

**CITY OF MODESTO
COMMUNITY FACILITIES DISTRICT NO. 1998-1
(ENTERPRISE BUSINESS PARK)**

CFD REPORT

June 18, 1998

Prepared For:

CITY OF MODESTO

Prepared By:

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I. INTRODUCTION

A. Project Description

On April 7, 1997, the City of Modesto (City) Planning Commission approved a vesting tentative map for the Enterprise Business Park subdivision. The project area includes two assessor's parcels and more than eighty acres of property located in the southwestern section of the City. Upon recordation of a final map, the property will be subdivided into eight parcels ranging in size from 1.12 to 24.17 acres. The parcels have been zoned M-2, which is a heavy industrial designation allowing for development of warehouse, distribution, processing, manufacturing and other related uses.

B. Introduction to the Mello-Roos Community Facilities Act of 1982

The Mello-Roos Community Facilities Act (the "Act") [Section 53311 et. seq. of the Government Code] was enacted by the California State Legislature in 1982 to provide an alternate means of financing public infrastructure and services subsequent to the passage of Proposition 13 in 1978. The Act complies with Proposition 13, which permits cities, counties and special districts to create defined areas within their jurisdiction and, by a two-thirds vote within the defined area, impose special taxes to pay for the public improvements and services needed to serve that area. The Act defines the area subject to a special tax as a Community Facilities District (CFD).

A CFD may provide for the purchase, construction, expansion or rehabilitation of any real or tangible property, including public facilities and infrastructure improvements, with an estimated useful life of five (5) years or longer, which is necessary to meet increased demands placed upon local agencies as a result of development or rehabilitation occurring within the CFD. In addition, a CFD can fund a variety of public services, including maintenance of parks, parkways and open space. The City of Modesto and developers of the Enterprise Business Park project have determined that a CFD will be the most efficient mechanism available to finance improvements and maintenance services needed to serve the project. Information about CFD No. 1998-1 and the improvements to be funded by the CFD is provided in the following sections of this report.

C. Purpose of CFD Report

This CFD Report is submitted pursuant to Section 53321.5 of the Mello-Roos Community Facilities Act of 1982, as well as the direction set forth in the first resolution adopted by the Modesto City Council in the process to form CFD No. 1998-1. The law requires only a brief description of the public facilities and services to be funded by the CFD, as well as an estimate of the cost of providing the facilities and services. However, this report will also provide information regarding the special taxes to be levied and collected in the CFD, the boundaries of the district,

and anticipated bond sales.

II. STRUCTURE OF COMMUNITY FACILITIES DISTRICT NO. 1998-1

A. Boundaries of the CFD

On May 19, 1998, the Modesto City Council adopted a Resolution of Intention to Establish Community Facilities District No. 1998-1 (Resolution No. 98-301) a map identifying the boundaries of the CFD has been recorded as Page 97 of Book 2 of Maps of Assessment and Community Facilities Districts at the Stanislaus County Recorder's Office. As currently scheduled, on June 23, 1998 the City Council will hold a public hearing and, on July 7, the City will conduct an election associated with formation of the CFD. If at least two-thirds of the votes submitted by the landowners are in favor of the CFD, the district will be formed and the levy of a special tax will be authorized. The CFD will also be authorized to issue up to \$2.025 million in bonds to fund the construction or acquisition of the public facilities identified in Section III below.

B. CFD Bond Issue

The public facilities described in Section III below will be constructed by the project developers and acquired by the CFD from proceeds generated from the sale of tax-exempt bonds. State law and City of Modesto policy require that the appraised value of the property must be at least three times the amount of public liens on the property. However, the developer is going to post a letter of credit as additional security for the bonds, making the value-to-lien ratio a secondary consideration for purposes of this CFD.

One variable-rate bond issue is anticipated to be sold in 1998. Special taxes will be levied each quarter, and bond holders will be paid interest payments each month until the bonds mature. At maturity, the principal amount will be paid in full to the bond holders from the levy of a "Bond Maturity Special Tax" on all taxable parcels within the CFD.

C. Special Tax Structure

The Rate and Method of Apportionment of Special Tax ("RMA"), which describes in detail how the Mello-Roos special tax will be allocated among properties in the CFD, is included as Exhibit A of this report. Pursuant to the RMA, a "Facilities Special Tax" will be levied and collected each year from parcels within the CFD to pay debt service on outstanding bonds and administrative expenses of the CFD. In addition, a "Maintenance Special Tax" will be levied to pay for authorized maintenance services required within the CFD.

Special taxes will be levied on a quarterly basis, at the rate required to make interest payments to bondholders until the bonds mature. Because the interest rate on the

bonds will vary, the maximum Facilities Special Tax rates have been set assuming a twelve percent (12%) interest rate, which is the highest rate allowed pursuant to the Mello-Roos law. The maximum Facilities Special Tax rates are \$1,019 per acre in all quarters except the final quarter before the bonds mature, at which time the maximum increases to \$32,601 per acre in order to pay off the bond principal. The actual Facilities Special Tax levied each quarter will be based on the actual interest rate paid to bondholders in the prior quarter. Tax bills will be sent directly to the landowners each quarter by the City or its designee, and the Facilities Special Tax will be levied and collected until bonds are retired.

The Maintenance Special Tax will also be billed quarterly on the same tax bill as the Facilities Special Tax, although the City may elect to put the Maintenance Special Tax on the property tax bill after the levy of the Facilities Special Tax ceases. The maximum quarterly Maintenance Special Tax is \$21.53 per acre in 1998, and will increase each year by applying the increase in the construction cost index for the San Francisco region as published in the Engineering News Record. The Maintenance Special Tax will continue to be levied unless and until the City of Modesto determines revenues are no longer needed for the maintenance items authorized to be funded by the CFD.

III. FACILITIES AND SERVICES TO BE FUNDED BY CFD No. 1998-1

The facilities and services described below are authorized to be financed by CFD No. 1998-1 and are required to adequately meet the needs of the Enterprise Business Park project. The facilities and associated cost estimates include the cost of engineering, design, planning and coordination. In addition, a general description of the public services authorized to be funded by the CFD is provided at the end of this section.

A. Authorized Facilities

CFD No. 1998-1 is authorized to fund the following public facilities, which are all facilities that the City is authorized by law to acquire, construct, and maintain and which are needed to meet the increased demands placed upon the City as a result of development occurring within the CFD:

- Street improvements, including but not limited to asphaltic concrete, pavement and base, concrete curb, gutter and sidewalk, street lighting, irrigation line reconstruction, sound wall installation (masonry wall), signage, striping and landscaping.
- Improvements to Morgan Road, Nelson Way, the new cul-de-sac (Rockefeller Court), the extension of Glenn Avenue to the east and Crows Landing Road.
- Water and sewer main extensions from the end of the Rockefeller Court through proposed easements to and across the Union Pacific Railroad.
- Other improvements to the water, sewer and storm drainage systems.

The description of the improvements, as set forth above, is general in nature. The final nature and location of improvements will be determined upon the preparation of final plans and specifications. A more detailed listing of the improvements is provided in Exhibit B.

B. Authorized Services

The CFD is also authorized to pay the costs of maintaining parks, parkways, and open space within the CFD as permitted pursuant to Section 5313(d) of the Mello-Roos Community Facilities Act.

IV. COST ESTIMATES

A. Public Facilities

Facility costs to be paid by the CFD fall within the following general categories (a more detailed breakdown of the cost estimates is provided in Exhibit B of this report):

<u>Cost Item</u>	<u>Estimated Cost</u>
Morgan Road Improvements	\$ 147,545
Nelson Way Improvements	218,107
Rockefeller Court Improvements	620,062
East Glenn Avenue Improvements	263,358
Crows Landing Road Improvements	5,072
Agency Fees - East Area	201,708
Agency Fees - West Area	<u>67,952</u>
Subtotal	\$1,523,805
10% Contingency	<u>152,380</u>
Total Estimated Facility Costs	\$1,676,186

B. Incidental Expenses

As discussed above, it is anticipated that tax-exempt bonds will be sold to generate funding for some or all of the public facilities listed above. Following is an estimate of the additional costs that will be incurred in association with issuing such debt:

<u>Cost Item</u>	<u>Estimated Cost</u>
Engineering Fees	\$ 39,000
Capitalized Interest	81,000
City Administrative Fee	15,188
District Administration	5,000
Appraisal	9,500
District Engineer Fee	15,000
Tax Rate Consultant	15,000
Underwriting Discount	30,375
Printing Bonds & Official Statements	10,000
Letter of Credit Fee	25,313
Bank Counsel	15,000
Bond Counsel Fee & Expenses	43,500
Financial Consultant	15,000
Disclosure Counsel Fee & Expenses	25,000
Paying Agent Fee	3,000
Miscellaneous	<u>1,939</u>
Total Incidental Expenses	\$ 348,815

C. Maintenance Services

In addition to the facilities costs and incidental expenses shown above, the Maintenance Special Taxes levied in the CFD will be used to pay to maintain parks, parkways and open space within the CFD. The total cost for authorized maintenance expenses is estimated to be \$6,000 in 1998 and is assumed to increase at the rate of increase of the Engineering News Record construction cost index.

APPENDIX A

CITY OF MODESTO COMMUNITY FACILITIES DISTRICT No. 1998-1 (ENTERPRISE BUSINESS PARK)

RATE, METHOD OF APPORTIONMENT AND MANNER OF COLLECTION OF SPECIAL TAX

A special tax applicable to each Assessor's Parcel in Community Facilities District No. 1998-1 (herein "CFD No. 1998-1") shall be levied and collected according to the tax liability determined by the City, through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in CFD No. 1998-1, unless exempted by law except as provided in Section I below, 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:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final subdivision map, parcel map, or other map recorded at the County.

"Administrator" shall mean the person or firm designated by the City to administer the Special Tax according to this Rate and Method of Apportionment of Special Tax.

"Annual Administrative Expenses" means the annual cost of any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds of CFD No. 1998-1; the expenses of the City associated with carrying out its duties for such Bonds, including, but not limited to, the levy and collection of Special Tax, the fees and expenses of its counsel, amounts needed to pay rebate to the federal government with respect to any of such Bonds, and costs associated with continuing disclosure; and all other costs and expenses of the City in any way related to the establishment and administration of CFD No. 1998-1. The total Annual Administrative Expenses may be collected as a part of the Facilities Special Tax Requirement, Maintenance Special Tax Requirement or both, but in no event shall the total amount collected in any Calendar Year exceed the total estimated expenses for that year.

"Annual Maintenance Special Tax Requirement" means the amount necessary in any Calendar Year (i) to pay for authorized maintenance expenses, (ii) to pay Annual Administrative Expenses, and (iii) to cure any delinquencies in the payment of Annual Maintenance Special Taxes levied in the prior Quarter or (based on delinquencies in the payment of Special Taxes which have already taken place) are expected to occur in the Quarter in which the tax will be collected.

“Assessor's Parcel” or **“Parcel”** means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel number at the time tax bills are prepared by the City to levy Special Taxes within the CFD. A Parcel which has been created by the recordation of a final subdivision map at least sixty (60) days prior to the start of any Quarter, but for which an Assessor's Parcel number has not yet been assigned, may also be considered an Assessor's Parcel for purposes of Section B.

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

“Bonds” means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by the City for CFD No. 1998-1.

“Bond Maturity Date” means the date on which the Bonds mature as identified in the Bond sale documents.

“Bond Maturity Quarter” means the Quarter immediately preceding the Bond Maturity Date.

“Bond Maturity Special Tax” means the Maximum Facilities Special Tax that can be levied in the Bond Maturity Quarter.

“Calendar Year” means the period commencing on January 1 and ending on December 31 of any given year.

“City” means the City of Modesto.

“City Manager” means the City Manager of the City of Modesto.

“Council” means the City Council of the City of Modesto, acting as the legislative body of CFD No. 1998-1.

“County” means the County of Stanislaus.

“Delinquent Parcel” means any Parcel of Taxable Property for which Special Taxes have not been collected within ten (10) days after the date on which the Special Taxes were due as indicated on the tax bill sent by the City.

“Facilities Special Tax” means a Special Tax levied in any Quarter to pay the Facilities Special Tax Requirement.

“Facilities Special Tax Requirement” means the amount necessary in any Quarter (i) to pay interest on the Bonds for the preceding Quarter (and, in the Bond Maturity Quarter, to pay interest and principal on the Bonds in the following Quarter), (ii) to pay any additional interest costs required to bring the Interest Expense Account to its full amount after depositing the amount for the previous Quarter's interest payment, (iii) to pay one-fourth (1/4) of the Annual Administrative

Expenses, and (iv) to cure any delinquencies in the payment of principal or interest on indebtedness of CFD No. 1988-1 which have occurred in the prior Quarter and which have not yet been cured from a draw on the Letter of Credit. The Facilities Special Tax Requirement shall be reduced by the following: (i) any credit from interest earnings on the Interest Expense Account or other Bond funds the earnings on which are available to pay debt service on the Bonds, (ii) proceeds of Special Tax prepayments which are not used or reserved to redeem Bonds, and (iii) the collection of delinquent Special Taxes and associated penalties.

“Interest Expense Account” means an amount equal to 150 days of interest on the Bonds assuming an annual interest rate of twelve percent (12%).

“Letter of Credit” means the letter of credit relating to the Bonds which shall be issued by a qualified bank, delivered on the closing date of the Bonds, and name the trustee for the Bonds as beneficiary. “Letter of Credit” shall also mean any substitute letter of credit that is issued in the future to replace all or a portion of the original letter of credit issued when Bonds are first sold for CFD No. 1998-1.

“Maintenance Special Tax” means a Special Tax levied in any Quarter to pay a portion of the Annual Maintenance Special Tax Requirement.

“Maximum Quarterly Facilities Special Tax” means the maximum Facilities Special Tax that can be collected in any Quarter, not including the Bond Maturity Quarter, to pay the Facilities Special Tax Requirement.

“Maximum Quarterly Facilities Special Tax Revenues” means the total amount of Facilities Special Tax that can be collected in any Quarter by levying the Maximum Quarterly Facilities Special Tax or the Bond Maturity Special Tax against all Taxable Property within the CFD.

“Maximum Quarterly Maintenance Special Tax” means the Maximum Special Tax that can be levied in any Quarter to pay a portion of the Annual Maintenance Special Tax Requirement.

“Maximum Special Tax” means the maximum Special Tax, determined in accordance with Section C below, that can be levied by the City in any Quarter on Taxable Property.

“Public Agency” means the federal government, State of California or other local governments or public agencies.

“Quarter” means each of the four three-month periods beginning January 1, April 1, July 1 and October 1 of any Calendar Year.

“Taxable Property” means, in any Quarter, all Parcels within CFD No. 1998-1 that are not exempt from the Special Tax pursuant to law except as provided in Section I below.

B. IDENTIFICATION OF TAXABLE PROPERTY

Thirty (30) days prior to the beginning of each Quarter, the Administrator shall prepare a list of Assessor's Parcels within the CFD and shall identify the Acreage for all Parcels of Taxable Property against which a Special Tax will be levied in the upcoming Quarter. The Administrator shall also identify the name and address for the record owner of the Parcel to whom the Special Tax bill shall be sent.

C. MAXIMUM SPECIAL TAX

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The Maximum Quarterly Facilities Special Tax for all Parcels of Taxable Property in CFD No. 1998-1 is \$1,019 per Acre.

2. Bond Maturity Special Tax

The Bond Maturity Special Tax for all Parcels of Taxable Property in CFD No. 1998-1 is \$32,601 per Acre.

3. Maximum Quarterly Maintenance Special Tax

The Maximum Quarterly Maintenance Special Tax for all Parcels of Taxable Property in CFD No. 1998-1 is \$21.53 per Acre in Calendar Year 1998. Beginning in January 1999 and each January 1 thereafter, the Maximum Quarterly Maintenance Special Tax shall be adjusted by applying the increase, if any, in the construction cost index for the San Francisco region for the prior twelve (12) month period as published in the Engineering News Record or other comparable source if the Engineering News Record is discontinued or otherwise not available. Each annual adjustment of the Maximum Quarterly Maintenance Special Tax shall become effective immediately after the adjustment is made.

D. METHOD OF LEVY AND COLLECTION OF THE SPECIAL TAX

1. Facilities Special Tax

Thirty (30) days prior to the start of a given Quarter, the Administrator shall calculate the Facilities Special Tax Requirement for the Quarter. If the levy is for other than the Bond Maturity Quarter, the Administrator shall levy a Special Tax, not to exceed the Maximum Quarterly Facilities Special Tax set forth in Section C.1 above, in an equal amount on each Acre of Taxable Property in the CFD until the amount of the levy equals the Facilities Special Tax Requirement for that Quarter.

In the Bond Maturity Quarter, the Administrator shall levy a Special Tax, not to exceed the Bond Maturity Special Tax set forth in Section C.2 above, in an equal amount on each Acre of Taxable Property until the amount of the levy equals the

Facilities Special Tax Requirement for the Bond Maturity Quarter.

2. Maintenance Special Tax

Commencing in 1998 and each following Calendar Year, the Administrator shall determine, or shall cause to be determined, the Annual Maintenance Special Tax Requirement for that Calendar Year. The Administrator shall then levy a Maintenance Special Tax, not to exceed the Maximum Quarterly Maintenance Special Tax set forth in Section C.3 above, in an equal amount on each Acre of Taxable Property in the CFD until the amount of the levy equals one-fourth (1/4) of the Annual Maintenance Special Tax Requirement calculated for that Calendar Year.

E. TERMINATION OF SPECIAL TAX

The Maximum Quarterly Facilities Special Tax shall be levied and collected until the Bond Maturity Quarter which shall, in no event, occur later than Calendar Year 2030. The Bond Maturity Special Tax shall be levied and collected in the Bond Maturity Quarter, which shall begin no later than July 1, 2030. The Maximum Quarterly Maintenance Special Tax shall continue to be levied unless and until the City determines that revenues from the Maintenance Special Tax are no longer needed to pay for authorized maintenance services.

F. MANNER OF COLLECTION

All Special Taxes shall be directly billed and collected by the Administrator on a Quarterly basis. Tax bills shall be mailed within seven (7) working days after the start of each Quarter and shall be due and payable within twenty-three (23) days after bills have been mailed. On the day the Quarterly tax bills are mailed, the tax bills shall also be sent via facsimile to each record owner for whom the Administrator is able to obtain a facsimile number; however, failure to fax a tax bill shall in no way affect the obligation of the owner to pay the Special Tax indicated in the amount and by the date indicated on the bill. Notwithstanding the above, after the Bond Maturity Date, the City may elect to levy the Maintenance Special Tax in the same manner and at the same time as ordinary ad valorem property taxes in an annual amount not to exceed four times the then current Maximum Quarterly Maintenance Special Tax.

G. ENFORCEMENT

1. Facilities Special Tax

If a Parcel becomes a Delinquent Parcel, the Bonds secured by the Maximum Facilities Special Tax levied on the Parcel shall be called from proceeds generated from a draw on the Letter of Credit. The following steps shall be applied to

implement the call of Bonds:

Step Number:

1. Using the prepayment formula set forth in Section H below, the Administrator shall calculate the Prepayment Amount associated with the Delinquent Parcel.
2. The Administrator shall notify the Trustee of the Prepayment Amount calculated in Step 1.
3. The Trustee shall draw on the Letter of Credit in an amount equal to the Prepayment Amount and shall use the proceeds of the draw to retire Bonds secured by Special Taxes on the Delinquent Parcel.
4. The Administrator shall direct the County Recorder to record a Notice of Cessation of Special Tax against the Delinquent Parcel, which shall state that the obligation to pay the Facilities Special Tax has ceased, but the Maximum Quarterly Maintenance Special Tax shall continue to be levied against the Delinquent Parcel. After recordation of the Notice of Cessation of Special Tax, the Delinquent Parcel will no longer be subject to the Facilities Special Tax levy.

2. Maintenance Special Tax

All delinquent Maintenance Special Taxes billed off the County tax roll shall be subject to an immediate 10% penalty plus interest charges of 1½% as of the first day of the month after the delinquency date and on the first day of each month thereafter. Any such delinquent Special Taxes shall, at the City's discretion, be placed on the next secured property tax roll. The amount placed on the roll shall include the 10% penalty and the interest charges through the following December 10, after which date any amounts on the tax roll which have not been paid will incur additional penalties and interest. This shall not prevent the City from simultaneously pursuing the delinquency by an action on a contract or guarantee against a third party who promised to pay the taxes, or from assigning such right of action to the property owner or other appropriate party.

H. PREPAYMENT OF FACILITIES SPECIAL TAX

Only the Facilities Special Tax may be prepaid; the Maintenance Special Tax shall continue to be levied on an annual basis on all Taxable Property in the CFD.

The Facilities Special Tax obligation applicable to an Assessor's Parcel in CFD No. 1998-1 may be prepaid and the obligation of the Assessor's Parcel to pay the Facilities Special Tax permanently

satisfied as described herein, provided that a voluntary prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. Notwithstanding the above, the Facilities Special Tax shall be immediately prepaid from the proceeds of a draw on the Letter of Credit if a Parcel becomes a Delinquent Parcel.

For voluntary prepayments, an owner of an Assessor's Parcel intending to prepay the Facilities Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City shall notify the owner of the required prepayment amount. Prepayment must be made not less than 60 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Facilities Special Taxes.

The “**Prepayment Amount**” shall be calculated as follows (capitalized terms as defined below):

$$\begin{array}{l} \text{Bond Redemption Amount} \\ \text{plus Redemption Premium} \\ \text{plus Defeasance} \\ \text{plus Administrative Fees and Expenses} \\ \text{less} \quad \quad \quad \underline{\text{Interest Expense Account Credit}} \\ \text{equals} \quad \quad \quad \text{Prepayment Amount} \end{array}$$

As of the proposed date of prepayment or upon notification from the Administrator that a Parcel has become a Delinquent Parcel, the Prepayment Amount shall be determined by applying the following steps:

Step Number:

1. Compute the total Maximum Quarterly Facilities Special Tax that could be collected from the Assessor's Parcel prepaying the Facilities Special Tax in the Quarter in which the prepayment will be received by the City.
2. Divide the Maximum Quarterly Facilities Special Tax computed pursuant to Step 1 for such Assessor's Parcel by the Maximum Quarterly Facilities Special Tax Revenues that can be generated in the Quarter in which the prepayment will be received by the City.
3. Multiply the quotient computed pursuant to Step 2 by the principal amount of Bonds that remain outstanding when the Prepayment Amount is calculated to determine the amount of Bonds to be redeemed (*the “**Bond Redemption Amount**”*).
4. Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Bonds to be redeemed (*the “**Redemption Premium**”*).
5. Compute the amount needed to pay interest on the Bond Redemption Amount from the last interest payment date on the Bonds until the earliest redemption date on the

Bonds.

6. Identify the amount of Facilities Special Taxes levied with respect to the Assessor's Parcel during the current Quarter. If the current Quarter's Facilities Special Tax for that Parcel has not been paid, the amount of such Facilities Special Tax shall be included in the Prepayment Amount.
7. Compute the amount the City reasonably expects to derive from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the redemption date for the outstanding Bonds that the City expects to redeem with the prepayment.
8. Take the amount computed pursuant to Step 4, add the amounts calculated in Steps 5 and 6, and subtract the amount computed pursuant to Step 7 (*the "Defeasance"*).
9. The administrative fees and expenses of CFD No. 1988-1 are as calculated by the City and include the costs of computing the prepayment, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (*the "Administrative Fees and Expenses"*). For a Delinquent Parcel, the Administrative Fees and Expenses shall also include any costs associated with the draw on the Letter of Credit.
10. An Interest Expense Account credit shall be calculated as a reduction in the required Interest Expense Account for the Bonds to be redeemed pursuant to the prepayment (*the "Interest Expense Account Credit"*).
11. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 4, 8, and 9, less the amount computed pursuant to Step 10 (*the "Prepayment Amount"*).

I. LIMITATIONS

Notwithstanding any other provision of this Rate and Method of Apportionment of Special Tax, no Special Tax shall be levied on property owned by a Public Agency, except as otherwise provided in Sections 53317.3 and 53317.5 of the Mello-Roos Community Facilities Act of 1982.

EXHIBIT B

**CITY OF MODESTO
COMMUNITY FACILITIES DISTRICT No. 1998-1
DETAILED PUBLIC FACILITY COST ESTIMATES**