGE COMMUNITY FACILITIES DISTRICTS

**PRESENTATION TO
THE CITY OF RANCHO SANTA MARGARITA
CITY COUNCIL MEETING OF
DECEMBER 12, 2007**

PREPARED BY:
COUNTY OF ORANGE EXECUTIVE OFFICE
AND
DAVID TAUSSIG & ASSOCIATES, INC.



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General Overview of the Community Facilities Districts
Established by the County of Orange

The following information which is presented to the City of Rancho Santa Margarita was prepared by the County of Orange, County Executive Office and David Taussig & Associates, Inc., the Special Tax Consultant retained by the County.

To date, the County of Orange (County) has established a total of 23 community facilities districts (CFDs) which have allowed for the timely development of planned communities in the southern portion of Orange County. During the period from 1986 through 1988, seven of the total CFDs were formed in a part of the unincorporated area which effective January 1, 2000, became the City of Rancho Santa Margarita. These districts are designated as CFD Nos. 86-1, 86-2, 87-5A, 87-5B, 87-5C, 87-5D and 87-5E.

The CFDs were established pursuant to the Mello-Roos Community Facilities Act of 1982, Section 53311 et seq. of the California Government Code (Act). The Act provided for the formation of CFDs as defined areas; issuance of tax-exempt bonds to finance necessary public improvements; and the annual levy of special taxes on land owners to pay the bond debt service.

The seven Rancho Santa Margarita CFDs have collectively funded or provided a funding contribution for the acquisition/construction of the: Foothill Transportation Corridor, Foothill Circulation Phasing Plan and other street and roadway improvements; sheriff station; fire station; public schools; and library. Beginning in 1988 with CFD No. 87-5A, the special taxes were authorized to be additionally levied for services, including police, fire, ambulance and paramedic, library, open space and recreation, and flood and storm protection. However, the special taxes levied for all of the CFDs established by the County have only paid the bond debt service and necessary administration, and it is anticipated that additional special taxes will not be collected to fund services.

The special taxes are collected in the same manner and method as ad valorem property taxes. As mentioned above, the amount of the special taxes is based on the bond debt service and necessary administration. Accordingly, the special taxes are not ad valorem property taxes which are based on the value of real property.

The information herein is in response to the following questions:

- The authorized debt amount and debt issued
- Authorized projects, project funding utilized and balance of project funding
- Intended use of any project fund balance
- Bond retirement date (final maturity)

The information is presented according to the respective CFDs. The maps herein are intended to highlight the seven CFDs within the City boundaries, and do not include all 23 of

the CFDs established by the County. The financed projects are not necessarily contained within the district boundaries which is consistent with the Act, although the respective CFDs benefit from the funded projects. Notes regarding the financed projects are listed below:

Project Construction - nearly all of the projects financed by the seven CFDs have been completed. An exception is the Sheriff station financed by CFD No. 86-2 which presently has a fund balance of approximately \$2.1 million. A facility and space needs study is now in process to address present and future south County Sheriff services, which is scheduled for completion in March 2008. It is anticipated that this study will include consideration of expanding the Aliso Viejo station which currently serves Rancho Santa Margarita and other communities in south County and/or constructing a separate new Sheriff facility (or facilities). The \$2.1 million from CFD No. 86-2 will be expended in the future according to the outcome of this study.

Expenditure of Funds - the bond construction proceeds have been substantially expended, and there has been no expenditure for the past several years. Four of the seven CFDs have no fund balance. CFD No. 86-2 has approximately \$2.1 million available for the aforementioned Sheriff station, which however, will be expended in the future. The following are fund balances for which there is no immediate planned use:

CFD No. 86-2 additionally has approximately \$1.5 million designated for roads.
CFD No. 86-1 has nearly \$200,000 for schools, Foothill Transportation Corridor and roads.
CFD No. 87-5C has approximately \$69,000 for the Foothill Circulation Phasing Plan.

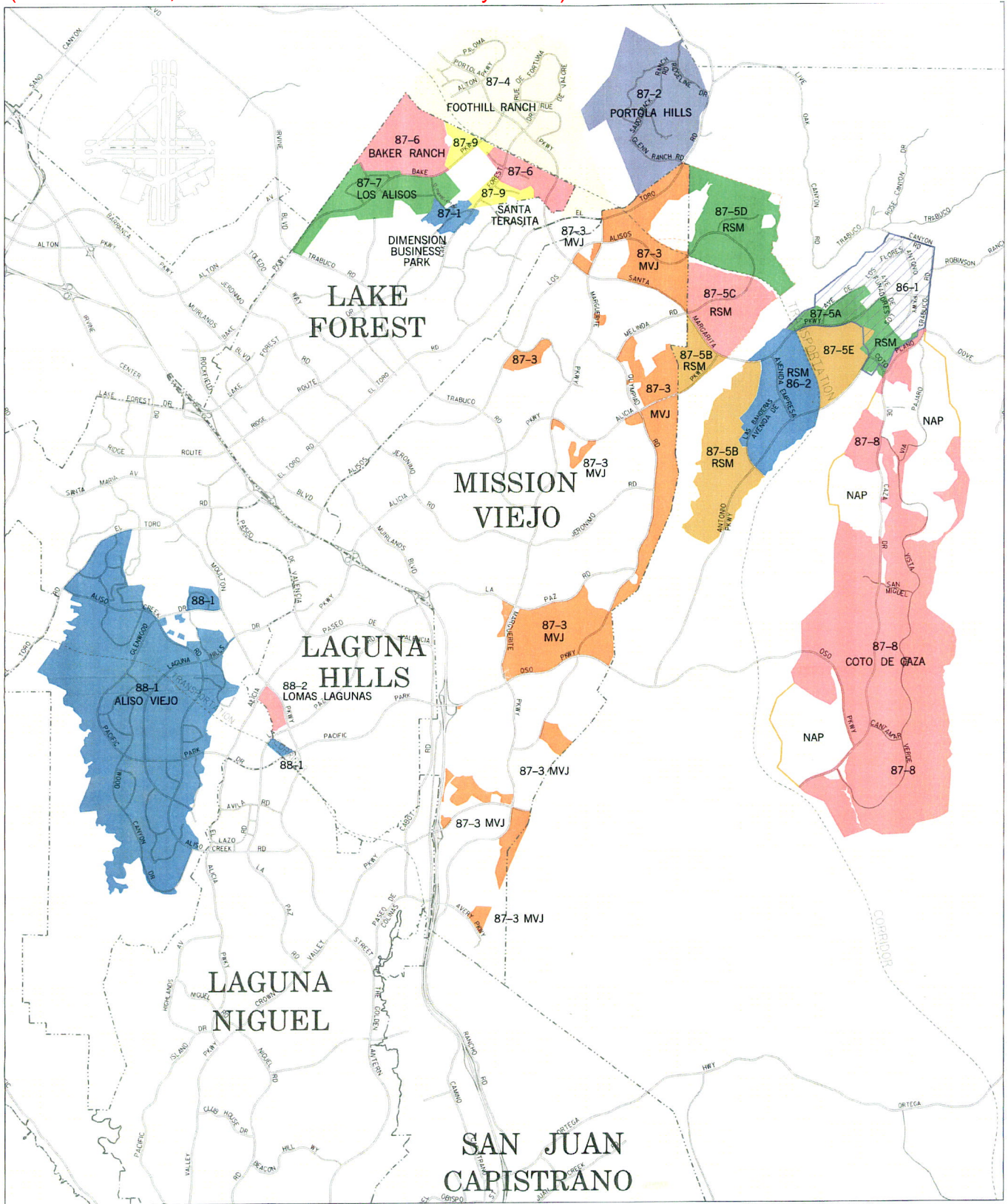
Bond Counsel has advised the County that staff will need to work with the different agencies which administered the above listed projects. If the funds are not eligibly expended on these projects, the funds will be applied to reducing the bond principal debt amount. County staff is initiating work on this process with the aim of either expending the funds as budgeted for the projects or applying the funds to debt reduction.

It is hoped that this report addresses the questions from the City regarding the seven CFDs established by the County. If there are questions regarding this report or the County CFDs, please contact Tom Beckett, Public Finance Manager at (714) 834-5969 or Faye Watanabe of his staff at (714) 834-3047.

COUNTY OF ORANGE
COMMUNITY FACILITIES DISTRICTS
RANCHO SANTA MARGARITA
(AS OF SEPTEMBER 30, 2007)

District	Debt Issued	Principal Outstanding	Final Bond Retirement
86-1	41,200,000	23,225,000	8/15/2018
86-2	24,357,774	12,586,000	8/15/2017
87-5A	9,075,000	4,035,553	8/15/2019
87-5B	27,015,000	15,376,029	8/15/2019
87-5C	14,900,000	9,472,161	8/15/2019
87-5D	11,335,000	7,854,659	8/15/2019
87-5E	<u>13,365,000</u>	<u>9,045,000</u>	8/15/2018
Total	141,247,774	81,594,402	

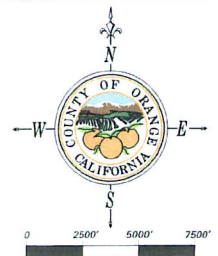
COUNTY OF ORANGE COMMUNITY FACILITIES DISTRICTS
(Select districts,does not include all 23 County CFDs)



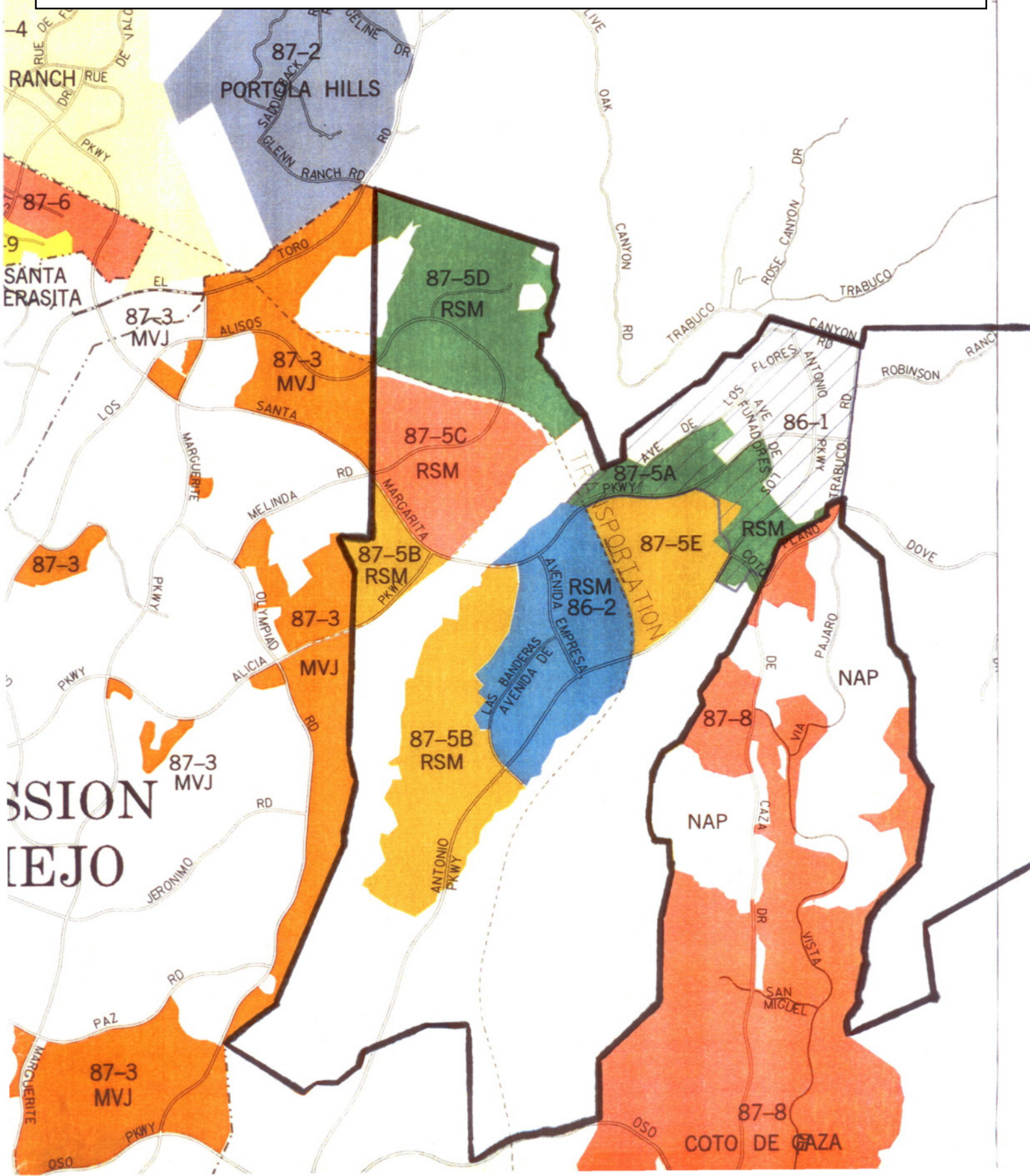
Community Facilities Districts

ENVIRONMENTAL MANAGEMENT AGENCY

PUBLIC WORKS - SURVEY DIVISION
MAPPING SERVICES AND GIS APPLICATIONS UNIT
3 / 20 / 20



CITY OF RANCHO SANTA MARGARITA CITY BOUNDARIES (OUTLINED IN BLACK)





Sample Tax Bill



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Chriss W. Street

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2007-2008 Secured Property Tax

Property Tax Information
FISCAL YEAR 2007-2008

This page presents tax information on the parcel you have selected. Payments, corrections and/or other adjustments made today may not be reflected until after 2 days.

Parcel No.
Legal Description
Tax Rate Area 33-033
Roll Type Secured

This bill was generated on 10/01/2007 (also known as the enrollment date).

Installments	Delinquent Date	Status	Amount Due	Remarks
First Installment	12/10/2007	NOT PAID	\$3,584.93	Until 12/10/2007
Second Installment	04/10/2008	NOT PAID	\$3,584.93	Until 04/10/2008
Total Due and Payable			\$7,169.86	Pay Online

The amount above represents the amount due for the 2007-2008 tax year only, and includes any corrections, penalties and fees not reflected in your original tax bill. You may go back to the previous page for any prior year information. For any questions, please contact the Tax Collector's Office at (714) 834-3411.

Payment Summary

Installments	Date Paid	Amount Paid	Remarks
First Installment		\$0.00	
Second Installment		\$0.00	
Total Amt Paid		\$0.00	

Assessed Values and Exemptions

Description	Full Value	Computed Tax
Land	\$344,430	
Mineral Rights	\$0	
Improvements	\$201,780	
Personal Property	\$0	
Others	\$0	
Total Values	\$546,210	

(Less) Exemptions

HOMEOWNER	(\$7,000)
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Total Net Taxable Value	\$539,210	<div>\$7,169.86</div> <div>Click Here for Details</div> <div>Note: The computed tax amount does not include penalties and fees.</div>
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Total Due and Payable \$7,169.86

Pay Online

View Cart (Empty)

TAX PAYMENT CART

Pay multiple property tax bills using the new Tax Payment Cart feature.

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SIGN UP FOR
SECURED PROPERTY
TAX
EMAIL REMINDER

The Orange County Treasurer-Tax Collector is now providing a FREE email reminder service to remind you of the Secured Property Tax Delinquent Dates.

([Subscribe Now](#))

CREDIT CARD
CONVENIENCE FEES

There is a convenience fee charged in addition to the property tax amount due if you pay by credit card either online or by phone. In person, only Discover credit cards are accepted.

([Learn More](#))

DISCLAIMER

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([Learn More](#))

SECURED PROPERTY
TAXES

Secured property taxes are taxes levied on real property. This includes

OR

Mail your payments to:

The Treasurer-Tax Collector's Office
P.O. Box 1438
Santa Ana, CA 92702-1438

land, mineral and quarries
in the land, and
improvements, among
others.

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Information is current as of 11/17/2007 for the current year roll.

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Parcel No.:

Tax Type	Description/Service Agency	Phone No.	Tax Rate (33-033)	Value Base	Amount (Rate x Value)
A1	BASIC LEVY RATE		1.00000	\$539,210.00	\$5,392.10
A1	METRO WATER D-MWDOC		0.00450	\$539,210.00	\$24.26
A4	SANTA MARG ID4A BOND		0.21120	\$344,430.00	\$727.43
A4	SANTA MARG ID#4 BOND		0.05730	\$344,430.00	\$197.36
*** SPECIAL ASSESSMENT USER FEES***					
BA	MOSQ,FIRE ANT ASSMT	(800)273-5167			\$5.14
B3	VECTOR CONTROL CHG	(800)273-5167			\$1.92
C7	MWD WATER STDBY CHG	(866)807-6864			\$10.08
J4	SMWD ID #4 D/S AQD	(949)459-6420			\$16.71
Q1	MELLO-ROOS Q1	(949)955-1500			\$336.34
R9	MELLO-ROOS R9	(949)955-1500			\$458.52
Total Tax:					\$7,169.86

[CLOSE](#)

Mello Roos Q1 = Capo USD Community Facilities District No. 94-1
Mello Roos R9 = County of Orange Community Facilities District No. 86-2



Summary Information
Individual Community Facilities Districts

COUNTY OF ORANGE
COMMUNITY FACILITIES DISTRICT NO. 86-1
RANCHO SANTA MARGARITA

Formation: Board of Supervisors Resolution 86-909 7/9/1986

Debt Authorized: \$41,200,000

Debt Issued:

23,945,000	8/1/1986
17,255,000	10/19/1988
41,200,000	Total

Refunded:

- 42,360,000 Series 1989 Special Tax Refunding Bond BOS Resolution 89-1465
- 32,335,000 Series A 1999 as part of South Orange County Public Finance Authority

Debt Principal Outstanding as of 9/30/07: 23,225,000

Bond Retirement Date: 8/15/2018

Authorized Use of Construction Funds		Construction Funds Remaining as of 9/30/07
SVUSD Schools	24,379,000	68,045
Foothill Transportation Corridor	2,736,000	25,676
Road Improvements	5,407,000	103,758
Totals:	32,522,000	197,479

District History of Taxes Levied

1999 Taxes	2000 Taxes	2001 Taxes	2002 Taxes	2003 Taxes	2004 Taxes	2005 Taxes	2006 Taxes	2007 Taxes	2008 Taxes	Average Annual % Change
3,495,431	3,441,568	2,886,586	2,873,574	2,857,682	2,866,719	2,852,306	2,822,918	2,825,009	2,586,027	-909,404 -2.9%

Fiscal Year 2007-2008 Special Tax Rates to Repay Bond Debt

Class	Density	Maximum Special Tax	Special Tax Levy	Percent of Maximum	Number of Units, SF, or Acres
1.a	6.0 or less	\$1,766.05/unit	\$739.44/unit	41.87%	442 Dwelling Units
2.a	6.1 to 8.9	\$1,435.62/unit	\$601.10/unit	41.87%	1,503 Dwelling Units
2.b	9.0 to 13.0	\$1,207.75/unit	\$505.68/unit	41.87%	304 Dwelling Units
3.a	13.1 to 18.9	\$877.33/unit	\$367.34/unit	41.87%	1,236 Dwelling Units
3.b	19.0 or	\$717.81/unit	\$300.55/unit	41.87%	2,198 Dwelling Units
4	Commercial	\$0.6836/improved SF	\$0.2862/improved SF	41.87%	Commercial Improved Square Feet 305,273
0	Undeveloped	\$4,557.54/acre	\$0.00/acre	0.00%	NA BUILT OUT

Annual Escalator: Maximum Special Tax rates will escalate four percent (4.0%) per year.

Term of Special Tax: The special tax will be levied each year until all of the authorized facilities are built and all special tax bonds are repaid.

COUNTY OF ORANGE
COMMUNITY FACILITIES DISTRICT NO. 86-2
RANCHO SANTA MARGARITA

Formation: Board of Supervisors Resolution 86-1092 8/26/1986

Debt Authorized: \$50,000,000

Debt Issued:	12,405,000	Series A 1987	10/1/1987
	8,592,774	Series A 1990	4/1/1990
	3,360,000	Series 1998	4/8/1998
	<u>24,357,774</u>	Total	

Refunded:	• 13,487,226	Series A 1990	4/1/1990
	• 7,615,000	Series 1998	4/8/1998
	• 8,005,000	Series A 2001	1/5/2001

Debt Principal Outstanding as of 9/30/07: 12,586,000

Bond Retirement Date: 8/15/2017

Authorized Use of Construction Funds		Construction Funds Remaining as of 9/30/07	
Foothill Transportation			
Corridor	466,969		0
Road Improvements	10,513,533		1,534,396
FCPP	7,329,000		0
Sheriff Station	2,137,152		2,137,152
Fire Station	<u>2,077,907</u>		<u>0</u>
Totals:	22,524,561		3,671,548

District History of Taxes Levied											
1999 Taxes	2000 Taxes	2001 Taxes	2002 Taxes	2003 Taxes	2004 Taxes	2005 Taxes	2006 Taxes	2007 Taxes	2008 Taxes	Average Annual % Change	
2,107,612	2,095,813	2,061,731	1,718,404	1,645,016	1,685,428	1,680,478	1,670,291	1,626,449	1,535,677	-571,935	-3.0%

Fiscal Year 2007-2008 Special Tax Rates to Repay Bond Debt						
Class	Land Use	Square Footage	"Table 1" Special Tax"	Special Tax Levy	Percent of "Table 1" Special Tax	Number of Units, SF, or Acres
<i>Non-improvement Area</i>						
0	Undeveloped	Not Applicable	\$12,500/unit	\$0.00/acre	0.00%	NA BUILT OUT
1	Developed Commercial/Industrial	Not Applicable	\$0.6573/bldg sf	\$0.2583/bldg sf	39.30%	1,840,189 Square Feet
<i>Improvement Areas No. 1 and No. 2</i>						
(10) 1	Single Family Detached	2,700 or more	\$2,228.88/unit	\$875.86/unit	39.30%	231 Dwelling Units
(10) 2	Single Family Detached	2,400 to 2,699	\$1,919.71/unit	\$754.37/unit	39.30%	75 Dwelling Units
(10) 3	Single Family Detached	1,700 to 2,399	\$1,576.91/unit	\$619.66/unit	39.30%	95 Dwelling Units
(10) 4	Single Family Detached	Less than 1,700	\$1,200.47/unit	\$471.73/unit	39.30%	126 Dwelling Units
(10) 5	Townhome	1,650 or more	\$1,166.83/unit	\$458.52/unit	39.30%	89 Dwelling Units
(10) 6	Townhome	1,350 to 1,649	\$1,131.91/unit	\$444.79/unit	39.30%	69 Dwelling Units
(10) 7	Townhome	Less than 1,350	\$959.86/unit	\$377.18/unit	39.30%	35 Dwelling Units
(10) 8	Condominium	1,200 or more	\$927.52/unit	\$0.00/unit <i>no units in this class</i>	0.00%	0 Dwelling Units
(10) 9	Condominium	850 to 1,999	\$685.61/unit	\$0.00/unit <i>no units in this class</i>	0.00%	0 Dwelling Units
(1) 10	Condominium	Less than 850	\$549.78/unit	\$0.00/unit <i>no units in this class</i>	0.00%	0 Dwelling Units
(1) 11	Apartment	Not Applicable	\$514.86/unit	\$202.32/unit	39.30%	18 Dwelling Units
(1) IA	Commercial/Industrial	Not Applicable	\$0.6573/bldg sf or \$6,671.78/acre whichever is greater	\$0.2583/bldg sf	39.30%	2,053,192 Square Feet
0	Undeveloped	Not Applicable	\$12,500/acre	\$0.00/acre	0.00%	4.065 Acre

*The Maximum Special Tax for Developed Property is the greater of the Table 1 Special Tax or the "Base Maximum Special Tax."

Annual Escalator: Maximum Special Tax rates set forth in the "original" RMA will escalate four percent (4.00%) per year. Maximum Special Tax rates set forth in the Improvement Area RMAs will escalate two percent (2.00%) percent per year.

Term of Special Tax: The special tax will be levied each year until all of the authorized facilities are built and all special tax bonds are repaid.

Base Maximum Tax: The Base Maximum Special Tax set forth in the IA RMAs and applicable to Developed Property located in such Improvement Areas is \$0.3234 per square foot of land (or \$14,087.38 per acre).

COUNTY OF ORANGE
COMMUNITY FACILITIES DISTRICT NO. 87-5A
RANCHO SANTA MARGARITA

Formation: Board of Supervisors Resolution 88-602 5/3/1988

Debt Authorized: 9,100,000

Debt Issued: 8,250,000 1988 Bonds 11/1/88
 825,000 1994C South Orange County Public Financing Authority
 9,075,000 Total

Refunded: 8,863,770 1994C South Orange County Public Financing Authority
 5,487,206 2004A South Orange County Public Financing Authority

Debt Principal Outstanding as of 9/30/07: 4,035,553

Bond Retirement Date: 8/15/2019

Authorized Use of Construction Funds

Construction Funds Remaining as of 9/30/07

Foothill Circulation 6,461,000 0
 Phasing Plan (FCPP)

District History of Taxes Levied

1999 Taxes	2000 Taxes	2001 Taxes	2002 Taxes	2003 Taxes	2004 Taxes	2005 Taxes	2006 Taxes	2007 Taxes	2008 Taxes	Average Annual % Change
706,300	707,788	767,165	783,415	803,107	785,794	780,291	749,066	753,186	782,202	75,902 1.2%

Fiscal Year 2007-2008 Special Tax Rates to Repay Bond Debt

Class	Land Use	Square Footage of Improvements	"Table 1" Special Tax*	Special Tax Levy	Percent of Table 1	Number of Units, SF, or Acres
1	Single Family Detached	2,700 or more	\$2,157.05/unit	\$1,138.21/unit	52.77%	1 Dwelling Unit
2	Single Family Detached	2,400 to 2,699	\$1,857.14/unit	\$979.96/unit	52.77%	4 Dwelling Units
3	Single Family Detached	1,700 to 2,399	\$1,526.47/unit	\$805.47/unit	52.77%	125 Dwelling Units
4	Single Family Detached	Less than 1,700	\$1,161.19/unit	\$612.73/unit	52.77%	434 Dwelling Units
5	Townhomes	1,650 or more	\$1,128.51/unit	\$595.48/unit	52.77%	13 Dwelling Units
6	Townhomes	1,350 to 1,649	\$1,095.83/unit	\$578.24/unit	52.77%	50 Dwelling Units
7	Townhomes	Less than 1,350	\$928.57/unit	\$489.98/unit	52.77%	67 Dwelling Units
8	Condominiums	1,200 or more	\$895.89/unit	\$472.73/unit	52.77%	87 Dwelling Units
9	Condominiums	850 to 1,199	\$663.26/unit	\$349.98/unit	52.77%	370 Dwelling Units
10	Condominiums	Less than 850	\$530.61/unit	\$279.99/unit	52.77%	311 Dwelling Units
11	Apartment	Not Applicable	\$497.93/unit	\$262.74/unit	52.77%	301 Dwelling Units
12	Commercial/ Industrial	Not Applicable	\$0.3461/s.f. of improvements or \$5,056.18/acre whichever is greater	\$0.1826/s.f. of improvements or \$2,667.99/acre whichever is greater	52.77%	1.601 Acres
0	Undeveloped	Not Applicable	\$7,000.00/acre	\$0.00/acre	0.00%	NA BUILT OUT

*The Maximum Special Tax for Developed Property is the greater of the Table 1 Special Tax or the "Base Maximum Special Tax."

Annual Escalator: Maximum Special Tax rates will escalate three and one-half percent (3.50%) per year.

Term of Special Tax: The special tax will be levied each year until all of the authorized facilities are built and all special tax bonds are repaid.

Base Maximum Tax: The Base Maximum Special Tax for Developed Property is \$0.3076 per square foot (or \$13,399.07 per acre).

COUNTY OF ORANGE
COMMUNITY FACILITIES DISTRICT NO. 87-5B
RANCHO SANTA MARGARITA

Formation: Board Resolution 88-603 5/3/1988

Debt Authorized: 30,000,000

Debt Issued: 11,910,000 1989 Bonds 2/15/1989
11,545,000 1992 Bonds 6/1/1992
3,560,000 1994C South Orange County Public Financing Authority
27,015,000 Total

Refunded: 27,396,720 1994C South Orange County Public Financing Authority
18,753,121 2004A South Orange County Public Financing Authority

Debt Principal Outstanding as of 9/30/07: 15,376,029

Bond Retirement Date: 8/15/2019

Authorized Use of Construction Funds **Construction Funds Remaining as of 9/30/07**

Foothill Circulation Phasing Plan (FCPP) 21,300,000 0

District History of Taxes Levied

1999 Taxes	2000 Taxes	2001 Taxes	2002 Taxes	2003 Taxes	2004 Taxes	2005 Taxes	2006 Taxes	2007 Taxes	2008 Taxes	Average Annual % Change
1,948,101	2,175,196	2,128,259	2,176,527	2,217,751	2,166,428	2,095,243	2,150,678	2,162,923	2,193,673	1.4%

Fiscal Year 2007-2008 Special Tax Rates to Repay Bond Debt

Class	Land Use	Square Footage of Improvement	"Table 1" Special Tax	Special Tax Levy	Percent of Table 1	Number of Units, SF, or Acres
1	Single Family Detached	2,700 or more	\$2,952.96/unit	\$1,560.72/unit	52.85%	260 Dwelling Units
2	Single Family Detached	2,400 to 2,699	\$2,545.39/unit	\$1,345.31/unit	52.85%	53 Dwelling Units
3	Single Family Detached	1,700 to 2,399	\$2,089.76/unit	\$1,104.50/unit	52.85%	532 Dwelling Units
4	Single Family Detached	Less than 1,700	\$1,589.91/unit	\$840.31/unit	52.85%	166 Dwelling Units
5	Townhomes	1,650 or more	\$1,545.69/unit	\$816.94/unit	52.85%	310 Dwelling Units
6	Townhomes	1,350 to 1,649	\$1,499.55/unit	\$792.55/unit	52.85%	229 Dwelling Units
7	Townhomes	Less than 1,350	\$1,272.70/unit	\$672.66/unit	52.85%	133 Dwelling Units
8	Condominiums	1,200 or more	\$1,1226.56/unit	\$648.27/unit	52.85%	148 Dwelling Units
9	Condominiums	850 to 1,199	\$909.34/unit	\$480.61/unit	52.85%	673 Dwelling Units
10	Condominiums	Less than 850	\$726.71/unit	\$384.08/unit	52.85%	119 Dwelling Units
11	Apartment	Not Applicable	\$682.49/unit	\$0.00/unit no units in this class	0.00%	0 Dwelling Units
12	Commercial/Industrial	Not Applicable	\$0.5191/sq.ft. of improvements or \$7,753.45/acre whichever is greater	\$0.0000/sq.ft. of improvements or \$0.00/acre whichever is greater no sq. ft. or acres in this class	0.00%	0 Acres
0	Undeveloped	Not Applicable	\$8,500.00/acre	\$527.31/acre	6.20%	NA BUILT OUT

*The Maximum Special Tax for Developed Property is the greater of the Table 1 Special Tax or the "Base Maximum Special Tax."

Annual Escalator: Maximum Special Tax rates will escalate three and one-half percent (3.50%) per year.

Term of Special Tax: The special tax will be levied each year until all of the authorized facilities are built and all special tax bonds are repaid.

Base Maximum Tax: The Base Maximum Special Tax for Developed Property is \$0.4037 per square foot of land area within the Assessor's Parcel (or \$17,586.27 per acre).

COUNTY OF ORANGE
COMMUNITY FACILITIES DISTRICT NO. 87-5C
RANCHO SANTA MARGARITA

Formation: Board of Supervisors Resolution 88-604 5/3/1988

Debt Authorized: 15,500,000

Debt Issued: 6,800,000 1989 Bonds 6/1/1989
8,100,000 1994C South Orange County Public Financing Authority
14,900,000 Total

Refunded: 15,221,979 1994C South Orange County Public Financing Authority
11,185,424 2004A South Orange County Public Financing Authority

Debt Principal Outstanding as of 9/30/07: 9,472,161

Bond Retirement Date: 8/15/2019

Authorized Use of Construction Fund: **Construction Funds Remaining as of 9/30/07:**

Foothill Circulation 11,005,000 68,672
Phasing Plan (FCPP)

District History of Taxes Levied

1999 Taxes	2000 Taxes	2001 Taxes	2002 Taxes	2003 Taxes	2004 Taxes	2005 Taxes	2006 Taxes	2007 Taxes	2008 Taxes	1999 to 2008 % Change	Average Annual % Change
1,190,981	1,303,399	1,267,187	1,302,567	1,355,437	1,321,145	1,214,035	1,261,180	1,255,995	1,263,937	72.956	0.7%

Fiscal Year 2007-2008 Special Tax Rates to Repay Bond Deb

Class	Land Use	Square Footage of Improvements	"Table 1" Special Tax"	Special Tax Levy	Percent of Table 1	Number of Units, SF, or Acres
1	Single Family Detached	2,700 or more	\$3,018.33/unit	\$1,104.15/unit	36.58%	214 Dwelling Units
2	Single Family Detached	2,400 to 2,699	\$2,601.14/unit	\$951.54/unit	36.58%	201 Dwelling Units
3	Single Family Detached	1,700 to 2,399	\$2,135.90/unit	\$781.34/unit	36.58%	862 Dwelling Units
4	Single Family Detached	Less than 1,700	\$1,624.51/unit	\$594.27/unit	36.58%	92 Dwelling Units
5	Townhomes	1,650 or more	\$1,578.37/unit	\$0.00/unit no units in this class	0.00%	0 Dwelling Units
6	Townhomes	1,350 to 1,649	\$1,532.23/unit	\$560.51/unit	36.58%	52 Dwelling Units
7	Townhomes	Less than 1,350	\$1,299.61/unit	\$475.42/unit	36.58%	84 Dwelling Units
8	Condominiums	1,200 or more	\$1,253.47/unit	\$458.54/unit	36.58%	1 Dwelling Units
9	Condominiums	850 to 1,199	\$928.57/unit	\$339.68/unit	36.58%	109 Dwelling Units
10	Condominiums	Less than 850	\$744.01/unit	\$272.17/unit	36.58%	6 Dwelling Units
11	Apartment	Not Applicable	\$695.95/unit	\$0.00/unit no units in this class	0.00%	0 Dwelling Units
12	Commercial/ Industrial	Not Applicable	\$0.5191/bldg sf or \$7,753.45/acre whichever is greater	\$0.0000/bldf sf or \$0.00/acre whichever is greater	0.00%	NA NA
0	Undeveloped	Not Applicable	\$6,500.00/acre	\$0.00/acre no parcels in this class	0.00%	NA BUILT OUT

*The Maximum Special Tax for Developed Property is the greater of the Table 1 Special Tax or the "Base Maximum Special Tax."

Annual Escalator: Table 1 and Maximum Special Tax rates escalate three and one-half percent (3.50%) per year.

Term of Special Tax: The special tax will be levied each year until all of the authorized facilities are built and all special tax bonds are repaid. Notwithstanding, the special tax may continue to be levied after all facilities are built and all bonds are repaid to pay for authorized services.

Base Maximum Tax: The Base Maximum Special Tax for Developed Property is \$0.2884 per square foot (or \$12,561.62 per acre).

COUNTY OF ORANGE
COMMUNITY FACILITIES DISTRICT NO. 87-5D
RANCHO SANTA MARGARITA

Formation: Board of Supervisors Resolution 88-605 5/3/1988

Debt Authorized: 15,500,000

Debt Issued: 5,885,000 1990 Bonds 11/1/1990
5,450,000 1994C South Orange County Public Financing Authority
11,335,000 Total

Refunded: 12,042,509 1994C South Orange County Public Financing Authority
9,161,371 2004A South Orange County Public Financing Authority

Debt Principal Outstanding as of 9/30/07: 7,854,659

Bond Retirement Date: 8/15/2019

Authorized Use of Construction Funds

Construction Funds Remaining as of 9/30/07

Foothill Circulation 11,005,000 0
Phasing Plan (FCPP)

District History of Taxes Levied

1999 Taxes	2000 Taxes	2001 Taxes	2002 Taxes	2003 Taxes	2004 Taxes	2005 Taxes	2006 Taxes	2007 Taxes	2008 Taxes	Average Annual % Change
1,046,336	1,049,979	1,085,185	1,111,601	1,123,159	1,104,917	994,345	1,014,350	998,598	986,984	-59,352 -0.6%

Fiscal Year 2007-2008 Special Tax Rates to Repay Bond Debt

Class	Land Use	Square Footage of Improvements	Table 1 Special Tax*	Special Tax Levy	Percent of Table 1	Number of Units, SF, or Acres
1	Single Family Detached	2,700 or more	\$3,054.85/unit	\$1,398.34/unit	45.77%	58 Dwelling Units
2	Single Family Detached	2,400 to 2,699	\$2,631.90/unit	\$1,204.74/unit	45.77%	46 Dwelling Units
3	Single Family Detached	1,700 to 2,399	\$2,160.89/unit	\$989.14/unit	45.77%	237 Dwelling Units
4	Single Family Detached	Less than 1,700	\$1,645.66/unit	\$753.29/unit	45.77%	181 Dwelling Units
5	Townhomes	1,650 or more	\$1,597.60/unit	\$0.00/unit no units in this class	0.00%	0 Dwelling Units
6	Townhomes	1,350 to 1,649	\$1,551.46/unit	\$0.00/unit no units in this class	0.00%	0 Dwelling Units
7	Townhomes	Less than 1,350	\$1,316.91/unit	\$0.00/unit no units in this class	0.00%	0 Dwelling Units
8	Condominiums	1,200 or more	\$1,268.85/unit	\$580.81/unit	45.77%	479 Dwelling Units
9	Condominiums	850 to 1,199	\$940.10/unit	\$430.33/unit	45.77%	41 Dwelling Units
10	Condominiums	Less than 850	\$751.70/unit	\$344.09/unit	45.77%	1 Dwelling Units
11	Apartment	Not Applicable	\$705.56/unit	\$322.97/unit	45.77%	568 Dwelling Units
12	Commercial/ Industrial	Not Applicable	\$0.5191/bldg sf or \$7,753.45/acre whichever is greater	\$0.0000/bldg sf or \$0.00/acre whichever is greater no property in this class	0.00%	NA NA
0	Undeveloped	Not Applicable	\$8,000.00/acre	\$460.38/acre	5.75%	NA BUILT OUT

*The Maximum Special Tax for Developed Property is the greater of the Table 1 Special Tax or the "Base Maximum Special Tax."

Annual Escalator: Table 1 and Maximum Special Tax Rates escalate three and one-half percent (3.50%) per year.

Term of Special Tax: The special tax will be levied each year until all of the authorized facilities are built and all special tax bonds are repaid. Notwithstanding, the special tax may be levied after all facilities are built and all bonds are repaid to pay for authorized services.

Base Maximum Tax: The Base Maximum Special Tax for Developed Property is \$0.3557 per square foot (or \$15,492.67 per acre).

COUNTY OF ORANGE
COMMUNITY FACILITIES DISTRICT NO. 87-5E
RANCHO SANTA MARGARITA

Formation: Board of Supervisors Resolution 88-1222 8/30/1988

Debt Authorized: 30,000,000

Debt Issued: 13,695,000 1993 Bonds 4/1/1993

Refunded: 12,780,000 1999A South Orange County Public Financing Authority 7/9/1999

Debt Principal Outstanding as of 9/30/07: 9,045,000

Bond Retirement Date: 8/15/2018

Authorized Use of Construction Fund: **Construction Funds Remaining as of 9/30/07:**

Foothill Circulation		
Phasing Plan	14,072,700	0
Antonio Parkway	889,882	0
Library	3,500,000	0
Contingencies	2,837,418	0
Total	21,300,000	0

District History of Taxes Levied

1999 Taxes	2000 Taxes	2001 Taxes	2002 Taxes	2003 Taxes	2004 Taxes	2005 Taxes	2006 Taxes	2007 Taxes	2008 Taxes	1999 to 2008 % Change	Average Annual % Change
1,196,958	1,114,865	1,114,373	1,111,882	1,137,933	1,134,653	1,127,582	1,114,450	1,084,385	1,062,633	-134,325	-1.2%

Fiscal Year 2007-2008 Special Tax Rates to Repay Bond Deb

Class	Land Use	Square Footage of Improvements	"Table 1" Special Tax"	Special Tax Levy	Percent of Table 1	Number of Units, SF, or Acres
1	Single Family Detached	More than 2,700	\$3,097.15/unit	\$0.00/unit <i>no units in this class</i>	0.00%	0 Dwelling Units
2	Single Family Detached	2,400 to 2,699	\$2,668.43/unit	\$0.00/unit <i>no units in this class</i>	0.00%	0 Dwelling Units
3	Single Family Detached	1,700 to 2,399	\$2,191.65/unit	\$740.62/ unit	33.79%	89 Dwelling Units
4	Single Family Detached	Less than 1,700	\$1,668.73/unit	\$563.91/unit	33.79%	190 Dwelling Units
5	Townhomes	More than 1,650	\$1,620.67/unit	\$547.67/unit	33.79%	96 Dwelling Units
6	Townhomes	1,350 to 1,649	\$1,572.61/unit	\$531.42/unit	33.79%	3 Dwelling Units
7	Townhomes	Less than 1,350	\$1,334.22/unit	\$450.87/unit	33.79%	35 Dwelling Units
8	Condominiums	More than 1,200	\$1,288.08/unit	\$435.27/unit	33.79%	235 Dwelling Units
9	Condominiums	850 to 1,199	\$953.56/unit	\$322.23/unit	33.79%	148 Dwelling Units
10	Condominiums	Less than 850	\$763.23/unit	\$0.00/unit <i>no units in this class</i>	0.00%	0 Dwelling Units
11	Apartment	Not Applicable	\$753.62/unit	\$254.67/unit	33.79%	1,095 Dwelling Units
12	Commercial/ Industrial	Not Applicable	\$0.7882/sq. ft. of improvements or \$10,112.36/acre whichever is greater	\$0.2664/sq. ft. of improvements or \$3,417.22/acre whichever is greater	33.79%	NA NA
0	Undeveloped	Not Applicable	\$21,724.26/acre	\$335.21/acre	1.54%	NA BUILT OUT

*The Maximum Special Tax for Developed Property is the greater of the Table 1 Special Tax or the "Base Maximum Special Tax."

Annual Escalator: Maximum Special Tax rates will escalate three and one-half percent (3.50%) per year.

Term of Special Tax: The special tax will be levied each year until all of the authorized facilities are built and all special tax bonds are repaid.

Base Maximum Tax: The Base Maximum Special Tax for Developed Property is \$0.4806 per square foot (or \$20,936.04 per acre).



*Additional Information
Administration Reports
(selected sections)*

**COMMUNITY FACILITIES DISTRICT
ADMINISTRATION REPORT
FOR FISCAL YEAR 2007-2008**

COMMUNITY FACILITIES DISTRICT NO. 86-1

**RANCHO SANTA MARGARITA
COUNTY OF ORANGE**

Prepared for

COUNTY OF ORANGE
10 Civic Center Plaza, Third Floor
Santa Ana, CA 92701-4062

Prepared by

DAVID TAUSSIG & ASSOCIATES, INC.
1301 Dove Street, Suite 600
Newport Beach, California 92660
(949) 955-1500

September 28, 2007

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Appendix A: Boundary Map

Appendix B: Rate and Method of Apportionment

Appendix C: Special Tax Roll

**Fiscal Year 2007-2008
District Summary Sheet
Community Facilities District No. 86-1
Rancho Santa Margarita
Fund No. R8**

Authorized Debt: \$41,200,000

Amount Issued: \$42,360,000 (Amount issued exceeds amount authorized due to defeasance of original bonds)

Authorized Facilities: Public Schools
Streets and Roads
Foothill Transportation Corridor

Authorized Services: NONE

Special Tax Rates:

Class	Density	Maximum Special Tax	Special Tax Levy	Percent of Maximum
1.a	6.0 or less	\$1,766.05/unit	\$739.44/unit	41.87%
2.a	6.1 to 8.9	\$1,435.62/unit	\$601.10/unit	41.87%
2.b	9.0 to 13.0	\$1,207.75/unit	\$505.68/unit	41.87%
3.a	13.1 to 18.9	\$877.33/unit	\$367.34/unit	41.87%
3.b	19.0 or	\$717.81/unit	\$300.55/unit	41.87%
4	Commercial	\$0.6836/improved SF	\$0.2862/improved SF	41.87%
0	Undeveloped	\$4,557.54/acre	\$0.00/acre	0.00%

Annual Escalator: Maximum Special Tax rates will escalate four percent (4.0%) per year.

Term of Special Tax: The special tax will be levied each year until all of the authorized facilities are built and all special tax bonds are repaid.

Outstanding bonds will mature in 2017.

I. BACKGROUND

The Board of Supervisors (the "Board") of the County, acting on behalf of Community Facilities District No. 86-1 (Rancho Santa Margarita), hereinafter referred to as "CFD No. 86-1" or the "District", adopted Resolution No. 86-735 on June 3, 1986 stating its intent to establish the District and to authorize the levy of special taxes within the boundaries of the District (boundary map included as Appendix A). On the same date, the Board also adopted Resolution No. 86-736 stating its intent to have the District incur bonded indebtedness in the amount not to exceed \$41,200,000.

On July 9, 1986, following public hearings, the Board adopted Resolution No. 86-909 establishing the District and authorizing the levy of a special tax, and Resolution No. 86-910 determining the necessity to incur up to \$41,200,000 of bonded indebtedness.

At a special election held on July 9, 1986, the owners of the property within the District boundaries authorized the District to incur bonded indebtedness in an amount not to exceed \$41,200,000 and approved the rate and method of apportionment of the special tax to pay principal and interest on the bonds and annual administration fees to levy the special tax.

Bonds in the amount of \$23,945,000 and \$17,255,000 were issued with dates of August 1, 1986 and October 1, 1988 for a total of \$41,200,000. In November 1989, the County refunded these bonds and issued \$42,360,000 of Series 1989 Special Tax Refunding bonds in accordance with Resolution No. 89-1465.

On July 9, 1999, the South County Public Financing Authority (the "Authority"), a California joint powers authority organized pursuant to the Joint Exercise of Powers Agreement dated March 4, 1994, issued \$75,290,000 in Special Tax Revenue Bonds (the "1999 Series A Bonds") in part to refund the Series 1989 Special Tax Refunding bonds. The 1999 Series A Bonds are to be repaid through the levying of special taxes within five of the County CFD's. The portion of the 1999 Series A Bonds allocated to each of the five CFD's is designated the "Local Obligation". The Local Obligation amount for CFD No. 86-1 is \$32,335.00.

II. IMPROVEMENTS AND COST ESTIMATES

In general, the improvements to be funded by CFD No. 86-1 (Rancho Santa Margarita) and the estimated costs are presented in Table II-1.

TABLE II-1

**ESTIMATE OF COSTS AND EXPENSES
COMMUNITY FACILITIES DISTRICT NO. 86-1
RANCHO SANTA MARGARITA**

Improvements ¹	
Foothill Transportation Corridor Fees	\$ 2,736,000.00
School Construction	24,379,000.00
Road Improvements	<u>5,407,000.00</u>
Total Improvements	32,522,000.00
1986 Series A ¹	
Issuance and Formation Costs	\$ 478,000.00
Reserve Fund	1,817,000.00
Capitalized Interest	2,556,000.00
Discount	<u>637,000.00</u>
Total	5,488,000.00
1988 Series ²	
Issuance Costs	\$ 250,000.00
Reserve Fund	1,486,000.00
Capitalized Interest	945,000.00
Discount	309,000.00
Insurance	<u>200,000.00</u>
Total	3,190,000.00
Total Bond Authorization	<u>\$41,200,000.00</u>

¹ Source: BSI, "Engineers Report for Community Facilities District No. 86-1, Rancho Santa Margarita", June 1986.

² Source: Willdan Associates, "Annual Levy of Special Tax for the Fiscal Year 1993/1994", September 17, 1993

The bond "issuance" costs associated with the Series 1999 Special Tax Refunding Bonds are presented in Table II-2.³

TABLE II-2

**COST ESTIMATE FOR SERIES 1999 SPECIAL TAX REFUNDING BONDS
COMMUNITY FACILITIES DISTRICT NO. 86-1
RANCHO SANTA MARGARITA**

Bonds Refunded	\$37,907,672
Original Issue Discount	(42,181)
Underwriter's Discount	266,764
Insurance Premium	390,232
Cost of Issuance Account	330,079
Reserve Account	1,537,608
Rounding Amount	4,379
Surety Bond Premium	46,128
Reserve Funds of the Refunded Bonds	(3,555,031)
Other Available Funds	<u>(4,550,651)</u>
Amount of Refunding Bonds	<u>\$32,335,000</u>

No services are authorized to be financed by CFD No. 86-1.

³ Source: Stone & Youngberg, "South Orange County Public Financing Authority 1999 Special Tax Revenue Bonds, Series A", July 1999.

III. RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The Board adopted and approved the Rate and Method of Apportionment of Special Tax (the "Rate and Method") for CFD No. 86-1 as set forth in Exhibit A to Resolution No. 86-909, the Resolution of Formation establishing the District and authorizing the levy of the Special Tax. The Rate and Method provides that residential property will be taxed on the basis of the number of units per acre, while commercial/industrial property will be taxed on the basis of square footage of improvements. A copy of the Rate and Method is included in Appendix B.

The Rate and Method establishes two primary property classifications: "Developed Property" and "Undeveloped Property." Developed Property, consists of all Assessor's parcels in CFD No. 86-1 for which an escrow has closed for a single family residential unit, a certificate of occupancy has been issued for an apartment, or a building permit has been issued for commercial/industrial property on or before July 1 of the fiscal year for which the special tax is being levied. Undeveloped Property is all other taxable property not classified as Developed Property.

Assignment to Tax Class

Developed Property is assigned to one of five tax classes depending on whether or not the property is used for residential or non-residential purposes. Residential property is assigned to one of four tax classes based upon density of development excluding public streets and other public or utility easements.

Maximum and Levied Special Tax Rates

The amount of special taxes that CFD No. 86-1 may levy is limited by the maximum rates set forth in the Rate and Method. The initial maximum rates for Developed Property and Undeveloped Property, which escalate in each fiscal year, are set forth in Part I of the Rate and Method. The rate of escalation is four percent (4.00%) of the amount in effect for the previous fiscal year.

The Fiscal Year 2007-2008 special tax rates for Developed Property are approximately eight and nine-tenths of a percent (8.9%) lower than the Fiscal Year 2006-2007 rates. The special taxes levied on Developed Property are sufficient to meet the Fiscal Year 2007-2008 special tax requirement of CFD No. 86-1. Therefore, no special taxes are levied on Undeveloped Property for Fiscal Year 2007-2008. The Maximum Special Tax rates and the special tax levy for each class of property for Fiscal Year 2007-2008 are shown in Table III-1.

TABLE III-1

**SPECIAL TAX RATES AND SPECIAL TAX LEVY
COMMUNITY FACILITIES DISTRICT NO. 86-1
RANCHO SANTA MARGARITA**

Class	Density	Maximum Special Tax	Special Tax Levy	Percent of Maximum
1.a	6.0 or less	\$1,766.05/unit	\$739.44/unit	41.87%
2.a	6.1 to 8.9	\$1,435.62/unit	\$601.10/unit	41.87%
2.b	9.0 to 13.0	\$1,207.75/unit	\$505.68/unit	41.87%
3.a	13.1 to 18.9	\$877.33/unit	\$367.34/unit	41.87%
3.b	19.0 or	\$717.81/unit	\$300.55/unit	41.87%
4	Commercial	\$0.6836/improved SF	\$0.2862/improved SF	41.87%
0	Undeveloped	\$4,557.54/acre	\$0.00/acre	0.00%

Apportionment of Special Taxes

The amount of the special tax requirement that is apportioned to each parcel of Developed Property and Undeveloped Property is determined through the application of Parts I and II of the Rate and Method.

Special taxes are levied on Developed Property at up to the maximum rates identified in Part I of the Rate and Method. If additional funds are needed, special taxes shall be levied on Undeveloped Property up to the maximum special tax plus an additional amount (if needed) sufficient to meet the special tax requirement.

No special taxes are levied on public properties, utility properties, and properties encumbered with public or utility easements making impractical their utilization for other than the purpose set forth in the easement.

There is no provision for prepayment of the special tax.

IV. SPECIAL TAX REQUIREMENT

Each Fiscal Year the Board determines the amount of special taxes to be collected (the "Special Tax Requirement") from taxable property in CFD No. 86-1 (Rancho Santa Margarita). The Special Tax Requirement shall include sums necessary to pay debt service (interest and principal), to create or replenish reserve funds, and to pay for administrative and authorized public improvements. The Special Tax Requirement for the Fiscal Year 2007-2008 is shown in Table IV-1 below.⁴

TABLE IV-1

**SPECIAL TAX REQUIREMENT
COMMUNITY FACILITIES DISTRICT NO. 86-1
RANCHO SANTA MARGARITA**

Interest Payments due February 15, 2008 and August 15, 2008	
Refunded Bonds: November 1, 1989, July 15, 1999	\$1,904,450.00
Principal Payment due August 15, 2008	
Refunded Bonds: November 1, 1989, July 15, 1999	<u>\$1,635,000.00</u>
Subtotal Debt Service	\$3,539,450.00
Less Surplus	
Refunded Bonds: November 1, 1989, July 15, 1999	(\$731,181.00)
Interest Earnings	<u>(\$280,000.00)</u>
Total Debt Service Requirements	\$2,528,269.00
Estimated Administrative Expenses	<u>\$50,005.50</u>
Subtotal	\$2,578,274.50
Collection Charge	<u>\$7,758.00</u>
Special Tax Requirement	<u>\$2,586,032.50</u>

⁴ Source: County of Orange Executive Office, July 20, 2007.

**COMMUNITY FACILITIES DISTRICT
ADMINISTRATION REPORT
FOR FISCAL YEAR 2007-2008**

COMMUNITY FACILITIES DISTRICT NO. 86-2

**RANCHO SANTA MARGARITA
COUNTY OF ORANGE**

Prepared for

COUNTY OF ORANGE
10 Civic Center Plaza, Third Floor
Santa Ana, CA 92701-4062

Prepared by

DAVID TAUSSIG & ASSOCIATES, INC.
1301 Dove Street, Suite 600
Newport Beach, California 92660
(949) 955-1500

September 28, 2007

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APPENDICES

Appendix A: Boundary Map for CFD No. 86-2

Appendix B: Boundary Map for Improvement Area No. 1

Appendix C: Rate and Method of Apportionment of Special Tax for CFD No. 86-2

Appendix D: Rate and Method of Apportionment of Special Tax for Improvement Area No. 1

Appendix E: Rate and Method of Apportionment of Special Tax for Improvement Area No. 2

Appendix F: Special Tax Roll

**Fiscal Year 2007-2008
District Summary Sheet
Community Facilities District No. 86-2
Rancho Santa Margarita
Fund No. R9**

Authorized Debt: \$50,000,000

Amount Issued: \$22,080,000

Authorized Facilities: Roadway Improvements Sheriff Substation
Fire Station

Authorized Services: None

Special Tax Rates:

Class	Land Use	Square Footage	"Table 1" Special Tax	Special Tax Levy	Percent of "Table 1" Special Tax
<i>Non-improvement Area</i>					
0	Undeveloped	Not Applicable	\$12,500/unit	\$0.00/acre	0.00%
1	Developed Commercial/ Industrial	Not Applicable	\$0.6573/bldg sf	\$0.2583/bldg sf	39.30%
<i>Improvement Areas No. 1 and No. 2</i>					
(10) 1	Single-Family Detached	2,700 or more	\$2,228.88/unit	\$875.86/unit	39.30%
(10) 2	Single-Family Detached	2,400 to 2,699	\$1,919.71/unit	\$754.37/unit	39.30%
(10) 3	Single-Family Detached	1,700 to 2,399	\$1,576.91/unit	\$619.66/unit	39.30%
(10) 4	Single-Family Detached	Less than 1,700	\$1,200.47/unit	\$471.73/unit	39.30%
(10) 5	Townhome	1,650 or more	\$1,166.83/unit	\$458.52/unit	39.30%
(10) 6	Townhome	1,350 to 1,649	\$1,131.91/unit	\$444.79/unit	39.30%
(10) 7	Townhome	Less than 1,350	\$959.86/unit	\$377.18/unit	39.30%
(10) 8	Condominium	1,200 or more	\$927.52/unit	\$0.00/unit <i>no units in this class</i>	0.00%
(10) 9	Condominium	850 to 1,999	\$685.61/unit	\$0.00/unit <i>no units in this class</i>	0.00%
(1) 10	Condominium	Less than 850	\$549.78/unit	\$0.00/unit <i>no units in this class</i>	0.00%
(1) 11	Apartment	Not Applicable	\$514.86/unit	\$202.32/unit	39.30%
(1) IA	Commercial/ Industrial	Not Applicable	\$0.6573/bldg sf or \$6,671.78/acre whichever is greater	\$0.2583/bldg sf	39.30%
0	Undeveloped	Not Applicable	\$12,500/acre	\$0.00/acre	0.00%

Annual Escalator: Maximum Special Tax rates set forth in the "original" RMA will escalate four percent (4.00%) per year. Maximum Special Tax rates set forth in the Improvement Area RMAs will escalate two percent (2.00%) percent per year.

Term of Special Tax: The special tax will be levied each year until all of the authorized facilities are built and all special tax bonds are repaid.

Base Maximum Tax: The Base Maximum Special Tax set forth in the IA RMAs and applicable to Developed Property located in such Improvement Areas is \$0.3234 per square foot of land (or \$14,087.38 per acre).

The outstanding bonds will mature in 2017.

I. BACKGROUND

The Board of Supervisors (the "Board") of the County, acting on behalf of Community Facilities District No. 86-2 (Rancho Santa Margarita), adopted Resolution No. 86-1092 on August 26, 1986 stating its intent to establish the District and to authorize the levy of special taxes within the boundaries of the District (boundary map included as Appendix A). On the same date, the Board also adopted Resolution No. 86-1093 stating its intent to have the District incur bonded indebtedness in an amount not to exceed \$50,000,000.

On October 8, 1986, following public hearings, the Board adopted Resolution No. 86-1289A establishing the District and authorizing the levy of a special tax, and Resolution No. 86-1289B determining the necessity to incur up to \$50,000,000 of bonded indebtedness. At a special election held on October 8, 1986, the owners of the property within the District boundaries authorized the District to incur bonded indebtedness in an amount not to exceed \$50,000,000 and approved the rate and method of apportionment of the special tax to pay principal and interest on the bonds, annual administration fees to levy the special tax.

Series A 1987 Bonds in the amount of \$12,405,000 were issued with a date of October 1, 1987. Series A 1990 Bonds in the amount of \$22,080,000 were issued with a date of April 1, 1990 for the purpose of refunding the 1987 Series A Bonds and financing improvements as described in Section II. Series A 1998 Bonds in the amount of \$3,360,000 were issued with a date of April 8, 1998.

At formation, CFD No. 86-2 (Rancho Santa Margarita) was expected to be developed with nonresidential uses only. Therefore the rate and method of apportionment of special taxes for CFD No. 86-2 does not provide a mechanism for levying special taxes on residential property. Subsequent to the formation of CFD No. 86-2, the development plans for the District changed and residential development is now planned. Improvements Area No.1 was formed to provide a mechanism for levying special taxes on future residential development within CFD No. 86-2 (Rancho Santa Margarita.).

Formation of the Improvement Area was initiated by property owner petition and the adoption of Resolution No. 93-1199, a Resolution of Consideration, by the Board on October 26, 1993. Resolution No. 93-1199 stated the Board's intent to establish the Improvement Area and to authorize the levy of special taxes in addition to the special tax for CFD No. 86-2 (Rancho Santa Margarita), within the boundaries of the Improvement Area (boundary map included as Appendix B). No new facilities or additional bonded indebtedness were authorized in Resolution No. 93-1199. On November 30, 1993, following a public hearing the Board adopted Resolution No. 93-1337 which called for a special election on the levy of the Improvement Area special tax. At a special election held on December 7, 1993, the owners of property within the Improvement Area boundaries approved the rate and method of apportionment of the special tax to pay for (i) the facilities (including incidental expenses for the design, planning, engineering and inspection of the facilities); (ii) the principal, interest, and other expenses related to the bonds issued by CFD No. 86-2 (Rancho Santa Margarita) and any additional bonds which may be issued in the future by CFD No. 86-2, including the establishment and replenishment of any reserve funds

deemed necessary by CFD No. 86-2, 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); (iii) incidental expenses related to the costs of forming the Improvement Area and administering the levy and collection of the Improvement Area special tax and all other administrative costs of CFD No. 86-2. The results of the December 7, 1993 special election were certified by the Board on December 14, 1993, by Resolution No. 93-1395. Ordinance No. 3902 which authorizes the levy of the Improvement Area special tax was adopted by the Board on December 14, 1993.

It was determined that the 1986 Rate and Method of Apportionment (the "1986 RMA") defined undeveloped property as either non-residential retail or commercial/industrial property. The formation of Improvement Area 1 in 1986 clearly defines only residential developed property and refers to the 1986 RMA for the definition of undeveloped property. An unintended result of this reference leaves the District without the authority to tax residential undeveloped property. To do so requires the formation of Improvement Area No. 2 and the adoption of a new Rate and Method of Apportionment to cure the unintended omission of residential undeveloped property. The new Rate and Method of Apportionment will allow undeveloped residential property to be taxed at the same rate as all other undeveloped property.

Following a public hearing, the Board adopted a resolution which called for Improvement Area No. 2 to be formed in CFD 86-2 and approval of the Rate and Method of Apportionment for this area. Improvement Area No. 2 was formed to provide a mechanism for levying special taxes on undeveloped property that has been classified as residential. On March 17, 1998, the Board acting in its capacity as legislative body of the District adopted Resolution No. 98-84 and the Supplemental Resolution No. 1 to Supplement Resolution No. 90-359 authorizing the issuance of the Series 1998 Bonds. The Series 1998 Bonds were issued to provide funds (i) to refund a portion of the Series 1990 Bonds, (ii) to pay the cost and expense of acquisition and construction of a portion of a sheriff's facility and certain traffic signals, (iii) to pay capitalized interest on a portion of the Series 1998 Bonds, (iv) to fund a reserve account for the Series 1998 Bonds, and (v) to pay the costs of issuing the Series 1998 Bonds.

On December 19, 2000, the Board acting in its capacity as legislative body of the District adopted Resolution No. 00-456 and the Supplemental Resolution No. 2 to Supplement Resolution No. 90-359 authorizing the issuance of the Series 2001 Bonds. The Series 2001 Bonds were issued to provide funds (i) to refund all of the outstanding Series 1990 Bonds, (ii) to fund a reserve account for the Series 2001 Bonds, and (iii) to pay the costs of issuing the Series 2001 Bonds.

II. IMPROVEMENTS AND COST ESTIMATES

In general, the improvements to be funded by CFD No. 86-2 (Rancho Santa Margarita) and the Improvement Areas and their estimated costs are presented in Table II-1¹.

TABLE II-1

**ESTIMATE OF COSTS AND EXPENSES
COMMUNITY FACILITIES DISTRICT NO. 86-2
RANCHO SANTA MARGARITA**

Foothill Transportation Corridor Improvements	\$10,956,000
Road Improvements	\$24,764,000
Sheriff Substation	1,400,000
Fire Station and Equipment	2,300,000
Subtotal	\$39,420,000
Cost of Issuance ²	\$10,580,000
Total Bond Authorization	<u>\$50,000,000</u>

For further details regarding the improvements, reference is made to the Engineer's Report for Improvement Area No. 1 CFD No. 86-2 (Rancho Santa Margarita) prepared by BSI Consultants, Inc. and Resolution No. 86-1092 adopted by the Board on August 26, 1986.

Portions of the improvements were financed with proceeds from the \$22,080,000 in bonds previously issued by CFD No. 86-2 in 1987 and 1990.

¹ Source: BSI Consultants, Inc. "District Engineer's Report for Improvement Area No. 1 of Community Facilities District 86-2 (Rancho Santa Margarita) of the County of Orange," November 30, 1993.

² Cost of Issuance includes formation costs, bond issuance costs, reserve funds, and capitalized interest.

III. RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The Board adopted and approved the Rate and Method of Apportionment of Special Tax (the "Rate and Method") for CFD No. 86-2 as set forth in Exhibit A to Resolution No. 86-1298A, the Resolution of Formation Establishing the District and Authorizing the Levy of the Special Tax. A copy of the Rate and Method as adopted by the Board is included as Appendix C.

The Board adopted and approved the Rate and Method for the Improvement Area as set forth in Exhibit A to Ordinance No. 3902 which authorizes the levy of Improvement Area No. 1 special tax. A copy of the Rate and Method for Improvement Area No. 1 as adopted by the Board is included as Appendix D. Improvement Area No. 1 was formed to provide a mechanism for levying special taxes on residential property expected to be developed in CFD No. 86-2. Consequently the original special taxes for CFD No. 86-2 and the Improvement Area special taxes are levied simultaneously.

The Rate and Method establishes two primary property classifications: "Developed Property" and "Undeveloped Property." Developed Property consists of all Assessor's parcels for which a building permit has been issued on or before July 1 of the current fiscal year. Undeveloped Property consists of all other taxable property not classified as Developed Property.

Assignment to Land Use Class

Residential Developed Property in the Improvement Areas is assigned to one of eleven (11) residential land use classes depending on the type of unit (i.e., single family detached, townhome, condominium, or apartment) and unit size.³ All other Developed Property in CFD No. 86-2 is taxed as Developed Nonresidential Property.

Maximum and Levied Special Tax Rates

The amount of special taxes that CFD No. 86-2 and the Improvement Areas may levy is limited by the maximum rates set forth in the Rate and Method. The maximum tax rates for CFD No. 86-2 are specified in Parts 1 and 2 of the Rate and Method. The Improvement Areas' maximum special tax rates are set forth in Section C of the Rate and Method for the Improvement Areas.

The initial maximum rates for Developed Property and Undeveloped Property in CFD No. 86-2 (Rancho Santa Margarita), which escalate in each fiscal year, are set forth in Parts 1 and 2 of the Rate and Method. The rate of escalation for CFD No. 86-2 is four percent of the amount in effect for the previous fiscal year. The initial Improvement Area maximum rates for Developed Property are set forth in Table 1 of Section C, the initial minimum Nonresidential Property Tax Rate is defined Section A of the Improvement Area Rate and Method. The Improvement Area

³ Developed nonresidential property in the Improvement Areas is not assigned to a land use class but is subject to a separate tax as discussed in a subsequent section of this report.

tax rates for Developed Property and the Minimum Nonresidential Property Tax rates escalate by two percent of the amount in effect for the previous year.

The Fiscal Year 2007-2008 special tax levy on developed commercial/industrial property in CFD No. 86-2 is approximately five and nine-tenths percent (5.9%) lower than the Fiscal Year 2006-2007 rates. The Fiscal Year 2007-2008 special tax levy on residential property in the Improvement Areas is approximately seven and seven-tenths percent (7.7%) lower than the Fiscal Year 2006-2007 rates. The special taxes levied on Developed Property are sufficient to meet the Fiscal Year 2007-2008 special tax requirement of CFD No. 86-2 (Rancho Santa Margarita). Therefore, no special taxes need to be levied on Undeveloped Property. The maximum special tax rates and the special tax levy for each class of property for Fiscal Year 2007-2008 are shown in Table III-1.

TABLE III-1
SPECIAL TAX RATES AND SPECIAL TAX LEVY
COMMUNITY FACILITIES DISTRICT NO. 86-2
RANCHO SANTA MARGARITA

Class	Land Use	Square Footage	"Table 1" ⁴ Special Tax	Special Tax Levy	Percent of "Table 1" Special Tax
<i>Non-Improvement Area</i>					
0	Undeveloped	Not Applicable	\$12,500/unit	\$0.00/acre	0.00%
1	Developed Commercial/ Industrial	Not Applicable	\$0.6573/bldg sf	\$0.2583/bldg sf	39.30%
<i>Improvement Areas No. 1 and No. 2</i>					
(10) 1	Single-Family Detached	2,700 or more	\$2,228.88/unit	\$875.86/unit	39.30%
(10) 2	Single-Family Detached	2,400 to 2,699	\$1,919.71/unit	\$754.37/unit	39.30%
(10) 3	Single-Family Detached	1,700 to 2,399	\$1,576.91/unit	\$619.66/unit	39.30%
(10) 4	Single-Family Detached	Less than 1,700	\$1,200.47/unit	\$471.73/unit	39.30%
(10) 5	Townhome	1,650 or more	\$1,166.83/unit	\$458.52/unit	39.30%
(10) 6	Townhome	1,350 to 1,649	\$1,131.91/unit	\$444.79/unit	39.30%
(10) 7	Townhome	Less than 1,350	\$959.86/unit	\$377.18/unit	39.30%
(10) 8	Condominium	1,200 or more	\$927.52/unit	\$0.00/unit <i>no units in this class</i>	0.00%
(10) 9	Condominium	850 to 1,999	\$685.61/unit	\$0.00/unit <i>no units in this class</i>	0.00%
(1) 10	Condominium	Less than 850	\$549.78/unit	\$0.00/unit <i>no units in this class</i>	0.00%
(1) 11	Apartment	Not Applicable	\$514.86/unit	\$202.32/unit	39.30%
(1) IA	Commercial/ Industrial	Not Applicable	\$0.6573/bldg sf or \$6,671.78/acre whichever is greater	\$0.2583/bldg sf	39.30%
0	Undeveloped	Not Applicable	\$12,500/acre	\$0.00/acre	0.00%

⁴ "Table 1" special tax rates are the rates per Table 1 of the Rate and Method of Special Taxes for Improvement Areas No. 1 and No. 2 escalated pursuant to Section C of the Rate and Method.

In addition to the rates in Table III-1 the Improvement Area also has a Base Maximum Special Tax and a Minimum Nonresidential Property Tax, both of which escalate two percent each year. The Fiscal Year 2007-2008 Base Maximum Special Tax is \$14,087.38 per acre of Improvement Area Developed Property, the Fiscal Year 2007-2008 Minimum Nonresidential Property Tax is \$6,671.78 per acre for each parcel of nonresidential property. When applicable, the Base Maximum Special Tax would be levied instead of, not in addition to, the Maximum Special Tax pursuant to Table 1 of the Rate and Method. The Minimum Nonresidential Property Tax is levied, if necessary, in Step 2 of the apportionment of special taxes as discussed below.

Apportionment of Special Taxes

The amount of the special tax requirement that is apportioned to each parcel is determined through the application of Section D of the Improvement Area Rate and Method. Section D apportions the special tax in five steps, as follows, until the special tax requirement is met:

- First: The Improvement Area special tax is levied on Developed Residential Property up to the applicable maximum rate, and the CFD No. 86-2 (Rancho Santa Margarita) special tax is levied on Developed Nonresidential property up to the maximum rate. The Improvement Area special tax and the CFD No. 86-2 special tax are applied simultaneously and in equal percentages;
- Second: The Minimum Nonresidential Property Tax is levied so that the sum of the CFD No. 86-2 (Rancho Santa Margarita) tax levied in the first step plus the amount levied in this step is less than or equal to the Minimum Nonresidential Property Tax;
- Third: The CFD No. 86-2 (Rancho Santa Margarita) special tax is levied on all Undeveloped Property up to \$12,500 per acre;
- Fourth: The special tax is increased in equal percentages for Developed and Nonresidential Property up to the Base Maximum Special Tax rate and the Minimum Nonresidential Property Tax as applicable; and
- Fifth: The CFD No. 86-2 (Rancho Santa Margarita) special tax on Undeveloped Property is increased to the rate needed to meet the special tax requirement.

There is no provision for prepayment of the special tax.

IV. SPECIAL TAX REQUIREMENT

Each fiscal year the Board determines the amount to be collected from taxable property in CFD No. 86-2 (Rancho Santa Margarita) and the Improvement Area. The special tax requirement shall include sums necessary to pay debt service (interest and principal), to create or replenish reserve funds, and to pay for administrative expenses. Since the Board may levy a special tax for services, the special tax requirement may include an amount to pay for services. The special tax requirement for Fiscal Year 2007-2008 is presented in Table IV-1.⁵

TABLE IV-1

**SPECIAL TAX REQUIREMENT
COMMUNITY FACILITIES DISTRICT NO. 86-2
RANCHO SANTA MARGARITA**

Interest Payments due February 15, 2008 and August 15, 2008	
Refunding Bonds: January 5, 2001	\$140,903.00
Refunding Bonds: April 22, 1998	\$510,167.00
Principal Payment due August 15, 2008	
Refunding Bonds: January 5, 2001	\$795,000.00
Refunding Bonds: April 22, 1998	<u>\$210,000.00</u>
Subtotal Debt Service	\$1,656,070.00
Less Interest Earnings	<u>(\$175,000.00)</u>
Total Debt Service Requirements	\$1,481,070.00
Estimated Administrative Expenses	<u>\$50,000.21</u>
Subtotal	\$1,531,070.21
Collection Charge	<u>\$4,607.00</u>
Special Tax Requirement	<u>\$1,535,677.21</u>

⁵ Source: County of Orange Executive Office, July 20, 2007.

**COMMUNITY FACILITIES DISTRICT
ADMINISTRATION REPORT
FOR FISCAL YEAR 2007-2008**

COMMUNITY FACILITIES DISTRICT No. 87-5A

**RANCHO SANTA MARGARITA,
EASTLAKE VILLAGE –PHASE 3
COUNTY OF ORANGE**

Prepared for

COUNTY OF ORANGE
10 Civic Center Plaza, Third Floor
Santa Ana, CA 92701-4062

Prepared by

DAVID TAUSSIG & ASSOCIATES, INC.
1301 Dove Street, Suite 600
Newport Beach, California 92660
(949) 955-1500

September 28, 2007

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APPENDICES

Appendix A: Boundary Map

Appendix B: Rate and Method of Apportionment

Appendix C: Special Tax Roll

**Fiscal Year 2007-2008
District Summary Sheet
Community Facilities District No. 87-5A
Rancho Santa Margarita Eastlake Village – Phase 3
Fund No. S4**

Authorized Debt: \$9,100,000

Amount Issued: \$8,863,770

Authorized Facilities: Foothill Circulation Phasing Plan
Roadways

Authorized Services: Police Protection Library
Fire Protection Open Space Services
Ambulance Recreation Program(s)
Paramedic Flood and Storm Protection

Special Tax Rates:

Class	Land Use	Square Footage of Improvements	"Table 1" Special Tax	Special Tax Levy	Percent of Table 1
1	Single Family Detached	2,700 or more	\$2,157.05/unit	\$1,138.21/unit	52.77%
2	Single Family Detached	2,400 to 2,699	\$1,857.14/unit	\$979.96/unit	52.77%
3	Single Family Detached	1,700 to 2,399	\$1,526.47/unit	\$805.47/unit	52.77%
4	Single Family Detached	Less than 1,700	\$1,161.19/unit	\$612.73/unit	52.77%
5	Townhomes	1,650 or more	\$1,128.51/unit	\$595.48/unit	52.77%
6	Townhomes	1,350 to 1,649	\$1,095.83/unit	\$578.24/unit	52.77%
7	Townhomes	Less than 1,350	\$928.57/unit	\$489.98/unit	52.77%
8	Condominiums	1,200 or more	\$895.89/unit	\$472.73/unit	52.77%
9	Condominiums	850 to 1,199	\$663.26/unit	\$349.98/unit	52.77%
10	Condominiums	Less than 850	\$530.61/unit	\$279.99/unit	52.77%
11	Apartment	Not Applicable	\$497.93/unit	\$262.74/unit	52.77%
12	Commercial/Industrial	Not Applicable	\$0.3461/s.f. of improvements or \$5,056.18/acre whichever is greater	\$0.1826/s.f. of improvements or \$2,667.99/acre whichever is greater	52.77%
0	Undeveloped	Not Applicable	\$7,000.00/acre	\$0.00/acre	0.00%

Annual Escalator: Maximum Special Tax rates will escalate three and one-half percent (3.50%) per year.

Term of Special Tax: The special tax will be levied each year until all of the authorized facilities are built and all special tax bonds are repaid.

Base Maximum Tax: The Base Maximum Special Tax for Developed Property is \$0.3076 per square foot (or \$13,399.07 per acre).

Outstanding bonds will mature in 2019. Additional bonds may be sold.

I. BACKGROUND

On May 3, 1988, the Board of Supervisors (the "Board") of the County, acting on behalf of CFD No. 87-5A (Rancho Santa Margarita Eastlake Village – Phase 3), adopted Resolution No. 88-602 stating its intent to establish the District and to authorize the levy of special taxes within the boundaries of the District (boundary map included as Appendix A). On the same date, the Board also adopted Resolution No. 88-606 stating its intent to have the District incur bonded indebtedness in an amount not to exceed \$9,100,000.

On June 8, 1988, following public hearings, the Board adopted Resolution No. 88-817 establishing the District and authorizing the levy of a special tax, and Resolution No. 88-821 determining the necessity to incur up to \$9,100,000 of bonded indebtedness.

At a special election held on June 21, 1988, the owners of the property within the District boundaries authorized the District to incur bonded indebtedness in an amount not to exceed \$9,100,000 and approved the rate and method of apportionment of the special tax to pay principal and interest on the bonds, annual administration fees to levy the special tax, and fund certain services to be provided within CFD No. 87-5A (Rancho Santa Margarita Eastlake Village – Phase 3). Bonds in the amount of \$8,250,000 were issued with a date of November 1, 1988 (the "1988 Bonds").

In 1994 the 1988 Bonds were refunded and additional bonds were issued in connection with a multiple CFD bond refunding and issuance. Under this financing, a portion of the proceeds of bonds issued in 1994 by the South County Public Financing Authority, a California joint powers authority organized pursuant to a Joint Exercise of Powers Agreement, (the "Authority") dated March 8, 1994, was used to purchase District bonds. In total, the Authority issued \$239,340,000 in Special Tax Revenue Bonds (the "1994 Series C Bonds") on August 5, 1994 which are secured by special taxes levied within eight of the County's CFDs (CFDs No. 87-1, 87-3, 87-4, 87-5A, 87-5B, 87-5C, 87-5D, and 87-8). The District bonds or "Local Obligations" purchased by the 1994 Series C Bonds equal \$8,863,770.

In 2004 the 1994 Series C Bonds maturing in 2015, 2017, 2018, and 2019 were refunded. For this refunding the Authority issued \$92,370,000 in Special Tax Revenue Bonds (the "2004 Series A Bonds") on June 17, 2004 which are secured by special taxes levied within the same eight County CFDs. The District bonds or "Local Obligations" purchased by the 2004 Series A Bonds equal \$5,487,206.

II. IMPROVEMENTS AND COST ESTIMATES

The improvements to be funded by CFD No. 87-5A (Rancho Santa Margarita Eastlake Village – Phase 3) and their estimated costs are summarized in Table II-1¹.

TABLE II-1

**ESTIMATE OF COSTS AND EXPENSES
COMMUNITY FACILITIES DISTRICT NO. 87-5A
RANCHO SANTA MARGARITA EASTLAKE VILLAGE – PHASE 3**

Foothill Circulation Phasing Plan (FCPP)	
Backbone I	\$6,300,000
Auxiliary	46,300
Reimbursement of Preliminary FCPP Study	21,000
Contingencies	<u>93,700</u>
 Total Improvements	 \$6,461,000
Issuance and Formation Costs (3%)	273,000
Reserve Fund (10%)	910,000
Capitalized Interest	1,274,000
Discount (2%)	<u>182,000</u>
 Total Bond Authorization	 <u>\$9,100,000</u>

For further details regarding the improvements, reference is made to the Engineer's Report for CFD No. 87-5A (Rancho Santa Margarita Eastlake Village – Phase 3) prepared by NBS/Lowry.

¹ Source: NBS/Lowry, "Engineer's Report for Community Facilities District No. 87-5A, Rancho Santa Margarita, Eastlake Village – Phase 3 for County of Orange," May 1988

III. SERVICES

At the time of formation, CFD No. 87-5A (Rancho Santa Margarita Eastlake Village – Phase 3) was authorized to fund the services listed in Table III-1 on an annual basis.

TABLE III-1

**AUTHORIZED SERVICES
COMMUNITY FACILITIES DISTRICT NO. 87-5A
RANCHO SANTA MARGARITA EASTLAKE VILLAGE – PHASE 3**

<u>Description</u>	<u>Annual Fee</u>²
Paramedic and Fire	\$115,676
Sheriff	\$128,100
Library	\$ 23,975
Flood Control and Storm Drain	\$ 1.00 per linear foot
Parks	\$7,200 to \$10,000 per acre
District Administration	\$ 30,000

Although CFD No. 87-5A (Rancho Santa Margarita Eastlake Village – Phase 3) is authorized to fund the services in Table III-1, that authority has not been exercised in the past, nor are any services being funded by CFD No. 87-5A for Fiscal Year 2007-2008.

² Source: NBS/Lowry, May 1988

IV. RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The Board adopted and approved the Rate and Method of Apportionment of Special Tax (the "Rate and Method") for CFD No. 87-5A (Rancho Santa Margarita Eastlake Village – Phase 3) as set forth in Exhibit B to Resolution No. 88-817, the Resolution of Formation Establishing the District and Authorizing the Levy of the Special Tax. A copy of the Rate and Method as adopted by the Board is included in Appendix B.

The Rate and Method first classifies property to be taxed into "Developed Property", which is all Assessor's Parcels in CFD No. 87-5A (Rancho Santa Margarita Eastlake Village – Phase 3) for which a building permit has been issued for residential or commercial/industrial property on or before March 1 of the preceding fiscal year, and "Undeveloped Property", which is all other taxable property not classified as Developed Property. Developed Property is further classified based on whether the use is Residential or Commercial/Industrial. Finally, Residential Property is classified based on the unit type— single family detached, townhome, condominium or apartment, and unit size.

Maximum Special Tax Rates

The amount of special taxes that CFD No. 87-5A (Rancho Santa Margarita Eastlake Village – Phase 3) may levy is limited by the maximum rates set forth in the Rate and Method. The initial maximum rates for Developed Property, which escalate in each fiscal year, are set forth in Table 1 of Section C of the Rate and Method. The rate of escalation is three and one-half percent (3.5%) of the amount in effect for the previous fiscal year.³ The maximum special tax rate for Undeveloped Property does not escalate.

The Fiscal Year 2007-2008 special tax rates for Developed Property are approximately three and eight-tenths of a percent (3.8%) higher than the Fiscal Year 2006-2007 rates. There is no Undeveloped Property in CFD No. 87-5A (Rancho Santa Margarita Eastlake Village-Phase 3). The Maximum Special Tax rates and the special tax levy for each class of property for the Fiscal Year 2007-2008 are shown in Table IV-1.

³ Technically, Section C states that the maximum special tax for a parcel of Developed Property is equal to the greater of (i) the "Base Maximum Special Tax" or (ii) the amount determined by reference to Table 1 of Section C. The Base Maximum Special Tax was established for the contingency of a shortfall in revenues resulting from significant changes in proposed development. The Maximum Special Tax has not been used in CFD No. 87-5A ("Rancho Santa Margarita Eastlake Village – Phase 3"), hence, all discussion of maximum tax rates focuses on the initial rates set forth for each classification of Developed Property in Section C of the Rate and Method.

TABLE IV-1

**SPECIAL TAX RATES AND SPECIAL TAX LEVY
COMMUNITY FACILITIES DISTRICT NO. 87-5A
RANCHO SANTA MARGARITA EASTLAKE VILLAGE – PHASE 3**

Class	Land Use	Square Footage of Improvements	"Table 1"⁴ Special Tax Rate	Special Tax Levy	Percent of Table 1
1	Single Family Detached	2,700 or more	\$2,157.05/unit	\$1,138.21/unit	52.77%
2	Single Family Detached	2,400 to 2,699	\$1,857.14/unit	\$979.96/unit	52.77%
3	Single Family Detached	1,700 to 2,399	\$1,526.47/unit	\$805.47/unit	52.77%
4	Single Family Detached	Less than 1,700	\$1,161.19/unit	\$612.73/unit	52.77%
5	Townhomes	1,650 or more	\$1,128.51/unit	\$595.48/unit	52.77%
6	Townhomes	1,350 to 1,649	\$1,095.83/unit	\$578.24/unit	52.77%
7	Townhomes	Less than 1,350	\$928.57/unit	\$489.98/unit	52.77%
8	Condominiums	1,200 or more	\$895.89/unit	\$472.73/unit	52.77%
9	Condominiums	850 to 1,199	\$663.26/unit	\$349.98/unit	52.77%
10	Condominiums	Less than 850	\$530.61/unit	\$279.99/unit	52.77%
11	Apartment	Not Applicable	\$497.93/unit	\$262.74/unit	52.77%
12	Commercial/ Industrial	Not Applicable	\$0.3461/s.f. of improvements or \$5,056.18/acre whichever is greater	\$0.1826/s.f. of improvements or \$2,667.99/acre whichever is greater	52.77%
0	Undeveloped	Not Applicable	\$7,000.00/acre	\$0.00/acre	0.00%

In addition to the rates in Table IV-1, CFD No. 87-5A (Rancho Santa Margarita Eastlake Village – Phase 3) has a Base Maximum Special Tax which escalates three and one-half percent (3.5%) each year. The Fiscal Year 2007-2008 Base Maximum Special Tax is \$13,399.07 per acre of Developed Property. When applicable, the Base Maximum Special Tax would be levied instead of, not in addition to, "Table 1" tax rates.

⁴

"Table 1" Special Tax Rates are the rates in Table 1 of the Rate and Method for CFD No. 87-5A escalated pursuant to Section C of the Rate and Method.

Apportionment of Special Taxes

The amount of the special tax requirement that is apportioned to each parcel is determined through the application of Section D of the Rate and Method. Section D apportions the special tax requirement in six steps which prioritize the order in which Developed Property and Undeveloped Property are taxed.

The first step states that a special tax shall be levied on all Developed Property at up to 87% of the applicable "Table 1" rate and on all Undeveloped Property⁵ up to \$2,375 per acre.

If the special taxes raised pursuant to the first step are less than the special tax requirement, then the special tax shall be levied on all Undeveloped Property at up to \$6,090 per acre.

If the special taxes raised pursuant to the first two steps are less than the special tax requirement, then the special tax shall be levied on all Developed Property at up to 100% of the applicable "Table 1" rate and on Undeveloped Property up to \$7,000 per acre.

If the special taxes raised pursuant to the first three steps are less than the special tax requirement, then the special tax for Developed property subject to the Base Maximum Special Tax shall be increased up to 100% of the Base Maximum Special Tax Rate.

If the special taxes raised pursuant to the first four steps are less than the special tax requirement, then the special tax shall be levied proportionally on each parcel of Undeveloped Property offered for dedication to a public agency or owned by a church or homeowners association which is not exempt from the levy of Special Taxes, up to the Base Maximum Special Tax, but in no event more than \$7,000 per acre.

If the special taxes raised pursuant to the first five steps are less than the special tax requirement, then the sixth step is applied which levies the special tax proportionally on each parcel of Undeveloped Property conveyed to a public agency, which is not exempt from the levy of Special Taxes, up to the Base Maximum Special Tax, but in no event more than \$7,000 per acre.

The Board may also levy a special tax for services on each class of Developed Property in equal percentages, provided that the total special tax levied in any fiscal year does not exceed the maximum special tax.

There is no provision for prepayment of the special taxes.

⁵ The Undeveloped Property taxed in the first three steps is exclusive of Undeveloped Property owned by or offered for dedication to a public agency or owned by a church, a public utility for use as an unmanned facility, or a homeowners association.

V. SPECIAL TAX REQUIREMENT

Beginning with Fiscal Year 1988-89 and for each following fiscal year, the Board shall determine the amount to be collected from taxable property in CFD No. 87-5A (Rancho Santa Margarita Eastlake Village – Phase 3) for that fiscal year. The special tax requirement shall include sums necessary to pay current debt service (interest and principal), to create or replenish reserve funds, and to pay for administrative expenses. Since the Board may levy a special tax for services, the special tax requirement may include an amount to pay for services. The Fiscal Year 2007-2008 Special Tax Requirement is shown in Table V-I.⁶

TABLE V-1

**SPECIAL TAX REQUIREMENT
COMMUNITY FACILITIES DISTRICT NO. 87-5A
RANCHO SANTA MARGARITA EASTLAKE VILLAGE – PHASE 3**

Interest Payments due February 15, 2008 and August 15, 2008 Refunding Bonds: August 24, 1994 and July 8, 2004	\$314,883.00
Principal Payment due August 15, 2008 Refunding Bonds: August 24, 1994 & July 8, 2004	<u>\$604,269.00</u>
Subtotal Debt Service	\$919,152.00
Less Surplus (2006 Locals > 2006 Authority)	(\$52,597.00)
Less Fund 501 Interest	(\$70,000.00)
Less Reserve Drawdown	(\$51,700.00)
<u>Less Common Reserve Drawdown</u>	<u>(\$0.00)</u>
Total Debt Service Requirements	\$744,855.00
Estimated Administrative Expenses	<u>\$35,000.35</u>
Subtotal	\$779,855.35
Collection Charge	\$2,347.00
Amount of Special Tax Levy	<u>\$782,202.35</u>

⁶ Source: County of Orange Executive Office, July 20, 2007.

**COMMUNITY FACILITIES DISTRICT
ADMINISTRATION REPORT
FOR FISCAL YEAR 2007-2008**

COMMUNITY FACILITIES DISTRICT No. 87-5B

**RANCHO SANTA MARGARITA
GOLF COURSE VILLAGE & RANCHO TRABUCO
COUNTY OF ORANGE**

Prepared for

COUNTY OF ORANGE
10 Civic Center Plaza, Third Floor
Santa Ana, CA 92701-4062

Prepared by

DAVID TAUSSIG & ASSOCIATES, INC.
1301 Dove Street, Suite 600
Newport Beach, California 92660
(949) 955-1500

September 28, 2007

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Appendix A: Boundary Map

Appendix B: Rate and Method of Apportionment of Special Tax

Appendix C: Special Tax Roll

**Fiscal Year 2007-2008
District Summary Sheet
Community Facilities District No. 87-5B
Rancho Santa Margarita Golf Course Village and Rancho Trabuco
Fund No. S5**

Authorized Debt: \$30,000,000

Amount Issued: \$27,396,720

Authorized Facilities: Foothill Circulation Phasing Plan
Roadways

Authorized Services: Police Protection Library
Fire Protection Open Space Services
Ambulance Recreation Program(s)
Paramedic Flood and Storm Protection

Special Tax Rates:

Class	Land Use	Square Footage of Improvement	"Table 1" Special Tax Rate	Special Tax Levy	Percent of Table 1
1	Single-Family Detached	2,700 or more	\$2,952.96/unit	\$1,560.72/unit	52.85%
2	Single-Family Detached	2,400 to 2,699	\$2,545.39/unit	\$1,345.31/unit	52.85%
3	Single-Family Detached	1,700 to 2,399	\$2,089.76/unit	\$1,104.50/unit	52.85%
4	Single-Family Detached	Less than 1,700	\$1,589.91/unit	\$840.31/unit	52.85%
5	Townhomes	1,650 or more	\$1,545.69/unit	\$816.94/unit	52.85%
6	Townhomes	1,350 to 1,649	\$1,499.55/unit	\$792.55/unit	52.85%
7	Townhomes	Less than 1,350	\$1,272.70/unit	\$672.66/unit	52.85%
8	Condominiums	1,200 or more	\$1,1226.56/unit	\$648.27/unit	52.85%
9	Condominiums	850 to 1,199	\$909.34/unit	\$480.61/unit	52.85%
10	Condominiums	Less than 850	\$726.71/unit	\$384.08/unit	52.85%
11	Apartment	Not Applicable	\$682.49/unit	\$0.00/unit <i>no units in this class</i>	0.00%
12	Commercial/ Industrial	Not Applicable	\$0.5191/sq.ft. of improvements or \$7,753.45/acre whichever is greater	\$0.0000/sq.ft. of improvements or \$0.00/acre whichever is greater <i>no sq. ft. or acres in this class</i>	0.00%
0	Undeveloped	Not Applicable	\$8,500.00/acre	\$527.31/acre	6.20%

Annual Escalator: Maximum Special Tax rates will escalate three and one-half percent (3.50%) per year.

Term of Special Tax: The special tax will be levied each year until all of the authorized facilities are built and all special tax bonds are repaid.

Base Maximum Tax: The Base Maximum Special Tax for Developed Property is \$0.4037 per square foot of land area within the Assessor's Parcel (or \$17,586.27 per acre).

Bonds that have been issued to date will mature in 2019.

I. BACKGROUND

The Board of Supervisors (the "Board") of the County, acting on behalf of CFD No. 87-5B (Rancho Santa Margarita Golf Course Village and Rancho Trabuco Tract No. 11732), adopted Resolution No. 88-603 on May 3, 1988 stating its intent to establish the District and to authorize the levy of special taxes within the boundaries of the District (boundary map included as Appendix A). On the same date, the Board also adopted Resolution No. 88-607 stating its intent to have the District incur bonded indebtedness in the amount not to exceed \$30,000,000.

On June 8, 1988, following public hearings, the Board adopted resolution No. 88-818 establishing the District and authorizing the levy of a special tax, and Resolution No. 88-822 determining the necessity to incur up to \$30,000,000 of bonded indebtedness.

At a special election held on June 21, 1988, the owners of the property within the District boundaries authorized the District to incur bonded indebtedness in an amount not to exceed \$30,000,000 and approved the Rate and Method of Apportionment of the Special Tax to pay principal and interest on the bonds, annual administration fees to levy the special tax, and certain services to be provided within the District. Bonds in the amount of \$11,910,000 were issued with a date of February 15, 1989 (the "1989 Bonds"). Parity bonds in the amount of \$11,545,000 were issued with a date of June 1, 1992 (the "1992 Bonds").

In 1994 the 1989 Bonds and 1992 Bonds were refunded and additional bonds were issued in connection with a multiple CFD bond refunding and issuance. Under this financing, a portion of the proceeds of bonds issued in 1994 by the South County Public Financing Authority, a California joint powers authority organized pursuant to a Joint Exercise of Powers Agreement, (the "Authority") dated March 8, 1994, was used to purchase District bonds. In total, the Authority issued \$239,340,000 in Special Tax Revenue Bonds (the "1994 Series C Bonds") on August 5, 1994 which are secured by special taxes levied within eight of the County's CFDs (CFDs No. 87-1, 87-3, 87-4, 87-5A, 87-5B, 87-5C, 87-5D, and 87-8). The District bonds or "Local Obligations" purchased by the 1994 Series C Bonds equal \$27,396,720.

In 2004 the 1994 Series C Bonds maturing in 2015, 2017, 2018, and 2019 were refunded. For this refunding the Authority issued \$92,370,000 in Special Tax Revenue Bonds (the "2004 Series A Bonds") on June 17, 2004 which are secured by special taxes levied within the same eight County CFDs. The District bonds or "Local Obligations" purchased by the 2004 Series A Bonds equal \$18,753,121.

II. IMPROVEMENTS AND COST ESTIMATES

In general the improvements to be funded by CFD No. 87-5B (Rancho Santa Margarita Golf Course Village and Rancho Trabuco Tract No.11732) and their estimated costs are presented in Table II-1.¹

TABLE II-1

**ESTIMATE OF COSTS AND EXPENSES
COMMUNITY FACILITIES DISTRICT NO. 87-5B
RANCHO SANTA MARGARITA
GOLF COURSE VILLAGE AND RANCHO TRABUCO TRACT 11732**

Foothill Circulation Phasing Plan (FCPP)	
Backbone I	\$13,252,000
Auxiliary	\$ 1,200,000
Reimbursement of Preliminary FCPP Study	\$ 70,000
Contingencies	<u>\$ 6,778,000</u>
Subtotal Improvements	\$21,300,000
Issuance and Formation Costs (3%)	\$ 900,000
Reserve Fund (10%)	\$ 3,000,000
Capitalized Interest	\$ 4,200,000
Discount	<u>\$ 600,000</u>
Subtotal Formation Expenses	\$8,700,000
Total Bond Authorization	<u>\$30,000,000</u>

For further details regarding the improvements, reference is made to the Engineer's Report for CFD No. 87-5B prepared by NBS/Lowry and to Resolution No. 88-603 adopted by the Board on May 3, 1988.

¹ Source: NBS/Lowry, "Engineer's Report for Community Facilities District No. 87-5B, Rancho Santa Margarita Golf Course Village and Rancho Trabuco Tract 11732, County of Orange", May 1998.

III. SERVICES

At the time of formation, CFD No. 87-5B (Rancho Santa Margarita Golf Course Village and Rancho Trabuco Tract No. 11732) was authorized to fund the services listed in Table III-1 on an annual basis.

TABLE III-1

**AUTHORIZED SERVICES
COMMUNITY FACILITIES DISTRICT NO. 87-5B
RANCHO SANTA MARGARITA
GOLF COURSE VILLAGE AND RANCHO TRABUCO TRACT 11732**

<u>Description</u>	<u>Annual Fee²</u>
Paramedic and Fire	\$381,542
Sheriff	\$422,520
Library	\$79,078
Flood Control and Storm Drain	\$1.00 per linear foot
Parks	\$7,200 to \$10,000 per acre
District Administration	\$50,000

Although the District is authorized to fund the services in Table III-1, that authority has not been exercised in the past, nor are any services (except District Administration) being funded by CFD No. 87-5B (Rancho Santa Margarita Golf Course Village and Rancho Trabuco Tract No. 11732) for Fiscal Year 2007-2008.

² Source: NBS/Lowry, May 1988

IV. RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The Board adopted and approved the Rate and Method of Apportionment of Special Tax (the "Rate and Method") for CFD No. 87-5B (Rancho Santa Margarita Golf Course Village and Rancho Trabuco Tract No. 11732) as set forth in Exhibit B to Resolution No. 88-818, the Resolution of Formation establishing the District and authorizing the levy of the Special Tax. A copy of the Rate and Method as adopted by the Board is included in Appendix B.

The Rate and Method first classifies property to be taxed into "Developed Property", which is all Assessor's Parcels in CFD No. 87-5B for which a building permit has been issued on or before March 1 of the preceding fiscal year, and "Undeveloped Property", which is all other taxable property not classified as Developed Property. Developed Property is further classified based on whether the use is residential or commercial/industrial. Residential property is further classified based on unit type – single family detached, town home, condominium, or apartment, and unit size.

Maximum Special Tax Rates

The amount of special taxes that CFD No. 87-5B (Rancho Santa Margarita Golf Course Village and Rancho Trabuco Tract No. 11732) may levy is limited by the maximum rates set forth in the Rate and Method. The initial maximum rates for Developed Property and Undeveloped Property are set forth in Table 1 of Section C of the Rate and Method. The rate of escalation for Developed Property is three and one-half percent (3.50%) of the amount in effect for the previous fiscal year.³

The Fiscal Year 2007-2008 actual special tax rates on Developed Property are approximately one and four-tenths of a percent (1.4%) higher than the Fiscal Year 2006-2007 actual rates. The Fiscal Year 2007-2008 Undeveloped Property actual special tax rate is approximately two percent (2%) lower than last year's actual rate. The "Table 1" Special Tax rates and the special tax levy for each class of property for Fiscal Year 2007-2008 are shown in Table IV-1.

³ Technically, Section C states that the maximum special tax for a parcel of Developed Property is equal to the greater of (i) the "Base Maximum Special Tax" or (ii) the amount determined by reference to Table 1 of Section C. The Base Maximum Special Tax was established for the contingency of a shortfall in revenues resulting from significant changes in proposed development. The Maximum Special Tax has not been used in CFD No. 87-5B, hence, all discussion of maximum tax rates focuses on the initial rates set forth for each classification of Developed Property in Section C of the Rate and Method.

TABLE IV-1

**SPECIAL TAX RATES AND SPECIAL TAX LEVY
COMMUNITY FACILITIES DISTRICT NO. 87-5B
RANCHO SANTA MARGARITA
GOLF COURSE VILLAGE AND RANCHO TRABUCO TRACT 11732**

Class	Land Use	Square Footage of Improvement	"Table 1"⁴ Special Tax Rate	Special Tax Levy	Percent of Table 1
1	Single-Family Detached	2,700 sq. ft. or more	\$2,952.96/unit	\$1,560.72/unit	52.85%
2	Single-Family Detached	2,400 to 2,699 sq. ft.	\$2,545.39/unit	\$1,345.31/unit	52.85%
3	Single-Family Detached	1,700 to 2,399 sq. ft.	\$2,089.76/unit	\$1,104.50/unit	52.85%
4	Single-Family Detached	Less than 1,700 sq. ft.	\$1,589.91/unit	\$840.31/unit	52.85%
5	Townhomes	1,650 sq. ft. or more	\$1,545.69/unit	\$816.94/unit	52.85%
6	Townhomes	1,350 to 1,649 sq. ft.	\$1,499.55/unit	\$792.55/unit	52.85%
7	Townhomes	Less than 1,350 sq. ft.	\$1,272.70/unit	\$672.66/unit	52.85%
8	Condominiums	1,200 sq. ft. or more	\$1,226.56/unit	\$648.27/unit	52.85%
9	Condominiums	850 to 1,199 sq. ft.	\$909.34/unit	\$480.61/unit	52.85%
10	Condominiums	Less than 850 sq. ft.	\$726.71/unit	\$384.08/unit	52.85%
11	Apartment	Not Applicable	\$682.49/unit	\$0.00/unit <i>no units in this class</i>	0.00%
12	Commercial/ Industrial	Not Applicable	\$0.5191/sq.ft. of improvements or \$7,753.45/acre whichever is greater	\$0.0000/sq.ft. of improvements or \$0.00/acre whichever is greater <i>no sq. ft. or acres in this class</i>	0.00%
0	Undeveloped	Not Applicable	\$8,500.00/acre	\$527.31/acre	6.20%

In addition to the rates in Table IV-1, CFD No. 87-5B (Rancho Santa Margarita Golf Course Village and Rancho Trabuco Tract No. 11732) has a Base Maximum Special Tax which escalates three and one-half percent (3.50%) each year. The Fiscal Year 2007-2008 Base Maximum Special Tax is \$17,586.27 per acre of land for Developed Property. When applicable, the Base Maximum Special Tax would be levied instead of, not in addition to, the "Table 1" Special Tax.

⁴ "Table 1" Special Tax rate are the rates in Table 1 of the Rate and Method for CFD No. 87-5B as escalated pursuant of Section C of the Rate and Method.

Apportionment of Special Taxes

The amount of the special tax requirement that is apportioned to each parcel is determined through the application of Section D of the Rate and Method. Section D apportions the special tax requirement in six steps which prioritize the order in which Developed Property and Undeveloped Property are taxed.

The first step states that a special tax shall be levied on all Developed Property at up to 87% of the applicable Table 1 rate and on all Undeveloped Property⁵ up to \$868 per acre.

If the special taxes raised pursuant to the first step are less than the special tax requirement, then the special tax shall be levied on all Undeveloped Property at up to \$7,395 per acre.

If the special taxes raised pursuant to the first two steps are less than the special tax requirement, then the special tax shall be levied on all Developed Property at up to 100% of the applicable Table 1 rate and on Undeveloped Property up to \$8,500 per acre.

If the special taxes raised pursuant to the first three steps are less than the special tax requirement, then the special tax for Developed Property subject to the Base Maximum Special Tax shall be increased up to 100% of the Base Maximum Special Tax Rate.

If the special taxes raised in the first four steps are less than the special tax requirement, then the special tax shall be levied proportionally on each parcel of Undeveloped Property offered for dedication to a public agency, owned by a church or homeowners association, or open space being used as a golf course which is not exempt from the levy of Special Taxes, up to the Base Maximum Special Tax For Undeveloped Property, but in no event more than \$8,500 per acre.

If the special taxes raised in the first five steps are less than the special tax requirement, then the sixth step is applied which levies the special tax proportionally on each parcel of Undeveloped Property conveyed to a public agency which is not exempt from the levy of Special Taxes, up to the Base Maximum Special Tax For Undeveloped Property, but in no event more than \$8,500 per acre.

The Board may also levy a special tax for services on each class of Developed Property in equal percentages, provided that the total special tax levied in any fiscal year does not exceed the maximum special tax.

There is no provision for early payoff of the special taxes.

⁵ The undeveloped property taxed in the first three steps is exclusive of Undeveloped Property owned by or offered for dedication to a public agency or owned by a church, a public utility for use as an unmanned facility, a homeowners association, or open space being used as a golf course.

V. SPECIAL TAX REQUIREMENT

Each fiscal year the Board determines the amount to be collected from taxable property in CFD No. 87-5B (Rancho Santa Margarita Golf Course Village and Rancho Trabuco Tract No. 11732). The special tax requirement shall include sums necessary to pay current debt service (interest and principal), to create or replenish reserve funds, and to pay for administrative expenses. Since the Board may levy a special tax for services, the special tax requirement may include an amount to pay for services. The special tax requirement for Fiscal Year 2007-2008 is presented in Table V-1.⁶

TABLE V-1

SPECIAL TAX REQUIREMENT COMMUNITY FACILITIES DISTRICT No. 87-5B RANCHO SANTA MARGARITA GOLF COURSE VILLAGE AND RANCHO TRABUCO TRACT 11732	
Interest Payments due February 15, 2008 and August 15, 2008	
Refunding Bonds: August 24, 1994 and July 8, 2004	\$1,141,537.00
Parity Bonds:	NA
Principal Payment due August 15, 2008	
Refunding Bonds: August 24, 1994 and July 8, 2004	1,407,963.00
Parity Bonds:	<u>NA</u>
Subtotal Debt Service	\$2,549,500.00
Less Surplus (2007 Locals > 2007 Authority)	(\$155,708.00)
Less Fund 509 Interest Income	(\$220,000.00)
Less Reserve Drawdown	(\$31,700.00)
Less Common Reserve Drawdown	<u>NA</u>
Total Debt Service Requirements	\$2,142,092.00
Estimated Administrative Expenses	<u>\$44,997.43</u>
Subtotal	\$2,187,089.43
Collection Charge	<u>\$6,581.00</u>
Amount of Special Tax Levy	<u>\$2,193,670.43</u>

⁶ Source: County of Orange Executive Office, July 11, 2007.

**COMMUNITY FACILITIES DISTRICT
ADMINISTRATION REPORT
FOR FISCAL YEAR 2007-2008**

COMMUNITY FACILITIES DISTRICT No. 87-5C

**RANCHO SANTA MARGARITA
RANCHO TRABUCO SOUTH
COUNTY OF ORANGE**

Prepared for

COUNTY OF ORANGE
10 Civic Center Plaza, Third Floor
Santa Ana, CA 92701-4062

Prepared by

DAVID TAUSSIG & ASSOCIATES, INC.
1301 Dove Street, Suite 600
Newport Beach, California 92660
(949) 955-1500

September 28, 2007

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APPENDICES

Appendix A: Boundary Map

Appendix B: Rate and Method of Apportionment of the Special Tax

Appendix C: Special Tax Roll

**Fiscal Year 2007-2008
District Summary Sheet
Community Facilities District No. 87-5C
Rancho Santa Margarita Rancho Trabuco South
Fund No. T1**

Authorized Debt: \$15,500,000

Amount Issued: \$15,221,979

Authorized Facilities: Foothill Circulation Phasing Plan Roadways

Authorized Services: Police Protection Library
Fire Protection Open Space Services
Ambulance Recreation Program(s)
Paramedic Flood and Storm Protection

Special Tax Rates:

Class	Land Use	Square Footage of Improvements	"Table 1" Special Tax*	Special Tax Levy	Percent of Table 1
1	Single Family Detached	2,700 or more	\$3,018.33/unit	\$1,104.15/unit	36.58%
2	Single Family Detached	2,400 to 2,699	\$2,601.14/unit	\$951.54/unit	36.58%
3	Single Family Detached	1,700 to 2,399	\$2,135.90/unit	\$781.34/unit	36.58%
4	Single Family Detached	Less than 1,700	\$1,624.51/unit	\$594.27/unit	36.58%
5	Townhomes	1,650 or more	\$1,578.37/unit	\$0.00/unit <i>no units in this class</i>	0.00%
6	Townhomes	1,350 to 1,649	\$1,532.23/unit	\$560.51/unit	36.58%
7	Townhomes	Less than 1,350	\$1,299.61/unit	\$475.42/unit	36.58%
8	Condominiums	1,200 or more	\$1,253.47/unit	\$458.54/unit	36.58%
9	Condominiums	850 to 1,199	\$928.57/unit	\$339.68/unit	36.58%
10	Condominiums	Less than 850	\$744.01/unit	\$272.17/unit	36.58%
11	Apartment	Not Applicable	\$695.95/unit	\$0.00/unit <i>no units in this class</i>	0.00%
12	Commercial/ Industrial	Not Applicable	\$0.5191/bldg sf or \$7,753.45/acre whichever is greater	\$0.0000/bldf sf or \$0.00/acre whichever is greater <i>no parcels in this class</i>	0.00%
0	Undeveloped	Not Applicable	\$6,500.00/acre	\$0.00/acre <i>no parcels in this class</i>	0.00%

*The Maximum Special Tax for Developed Property is the greater of the Table 1 Special Tax or the "Base Maximum Special Tax." See footnote 3 on page 4.

Annual Escalator: Table 1 and Maximum Special Tax rates escalate three and one-half percent (3.50%) per year.

Term of Special Tax: The special tax will be levied each year until all of the authorized facilities are built and all special tax bonds are repaid. Notwithstanding, the special tax may continue to be levied after all facilities are built and all bonds are repaid to pay for authorized services.

Base Maximum Tax: The Base Maximum Special Tax for Developed Property is \$0.2884 per square foot (or \$12,561.62 per acre).

The maturity date for outstanding bonds is 2019.

I. BACKGROUND

The Board of Supervisors (the "Board") of the County, acting on behalf of Community Facilities District No. 87-5C ("Rancho Santa Margarita Rancho Trabuco South"), hereafter referred to as "CFD No. 87-5C" or the "District", adopted Resolution No. 88-604 on May 3, 1988 stating its intent to establish the District and to authorize the levy of special taxes within the boundaries of the District (boundary map included as Appendix A). On the same date, the Board also adopted Resolution No. 88-608 stating its intent to have the District incur bonded indebtedness in an amount not to exceed \$15,500,000.

On June 8, 1988, following a public hearing, the Board adopted Resolution No. 88-819 establishing the District and authorizing the levy of a special tax, and Resolution No. 88-823 determining the necessity to incur up to \$15,500,000 of bonded indebtedness. At a special election held on June 21, 1988, the owners of the property within the District authorized the District to incur bonded indebtedness in an amount not to exceed \$15,500,000 and approved the Rate and Method of Apportionment of the Special Tax to pay principal and interest on the bonds, annual administration fees to levy the special tax, and certain services to be provided within the District. Bonds in the amount of \$6,800,000 were issued with a date of June 1, 1989 (the "1989 Bonds").

In 1994 the 1989 Bonds were refunded and additional bonds were issued in connection with a multiple CFD bond refunding and issuance. Under this financing, a portion of the proceeds of bonds issued in 1994 by the South County Public Financing Authority, a California joint powers authority organized pursuant to a Joint Exercise of Powers Agreement, (the "Authority") dated March 8, 1994, was used to purchase District bonds. In total, the Authority issued \$239,340,000 in Special Tax Revenue Bonds (the "1994 Series C Bonds") on August 5, 1994 which are secured by special taxes levied within eight of the County's CFDs (CFDs No. 87-1, 87-3, 87-4, 87-5A, 87-5B, 87-5C, 87-5D, and 87-8). The District bonds or "Local Obligations" purchased by the 1994 Series C Bonds equal \$15,221,979.

In 2004 the 1994 Series C Bonds maturing in 2015, 2017, 2018, and 2019 were refunded. For this refunding the Authority issued \$92,370,000 in Special Tax Revenue Bonds (the "2004 Series A Bonds") on June 17, 2004 which are secured by special taxes levied within the same eight County CFDs. The District bonds or "Local Obligations" purchased by the 2004 Series A Bonds equal \$11,185,424.

II. IMPROVEMENTS & COST ESTIMATES

The improvements funded by the District and their estimated costs are presented in Table II-1¹.

TABLE II-1

**ESTIMATE OF COSTS AND EXPENSES
COMMUNITY FACILITIES DISTRICT NO. 87-5C
RANCHO SANTA MARGARITA RANCHO TRABUCO SOUTH**

Foothill Circulation Phasing Plan (FCPP)	
Backbone I	\$ 9,532,500
Reimbursement of Preliminary FCPP Study	<u>40,000</u>
Total Improvements	\$ 9,572,500
Contingencies	1,432,500
Issuance and Formation Costs (3%)	465,000
Reserve Fund (10%)	1,550,000
Capitalized Interest	2,170,000
Discount (2%)	<u>310,000</u>
Total Bond Authorization	<u>\$15,500,000</u>

For further details regarding the improvements, reference is made to the Engineer's Report for CFD No. 87-5C ("Rancho Santa Margarita Rancho Trabuco South") prepared by NBS/Lowry.

¹ Source: NBS/Lowry, "Engineer's Report for Community Facilities District No. 87-5C, Rancho Santa Margarita, Rancho Trabuco South for County of Orange," May 1988

III. SERVICES

The District is authorized to fund the services listed in Table III-1 on an annual basis.

TABLE III-1

**AUTHORIZED SERVICES
COMMUNITY FACILITIES DISTRICT No. 87-5C
RANCHO SANTA MARGARITA RANCHO TRABUCO SOUTH**

<u>Description</u>	<u>Annual Cost</u>¹
Paramedic and Fire	\$197,092
Sheriff	\$218,260
Library	\$ 40,823
Flood Control and Storm Drain	\$ 1.00 per linear foot
Parks	\$7,200 to \$10,000 per acre
District Administration	\$ 50,000

Although the District is authorized to fund the services in Table III-1, that authority has not been exercised in the past, nor are any services being funded for Fiscal Year 2007-2008.

¹ Source: NBS/Lowry, May 1988

IV. RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX

The Board adopted and approved the Rate and Method of Apportionment of the Special Tax (the "Rate and Method") for the District as set forth in Exhibit B to Resolution No. 88-819, the Resolution of Formation Establishing the District and Authorizing the Levy of the Special Tax. A copy of the Rate and Method as adopted by the Board is included in Appendix B.

The Rate and Method establishes two primary property classifications: "Developed Property" and "Undeveloped Property". Developed Property consists of all Assessor's Parcels for which a building permit has been issued on or before March 1 of the preceding fiscal year. Undeveloped Property consists of all other taxable property not classified as Developed Property. Developed Property is grouped by land use type (i.e., residential or commercial/industrial). Residential property is further classified based on the type of dwelling unit – single family detached, townhome, condominium or apartment – and unit size.

Maximum and Levied Special Tax Rates

The amount of special taxes that the District may levy is limited by the maximum rates set forth in the Rate and Method. The initial maximum rates for Developed Property, which escalate three and one-half percent (3.5%) each fiscal year, and Undeveloped Property are set forth in Table 1 of Section C of the Rate and Method (the "Table 1 Special Tax" rates)¹.

The Fiscal Year 2007-2008 special tax rates for Developed Property are approximately five-tenths of a percent (0.5%) higher than the Fiscal Year 2006-2007 rates; there is no Undeveloped Property in the District. The Table 1 Special Tax rates and the special tax levy for each class of property for Fiscal Year 2007-2008 are shown in Table IV-1.

¹ Technically, Section C states that the maximum special tax for a parcel of Developed Property is equal to the greater of (i) the "Base Maximum Special Tax" or (ii), the amount determined by reference to Table 1 of Section C. The Base Maximum Special Tax was established for the contingency of a shortfall in revenues resulting from significant changes in proposed development. The Base Maximum Special Tax has not been levied in the District, hence, all discussion of maximum special tax rates focuses on the initial rates set forth in Section C of the Rate and Method escalated to Fiscal Year 2006-2007.

TABLE IV-1

**SPECIAL TAX RATES AND SPECIAL TAX LEVY
COMMUNITY FACILITIES DISTRICT NO. 87-5C
RANCHO SANTA MARGARITA RANCHO TRABUCO SOUTH**

Class	Land Use	Square Footage of Improvements	Table 1¹ Special Tax	Special Tax Levy	Percent of Table 1
1	Single Family Detached	2,700 or more	\$3,018.33/unit	\$1,104.15/unit	36.58%
2	Single Family Detached	2,400 to 2,699	\$2,601.14/unit	\$951.54/unit	36.58%
3	Single Family Detached	1,700 to 2,399	\$2,135.90/unit	\$781.34/unit	36.58%
4	Single Family Detached	Less than 1,700	\$1,624.51/unit	\$594.27/unit	36.58%
5	Townhomes	1,650 or more	\$1,578.37/unit	\$0.00/unit <i>no units in this class</i>	0.00%
6	Townhomes	1,350 to 1,649	\$1,532.23/unit	\$560.51/unit	36.58%
7	Townhomes	Less than 1,350	\$1,299.61/unit	\$475.42/unit	36.58%
8	Condominiums	1,200 or more	\$1,253.47/unit	\$458.54/unit	36.58%
9	Condominiums	850 to 1,199	\$928.57/unit	\$339.68/unit	36.58%
10	Condominiums	Less than 850	\$744.01/unit	\$272.17/unit	36.58%
11	Apartment	Not Applicable	\$695.95/unit	\$0.00/unit <i>no units in this class</i>	0.00%
12	Commercial/ Industrial	Not Applicable	\$0.5191/bldg sf or \$7,753.45/acre whichever is greater	\$0.0000/bldf sf or \$0.00/acre whichever is greater <i>no parcels in this class</i>	0.00%
0	Undeveloped	Not Applicable	\$6,500.00/acre	\$0.00/acre <i>no parcels in this class</i>	0.00%

The Fiscal Year 2006-2007 Base Maximum Special Tax is \$12,561.62 per acre. When applicable, the Base Maximum Special Tax would be levied instead of, not in addition to, the Table 1 Special Tax rates.

¹ Table 1 Special Tax rates are the rates in Table 1 of the Rate and Method escalated three and one-half percent (3.50%) annually to Fiscal Year 2006-2007.

Levy of Special Taxes

The amount of special tax that is levied against each parcel is determined through the application of Section D of the Rate and Method. Section D apportions the special tax in six steps, as follows, until the special tax requirement is met:

- First: The special tax is levied on all Developed Property at up to 87% of the applicable Table 1 Special Tax rate and on all Undeveloped Property¹ up to \$600 per acre;
- Second: The special tax is levied on all Undeveloped Property at up to \$5,655 per acre;
- Third: The special tax is levied on all Developed Property at up to 100% of the applicable Table 1 Special Tax, and on Undeveloped Property up to \$6,500 per acre;
- Fourth: The special tax for Developed Property is increased up to 100% of the Base Maximum Special Tax where applicable;
- Fifth: The special tax is levied proportionately on each parcel of Undeveloped Property offered for dedication to a public agency or owned by a church or homeowners association which is not exempt, up to the Base Maximum Special Tax, but in no event more than \$6,500 per acre; and
- Sixth: The special tax is levied proportionately on each parcel of non-exempt Undeveloped Property conveyed to a public agency up to the Base Maximum Special Tax, but in no event more than \$6,500 per acre.

The Board may also levy a special tax for services on each class of Developed Property in equal percentages, provided that the total special tax levied in any fiscal year does not exceed the maximum special tax.

There is no provision for early payoff of the special taxes.

¹ The Undeveloped Property taxed in the first three steps is exclusive of Undeveloped Property owned by or offered for dedication to a public agency or owned by a church, a public utility for use as an unmanned facility, or a homeowners association.

V. SPECIAL TAX REQUIREMENT

Each fiscal year the Board determines the special taxes to be collected in the District. This special tax requirement includes sums necessary to pay current debt service (interest and principal), to create or replenish reserve funds, and to pay for administrative expenses. The special tax requirement may also include an amount to pay for services. The special tax requirement for the Fiscal Year 2007-2008 is presented in Table V-I.¹

TABLE V-1

**SPECIAL TAX REQUIREMENT
COMMUNITY FACILITIES DISTRICT No. 87-5C
RANCHO SANTA MARGARITA RANCHO TRABUCO SOUTH**

Interest Payments due February 15, 2008 and August 15, 2008 Refunding Bonds: August 24, 1994 and July 8, 2004	\$725,550.00
Principal Payment due August 15, 2008 Refunding Bonds: August 24, 1994 and July 8, 2004	<u>\$713,128.00</u>
Subtotal Debt Service	\$1,438,678.00
Less:	
Less Surplus (2006 Locals > 2006 Authority)	(\$93,533.00)
Less Interest Income	(\$120,000.00)
Less Reserve Drawdown	(\$0.00)
Less Common Reserve Drawdown	<u>(\$0.00)</u>
Subtotal:	<u>(\$213,533.00)</u>
Total Debt Service Requirements	\$1,225,145.00
Estimated Administrative Expenses	<u>\$34,997.04</u>
Subtotal	\$1,260,142.04
Collection Charge	\$3,792.00
Special Tax Requirement	<u>\$1,263,934.04</u>

¹ Source: County of Orange Executive Office, July 20, 2007.

**COMMUNITY FACILITIES DISTRICT
ADMINISTRATION REPORT
FOR FISCAL YEAR 2007-2008**

COMMUNITY FACILITIES DISTRICT No. 87-5D

**RANCHO SANTA MARGARITA,
RANCHO TRABUCO NORTH
COUNTY OF ORANGE**

Prepared for

COUNTY OF ORANGE
10 Civic Center Plaza, Third Floor
Santa Ana, CA 92701-4062

Prepared by

DAVID TAUSSIG & ASSOCIATES, INC.
1301 Dove Street, Suite 600
Newport Beach, California 92660
(949) 955-1500

September 28, 2007

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Appendix A: Boundary Map

Appendix B: Rate and Method of Apportionment of the Special Tax

Appendix C: Special Tax Roll

**Fiscal Year 2007-2008
District Summary Sheet
Community Facilities District No. 87-5D
Rancho Santa Margarita Rancho Trabuco North
Fund No. T2**

Authorized Debt: \$15,500,000
Amount Issued: \$12,042,509
Authorized Facilities: Foothill Circulation Phasing Plan Roadways

Authorized Services: Police Protection Library
Fire Protection Open Space Services
Ambulance Recreation Program(s)
Paramedic Flood and Storm Protection

Special Tax Rates:

Class	Land Use	Square Footage of Improvements	Table 1 Special Tax*	Special Tax Levy	Percent of Table 1
1	Single Family Detached	2,700 or more	\$3,054.85/unit	\$1,398.34/unit	45.77%
2	Single Family Detached	2,400 to 2,699	\$2,631.90/unit	\$1,204.74/unit	45.77%
3	Single Family Detached	1,700 to 2,399	\$2,160.89/unit	\$989.14/unit	45.77%
4	Single Family Detached	Less than 1,700	\$1,645.66/unit	\$753.29/unit	45.77%
5	Townhomes	1,650 or more	\$1,597.60/unit	\$0.00/unit <i>no units in this class</i>	0.00%
6	Townhomes	1,350 to 1,649	\$1,551.46/unit	\$0.00/unit <i>no units in this class</i>	0.00%
7	Townhomes	Less than 1,350	\$1,316.91/unit	\$0.00/unit <i>no units in this class</i>	0.00%
8	Condominiums	1,200 or more	\$1,268.85/unit	\$580.81/unit	45.77%
9	Condominiums	850 to 1,199	\$940.10/unit	\$430.33/unit	45.77%
10	Condominiums	Less than 850	\$751.70/unit	\$344.09/unit	45.77%
11	Apartment	Not Applicable	\$705.56/unit	\$322.97/unit	45.77%
12	Commercial/Industrial	Not Applicable	\$0.5191/bldg sf or \$7,753.45/acre whichever is greater	\$0.0000/bldg sf or \$0.00/acre whichever is greater <i>no property in this class</i>	0.00%
0	Undeveloped	Not Applicable	\$8,000.00/acre	\$460.38/acre	5.75%

* The Maximum Special Tax for Developed Property is the greater of the Table 1 Special Tax or the Base Maximum Special Tax. See footnote 3 on page 4.

Annual Escalator: Table 1 and Maximum Special Tax Rates escalate three and one-half percent (3.50%) per year.

Term of Special Tax: The special tax will be levied each year until all of the authorized facilities are built and all special tax bonds are repaid. Notwithstanding, the special tax may be levied after all facilities are built and all bonds are repaid to pay for authorized services.

Base Maximum Tax: The Base Maximum Special Tax for Developed Property is \$0.3557 per square foot (or \$15,492.67 per acre).

The maturity date for outstanding bonds is 2019.

I. BACKGROUND

The Board of Supervisors (the "Board") of the County, acting on behalf of Community Facilities District No. 87-5D ("Rancho Santa Margarita Rancho Trabuco North"), hereinafter referred to as "CFD No. 87-5D" or the "District", adopted Resolution No. 88-605 on May 3, 1988 stating its intent to establish the District (boundary map included as Appendix A). On the same date, the Board also adopted Resolution No. 88-609 stating its intent to have the District incur bonded indebtedness in an amount not to exceed \$15,500,000.

On June 22, 1988, following a public hearing, the Board adopted Resolution No. 88-820 establishing the District and authorizing the levy of a special tax, and Resolution No. 88-824 determining the necessity to incur up to \$15,500,000 of bonded indebtedness. At a special election held on June 21, 1988, the owners of the property within the District authorized the District to incur bonded indebtedness in an amount not to exceed \$15,500,000 and approved the Rate and Method of Apportionment of the Special Tax to pay principal and interest on the bonds, annual administration fees to levy the special tax, and certain services to be provided within the District. Bonds in the amount of \$5,885,000 were issued with a date of November 1, 1990 (the "1990 Bonds").

In 1994 the 1990 Bonds were refunded and additional bonds were issued in connection with a multiple CFD bond refunding and issuance. Under this financing, a portion of the proceeds of bonds issued in 1994 by the South County Public Financing Authority, a California joint powers authority organized pursuant to a Joint Exercise of Powers Agreement, (the "Authority") dated March 8, 1994, was used to purchase District bonds. In total, the Authority issued \$239,340,000 in Special Tax Revenue Bonds (the "1994 Series C Bonds") on August 5, 1994 which are secured by special taxes levied within eight of the County's CFDs (CFDs No. 87-1, 87-3, 87-4, 87-5A, 87-5B, 87-5C, 87-5D, and 87-8). The District bonds or "Local Obligations" purchased by the 1994 Series C Bonds equal \$12,042,509.

In 2004 the 1994 Series C Bonds maturing in 2015, 2017, 2018, and 2019 were refunded. For this refunding the Authority issued \$92,370,000 in Special Tax Revenue Bonds (the "2004 Series A Bonds") on June 17, 2004 which are secured by special taxes levied within the same eight County CFDs. The District bonds or "Local Obligations" purchased by the 2004 Series A Bonds equal \$9,161,371.

II. IMPROVEMENTS AND COST ESTIMATES

The improvements to be funded by the District and the estimated costs are presented in Table II-1¹.

TABLE II-1

**ESTIMATE OF COSTS AND EXPENSES
COMMUNITY FACILITIES DISTRICT NO. 87-5D
RANCHO SANTA MARGARITA RANCHO TRABUCO NORTH**

Foothill Circulation Phasing Plan (FCPP)

Backbone I	\$ 5,132,600
Auxiliary	4,417,400
Reimbursement of Preliminary FCPP Study	<u>40,000</u>
Subtotal Construction	\$9,590,000
Contingencies	1,415,000
Issuance and Formation Costs (3%)	465,000
Reserve Fund (10%)	1,550,000
Capitalized Interest	2,170,000
Discount (2%)	<u>310,000</u>
Total Bond Authorization	<u>\$15,500,000</u>

For further details regarding the improvements, reference is made to the Engineer's Report for CFD No. 87-5D ("Rancho Santa Margarita Rancho Trabuco North") prepared by NBS/Lowry.

¹ Source: NBS/Lowry, "Engineer's Report for Community Facilities District No. 87-5D, Rancho Santa Margarita, Rancho Trabuco North for County of Orange," May 1988

III. SERVICES

The District is authorized to fund the services listed in Table III-1 on an annual basis.

TABLE III-1

**AUTHORIZED SERVICES
COMMUNITY FACILITIES DISTRICT NO. 87-5D
RANCHO SANTA MARGARITA RANCHO TRABUCO NORTH**

<u>Description</u>	<u>Annual Cost</u>¹
Paramedic and Fire	\$197,092
Sheriff	\$218,260
Library	\$ 40,823
Flood Control and Storm Drain	\$ 1.00 per linear foot
Parks	\$7,200 to \$10,000 per acre
District Administration	\$ 55,000

Although the District is authorized to fund the services in Table III-1, that authority has not been exercised to date. No services are being funded for Fiscal Year 2007-2008.

² Source: NBS/Lowry, May 1988

IV. RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX

The Board adopted and approved the Rate and Method of Apportionment of the Special Tax (the "Rate and Method") for the District as set forth in Exhibit B to Resolution No. 88-820, the Resolution of Formation Establishing the District and Authorizing the Levy of the Special Tax. A copy of the Rate and Method as adopted by the Board is included in Appendix B.

The Rate and Method establishes two primary property classifications: "Developed Property" and "Undeveloped Property." Developed Property consists of all Assessor's Parcels for which a building permit has been issued on or before March 1 of the preceding fiscal year. Undeveloped Property consists of all other taxable property not classified as Developed Property. Developed Property is grouped by land use type (i.e., residential or commercial/industrial). Residential property is further classified based on the type of dwelling unit single family detached, townhome, condominium or apartment and unit size.

Maximum and Levied Special Tax Rates

The amount of special taxes that the District may levy is limited by the maximum rates set forth in the Rate and Method. The initial maximum rates for Developed Property, which escalate 3.5 percent each fiscal year, are set forth in Table 1 of Section C of the Rate and Method (the "Table 1 Special Tax" rates).³

The Fiscal Year 2007-2008 special tax rates for Developed Property are approximately one and three-tenths percent (1.3%) lower than the Fiscal Year 2006-2007 rates. The Fiscal Year 2007-2008 Undeveloped Property special tax rate is approximately four and sixth-tenths percent (4.6%) lower than last year's rate. The Table 1 Special Tax rates and the special tax levy for each class of property for Fiscal Year 2007-2008 are shown in Table IV-1.

³ Technically, Section C states that the maximum special tax for a parcel of Developed Property is equal to the greater of (i) the "Base Maximum Special Tax" or (ii) the amount determined by reference to Table 1 of Section C. The Base Maximum Special Tax was established for the contingency of a shortfall in revenues resulting from significant changes in proposed development. The Base Maximum Special Tax has not been levied in the District, hence, all discussion of maximum special tax rates for Developed Property focuses on the Table 1 Special Tax rates.

TABLE IV-1

**SPECIAL TAX RATES AND SPECIAL TAX LEVY
COMMUNITY FACILITIES DISTRICT NO. 87-5D
RANCHO SANTA MARGARITA RANCHO TRABUCO NORTH**

Class	Land Use	Square Footage of Improvements	Table 1 Special Tax	Special Tax Levy	Percent of Table 1
1	Single Family Detached	2,700 or more	\$3,054.85/unit	\$1,398.34/unit	45.77%
2	Single Family Detached	2,400 to 2,699	\$2,631.90/unit	\$1,204.74/unit	45.77%
3	Single Family Detached	1,700 to 2,399	\$2,160.89/unit	\$989.14/unit	45.77%
4	Single Family Detached	Less than 1,700	\$1,645.66/unit	\$753.29/unit	45.77%
5	Townhomes	1,650 or more	\$1,597.60/unit	\$0.00/unit <i>no units in this class</i>	0.00%
6	Townhomes	1,350 to 1,649	\$1,551.46/unit	\$0.00/unit <i>no units in this class</i>	0.00%
7	Townhomes	Less than 1,350	\$1,316.91/unit	\$0.00/unit <i>no units in this class</i>	0.00%
8	Condominiums	1,200 or more	\$1,268.85/unit	\$580.81/unit	45.77%
9	Condominiums	850 to 1,199	\$940.10/unit	\$430.33/unit	45.77%
10	Condominiums	Less than 850	\$751.70/unit	\$344.09/unit	45.77%
11	Apartment	Not Applicable	\$705.56/unit	\$322.97/unit	45.77%
12	Commercial/ Industrial	Not Applicable	\$0.5191/bldg sf or \$7,753.45/acre whichever is greater	\$0.0000/bldg sf or \$0.00/acre whichever is greater <i>no property in this class</i>	0.00%
0	Undeveloped	Not Applicable	\$8,000.00/acre	\$460.38/acre	5.75%

The Fiscal Year 2007-2008 Base Maximum Special Tax is \$15,492.67 per acre. When applicable, the Base Maximum Special Tax would be levied instead of, not in addition to, the Table 1 Special Tax rates.

Levy of Special Taxes

The amount of special tax that is levied against each parcel is determined through the application of Section D of the Rate and Method. Section D apportions the special tax in six steps, as follows, until the special tax requirement is met:

- First: The special tax is levied on all Developed Property at up to 87% of the applicable Table 1 Special Tax rate and on all Undeveloped Property⁵ up to \$875 per acre;
- Second: The special tax is levied on all Undeveloped Property at up to \$6,960 per acre;
- Third: The special tax is levied on all Developed Property at up to 100% of the applicable Table 1 Special Tax rate, and on Undeveloped Property up to \$8,000 per acre;
- Fourth: The special tax for Developed Property shall be increased up to 100% of the Base Maximum Special Tax where applicable;
- Fifth: The special tax is levied proportionately on each parcel of non-exempt Undeveloped Property offered for dedication to a public agency or owned by a church or homeowners association up to the Base Maximum Special Tax, but in no event more than \$8,000 per acre; and
- Sixth: The special tax is levied proportionately on each parcel of non-exempt Undeveloped Property conveyed to a public agency up to the Base Maximum Special Tax, but in no event more than \$8,000 per acre.

The Board may also levy a special tax for services, provided that the total special tax levied in any fiscal year does not exceed the maximum special tax.

There is no provision for the prepayment of the special taxes.

⁵ The Undeveloped Property taxed in the first three steps is exclusive of Undeveloped Property owned by or offered for dedication to a public agency or owned by a church, a public utility for use as an unmanned facility, or a homeowners association.

V. SPECIAL TAX REQUIREMENT

Each fiscal year, the Board determines the special taxes to be collected in the District (the "Special Tax Requirement"). This Special Tax Requirement includes sums necessary to pay current debt service (interest and principal), to create or replenish reserve funds, and to pay for administrative expenses. The Special Tax Requirement may also include an amount to pay for services. The Special Tax Requirement for Fiscal Year 2007-2008 is presented in Table V-I.¹

TABLE V-1

**SPECIAL TAX REQUIREMENT
COMMUNITY FACILITIES DISTRICT NO. 87-5D
RANCHO SANTA MARGARITA RANCHO TRABUCO NORTH**

Interest Payments due February 15, 2008 and August 15, 2008 Refunding Bonds: August 24, 1994 and July 8, 2004	\$609,045.00
Principal Payment due August 15, 2008 Refunding Bonds: August 24, 1994 and July 8, 2004	<u>\$528,308.00</u>
Subtotal Debt Service	\$1,137,353.00
Less:	
Surplus (2006 Locals > 2006 Authority)	(\$86,580.00)
Reserve Interest Income	(\$100,000.00)
Reserve Drawdown	(\$3,750.00)
Common Reserve Drawdown	<u>(\$0.00)</u>
Subtotal:	(\$190,330.00)
Total Debt Service Requirements	\$947,023.00
Estimated Administrative Expenses	<u>\$37,000.11</u>
Subtotal	\$984,023.11
Collection Charge	\$2,961.00
Special Tax Requirement	<u>\$986,984.11</u>

⁴ Source: County of Orange Executive Office, July 20, 2007.

**COMMUNITY FACILITIES DISTRICT
ADMINISTRATION REPORT
FOR FISCAL YEAR 2007-2008**

COMMUNITY FACILITIES DISTRICT NO. 87-5E

**RANCHO SANTA MARGARITA TOWNCENTER
COUNTY OF ORANGE**

Prepared for

COUNTY OF ORANGE
10 Civic Center Plaza, Third Floor
Santa Ana, CA 92701-4062

Prepared by

DAVID TAUSSIG & ASSOCIATES, INC.
1301 Dove Street, Suite 600
Newport Beach, California 92660
(949) 955-1500

September 28, 2007

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APPENDICES

Appendix A: Boundary Map

Appendix B: Rate and Method of Apportionment

Appendix C: Special Tax Roll

**Fiscal Year 2007-2008
District Summary Sheet
Community Facilities District No. 87-5E
Rancho Santa Margarita
Fund No. T3**

Authorized Debt: \$30,000,000

Amount Issued: \$13,695,000

Authorized Facilities: Foothill Circulation Phasing Plan
Roadways
Library Facilities

Authorized Services: Police Protection Library
Fire Protection Open Space Services
Ambulance Recreation Program(s)
Paramedic Flood and Storm Production

Special Tax Rates:

Class	Land Use	Square Footage of Improvements	"Table 1" Special Tax Rate	Special Tax Levy	Percent of Table 1
1	Single-Family Detached	More than 2,700	\$3,097.15/unit	\$0.00/unit <i>no units in this class</i>	0.00%
2	Single-Family Detached	2,400 to 2,699	\$2,668.43/unit	\$0.00/unit <i>no units in this class</i>	0.00%
3	Single-Family Detached	1,700 to 2,399	\$2,191.65/unit	\$740.62/ unit	33.79%
4	Single-Family Detached	Less than 1,700	\$1,668.73/unit	\$563.91/unit	33.79%
5	Townhomes	More than 1,650	\$1,620.67/unit	\$547.67/unit	33.79%
6	Townhomes	1,350 to 1,649	\$1,572.61/unit	\$531.42/unit	33.79%
7	Townhomes	Less than 1,350	\$1,334.22/unit	\$450.87/unit	33.79%
8	Condominiums	More than 1,200	\$1,288.08/unit	\$435.27/unit	33.79%
9	Condominiums	850 to 1,199	\$953.56/unit	\$322.23/unit	33.79%
10	Condominiums	Less than 850	\$763.23/unit	\$0.00/unit <i>no units in this class</i>	0.00%
11	Apartment	Not Applicable	\$753.62/unit	\$254.67/unit	33.79%
12	Commercial/ Industrial	Not Applicable	\$0.7882/sq. ft. of improvements or \$10,112.36 acre whichever is greater	\$0.2664/sq. ft. of improvements or \$3,417.22/acre whichever is greater	33.79%
0	Undeveloped	Not Applicable	\$21,724.26/acre	\$335.21/acre	1.54%

Annual Escalator: Maximum Special Tax rates will escalate three and one-half percent (3.50%) per year.

Term of Special Tax: The special tax will be levied each year until all of the authorized facilities are built and all special tax bonds are repaid.

Base Maximum Tax: The Base Maximum Special Tax for Developed Property is \$0.4806 per square foot (or \$20,936.04 per acre).

Outstanding bonds will mature in 2018.

I. BACKGROUND

The Board of Supervisors (the "Board") of the County, acting on behalf of CFD No. 87-5E (Rancho Santa Margarita Towncenter), adopted Resolution No. 88-1222 on August 30, 1988 stating its intent to form CFD No. 87-5E (boundary map included as Appendix A). On the same date, the Board also adopted Resolution No. 88-1223 stating its intent to have the District incur bonded indebtedness in an amount not to exceed \$30,000,000.

On October 5, 1988, following public hearings, the Board adopted Resolution No. 88-1388 establishing the District and authorizing the levy of a special tax and Resolution No. 88-1389 determining the necessity to incur up to \$30,000,000 of bonded indebtedness.

At a special election held on October 25, 1988, the owners of property within the boundaries of CFD No. 87-5E (Rancho Santa Margarita Towncenter) authorized bonded indebtedness in an amount not to exceed \$30,000,000 and approved the rate and method of apportionment of the special tax to pay principal and interest on the bonds, annual administration fees to levy the special tax, and to pay for certain services to be provided within CFD No. 87-5E.

Bonds in the amount of \$13,695,000 were issued with a date of April 1, 1993.

The South County Public Financing Authority (the "Authority") is a California joint powers authority organized pursuant to the Joint Exercise of Powers Agreement dated March 4, 1994. On July 9, 1999, the Authority issued \$75,290,000 in Special Tax Revenue Bonds (the "1999 Series A Bonds") pursuant to the Marks-Roos Local Bond Pooling Act of 1985.

The 1999 Series A Bonds are to be repaid through the levying of special taxes within five of the County CFD's. The portion of the 1999 Series A Bonds allocated to each of the five CFD's is the "Local Obligation".

On June 29, 1999, the Board adopted Resolution No. 99-259 authorizing the \$12,780,000 Local Obligation of CFD No. 87-5E (Rancho Santa Margarita Towncenter).

II. IMPROVEMENTS AND COST ESTIMATES

The improvements to be funded by CFD No. 87-5E (Rancho Santa Margarita Towncenter) and the estimated costs are presented in Table II-1¹.

TABLE II-1

**ESTIMATE OF COSTS AND EXPENSES
COMMUNITY FACILITIES DISTRICT NO. 87-5E
RANCHO SANTA MARGARITA TOWNCENTER**

Foothill Circulation Phasing Plan (FCPP)	
Backbone I	\$10,925,600
Auxiliary	<u>\$3,062,100</u>
Subtotal FCPP Improvements	\$13,987,700
Antonio Parkway	\$889,882
Library Facilities	<u>\$3,500,000</u>
Subtotal Other Improvements	\$4,389,882
Total Improvements	\$18,377,582
Preliminary FCPP Feasibility Studies (Reimbursement)	\$85,000
Contingencies	\$2,837,418
Issuance of Formation Costs (3%)	\$900,000
Reserve Fund (10%)	\$3,000,000
Capitalized Interest	\$4,200,000
Discount (2%)	<u>\$600,000</u>
Total Bond Authorization	<u>\$30,000,000</u>

For Further details regarding the improvements, references is made to the Engineer's Report for CFD No. 87-5E (Rancho Santa Margarita Towncenter) prepared by NBS/Lowry.

¹ Source: NBS/Lowry, "Engineer's Report for Community Facilities District No. 87-5E, Rancho Santa Margarita Towncenter for the County of Orange," September 1988

III. SERVICES

Services authorized to be financed by CFD No. 87-5E (Rancho Santa Margarita Towncenter) and the estimated annual fees are summarized in Table III-1.

Table III-1

**AUTHORIZED SERVICES
COMMUNITY FACILITIES DISTRICT No. 87-5E
RANCHO SANTA MARGARITA TOWNCENTER**

<u>Description</u>	<u>Annual Fee</u>¹
Paramedic and Fire	\$110,000
Sheriff	\$125,000
Library	\$20,000
Flood Control and Storm Drain	\$1.00 per linear foot
Parks	\$7,200 to \$10,000 per acre
District Administration	\$75,000

Although CFD No. 87-5E (Rancho Santa Margarita Towncenter) is authorized to fund the services in Table III-1, that authority had not been exercised to date, nor are any services being funded by CFD No. 87-5E (Rancho Santa Margarita Towncenter) for Fiscal Year 2007-2008.

¹ Source: NBS/Lowry

IV. RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The Board adopted and approved the Rate and Method of Apportionment of Special Tax (the "Rate and Method") CFD No. 87-5E (Rancho Santa Margarita Towncenter) as set forth in Exhibit B to Resolution No. 88-1388, the Resolution of Formation Establishing the District and Authorizing the Levy of the Special Tax. A copy of the Rate and Method as adopted by the Board is included in Appendix B.

The Rate and Method first classifies property to be taxed into "Developed Property", which is all Assessor's Parcels in CFD No. 87-5E (Rancho Santa Margarita Towncenter) for which a building permit has been issued on or before March 1 of the preceding fiscal year and "Undeveloped Property," which is all other taxable property not classified as Developed Property. Developed Property is further classified depending on type of unit, (i.e., single family detached, townhome, condominiums, or apartment and unit size).

Maximum Special Tax Rates

The amount of special taxes that CFD No. 87-5E (Rancho Santa Margarita Towncenter) may levy is limited by the maximum rates set forth in the Rate and Method. The initial maximum rates for Developed Property and Undeveloped Property, which escalate in each fiscal year, are set forth in Table 1 of Section C of the Rate and Method. The rate of escalation is three and one-half percent (3.5%) of the amount in effect for the previous fiscal year¹.

The Fiscal Year 2007-2008 special tax rates on Developed Property are approximately two percent (2.0%) lower than the Fiscal Year 2006-2007 rates. The Fiscal Year 2007-2008 Undeveloped Property Special Tax rate is approximately five and three-tenths percent (5.3%) lower than last year's rate. The Maximum Special Tax rates and the special tax levy for each class of property for Fiscal Year 2007-2008 are presented in Table IV-1.

¹ Technically, Section C states that the maximum special tax for a parcel of Developed Property is equal to the greater of (i) the "Base Maximum Special Tax" or (ii) the amount determined by reference to Table 1 of Section C. The Base Maximum Special Tax was established for the contingency of a shortfall in revenues resulting from significant changes in proposed development. The Maximum Special Tax has not been used in CFD No. 87-5E, hence, all discussion of maximum tax rates focuses on the initial rates set forth for each classification of Developed Property in Section C of the Rate and Method.

TABLE IV-1

**SPECIAL TAX RATES AND SPECIAL TAX LEVY
COMMUNITY FACILITIES DISTRICT NO. 87-5E
RANCHO SANTA MARGARITA TOWNCENTER**

Class	Land Use	Square Footage of Improvements	"Table 1"¹ Special Tax Rate	Special Tax Levy	Percent of Table 1
1	Single-Family Detached	More than 2,700	\$3,097.15/unit	\$0.00/unit <i>no units in this class</i>	0.00%
2	Single-Family Detached	2,400 to 2,699	\$2,668.43/unit	\$0.00/unit <i>no units in this class</i>	0.00%
3	Single-Family Detached	1,700 to 2,399	\$2,191.65/unit	\$740.62/ unit	33.79%
4	Single-Family Detached	Less than 1,700	\$1,668.73/unit	\$563.91/unit	33.79%
5	Townhomes	More than 1,650	\$1,620.67/unit	\$547.67/unit	33.79%
6	Townhomes	1,350 to 1,649	\$1,572.61/unit	\$531.42/unit	33.79%
7	Townhomes	Less than 1,350	\$1,334.22/unit	\$450.87/unit	33.79%
8	Condominiums	More than 1,200	\$1,288.08/unit	\$435.27/unit	33.79%
9	Condominiums	850 to 1,199	\$953.56/unit	\$322.23/unit	33.79%
10	Condominiums	Less than 850	\$763.23/unit	\$0.00/unit <i>no units in this class</i>	0.00%
11	Apartment	Not Applicable	\$753.62/unit	\$254.67/unit	33.79%
12	Commercial/ Industrial	Not Applicable	\$0.7882/sq. ft. of improvements or \$10,112.36 acre whichever is greater	\$0.2664/sq. ft. of improvements or \$3,417.22/acre whichever is greater	33.79%
0	Undeveloped	Not Applicable	\$21,724.26/acre	\$335.21/acre	1.54%

In addition to the rates in Table IV-1, CFD No. 87-5E (Rancho Santa Margarita Towncenter) has a Base Maximum Special Tax, which also escalates three and one-half percent (3.5%) each year. The Fiscal Year 2007-2008 Base Maximum Special Tax is \$20,936.04 per acre for Developed Property. For those parcels which the Base Maximum Special Tax is greater than the "Table 1" rate, the Base Maximum Special Tax will be levied instead of, not in addition to, the "Table 1" rate.

¹ "Table 1" Special Tax Rates are the rates per Table 1 of the Rate and Method for CFD No. 87-5E as escalated pursuant to Section C of the Rate and Method.

Apportionment of Special Taxes

The amount of the special tax requirement that is apportioned to each parcel is determined through the application of Section D of the Rate and Method. Section D apportions the special tax requirement in six steps which prioritize the order in which Developed Property and Undeveloped Property are taxed.

The first step states that the special tax shall be levied, in equal percentages, on Developed Property up to 87% of the "Table 1" maximum rate and on all Undeveloped Property¹ up to \$863 per acre.

If the special taxes raised pursuant to the first step are less than the special tax requirement, then the special tax shall be levied proportionately on all Undeveloped Property up to \$9,831 per acre.

If the special taxes raised pursuant to the first two steps are less than the special tax requirement, then the special tax levied on all Developed Property and Undeveloped Property shall be increased, in equal percentages, up to 100% of the applicable "Table 1" rate for Developed Property and up to \$11,300 per acre for Undeveloped Property.

If the special taxes raised in the first three steps are less than the special tax requirement, then the special tax levy for all parcels of Developed Property subject to the Base Maximum Special Tax shall be increased proportionally up to 100% of the Base Maximum Special Tax rate.

If the special taxes raised in the first four steps are less than the special tax requirement, then the special tax shall be levied on each parcel of Undeveloped Property offered for dedication to a public agency, or owned by a church or by a homeowners association, or open space being used as a golf course, which is not exempt from the levy of Special Tax pursuant to Section E of the Rate and Method, up to the Maximum Special Tax for Undeveloped Property.

If the special taxes raised in the first five steps are less than the special tax requirement, then the special tax shall be levied proportionally on each parcel of Undeveloped Property conveyed to a public agency, which is not exempt from the levy of special taxes, up to the Maximum Special Tax for Undeveloped Property.

The Board may also levy a special tax for services on each class of Developed Property in equal percentages, provided that the total special tax levied in any fiscal year does not exceed the Maximum Special Tax.

There is no provision for prepayment of the special taxes.

¹ The Undeveloped Property taxed in the first steps is exclusive of Undeveloped Property owned by or offered for dedication to a public agency or owned by a church, a public utility for use as an unmanned facility, or homeowners association, or open space being used as a golf course.

V. SPECIAL TAX REQUIREMENT

Beginning with Fiscal Year 1988-89 and for each following fiscal year, the Board shall determine the amount to be collected from taxable property in CFD No. 87-5E (Rancho Santa Margarita Towncenter) for the fiscal year. The special tax requirement shall include sums necessary to pay current debt service (interest and principal), to create or replenish reserve funds, and to pay for administrative expenses. Since the Board may levy a special tax for services, the special tax requirement may include an amount for services. The Fiscal Year 2007-2008 special tax requirement for CFD No. 87-5E is presented in Table V-1¹.

TABLE V-1

**SPECIAL TAX REQUIREMENT
COMMUNITY FACILITIES DISTRICT NO. 87-5E
RANCHO SANTA MARGARITA TOWNCENTER**

Interest Payments due February 15, 2008 and August 15, 2008 Original Bonds: April 1, 1993, Refunded: July 15, 1999	\$529,133.00
Principal Payment due August 15, 2008 Original Bonds: April 1, 1993, Refunded: July 15, 1999	<u>\$610,000.00</u>
Subtotal Debt Service	\$1,139,133.00
Less Surplus Original Bonds: April 1, 1993, Refunded: July 15, 1999	(\$69,688.00)
Less Interest Income	<u>(\$60,000.00)</u>
Total Debt Service Requirements	\$1,009,445.00
Estimated Administrative Expenses	<u>\$50,000.32</u>
Subtotal	\$1,059,445.32
Collection Charge	<u>\$3,188.00</u>
Amount of Special Tax Levy	<u><u>\$1,062,633.32</u></u>

¹ Source: County of Orange Executive Office, July 20, 2007.