

CITY OF NAPA

COMMUNITY FACILITIES

DISTRICT NO. 2017-1

(GASSER SOSCOL GATEWAY)



**Fiscal Year 2017-18
Annual Tax Report**

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CITY OF NAPA
COMMUNITY FACILITIES DISTRICT NO. 2017-1
(GASSER SOSCOL GATEWAY)

FISCAL YEAR 2017-18

CITY COUNCIL AND CITY STAFF

Jill Techel
Mayor

Peter Mott
Vice Mayor

Doris Gentry
Councilmember

Jim Krider
Councilmember

Scott Sedgley
Councilmember

Steve Potter
Interim City Manager

Brian Cochran
Finance Director

Francisco & Associates, Inc.
Special Tax Consultant

SECTION I

INTRODUCTION

A Resolution of Formation creating City of Napa Community Facilities District No. 2017-1 (the “CFD”) was approved on September 5, 2017, by the City Council (the “Council”) of City of Napa (the “City”). Development of the Gasser Foundation properties along Soscol Canyon Road created the need for public financing of the public infrastructure required per the conditions of approval. The CFD was formed fund the construction of public roads, bridge, water quality improvements, drainage improvements, and water system improvements. In addition, the CFD will cover the costs associated with setting, levy and collection of the annual special taxes and incidental costs, as required by the City. The special tax will be levied in the CFD in each fiscal year beginning with fiscal year (FY) 2018/19.

This report provides a detailed description of the process used to calculate special tax levies for the CFD. The special taxes are calculated according to the “Rate and Method of Apportionment of Special Tax” (RMA) (see Appendix “A”) as adopted by the Board Resolution forming the CFD in September 2017.

BOUNDARIES OF THE CFD

All territory in the CFD is shown on the recorded boundary map. See Appendix “B” for a map showing the boundaries of the CFD. Parcels designated for a public use and some privately held easements are considered tax-exempt. All other parcels are subject to the annual special tax. The following is a breakdown of the development status for each parcel for FY 2017-18, as defined by the RMA, within the CFD.

| Assessor's Parcel Number | Developed Status | Assessor's Parcel Number | Developed Status |
|-----------------------------|---------------------|-----------------------------|---------------------|
| 005-180-028-000 | DEVELOPED | 046-693-010-000 | DEVELOPED |
| 005-20-0013-000 | DEVELOPED | 046-693-013-000 | DEVELOPED |
| 005-200-027-000 | DEVELOPED | 046-693-014-000 | DEVELOPED |
| 005-200-028-000 | UNDEVELOPED | 046-693-015-000 | DEVELOPED |
| 046-190-024-000 | UNDEVELOPED | 046-693-016-000 | DEVELOPED |
| 046-190-045-000 | DEVELOPED | 046-693-017-000 | DEVELOPED |
| 046-190-052-000 | EXEMPT* | 046-694-004-000 | DEVELOPED |
| 046-190-053-000 | UNDEVELOPED | 046-694-005-000 | DEVELOPED |
| 046-190-054-000 | UNDEVELOPED | 046-694-006-000 | DEVELOPED |
| 046-190-067-000 | DEVELOPED | 046-694-007-000 | DEVELOPED |
| 046-692-001-000 | DEVELOPED | 046-694-008-000 | DEVELOPED |
| 046-692-002-000 | DEVELOPED | | |

*This parcel has been classified as affordable housing and has been deemed to be Exempt Property under the RMA by the CFD Administrator

ANNUAL SPECIAL TAX LEVY

For FY 2017-18, the maximum annual special tax rate for Developed Property was \$35,562.00 per acre. The maximum annual special tax rate for Undeveloped Property was \$35,562.00 per acre.

Since capitalized interest was included in the bond issue, there was no special tax levy required for FY 2017-18. The special tax will be levied for the first time in FY 2018-19.

IMPROVEMENTS FINANCED BY THE CFD

The full and complete list of authorized improvements can be found in Appendix "C". The following is a summary of the items funded by the CFD:

1. Public Street Improvements
2. Water Quality Improvements
3. Drainage Improvements
4. Water System Improvements
5. Water Line Improvements

SECTION II

REVENUES AND EXPENDITURES

The revenues are the special tax collections and interest earnings, if any, for FY 2017-18. The costs are those expenditures that must be funded in FY 2017-18. The annual costs are composed of: 1) bond debt service, 2) administrative expenses, 3) prior year or anticipated current year delinquencies, and 4) improvement fund expenditures. The initial debt service schedule for the bonds can be found in Appendix "D".

Special Tax Fund Revenues and Expenditures

| | |
|---------------------------------|----------------------|
| Revenues: | |
| Fund Balance | \$ 0.00 |
| Special Tax Levy | 0.00 |
| Interest Earnings | 2,688.33 |
| Revenue from Initial Bond Issue | 947,836.89 |
| | <u>\$ 950,525.22</u> |
| Expenditures: | |
| Debt Service Payment | \$ 175,721.26 |
| Anticipated Delinquencies | \$ 0.00 |
| Admin. Expenses | 25,000.00 |
| Cost of Issuance | 375,000.00 |
| | <u>\$ 575,721.26</u> |
| Balance as of June 30, 2018 | \$ 374,803.96 |

Improvement Fund Revenues and Expenditures

| | |
|--|-------------------------|
| Revenues: | |
| Initial Improvement Fund Balance | \$ 18,005,001.57 |
| Interest Earnings | 58,349.42 |
| | <u>\$ 18,063,350.99</u> |
| Expenditures: | |
| Payment Request No. 1 | \$ 9,944,781.23 |
| Payment Request No. 2 | 2,347,388.31 |
| | <u>\$ 12,292,169.54</u> |
| Improvement Fund Balance as of June 30, 2018 | \$ 5,771,181.45 |

SECTION III

STATUS OF CONSTRUCTION

The following is the status of construction of the improvements financed within the CFD, as provided by the developer.

Status of Construction

| Facility Description | Percent Complete | Estimated Completion Date |
|-----------------------------------|------------------|---------------------------|
| Gasser Drive Extension and Bridge | 74% | December, 2018 |
| Residual Overland Flow | 95% | December, 2018 |
| Sousa / Oil Company Road | 69% | October, 2018 |

Source: The Gasser Foundation

SECTION IV

CALCULATION OF SPECIAL TAX LEVY

CLASSIFICATION OF PARCELS

For each fiscal year, each parcel of land within the CFD is classified as Taxable or Tax-Exempt. The Taxable Properties are further classified as a Developed Property or Undeveloped Property. The parcel classifications for FY 2017-18 are summarized below.

| Land Use | No. of Parcels | Taxable Acres |
|----------------------|-------------------|------------------|
| Developed Property | 18 | 29.81 |
| Undeveloped Property | 4 | 10.87 |
| Exempt Property | 1 | N/A |
| Total | 23 | 40.68 |

ASSIGNMENT OF MAXIMUM ANNUAL SPECIAL TAX

The maximum annual special taxes are determined by multiplying the taxable acreage for each property by \$35,562.00 per acre. The following table shows the FY 2017-18 maximum annual special tax for each taxable parcel with the CFD.

| Assessor's Parcel Number | Developed Status | FY 2017-18 Maximum Tax |
|-----------------------------|---------------------|---------------------------|
| 005180028000 | DEVELOPED | \$84,637.56 |
| 005200013000 | DEVELOPED | \$30,938.94 |
| 005200027000 | DEVELOPED | \$64,367.22 |
| 005200028000 | UNDEVELOPED | \$18,136.62 |
| 046190024000 | UNDEVELOPED | \$28,805.22 |
| 046190045000 | DEVELOPED | \$85,704.42 |
| 046190053000 | UNDEVELOPED | \$118,777.08 |
| 046190054000 | UNDEVELOPED | \$220,840.02 |
| 046190067000 | DEVELOPED | \$207,326.46 |
| 046692001000 | DEVELOPED | \$29,872.08 |
| 046692002000 | DEVELOPED | \$43,385.64 |
| 046693010000 | DEVELOPED | \$14,936.04 |
| 046693013000 | DEVELOPED | \$33,072.66 |
| 046693014000 | DEVELOPED | \$12,091.08 |
| 046693015000 | DEVELOPED | \$18,492.24 |
| 046693016000 | DEVELOPED | \$33,428.28 |
| 046693017000 | DEVELOPED | \$24,893.40 |
| 046694004000 | DEVELOPED | \$19,914.72 |
| 046694005000 | DEVELOPED | \$75,391.44 |
| 046694006000 | DEVELOPED | \$181,010.58 |
| 046694007000 | DEVELOPED | \$8,534.88 |
| 046694008000 | DEVELOPED | \$92,105.58 |
| | | \$1,446,662.16 |

CURRENT ANNUAL CFD REVENUE

The annual CFD revenue is equal to the special tax requirement as defined by the RMA. For FY 2017-18, there was no special tax requirement since all needs were funded through the initial bond issue. Therefore, there was no special tax levy for FY 2017-18. The special tax will be levied for the first time for FY 2018-19.

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

CITY OF NAPA
Community Facilities District No. 2017-1
(Gasser Soscol Gateway)

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

To the extent provided herein a Special Tax shall be levied on all Assessor's Parcels of Taxable Property in the City of Napa Community Facilities District No. 2017-1 (Gasser Soscol Gateway) and collected each Fiscal Year commencing in Fiscal Year 2017-18, in an amount determined by the CFD Administrator through the application of the procedures described below. All of the real property in CFD No. 2017-1, 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:

"Acre" or "Acreage" means the number of acres of land area of an Assessor's Parcel as shown on an Assessor's Parcel Map or, if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map, parcel map, condominium plan, or other recorded County parcel map. One acre is equal to 43,560 square feet.

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

"Administrative Expenses" means the following actual or reasonably estimated costs related to the administration of CFD No. 2017-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City, CFD No. 2017-1, or any designee thereof); the costs of collecting the Special Taxes (whether by the County, the City, through foreclosure proceedings, or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2017-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2017-1 or any designee thereof of complying with City, CFD No. 2017-1 or obligated persons disclosure requirements associated with applicable federal and state securities laws and of 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. 2017-1 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes; the costs of City staff time and reasonable overhead relating to the administration of CFD No. 2017-1; and any other

costs or third party expenses estimated or advanced by the City or CFD No. 2017-1 for any other administrative purposes of CFD No. 2017-1.

"Assessor's Parcel" means a lot or parcel shown in 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.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2017-1 under the Act.

"CFD Administrator" means an official of the City, or designee thereof, who is responsible for determining the Special Tax Requirement, providing for the levy and collection of the Special Taxes, and other duties as set forth herein.

"CFD No. 2017-1" means the City of Napa Community Facilities District No. 2017-1 (Gasser Soscol Gateway).

"City" means the City of Napa.

"County" means the County of Napa.

"Developed Property" means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Property Owner Association Property or Taxable Public Property, for which a building permit for construction of new building square footage (excluding any permits for additions to property where the addition is less than 1,000 square feet) was issued prior to May 1 of the prior Fiscal Year. Once a property is assigned to the Developed Property category, it cannot be reclassified in subsequent years to Undeveloped Property,

"Final Map" means (i) for property other than Condominiums, a final map approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates individual lots for which building permits may be issued, or (ii) for Condominiums, a final map approved by the City and a condominium plan recorded pursuant to California Civil Code Section 1352 creating such individual lots or parcels.

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

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

"Maximum Special Tax" means, with respect to an Assessor's Parcel of Taxable Property, the Maximum Special Tax, determined in accordance with Section C below that can be levied in any Fiscal Year on such Assessor's Parcel.

"Outstanding Bonds" means all Bonds which are outstanding under and in accordance with the provisions of the Indenture.

"Property Owner Association Property" means, for each Fiscal Year, any property within the boundaries of CFD No. 2017-1 that is owned by or irrevocably dedicated to a property owner association, including any master or sub-association.

"Proportionately" means (a) with respect to the Special Tax for Developed Property that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels of Developed Property; (b) with respect to the Special Tax for Undeveloped Property that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels of Undeveloped Property; (c) with respect to the Special Tax for Taxable Property Owner Association Property that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels of Taxable Property Owner Association Property; and (d) with respect to the Special Tax for Taxable Public Property that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels of Taxable Public Property.

"Public Property" means, for each Fiscal Year, any property within the boundaries of CFD No. 2017-1 that (i) is owned by or irrevocably offered for dedication to the federal government, the State, the County, 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 shall be taxed and classified in accordance with its use; or (ii) is encumbered by a public utility easement making impractical its use for any purpose other than that set forth in the easement.

"Reserve Requirement" means the reserve requirement for the Bonds as defined in the Indenture.

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

"Special Tax" means the annual special tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount required or estimated to be required in any Fiscal Year to pay: (1) debt service and other periodic costs on the Bonds due in the calendar year commencing in such Fiscal Year; (2) directly for the acquisition or construction of authorized facilities of CFD No. 2017-1, to the extent that the inclusion of such amount does not increase the Special Tax levy beyond the step three in Section D; (3) Administrative Expenses; (4) any amount required to increase the amount on deposit in any reserve fund established for the Bonds to the Reserve Requirement applicable thereto; (5) for reasonably anticipated delinquent Special Taxes based on the delinquency

rate for Special Taxes levied in the previous Fiscal Year; and (6) the costs of remarketing, credit enhancement and liquidity facility and reserve surety fees; less (7) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

"State" means the State of California.

"Taxable Property" means, for each Fiscal Year, all of the property within the boundaries of CFD No. 2017-1 which is not exempt from the Special Tax pursuant to law or Section E below.

"Taxable Property Owner Association Property" means, for each Fiscal Year, all Assessor's Parcels of Property Owner Association Property that are not exempt from the Special Tax pursuant to Section E below.

"Taxable Public Property" means, for each Fiscal Year, all Assessor's Parcels of Public Property that are not exempt from the Special Tax pursuant to law or Section E below.

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

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Taxable Property Owner Association Property, or Taxable Public Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2017-1 shall be classified as Developed Property, Taxable Property Owner Association Property, Taxable Public Property, or Undeveloped Property, and shall be subject to the Special Tax in accordance with the rate and method of apportionment determined pursuant to Sections C, D, and E below.

C. MAXIMUM SPECIAL TAX RATE

1. *Developed Property - Maximum Special Tax*

The Maximum Special Tax for each Assessor's Parcel of Developed Property shall be \$35,562.00 per Acre

2. *Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property - Maximum Special Tax*

The Maximum Special Tax for each Assessor's Parcel of Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be \$35,562.00 per Acre.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAXES

Commencing with Fiscal Year 2017-18 and for each following Fiscal Year, the CFD Administrator shall determine the Special Tax Requirement and shall levy the Special Tax as follows:

- Step 1:** On July 1 of each year coordinate with the Napa County Assessor's Office to determine if the Taxable Properties of the prior Fiscal Year are valid Assessor's Parcels for the current Fiscal Year. If the Assessor's Parcels of the prior Fiscal Year are valid Assessor's Parcels proceed to Step "3" below;
- Step 2:** If some or all of the Taxable Properties of the prior Fiscal Year are invalid Assessor's Parcels for the current Fiscal Year, prorate the Maximum Special Tax for each invalid Assessor's Parcel to the newly created Taxable Property based on their Acreage for the current Fiscal Year showing the Maximum Special Tax for each valid Assessor's Parcel of Taxable Property;
- Step 3:** The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax for Developed Property, as needed to satisfy the Special Tax Requirement;
- Step 4:** If additional monies are needed to satisfy the Special Tax Requirement after the first three steps has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property as needed to satisfy the Special Tax Requirement;
- Step 5:** If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property at up to 100% of the Maximum Special Tax for Taxable Property Owner Association Property; and
- Step 6:** If additional monies are needed to satisfy the Special Tax Requirement after the first five steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property at up to 100% of the Maximum Special Tax for Taxable Public Property.

Notwithstanding the above, under no circumstances shall the Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than 10% as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2017-1.

E. EXEMPTIONS

The CFD Administrator shall classify as Exempt Property (i) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by the State of California, Federal or other local governments, including school districts, (excluding all property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act), (ii) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, or (iii) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by a property owners' association.

Notwithstanding the above, the CFD Administrator shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than 36.56 Acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 36.56 Acres will be classified as Taxable Public Property or Taxable Property Owners' Association Property, and will be subject to Special Taxes commencing with step five in Section D.

At such time, an Assessor's Parcel must be classified as Taxable Public Property or Taxable Property Owners' Association Property, the following hierarchy shall be used to determine which Assessor's Parcel will be taxed to ensure that the Taxable Property is not less than 36.56 acres:

First, an Assessor's Parcel as designated in (iii) above

Second, an Assessor's Parcel as designated in (ii) above

Third, an Assessor's Parcel as designated in (i) above

No Special Tax shall be levied on any Assessor's Parcel that has had its Special Tax obligation prepaid in full pursuant to Section H.

F. APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct and requesting a refund may file a written notice of appeal and refund to that effect with the CFD Administrator not later than one calendar year after having paid the Special

Tax that is disputed. The CFD Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and decide the appeal. If the CFD Administrator's decision requires the Special Tax be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the next Special Tax levy. Any dispute over the decision of the CFD Administrator shall be referred to an administrative hearing before a hearing officer in accordance with Napa Municipal Code Chapter 1.26 and the decision of the hearing officer shall be final. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any legal action by such owner.

G. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that the City may directly bill the Special Tax and may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

H. PREPAYMENT OF SPECIAL TAX

The Special Tax may be prepaid as described below.

The following definitions apply to this Section H:

"CFD Public Facilities Capacity" is equal to \$15.5 million.

"Construction Fund" means a fund or account, however denominated, specifically identified in the Indenture to hold funds which are available for expenditure to acquire or construct public facilities eligible for financing by CFD No. 2017-1 under the Act, including funds resulting from the levy of Special Taxes to pay directly for the acquisition or construction of authorized facilities.

"Future Facilities Costs" means, as of any date, the CFD Public Facilities Capacity minus (i) public facility costs previously paid from the Construction Fund, (ii) moneys currently on deposit in the Construction Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance public facilities costs. Notwithstanding the foregoing, if the City makes a covenant for the benefit of the owners of Bonds, that no additional Bonds (other than refunding Bonds issued under the Act) payable from the Special Tax will be issued by CFD No. 2017-1, the Future Facilities Costs shall be reduced to \$0.

"Outstanding Bonds" means, for purposes of this Section H, all Bonds which are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

"Reserve Fund" means each fund established under an Indenture as a reserve for the payment of principal of, and interest and any premium on, the Bonds.

1. Developed Property

A. Prepayment in Full

The Special Tax on any Assessor's Parcel of Developed Property may be prepaid and permanently satisfied. The Special Tax obligation applicable to such Assessor's Parcel in CFD No. 2017-1 may be fully prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the Prepayment Amount (defined below) for such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this calculation.

The Prepayment Amount shall be calculated as summarized below (capitalized terms as defined below):

| | |
|--------|----------------------------------|
| | Bond Redemption Amount |
| plus | Redemption Premium |
| plus | Future Facilities Amount |
| plus | Defeasance Amount |
| plus | Administrative Fees and Expenses |
| less | <u>Reserve Fund Credit</u> |
| equals | Prepayment Amount |

As of the proposed date of prepayment, the Prepayment Amount shall be calculated as follows:

- Step 1.** Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
- Step 2.** For Assessor's Parcels of Developed Property, compute the Maximum Special Tax applicable for the Assessor's Parcel to be prepaid.
- Step 3.** Divide the Maximum Special Tax computed pursuant to Step 2 by the total estimated Maximum Special Tax for all current Developed Property, and

- Step 4.** Multiply the quotient computed pursuant to Step 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be paid or redeemed (the "*Bond Redemption Amount*").
- Step 5.** Multiply the Bond Redemption Amount computed pursuant to Step 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
- Step 6.** Compute the current Future Facilities Costs.
- Step 7.** Multiply the quotient computed pursuant to Step 3 by the amount determined pursuant to Step 6 to compute the amount of Future Facilities Costs to be prepaid (the "*Future Facilities Amount*").
- Step 8:** Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
- Step 9:** Determine the Special Tax levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.
- Step 10.** Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
- Step 11.** Add the amounts computed pursuant to Steps 8 and 9 and subtract the amount computed pursuant to Step 10 (the "*Defeasance Amount*").
- Step 12.** Verify the administrative fees and expenses of No. 2017-1, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "*Administrative Fees and Expenses*").
- Step 13.** The reserve fund credit (the "*Reserve Fund Credit*") shall equal the lesser of: (a) the expected reduction in the Reserve Requirement, if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new Reserve Requirement in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the Reserve Fund established under the Indenture on the

prepayment date, but in no event shall such amount be less than zero.

Step 14. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 4, 5, 7, 11 and 12, less the amount computed pursuant to Step 13 (the "*Prepayment Amount*").

Step 15. From the Prepayment Amount, the amounts computed pursuant to Steps 4, 5, 11, and 13 shall be deposited into the appropriate fund or account as established under the Indenture and be used to redeem Outstanding Bonds or make debt service payments thereon. The amount computed pursuant to Step 7 shall be deposited into the Construction Fund. The amount computed pursuant to Step 12 shall be retained by CFD No. 2017-1.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund or account established under the Indenture to be used with the next redemption of Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under Step 9 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel on which the Special Tax is prepaid and permanently satisfied pursuant hereto, the City shall cause a notice of cancellation of special tax lien to be recorded in compliance with the Act, to indicate the prepayment and permanent satisfaction of such Special Tax and the cancellation of the Special Tax lien on such Assessor's Parcel

B. Prepayment in Part

The Special Tax on any Assessor's Parcel of Developed Property may be partially prepaid. The amount of the prepayment shall be calculated as in Section H.1.A, except that a partial prepayment shall be calculated according to the following formula:

$$PP = (P_E - A) \times F + A$$

These terms have the following meaning:

PP = the partial prepayment

P_E = the Prepayment Amount calculated according to Section H.1.A

F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Maximum Special Tax

A = the Administrative Fees and Expenses
according to Section H.1.A

An owner of an Assessor's Parcel intending to partially prepay the Special Tax obligation shall provide the CFD Administrator with (i) written notice of intent to partially prepay and (ii) the percentage of the Special Tax to be prepaid. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the partial Prepayment Amount for such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this calculation.

With respect to any Assessor's Parcel that is partially prepaid, CFD No. 2017-1 shall (i) distribute the funds remitted to it according to Section H.1.A. and (ii) indicate in the records of CFD No. 2017-1 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax shall continue to be levied on such Assessor's Parcel pursuant to Section D.

I. TERM OF SPECIAL TAX

The Special Tax shall be levied on each Assessor's Parcel of Taxable Property for a period not to exceed forty years from the Fiscal Year in which such Assessor's Parcel is first classified as Developed Property. Notwithstanding the foregoing no Special Tax shall be levied after Fiscal Year 2057-58.

APPENDIX B

LIST OF AUTHORIZED FACILITIES

List of Authorized Facilities

Pursuant to the Acquisition Agreement, dated December 1, 2017, between the City of Napa and the Developer with respect to City of Napa CFD No. 2017-1 (Gasser Soscol Gateway), the following are the authorized facilities to be funded by the CFD. This list may be amended with the written consent of both parties.

Gasser Drive Extension

Gasser Drive Extension Roadway
Gasser Drive Bridge over Tulocay Creek
Kansas Drive Improvements to Right of Way at Soscol

Residual Overland Flow

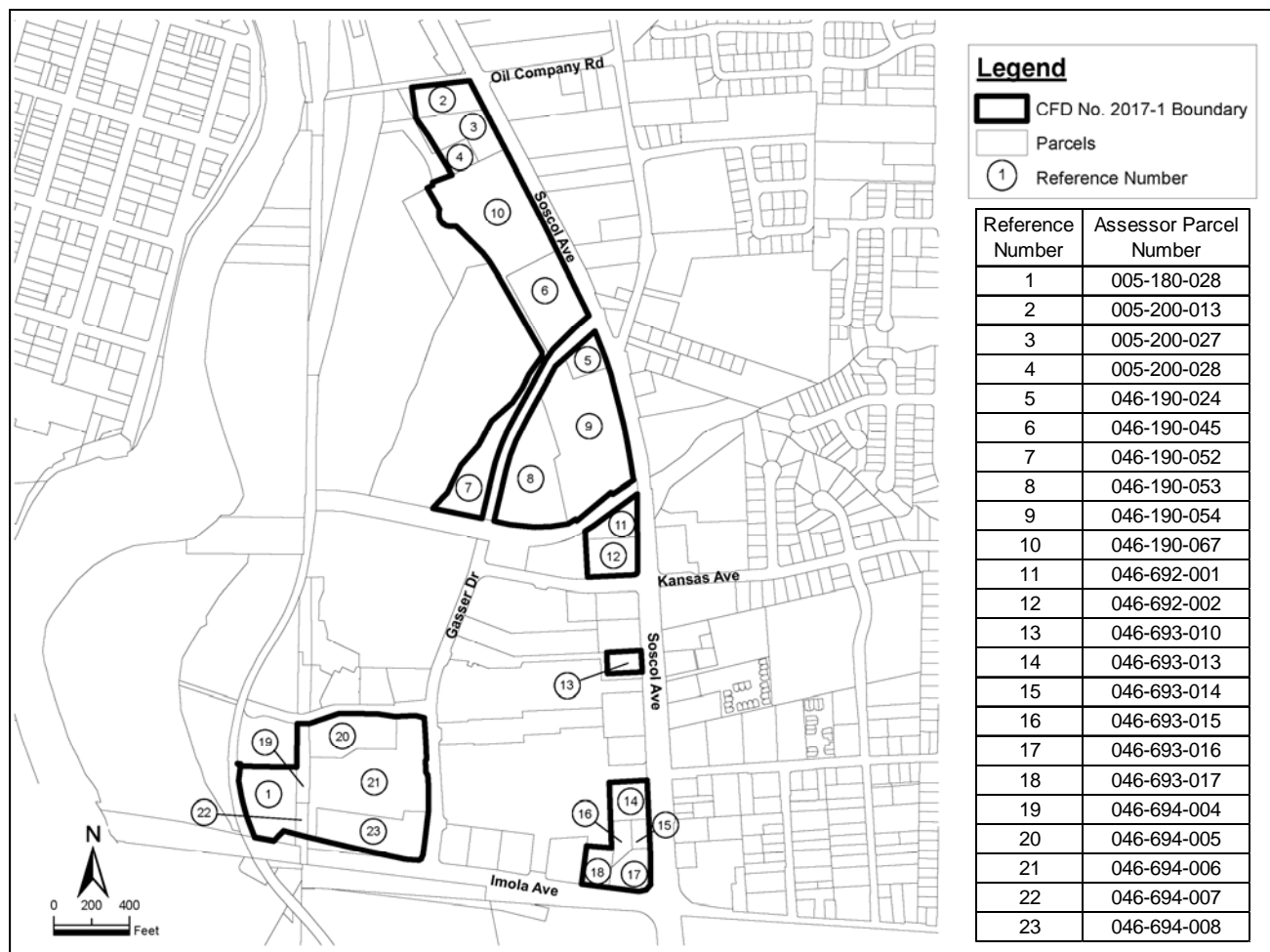
Gasser Drive – North Drive to Soscol
Residual Overland Flow Improvements / Peatman Drive
Water Quality Improvements
Drainage Improvements
Water System Improvements
Silverado / Sousa Water Line

Oil Company Road (Sousa Lane)

Sousa Lane Improvements and Intersection

APPENDIX C

BOUNDARY MAP



APPENDIX D
DEBT SERVICE SCHEDULE

\$19,950,000
City of Napa
Community Facilities District No. 2017-1 (Gasser Soscol Gateway)
2017 Special Tax Bonds

Debt Service Schedule

| Year Ending September 1 | Principal | Interest | Total Debt Service |
|----------------------------|------------------------|------------------------|-------------------------|
| 2018 | -- | \$ 547,836.89 | \$ 547,836.89 |
| 2019 | \$ 410,000.00 | 744,231.26 | 1,154,231.26 |
| 2020 | 420,000.00 | 733,931.26 | 1,153,931.26 |
| 2021 | 430,000.00 | 723,431.26 | 1,153,431.26 |
| 2022 | 445,000.00 | 709,431.26 | 1,154,431.26 |
| 2023 | 460,000.00 | 694,931.26 | 1,154,931.26 |
| 2024 | 475,000.00 | 679,931.26 | 1,154,931.26 |
| 2025 | 490,000.00 | 664,431.26 | 1,154,431.26 |
| 2026 | 510,000.00 | 644,831.26 | 1,154,831.26 |
| 2027 | 530,000.00 | 624,431.26 | 1,154,431.26 |
| 2028 | 550,000.00 | 603,231.26 | 1,153,231.26 |
| 2029 | 570,000.00 | 581,231.26 | 1,151,231.26 |
| 2030 | 590,000.00 | 562,581.26 | 1,152,581.26 |
| 2031 | 605,000.00 | 542,743.76 | 1,147,743.76 |
| 2032 | 630,000.00 | 521,843.76 | 1,151,843.76 |
| 2033 | 650,000.00 | 499,518.76 | 1,149,518.76 |
| 2034 | 675,000.00 | 473,518.76 | 1,148,518.76 |
| 2035 | 700,000.00 | 446,518.76 | 1,146,518.76 |
| 2036 | 730,000.00 | 418,518.76 | 1,148,518.76 |
| 2037 | 755,000.00 | 391,968.76 | 1,146,968.76 |
| 2038 | 780,000.00 | 363,812.50 | 1,143,812.50 |
| 2039 | 810,000.00 | 332,612.50 | 1,142,612.50 |
| 2040 | 845,000.00 | 300,212.50 | 1,145,212.50 |
| 2041 | 875,000.00 | 266,412.50 | 1,141,412.50 |
| 2042 | 910,000.00 | 231,412.50 | 1,141,412.50 |
| 2043 | 945,000.00 | 195,012.50 | 1,140,012.50 |
| 2044 | 985,000.00 | 158,912.50 | 1,143,912.50 |
| 2045 | 1,020,000.00 | 121,287.50 | 1,141,287.50 |
| 2046 | 1,060,000.00 | 82,325.00 | 1,142,325.00 |
| 2047 | 1,095,000.00 | 41,837.50 | 1,136,837.50 |
| Total: | \$19,950,000.00 | \$13,902,930.83 | \$ 33,852,930.83 |

APPENDIX E
SPECIAL TAX ROLL

No special taxes were levied in FY 2017-18