

COUNTY OF RIVERSIDE, CALIFORNIA
BOARD OF SUPERVISORS POLICY

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LAND SECURED FINANCING DISTRICTS

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Policy:

Set forth herein are the goals and policies of the County of Riverside (the “County”) concerning the County’s use of community facilities districts (“Community Facilities Districts”) established pursuant to the Mello-Roos Community Facilities Act of 1982 (the “Act”) and special assessment districts (“Assessment Districts”) established pursuant to the Municipal Improvement Act of 1913 (the “1913 Act”) to finance public facilities.

There are three categories of Community Facilities Districts that will be used by the County to finance various types of public facilities. The categories are (a) Traditional Community Facilities Districts (“Traditional CFDs”), (b) Critical Transportation Corridor Improvement Program Community Facilities Districts (“CTCIP CFDs”), and (c) Community Facilities Districts for participants in the Critical Transportation Corridor Improvement Program (“Participant CFDs”). In addition, the County will use Service and Maintenance Community Facilities Districts (“Service and Maintenance CFDs”) to fund one or more types of services authorized by the Act and/or to fund the maintenance of real or tangible property as authorized by the Act. In addition, the County participates in the Statewide Community Infrastructure Program (SCIP).

Following are the County’s goals and policies for each of Traditional CFDs, CTCIP CFDs, Participant CFDs, Service and Maintenance CFDs and Assessment Districts. The goals and policies for Traditional CFDs, CTCIP CFDs, Participant CFDs, and Service and Maintenance CFDs have been considered and adopted by the County and are intended to meet the requirements of Section 53312.7(a) of the California Government Code (the “Government Code”) concerning the County’s use of the Act.

The requirements and procedures relating to applications, petitions, deposits, approvals and other administrative matters for Community Facilities Districts and Assessment Districts are set forth in the County’s Operations Manual for Land Secured Financing Districts (the “Operations Manual”).

I. TRADITIONAL COMMUNITY FACILITIES DISTRICTS

- A. A Traditional CFD is a Community Facilities District, whose entire boundary is not within the boundaries of a CTCIP CFD.

Generally, proceedings for the establishment of a Traditional CFD will be instituted by a petition of landowners, as provided in Section 53318 of the Government Code.

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Public facilities to be owned and operated by the County that are financed through Traditional CFDs will, generally, be constructed by or on behalf of the landowners and, upon completion, be acquired by the County with proceeds of the Traditional CFD bonds.

A description of Traditional CFDs and the requirements and procedures relating to applications, petitions, deposits, approvals and other administrative matters for Traditional CFDs are set forth in the Operations Manual.

B. Priorities for Traditional CFD Financing

The priority that various kinds of public facilities will have for financing through the County's use of the Act by means of Traditional CFDs is as follows:

1. Public facilities to be owned and operated by the County that constitute regional infrastructure required to serve proposed development;
2. Other public facilities to be owned and operated by the County for which there is a clearly demonstrated public benefit; and
3. Public facilities to be owned and operated by a public agency other than the County (including school districts).

Traditional CFD financings will not be used to satisfy development fee obligations imposed by the County or another public agency.

C. Credit Quality Requirements for Traditional CFD Bond Issues

1. *Project Viability.* The viability of the development project within a Traditional CFD is a critical component of the credit quality of a Traditional CFD bond issue. Accordingly, the viability of each such development project will be reviewed and evaluated by the County. Under most circumstances, the viability of a development project is enhanced as the project moves further through the development process. Therefore, generally, a Traditional CFD will be established only if tract or parcel maps for the development project to be undertaken therein have been approved by the Board of Supervisors of the County (the "Board of Supervisors").
2. *Statutory Requirements.* The County will require that the credit quality of any Traditional CFD bond issue be such that the requirements of Section 53345.8 of the Government Code will be met; provided, however, that such

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requirements shall be modified by replacing the phrase “at least three times” in subdivision (a) of said Section with the phrase “at least four times.”

3. *Reserve Fund.* In order to enhance the credit quality of Traditional CFD bond issues, the County 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, or (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.
4. *Credit Enhancement.* Where a substantial amount of the property (as determined by the County) within a Traditional CFD is undeveloped, the County will generally require credit enhancement to increase the credit quality of such Traditional CFD bond issue. Such credit enhancement will usually be 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 undeveloped property and will be required to remain in effect so long as a substantial amount of the property within the Traditional CFD remains undeveloped. 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.
5. *Capitalized Interest.* Generally, the amount of capitalized interest funded for Traditional CFD bond issues will be limited to the amount necessary to pay debt service on the bonds until the first interest payment date occurring after the levy of the special taxes may be included in the real property tax roll.
6. *Bond Structure.* The term to maturity of any Traditional CFD bonds shall not exceed the maximum term specified in the Act. Principal amortization of Traditional CFD bonds shall commence no later than the end of the second bond year. Traditional CFD bonds shall be structured such that, once principal amortization thereof has commenced, debt service thereon will be substantially level.

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D. Disclosure to Prospective Property Purchasers in Traditional CFDs

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

E. Equity of Special Tax Formulas and Maximum Special Taxes for Traditional CFDs

1. *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 the Traditional CFD. Exemptions from the special tax may be given to parcels which are publicly-owned, are held by property owners associations, 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.
2. *Total Tax Burden.* The total tax burden (that is, the anticipated maximum annual Traditional CFD special tax, together with *ad valorem* property taxes, special assessments, special taxes for any overlapping community facilities district, and any other taxes, fees and charges payable from and secured by the property) on any residential owner-occupied parcel in a Traditional CFD shall not exceed 2% of the estimated base sales price of such parcel upon completion of the public and private improvements relating thereto.
3. *Rate and Method of Apportionment.* The rate and method of apportionment for Traditional CFD special taxes must be structured so as to produce special tax revenues sufficient to pay (a) debt service on all Traditional CFD bonds, and (b) reasonable and necessary annual administrative expenses of the Traditional 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 Traditional CFD bond issue, (b) amounts to pay directly the costs of public facilities authorized to be financed by the Traditional CFD, (c) the accumulation of funds reasonably required for future debt service on Traditional CFD bonds, (d) amounts equal to projected delinquencies in

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special tax payments, (e) remarketing, credit enhancement or liquidity fees, and (f) any other costs or payments permitted by law.

In any case, the Traditional 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 Traditional CFD bonds for the calendar year commencing in such fiscal year, plus (b) projected administrative expenses of the Traditional CFD for the calendar year commencing in such fiscal year. Generally, the rate and method of apportionment for Traditional CFD special taxes will be required to include a back-up tax so that changes in development within the Traditional CFD would not result in the inability to levy special taxes that would produce special tax revenues in such amounts.

4. *Increases in Special Tax.* The maximum special tax for any parcel within a Traditional CFD shall not escalate. The increase in the special tax levied on any parcel within a Traditional CFD as a consequence of delinquency or default by the owner on any other parcel may not exceed any maximum specified in the Act.
5. *Prepayment of Special Tax.* Generally, the special tax rate and method of apportionment for a Traditional CFD will be structured so as to allow the prepayment of special taxes by property owners.

F. Appraisals for Traditional CFD Bond Issues

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

1. The independent review appraiser is an option, and not a requirement;
2. The comparable sales method may be used whenever there is sufficient data available;
3. The appraiser should assume the presence of the public infrastructure to be financed with the bonds in connection with which the appraisal is being prepared; and

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4. 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.

G. Disclosure for Traditional CFD Bond Issues

1. *Initial Disclosure.* Each owner of property within a Traditional CFD that has not reached its planned development stage and that will be responsible for a substantial portion (as determined by the County) of annual debt service on an issue of Traditional 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 County to comply with, satisfy any requirements of, or avoid any liability under, any applicable federal or state securities laws.
2. *Continuing Disclosure.* Each owner of property within a Traditional 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 County) of annual debt service on an issue of Traditional 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.

II. CRITICAL TRANSPORTATION CORRIDOR IMPROVEMENT PROGRAM (CTIP) COMMUNITY FACILITIES DISTRICTS

- A. A CTCIP CFD is a Community Facilities District established to finance a major transportation facility in an area that has been designated a critical transportation corridor (a “Critical Transportation Corridor”) by the Board of Supervisors.

Proceedings for the establishment of a CTCIP CFD will often be instituted by the Board of Supervisors on its own initiative. Such proceedings may also be instituted by a petition of landowners, as provided in Section 53318 of the Government Code.

Major transportation facilities to be owned and operated by the County that are financed through CTCIP CFDs will be constructed by the County.

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Owners of property included in a CTCIP CFD will receive an appropriate credit against the Transportation Uniform Mitigation Fee (TUMF) and/or, if imposed, the Road and Bridge Benefit District Fee applicable to such property.

A description of the Critical Transportation Corridor Improvement Program and the requirements and procedures relating to applications, petitions, deposits, approvals and other administrative matters for CTCIP CFDs are set forth in the Operations Manual.

B. Priorities for CTCIP CFD Financing

Major transportation facilities in Critical Transportation Corridors, which facilities are to be owned or operated by the County, are the only kinds of public facilities that will be financed through the County's use of the Act by means of CTCIP CFDs.

Other public facilities associated with a major transportation facility may be financed by means of a CTCIP CFD if, at the discretion of the County, financing such public facility would provide a public benefit.

C. Credit Quality Requirements for CTCIP CFD Bond Issues

1. *Statutory Requirements.* The County will require that the credit quality of any CTCIP CFD bond issue be such that the requirements of Section 53345.8 of the Government Code will be met.
2. *Reserve Fund.* In order to enhance the credit quality of CTCIP CFD bond issues, the County 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, or (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.
3. *Capitalized Interest.* The amount of capitalized interest funded for an issue of CTCIP CFD bonds may not exceed any maximum specified in the Act.
4. *Bond Structure.* The term to maturity of any CTCIP CFD bonds shall not exceed the maximum term specified in the Act. Once principal amortization

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on a CTCIP CFD bond issue has commenced, debt service thereon may escalate by no more than 2% per bond year.

D. Disclosure to Prospective Property Purchasers in CTCIP CFDs

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

E. Equity of Special Tax Formulas and Maximum Special Taxes for CTCIP CFDs

1. *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 the CTCIP CFD. Exemptions from the special tax may be given to parcels which are publicly-owned, are held by property owners associations, 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.
2. *Total Tax Burden.* The total tax burden (that is, the anticipated maximum annual CTCIP CFD special tax, together with ad valorem property taxes, special assessments, special taxes for any overlapping community facilities district, and any other taxes, fees and charges payable from and secured by the property) on any residential owner-occupied parcel in a CTCIP CFD shall not exceed 2% of the estimated base sales price of such parcel upon completion of the public and private improvements relating thereto.
3. *Rate and Method of Apportionment.* The rate and method of apportionment for CTCIP CFD special taxes must be structured so as to produce special tax revenues sufficient to pay (a) debt service on all CTCIP CFD bonds, and (b) reasonable and necessary annual administrative expenses of the CTCIP 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 CTCIP CFD bond issue, (b) amounts to pay directly the costs of public facilities authorized to be financed by the CTCIP CFD, (c) the accumulation of funds reasonably required for future debt service on CTCIP CFD bonds, (d) amounts equal to projected delinquencies in special tax payments, (e) remarketing, credit

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enhancement or liquidity fees, and (f) any other costs or payments permitted by law.

In any case, the CTCIP 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) 100% of projected annual debt service on all CTCIP CFD bonds for the calendar year commencing in such fiscal year, plus (b) projected administrative expenses of the CTCIP CFD for the calendar year commencing in such fiscal year. Generally, the rate and method of apportionment for CTCIP CFD special taxes will be required to include a back-up tax so that changes in development within the CTCIP CFD would not result in the inability to levy special taxes that would produce special tax revenues in such amounts.

4. *Increases in Special Tax.* The annual increase, if any, in the maximum special tax for any parcel within a CTCIP CFD may not exceed any maximum specified in the Act. The increase in the special tax levied on any parcel within a CTCIP CFD as a consequence of delinquency or default by the owner on any other parcel may not exceed any maximum specified in the Act.
5. *Prepayment of Special Tax.* Generally, the special tax rate and method of apportionment for a CTCIP CFD will be structured so as to allow the prepayment of special taxes by property owners.

F. Appraisals for CTCIP CFD Bond Issues

Except as provided below, the definitions, standards and assumptions to be used in appraisals required in connection with the County's use of the Act for CTCIP CFDs are as set forth in the CDIAAC Guidelines, with the following modifications:

1. The independent review appraiser is an option, and not a requirement;
2. The comparable sales method may be used whenever there is sufficient data available;
3. The appraiser should assume the presence of the public infrastructure to be financed with the bonds in connection with which the appraisal is being prepared; and

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4. 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 USPAP, USPAP shall govern.

G. Disclosure for CTCIP CFD Bond Issues

1. *Initial Disclosure.* Each owner of property within a CTCIP CFD that has not reached its planned development stage and that will be responsible for a substantial portion (as determined by the County) of annual debt service on an issue of CTCIP 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 County to comply with, satisfy any requirements of, or avoid any liability under, any applicable federal or state securities laws.
2. *Continuing Disclosure.* Each owner of property within a CTCIP 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 County) of annual debt service on an issue of CTCIP 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.

III. COMMUNITY FACILITIES DISTRICTS FOR PARTICIPANTS IN THE CRITICAL TRANSPORTATION CORRIDOR IMPROVEMENT PROGRAM

- A. A participant CFD is a Community Facilities District whose entire boundary is within the boundaries of a CTCIP CFD.

Generally, proceedings for the establishment of a participant CFD will be instituted by a petition of landowners, as provided in Section 53318 of the Government Code.

Public facilities to be owned and operated by the County that are financed through participant CFDs will, generally, be constructed by or on behalf of the landowners and, upon completion, be acquired by the County with proceeds of the participant CFD bonds.

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A description of participant CFDs and the requirements and procedures relating to applications, petitions, deposits, approvals and other administrative matters for participant CFDs are set forth in the Operations Manual.

B. Priorities for Participant CFD Financing

The priority that various kinds of public facilities will have for financing through the County's use of the Act by means of participant CFDs is as follows:

1. Public facilities to be owned and operated by the County that constitute regional infrastructure required to serve proposed development;
2. Other public facilities to be owned and operated by the County for which there is a clearly demonstrated public benefit; and
3. Public facilities to be owned and operated by a public agency other than the County (including school districts), including such public facilities financed *in lieu* of the payment of development fees imposed by such public agency.
4. Development fee obligation imposed by public agencies other than the County.

C. Credit Quality Requirements for Participant CFD Bond Issues

1. *Project Viability.* The viability of the development project within a participant CFD is a critical component of the credit quality of a participant CFD bond issue. Accordingly, the viability of each such development project will be reviewed and evaluated by the County. Under most circumstances, the viability of a development project is enhanced as the project moves further through the development process. Therefore, generally, a participant CFD will be established only if tract or parcel maps for the development project to be undertaken therein have been approved by the Board of Supervisors.
2. *Statutory Requirements.* The County will require that the credit quality of any participant CFD bond issue be such that the requirements of Section 53345.8 of the Government Code will be met.
3. *Reserve Fund.* In order to enhance the credit quality of participant CFD bond issues, the County 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

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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.

4. **Credit Enhancement.** The County may require credit enhancement to increase the credit quality of a participant CFD bond issue, particularly where the value-to-lien ratio of a significant portion of the parcels in such participant CFD is less than three-to-one. Such credit enhancement will usually be 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 parcels and will be required to remain in effect until such parcels are 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.
5. ***Capitalized Interest.*** The amount of capitalized interest funded for an issue of participant CFD bonds may not exceed any maximum specified in the Act.
6. ***Bond Structure.*** The term to maturity of any participant CFD bonds shall not exceed the maximum term specified in the Act. Once principal amortization on a participant CFD bond issue has commenced, debt service thereon may escalate by no more than 2% per bond year.

D. Disclosure to Prospective Property Purchasers in Participant CFDs

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

E. Equity of Special Tax Formulas and Maximum Special Taxes for participant CFDs

1. ***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 the participant CFD.

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Exemptions from the special tax may be given to parcels which are publicly-owned, are held by property owners associations, 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.

2. *Total Tax Burden.* The total tax burden (that is, the anticipated maximum annual participant CFD special tax, together with *ad valorem* property taxes, special assessments, special taxes for any overlapping community facilities district, and any other taxes, fees and charges payable from and secured by the property) on any residential owner-occupied parcel in a participant CFD shall not exceed 2% of the estimated base sales price of such parcel upon completion of the public and private improvements relating thereto.
3. *Rate and Method of Apportionment.* The rate and method of apportionment for participant CFD special taxes must be structured so as to produce special tax revenues sufficient to pay (a) debt service on all participant CFD bonds, and (b) reasonable and necessary annual administrative expenses of the participant 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 participant CFD bond issue, (b) amounts to pay directly the costs of public facilities authorized to be financed by the participant CFD, (c) the accumulation of funds reasonably required for future debt service on participant CFD bonds, (d) amounts equal to projected delinquencies in special tax payments, (e) remarketing, credit enhancement or liquidity fees, and (f) any other costs or payments permitted by law.

In any case, the participant 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 participant CFD bonds for the calendar year commencing in such fiscal year, plus (b) projected administrative expenses of the participant CFD for the calendar year commencing in such fiscal year. Generally, the rate and method of apportionment for participant CFD special taxes will be required to include a back-up tax so that changes in development within the participant CFD would not result in the inability to levy special taxes that would produce special tax revenues in such amounts.

4. *Increases in Special Tax.* The annual increase, if any, in the maximum special tax for any parcel within a participant CFD may not exceed any maximum specified in the Act. The increase in the special tax levied on any

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parcel within a participant CFD as a consequence of delinquency or default by the owner on any other parcel may not exceed any maximum specified in the Act.

5. *Prepayment of Special Tax.* Generally, the special tax rate and method of apportionment for a participant CFD will be structured so as to allow the prepayment of special taxes by property owners.

F. Appraisals for Participant CFD Bond Issues

Except as provided below, the definitions, standards and assumptions to be used in appraisals required in connection with the County's use of the Act for participant CFDs are as set forth in the CDIAC Guidelines, with the following modifications:

1. The independent review appraiser is an option, and not a requirement;
2. The comparable sales method may be used whenever there is sufficient data available;
3. The appraiser should assume the presence of the public infrastructure to be financed with the bonds in connection with which the appraisal is being prepared; and
4. 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 CDIAC Guidelines and the corresponding definitions, standards or assumptions in USPAP, USPAP shall govern.

G. Disclosure for Participant CFD Bond Issues

1. *Initial Disclosure.* Each owner of property within a participant CFD that has not reached its planned development stage and that will be responsible for a substantial portion (as determined by the County) of annual debt service on an issue of participant 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 County to comply with, satisfy any requirements of, or avoid any liability under, any applicable federal or state securities laws.

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2. *Continuing Disclosure.* Each owner of property within a participant 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 County) of annual debt service on an issue of participant 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.

IV. SERVICE AND MAINTENANCE COMMUNITY FACILITIES DISTRICTS

- A. A Service and Maintenance CFD is a community facilities district that is established to fund one or more types of services authorized by the Act and/or to fund the maintenance of any real or tangible property as authorized by the Act.

Generally, proceedings for the establishment of a Service and Maintenance CFD will be instituted by a petition of landowners as provided in Section 53318 of the Act. However, proceedings may be initiated by the legislative body on its own initiative.

Service and Maintenance CFDs will be established to support projects which address a public need and provide a public benefit. Service and Maintenance CFDs will fund all or a portion of the costs of service and/or cost of maintenance as authorized by the Act. The County may require a Services and Maintenance CFD to be formed to fund the cost of maintenance or cost of services required as a condition of development for a development project.

Services and maintenance activities are eligible for funding by means of Service and Maintenance CFDs to the extent that there are benefits to proposed development projects and the public or to the extent that impacts of a proposed development project can be mitigated; and provided that the funding of such services and maintenance activities are authorized by the Act. In addition, Service and Maintenance CFDs may be employed by the County to fund services and maintenance activities that promote the general welfare, provide public benefits, and/or fill a public need. However, consistent with Section 53313 of the Act, services may only be funded to the extent that they are in addition to those provided in the area or district before the Service and Maintenance CFD was created.

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B. Priorities for Service and Maintenance CFD Funding

The financing priority for various types of maintenance and services funded through the County's use of Service and Maintenance CFDs is as follows:

1. Maintenance activities related to facilities owned by or to be owned by the County and/or the provision of services within the unincorporated area of the County that address a public need and promote the general welfare of the County and benefit the public.
2. Maintenance activities related to facilities owned or to be owned by the County that provide benefits to a proposed development project or mitigate impacts of a proposed development project.
3. Maintenance activities related to facilities owned or to be owned by a public agency other than the County that provide benefits to a proposed development project or mitigate impacts of a proposed development project.

C. Disclosure to Prospective Property Purchasers in Service and Maintenance CFDs

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

D. Equity of Special Tax Formulas and Maximum Special Taxes for Service and Maintenance CFDs

1. 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 the Service and Maintenance CFD. Exemptions from the special tax may be given to parcels which are publicly-owned, are held by property owners associations, 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.

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2. Total Tax Burden. The total tax burden (that is, the anticipated maximum annual Service and Maintenance CFD special tax, together with *ad valorem* property taxes, special assessments, special taxes for any overlapping community facilities district, and any other taxes, fees and charges payable from and secured by the property) on any residential owner-occupied parcel in a Service and Maintenance CFD shall not exceed 2% of the estimated base sales price of such parcel upon completion of the public and private improvements relating thereto as established at the time of approval of the Service and Maintenance CFD.

3. Rate and Method of Apportionment. The rate and method of apportionment for Service and Maintenance CFD special taxes must be structured so as to produce special tax revenues sufficient to pay (a) all or a portion of the cost of maintenance or services provided by the CFD, and (b) reasonable and necessary annual administrative expenses of the Service and Maintenance CFD. Additionally, the rate and method of apportionment may be structured so as to produce amounts sufficient to fund amounts equal to projected delinquencies in special tax payments, to accumulate a reasonable maintenance reserve fund, and provide for any other costs or payments permitted by law.

Generally, the rate and method of apportionment for Service and Maintenance CFD special taxes will be required to include a back-up tax so that changes in development within the Service and Maintenance CFD would not result in the inability to levy sufficient special taxes.

4. Increases in Special Tax. The increase in the special tax levied on any parcel within a Service and Maintenance CFD as a consequence of delinquency or default by the owner on any other parcel may not exceed any maximum specified in the Act.

E. Costs of Establishing Service and Maintenance CFDs

To the extent that a Service and Maintenance CFD is proposed to be established by a petition of landowners, said landowners are expected to advance the costs of formation of the Service and Maintenance CFD, including the costs of County's consultants. The advanced costs will include the costs of evaluation of the proposal and formation of the Service and Maintenance CFD.

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V. ASSESSMENT DISTRICTS

- A. An Assessment District is a special assessment district established pursuant to the 1913 Act. Generally, Assessment District bonds will be issued pursuant to the Improvement Bond Act of 1915 (the “1915 Act”).

Generally, proceedings for the establishment of an Assessment District will be instituted by a petition of landowners.

Public facilities to be owned and operated by the County that are financed through Assessment Districts will, generally, be constructed by or on behalf of the landowners and, upon completion, be acquired by the County with proceeds of the Assessment District bonds.

A description of Assessment Districts and the requirements and procedures relating to applications, petitions, deposits, approvals and other administrative matters for Assessment Districts are set forth in the Operations Manual.

- B. Priorities for Assessment District Financing

The priority that various kinds of public facilities will have for financing by means of Assessment Districts is as follows:

1. Public facilities to be owned and operated by the County for which there is a clearly demonstrated public benefit; and
2. Public facilities to be owned and operated by a public agency other than the County.

Assessment District financings will not be used to satisfy development fee obligations imposed by the County or another public agency.

- C. Credit Quality Requirements for Assessment District Bond Issues

1. *Project Viability.* The viability of the development project within an Assessment District is a critical component of the credit quality of an Assessment District bond issue. Accordingly, the viability of each such development project will be reviewed and evaluated by the County. Under most circumstances, the viability of a development project is enhanced as the project moves further through the development process. Therefore, generally, an Assessment District will be established only if tract or parcel maps for the

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development project to be undertaken therein have been approved by the Board of Supervisors.

2. *Value-to-Lien Requirements.* The County will require that the credit quality of any Assessment District bond issue be such that the requirements of Section 53345.8 of the Government Code will be met (said Section to be read as if references therein to the bonds to be sold are references to such Assessment District bonds and as if references therein to policies adopted pursuant to the Act are references to the policies set forth herein for Assessment Districts); provided, however, that such requirements shall be modified by replacing the phrase “at least three times” in subdivision (a) of said Section with the phrase “at least four times.”
3. *Reserve Fund.* In order to enhance the credit quality of Assessment District bond issues, the County 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.
4. *Credit Enhancement.* Where a substantial amount of the property (as determined by the County) within an Assessment District is undeveloped, the County will generally require credit enhancement to increase the credit quality of such Assessment District bond issue. Such credit enhancement will usually be 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 assessment installments levied on undeveloped property and will be required to remain in effect so long as a substantial amount of the property within the Assessment District remains undeveloped. 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.

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5. *Capitalized Interest.* Generally, the amount of capitalized interest funded for Assessment District bond issues will be limited to the amount necessary to pay debt service on the bonds until first interest payment date occurring after the assessment installments may be included in the real property tax roll.
6. *Bond Structure.* The term to maturity of any Assessment District bonds shall not exceed the maximum term specified in the 1915 Act. Assessment District bonds shall be structured such that, once principal amortization thereof has commenced, debt service thereon will be substantially level.

D. Disclosure to Prospective Property Purchasers in Assessment Districts

In order to ensure that prospective property purchasers are fully informed about their assessment obligations, in connection with Assessment Districts, the County will require that the requirements of disclosure to prospective property purchasers contained in Section 53754 of the Government Code be met.

E. Equity of Assessments and Maximum Assessments for Assessment Districts

1. *Direct and Special Benefit.* The apportionment of the assessments among the parcels included within an Assessment District shall be based upon the direct and special benefit each parcel receives from the public facilities to be financed.
2. *Total Tax Burden.* The total tax burden (that is, the annual Assessment District assessment installments, together with *ad valorem* property taxes, any other special assessments levied on the property, special taxes for any overlapping community facilities district, and any other taxes, fees and charges payable from and secured by the property) on any residential owner-occupied parcel in an Assessment District shall not exceed 2% (two percent) of the estimated base sales price of such parcel upon completion of the public and private improvements relating thereto.
3. *Administrative Expenses.* The assessments levied in an Assessment District shall include an amount for administrative expenses relating to the Assessment District, including expenses necessary for the enrollment and collection of the annual assessment installments and Assessment District bond administration.
4. *Assessment Installments.* The annual assessment installments for assessments levied on a parcel in an Assessment District shall be

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substantially equal, except that a variation for administrative expenses shall be allowed.

F. Appraisals for Assessment District Bond Issues

Except as provided below, the definitions, standards, and assumptions to be used in appraisals required in connection with Assessment District bond issues are as set forth in the CDIAAC Guidelines, with the following modifications:

1. The independent review appraiser is an option, and not a requirement;
2. The comparable sales method may be used whenever there is sufficient data available; and
3. The appraiser should assume the presence of the public infrastructure to be financed with the bonds in connection with which the appraisal is being prepared.

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 USPAP, USPAP shall govern.

G. Disclosure for Assessment District Bond Issues

1. *Initial Disclosure.* Each owner of property within an Assessment District that has not reached its planned development stage and that will be responsible for a substantial portion (as determined by the County) of annual debt service on an issue of Assessment District 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 County to comply with, satisfy any requirements of, or avoid any liability under, any applicable federal or state securities laws.
2. *Continuing Disclosure.* Each owner of property within an Assessment District, 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 County) of annual debt service on an issue of Assessment District 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.

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VI. STATEWIDE COMMUNITY INFRASTRUCTURE PROGRAM (SCIP)

- A. Public capital improvement and facilities SCIP financings less than \$10 million are eligible to participate in SCIP.
- B. The County shall allow participation in SCIP for those landowners whose entire property is not included in a CTCIP CFD or any planning area so identified by the County. Landowners will NOT be allowed to finance Development Impact Fees, including Area Drainage Plan fees.
- C. Conformance to County Policy. Only those applications received from SCIP meeting the County's land secured requirements contained in this policy will be accepted.
- D. Disclosure for SCIP Bond Issues. In order to ensure that prospective property purchasers are fully informed about their assessment obligations the County will require that the requirements of disclosure to prospective property purchasers contained in Section 53754 of the Government Code be met.
- E. A description of SCIP and the requirements and procedures relating to applications, deposits, approvals and other administrative matters for the program are set forth in California Statewide Communities Development Authority's SCIP Manual of Procedures website:
<https://cscda.org/wp-content/uploads/2021/03/SCIP-Manual-2018-1.pdf>.
- F. The County Executive Office, with review and concurrence of the Debt Advisory Committee, shall maintain the County's Manual of Procedures for SCIP (Attachment A), providing for the implementation of Section VI of this policy.

VII. MINIMUM STANDARDS; WAIVERS AND AMENDMENT

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

The County may, in its discretion and to the extent permitted by law, waive any of the policies set forth herein in particular cases. Exceptions to such policies will be considered that are consistent with current public financing practices when structuring bond refundings and workouts, when considering unique bond structures (e.g., escrowed bond proceeds or variable rate bonds) or when additional credit enhancements (e.g., bond insurance or credit supports) are present.

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

Reference:

Minute Order 3.52 dated 07/27/1993

Minute Order 3.15 dated 11/08/1994

Minute Order 3.2 dated 02/09/1999 (B-12 Eff. Except as Superseded by Policy B-12a 1/11/1998)

Minute Order 3.5 of 11/10/1998 (B-12a)

Minute Order 3.2 of 02/09/1999 (B-12a)

Minute Order 3.27 of 12/09/2003 (B-12 approved replaces B-12a)

Minute Order 3.4 of 11/14/2006

Minute Order 3.3 of 04/10/07

Minute Order 3-1 of 01/27/2015

Minute Order 3.7 of 03/22/2022

FOLLOWING IS ATTACHMENT A

**ATTACHMENT A
MANUAL OF PROCEDURES
FOR THE
STATEWIDE COMMUNITY INFRASTRUCTURE PROGRAM**

I. Introduction

The County of Riverside (“County”) participates in the Statewide Community Infrastructure Program (“SCIP”). The program is intended to provide a means by which the payment of certain public capital improvements and facilities may be financed through a Community Facilities District established by SCIP pursuant to the Mello-Roos Community Facilities Act of 1982 (the “Act”) and/or a special Assessment District established by SCIP pursuant to the Municipal Improvement Act of 1913 (“1913 Act”) with bonds structured and sold by SCIP pursuant to the Improvement Bond Act of 1915 (“1915 Act”).

II. Definitions

- A. “County” shall mean the County of Riverside.
- B. “CTCIP CFD” shall mean a Critical Transportation Corridor Improvement Program Community Facilities District as defined in the County’s Board of Supervisors Policy B-12.
- C. “SCIP” shall mean the Statewide Community Infrastructure Program as administered by the California Statewide Communities Development Authority (CSCDA).
- D. “SCIP Applicant” shall mean that property owner who has submitted a SCIP application but has not yet been approved by SCIP.
- E. “SCIP Deposit” shall mean the deposit required at the time a SCIP application is approved for the Engineer’s Report and appraisal. See Article III in the CSCDA’s SCIP Manual of Procedures.
- F. “SCIP Participant” shall mean that property owner whose SCIP application has been approved by SCIP.

III. Eligibility Requirements

- A. A property owner whose entire property is not included in a CTCIP CFD or any planning area so identified by the County will be eligible to submit a SCIP application.
- B. Conformance to County Policy. Only those applications meeting the following county land secured requirements will be accepted.
 - 1. *Value to Lien Requirement.* The County will require that the credit quality be such that the requirements of Section 53345.8 of the

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MANUAL OF PROCEDURES
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Government Code will be met (said Section to be read as if references therein to the bonds to be sold are references to such Assessment District and Community Facilities District bonds and as if references therein to policies adopted pursuant to the Act are references to the policies set forth herein for Assessment Districts and Community Facilities Districts); provided, however, that such requirements shall be modified by replacing the phrase “at least three times” in subdivision (a) of said Section with the phrase “at least four times.”

2. *Total Tax Burden.* The total tax burden (that is, the annual Assessment District assessment installments, together with *ad valorem* property taxes, any other special assessments levied on the property, special taxes for any overlapping Community Facilities District, and any other taxes, fees and charges payable from and secured by the property) shall not exceed 2% of the estimated base sales price of such parcel upon completion of the public and private improvements relating thereto.
- C. Public capital improvement and facilities SCIP financings less than \$10 million are eligible to participate in SCIP. See Article II regarding General Eligibility Requirements in the CSCDA’s SCIP Manual of Procedures ([SCIP-Manual-2018-1.pdf \(cscda.org\)](#)).

IV. Application Process

- A. Participation in the County SCIP will be at the tract level.
- B. SCIP Applicant must submit a separate application to CSCDA for each public capital improvement and facilities project to be financed through SCIP.
- C. SCIP fee. A non-refundable fee will be due to SCIP upon submittal of a SCIP application. This fee is eligible for reimbursement from bond proceeds. This fee is subject to change at the discretion of SCIP. See Article III in the CSCDA’s SCIP Manual of Procedures ([SCIP-Manual-2018-1.pdf \(cscda.org\)](#)).
- D. Incomplete SCIP applications will not be processed and will be returned to the applicant.
- E. County fee. A non-refundable administrative processing fee of \$250 will be due to the County upon the submittal of a SCIP application. This fee is subject to change at the discretion of the County.

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F. County review.

1. County Executive Office (EO). The EO will review the SCIP application for completeness and be responsible for processing and executing all documentation associated with the SCIP application. Such SCIP application will be provided by CSCDA to the EO.
2. County of Riverside Transportation and Land Management Agency (TLMA). TLMA will review the SCIP application to ensure that the property for which a SCIP application has been submitted is in the unincorporated portion of the County and that the property is not within the boundaries of a CTCIP CFD.
3. Riverside County Flood Control and Water Conservation District (RCFC&WCD). The RCFC&WCD will review the SCIP application for accuracy related to RCFC&WCD maintained infrastructure as a participating local agency, when appropriate.

G. Withdrawal from SCIP.

1. SCIP Applicant/Participant must provide the County and SCIP a written notification of their withdrawal.
2. Fees paid will not be refunded and the SCIP Applicant/Participant will be responsible for any additional fees incurred in the SCIP process (appraisal, etc.).

H. Denial of SCIP application

1. A SCIP application may be denied by SCIP if the application does not meet the eligibility requirements. Denial may be at any time in the process and is at the discretion of SCIP.
2. A SCIP application may be denied by the County if the application does not meet eligibility requirements. The Applicant will be provided, in writing, the basis for denial of their application.
3. Application fees paid will not be refunded and the SCIP Applicant will be responsible for any additional fees incurred in the SCIP process (appraisal, etc.).