

TO: JAMES L. APP, CITY MANAGER

FROM: BOB LATA, COMMUNITY DEVELOPMENT DIRECTOR

SUBJECT: ESTABLISHMENT OF A COMMUNITY FACILITIES DISTRICT FOR SERVICES TO BE PROVIDED TO NEW RESIDENTIAL DEVELOPMENT

DATE: APRIL 5, 2005

Needs: For the City Council to consider (1) adopting a Resolution forming Community Facilities District No. 2005-01 and (2) adopting a Resolution Declaring Results of a Special Election and Directing Recordation of Notice of Special Tax Lien.

Facts:

1. "Fiscal Neutrality" is one of the corner-stone policies of the December 2003 General Plan up-date.
2. The "Fiscal Neutrality" policy is designed to provide assurances to current Paso Robles residents that they will not (a) pay for infrastructure or services demanded by new residential development and/or (b) suffer reduced levels of service resulting from new residential development.
3. New residential development impacts the community in three basic ways:
 - a. The cost of providing services (Police, Fire protection and emergency services, Parks, Library, etc.); this is an annual, recurring cost that is not covered by any development impact fees;
 - b. School facilities are impacted by new students. Current State legislative limitations on fees that can be charged to new development only provide a fraction of the cost of providing new schools;
 - c. There are also regional infrastructure (physical facility costs) that may not be adequately covered by development impact fees, as well as local public improvements necessary to directly serve a development project.

4. In November and December 2003, the City held public discussions on the results of modeling of fiscal impacts and received a report that documented the annual fiscal deficit created by new residential development.
5. The 2003 fiscal impact modeling concluded that, on average, it would cost the City \$862 per dwelling unit, per year, to provide necessary services (above and beyond what the new residents will pay in terms of taxes and other City revenues). That modeling was updated in 2005, based on home sales data provided by the Home Builders Association and the latest City adopted budget. The conclusion was that the current annual deficit per dwelling unit would be \$657.
6. At its meeting of October 19, 2004, the City Council adopted Goals and Policies for public finance, designed to implement the General Plan policies regarding “Fiscal Neutrality” and avoid the adverse fiscal impacts of new residential development. The adopting Resolution also called for formation of a Community Facilities District as soon as feasible. Copies are attached.
7. At its meeting of November 16, 2004, the City Council directed that a condition of approval be established for all new discretionary approvals for residential development. Since that time, four (4) new residential developments have been approved with a requirement that the development join a Community Facilities District to cover the incremental costs of providing City services to the residents of these new developments.
8. At the February 15, 2005 City Council meeting, the Council adopted a Resolution of Intention to form a Community Facilities District. A copy is attached.
9. One property, a proposed 20-lot single family residential subdivision, owned by Harrod’s Inc., is proposed to be the core property for the formation of the Community Facilities District. The City has received a Petition from the property owner, and a Ballot from the property owner, voting to support the levy of the special tax to pay for the services to be funded through the Community Facilities District.

Analysis
and

Conclusion:

The formation of a Community Facilities District (CFD) has been identified as the most viable means to implement the General Plan policy regarding “Fiscal Neutrality” with respect to covering the incremental costs of providing services

to residents in newly developed areas and to avoid new residential development having an adverse impact on existing residents.

The City's Fiscal Impact Analysis Model was utilized to provide an updated projection of the extent to which new residential development would require City services at the level established in the City's General Plan that would not be covered by revenues generated by the new residents.

As noted above, the latest fiscal impact modeling concluded that there would be a deficit of \$657. per dwelling unit per year; that amount is intended to be recovered by the City through establishment of a CFD for City services.

Services to be funded by the CFD include primarily Police, Fire protection and Emergency Services, and Parks / Leisure Services. A complete list of eligible services to be funded is contained on page 2 of the attached Community Facilities District Report. Under State law, the CFD is not permitted to fund road maintenance.

Harrod's Inc., the owner of property that would form the core of the Community Facilities District, has voted in support of the special tax that will fund the incremental increase in City services to meet the needs his subdivision.

The level of services to be funded through the Community Facilities District would be consistent with the policies set forth in the General Plan adopted December 16, 2003.

Adopting the two attached Resolutions, forming the Community Services District and Declaring the Results of [the] Special Election of Intention would be:

- Consistent with the General Plan policies that call for "Fiscal Neutrality"
- Consistent with prior City Council actions to implement the adopted General Plan, including but not limited to the adopted Goals and Policies for Public Finance, and Council direction to establish conditions of approval to require CFD participation
- Consistent with recent information regarding the current sales prices of homes in Paso Robles and the City's adopted budget.

Timely action by the City Council to form the Community Facilities District formation would avoid delays in the processing of approved residential

developments and any future residential developments as may be filed for City consideration.

Policy

Reference: Sections 53313 and 53313.5 of the Government Code; General Plan policies calling for “Fiscal Neutrality” as contained in the adopted General Plan of December 16, 2003 and City Council Resolution 03-232.

Fiscal

Impact: The purpose of establishing a Community Facilities District is to implement the General Plan provisions calling for “fiscal neutrality.” Without a CFD, there would be a significant adverse impact on the City and its ability to provide services in a manner consistent with the adopted General Plan.

Options:

- a. Adopt Resolution No. 05-xx to form Community Facilities District No. 2005-01 and adopt Resolution No. 05-xx declaring the results of a Special Election related to formation of the Community Facilities District. As set forth in the Rate and Method of Apportionment, the maximum amount of the Special Tax in 2005-2006 would be \$657 per dwelling unit per year to cover the cost of incremental increases in City services per General Plan adopted standards for new residential development.
- b. Amend, modify or reject the foregoing option.

RESOLUTION NO. 05-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES
TO FORM A COMMUNITY FACILITIES DISTRICT

**Community Facilities District No. 2005-01
(Public Services District)**

WHEREAS, on February 15, 2005, the City Council of the City of El Paso de Robles adopted a Resolution entitled "A Resolution of the City Council of the City of El Paso de Robles of Intention to Establish a Community Facilities District" (the "Resolution of Intention") with respect to Community Facilities District No. 2005-01 (Public Services District) (the "CFD") of the City pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 of Part 1 of Division 2 of Title 5, commencing with Section 53311, of the California Government Code (the "Act"); and

WHEREAS, the Resolution of Intention incorporates a map of the proposed boundaries of the CFD, states the services to be provided, the cost of providing such services and the rate and method of apportionment of the special tax to be levied within the CFD, and is on file with the City Clerk and the provisions thereof are incorporated herein by this reference as if fully set forth herein; and

WHEREAS, the services to be provided as stated in the Resolution of Intention are set forth in Exhibit A attached hereto and hereby made a part hereof; and

WHEREAS, this Council noticed a public hearing to be held on April 5, 2005, all pursuant to the Act and the Resolution of Intention relating to the proposed formation of the CFD; and

WHEREAS, at the hearing all interested persons desiring to be heard on all matters pertaining to the formation of the CFD, the facilities and services to be provided therein and the levy of said special tax were heard and a full and fair hearing was held; and

WHEREAS, at the hearing evidence was presented to this Council on said matters before it, including a report to be prepared by David Taussig and Associates, Inc., as to the services to be provided in the CFD and the costs thereof, a copy of which is on file with the City Clerk, and this Council at the conclusion of said hearing is fully advised in the premises; and

WHEREAS, written protests with respect to the formation of the CFD, the furnishing of specified types of facilities and services and the rate and method of apportionment of the special taxes have not been filed with the City Clerk by fifty percent (50%) or more of the registered voters residing within the territory of the CFD or property owners of one-half (1/2) or more of the area of land within the CFD and not exempt from the proposed special tax; and

WHEREAS, the special tax proposed to be levied in the CFD to pay for the proposed facilities and services to be provided therein has not been eliminated by protest by fifty percent (50%) or more of the registered voters residing within the territory of the CFD or the owners of one-half (1/2) or more of the area of land within the CFD and not exempt from the special tax;

NOW, THEREFORE, BE IT RESOLVED, as follows:

SECTION 1. Recitals Correct. The foregoing recitals are true and correct.

SECTION 2. No Majority Protest. The proposed special tax to be levied within the CFD has not been precluded by majority protest pursuant to Section 53324 of the Act.

SECTION 3. Prior Proceedings Valid. All prior proceedings taken by this City Council in connection with the establishment of the CFD and the levy of the special tax have been duly considered and are hereby found and determined to be valid and in conformity with the Act.

SECTION 4. Name of CFD. The community facilities district designated "Community Facilities District No. 2005-01 (Public Services District)" of the City is hereby established pursuant to the Act.

SECTION 5. Boundaries of CFD. The boundaries of the CFD are as set forth in the map of the CFD heretofore recorded in the San Luis Obispo County Recorder's Office as follows:

- a. CFD Proposed Boundaries: March 1, 2005, as Document No. 2005-016016, in Book 5 of Assessments at pages 7 and 8.
- b. CFD Future Annexation Area: March 1, 2005, as Document No. 2005-016017, in Book 5 of Assessments at pages 9 and 10.

SECTION 6. Description of Services. The type of services proposed to be financed by the CFD and pursuant to the Act shall consist of those items listed as services (the "Services") in Exhibit A hereto and by this reference incorporated herein.

SECTION 7. Special Tax.

- a. Except to the extent that funds are otherwise available to the CFD to pay for the Facilities and Services, a special tax (the "Special Tax") sufficient to pay the costs thereof, secured by the recordation of a continuing lien against all nonexempt real property in the CFD, is intended to be levied annually within the CFD, and collected in the same manner as ordinary ad valorem property taxes or in such other manner as may be prescribed by this Council.
- b. The proposed rate and method of apportionment of the Special Tax among the parcels of real property within the CFD, in sufficient detail to allow each landowner within the proposed CFD to estimate the maximum amount such owner will have to pay, are shown in Exhibit B attached hereto and by this reference incorporated herein.
- c. In the case of any Special Tax to pay for the Facilities and to be levied against any parcel used for private residential purposes: (i) the maximum special tax shall be specified as a dollar amount which shall be calculated and thereby established not later than the date on which the parcel is first subject to the tax because of its use for private residential purposes and which amount shall not be increased over time over two percent per year; and (ii) the tax year after which no further Special Tax subject to this sentence shall be levied or collected shall be as set forth in Exhibit B hereto. For the purposes hereof, a parcel is used for "private residential purposes" not later than the date on which an occupancy permit for private residential use is issued.

SECTION 8. Increased Demands. It is hereby found and determined that the Services are necessary to meet increased demands placed upon local agencies as the result of development occurring in the CFD.

SECTION 9. Responsible Official. The Director of Administrative Services, City of El Paso de Robles, 1000 Spring Street, Paso Robles, California, 93446, 805-237-3999, is the officer of the City who will be responsible for preparing annually a current roll of special tax levy obligations by assessor's parcel number and who will be responsible for estimating future special tax levies pursuant to the Act.

SECTION 10. Tax Lien. Upon recordation of a notice of special tax lien pursuant to Section 3114.5 of the Streets and Highways Code of California, a continuing lien to secure each levy of the special tax shall attach to all nonexempt real property in the CFD and this lien shall continue in force and effect until the special tax obligation is prepaid and permanently satisfied and the lien canceled in accordance with law or until collection of the tax by the City ceases.

SECTION 11. Appropriations Limit. In accordance with the Act, the annual appropriations limit, as defined by subdivision (h) of Section 8 of Article XIII B of the California Constitution, of the CFD is hereby preliminarily established at \$9,393,786 and said appropriations limit shall be submitted to the voters of the CFD as hereafter provided. The proposition establishing said annual appropriations limit shall become effective if approved by the qualified electors voting thereon and shall be adjusted in accordance with the applicable provisions of the Act.

SECTION 12. Election. Pursuant to the provisions of the Act, the proposition of the levy of the special tax and the proposition of the establishment of the appropriations limit specified above shall be submitted to the qualified electors of the CFD at an election the time, place and conditions of which election shall be as specified by a separate resolution of this Council.

ADOPTED by the City Council of the City of El Paso de Robles at a regular meeting of said Council held on the 5th day of April 2005 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Frank R. Mecham, Mayor

ATTEST:

Sharilyn M. Ryan, Deputy City Clerk

Exhibit A

DESCRIPTION OF SERVICES TO BE FINANCED BY THE CFD

**City of Paso Robles
Community Facilities District No. 2005-01**

The Services described below are proposed to be financed by Community Facilities District No. 2005-01 (the "CFD") of the City of El Paso de Robles (the "City"):

The services to be financed by the CFD comprise services ("Services") authorized to be financed pursuant to Section 53313 and 53313.5 of the Government Code. CFD 2005-01 shall finance Services only to the extent they are in addition to those provided in the territory of CFD 2005-01 before the CFD was created and such Services may not supplant services already available within CFD 2005-01 when the CFD was created.

Exhibit B

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES

**City of Paso Robles
Community Facilities District No. 2005-01**

[TO BE INSERTED]

RESOLUTION NO. 05-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES
DECLARING RESULTS OF SPECIAL ELECTION AND DIRECTING
RECORDATION OF NOTICE OF SPECIAL TAX LIEN

**Community Facilities District No. 2005-01
(Public Services District)**

WHEREAS, this Council has adopted a resolution entitled "A Resolution of the City Council of the City of El Paso de Robles to Form a Community Facilities District" (the "Resolution of Formation"), ordering the formation of City's Community Facilities District No. 2005-01 (Public Services District) (the "CFD"), authorizing the levy of a special tax on property within the CFD and preliminarily establishing an appropriations limit for the CFD, all pursuant to the Mello-Roos Community Facilities Act of 1982, Chapter 2.5 of Part 1 of Division 2 of Title 5, commencing with Section 53311, of the California Government Code (the "Act"); and

WHEREAS, under the provisions of the Resolution of Formation and pursuant to a resolution entitled "A Resolution of the City Council of the City of El Paso de Robles Calling a Special Election" (the "Election Resolution") heretofore adopted by this Council, the propositions of the levy of the special tax and the establishment of the appropriations limit were submitted to the qualified electors of the CFD as required by the provisions of the Act; and

WHEREAS, pursuant to the terms of the Election Resolution, which are by this reference incorporated herein, the special election has been held and the City Clerk has on file a Canvass and Statement of Results of Election (the "Canvass"), a copy of which is attached hereto as Exhibit A; and

WHEREAS, this Council has reviewed the Canvass, finds it appropriate and wishes to complete its proceedings for the CFD.

NOW, THEREFORE, BE IT RESOLVED, as follows:

SECTION 1. Recitals. The foregoing recitals are all true and correct.

SECTION 2. Issues Presented. The issues presented at the special election were the levy of a special tax within the CFD, and the approval of an annual appropriations limit of not to exceed \$9,393,786 pursuant to the Resolution of Formation.

SECTION 3. Canvass and Issues Approved. The Council hereby approves the Canvass and finds that it shall be a permanent part of the record of its proceedings for the CFD. Pursuant to the Canvass, the issues presented at the special election were approved by the qualified electors of the CFD by more than two-thirds of the votes cast at the special election.

SECTION 4. Proceedings Approved. Pursuant to the voter approval, the CFD is hereby declared to be fully formed with the authority to levy the special taxes in accordance with the approved Rate and Method of Apportionment, and to have the established appropriations limit, as heretofore provided in these proceedings and in the Act. It is hereby found that all prior proceedings and actions taken by this Council with respect to the CFD were valid and in conformity with the Act.

SECTION 5. Notice of Tax Lien. The City Clerk is hereby directed to complete, execute and cause to be recorded in the office of the County Recorder of the County of San Luis Obispo a notice of special tax lien in the form required by the Act, such recording to occur no later than 15 days following adoption by the Council of this resolution.

ADOPTED by the City Council of the City of El Paso de Robles at a regular meeting of said Council held on the 5th day of April 2005 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Frank R. Mecham, Mayor

ATTEST:

Sharilyn M. Ryan, Deputy City Clerk

CANVASS AND STATEMENT OF RESULT OF ELECTION

**CITY OF EL PASO DE ROBLES
Community Facilities District No. 2005-01
(Public Services District)**

I hereby certify that on April 5, 2005, I canvassed the returns of the election held on April 5, 2005, in the Community Facilities District No. 2005-01 (Public Services District) of the City of El Paso de Robles (the "District"), and the total number of ballots cast in the District and the total number of votes cast for and against the measure are as follows, and the totals as shown for and against the measure are full, true and correct:

	<u>Qualified Landowner Votes</u>	<u>Votes Cast</u>	<u>YES</u>	<u>NO</u>
Community Facilities District No. 2005-01 (Public Services District) of the City of El Paso de Robles, Special Tax Election, April 5, 2005	<u>8.5</u>	<u>8.5</u>	<u>8.5</u>	<u>0</u>

BALLOT MEASURE: Shall a special tax payable solely from lands within the CFD be levied annually in accordance with the approved Rate and Method of Apportionment, commencing in the City's fiscal year 2004-5 upon lands within the CFD to pay for certain services, and to pay the costs of the City in administering the CFD; and shall the annual appropriations limit of the CFD be established in the amount of \$9,393,786?

YES: 8.5

NO: 0

Number of Votes: 8.5

Property Owner: HARROD'S INC.,
a California corporation

By: Michael R. Harrod, President

IN WITNESS WHEREOF, I HAVE HEREUNTO SET MY HAND this 5th day of April, 2005.

By: _____
Sharilyn M. Ryan, Deputy City Clerk
City of El Paso de Robles

RESOLUTION NO. 04-233

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
APPROVING GOALS AND POLICIES FOR PUBLIC FINANCE AND
DIRECTING CITY STAFF TO PURSUE FORMATION OF A COMMUNITY FACILITIES
DISTRICT OR DISTRICTS AS NECESSARY TO IMPLEMENT THE
GENERAL PLAN GOAL OF FISCAL NEUTRALITY

WHEREAS, on December 16, 2003, the City Council approved an update to the City's General Plan, including a policy that calls for Fiscal Neutrality; and

WHEREAS, the City's Fiscal Impact Analysis Model, summarized in a report dated November 2003, has concluded that there is a need to off-set a deficit of approximately \$862 per dwelling unit per year in terms of the cost of providing services versus revenues generated by new residential development; and

WHEREAS, on September 21, 2004 the City Council received and filed for public review and comment a copy of a Draft "Public Finance Local Goals and Policies" and setting October 19, 2004 as the date to consider adoption of said goals and policies; and

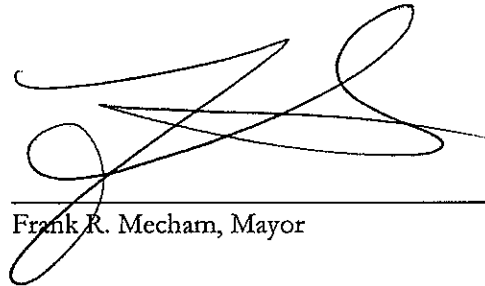
WHEREAS, without adequate financial resources the City of Paso Robles and the Paso Robles School District would face a significant adverse impact as a result of approving new residential entitlements; and

WHEREAS, the attached Public Finance Local Goals and Policies are intended to avoid that adverse fiscal impact and help achieve "fiscal neutrality".

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of El Paso de Robles that the City Council hereby approves and adopts the attached Public Finance Local Goals and Policies (labeled Exhibit A) and directs City staff to pursue formation of a Community Facility District or Districts as necessary to insure the fiscal neutrality called for in the City's General Plan.

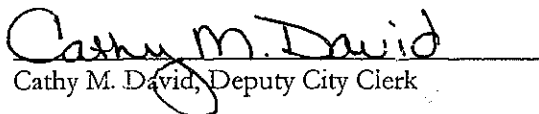
PASSED AND ADOPTED by the City Council of the City of Paso Robles this 19th day of October 2004 by the following vote:

AYES: Nemeth, Picanco and Mecham
NOES: None
ABSTAIN: None
ABSENT: Finigan and Heggarty



Frank R. Mecham, Mayor

ATTEST:


Cathy M. David, Deputy City Clerk

CITY OF PASO ROBLES

PUBLIC FINANCE LOCAL GOALS AND POLICIES

I. INTRODUCTION

The City of Paso Robles (the "City"), in its General Plan Update, has recognized the need for new development located within the City to be fiscally neutral, and to pay for all public facilities and services necessary to serve its needs. These City policies have been formally recognized by the City Council in the adoption of Resolution 03-032, which states, in part, the following:

"WHEREAS, in terms of insuring adequate resources to accommodate potential growth and development, the 2003 General Plan update program included preparation of a Fiscal Impact Analysis Model to evaluate the potential impacts (costs) of providing services to new development within the current City boundaries, within areas of potential expansion, and the combination of growth in City and expansion areas; and

WHEREAS, the proposed 2003 General Plan update includes policies that would call for potential annexation areas and Specific Plans to be "fiscally neutral" in terms of their impact on the City's ability to provide services and impacts on City and School District facilities/infrastructure, and the City Council would have the ability to extend this policy to include "fiscal neutrality" for all new development, including infill; and

WHEREAS, a demonstration of "fiscal neutrality" would involve (but not be limited to) using various techniques to off-set adverse financial impacts on the City through the creation of Community Facilities Districts, Home Owners' Associations, and payment of Endowment Fees (or combinations of techniques); and

WHEREAS, providing adequate facilities to support areas of potential growth and development is an essential part of the land use planning process; and

WHEREAS, for areas of growth beyond current City boundaries, Specific Plans would be used to identify detailed land use patterns/distributions of density, development standards, infrastructure requirements, and financing mechanisms for improvements and on-going operations and maintenance (consistent with the policy parameters provided by the General Plan); and

WHEREAS, within current City boundaries, project-level reviews would determine infrastructure improvement needs and Specific Plan fees and/or conditions of approval would supplement standard City impact mitigation requirements related to infrastructure needs; and

Exhibit A Attachment
To Resolution No. 04-233 N.S
To Ordinance No. _____
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EXHIBIT "A"

WHEREAS, through the Specific Plan and development project review process more detailed mitigation measures addressing facilities phasing, parks and trails, project amenities, coordinated architecture, and the location and mix of land uses would be identified and implemented through project design and Conditions of Approval....

NOW, THEREFORE, BE IT FOUND, DETERMINED AND RESOLVED by the City Council of the City of Paso Robles as follows:

5. 2003 General Plan Implementation. As part of its action in approving the 2003 General Plan Update, the City Council directed that implementation include, but not be limited to, the following:

To deal with these issues, the City Council has directed staff to do the following:

- Updating the City's Development Impact Fee schedule to reflect the full potential growth and infrastructure needs outlined in the General Plan.
- Utilizing the City's Fiscal Impact Analysis Model to evaluate all Specific Plans, including those that are to be prepared for proposed Annexation Areas, to insure fiscal neutrality in terms of impacts on the City's ability to provide services.
- Pursuing formation of one or more Community Facility Districts ("CFDs") to supplement Development Impact Fees and Specific Plan Fees to mitigate both infrastructure and service impacts of new development, including but not limited to Specific Plan and annexation areas, for both the City and the School District. Policy options will be presented to the City Council and Planning Commission addressing financial impacts on affordable housing projects as defined in the City's Housing Element."

The Public Finance Local Goals and Policies delineated below have been prepared to serve two functions. First, they are intended to provide guidelines for the implementation of the City Council's requirement that all new development be fiscally neutral, which would include the use of Community Facilities Districts ("CFDs") and other financing mechanisms. Second, if the City decides to establish one or more CFDs to help fund public facilities and services, Section 53312.7(a) of the California Government Code provides that a local agency must first have considered and adopted local goals and policies concerning the use of CFDs. The goals and policies delineated below are therefore also intended to meet the requirements of Section 53312.7(a).

II. PUBLIC FINANCE PROGRAM PRIORITIES AND LIMITATIONS

The City shall consider the use of land-secured public financing districts ("Financing Districts") to fund public facilities and public services required by new and existing development, but under no circumstances shall the City General Fund be used to guarantee payments if the special taxes or assessments utilized by such districts are inadequate to cover the obligations of such districts. Both CFDs and Assessment Districts ("ADs") may be utilized to fund public facilities through the sale of

bonds, or in the case of a CFD, through the levy of special taxes to fund public facilities on a pay-as-you-go basis. CFDs shall be the preferred mechanism to finance public facilities due to the larger variety of facilities that are eligible for CFD financing, but ADs may also be utilized when the City determines that they are appropriate for a specific situation. CFDs, ADs, and Landscaping and Lighting Districts ("LLDs") may each be utilized when the City decides to fund public services.

A. PRIORITIES FOR FINANCING PUBLIC FACILITIES

The use of Financing Districts to fund public facilities is an option that may be made available by the City to proponents of new development and existing property owners to assist in the timely provision of such facilities. The Financing Districts are intended to complement development impact fees ("DIFs"), which are the revenue source that is currently being utilized by the City to finance a portion of the City's future backbone facilities. The public facilities that will be eligible for funding through the City's use of Financing Districts shall be as follows:

- (a) backbone infrastructure and facilities required to serve proposed and existing development, as specified in the General Plan Update and eligible for financing under the Mello-Roos Community Facilities Act of 1982 (the "CFD Act") and the Municipal Improvement Acts of 1913 and 1915 (the "1913/1915 Acts");
- (b) school facilities owned and operated by Paso Robles Unified School District (the "School District");
- (c) development impact fees to fund regional facilities necessary to provide water for proposed and existing development

Generally, in-tract infrastructure, facilities that are being required as a condition for annexation of a property to the City, and development impact fees (other than those for regional water, sewer and school facilities) will not be publicly financed by the City, except as approved by the City Council on a case-by-case basis. Public facilities to be owned and/or operated by a public agency other than the City or the School District, including such public facilities financed *in lieu* of the payment of development fees imposed by such public agency, will also be considered on a case-by-case basis.

B. PRIORITIES FOR FINANCING PUBLIC SERVICES

All proposed residential development requesting new entitlements from the City shall be required to fully fund all recurring costs to the City related to the provision of public services. To achieve this goal, the City shall require new residential development to form or annex to a Financing District that will provide revenues on an annual basis to fund such services, thereby supplementing those revenue sources traditionally provided by residential development. As commercial development frequently has a positive fiscal impact on the City General Fund, it will not be required to form or annex to a Financing District for services unless specifically conditioned to do so by the City. Parcels owned by public agencies, property owner associations, religious groups or certified non-profit corporations

(e.g., Section 501 (c)(3)) shall also not be required to form or annex to a Financing District for services.

The specific services to be funded shall be dependent upon the type of Financing District appropriate for a proposed development project. It is anticipated that the City will utilize one or more of the following three types of Financing Districts to assure that its annual costs to provide services to a proposed development are fully covered:

- (a) Community Facilities District
- (b) Assessment District under the Benefit Assessment Act of 1982
- (c) Landscaping and Lighting District under the Landscaping and Lighting Act of 1972

While both CFD and AD financing under the 1913/1915 Acts may both be used to fund public facilities, it is the City's expectation that CFDs will be used more frequently due to their ability to finance a greater variety of facilities and their flexibility in the apportionment of special taxes. Therefore, the policies listed below refer specifically to CFDs. To the extent legally permissible, these same policies shall also apply to all future Assessment Districts utilized to fund infrastructure. In cases where State law contradicts these policies in terms of their application to Assessment Districts, State law shall prevail.

III. COMMUNITY FACILITIES DISTRICT POLICIES

Proceedings to establish a CFD to fund public facilities shall generally be initiated by a petition submitted to the City Council by property owners, as provided in Section 53318 of the Government Code. Proceedings to establish a CFD to fund public services may be initiated by a petition of property owners or by the City through a resolution adopted by the City Council. It is anticipated that the City may establish one CFD to fund public services, and then require new development to annex to that CFD at some point in the development process.

A. BOND ISSUE CREDIT QUALITY REQUIREMENTS

Statutory Requirements. The City will require that the credit quality of any CFD bond issue be such that the requirements of Section 53345.8 of the Government Code will be met.

Reserve Fund. In order to enhance the credit quality of CFD bond issues, the City generally will require that each such bond issue be secured by a reserve fund. Generally, each such reserve fund will be required to be funded (with cash or an acceptable reserve surety or other credit facility) in an amount no less than the least of (a) 10% of the initial principal amount of the bonds of such issue, (b) maximum annual debt service on the bonds of such issue, and (c) 125% of the average annual debt service on the bonds of such issue. Any reserve surety or other credit facility funding such a reserve fund will generally be required to be issued or guaranteed by an entity, the long term unsecured obligations of which are rated at least "A" by Moody's Investors Service or Standard & Poor's Ratings Service.

Credit Enhancement. The City may require credit enhancement to increase the credit quality of a CFD Act or 1913/1915 Act bond issue, particularly where the value-to-lien ratio of a significant portion of the property in such CFD is less than three-to-one or, in the case of commercial property, where a substantial amount of such property is undeveloped or has a value-to-lien ratio of less than four-to-one. Such credit enhancement will usually be in the form of an irrevocable letter of credit, will be required to be in an amount not less than two times the amount of annual special taxes levied on such undeveloped property and will be required to remain in effect until such property is developed or the value thereof has otherwise been sufficiently increased. Such letter of credit will generally be required to be issued or guaranteed by an entity, the long term unsecured obligations of which are rated at least "A" by Moody's Investors Service or Standard & Poor's Ratings Service.

Capitalized Interest. The amount of capitalized interest funded for an issue of CFD bonds may not exceed any maximum specified in the CFD Act.

Bond Structure. The term to maturity of any CFD Act bonds shall not exceed the maximum term specified in the Act. In determining appropriate debt service schedules, bonds must be structured such that debt service thereon escalates by no more than 2% per bond year.

B. DISCLOSURE TO PROSPECTIVE PROPERTY PURCHASERS

In order to ensure that prospective property purchasers are fully informed about their taxpaying or assessment paying obligations imposed under the Act, the City will require that the requirements of disclosure to prospective property purchasers contained in the Government and Streets and Highways Codes, including, but not limited to, Sections 53328.3, 53328.5 (including the referenced sections of the California Streets and Highways Code), 53340.2, 53341.5 and 53754 of the Government Code, be met.

C. EQUITY OF SPECIAL TAX FORMULAS AND MAXIMUM SPECIAL TAXES

Reasonable Basis of Apportionment. Special taxes must be allocated and apportioned on a reasonable basis to all categories and classes of property (other than exempt property) within a CFD. Exemptions from the special tax may be given to parcels that are publicly-owned, are held by property owners associations, religious groups or non-profit entities, are used for a public purpose such as open space or wetlands, or are affected by public utility easements making impractical their utilization for other than the purposes set forth in the easement.

Total Tax Burden. The total tax burden (consisting of the anticipated maximum annual CFD special tax, together with *ad valorem* property taxes, special assessments, special taxes for any overlapping CFD, and any other taxes, fees and charges payable from and secured by the property) on any parcel in a CFD on which a for-sale residential unit has been, is being or is to be constructed shall not exceed 2% of the estimated base sales price of such parcel upon completion of the public and private improvements relating thereto.

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Rate and Method of Apportionment. The rate and method of apportionment for CFD special taxes must be structured so as to produce special tax revenues sufficient to pay (a) debt service on all CFD bonds, and (b) reasonable and necessary annual administrative expenses of the CFD. Additionally, the rate and method of apportionment may be structured so as to produce amounts sufficient to fund (a) any amounts required to establish or replenish any reserve fund established for a CFD bond issue, (b) amounts to pay directly the costs of public facilities authorized to be financed by the CFD, (c) amounts to pay the costs of services authorized to be financed by the CFD, (d) the accumulation of funds reasonably required for future debt service on CFD bonds, (e) amounts equal to projected delinquencies in special tax payments, (f) remarketing, credit enhancement or liquidity fees, and (g) any other costs or payments permitted by law.

In any case, the CFD special tax rate and method of apportionment must be structured such that the projected maximum special tax that could be levied in any fiscal year would produce special tax revenues at least equal to (a) 110% of projected annual debt service on all CFD bonds for the calendar year commencing in such fiscal year, plus (b) projected administrative expenses of the CFD for the calendar year commencing in such fiscal year. Generally, the rate and method of apportionment for CFD special taxes will be required to include a back-up tax so that changes in development within the CFD would not result in the inability to levy special taxes that would produce special tax revenues in such amounts.

Increases in Special Tax. The maximum special tax levied to finance the construction of public facilities for any parcel within a CFD for which a building permit for the construction of a for-sale residential unit has been issued shall not escalate by more than two percent annually. The annual increase, if any, in the maximum special tax levied to finance public facilities for any other residential or non-residential parcel within a CFD, and the annual increase, if any, in the maximum special tax levied to finance services for any parcel within a CFD, may not exceed any maximum specified in the Act. The increase in the special tax levied on any parcel within a CFD as a consequence of delinquency or default by the owner on any other parcel may not exceed any maximum specified in the Act.

Prepayment of Special Tax. Generally, the special tax rate and method of apportionment for a CFD that finances public facilities will be structured so as to allow the prepayment of special taxes by property owners. No prepayment shall be allowed for any special tax that finances public services.

Administrative Expenses The special tax levied in a CFD shall include an amount for administrative expenses relating to the CFD, including expense necessary for the enrollment and collection of the annual special taxes and any necessary bond administration.

D. APPRAISALS

Except as provided below, the definitions, standards and assumptions to be used in appraisals required in connection with the City's use of the Act for CFDs are as set forth in the Appraisal Standards for Land Secured Financings published by the California Debt and Investment Advisory Commission and dated May 1994 (the "CDIAC Guidelines"), with the following modifications:

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- (a) the independent review appraiser is an option, and not a requirement;
- (b) the comparable sales method may be used whenever there is sufficient data available;
- (c) the appraiser should assume the presence of the public facilities to be financed with the bonds in connection with which the appraisal is being prepared; and
- (d) the special tax lien need not be computed as the present value of the future tax payments if there is a prepayment mechanism or other appropriate measure.

Notwithstanding the foregoing, if there is a conflict between the definitions, standards or assumptions in the CDIAAC Guidelines and the corresponding definitions, standards or assumptions in the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation ("USPAP"), USPAP shall govern.

E. DISCLOSURE FOR BOND ISSUES

Initial Disclosure. Each owner of property within a CFD that has not reached its planned development stage and that will be responsible for a substantial portion (as determined by the City) of annual debt service on an issue of CFD bonds will be required to provide for inclusion in the official statement or other offering materials distributed in connection with the offering and sale of such bonds such information as may be required for the City to comply with, satisfy any requirements of, or avoid any liability under, any applicable federal or state securities laws.

Continuing Disclosure. Each owner of property within a CFD, and each subsequent owner of property therein, that has not reached its planned development stage and that will be responsible for a substantial portion (as determined by the City) of annual debt service on an issue of CFD bonds will be required to provide such information, on an ongoing basis, as may be required for the underwriter of such bonds to satisfy the requirements imposed on it pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

F. DEPOSITS

The costs of the proceedings for a CFD financing initiated by petition of landowners will be borne by the petitioners. No action will be taken on any petition unless and until a deposit of funds is made by the petitioners with the City. The deposit must be sufficient to cover the expense of City member staff time, the costs of non-contingent outside consultants retained for the financing and the costs of recordings, filings, duplication, mailings and deliveries. The deposit must be increased upon demand of the City if at any time the City determines that the remaining amount is not sufficient to cover anticipated remaining expenses and costs. If the additional amount is not paid within ten business days of the mailing of a written demand by the City to the petitioners, the City will cease all activities with respect to the CFD financing until the additional amount is paid. The initial deposit and any additional amounts will be held by the City and used only for the expenses and costs incurred in connection with the CFD proceedings. Any balance of

such deposit remaining upon completion of the CFD proceedings, or the abandonment thereof, and not needed to pay expenses and costs relating thereto will be returned to the petitioner. The use of the deposit shall in no way be construed as requiring the City to issue CFD bonds or to provide reimbursement from the proceeds thereof for portions of the deposit that are expended.

If bonds are issued by a CFD, the petitioners will be reimbursed from bond proceeds for the portion of such deposit that has been expended or encumbered.

G. CONSULTANTS

The City will select all consultants to be retained by the City for a CFD financing, including, but not limited to, the financial advisor, special tax consultant, bond counsel, disclosure counsel, underwriter, market absorption analyst, appraiser and trustee. Providers of letters of credit, bond insurance policies, surety bonds or other credit enhancements are also subject to City approval. Consultants, including legal counsel, to the applicant or any financing team member other than the City will be selected, retained and paid by the applicant or such member; such consultants will not be paid from the proceeds of the financing.

IV. OTHER FINANCING DISTRICTS TO FUND PUBLIC SERVICES

For purposes of financing public services, CFDs will also be the type of Financing District utilized most frequently by the City, due to the wide variety of public services that are eligible for funding through this type of district. However, in cases where it is necessary to fund public services that are not eligible for CFD funding (e.g., road maintenance and lighting services), the City may choose to utilize other types of Financing Districts. The two most likely other types of Financing Districts to be utilized are an Assessment District established under the 1982 Benefit Assessment Act and a Landscaping and Lighting District ("LLD") established under the Landscaping and Lighting Act of 1972. Proceedings to establish an AD or LLD to fund public services may be initiated by a petition of landowners or by the City through a resolution adopted by the City Council. The following guidelines are to be utilized when establishing ADs and LLDs to fund public services.

A. DISCLOSURE TO PROSPECTIVE PROPERTY PURCHASERS

In order to ensure that prospective property purchasers are fully informed about their taxpaying or assessment paying obligations imposed under the Act, the City will require that the requirements of disclosure to prospective property purchasers contained in the Government and Streets and Highways Codes, including, but not limited to, Sections 53328.3, 53328.5 (including the referenced sections of the California Streets and Highways Code), 53340.2, 53341.5 and 53754 of the Government Code, be met.

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B. EQUITY OF SPECIAL TAX FORMULAS AND MAXIMUM SPECIAL TAXES

Direct and Special Benefit The apportionment of the assessments among the parcels included within an AD or LLD shall be based upon the direct and special benefit each parcel receives from the public services to be financed.

Total Tax Burden. The total tax burden (consisting of the anticipated maximum annual AD or LLD Assessment, together with *ad valorem* property taxes, special assessments for any overlapping AD, special taxes for any CFD, and any other taxes, fees and charges payable from and secured by the property) on any parcel in an AD or LLD on which a for-sale residential unit has been, is being or is to be constructed shall not exceed 2% of the estimated base sales price of such parcel upon completion of the public and private improvements relating thereto.

Increases in Assessment. The annual increase, if any, in the assessment levied to finance services for any parcel within an AD or LLD may not exceed any maximum specified in the Act.

V. MINIMUM STANDARDS, WAIVERS AND AMENDMENTS

The policies set forth herein reflect the minimum standards under which the City will make use of Financing Districts to fund public facilities. The City may, in its discretion, require additional measures and procedures, enhanced security and higher standards in particular cases.

The City may, in its discretion and to the extent permitted by law, waive any of the policies set forth herein in particular cases.

The goals and policies set forth herein may be amended at any time and from time to time by the City.

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Exhibit A Attachment
To Resolution No. 04-233 N.O.
To Ordinance No. _____
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RESOLUTION OF THE COUNCIL
OF THE CITY OF PASO ROBLES, STATE OF CALIFORNIA

IN THE MATTER OF:

No. 04-233

**Approving goals and policies for Public
Finance and directing city staff to pursue
information of a Community Facilities
District or Districts**

I, Cathy M. David, Deputy City Clerk of the City of Paso Robles, certify that the foregoing is a full, true and correct copy of Resolution No. 04-233 proposed by Councilmember Nemeth, seconded by Councilmember Picanco, was duly passed and adopted by the Council of the City of El Paso de Robles at its regular meeting on October 19, 2004, by the following vote:

AYES: Councilmembers: Nemeth, Picanco, and Mecham

NOES: Councilmembers: None

ABSTAIN: Councilmembers: None

ABSENT: Councilmembers: Finigan and Heggarty



Cathy M. David, Deputy City Clerk and
Ex-Officio Clerk of the City Council

RESOLUTION NO. 05-030

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES
OF INTENTION TO ESTABLISH A COMMUNITY FACILITIES DISTRICT

COMMUNITY FACILITIES DISTRICT NO. 2005-01

WHEREAS, under the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), Chapter 2.5 of Part 1 of Division 2 of Title 5, commencing at Section 53311, of the California Government Code, this Council is authorized to establish a community facilities district and to act as the legislative body for such community facilities district; and

WHEREAS, the City Council of the City of El Paso Robles ("City"), having received a petition of ONE HUNDRED PERCENT (100%) of the property owners in the proposed community facilities district requesting that the City Council institute proceedings for the establishment of a community facilities district pursuant to the Act, for the purposes of paying the costs of services to be provided by the City for the additional services authorized to be financed pursuant to Sections 53313 and 53313.5 of the California Government Code that are necessary to meet increased demands placed upon the City as a result of the development of said real property (the "Property"), and agreeing to the services to be provided by the City and the costs incidental thereto; and

WHEREAS, the petition was accompanied by, and the City is in receipt of, a fee in the amount which the City determined is sufficient to compensate the City for all costs incurred in conducting proceedings to create the CFD pursuant to the Act; and

WHEREAS, the City Clerk of the City of El Paso De Robles has certified that the petition presented to the City Council complies with the requirements of Sections 53318 and 53319 of the California Government Code; and

WHEREAS, the City desires to proceed with the establishment of a community facilities district in order to finance the costs of public infrastructure necessary or incidental to development of the Property;

NOW, THEREFORE, BE IT RESOLVED, As follows:

SECTION 1. Authority. This Council proposes to conduct proceedings to establish a community facilities district pursuant to the Act.

SECTION 2. Name of CFD. The name proposed for the community facilities district is the City of El Paso De Robles Community Facilities District No. 2005-01 (Public Services District) (the "CFD").

SECTION 3. Boundaries Described. The proposed boundaries of the CFD are as shown on the map on file with the City Clerk, which boundaries are hereby preliminarily approved and to which map reference is hereby made for further particulars. The City Clerk is hereby directed to record, or cause to be recorded, said map of the boundaries of the CFD in the office of the County Recorder of San Luis Obispo County within fifteen days of the date of adoption of this Resolution, but in any event at least fifteen days prior to the public hearing specified in paragraph 9 below.

SECTION 4. Services. The type of services proposed to be financed by the CFD and pursuant to the Act shall consist of those items listed as Services (the "Services") on Exhibit A hereto and hereby incorporated herein. The Council hereby finds and determines that the public interest will not be served by allowing the property owners in the CFD to enter into a contract in accordance with Section 53329.5(a) of the Act.

SECTION 5. Special Tax. Except to the extent that funds are otherwise available to the CFD to pay for the Services, a special tax (the "Special Tax") sufficient to pay the costs thereof, secured by recordation of a continuing lien against all nonexempt real property in the CFD, will be levied annually within the CFD, and collected in the same manner as ordinary *ad valorem* property taxes, or in such other manner as this Council or its designee shall determine, including direct billing of the affected property owners. The proposed rate and method of apportionment of the Special Tax among the parcels of real property within the CFD in sufficient detail to allow each landowner within the proposed CFD to estimate the maximum amount such owner will have to pay are described in Exhibit B attached hereto and hereby incorporated herein.

This Council hereby finds that the provisions of Sections 53313.6, 53313.7 and 53313.9 of the Act (relating to adjustments to *ad valorem* property taxes and schools financed by a community facilities district) are inapplicable to the proposed CFD.

SECTION 6. Exempt Property. Except as may otherwise be provided by law or by the rate and method of apportionment of the Special Tax for the CFD, all lands owned by any public entity, including the United States, the State of California and the City, or any departments or political subdivisions thereof, shall be omitted from the levy of the Special Tax. In the event that a portion of the property within the CFD shall become for any reason exempt, wholly or in part, from the levy of the Special Tax, this Council will, on behalf of the CFD, increase the levy to the extent necessary upon the remaining property within the CFD which is not exempt in order to yield the required debt service payments and other annual expenses of the CFD, if any, subject to the provisions of the rate and method of apportionment of the Special Tax.

SECTION 7. Election. The levy of the Special Tax shall be subject to the approval of the qualified electors of the CFD at a special election. The proposed voting procedure shall be by mailed or hand-delivered ballot among the landowners in the proposed CFD, with each owner having one vote for each acre or portion of an acre such owner owns in the CFD. The Council hereby determines that the Facilities and Services are necessary to meet increased demands placed upon local agencies as the result of development occurring within the CFD.

SECTION 8. CFD Report. The City's Public Works Director/City Engineer, as the officer having charge and control of the Services in and for the CFD, or the designee of such official, is hereby directed to study said proposed Services and to make, or cause to be made, and file with the City Clerk a report in writing (the "CFD Report") presenting the following:

- (a) A description of the Services by type which will be required to adequately meet the needs of the CFD.
- (b) An estimate of the fair and reasonable cost of the Services including the cost of incidental expenses in connection therewith.

The CFD Report shall be made a part of the record of the public hearing specified below.

SECTION 9. Public Hearing. On April 5, 2005, at 7:30 PM or as soon as possible thereafter, in the City Council Chambers, located at 1000 Spring Street, this Council, as legislative body for the CFD, will conduct a public hearing on the establishment of the CFD and consider and finally determine whether the public interest, convenience and necessity require the formation of the CFD and the levy of the Special Tax.

SECTION 10. Notice of Hearing. The City Clerk is hereby directed to cause notice of the public hearing to be given by publication one time in a newspaper published in the area of the CFD. The publication shall be completed at least seven days before the date of the public hearing referenced in Section 10. The notice shall be substantially in the form specified in Section 53322 of the Act, with the form summarizing the provisions hereof hereby specifically approved.

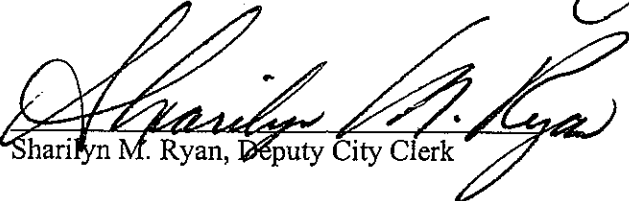
PASSED AND ADOPTED by the City Council of the City of Paso Robles this 15th day of February 2005 by the following vote:

AYES: Heggarty, Nemeth, Picanco, Strong, and Mecham
NOES: None
ABSTAIN: None
ABSENT: None



Frank R. Mecham, Mayor

ATTEST:



Sharilyn M. Ryan, Deputy City Clerk

RESOLUTION OF THE COUNCIL
OF THE CITY OF PASO ROBLES, STATE OF CALIFORNIA

IN THE MATTER OF:

No. 05-030

**Intention to establish a Community Facilities
District No. 2005-01**

I, Sharilyn M. Ryan, Deputy City Clerk of the City of Paso Robles, certify that the foregoing is a full, true and correct copy of Resolution No. 05-030 proposed by Councilmember Nemeth, seconded by Councilmember Heggarty, was duly passed and adopted by the Council of the City of El Paso de Robles at its regular meeting on February 15, 2005, by the following vote:

AYES: Councilmembers: Heggarty, Nemeth, Picanco, Strong, and Mecham

NOES: Councilmembers: None

ABSTAIN: Councilmembers: None

ABSENT: Councilmembers: None

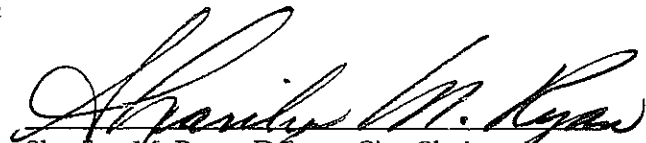

Sharilyn M. Ryan, Deputy City Clerk and
Ex-Officio Clerk of the City Council

Exhibit A

DESCRIPTION OF SERVICES TO BE FINANCED BY THE CFD

**City of Paso Robles
Community Facilities District No. 2005-01**

The Services described below are proposed to be financed by Community Facilities District No. 2005-01 (the "CFD") of the City of El Paso de Robles (the "City"):

The services to be financed by the CFD comprise services ("Services") authorized to be financed pursuant to Section 53313 and 53313.5 of the Government Code. CFD 2005-01 shall finance Services only to the extent they are in addition to those provided in the territory of CFD 2005-01 before the CFD was created and such Services may not supplant services already available within CFD 2005-01 when the CFD was created.

**RATE AND METHOD OF APPORTIONMENT FOR
CITY OF PASO ROBLES
COMMUNITY FACILITIES DISTRICT NO. 2005-1
(PUBLIC SERVICES)**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in City of Paso Robles Community Facilities District No. 2005-1 (Public Services) ("CFD No. 2005-1") and collected each Fiscal Year commencing in Fiscal Year 2005-06, in an amount determined by the Council through the application of the appropriate Special Tax for "Developed Property," as described below. All of the real property in CFD No. 2005-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

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

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2005-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or any designee thereof or both); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs to the City, CFD No. 2005-1 or any designee thereof of complying with City, CFD No. 2005-1 or obligated persons disclosure requirements associated with the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 2005-1 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. 2005-1 for any other administrative purposes of CFD No. 2005-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

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

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

"Blended Consumer Price Index" means the sum of the Los Angeles Urban Consumer Price Index and the San Francisco Urban Consumer Price Index, divided by two.

EXHIBIT B

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

"**CFD No. 2005-1**" means City of Paso Robles Community Facilities District No. 2005-1 (Public Services).

"**City**" means the City of Paso Robles.

"**Council**" means the City Council of the City, acting as the legislative body of CFD No. 2005-1.

"**County**" means the County of San Luis Obispo.

"**Developed Property**" means, for each Fiscal Year, all Assessor's Parcels of Residential Property, except Exempt Residential Property, for which a building permit has been issued on or after April 1, 2005. .

"**Dwelling Unit**" means a building or portion thereof designed for and occupied in whole or part as a residence or sleeping place, either permanently or temporarily, by one family and its guests, with sanitary facilities and one kitchen provided within the unit. Boarding or lodging houses, dormitories, and hotels shall not be defined as Dwelling Units unless the land use permit specifies a residential use.

"**Exempt Residential Property**" means up to four (4) dwelling units on multi-family zoned parcel.

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

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

"**Los Angeles Urban Consumer Price Index**" means, for each Fiscal Year, the Consumer Price Index published by the U.S. Bureau of Labor Statistics for All Urban Consumers in the Los Angeles - Anaheim - Riverside Area, measured as of the month of December in the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Consumer Price Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Consumer Price Index for the City of Los Angeles.

"**Maximum Special Tax**" means, for each Fiscal Year, the maximum Special Tax, determined in accordance with Section C, below, that can be levied on any Assessor's Parcel.

"Non-Residential Property" means, for each Fiscal Year, all Assessor's Parcels of Developed Property for which a building permit was issued on or after April 1, 2005, for a non-residential use.

"Property Owner Association Property" means, for each Fiscal Year, any Assessor's Parcel within the boundaries of CFD No. 2005-1 that is owned by or irrevocably offered for dedication to a property owner association, including any master or sub-association.

"Proportionately" means that the ratio of the actual annual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels of Developed Property.

"Public Property" means, for each Fiscal Year, (i) any property within the boundaries of CFD No. 2005-1 that is owned by or irrevocably offered for dedication to the federal government, the State, the City or any other public agency; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act, as such section may be amended or replaced, shall be taxed and classified in accordance with its use; or (ii) any property within the boundaries of CFD No. 2005-1 that is encumbered by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement.

"Residential Property" means, for each Fiscal Year, all Assessor's Parcels of Developed Property, except Exempt Residential Property, for which a building permit was issued on or after March 1, 2005, for purposes of constructing one or more residential Dwelling Units.

"San Francisco Urban Consumer Price Index" means, for each Fiscal Year, the Consumer Price Index published by the U.S. Bureau of Labor Statistics for All Urban Consumers in the San Francisco – Oakland - San Jose Area, measured as of the month of December in the calendar year that ends in the previous Fiscal Year. In the event this index ceases to be published, the Consumer Price Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Consumer Price Index for the San Francisco – Oakland - San Jose Area.

"Secondary Dwelling Unit" means a secondary dwelling unit on a single-family residential zoned parcel, or a caretaker unit on a commercial or industrial zoned parcel.

"Services" means those services authorized to be financed by CFD No. 2005-1 pursuant to Section 53313 and Section 53313.5 of the Act. CFD No. 2005-1 shall finance Services only to the extent that they are in addition to those provided in the territory of CFD No. 2005-1 before the CFD was created and such Services may not supplant services already available within CFD No. 2005-1 when the CFD was created.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount to be collected in any Fiscal Year for CFD No. 2005-1 to pay for certain costs as required to meet the needs of the CFD in that Fiscal Year. The costs to be covered shall be the direct costs for (i) Services, and (ii) Administrative Expenses; less (iii) a credit for funds available to reduce the annual Special Tax levy, if any, as determined by the CFD Administrator. Under no circumstances shall the Special Tax Requirement include debt service payments for debt financings by CFD No. 2005-1.

"State" means the State of California.

"Undeveloped Property" means, for each Fiscal Year, all property not classified as Developed Property, Exempt Residential Property, Non-Residential Property, Property Owner Association Property, or Public Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Assessor's Parcels, as applicable within CFD No. 2005-1, shall be classified as Developed Property, Exempt Residential Property, Non-Residential Property, Undeveloped Property, Property Owner Association Property, or Public Property. However, only Developed Property shall be subject to annual Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below. All Developed Property shall be assigned to Land Use Class 1.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax for Fiscal Year 2005-06 for Developed Property is shown below in Table 1. Such Special Taxes shall only be levied for new structures on Residential Property. However, under no circumstances shall a Special Tax be levied on additions to existing Dwelling Units, replacements to existing Dwelling Units, or on Secondary Dwelling Units.

TABLE 1

**Maximum Special Taxes for Developed Property
For Fiscal Year 2005-06
Community Facilities District No. 2005-1**

Land Use Class	Land Use	Maximum Special Tax Per Dwelling Unit
1	Residential Property	\$657.00 per Dwelling Unit

b. Increase in the Maximum Special Tax

On each July 1, commencing on July 1, 2006, the Maximum Special Tax for Developed Property shall be increased annually by the greater of the change in the Blended Consumer Price Index during the twelve months prior to December of the previous Fiscal Year, or two percent (2%).

2. Undeveloped Property

No Special Taxes shall be levied on Undeveloped Property.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2005-06 and for each following Fiscal Year, the Council shall levy the annual Special Tax Proportionately for each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax, until the amount of Special Taxes equals the Special Tax Requirement.

E. EXEMPTIONS

In addition to Undeveloped Property being exempt from annual Special Taxes, no Special Tax shall be levied on Exempt Residential Property, Non-Residential Property, Public Property or Property Owner Association Property. Furthermore, Secondary Dwelling Units, even if located on Developed Property, shall be exempt from annual Special Taxes. However, should an Assessor's Parcel no longer be classified as Non-Residential Property, Public Property or Property Owner Association Property, such Assessor's Parcel shall, upon each reclassification, no longer be exempt from Special Taxes.

F. APPEALS AND INTERPRETATIONS

Any landowner or resident may file a written appeal of the Special Tax on his/her property with the CFD Administrator, provided that the appellant is current in his/her payments of Special Taxes. During the pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CFD Administrator shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and advise the appellant of its determination. If the CFD Administrator agrees with the appellant, the CFD Administrator shall eliminate or reduce the Special Tax on the appellant's property and/or provide a refund to the appellant. If the CFD Administrator disagrees with the appellant and the appellant is dissatisfied with the determination, the appellant then has 30 days in which to appeal to the Council by filing a written notice of appeal with the City Clerk, provided that the appellant is current in his/her payments of Special Taxes. The second appeal must specify the reasons for the appellant's disagreement with the CFD Administrator's determination. The CFD Administrator may charge the appellant a reasonable fee for processing the appeal.

Interpretations may be made by the Council by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in this Rate and Method of Apportionment.

G. MANNER OF COLLECTION

The annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2005-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

H. TERM OF SPECIAL TAX

The Special Tax shall be levied in perpetuity as necessary to meet the Special Tax Requirement.

**COMMUNITY FACILITIES DISTRICT REPORT
MELLO-ROOS COMMUNITY FACILITIES ACT OF 1982**

**CITY OF PASO ROBLES
COMMUNITY FACILITIES DISTRICT
NO. 2005-1
(PUBLIC SERVICES)**

Prepared for

**CITY OF PASO ROBLES
1000 Spring Street
Paso Robles, California 93446
(805) 227-PASO**

Prepared by

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

March 22, 2005

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I. INTRODUCTION

WHEREAS, the City of Paso Robles (hereinafter referred to as the "City") did, pursuant to the provision of the "Mello-Roos Community Facilities Act of 1982," being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (hereinafter referred to as the "Act"), and specifically Section 53321.5 thereof, expressly order the filing of a written "Report" with the legislative body of the proposed City of Paso Robles Community Facilities District No. 2005-1 (Public Services), hereinafter referred to as:

"CFD No. 2005-1"; and,

WHEREAS, the City Council (the "Council") of the City of Paso Robles approved the Resolution of Intention to establish CFD No. 2005-1, to authorize the levy of a Special Tax to finance certain services and expenses within CFD No. 2005-1, and to request the preparation of a CFD Report to demonstrate the following:

1. A brief description of the public services by type which will be required to adequately meet the needs of CFD No. 2005-1;
2. An estimate of the fair and reasonable cost of providing the public services and an estimate of the incidental expenses related thereto; and

WHEREAS, the matters and information set forth in this report constitute a compilation of information otherwise on file and available for review by the City Council of the City of Paso Robles at the date of adoption of Resolution No. 05-063 on April 5, 2005.

NOW, THEREFORE, the Treasurer-Tax Collector, the authorized representative of the City of Paso Robles and the appointed responsible officer directed to prepare the Report or cause the Report to be prepared pursuant to the provisions of the Act, do hereby submit this Report.

II. PROJECT DESCRIPTION

CFD No. 2005-1 encompasses approximately 9.5 gross acres of land in the City of Paso Robles. The area is bordered by Beechwood Drive to the West, Meadowlark Road to the South and Oriole Way to the East. A map showing this territory is referenced under Section VI and included in Exhibit A of this Report. Within the CFD, a Special Tax shall be levied only on new residential development as set forth in the Rate and Method of Apportionment and summarized in Table 1.

**TABLE 1
 EXPECTED BUILDOUT
 COMMUNITY FACILITIES DISTRICT NO. 2005-1
 (PUBLIC SERVICES)**

Land Use Class	Land Use	Projected Number of Dwelling Units/Sq. Ft. of Floorspace
1	Single Family Residential Property	19 units

III. DESCRIPTION AND ESTIMATED COSTS OF PROPOSED SERVICES

A. Description of Proposed Public Services

A community facilities district may finance any one or more of the following types of services: police protection services; fire protection and suppression services; ambulance and paramedic services; recreation program services, library services, maintenance services for elementary and secondary school sites and structures, operation and maintenance of museums and cultural facilities; maintenance of parks, parkways (including street lights), and open space; flood and storm protection services, including the operation and maintenance of storm drainage systems and sandstorm protection systems; services with respect to the removal or remedial action cleanup of hazardous substances. The authorized services may be financed only to the extent that such services are in addition to those services provided in the community facilities district prior to creation of the community facilities district. All of these public services are authorized by CFD No. 2005-1.

CFD No. 2005-1 shall only finance the above listed services only to the extent that they are in addition to existing public services provided within the boundaries of CFD No. 2005-1 before creation of the district and such authorized services may not supplant services already available within CFD No. 2005-1 at creation of said CFD. The Special Taxes required to finance the related annual costs of those public services will be apportioned as described in the Rate and Method of Apportionment of the Special Tax for CFD No. 2005-1.

B. Estimated Costs of Proposed Public Services

The intent of the CFD is to fund the anticipated revenue shortfall in providing the public services listed above at buildout of the General Plan (the “General Plan”). The maximum special taxes that could be levied in one-given year at buildout of the General Plan, assuming a 20-year buildout period, a total of 7,147 new homes that would all be subject to the special tax, and an annual inflation escalator of 2%, would be \$7,100,000. However, the actual amount to be levied will be determined by the City Council on an annual basis. It is anticipated that the cost of administering the CFD in its earlier years will be approximately \$10,000 - \$20,000 per year.

IV. BONDED INDEBTEDNESS AND INCIDENTAL EXPENSES

A. Projected Bond Sales

CFD No. 2005-1 is not authorized to sell bonds.

B. Incidental Expenses to be Included in the Annual Levy of Special Taxes

Pursuant to Section 53340 of the Act, the proceeds of any Special Tax may only be used to pay, in whole or part, the cost of providing public facilities, services and incidental expenses. As defined by the Act, incidental expenses include, but are not limited to, the cost of planning and designing public facilities to be financed, including the cost of environmental evaluations of those facilities. As there is no intention or authorization for CFD No. 2005-1 to sell bonds, the incidental expenses to be funded through Special Taxes shall be limited to the costs associated with the creation of the district, determination of the amount of Special Taxes, collection of Special Taxes, payment of Special Taxes, or costs otherwise incurred in order to carry out the authorized purposes of the district. While the actual cost of administering CFD No. 2005-1 may vary, it is anticipated that the amount of Special Taxes that can be collected will be sufficient to fund the CFD's annual administrative expenses.

V. RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Pursuant to Section 53325.3 of the Act, the tax imposed in a CFD "is a special tax and not a special assessment, and there is no requirement that the tax be apportioned on the basis of benefit to any property." The Special Tax "may be based on benefit received by parcels of real property, the cost of making facilities or authorized services available to each parcel or other reasonable basis as determined by the legislative body," although the Special Tax may not be apportioned on an ad valorem basis pursuant to Article XIII A of the California Constitution. The adopted Rate and Method of Apportionment ("RMA"), attached herewith as Exhibit B, provides information sufficient to allow each property owner within CFD No. 2005-1 to estimate the maximum annual Special Tax he or she will be required to pay.

The RMA requires that all Assessor's Parcels within CFD No. 2005-1 be categorized as Developed Property (further defined as either Residential Property or Non-Residential Property), Undeveloped Property, Property Owner Association Property, or Public Property. The principal assumption inherent in the calculation of Special Taxes as defined in the RMA is that the level of budgetary shortfall impacting the City is the direct result of future Residential Development within the City. Non-Residential Development, on the other hand, is self-supporting and does not create a budgetary shortfall for the City. These determinations are based on an evaluation of the City's recurring costs and revenues as documented in the revised General Plan Alternatives Fiscal Analysis, incorporated herein by reference. As a result, only Residential Property is subject to the Special Tax. No Special Taxes will be levied on Non-Residential Property, Undeveloped Property, Property Owner Association Property or Public Property.

Each Fiscal Year, the Special Tax levy shall be calculated in an amount sufficient to cover the costs required to meet the financial needs for the proposed public services, but not to exceed the

maximum Special Tax for Residential Property. Based on the General Plan Alternatives Fiscal Impact Analysis, the maximum Special Tax necessary to cover the public service shortfall generated by one new dwelling unit is projected to be \$657.00 per year for the 2004-05 Fiscal Year. The maximum annual Special Tax that can be levied within the CFD on Developed Property shall increase annually by the greater of the change in the Blended Los Angeles Urban Consumer Price Index and San Francisco Urban Consumer Price Index during the twelve months ending in December of the Fiscal Year prior to the Fiscal Year in which the Special Tax is being levied, or two percent (2%).

VI. BOUNDARIES OF COMMUNITY FACILITIES DISTRICT

The boundaries of CFD No. 2005-1 include all land on which the Special Taxes may be levied. The boundary map for CFD No. 2005-1 was recorded in the Office of the Recorder of San Luis Obispo County in Book 5, Pages 7 and 8 of Maps of Assessment and Community Facilities Districts. A reduced copy of the boundary map for CFD No. 2005-1 is provided as Exhibit A.

VII. GENERAL TERMS AND CONDITIONS

A. Substitution of Services

The description of the public services, as set forth herein, are general in their nature. The final nature and location of the specific services to be funded by the CFD will be determined by the City Council. The actual services funded may show substitutes, in lieu or modifications to the proposed services that benefit the CFD, and any such substitution shall not be a change or modification in the proceedings as long as the services provided are of a type substantially similar to that as set forth in this Report.

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EXHIBIT A


**CITY OF PASO ROBLES
COMMUNITY FACILITIES DISTRICT NO. 2005-1
(PUBLIC SERVICES)**

BOUNDARY MAP

PROPOSED BOUNDARIES OF
CITY OF PASO ROBLES
COMMUNITY FACILITIES DISTRICT NO. 2005-1
(PUBLIC SERVICES)
COUNTY OF SAN LUIS OBISPO
STATE OF CALIFORNIA

ASHWOOD PL.

LEGEND

 Proposed Boundaries of City of Paso Robles Community Facilities District No. 2005-1, San Luis Obispo County, California

Reference is hereby made to the Assessor maps of the County of San Luis Obispo for a description of the lines and dimensions of this parcel.



ORIOLE WAY

COOL VALLEY RD.

BEECHWOOD DRIVE

APN: 009-750-001

MEADOWLARK ROAD

EXHIBIT B

**CITY OF PASO ROBLES
COMMUNITY FACILITIES DISTRICT NO. 2005-1
(PUBLIC SERVICES)**

RATE AND METHOD OF APPORTIONMENT

**RATE AND METHOD OF APPORTIONMENT FOR
CITY OF PASO ROBLES
COMMUNITY FACILITIES DISTRICT NO. 2005-1
(PUBLIC SERVICES)**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in City of Paso Robles Community Facilities District No. 2005-1 (Public Services) ("CFD No. 2005-1") and collected each Fiscal Year commencing in Fiscal Year 2005-06, in an amount determined by the Council through the application of the appropriate Special Tax for "Developed Property," as described below. All of the real property in CFD No. 2005-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

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

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2005-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or any designee thereof or both); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs to the City, CFD No. 2005-1 or any designee thereof of complying with City, CFD No. 2005-1 or obligated persons disclosure requirements associated with the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 2005-1 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. 2005-1 for any other administrative purposes of CFD No. 2005-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

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

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

"Blended Consumer Price Index" means the sum of the Los Angeles Urban Consumer Price Index and the San Francisco Urban Consumer Price Index, divided by two.

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

"CFD No. 2005-1" means City of Paso Robles Community Facilities District No. 2005-1 (Public Services).

"City" means the City of Paso Robles.

"Council" means the City Council of the City, acting as the legislative body of CFD No. 2005-1.

"County" means the County of San Luis Obispo.

"Developed Property" means, for each Fiscal Year, all Assessor's Parcels of Residential Property for which a building permit has been issued on or after April 1, 2005.

"Dwelling Unit" means a building or portion thereof designed for and occupied in whole or part as a residence or sleeping place, either permanently or temporarily, by one family and its guests, with sanitary facilities and one kitchen provided within the unit. Boarding or lodging houses, dormitories, and hotels shall not be defined as Dwelling Units unless the land use permit specifies a residential use.

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

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

"Los Angeles Urban Consumer Price Index" means, for each Fiscal Year, the Consumer Price Index published by the U.S. Bureau of Labor Statistics for All Urban Consumers in the Los Angeles - Anaheim - Riverside Area, measured as of the month of December in the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Consumer Price Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Consumer Price Index for the City of Los Angeles.

"Maximum Special Tax" means, for each Fiscal Year, the maximum Special Tax, determined in accordance with Section C, below, that can be levied on any Assessor's Parcel.

"Non-Residential Property" means, for each Fiscal Year, all Assessor's Parcels of Developed Property for which a building permit was issued on or after April 1, 2005 for a non-residential use.

"Property Owner Association Property" means, for each Fiscal Year, any Assessor's Parcel within the boundaries of CFD No. 2005-1 that is owned by or irrevocably offered for dedication to a property owner association, including any master or sub-association.

"Proportionately" means that the ratio of the actual annual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels of Developed Property.

"Public Property" means, for each Fiscal Year, (i) any property within the boundaries of CFD No. 2005-1 that is owned by or irrevocably offered for dedication to the federal government, the State, the City or any other public agency; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act, as such section may be amended or replaced, shall be taxed and

classified in accordance with its use; or (ii) any property within the boundaries of CFD No. 2005-1 that is encumbered by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement.

"Residential Property" means, for each Fiscal Year, all Assessor's Parcels of Developed Property for which a building permit was issued on or after March 1, 2005 for purposes of constructing one or more residential Dwelling Units.

"San Francisco Urban Consumer Price Index" means, for each Fiscal Year, the Consumer Price Index published by the U.S. Bureau of Labor Statistics for All Urban Consumers in the San Francisco – Oakland - San Jose Area, measured as of the month of December in the calendar year that ends in the previous Fiscal Year. In the event this index ceases to be published, the Consumer Price Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Consumer Price Index for the San Francisco – Oakland - San Jose Area.

"Services" means those services authorized to be financed by CFD No. 2005-1 pursuant to Section 53313 and Section 53313.5 of the Act. CFD No. 2005-1 shall finance Services only to the extent that they are in addition to those provided in the territory of CFD No. 2005-1 before the CFD was created and such Services may not supplant services already available within CFD No. 2005-1 when the CFD was created.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount to be collected in any Fiscal Year for CFD No. 2005-1 to pay for certain costs as required to meet the needs of the CFD in that Fiscal Year. The costs to be covered shall be the direct costs for (i) Services, and (ii) Administrative Expenses; less (iii) a credit for funds available to reduce the annual Special Tax levy, if any, as determined by the CFD Administrator. Under no circumstances shall the Special Tax Requirement include debt service payments for debt financings by CFD No. 2005-1.

"State" means the State of California.

"Undeveloped Property" means, for each Fiscal Year, all property not classified as Developed Property, Non-Residential Property, Property Owner Association Property, or Public Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Assessor's Parcels, as applicable within CFD No. 2005-1, shall be classified as Developed Property, Non-Residential Property, Undeveloped Property, Property Owner Association Property, or Public Property. However, only Developed Property shall be subject to annual Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below. All Developed Property shall be assigned to Land Use Class 1.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax for Fiscal Year 2005-06 for Developed Property is shown below in Table 1. Such Special Taxes shall only be levied for new structures on Residential Property. However, under no circumstances shall a Special Tax be levied on additions to existing Dwelling Units.

TABLE 1

**Maximum Special Taxes for Developed Property
For Fiscal Year 2005-06
Community Facilities District No. 2005-1**

Land Use Class	Land Use	Maximum Special Tax Per Dwelling Unit
1	Residential Property	\$657.00 per Dwelling Unit

b. Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. 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.

c. Increase in the Maximum Special Tax

On each July 1, commencing on July 1, 2006, the Maximum Special Tax for Developed Property shall be increased annually by the greater of the change in the Blended Consumer Price Index during the twelve months prior to December of the previous Fiscal Year, or two percent (2%).

2. Undeveloped Property

No Special Taxes shall be levied on Undeveloped Property.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2005-06 and for each following Fiscal Year, the Council shall levy the annual Special Tax Proportionately for each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax, until the amount of Special Taxes equals the Special Tax Requirement.

E. EXEMPTIONS

In addition to Undeveloped Property being exempt from annual Special Taxes, no Special Tax shall be levied on Non-Residential Property, Public Property or Property Owner Association Property. However, should an Assessor's Parcel no longer be classified as Non-Residential Property, Public Property or Property Owner Association Property, such Assessor's Parcel shall, upon each reclassification, no longer be exempt from Special Taxes.

F. APPEALS AND INTERPRETATIONS

Any landowner or resident may file a written appeal of the Special Tax on his/her property with the CFD Administrator, provided that the appellant is current in his/her payments of Special Taxes. During the pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CFD Administrator shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and advise the appellant of its determination. If the CFD Administrator agrees with the appellant, the CFD Administrator shall eliminate or reduce the Special Tax on the appellant's property and/or provide a refund to the appellant. If the CFD Administrator disagrees with the appellant and the appellant is dissatisfied with the determination, the appellant then has 30 days in which to appeal to the Council by filing a written notice of appeal with the City Clerk, provided that the appellant is current in his/her payments of Special Taxes. The second appeal must specify the reasons for the appellant's disagreement with the CFD Administrator's determination. The CFD Administrator may charge the appellant a reasonable fee for processing the appeal.

Interpretations may be made by the Council by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in this Rate and Method of Apportionment.

G. MANNER OF COLLECTION

The annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2005-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

H. TERM OF SPECIAL TAX

The Special Tax shall be levied in perpetuity as necessary to meet the Special Tax Requirement.

The following is a Public Notice regarding a Public Hearing to consider formation of a Community Facilities District (CFD). The CFD is a special taxing district being established to insure that new residential development pays for increases in City services. The tax will be a condition of any new development that seeks new discretionary entitlements (i.e., subdivisions, development plans). The CFD does not impact existing residential development. The tax is currently set at \$657 per dwelling unit per year and would be adjusted by an annual Consumer Price Index. This tax is a means by which the City may better assure that existing residents do not pay for services demanded by, and/or suffer diminished service resulting from, new residents.

NOTICE OF PUBLIC HEARING Regarding Establishment of City of El Paso de Robles Community Facilities District No. 2005-01

Notice is hereby given that on February 16, 2005, the City Council (the "Council") of the City of El Paso de Robles (the "City") pursuant to the Mello-Roos Community Facilities Act of 1982 (the "Act"), adopted Resolution No. 05-030 entitled "A Resolution of the City Council of the City of El Paso de Robles of Intent to Establish a Community Facilities District" relating to City of El Paso de Robles Community Facilities District No. 2005-01. Under the Act and that Resolution the City hereby gives notice as follows:

A. The text of the body of the Resolution is as follows:

WHEREAS, under the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), Chapter 2.5 of Part 1 of Division 2 of Title 5, commencing at Section 53311, of the California Government Code, this Council is authorized to establish a community facilities district and to act as the legislative body for such community facilities district; and

WHEREAS, the City Council of the City of El Paso de Robles ("City"), having received a petition of ONE HUNDRED PERCENT (100%) of the property owners in the proposed community facilities district requesting that the City Council institute proceedings for the establishment of a community facilities district pursuant to the Act, for the purposes of paying the costs of services to be provided by the City for the additional services authorized to be financed pursuant to Sections 53313 and 53313.5 of the California Government Code that are necessary to meet increased demands placed upon the City as a result of the development of said real property (the "Property"), and agreeing to the services to be provided by the City and the costs incidental thereto; and

WHEREAS, the petition was accompanied by, and the City is in receipt of, a fee in the amount which the City determined is sufficient to compensate the City for all costs incurred in conducting proceedings to create the CFD pursuant to the Act; and

WHEREAS, the City Clerk of the City of El Paso de Robles has certified that the petition presented to the City Council complies with the requirements of Sections 53318 and 53319 of the California Government Code; and

WHEREAS, the City desires to proceed with the establishment of a community facilities district in order to finance the costs of public infrastructure necessary or incidental to development of the Property;

NOW, THEREFORE, BE IT RESOLVED, As follows:

Section 1. **Authority.** This Council proposes to conduct proceedings to establish a community facilities district pursuant to the Act.

Section 2. **Name of CFD.** The name proposed for the community facilities district is the City of El Paso de Robles Community Facilities District No. 2005-01 (Public Services District) (the "CFD").

Section 3. **Boundaries Described.** The proposed boundaries of the CFD are as shown on the map on file with the City Clerk, which boundaries are hereby preliminarily approved and to which map reference is hereby made for further particulars. The City Clerk is hereby directed to record, or cause to be recorded, said map of the boundaries of the CFD in the office of the County Recorder of San

Luis Obispo County within fifteen days of the date of adoption of this Resolution, but in any event at least fifteen days prior to the public hearing specified in paragraph 9 below.

Section 4. **Services.** The type of services proposed to be financed by the CFD and pursuant to the Act shall consist of those items listed as Services (the "Services") on Exhibit A hereto and hereby incorporated herein. The Council hereby finds and determines that the public interest will not be served by allowing the property owners in the CFD to enter into a contract in accordance with Section 53329.5(e) of the Act.

Section 5. **Special Tax.** Except to the extent that funds are otherwise available to the CFD to pay for the Services, a special tax (the "Special Tax") sufficient to pay the costs thereof, secured by recording of a continuing lien against all nonexempt real property in the CFD, will be levied annually within the CFD, and collected in the same manner as ordinary ad valorem property taxes, or in such other manner as this Council or its designee shall determine, including direct billing of the affected property owners. The proposed rate and method of apportionment of the Special Tax among the parcels of real property within the CFD in sufficient detail to allow each landowner within the proposed CFD to determine the maximum amount such owner will have to pay, are described in Exhibit B attached hereto and hereby incorporated herein.

This Council hereby finds that the provisions of Sections 53313.6, 53313.7 and 53313.9 of the Act (relating to adjustments to ad valorem property taxes and schools financed by a community facilities district) are inapplicable to the proposed CFD.

Section 6. **Exempt Property.** Except as may otherwise be provided by law or by the rate and method of apportionment of the Special Tax for the CFD, all lands owned by any public entity, including the United States, the State of California and the City, or any departments or political subdivisions thereof, shall be exempt from the levy of the Special Tax. In the event that a portion of the property within the CFD shall become for any reason exempt, wholly or in part, from the levy of the Special Tax, this Council will, on behalf of the CFD, increase the levy on the extent necessary upon the remaining property within the CFD which is not exempt in order to yield the required debt for the payments and other annual expenses of the CFD, if any, subject to the provisions of the rate and method of apportionment of the Special Tax.

Section 7. **Election.** The levy of the Special Tax shall be subject to the approval of the qualified electors of the CFD at a special election. The proposed voting procedure shall be by mailed or hand-delivered ballot among the landowners in the proposed CFD, with each owner having one vote for each acre or portion of an acre such owner owns in the CFD. The Council hereby determines that the Facilities and Services are necessary to meet increased demands placed upon local agencies as the result of development occurring within the CFD.

Section 8. **CFD Report.** The City's Public Works Director/City Engineer, as the officer having charge and control of the Services in and for the CFD, or the designee of such official, is hereby directed to study said proposed Services and to make, or cause to be made, and file with the City Clerk a report in writing (the "CFD Report") presenting the following:

(a) A description of the Services by type which will be required to adequately meet the needs of the CFD.

(b) An estimate of the fair and reasonable cost of the Services including the cost of incidental expenses in connection therewith.

The CFD Report shall be made a part of the record of the public hearing specified below.

Section 9. **Public Hearing.** On April 5, 2005, at 7:30 PM or as soon as possible thereafter, in the City Council Chambers, located at 1000 Spring Street, this Council, as legislative body for the CFD, will conduct a public hearing on the establishment of the CFD and consider and finally determine whether the public interest, convenience and necessity require the formation of the CFD and the levy of the Special Tax.

Section 10. **Notice of Hearing.** The City Clerk is hereby directed to cause notice of the public hearing to be given by publication one time in a newspaper published in the area of the CFD. The publication shall be completed at least seven days before the date of the public hearing referenced in Section 10. The notice shall be substantially in the form specified in Section 53322 of the Act, with the form amending the provisions hereof hereby specifically approved.

For a complete copy of the Resolution, including the Exhibits thereto, contact the City Clerk of the City of El Paso de Robles at City Hall, 1000 Spring Street, Paso Robles, CA 93446.

B. The time and place established under the above Resolution for the public hearing required under the Act is April 5, 2005, at 7:30 p.m., or as soon as possible thereafter, in the City Council Chambers, 1000 Spring Street, Paso Robles, CA 93446.

C. At said hearing, the testimony of all interested persons or taxpayers for or against the establishment of the CFD, the extent of the CFD or the furnishing of a specific type of facilities and services will be heard. Any person interested may file a protest in writing as provided in Section 53323 of the Act. If the owners of one-half or more of the land in the territory proposed to be included in the CFD file written protests against the establishment of the CFD and the protests are not withdrawn to reduce the value of the protests to less than a majority, the City Council shall take no further action to establish the CFD for a period of one year from the date of said hearing, and if the majority protests of the landowners are only against the furnishing of a type or types of facilities or services or the specified special tax will be eliminated from the proceedings to form the CFD.

D. The proposed voting procedure shall be by special mail or hand-delivered ballot to the property owners within the territory proposed to be included in the CFD. Dated as of February 18, 2005

Sharilyn M. Ryan
Deputy City Clerk of the City of El Paso de Robles
Published: February 23, 2005

Exhibit A DESCRIPTION OF SERVICES TO BE FINANCED BY THE CFD City of Paso Robles Community Facilities District No. 2005-01

The Services described below are proposed to be financed by Community Facilities District No. 2005-01 (the "CFD") of the City of El Paso de Robles (the "City"); The services to be financed by the CFD comprise services ("Services") authorized to be financed pursuant to Section 53313 and 53313.5 of the Government Code. CFD 2005-01 shall finance Services only to the extent they are in addition to those provided in the territory of CFD 2005-01 before the CFD was created and such Services may not supplant services already available within CFD 2005-01 when the CFD was created.

Exhibit B RATE AND METHOD OF APPORTIONMENT FOR CITY OF PASO ROBLES COMMUNITY FACILITIES DISTRICT NO. 2005-1 (PUBLIC SERVICES)

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in City of Paso Robles Community Facilities District No. 2005-1 (Public Services) ("CFD No. 2005-1") and collected each Fiscal Year commencing in Fiscal Year 2005-06, in an amount determined by the Council through the application of the appropriate Special Tax for "Developed Property," as described below. All of the real property in CFD No. 2005-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

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

Administrative Expenses means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2005-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or any designee thereof or both); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs to the City, CFD No. 2005-1 or any designee thereof of complying with City, CFD No. 2005-1 or obligated persons disclosure requirements associated with the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 2005-1 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. 2005-1 for any other administrative purposes of CFD No. 2005-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

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

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

Blended Consumer Price Index means the sum of the Los Angeles Urban Consumer Price Index and the San Francisco Urban Consumer Price Index, divided by two.

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

CFD No. 2005-1 means City of Paso Robles Community Facilities District No. 2005-1 (Public Services).

City means the City of Paso Robles.

Council means the City Council of the City, acting as the legislative body of CFD No. 2005-1.

County means the County of San Luis Obispo.

Developed Property means, for each Fiscal Year, all Assessor's Parcels of Residential Property, except Exempt Residential Property, for which a building permit has been issued on or after April 1, 2005.

Dwelling Unit means a building or portion thereof designed for and occupied in whole or part as a residence or sleeping place, either permanently or temporarily, by one family and its guests, with sanitary facilities and one kitchen provided within the unit. Boarding or lodging houses, dormitories, and hotels shall not be defined as Dwelling Units unless the land use permit specifies a residential use.

Exempt Residential Property means up to four (4) dwelling units on multi-family zoned parcel.

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

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

Los Angeles Urban Consumer Price Index means, for each Fiscal Year, the Consumer Price Index published by the U.S. Bureau of Labor Statistics for All Urban Consumers in the Los Angeles - Anaheim - Riverside Area, measured as of the month of December in the calendar year which ends in the previous Fiscal Year. In the event the index ceases to be published, the Consumer Price Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Consumer Price Index for the City of Los Angeles.

Maximum Special Tax means, for each Fiscal Year, the maximum Special Tax, determined in accordance with Section C, below, that can be levied on any Assessor's Parcel.

Non-Residential Property means, for each Fiscal Year, all Assessor's Parcels of Developed Property for which a building permit was issued on or after April 1, 2005, for a non-residential use.

Property Owner Association Property means, for each Fiscal Year, any Assessor's Parcel within the boundaries of CFD No. 2005-1 that is owned by or irrevocably offered for dedication to a property owner association, including any master or sub-association.

Proportionately means that the ratio of the actual annual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels of Developed Property.

Public Property means, for each Fiscal Year, (i) any property within the boundaries of CFD No. 2005-1 that is owned by or irrevocably offered for dedication to the federal government, the State, the City or any other public agency; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act, as such section may be amended or replaced, shall be taxed and classified in accordance with its use; or (ii) any property within the boundaries of CFD No. 2005-1 that is encumbered by an unannounced utility easement making impractical its utilization for other than the purpose set forth in the easement.

Residential Property means, for each Fiscal Year, all Assessor's Parcels of Developed Property, except Exempt Residential Property, for which a building permit was issued on or after March 1, 2005, for purposes of constructing one or more residential Dwelling Units.

San Francisco Urban Consumer Price Index means, for each Fiscal Year, the Consumer Price Index published by the U.S. Bureau of Labor Statistics for All Urban Consumers in the San Francisco - Oakland - San Jose Area, measured as of the month of December in the calendar year that ends in the previous Fiscal Year. In the event this index ceases to be published, the Consumer Price Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Consumer Price Index for the San Francisco - Oakland - San Jose Area.

Secondary Dwelling Unit means a secondary dwelling unit on a single-family residential zoned parcel, or a caretaker unit on a commercial or industrial zoned parcel.

Services means those services authorized to be financed by CFD No. 2005-1 pursuant to Section 53313 and Section 53313.5 of the Act. CFD No. 2005-1 shall finance Services only to the extent that they are in addition to those provided in the territory of CFD No. 2005-1 before the CFD was created and such Services may not supplant services already available within CFD No. 2005-1 when the CFD was created.

Special Tax means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property to fund the Special Tax Requirement.

Special Tax Requirement means that amount to be collected in any Fiscal Year for CFD No. 2005-1 to pay for certain costs as required to meet the needs of the CFD in that Fiscal Year. The costs to be covered shall be the direct costs for (1) Services, and (2) Administrative Expenses; less (a) a credit for funds available to reduce the annual Special Tax levy, if any, as determined by the CFD Administrator. Under no circumstances shall the Special Tax Requirement include debt service payments for debt financings by CFD No. 2005-1.

State means the State of California.

Undeveloped Property means, for each Fiscal Year, all property not classified as Developed Property, Exempt Residential Property, Non-Residential Property, Property Owner Association Property, or Public Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Assessor's Parcels, as applicable within CFD No. 2005-1, shall be classified as Developed Property, Exempt Residential Property, Non-Residential Property, Undeveloped Property, Property Owner Association Property, or Public Property. However, only Developed Property shall be subject to annual Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below. All Developed Property shall be assigned to Land Use Class 1.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax for Fiscal Year 2005-06 for Developed Property is shown below in Table 1. Such Special Taxes shall only be levied for new structures on Residential Property. However, under no circumstances shall a Special Tax be levied on additions to existing Dwelling Units, replacements to existing Dwelling Units, or on Secondary Dwelling Units.

TABLE 1

Maximum Special Taxes for Developed Property
For Fiscal Year 2005-06
Community Facilities District No. 2005-1

Land Use Class	Land Use	Maximum Special Tax Per Dwelling Unit
1	Residential Property	\$657.00 per Dwelling Unit

b. Increase in the Maximum Special Tax

On each July 1, commencing on July 1, 2006, the Maximum Special Tax for Developed Property shall be increased annually by the greater of the change in the Blended Consumer Price Index during the twelve months prior to December of the previous Fiscal Year, or two percent (2%).

2. Undeveloped Property

No Special Taxes shall be levied on Undeveloped Property.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2005-06 and for each following Fiscal Year, the Council shall levy the annual Special Tax Proportionately for each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax, until the amount of Special Taxes equals the Special Tax Requirement.

E. EXEMPTIONS

In addition to Undeveloped Property being exempt from annual Special Taxes, no Special Tax shall be levied on Exempt Residential Property, Non-Residential Property, Public Property or Property Owner Association Property. Furthermore, Secondary Dwelling Units, even if located on Developed Property, shall be exempt from annual Special Taxes. However, should an Assessor's Parcel no longer be classified as Non-Residential Property, Public Property or Property Owner Association Property, such Assessor's Parcel shall, upon each reclassification, no longer be exempt from Special Taxes.

F. APPEALS AND INTERPRETATIONS

Any landowner or resident may file a written appeal of the Special Tax on his/her property with the CFD Administrator, provided that the appellant is current in his/her payments of Special Taxes. During the pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CFD Administrator shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and advise the appellant of its determination. If the CFD Administrator agrees with the appellant, the CFD Administrator shall eliminate or reduce the Special Tax on the appellant's property and/or provide a refund to the appellant. If the CFD Administrator disagrees with the appellant and the appellant is dissatisfied with the determination, the appellant then has 30 days in which to appeal to the Council by filing a written notice of appeal with the City Clerk, provided that the appellant is current in his/her payments of Special Taxes. The second appeal must specify the reasons for the appellant's disagreement with the CFD Administrator's determination. The CFD Administrator may charge the appellant a reasonable fee for processing the appeal.

Interpretations may be made by the Council by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in this Rate and Method of Apportionment.

G. MANNER OF COLLECTION

The annual Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes; provided, however, that CFD No. 2005-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

H. TERM OF SPECIAL TAX

The Special Tax shall be levied in perpetuity as necessary to meet the Special Tax Requirement.