ORDINANCE NUMBER 1120

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF PERRIS ACTING IN ITS CAPACITY AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2003-1 (CHAPARRAL RIDGE) OF THE CITY OF PERRIS AUTHORIZING THE LEVY OF A SPECIAL TAX WITHIN SAID DISTRICT

THE CITY COUNCIL OF THE CITY OF PERRIS, ACTING IN ITS CAPACITY AS THE LEGISLATIVE BODY OF THE COMMUNITY FACILITIES DISTRICT NO. 2003-1 (CHAPARRAL RIDGE) OF THE CITY OF PERRIS, DOES ORDAIN AS FOLLOWS:

Section 1. By the passage of this Ordinance, the City Council authorizes the levy of a special tax at the rate and formula set forth in Exhibit "A" to Resolution Number 3132, as amended and which for reference purposes is attached hereto as Exhibit "1" and incorporated herein by this reference.

Section 2. The City Council or its designee is hereby further authorized to determine, by ordinance, resolution or by other action if permitted by then applicable law, on or before August 1 of each year, the specific special tax to be levied on each parcel of land in the District. The special tax to be levied shall not exceed the maximum rates set forth in Exhibit "1", but the special tax may be levied at a lower rate. The City Clerk is authorized and directed to file with the county auditor on or before the 10th day of August of each tax year a certified copy of such ordinance or resolution accompanied by a list of all parcels subject to the special tax levy with the tax to be levied on each parcel.

Section 3. Properties or entities of the state, federal or other local governments shall be exempt from the above-referenced and approved special taxes only to the extent set forth in Section [E] of Exhibit "1" hereto and otherwise shall be subject to the tax consistent with the provisions of Section 53317.3 of the Act in effect as of the date of adoption of this Ordinance.

Section 4. All of the collections of the special taxes shall be used only as provided for in the Act and Resolution Number 3132. The special taxes shall be levied only so long as needed to accomplish the purposes described in Resolution Number 3132.

Section 5. The special taxes shall be collected from time to time as necessary to meet the financial obligations of Community Facilities District No 2003-1 (Chaparral Ridge) of the City of Perris (the "District") on the secured real property tax roll in the same manner as ordinary *ad valorem* taxes are collected, or other procedures as may be adopted by the City Council. The City Manager is hereby authorized and directed to provide or to cause to be provided all necessary information to the auditor/tax collector of the County of Riverside and to otherwise take all actions necessary in order to effect proper billing and collection of the special

taxes, so that the special taxes shall be levied and collected in sufficient amounts an at times necessary to satisfy the financial obligations of the District in each fiscal year until the Bonds are paid in full, the Facilities have been paid for, and provision has been made for payment of all of the administrative costs of District. The special taxes may be subject to the same penalties and the same procedure, sale and lien priority in cases of delinquency as provided for *ad valorem* taxes as such procedure may be modified by law of this City Council from time to time.

Notwithstanding the foregoing, the City Manager may collect, or cause to be collected, one or more installments of the special taxes by means of direct billing by the district of the property owners within the District, if, in the judgment of the City Manager, such means of collection will reduce the administrative burden of the District in administering the District where it is otherwise appropriate in the circumstances. In such event, the special taxes shall become delinquent if not paid when due as set forth in any such respective billing to the property owners.

Whether the special taxes are levied in the manner provided in the first or the second preceding paragraph, the special taxes shall have the same lien priority, and be subject to the same penalties and the same procedure and sale in cases of delinquency as provided for *ad valorem* taxes. In addition, the provisions of Section 53356.1 of the Act shall apply to delinquent special tax payments.

Section 6. As a cumulative remedy, if any amount levied as a special tax for payment of bond interest or principal, together with any penalties and other charges accruing under this Ordinance, are not paid when due, the City Council may, not later than four years after the due date of the last installment of principal of the Bonds, order that the same be collected by an action brought in the superior court to foreclose the lien of such special tax.

Section 7. This Ordinance relating to the levy of the special taxes shall take effect immediately upon its final passage in accordance with the provisions of Section 36937(a) of the Government Code, and the specific authorization for adoption is pursuant to the provisions of Section 53340 of the Government Code.

Section 8. The City Clerk is hereby directed to execute and cause to be recorded in the office of the County Recorder of the County of Riverside a notice of special tax lien in the form required by the Act, said recording to occur no later than fifteen days following final passage by the City Council of this Ordinance.

Section 9. The Mayor shall sign this Ordinance and the City Clerk shall attest to the Mayor's signature and then cause the same to be published within fifteen (15) days after its passage at least once in the Perris City News, a newspaper of general circulation published and circulated in the City.

Section 10. The City Clerk shall certify to the passage of this Ordinance and shall cause the same to be published as required by law.

ADOPTED, SIGNED and ***APPROVED*** this 24th day of June, 2003.

_____
Mayor, Daryl R. Busch

ATTEST:

_____
City Clerk, Margaret Rey

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) §
CITY OF PERRIS)

I, Margaret Rey, CITY CLERK OF THE CITY OF PERRIS, CALIFORNIA, DO HEREBY CERTIFY that the foregoing Ordinance Number 1120, introduced at a regular meeting of the City Council of the City of Perris held on the 24th day of June, 2003, and approved by the following called vote:

AYES: Busch, Rogers, Landers, Yarbrough
NOES:
ABSENT: Motte
ABSTAIN:

_____
City Clerk, Margaret Rey

EXHIBIT "1"
(ORDINANCE NUMBER 1120)

(Exhibit "A" of Resolution Number 3132)

CITY OF PERRIS
COMMUNITY FACILITIES DISTRICT NO. 2003-1
(Chaparral Ridge)

RATE AND METHOD OF APPORTIONMENT

A Special Tax shall be levied on all Taxable Property in the City of Perris Community Facilities District No. 2003-1 and collected each Fiscal Year commencing in Fiscal Year 2003-2004 according to the tax liability determined by the Council, through the application of the rate and method of apportionment of the Special Tax set forth below. All Taxable Property shall be taxed to the extent and in the manner herein provided.

I. DEFINITIONS

"Acquisition Agreement" means that certain acquisition agreement pursuant to which public improvements financed by the Bonds and/or the Special Taxes are acquired by the City, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel map, or if the land area is not shown on an Assessor's Parcel map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map. An Acre means 43,560 square feet of land.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Fees" or "Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of: the costs of computing the Special Taxes; the costs of preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City, the County or otherwise); the costs or remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs of the City, CFD No. 2003-1, or any designee thereof complying with arbitrage rebate requirements; the costs to the City, CFD No. 2003-1, or any designee thereof complying with disclosure or reporting requirements of the City or CFD No. 2003-1, associated with applicable federal and State laws; the costs associated with preparing Special Tax disclosure

statements and responding to public inquires regarding the Special Taxes; the costs to the City, CFD No. 2003-1, or any designee thereof related to an appeal of the Special Tax; and the City's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 2003-1 for any other administrative purposes of, including attorney's fees and other costs related to commencing and pursuing any foreclosure of delinquent Special Taxes.

"Assessor" means the Assessor of the County of Riverside.

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

"Assigned Special Tax" means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section III below.

"Backup Special Tax" means the Special Tax applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section III below.

"Bonds" means any bonds or other indebtedness (as defined in the Act) of CFD No. 2003-1, whether in one or more series, secured by the levy of Special Taxes.

"CFD No. 2003-1" means the City of Perris Community Facilities District No. 2003-1.

"CFD Administrator" means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and for levying and collecting the Special Taxes.

"City" means the City of Perris, California.

"Council" means the City Council of the City of Perris acting as the legislative body of the CFD under the Act.

"County" means the County of Riverside, California.

"Debt Service" means for each Fiscal Year, the total amount of principal and interest payable on any Bonds during the calendar year commencing on January 1 of such Fiscal Year.

"Developed Property" means for each Fiscal Year, all Taxable Property, exclusive of Taxable Property Owner Association Property or Taxable Public Property, for which a building permit for new construction or renovations was issued prior to March 1 of the previous Fiscal Year.

"Final Subdivision" means a subdivision of property created by recordation of a final map, parcel map, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 or lot line adjustment that creates individual lots for which building permits may be issued without further subdivision.

"Fiscal Year" means the period starting on July 1 and ending the following June 30.

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

"Land Use Class" means any of the classes listed in Table 1.

"Lot" means a parcel created by a Final Subdivision on which a single family residential home can be constructed.

"Maximum Annual Special Tax" means the greatest amount of Special Tax, determined in accordance with Section III below, which may be levied in any Fiscal Year on any Assessor's Parcel.

"Non-Residential Property" means all Developed Property for which a building permit(s) was issued for a non-residential use.

"Outstanding Bonds" means all Bonds, which are deemed to be outstanding under the indenture.

Property Owner Association Property" means any Assessor's Parcel within the boundaries of CFD No. 2003-1 owned in fee, dedicated to or subject to an easement benefiting a property owner association, including any master or sub-association.

"Proportionately" or "Proportionate" means, for Developed Property, that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor's Parcels of Developed Property. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Undeveloped Property. The term "Proportionately" may similarly be applied to other categories of Taxable Property as listed in Section IV below.

"Public Property" means any property within the boundaries of CFD No. 2003-1 the ownership of which is transferred to a public agency of CFD No. 2003-1 and is used for rights-of-way or any other purpose and is owned by, or irrevocably offered for dedication to the federal government, the State of California, the County, the City or any other public agency; provided however that any property owned by a public agency and leased to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use.

"Residential Floor Area" means all of the square footage of usable area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, or similar area. The determination of Residential Floor Area shall be made by reference to the building permit(s) issued for such Assessor's Parcel.

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

"Resolution of Issuance" means the Resolution passed by the Council authorizing the issuance of bonds.

"Special Tax" means any tax levied within CFD No. 2003-1 pursuant to the Act and this Rate and Method of Apportionment of Special Tax.

"Special Tax Obligation" means the total obligation of an Assessor's Parcel of Taxable Property to pay the Special Tax for the remaining life of CFD No. 2003-1.

"Special Tax Requirement" means that amount required in any Fiscal Year to: (i) pay Debt Service on all Outstanding Bonds; (ii) pay periodic costs on the Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on the Outstanding Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) accumulate funds to pay directly for acquisition or construction of facilities provided that the inclusion of such amount does not cause the Special Tax to be levied on Undeveloped Property, and (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of, which are not exempt from the levy of the Special Tax pursuant to law or Section VIII below.

"Taxable Property Owner Association Property" means all Assessor's Parcels of Property Owner Association Property within the boundaries of CFD No. 2003-1 that are not exempt from the levy of Special Tax pursuant to Section VIII below.

"Taxable Public Property" means all Assessor's Parcels of Public Property that are not exempt from the levy of Special Tax pursuant to Section VIII below.

"Trustee" means the trustee or fiscal agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property within the boundaries of CFD No. 2003-1 not classified as Developed Property, Taxable Property Owner Association Property, or Taxable Public Property.

II. CLASSIFICATION OF PARCELS

Each Fiscal Year, all Taxable Property within the boundaries of CFD No. 2003-1 shall be classified as Developed Property, Taxable Property Owner Association Property, Taxable Public Property, or Undeveloped Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections III and IV below. Assessor's Parcels of Developed Property shall be classified as Residential Property or Non-Residential Property. Assessor's Parcels of Residential Property shall be further classified to its applicable Land Use Class based on its Residential Floor Area.

III MAXIMUM SPECIAL TAX RATES

1. Developed Property

(a). Maximum Special Tax

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

(b). Assigned Special Tax

TABLE 1

Assigned Special Taxes for Developed Property
CFD No. 2003-1
For Fiscal Year 2003/04

Land Use Class	Description	Residential Floor Area	Assigned Special Tax
1	Residential Property	2,399 sq. ft. or less	$1,595.75 per unit
2	Residential Property	2,400 sq. ft. to 2,599 sq. ft.	$1,716.00 per unit
3	Residential Property	2,600 sq. ft. to 2,799 sq. ft.	$1,782.20 per unit
4	Residential Property	2,800 sq. ft and above	$1,849.20 per unit
5	Non-Residential Property	N/A	$5,530.00 per Acre

On July 1st of each Fiscal Year, commencing July 1, 2004, the Assigned Special Tax shall increase by two-percent (2.0%) of the amount in effect in the prior Fiscal Year.

(c). Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Assigned Special Tax levied on an Assessor's Parcel shall be the sum of the Assigned Special Taxes for all Land Use Classes located on that Assessor's Parcel. The Maximum Special Tax that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Taxes that can be levied for all Land Use Classes located on that Assessor's Parcel. For an Assessor's Parcel that contains both Residential Property and Non-Residential Property, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the amount of Acreage designated for each Land Use Class as determined by reference to the site plan approved for such Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

(d). Backup Special Tax

Each Fiscal Year, each Assessor's Parcel of Residential Property shall be subject to a Backup Special Tax. The Backup Special Tax rate for Residential Property within a Final Subdivision shall be $1,821.32 for Fiscal Year 2003/04 per Lot. On July 1st of each Fiscal Year commencing July 1, 2004, the Backup Special Tax shall increase by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

If the Final Subdivision is modified, the rate per dwelling unit calculated according to the following formula:

$$B = \frac{Z \times A}{L}$$

The terms above have the following meanings:

B = Backup Special Tax per Assessor's Parcel for the applicable Fiscal Year

Z = Maximum Special Tax for Undeveloped Property for the applicable Fiscal Year

A = Acreage of Taxable Property, excluding Taxable Public Property or Taxable Property Owner Association Property in such Final Subdivision that lie within the boundaries of CFD No. 2003-1, as determined by the CFD Administrator pursuant to Section VIII

L = Total Assessor's Parcels of Taxable Property within the Final Subdivision that lie within the boundaries of CFD No. 2003-1

If a Final Subdivision includes Assessor Parcels for which building permits for both residential and non-residential construction may be issued, then the Backup Special Tax for each Assessor's Parcel of Residential Property within such Final Subdivision area shall be computed by the CFD Administrator exclusive of the allocable portion of total Acreage of Taxable Property attributable to Assessor Parcels for which building permits for non-residential construction may be issued.

Notwithstanding the foregoing, if Assessor Parcels of Residential Property are subsequently changed or modified by recordation of a Final Subdivision, then the Backup Special Tax shall be recalculated to equal the amount of the Backup Special Tax that would have been generated if such change did not take place.

2. Taxable Property Owner Association Property, Taxable Public Property, and Undeveloped Property.

The Maximum Special Tax for Taxable Property Owner Association Property, Taxable Public Property, and Undeveloped Property shall be $5,530 per Acre for Fiscal Year 2003-2004. On July 1st of each Fiscal Year Commencing July 1, 2004, the Maximum Special Tax for Taxable Property Owner Association Property, Taxable Public Property, and Undeveloped Property shall increase by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

IV. APPORTIONMENT OF SPECIAL TAX

For each Fiscal Year the Council shall determine the Special Tax Requirement and levy the Special Tax, until the amount of Special Taxes equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied proportionately on each Assessor's Parcel of Developed Property in an amount up to 100% of the applicable Assigned Special Tax as necessary to satisfy the Special Tax Requirement.

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to 100% of the Maximum Special Tax for each such Assessor's Parcel;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied on each Assessor's Parcel of Taxable Property Owner Association Property or Taxable Public Property at up to 100% of the Maximum Special Tax for Taxable Property Owner Association Property or Taxable Public Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2003-1, except for those Residential Properties whose owners are also delinquent or in default on their Special Tax payments for one or more other properties within CFD No. 2003-1.

V. MANNER OF COLLECTION

Collection of the Special Tax shall be by the County in the same manner as ordinary ad valorem property taxes are collected and the Special Tax shall be subject to the same penalties and the same lien priority in the case of delinquency as ad valorem taxes; provided, however, that the Council may provide in the Indenture or in the Resolution of Issuance for (i) other means of collecting the Special Tax, including direct billings thereof to the property owners; and (ii) judicial foreclosure of delinquent Special Taxes.

VI. DISCHARGE OF SPECIAL TAX OBLIGATION

The Special Tax for any Assessor's Parcel may be prepaid and permanently satisfied or prepaid in part, as described herein, provided that a prepayment may be made only if at the time of the prepayment there are no delinquent Special Taxes with respect to such Assessor's Parcel and all other Assessor's Parcels which are under the same ownership and located within the CFD. An owner of an Assessor's Parcel intending to prepay the Special Tax shall provide the CFD Administrator with written notice of intent to prepay. Within 60 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel and the date through which the amount of such prepayment shall be valid.

Prepayment in Full

The "Prepayment" shall be an amount equal to the sum of (1) Principal, (2) Premium, (3) Defeasance, and (4) Fees minus the Reserve Fund Credit, where the terms "Principal", "Premium", "Defeasance", "Fees," and "Reserve Fund Credit," have the following meanings:

"Principal" means the principal amount of Bonds to be redeemed from the proceeds of such Prepayment and equals the quotient derived by dividing (a) the applicable Maximum Special Tax for the applicable Assessor's Parcel by (b) the projected aggregate Maximum Special Taxes as determined by the CFD Administrator (and excluding from (b) any Special Taxes for Assessor's Parcels which have fully prepaid the Special Tax), and multiplying the quotient by the principal amount of Bonds outstanding as of the first interest and/or principal payment date following the current Fiscal Year.

"Premium" means an amount equal to the Principal multiplied by the applicable redemption premium, if any, for the Bonds so redeemed with the proceeds of any such Prepayment.

"Defeasance" means an amount equal to the amount needed to pay interest on the Principal to be redeemed until the earliest redemption date as determined by the CFD Administrator for the outstanding Bonds less the amount that is estimated by the CFD Administrator to be received from the reinvestment of the difference of the Prepayment and the Fees. Credit shall also be given for any Special Tax heretofore paid and which will not be needed for purposes of funding the current Fiscal Year's Special Tax Requirement.

"Fees" equal the fees and expenses of CFD No. 2003-1 related to the Prepayment.

"Reserve Fund Credit" shall equal the lessor or (i) the expected reduction in the applicable reserve fund requirement (as defined in the Indenture), if any, following the redemption of Bonds from proceeds of the prepayment or (ii) the amount derived by subtracting the new reserve fund requirement in effect after the redemption of Bonds from the balance in the reserve fund (as such term is defined in the Indenture) on the prepayment date, but in no event shall such amount be less than zero.

The sum of the amounts calculated in the preceding steps shall be paid to CFD No. 2003-1 and shall be used to pay and redeem Bonds in accordance with the Indenture and to pay the Fees. Upon receipt of such Prepayment by CFD No. 2003-1, the obligation to pay the Special Tax for such Assessor's Parcel shall be deemed to be permanently satisfied, the Special Tax shall not be levied thereafter on such Assessor's Parcel, and the CFD Administrator shall cause notice of cancellation of the Special Tax for such Assessor's Parcel to be recorded within 30 working days of receipt of the Prepayment.

Notwithstanding the foregoing, no prepayment shall be allowed unless the amount of Special Taxes that may be levied pursuant to this Rate and Method of Apportionment after the proposed prepayment is at least the sum of (i) the estimated Administrative Expenses, based on the average annual Administrative Expenses to date, and (ii) one hundred ten percent (110%) of the maximum annual debt service for the Bonds, taking into account the Bonds to remain outstanding after such prepayment.

VII. TERM OF "SPECIAL TAX"

The Special Tax shall be levied annually for a period not to exceed the 40 years commencing with Fiscal Year 2003-2004, provided however that Special Taxes will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required Debt Service payments on all outstanding Bonds have been paid.

VIII. EXEMPTIONS

No Special Tax shall be levied on up to 6.56 Acres of Property Owner Association Property or Public Property. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property or Public Property. However, should an Assessor's Parcel no longer be classified as Property Owner Association Property or Public Property, its status as property exempt from the levy of Special Taxes will be revoked.

Property Owner Association Property or Public Property that is not exempt from Special Taxes under this section shall be subject to the levy of the Special Tax and shall be taxed as part of the fourth step in Section IV above, at up to 100% of the applicable Maximum Special Tax for Taxable Property Owner Association Property or Taxable Public Property.