

Part IV - Rate and Method of Apportionment of Special Taxes

ANNUAL TAX

A Special Tax shall be levied annually on land within Community Facilities District No. 98-1 (Interim Open Space Maintenance District) of the City of Chula Vista (the "District"), and collected according to the Special Tax Liability determined by the City of Chula Vista (the "City") through the application of the following procedures. All of the property within the District, unless otherwise exempted by law or the express provisions of the rate and method of apportionment expressed below, shall be taxed to the extent and in the manner provided below.

All Special Taxes applicable to Parcels shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, and that Special Taxes so levied will be subject to the same penalties and procedures, sale and lien priority in case of delinquency as is provided for ad valorem taxes.

DEFINITIONS

Acre or Acreage means the area of a Parcel as shown on the latest maps of the Assessor of the County of San Diego, or, if the area of such Parcel is not shown on such Assessor's maps, the area as shown on a current recorded subdivision map, parcel map, record of survey or other recorded document creating or describing the Parcel. If the preceding maps are not available, the area shall be determined by the City Engineer.

Administrative Expenses means the direct and indirect expenses incurred by the City in carrying out its duties with respect to the District (including, but not limited to, the levy and collection of the Special Taxes) including the fees and expenses of its counsel. Any fees of the County related to the District or the collection of Special Taxes, an allocable share of the salaries of City staff directly related thereto, any amounts paid by the City from its general fund with respect to the District, and expenses incurred by the City in undertaking actions to foreclose on properties for which the payment of Special Taxes is delinquent, and all other costs and expenses of the City related to the District.

City means the City of Chula Vista

District means the Interim Open Space Maintenance District - SPA One (Villages One West, Two West, and portions of Villages Two, Six, Seven and Planning Area 12) of the Community Facilities District No. 98-1 of the City of Chula Vista.

Facilities means those improvements defined in Part II of the Special Tax Report dated July 1, 1998 for Community Facilities District No. 98-1 of the City of Chula Vista.

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

Maximum Special Tax means the maximum special tax that can be levied within CFD No. 98-1 by the City Council in any Fiscal Year for each Parcel of Taxable Property.

Operating Fund means a fund that shall be maintained within the District for any Fiscal Year to pay for the actual costs of maintenance, repair, and replacement of the Facilities, and the Administrative Expenses.

Operating Fund Balance means the amount of funds in the Operating Fund at the end of the preceding Fiscal Year.

Operating Fund Requirement means for any Fiscal Year an amount equal to the budgeted costs of the maintenance, repair and replacement of the Facilities which have been accepted and maintained by the District or are reasonably expected to be accepted and maintained by the District during the current Fiscal Year plus the budgeted Administrative Expenses of the District for the current Fiscal Year in which Special Taxes are levied.

Parcel means any San Diego County Assessor's Parcel or portion thereof that is within the boundaries of the District designated on a map of the San Diego County Assessor and which has been assigned a discrete identifying number on the equalized tax rolls of the County.

Reserve Fund means a fund that shall be maintained to provide necessary cash flow for operations and maintenance for the first six months of each Fiscal Year, working capital to cover maintenance and repair cost overruns and delinquencies that may arise in connection with the collection of Special Taxes and a reasonable buffer against large variations in annual special tax amounts.

Reserve Fund Balance means the amount of funds in the Reserve Fund at the end of the preceding Fiscal Year.

Reserve Fund Requirement means the required balance in the Reserve Fund equal to up to 100% of the Operating Fund Requirement.

Special Tax means the special tax or special taxes actually levied within CFD No. 98-1.

Special Tax Liability for any Fiscal Year is an amount determined sufficient to pay the costs of the District, including: (i) the amount required to be deposited into the Operating Fund to meet the Operating Fund Requirement, less the Operating Fund Balance, and (ii) the total amount required to be deposited into the Reserve Fund if any, to meet the Reserve Fund Requirement, less the Reserve Fund Balance.

Taxable Property is all real property or Parcels within the boundaries of the District which are not exempt from the Special Tax pursuant to law, or which are not classified or assigned to the Exempt Category as defined herein.

Categories of Special Taxes

Taxable Category

The taxable land category includes each Parcel of Taxable Property assigned to the District (Taxable Category).

The Maximum Special Tax which may be levied on each Parcel within the Taxable Category for Fiscal Year 1998/99 shall be \$103 per Acre (said amount to be levied pro rata for any portion of an Acre). Said Maximum Special Tax shall be increased or decreased each Fiscal Year thereafter by a factor which shall be the lesser of the annual percentage change in the January to January San Diego Metropolitan Area All Urban Consumer Price Index (All Items) or the annual percentage change in the estimated California Fourth Quarter Per Capita Personal Income as contained in the Governor's budget published every January.

Exempt Category

The exempt category includes each property owned by, conveyed or irrevocably offered for dedication to a public agency, land which is in the public right-of-way, unmanned utility easements which make utilization for other than the purpose set forth in the easement impractical, common areas, private streets and parks, and open space lots (Exempt Category).

Assignment to Categories of Special Taxes

On or about July 1 of each year (but in any event in sufficient time to include the levy of the Special Taxes on the County's secured tax roll) the City shall assign each Parcel within the District to the Taxable Category, or Exempt Category. Parcels subject to levy shall be determined based upon the records of the San Diego County Assessor.

Levy and Apportionment of Special Taxes

The City shall determine the Special Tax Liability for the District in each Fiscal Year on or about every July 1 (but in any event in sufficient time to include the levy of the Special Taxes on the County's secured tax roll). Special Taxes shall then be levied on each Parcel within the District as follows:

Step 1: The Special Tax per Acre for Parcels assigned to the Taxable Category shall be calculated as the lessor of:

- (i) The Special Tax Liability for the District as determined by the City, divided by the total Acres for all Parcels assigned to the Taxable Category,

OR,

(ii) the Maximum Special Tax rate for Parcels assigned to the Taxable Category

Step 2: The City shall advise the owner of Parcels within the District of the Special Tax Liability for the next Fiscal Year.

Step 3: The owner(s) of Parcels within the District, may at its election, deposit funds with the City prior to July 15 each Fiscal Year, in an amount equal to the Parcel's Special Tax which shall be deposited into the Operating Fund and Reserve Fund of the District.

Step 4: If the funds deposited with the City is less than the Parcel's Special Tax for the Fiscal Year, then a Special Tax shall be levied equal to the Parcel's Special Tax as determined in Step 1 minus any funds deposited for the current Fiscal Year pursuant to Step 3.