

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR
COMMUNITY FACILITIES DISTRICT NO. 2015-1 (SAFETY SERVICES)
OF THE CITY OF LAKE ELSINORE**

A Special Tax (the "Special Tax") shall be levied on and collected from each Assessor's Parcel (defined below) in Community Facilities District No. 2015-1 (Safety Services) (the "CFD No. 2015-1" or "CFD"; defined below), in each Fiscal Year, (defined below), commencing in the Fiscal Year beginning July 1, 2016, in an amount determined by the City Council of the City of Lake Elsinore, acting in its capacity as the legislative body of CFD No. 2015-1, by applying the rate and method of apportionment set forth below. All of the real property in CFD No. 2015-1, unless exempted by law or by the provisions herein, shall be taxed to the extent and in the manner provided herein.

A. DEFINITIONS

"Administrative Expenses" means the actual or reasonably estimated costs directly related to the formation, annexation, and administration of CFD No. 2015-1 including, but not limited to: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs to the City, CFD No. 2015-1, or any designee thereof associated with fulfilling the CFD No. 2015-1 reporting requirements; the costs associated with responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 2015-1 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. 2015-1 for any other administrative purposes of CFD No. 2015-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Administrator" means the City Manager of the City of Lake Elsinore, or his or her designee.

"Assessor's Parcel" means a lot or parcel of land that is identifiable by an Assessor's Parcel Number by the County Assessor of the County of Riverside.

"Assessor's Parcel Map" means an official map of the Assessor of the County designating parcels by Assessor's Parcel Number.

"Assessor's Parcel Number" means the identification number assigned to a parcel by the County Assessor of the County of Riverside.

"CFD" or "CFD No. 2015-1" means the City of Lake Elsinore Community Facilities District No. 2015-1 (Safety Services).

"City" means the City of Lake Elsinore.

"County" means the County of Riverside.

"Developed Property" means all Assessor's Parcels of Taxable Property for which a building permit for new construction has been issued on or prior to March 1 preceding the Fiscal Year in which the Special Tax is being levied.

"Developed Multi-Family Property" means all Assessor's Parcels of Developed Property for which a building permit or use permit for the construction of a residential structure with two or more

Residential Units that share a single Assessor's Parcel Number, as determined by the Administrator, has been issued prior to March 1 preceding the Fiscal Year in which the Special Tax is being levied.

"Developed Single Family Property" means any residential property other than a Developed Multi-Family Property on an Assessor's Parcel for which a building permit for new construction has been issued by the City on or prior to March 1 preceding the Fiscal Year in which the Special Tax is being levied.

"Exempt Property" means all Assessors' Parcels designated as being exempt from the Special Tax as provided for in Section E.

"Fiscal Year" means the period from and including July 1st of any year to and including the following June 30th.

"Maximum Special Tax" means the Maximum Special Tax, as applicable, levied within the CFD for any Fiscal Year.

"Future Annexation Area" means any area included inside the boundaries of the proposed boundary map included in Appendix C.

"Proportionately" means for Taxable Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is the same for all Assessor's Parcels.

"Residential Unit" or "RU" means a residential unit that is used or intended to be used as a domicile by one or more persons, as determined by the Administrator.

"Residential Property" means all Assessor's Parcels of Taxable Property upon which completed Residential Units have been constructed or for which building permits have been or may be issued for purposes of constructing one or more Residential Units.

"Services" means services permitted under the Mello-Roos Community Facilities Act of 1982 including, without limitation, those services authorized to be funded by CFD No. 2015-1 as set forth in Appendix B.

"Special Tax" means the Special Tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property.

"Special Tax Requirement" means the amount to be collected in any Fiscal Year to pay for certain costs as required to meet the public safety needs of CFD No. 2015-1 in both the current Fiscal Year and the next Fiscal Year. The costs to be covered shall be the direct costs for (i) police protection services, (ii) fire protection and suppression services, (iii) paramedic services, (iv) fund an operating reserve for the costs of Services as determined by the Administrator, and (v) Administrative Expenses. Under no circumstances shall the Special Tax Requirement include funds for bonds.

"Taxable Property" means all Assessor's Parcels within CFD No. 2015-1, which are not Exempt Property.

"Taxable Unit" means a Residential Unit.

B. RATE AND METHOD OF APPORTIONMENT OF MAXIMUM SPECIAL TAX RATES

As of July 1 of each Fiscal Year, commencing July 1, 2016, the Council shall determine the Special Tax Requirement and shall levy the Special Tax upon each of the Assessor's Parcels within the CFD which constitute a Developed Single Family Property or a Developed Multi-Family Property until the aggregate amount of Special Tax equals the Special Tax Requirement. The Special Tax shall be levied Proportionately on all Assessor's Parcels of Developed Property up to 100% of the applicable Maximum Special Tax to satisfy the Special Tax Requirement.

The Maximum Special Tax for Fiscal Year 2016-2017 for a Developed Single Family Property and a Developed Multi-Family Property are shown below in Table 1.

TABLE 1
MAXIMUM SPECIAL TAX RATES
FISCAL YEAR 2016-2017

Description	Taxable Unit	Maximum Special Tax
Developed Single Family Property	RU	\$685
Developed Multi-Family Property	RU	\$419

Increase in the Maximum Special Tax

On each July 1, commencing on July 1, 2017 the Maximum Special Tax for Developed Property shall increase by i) the percentage increase in the Consumer Price Index (All Items) for Los Angeles - Riverside - Orange County (1982-84 = 100) since the beginning of the preceding Fiscal Year, or ii) by four percent (4.0%), whichever is greater.

No Special Tax shall be levied on property which, at the time of adoption of the Resolution of Formation for CFD No. 2015-1 is an Exempt Property.

C. FUTURE ANNEXATIONS

It is anticipated that additional properties will be annexed to CFD No. 2015-1 from time to time. Pursuant to California Government Code section 53339 et seq., the rate and method adopted for the annexed property shall reflect the Maximum Special Tax rate at the then current year's Maximum Special Tax rate as set forth in Appendix A.

D. TERM OF SPECIAL TAX

For each Fiscal Year, the Maximum Special Taxes shall be levied as long as the Services are being provided within the boundaries of CFD No. 2015-1.

E. EXEMPTIONS

The City shall classify as Exempt Property within CFD No. 2015-1, any Assessor's Parcel in any of the following categories; (i) Assessor's Parcels which are owned by, irrevocably offered for dedication,

encumbered by or restricted in use by any public entity; (ii) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement; (iii) Assessor's Parcels which are privately owned but are encumbered by or restricted solely for public uses; (iv) any Assessor's Parcel which is in use in the performance of a public function as determined by the Administrator; or (v) any Assessor's Parcel which is not a Developed Single Family Property or a Developed Multi-Family Property.

F. APPEALS

Any property owner claiming that the amount or application of the Special Taxes are not correct may file a written notice of appeal with the City not later than twelve months after having paid the first installment of the Special Tax that is disputed. The Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the Administrator's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made, but an adjustment shall be made to the Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

G. MANNER OF COLLECTION

The Maximum Special Taxes levied in each Fiscal Year shall be collected in the same manner as ordinary ad valorem property taxes are collected and shall be subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for ad valorem taxes. However, the District may collect the Special Tax at a different time or in a different manner if necessary to meet its financial obligations.

The Maximum Special Taxes when levied shall be secured by the lien imposed pursuant to Section 3115.5 of the Streets and Highways Code. This lien shall be a continuing lien and shall secure each levy of Maximum Special Taxes. The lien of Maximum Special Taxes shall continue in force and effect until the Special Tax ceases to be levied in the manner provided by Section 53330.5 of the Government Code.

APPENDIX A

CITY OF LAKE ELSINORE COMMUNITY FACILITIES DISTRICT NO. 2015-1 (SAFETY SERVICES)

ANNEXATION SUMMARY

Safety Services - It is estimated that the cost of providing police, fire protection, and paramedic services being funded by the Special Tax for the Community Facilities District No. 2015-1 (Safety Services) will be as follows for the Fiscal Year 2016-2017:

- \$685 per residential unit for Developed Single Family Residential Property
- \$419 per residential unit for Developed Multi-Family Residential Property

Annual Escalation - On each July 1, commencing on July 1, 2017 the Maximum Special Tax for Developed Property shall increase by i) the percentage increase in the Consumer Price Index (All Items) for Los Angeles - Riverside - Orange County (1982-84 = 100) since the beginning of the preceding Fiscal Year, or ii) by four percent (4.0%), whichever is greater.

Annex. #	Fiscal Year	Tract	Development Name	No. of Taxable Units	Land Use Category	Maximum Special Tax at Annex.	Subdivider
Original	2016-17	36557	Terracina	452	Developed Single Family Property	\$685	Terracina Investors, LLC & C/O Spectrum Communities
Original	2016-17	36682	Senterra	74	Developed Single Family Property	\$685	Pardee Homes
1	2016-17	33486	Makenna Court	81	Developed Single Family Property	\$685	SAM-McKenna
2	2016-17	28214 -6, -7, -8	Skypointe at Alberhill Ranch	82	Developed Single Family Property	\$685	KB Homes
3	2018-19	31957	Running Deer	96	Developed Single Family Property	\$741	SAM-Running Deer
4	2018-19	37381 & 37382	Wasson Canyon II	272	Developed Single Family Property	\$741	Ava Karras
5	2019-20	33267	Westlake	163	Developed Single Family Property	\$771	Pardee Homes

APPENDIX B

CITY OF LAKE ELSINORE COMMUNITY FACILITIES DISTRICT NO. 2015-1 (SAFETY SERVICES)

DESCRIPTION OF AUTHORIZED SERVICES

The services which may be funded with proceeds of the special tax of CFD No. 2015-1, as provided by Section 53313 of the Act, will include some or all of the costs attributable to public safety.

These services include police protection services (including but not limited to criminal justice services), fire protection and suppression services, and paramedic services.

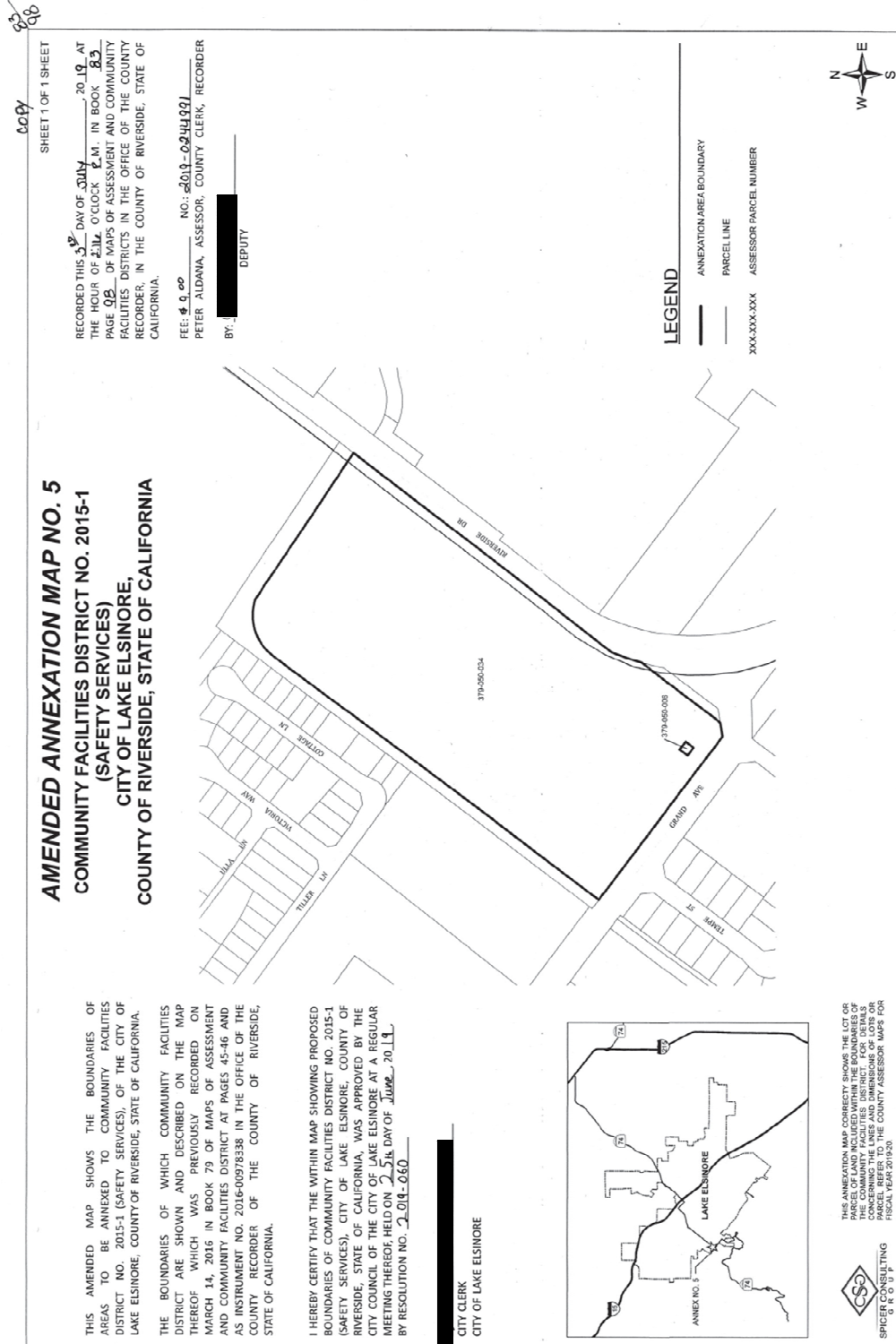
In addition to payment of the cost and expense of the forgoing services, proceeds of the special tax may be expended to pay "Administrative Expenses" as said term is defined in the Rate and Method of Apportionment and to establish an operating reserve for the costs of services as determined by the Administrator.

The above services shall be limited to those provided within the boundaries of CFD No. 2015-1 and the Future Annexation Area of CFD No. 2015-1 or for the benefit of the properties within the boundaries of CFD No. 2015-1 and the Future Annexation Area of CFD No. 2015-1, as the boundary is expanded from time to time by anticipated annexations, and said services may be financed by proceeds of the special tax of CFD No. 2015-1 only to the extent that they are in addition to those provided in the territory of CFD No. 2015-1 before CFD No. 2015-1 was created.

APPENDIX C

CITY OF LAKE ELSINORE COMMUNITY FACILITIES DISTRICT NO. 2015-1 (SAFETY SERVICES)

PROPOSED BOUNDARIES AND BOUNDARIES - FUTURE ANNEXATION AREA



APPENDIX C

CITY OF LAKE ELSINORE COMMUNITY FACILITIES DISTRICT NO. 2015-1 (SAFETY SERVICES)

PROPOSED BOUNDARIES AND BOUNDARIES - FUTURE ANNEXATION AREA

