

**Tuesday, July 17, 2018, 7:00 p.m.**

City Council Chambers, 333 Civic Center Plaza

Web Site: [www.ci.tracy.ca.us](http://www.ci.tracy.ca.us)

**Americans With Disabilities Act** - The City of Tracy complies with the Americans with Disabilities Act and makes all reasonable accommodations for the disabled to participate in Council meetings. Persons requiring assistance or auxiliary aids should call City Hall (209/831-6000) 24 hours prior to the meeting.

**Addressing the Council on Items on the Agenda** - The Brown Act provides that every regular Council meeting shall provide an opportunity for the public to address the Council on any item within its jurisdiction before or during the Council's consideration of the item, provided no action shall be taken on any item not on the agenda. Each citizen will be allowed a maximum of five minutes for input or testimony. At the Mayor's discretion, additional time may be granted. The City Clerk shall be the timekeeper.

**Consent Calendar** - All items listed on the Consent Calendar are considered routine and/or consistent with previous Council direction. A motion and roll call vote may enact the entire Consent Calendar. No separate discussion of Consent Calendar items will occur unless members of the City Council, City staff or the public request discussion on a specific item at the beginning of the meeting.

**Addressing the Council on Items not on the Agenda** – The Brown Act prohibits discussion or action on items not on the posted agenda. Members of the public addressing the Council should state their names and addresses for the record, and for contact information. The City Council's Procedures for the Conduct of Public Meetings provide that "Items from the Audience" following the Consent Calendar will be limited to 15 minutes. "Items from the Audience" listed near the end of the agenda will not have a maximum time limit. Each member of the public will be allowed a maximum of five minutes for public input or testimony. However, a maximum time limit of less than five minutes for public input or testimony may be set for "Items from the Audience" depending upon the number of members of the public wishing to provide public input or testimony. The five minute maximum time limit for each member of the public applies to all "Items from the Audience." Any item not on the agenda, brought up by a member of the public shall automatically be referred to staff. In accordance with Council policy, if staff is not able to resolve the matter satisfactorily, the member of the public may request a Council Member to sponsor the item for discussion at a future meeting. When members of the public address the Council, they should be as specific as possible about their concerns. If several members of the public comment on the same issue an effort should be made to avoid repetition of views already expressed.

**Presentations to Council** - Persons who wish to make presentations which may exceed the time limits are encouraged to submit comments in writing at the earliest possible time to ensure distribution to Council and other interested parties. Requests for letters to be read into the record will be granted only upon approval of the majority of the Council. Power Point (or similar) presentations need to be provided to the City Clerk's office at least 24 hours prior to the meeting. All presentations must comply with the applicable time limits. Prior to the presentation, a hard copy of the Power Point (or similar) presentation will be provided to the City Clerk's office for inclusion in the record of the meeting and copies shall be provided to the Council. Failure to comply will result in the presentation being rejected. Any materials distributed, including those distributed within 72 hours of a regular City Council meeting, to a majority of the Council regarding an item on the agenda shall be made available for public inspection at the City Clerk's office (address above) during regular business hours.

**Notice** - A 90 day limit is set by law for filing challenges in the Superior Court to certain City administrative decisions and orders when those decisions or orders require: (1) a hearing by law, (2) the receipt of evidence, and (3) the exercise of discretion. The 90 day limit begins on the date the decision is final (Code of Civil Procedure Section 1094.6). Further, if you challenge a City Council action in court, you may be limited, by California law, including but not limited to Government Code Section 65009, to raising only those issues you or someone else raised during the public hearing, or raised in written correspondence delivered to the City Council prior to or at the public hearing.

CALL TO ORDER

PLEDGE OF ALLEGIANCE

INVOCATION

ROLL CALL

PRESENTATIONS

1. Employee of the Month
2. D.A.R.E. Report on Trip to Africa

1. CONSENT CALENDAR

- A. Adoption of June 19, 2018 closed session minutes, June 19, 2018 regular meeting minutes and June 29, 2018 special meeting minutes
- B. Approve the Park Improvement and Reimbursement Agreement for Tracy Hills Neighborhood Park 1, and Authorize the City Clerk to File the Agreement with the Office of the San Joaquin County Recorder
- C. Approve the Agreement Between the City of Tracy and Ebrahim Kaabipour and Shahla Kaabipour Trustees or Successor Trustees of Ebrahim "Abe" Kaabipour and Shahla Kaabipour Revocable Living Trust, Dated February 9, 2007 to Acquire an Easement for the Construction of the Tracy Hills Trunk Sewer Force Mains
- D. Approve the Final Subdivision Map for Brookview II-Unit 3 Tract 3952, to Create 11 Residential Lots within the Brookview II Subdivision
- E. Establish a New Capital Improvement Project for Construction of the MacArthur Drive Overlay – Grant Line Road to I-205, Authorize a Transfer of \$500,000 from CIP 73156 and \$200,000 from CIP 73166, Allocate \$504,000 from SB-1 Fund to the New CIP, Award a Construction Contract to Tom Mayo Construction, and Approve a Contingency Amount of \$110,640.
- F. Approve an Improvement and Inspection Agreement for Tract 3955, Tracy Hills Village 7A
- G. Accept the Offsite Water Line Improvements on Arbor Avenue and MacArthur Drive for the DCT Industrial Distribution Facility, Constructed by DCT Arbor Avenue LLC, Assume Responsibility for their Future Maintenance and Repair, and Authorize the City Engineer to Release Bonds in Accordance with the Terms of the Agreement
- H. Reschedule the Regular City Council Meeting Scheduled for Tuesday, November 6, 2018, to Wednesday, November 7, 2018, due to the General Municipal Election
- I. Declare Certain Vehicles and Equipment as Surplus and Approve their Sale
- J. Appoint Seven Youth Commissioners to the Youth Advisory Commission
- K. Authorize an Appropriation of \$7,900,000 From Measure V Fund 107 and Various Capital Improvement Funds to CIP 78164 for the Construction Budget of Site Improvements for Phase 1D of Legacy Fields

- L. Waive Second Reading and Adopt Ordinance 1257, an Ordinance of the City of Tracy Amending Sections 9.44.030 and 9.44.040 of the Tracy Municipal Code
- M. Award a Professional Services Agreement to All City Management Services, Inc. for School Pedestrian Crossing Guard Services from August 6, 2018 to June 30, 2019
- N. Reject Bid Protest on the Grounds that the Irregularity is Non-Material and Exercise Discretion to Waive it, Award a Construction Contract to Diede Construction, of Lodi, California, Approve a Contingency Amount, Approve Amendment No. 2 to the PSA with LDA Partners for Construction Support Services, and Authorize an Appropriation of \$350,000 from General Fund 301- Measure V (107) for Construction of the Senior Center Upgrade/Expansion CIP 71093 and 78155
- O. Accept Subdivision Improvements for the Cose Lane Subdivision, Tract 3623 and Dedicated Right of Way, Constructed by HRDB Investment LLC, Assuming Responsibility for their Future Maintenance and Repair, and Authorize the City Engineer to Release the Bonds in Accordance with the Subdivision Improvement Agreement
- P. Accept Offsite Roadway, Sewer, and Storm Drainage Improvements for the DCT Industrial Building, Constructed by DCT Arbor Avenue LLC, Assume Responsibility for their Future Maintenance and Repair, Accept all Offers of Dedication of Public Rights of Way, and Authorize the City Engineer to Release all Bonds in Accordance with the Terms of the Agreement

2. ITEMS FROM THE AUDIENCE

- 3. ACCEPT THE CERTIFICATE OF SUFFICIENCY OF INITIATIVE PETITION FOR THE WORKFORCE AND SENIOR HOUSING RESIDENTIAL ATTAINMENT INITIATIVE AND DISCUSS AND PROVIDE DIRECTION ON THE FOLLOWING: (1) DIRECT STAFF TO PREPARE AN INFORMATIONAL REPORT ON THE INITIATIVE AND, IF THE DIRECTION IS TO PREPARE THE REPORT, APPROPRIATE \$25,000 FROM GENERAL FUND RESERVES OR (2) SUBMIT THE INITIATIVE TO THE VOTERS AT THE NEXT REGULAR MUNICIPAL ELECTION ON NOVEMBER 6, 2018 AND DIRECT THE CITY ATTORNEY TO PREPARE AN IMPARTIAL ANALYSIS, SET THE DATES FOR SUBMITTAL OF BALLOT ARGUMENTS, AND DETERMINE WHETHER TO ALLOW REBUTTAL ARGUMENTS AND APPROPRIATE \$75,000 FROM GENERAL FUND RESERVES
- 4. PUBLIC HEARING TO CONSIDER (1) APPROVING THE ENGINEER'S ANNUAL LEVY REPORT; AND (2) ORDERING THE LEVY AND COLLECTION OF ASSESSMENTS FOR TRACY CONSOLIDATED LANDSCAPE MAINTENANCE DISTRICT FOR FISCAL YEAR 2018/2019
- 5. APPROVAL OF A RESOLUTION SUPPLEMENTING RESOLUTION NO. 2016-161 TO AUTHORIZE THE ISSUANCE AND SALE OF SPECIAL TAX BONDS FOR THE PURPOSE OF FINANCING AUTHORIZED FACILITIES, AND APPROVING AND AUTHORIZING RELATED DOCUMENTS AND ACTIONS

6. ADOPT THE RESOLUTION OF CONSIDERATION TO AMEND AND RESTATE THE RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX, INCREASE THE AUTHORIZED PRINCIPAL AMOUNTS OF INDEBTEDNESS FOR THE CFD AND IMPROVEMENT AREA NO. 1, INCREASE THE ANNUAL APPROPRIATIONS LIMIT FOR IMPROVEMENT AREA NO. 1 AND AMEND THE EXISTING BOUNDARIES OF THE CFD, IMPROVEMENT AREA NO. 1 AND FUTURE ANNEXATION AREA AND TO SET A PUBLIC HEARING FOR AUGUST 21, 2018 FOR THIS MATTER
7. INTRODUCE AN ORDINANCE FORMING THE TRACY INDUSTRIAL DEVELOPMENT AUTHORITY
8. PUBLIC HEARING TO INTRODUCE AN ORDINANCE AND APPROVE AN AMENDMENT TO THE TRACY MUNICIPAL CODE TO AMEND SECTIONS 9.40.030 (STREET NAMES) AND 9.40.040 (RENAMING STREETS) IN CHAPTER 9.40 (STREET NAMES AND NUMBERING) OF TITLE 9 (BUILDING REGULATIONS) OF THE TRACY MUNICIPAL CODE
9. PUBLIC HEARING TO CONSIDER APPROVAL OF A DEVELOPMENT REVIEW PERMIT TO CONSTRUCT THE TRACY HILLS COMMUNITY GATEWAY ICON, LOCATED AT THE NORTHWEST CORNER OF I-580 AND THE INTERCHANGE WITH CORRAL HOLLOW ROAD
10. RECEIVE A STAFF PRESENTATION ON THE STATUS OF A PROPOSAL TO PROVIDE LAW ENFORCEMENT SERVICES BY THE CITY OF TRACY TO THE CITY OF LATHROP
11. INTRODUCE AN ORDINANCE ADDING SECTION 2.04.050 TO THE TRACY MUNICIPAL CODE TO PROHIBIT CERTAIN CONTRACTS BETWEEN THE CITY AND COUNCIL MEMBERS, CITY TREASURER, COMMISSIONERS AND APPOINTED OFFICIALS
12. ITEMS FROM THE AUDIENCE
13. STAFF ITEMS
14. COUNCIL ITEMS
  - A. Appoint an Applicant to Serve on the San Joaquin County Commission on Aging
15. ADJOURNMENT

June 19, 2018, 6:45 p.m.

Council Chambers, 333 Civic Center Plaza, Tracy

Web Site: [www.cityoftracy.org](http://www.cityoftracy.org)

1. CALL TO ORDER - Mayor Rickman called the meeting to order at 6:45 p.m.
2. ROLL CALL – Roll call found Council Members Dement, Ransom, Vargas, Young and Mayor Rickman present.
3. ITEMS FROM THE AUDIENCE - There were no items from the audience.
4. CLOSED SESSION
  1. Real Property Negotiations Pursuant to Government Code § 54957.6

Property Location:	APN: 212-200-01 4350 N. Tracy Blvd
Negotiators for the City:	Kevin Tobeck, Project Specialist Randall Bradley, City Manager
Negotiating Parties:	Charles Brust – Chief Operating Officer – American Custom Meats
Under Negotiation:	Price and terms of payment for the sale of real property
5. MOTION TO RECESS TO CLOSED SESSION – Motion was made by Council Member Young and seconded by Mayor Pro Tem Vargas to recess the meeting to Closed Session at 6:46 p.m. Roll call vote found Council Members Dement, Ransom, Young, Mayor Pro Tem Vargas, and Mayor Rickman in favor; passed and so ordered.
6. RECONVENE TO OPEN SESSION – Mayor Rickman reconvened the meeting into open session at 6:56 p.m.
7. REPORT OF FINAL ACTION – There was no report of final action.
8. ADJOURNMENT: Mayor Pro Tem Vargas motioned to adjourn. Council Member Dement seconded the motion. Roll call vote found all in favor; passed and so ordered. Time: 6:56 p.m.

The above Agenda was posted at the Tracy City Hall on June 14, 2018. The above are action minutes.

ATTEST:

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Mayor

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City Clerk

June 19, 2018, 7:00 p.m.

Council Chambers, 333 Civic Center Plaza, Tracy

Web Site: [www.cityoftracy.org](http://www.cityoftracy.org)

Mayor Rickman called the City Council meeting to order at 7:00 p.m. and led the Pledge of Allegiance.

Invocation was led by Pastor Kevin James, New Creation Bible Fellowship.

Roll call found Council Members Dement, Ransom, Young, Mayor Pro Tem Vargas and Mayor Rickman present.

Mayor Rickman presented a proclamation to Conrad Levoit, Parks and Community Services Chairperson.

Michael Tree – Tri-Valley - San Joaquin Valley Regional Rail Authority and Mayor Pro Tem Vargas presented an update on AB758.

1. CONSENT CALENDAR

**ACTION** Following the update of consent item 1.Q by Thomas Watson, City Attorney and the removal of consent items 1.C by Council Member Young, consent item 1.K by Council Members Dement and Ransom, and consent item 1.O by Council Member Dement, motion was made by Mayor Pro Tem Vargas and seconded by Council Member Dement to adopt the consent calendar. Roll call found all in favor; passed and so ordered.

- A. Adoption of September 19, 2017, and June 5, 2018, regular meeting minutes and June 5, 2018 Closed Session Minutes were approved.
- B. Award a Construction Contract to Haggerty Construction of Stockton, California for Construction of the Public Works Yard Renovation Phase 2, CIP 71091, Authorize the City Manager to Approve Change Orders Up to the Contingency Amount of \$207,750, and Approve an Appropriation of \$512,424 from General Fund 301 – Resolution 2018-101 awarded a construction contract to Haggerty Construction.
- D. Accept the Subdivision Improvements for Brookview II, Tract 3568, Constructed by Brookview Properties LLC, a California Limited Liability Corporation, and Authorize the City Engineer to Release Bonds – Resolution 2018-102 accepted the Subdivision Improvements for Brookview II, Tract 3568.
- E. Approve the Final Subdivision Map and Subdivision Improvement Agreement for Tract 3943, Tracy Hills Village 1B, and Authorize the City Clerk to File the Map and Agreement with the Office of the San Joaquin County Recorder – Resolution 2018-103 approved the final Subdivision Map and Subdivision Improvement Agreement for Tract 3943, Tracy Hills Village 1B.

- F. Approve the Final Subdivision Map and Subdivision Improvement Agreement for Tract 3945, Tracy Hills Village 3B, and Authorize the City Clerk to File the Map and Agreement with the Office of the San Joaquin County Recorder – Resolution 2018-104 approved the final Subdivision Map and Subdivision Improvement Agreement for Tract 3945, Tracy Hills Village 3B.
- G. Approve the Final Subdivision Map and Subdivision Improvement Agreement for Tract 3946, Tracy Hills Village 4B, and Authorize the City Clerk to File the Map and Agreement with the Office of the San Joaquin County Recorder – Resolution 2018-105 approved the final Subdivision Map and Subdivision Improvement Agreement for Tract 3946, Tracy Hills Village 4B.
- H. Approve the Final Subdivision Map and Subdivision Improvement Agreement for Tract 3948, Tracy Hills Village 5B, and Authorize the City Clerk to File the Map and Agreement with the Office of the San Joaquin County Recorder – Resolution 2018-106 approved the final Subdivision Map and Subdivision Improvement Agreement for Tract 3948, Tracy Hills Village 5B.
- I. Accept the Offsite Improvements for Tracy Gateway Apartments, Constructed by the Developer, Assume Responsibility for the Future Maintenance and Repair of the Improvements, Accept all Dedications of Public Right of Way, and Authorize the City Engineer to Release Bonds – Resolution 2018-107 accepted the Offsite Improvements for Tracy Gateway Apartments.
- J. Approve and Adopt Resolutions: (1) Initiating Proceedings for the Annual Levy of Assessments for Tracy Consolidated Landscape Maintenance District, (2) Approving the Preliminary Engineer's Report for the Tracy Consolidated Landscape Maintenance District, and (3) Declaring the Intention to Levy Annual Assessments and Setting the Date for a Public Hearing – Resolution 2018-108 approved initiating the proceedings for the annual levy of assessments for TCLMD. Resolution 2018-109 approved the Preliminary Engineer's Report for the TCLMD. Resolution 2018-110 declared the City's intention to levy annual assessments for TCLMD FY 2018/2019 and sets the Public Hearing on July 17, 2018. Council Member Ransom abstained from voting on Zone 15, and Council Member Young abstained from voting on Zone 3.
- L. Approve a Real Property Purchase Agreement and Temporary Construction Easement Between the City of Tracy and Mary A. Perry for Construction of the Wastewater Effluent Discharge Pipeline from the Wastewater Treatment Plant to the Old River, CIP 74083 – Resolution 2018-111 approved a Real Property Purchase Agreement and Temporary Construction Easement for CIP 74083.
- M. Extension to 1998-1 Amendment to Wastewater Treatment Discharge Agreement with Leprino Foods – Resolution 2018-112 extended 1988-1 Amendment to Wastewater Treatment Discharge Agreement.
- N. Approve the Agreement Between the City of Tracy and the South San Joaquin County Fire Authority Regarding the Employment of Personnel – Resolution 2018-113 approved Agreement regarding Employment of Personnel.

- P. Approve an Improvement and Inspection Agreement for Tract 3888, Tracy Hills Village 2 – Resolution 2018-114 approved an Improvement and Inspection Agreement.
- Q. Approve the Professional Services Agreement with ICF Jones and Stokes, Inc., of Sacramento, California, for Revalidation of the Environmental Impact Report as Required by the Department of Transportation for the Lammers Road/I-205 New Interchange Project, CIP 73084, Federal Project No. DEMO3LN-5192(021), Authorize the City Manager to Execute the Agreement, and Authorize the Development Services Director to Approve Amendments to the Agreement for Any Additional Services, if Needed, Up to the Amount of \$25,000 – Thomas Watson, City attorney clarified clerical corrections to the staff report. Resolution 2018-115 approved the Professional Services Agreement for Revalidation of the Environmental Impact Report.
- R. Authorizing a Leave of Absence for a Tracy Transportation Advisory Commissioner Benjamin Grover – Resolution 2018-116 authorized a Leave of Absence.
- S. Approve the Committed Fund Balances and Fiscal Year Ending June 30, 2018 and Accept the Updated GASB 54 and City Reserves Policies – Resolution 2018-117 formalized the Committed Fund Balances for Fiscal Year Ending June 30, 2018. – Resolution 2018-118 accepted the updated GASB 54 and Committed Fund Balance Reserves Policies.
- T. Receive Information on the Federal Funding Allocation Process Per the Memorandum of Understanding Between the City of Tracy and the San Joaquin Council of Governments for State and Federal Transit Planning and Programming – Report accepted.
- U. Approve the Deferred Improvement Agreement for the Tracy Warehouse and Authorize the City Clerk to file the Deferred Improvement Agreement with the Office of the San Joaquin County Recorder – Resolution 2018-119 approved the Deferred Improvement Agreement for the Tracy Warehouse.
- V. Approve the Offsite Improvement Agreement for the Tracy Warehouse Building at 1547 East Grant Line Road – Resolution 2018-120 approved the Offsite Improvement Agreement for the Tracy Warehouse Building.
- C. Award a Construction Contract to Crosspoint General Engineering of Palo Cedro, California for the 10<sup>th</sup> Street & Central Avenue Downtown Festival Lights Project (CIP 71106), Authorize a Contingency Amount, and Approve Appropriation of \$134,500 from CDA Fund 317 and \$78,000 from General Fund Reserves for the Project

Council Member Young pulled the item for clarification regarding the discrepancy in funding amounts and how CIP numbers are determined.

Robert Armijo, City Engineer and Assistant Director of Development Services presented the staff report and responded to Council questions. Karin Schnaider, Finance Director was also present to answer questions by Council.



Mayor Rickman inquired about the outcome of the bid protest by Silva Electric.

Mr. Armijo reported that a bid protest was received from Silva Electric and a hearing was held resulting in the bid protest being rejected. The bid protester challenged the submittal of a copy rather than the original of a bid bond by the winning bidder during the bid opening.

Tony Silva of Silva Electric addressed Council to note that his bid protest referenced Code § 20170, Article 10167 which requires a signed bid bond which he interprets to mean original.

Thomas Watson, City Attorney clarified that a verifiable executed document is consistent with the code, which could be ink-signed or a pdf copy. Mr. Watson also noted that Mr. Silva's interpretation of the code is understandable, as on a past project an engineer had required him to have an original bond, which was not the practice of the City.

**ACTION:** Motion was made by Council Member Ransom and seconded by Mayor Pro Tem Vargas to adopt Resolution 2018-121 awarding a construction contract to Crosspoint General Engineering of Palo Cedro, California for the 10th Street & Central Avenue Downtown Festival Lights Project (CIP 71106), authorizing a contingency amount, and approving appropriation of \$134,500 from CDA Fund 317 and \$78,000 from General Fund Reserves for the Project. Roll call vote found all in favor; passed and so ordered.

- K. Authorize the Purchase of Four 2018 Ford Explorers from Tracy Ford of Tracy CA. and Associated Emergency Equipment from Lehr Auto Electric of Sacramento, CA. and Find That it is in the Best Interest of the City of Tracy to Forego the Formal Bid Process for the Purchase and Installation of Emergency Equipment from Lehr Auto Electric

Council Members Dement and Ransom pulled the item for discussion.

Lieutenant Tony Sheneman presented the staff report.

Council discussion and deliberation followed.

**ACTION:** Motion was made by Council Member Ransom and seconded by Mayor Pro Tem Vargas to adopt Resolution 2018-122 authorizing the purchase of four 2018 Ford Explorers from Tracy Ford of Tracy CA. and Associated Emergency Equipment from Lehr Auto Electric of Sacramento, CA. and finding that it is in the best interest of the City of Tracy to forego the formal bid process for the purchase and Installation of emergency equipment from Lehr Auto Electric. Roll call vote found all in favor; passed and so ordered.

- O. Authorize the Purchase of One K-9 Patrol Vehicle (2018 Chevrolet Tahoe) from Folsom Chevrolet in Folsom, California and Find it is in the Best Interest of the City to Forego the Formal Request for Bid Process to Purchase Associated Emergency Equipment from Lehr Auto Electric of Sacramento, California

Council Member Dement pulled the item for discussion.

Council was satisfied with the answers staff provided in the discussion on item 1.K that also related to item 1.O.

**ACTION:** Motion was made by Mayor Pro Tem Vargas and seconded by Council Member Ransom to adopt Resolution 2018-123 authorizing the purchase of one K-9 Patrol Vehicle (2018 Chevrolet Tahoe) from Folsom Chevrolet in Folsom, California and finding it is in the best interest of the city to forego the formal request for bid process to purchase associated emergency equipment from Lehr Auto Electric of Sacramento, California. Roll call vote found all in favor; passed and so ordered.

## 2. ITEMS FROM THE AUDIENCE

Prior to proceeding with items from the audience, Conrad Levoit presented a video at the dais from his cell phone to Council. Mayor Rickman requested that Mr. Levoit forward a copy of the video shown to Council to the City Manager to be made available for the public record.

Al Medaris addressed Council to report issues with water service for three years. Mr. Medaris has called several times to address the issue and was told funding was an issue. Eventually repairs were made, but now the same issue has reoccurred. Public Works Director will follow up.

Mayor Rickman referred Mr. Medaris to Don Scholl, Public Works Director to discuss the issue. Based on the video provided by Mr. Levoit, it seems there is a considerable amount of water coming from the lawn area to the gutter. Mayor Rickman stated that the City will be addressing the problem and directed staff to follow up with a memo to Council.

Conrad Levoit addressed Council to report Mr. Medaris is his landlord and to confirm the issues with water services as well. Mr. Levoit noted that he used the government outreach application, GoRequest to check the status of his requests. Mr. Levoit stated he had received an email from the City indicating that the repair was complete – when in fact, the repair had not been completed. Mr. Levoit had pictures and video showing that the lawn is still in a state of disrepair.

Freddie Berna addressed Council to make a statement regarding an alleged molestation incident perpetrated by an employee at West High School in the 1960's. Mayor Rickman referred Ms. Berna to speak with the Police Chief Esquivel who was in the audience.

Martin Evans addressed Council to report an alleged hit and run in Modesto in 1992 and an impending lawsuit and zoning around the hospital.

George Petrulakis addressed Council to speak on behalf of his clients, a group of Tracy voters, residents and taxpayers regarding their disapproval of the City's spending money to update the Tracy Gateway Plan on behalf of land speculators that want to change office park land to small lots for homes. Mr. Petrulakis' group believes undue influence exists in City Management and the City Council.

Mike Maciel addressed Council to request an investigation into possible undue influence over City staff being exerted by Mayor Rickman and Mayor Pro Tem Vargas

at the January 5, 2018 Rail Commission meeting. Mr. Maciel submitted a letter to the Clerk as his official request. Mr. Maciel also reasserted his request for an investigation of Mr. Bradley, City Manager.

### **DEVIATION**

#### **7. RECEIVE PROJECT UPDATE ON THE MULTI-GENERATIONAL RECREATION CENTER CIP 78178**

Brian MacDonald, Parks and Recreation Director, presented the staff report. Richard Joaquin, Parks Planning & Development Manager was also present.

Stephanie Fujimaro from Dahlin Group provided an additional presentation and answered questions from Council.

Mr. MacDonald also noted that a commercial kitchen is also being contemplated as an option that is not currently available. The Tracy Community Center serves a purpose for certain events that cannot be booked because of the lack of a commercial kitchen.

Nicole Gardener addressed Council to support the multi-generational facility over a nature park or library. A nature park and library would be under-utilized. The multi-generational facility would bring more revenue to Tracy. Basketball tournaments that are currently held in Livermore and other locales can for local Tracy teams can be brought back to generate funds for Tracy.

Several team members of the Tracy Spartans AAU team were present to address Council in support of basketball courts being included in the multi-generational sport facility, including: Rohit "Jojo" Saini, Johnny Bullock, Raymond Saucedo, Chauncey Arcangel, Von LLacuna, Joshua Rodriguez, Japri Jamison, and several others. The team members collectively expressed concerns regarding the costs and time spent traveling to other locales for tournaments and the lack of consistent available indoor gym space for practices.

Coach Archie Arcangel, Director of the Tracy Spartans addressed Council noting that he has been representing Tracy since 2013. When schools are closed, there is no gym space available. Coach Archie's AAU teams travel to tournaments in Reno, Rocklin, Livermore and other bay area locations. The Tracy Spartans AAU organization is representing the Tracy basketball community that would like to generate funds for the City of Tracy by having a dedicated location to hold local tournaments.

Imani Kuumba, Director of National Junior Basketball (NJB) since 2003 addressed Council to support the focus of multiple basketball courts being included in the multi-generational facility. School gymnasiums are off-limits during play-offs. At least 10 courts are needed for tournaments and practices. Mr. Kuumba recommended that a snack bar be considered to generate additional funds. Mr. Kuumba also suggested that the survey should be sent back out for more coverage and noted that the rental fees need to be accommodating to the community.

Tiffany Heben, addressed Council to thank Mr. MacDonald for attending the Tracy Friends of the Library meeting and supporting the possibility of a second library in Tracy. Ms. Heben also expressed the need for the County's support.

Cindy Gustafson, represents the City on the Commission on Aging and is President of the Seniors Association. Ms. Gustafson suggested a steering committee of stakeholders be implemented; and commented on the under-utilization of the community center and possible use of the center by the seniors.

Conrad Levoit, Parks and Recreation Commissioner addressed Council to encourage the community to continue to voice their opinions. This is the prime time to hear the community's input.

Brandon Denington addressed Council to express that this is not what he expected as a multi-generational facility. Mr. Denington commented that although he appreciates everyone's needs, he does not understand why so many items are being included in the concept of the multi-generational facility that was supposed to be a sports facility for the kids.

Council discussion followed public comments.

Mr. MacDonald stated that staff will come back to Council in Closed Session by the second Council meeting in August with a conceptual plan, and emphasized the need to be methodical in the process to accommodate travel leagues as well as other recreational sports.

City Council accepted the report.

Mayor Rickman called for a recess at 9:54 p.m.

Mayor Rickman reconvened the meeting at 10:00 p.m.

3. ADOPT ANNUAL ADJUSTMENT TO APPROPRIATION LIMIT (GANN LIMIT) PURSUANT TO ARTICLE XIII B OF THE CALIFORNIA STATE CONSTITUTION ESTABLISHING THE LIMIT FOR FISCAL YEAR 2018-19

Martha Garcia, Finance Manager presented the staff report.

Karin Schnaider, Finance Director was also present to answer questions from Council.

There was no public comment.

**ACTION** Motion was made by Mayor Pro Tem Vargas and seconded by Council Member Ransom to adopt **Resolution 2018-124** establishing Fiscal Year 2018-19 appropriations limit pursuant to Article XIII B of the California State Constitution. Roll call vote found all in favor; passed and so ordered.

4. ADOPT A RESOLUTION ACCEPTING THE CITY OF TRACY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDING JUNE 30, 2017

Karin Schnaider, Finance Director presented the staff report.

There was no public comment.

Council discussion and deliberation followed.

**ACTION** Motion was made by Mayor Pro Tem Vargas and seconded by Council Member Dement to adopt **Resolution 2018-125** accepting the Comprehensive Annual Financial Report for the Fiscal Year ending June 30, 2017 with the amendment of reassigning the 2.8 million dollars identified in Measure E for Public Safety use. Roll call vote found all in favor; passed and so ordered.

5. APPROVE THE MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF TRACY AND THE TRACY FIREFIGHTERS ASSOCIATION, AUTHORIZE THE CITY MANAGER TO INCREASE APPROPRIATIONS, AND AUTHORIZE AN AMENDMENT OF THE CITY MASTER SALARY SCHEDULE

Kimberly Murdaugh, Interim Human Resources Director presented the staff report.

Robert Tanner addressed Council to discuss questions regarding Item 5 and Item 6 pertaining to the 4% salary adjustment increase. Mr. Tanner noted that the private sector only gets 2-3% raises for contracts, which led him to question why the City is going beyond the norm. Mr. Tanner also inquired about the source of the funds for the increases – will it be from the General Fund or cash reserves; and was this the best contract? Kimberly Murdaugh, Interim Human Resources Director and Karen Schnaider responded to Mr. Tanner's inquiries.

**ACTION:** Motion was made by Mayor Pro Tem Vargas and seconded by Council Member Dement to adopt **Resolution 2018-126** approving the Memorandum of Understanding Between the City of Tracy and the Tracy Firefighters Association, authorizing the City Manager to increase appropriations and authorizing an Amendment of the City Master Salary Schedule. Roll call vote found all in favor; passed and so ordered.

6. APPROVE THE MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF TRACY AND THE GENERAL TEAMSTERS LOCAL NO. 439, IBT, AUTHORIZE THE CITY MANAGER TO INCREASE APPROPRIATIONS AND AUTHORIZE AN AMENDMENT OF THE CITY MASTER SALARY SCHEDULE

Kimberly Murdaugh, Interim Human Resources Director presented the staff report.

There was no public comment.

**ACTION:** Motion was made by Mayor Pro Tem Vargas and seconded by Council Member Dement to adopt **Resolution 2018-127** approving the Memorandum of Understanding Between the City of Tracy and the General Teamsters Local No. 439, IBT, authorizing the City Manager to increase appropriations and authorizing an Amendment of the City Master Salary Schedule. Roll call vote found all in favor; passed and so ordered.

8. INTRODUCE AN ORDINANCE AMENDING SECTIONS 9.44.030 AND 9.44.040 OF THE TRACY MUNICIPAL CODE TO PROVIDE THAT THE MEMBERS OF THE BOARD OF APPEALS WILL BE APPOINTED TO FOUR YEAR TERMS AND TO CLARIFY THE STANDARD OF REVIEW OF APPEALS TO THE CITY COUNCIL

Thomas Watson, City Attorney presented the staff report.

Dina Lewis, Deputy City Clerk read the title of proposed ordinance.

There was no public comment.

**ACTION:** Motion was made by Council Member Ransom and seconded by Council Member Young to waive the reading of the full text and introduce **Ordinance 1257**, an ordinance of the City of Tracy amending Sections 9.44.030 and 9.44.040 of the Tracy Municipal Code. Roll call vote found all in favor; passed and so ordered.

9. ITEMS FROM THE AUDIENCE - None

10. STAFF ITEMS – There were no staff items.

11. COUNCIL ITEMS

A. Designate Voting Delegate and Up to Two Alternate Voting Delegates for the League of California Cities 2018 Annual Conference Business Meeting

Midori Lichtwardt, Interim Assistant City Manager presented the report.

There was no public comment.

Council discussion and deliberation followed.

**ACTION:** Motion was made by Mayor Pro Tem Vargas and seconded by Council Member Dement to adopt **Resolution 2018-128** designating Mayor Pro Tem Vargas as the voting delegate and Council Member Dement and Council Member Ransom as the alternate voting delegates for the League of California Cities 2018 Annual Conference Business Meeting. Roll call vote found all in favor; passed and so ordered.

Council Member Dement reported that she has been approached by realtors to lobby for more open-house signs and an increase in Friday open houses brought as an agenda item.

Mayor Pro Tem Vargas reported that she was asked by the Nature Park group to put an item on the agenda for the discussion of the Nature Park. Mayor Rickman confirmed the matter is already on the agenda.

Council Member Ransom congratulated Mr. Watson with his first round win with Long John Silvers. Mr. Watson noted that landscape work is anticipated within the next two weeks. Council Member Ransom also voiced concerns regarding the property where the old KFC was located which is overgrown and tagged. She also requested clarification on the City's policy for tagging as it relates to homeowners being cited if they do not clean it up fast enough. Council Member Dement also expressed her concerns regarding tagging. Mr. Watson will follow-up with Code Enforcement and report back to Council.

Council Member Young addressed staff's response letter to Mr. Silva's bid protest regarding the policy of acceptance of bids and notarizations. Mr. Watson reported that outside counsel is reviewing "front end" documents for clarification and to receive better bids. Mayor Rickman responded that these are both controversial items and should

come back to Council for discussion. Mr. Watson will pull sample resolutions and prepare a letter and see who wants to sign it.

Council Member Young also reported her attendance along with Mr. Armijo, at the League of California Cities. Council Member Young discussed with Council and staff preparing two resolutions: (1) against the repeal of SB1, and (2) regarding the California Business Measure and Tax Fairness, Transparency and Accountability Act requirement of a 2/3 vote. Council Member Young reported that she was appointed to the General Resolutions Committee. Council Member Young also had a lengthy discussion regarding the beautification of 11<sup>th</sup> Street. In conclusion, of her report, Council Member Young wished a Happy Fourth of July and encouraged participation in local festivities.

Mayor Rickman reported his attendance at the San Joaquin County Fair and commented on the outstanding job and leadership of the FAA and 4H clubs representing the City of Tracy. Mayor Rickman noted that his daughter won first place in Turkey. In conclusion, Mayor Rickman noted that the Downtown Block Party is on June 29<sup>th</sup> and wished a Happy Fourth of July.

12. ADJOURNMENT – Time: 10:41 p.m.

**ACTION:** Motion was made by Council Member Ransom and seconded by Mayor Pro Tem Vargas to adjourn. Roll call vote found all in favor; passed and so ordered.

The above Agenda was posted at the Tracy City Hall on June 14, 2018. The above are action minutes. A recording is available at the Office of the City Clerk.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

June 29, 2018, 3:00 p.m.

City Council Chambers, 333 Civic Center Plaza

Web Site: [www.ci.tracy.ca.us](http://www.ci.tracy.ca.us)

1. Mayor Rickman called the meeting to order at 3:00 p.m.
2. Roll call found Council Members Dement, Ransom, Mayor Pro Tem Vargas, and Mayor Rickman present. Council Member Young arrived at 3:02 p.m.
3. Items from the Audience – Freddie Berna expressed concerns about people that have non operable cars that take up parking spaces and requested City Council pass a law stating that cars that do not run are towed away.

Robert Tanner recommended City Council revise their decision to sell safe and sane fireworks. Mr. Tanner stated something should be done about safe and sane and illegal fireworks.

Mayor Pro Tem Vargas recused herself from item 4 based upon impact to family income and left the dais.

4. APPROVE THE COMPENSATION AND BENEFITS PLAN BETWEEN THE CITY OF TRACY AND THE CONFIDENTIAL EMPLOYEES UNIT, AUTHORIZE THE CITY MANAGER TO INCREASE APPROPRIATIONS, AND AUTHORIZE AN AMENDMENT OF THE CITY MASTER SALARY SCHEDULE

Midori Lichtwardt, Interim Assistant City Manager presented the staff report.

Robert Tanner expressed concern that the City is considering a 4% increase when most industries are doing 2.5 to 3% increases. Mr. Tanner provided saving comparisons using a lower percentage increases. Mr. Tanner questioned using the City's reserves for the increases.

City Council questions and comments followed.

**ACTION:** Motion was made by Council Member Dement and seconded by Council Member Ransom to adopt Resolution 2018-129 approving the Compensation and Benefits Plan between the City of Tracy and the Confidential Employees Unit, Authorizing the City Manager to increase appropriations and authorizing an amendment of the City Master Salary Schedule. Roll call vote found all in favor; passed and so ordered. Mayor Pro Tem Vargas abstained.

Mayor Pro Tem Vargas returned to the dais at 3:15 p.m.

5. APPROVE THE COMPENSATION AND BENEFITS PLAN FOR DEPARTMENT HEADS, AUTHORIZE THE CITY MANAGER TO INCREASE APPROPRIATIONS, AND AUTHORIZE AN AMENDMENT OF THE CITY MASTER SALARY SCHEDULE

Randall Bradley, City Manager presented the staff report.



Robert Tanner asked for clarification that the 1<sup>st</sup> and 2<sup>nd</sup> years will be coming out of uncommitted reserves, and asked if the City will ever get into a budget that we will not have to use reserves to make the expenses equal the revenue.

City Council questions and comments followed.

**ACTION:** Motion was made by Council Member Dement and seconded by Mayor Pro Tem Vargas to adopt Resolution 2018-130 approving the Compensation and Benefits Plan for Department Heads, authorizing the City Manager to increase appropriations and authorizing an amendment of the City Master Salary Schedule. Roll call vote found all in favor; passed and so ordered.

6. APPROVE THE MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF TRACY AND THE TRACY MID-MANAGERS BARGAINING UNIT, AUTHORIZE THE CITY MANAGER TO INCREASE APPROPRIATIONS, AND AUTHORIZE AN AMENDMENT OF THE CITY MASTER SALARY SCHEDULE

Kimberly Murdaugh, Interim Human Resources Director presented the staff report.

No one from the audience wished to speak.

There were no comments from City Council.

**ACTION:** Motion made by Council Member Young and seconded by Council Member Dement to adopt Resolution 2018- 131 approving a Memorandum of Understanding between the Tracy Mid-Managers Bargaining Unit, authorize the City Manager to increase appropriations, and authorize and amendment of the City Master Salary Schedule Roll call vote found all in favor; passed and so ordered.

7. APPROVE THE MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF TRACY AND THE TRACY POLICE MANAGERS ASSOCIATION, AUTHORIZE THE CITY MANAGER TO INCREASE APPROPRIATIONS, AND AUTHORIZE AN AMENDMENT OF THE CITY MASTER SALARY SCHEDULE

Kimberly Murdaugh, Interim Human Resources Director presented the staff report.

No one from the audience wished to speak.

Council Member Young read into the record an email received from Phillip Anderson.

City Council responded the Phillip Anderson's concerns.

**ACTION:** Motion made by Council Member Dement and seconded by Mayor Pro Tem Vargas Dement to adopt Resolution 2018-132 approving the Memorandum of Understanding between the City of Tracy Police Managers Association, authorizing the City Manager to increase appropriations and authorizing an amendment of the City Master Salary Schedule. Roll call vote found all in favor; passed and so ordered.

Randall Bradley, City Manager stated Corral Hollow Road is now open to traffic. Mr. Bradley reminded the public there is a difference between firearms and fireworks,

shooting a gun in the air is not allowable in the City. Mr. Bradley added that the Lathrop Police services item was not before Council today as Lathrop is still reviewing the numbers with the County. The Lathrop Police services item will be before Council on July 17, 2018, and staff will ask for action at the August 21, 2018 meeting if the City of Lathrop approves the contract.

8. Adjournment: Time: 3:40 p.m.

**ACTION:** Motion was made by Council Member Young and seconded by Council Member Dement to adjourn. Roll call vote Council Members Dement, Ransom, Young, Mayor Pro Tem Vargas and Mayor Rickman in favor; passed and so ordered.

The above agenda was posted at the Tracy City Hall on June 28, 2018. The above are action minutes. A recording is available at the office of the City Clerk.

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Mayor

ATTEST:

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City Clerk

AGENDA ITEM 1.B

REQUEST

**APPROVE THE PARK IMPROVEMENT AND REIMBURSEMENT AGREEMENT FOR TRACY HILLS NEIGHBORHOOD PARK 1, AND AUTHORIZE THE CITY CLERK TO FILE THE AGREEMENT WITH THE OFFICE OF THE SAN JOAQUIN COUNTY RECORDER**

EXECUTIVE SUMMARY

Approval of the Park Improvement and Reimbursement Agreement (Agreement) will allow Tracy Phase I, LLC (Developer) to proceed with construction of park improvements associated with the development of Tracy Hills Neighborhood Park 1, and will also allow the City, upon satisfactory completion of the park improvements, to accept the offer of dedication of the Park Site and take ownership of the park.

DISCUSSION

Tracy Phase I, LLC is the owner of an approximately 3.83 acre parcel identified as Lot A within the subdivision known as Tract 3890, Tracy Hills Village 4A, said Lot A also being the location of Tracy Hills Neighborhood Park 1 (Park Site).

In accordance with the Conditions of Approval (Conditions) of the Small-Lot Vesting Tentative Subdivision Map for the 1,139-lot Tracy Hills Phase 1A project, processed under Application No. TSM13-0005 and approved by the Tracy City Council on April 5, 2016, pursuant to Resolution No. 2016-066, the Developer was required to dedicate the park site to the City and complete the construction of the neighborhood park improvements.

The Final Subdivision Map for Tract 3890, Tracy Hills Village 4A that was recorded on April 11, 2018, in Book 43 of Maps and Plats, at Page 26 in San Joaquin County Records, offered the Park Site for dedication to the City. Upon satisfactory completion of the Tracy Hills Neighborhood Park 1 improvements by the Developer, the City will accept the offer of dedication of the Park Site, and will take ownership of the park Improvements.

Attachment A shows the overall Tracy Hills Phase 1A project area, the boundary of the Final Subdivision Map for Tract 3890, Tracy Hills Village 4A, and the location of the Park Site within said Village 4A.

The Developer has submitted the improvement plans for the required park improvements and the plans are currently under review by the Engineering Division. The Developer has requested to proceed with construction of the park improvements prior to the City Engineer's approval of the plans. Attachment C shows the conceptual park layout and the improvement plans currently being reviewed by the Engineering Division are in substantial conformance with the conceptual layout.

Under the provisions of the Agreement, the Developer will construct the park improvements at its sole and exclusive risk prior to approval of the park improvement

plans by the City Engineer. The City will periodically inspect Developer's work in constructing and installing the park improvements shown on the submitted improvement plans, and periodically advise Developer regarding whether the work appears to be proceeding in conformance with the submitted plans, and will continue to inspect construction of the park improvements after the City Engineer's approval of the plans.

The Developer has executed the Agreement and submitted the required security to guarantee completion of the park improvements.

Upon satisfactory completion of the construction of the park improvements, the Developer will be entitled to receive Neighborhood Park Development Fee Credits for the program portion of the Tracy Hills Neighborhood Park 1 improvements in accordance with the Agreement, the Conditions, and Title 13 of the Tracy Municipal Code.

### FISCAL IMPACT

The Developer has paid the applicable engineering review fees, which include the cost of review of the park improvement plans and processing the Agreement. The Developer will ultimately dedicate and convey the Park Site to the City and further construct the neighborhood park improvements on the Park Site, in exchange for Neighborhood Park Development Fee Credits to be granted to Developer against a portion of the Neighborhood Park Development Fees otherwise due on the specified lots in the Project. The amount of the Neighborhood Park Development Fee Credits is \$2,158,006.

### STRATEGIC PLAN

This agenda item is consistent with the Council approved Economic Development Strategy to ensure physical infrastructure necessary for development.

### RECOMMENDATION

That the City Council, by resolution, approve the Park Improvement and Reimbursement Agreement for Tracy Hills Neighborhood Park 1, and authorize the City Clerk to file the Agreement with the Office of the San Joaquin County Recorder.

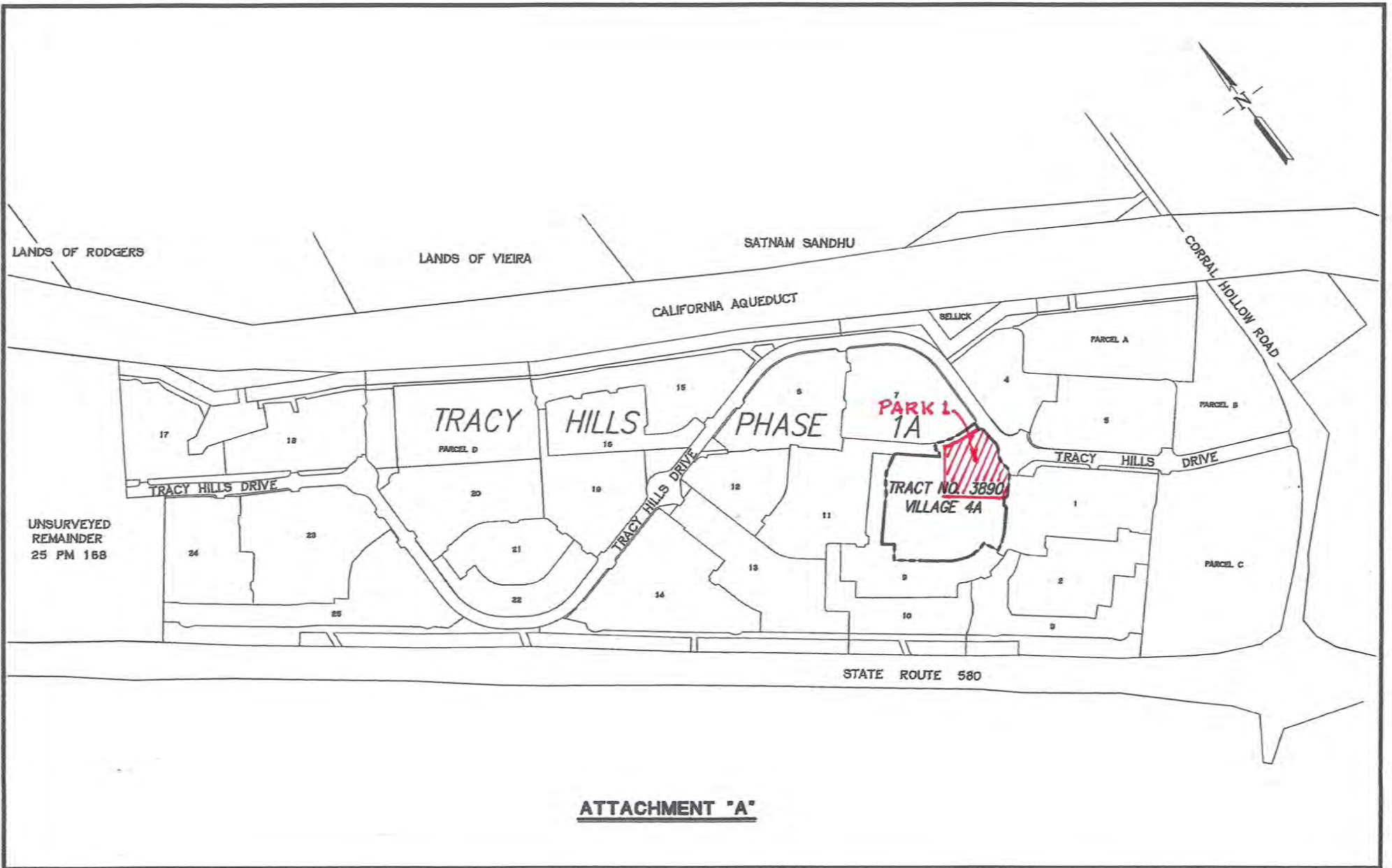
Prepared by: Nanda Gottiparthi, PE, SNG & Associates

Reviewed by: Robert Armijo, PE, City Engineer / Assistant Development Services Director  
Andrew Malik, Development Services Director  
Karin Schnaider, Finance Director  
Midori Lichtwardt, Interim Assistant City Manager

Approved by: Randall Bradley, City Manager

### ATTACHMENTS

Attachment A – Location Map  
Attachment B – Park Improvement and Reimbursement Agreement  
Attachment C – Conceptual Park Layout



**ATTACHMENT 'A'**

ORIGINAL

Recording Requested By  
City of Tracy  
Development Services Department  
333 Civic Center Plaza  
Tracy, CA 95376

And When Recorded Mail To:  
City of Tracy  
Office of the City Clerk  
333 Civic Center Plaza  
Tracy, CA 95376  
Attention: Adrienne Richardson

SPACE ABOVE THIS LINE FOR RECORDER'S INFORMATION

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**CITY OF TRACY  
PARK IMPROVEMENT & REIMBURSEMENT AGREEMENT  
TRACY HILLS NEIGHBORHOOD PARK 1**

This **PARK IMPROVEMENT AND REIMBURSEMENT AGREEMENT** (hereinafter "Agreement") is made and entered into by and between the **CITY OF TRACY**, a municipal corporation (hereinafter "City") and **TRACY PHASE I, LLC**, a Delaware limited liability company (hereinafter "Developer").

**RECITALS**

- A. Developer is the owner of an approximately 3.83 acre parcel identified as Lot A within the subdivision known as **TRACT 3890, TRACY HILLS VILLAGE 4A**, (hereinafter referred to as the "Park Site"), and more specifically described in the legal description attached hereto as Exhibit "A" and incorporated herein by reference.
- B. In accordance with the conditions of approval of the Small-Lot Vesting Tentative Subdivision Map for the 1,139 lot **TRACY HILLS PHASE 1A** project (hereinafter "Tentative Map"), processed under Application No. TSM13-0005 and approved by the Tracy City Council on April 5, 2016, pursuant to Resolution No. 2016-066, the Developer was required to dedicate the Park Site to the City and complete the construction of the neighborhood park improvements.
- C. On March 20, 2018, the City Council approved the Final Map of **TRACT 3890, TRACY HILLS VILLAGE 4A**, to subdivide the real property situated within the boundaries of the Tentative Map and owned by **TRACY PHASE I, LLC**, a Delaware limited liability company, into fifty-six (56) single-family lots. The City Council also approved a Subdivision Improvement Agreement (SIA) for **TRACT 3890, TRACY HILLS VILLAGE 4A**, to authorize the Developer to proceed with the construction of subdivision improvements required to serve the lots and the Park Site within the subdivision. The SIA was recorded on March 29, 2018 as Document #2018-034908 in San Joaquin County Records and is on file with the Office of the City Clerk.

- D. At its August 16, 2016 meeting, the City Council also authorized a Deferred Improvement Agreement (“DIA”) for the **TRACY HILLS PHASE 1A** project, to allow deferment of completion of certain improvements required to serve future phases of **TRACY HILLS PHASE IA**, including neighborhood parks. The DIA was recorded on February 12, 2018 as Document #2018-016153 in San Joaquin County Records and is on file with the Office of the City Clerk.
- E. Pursuant to Condition of Approval C.2.8.1 of the Tentative Map, if the Developer completes the construction of the neighborhood park improvements, the Developer will be entitled to receive Neighborhood Park Development Fee Credits for the program portion of the Tracy Hills Neighborhood Park 1 improvements in accordance with Title 13 of the Tracy Municipal Code. In accordance with the calculation shown on Exhibit “B” of this Agreement, attached hereto and incorporated by reference, the amount of the Neighborhood Park Development Fee Credits is **\$2,158,006.00**.
- F. Park Development Fees were determined by the Parks AB 1600 Development Impact Fee Technical Memo approved by the City Council on January 7, 2014, pursuant to Resolution No. 2014-10. All property within the Tentative Map is subject to the Park Development Fees. The current Park Development Fee is \$5,742 per Single Family Dwelling Unit (“SFDU”) for Neighborhood Parks and \$1,815 per SFDU for Community Parks.
- G. The Final Map of **TRACT 3890, TRACY HILLS VILLAGE 4A** that was recorded on April 11, 2018, in Book 43 of Maps and Plats, at Page 26 in San Joaquin County Records, offered for dedication to the City the Park Site that is described in Exhibit “A”. Upon completion of the Tracy Hills Neighborhood Park 1 improvements or Work, the City will accept the offer of dedication of the Park Site and assume ownership of the park Improvements.
- H. Improvement Plans and Specifications for the park improvements (which incorporate portions of the City’s Standard Specifications) have been prepared on behalf of the Developer and are under review by the City Engineer. The plans under review consist of four (4) sheets of improvement plans entitled “Improvement Plans, Park #1, Tracy Hills Phase 1A” prepared by Ruggeri-Jensen-Azar of Rocklin, California, and twenty-one (21) sheets of landscape plans entitled “Landscape Construction Drawings for Tracy Hills Public Park 1” prepared by FORMA of Costa Mesa, California (“Submitted Plans and Specifications”).
- I. In order to meet the Developer’s construction schedule, Developer intends to commence construction and installation of the required park improvements based on the Submitted Plans and Specifications, before the City completes its review and approval of the Submitted Plans and Specifications. Developer understands and acknowledges that it will be proceeding with such improvements at Developer’s sole and exclusive risk, and that if the park improvements completed by Developer do not conform, in the City Engineer’s reasonable determination, to the Plans and Specifications ultimately approved by the City (the “Approved Plans and Specifications”), Developer will be required to remove or correct any non-conformities

to the reasonable satisfaction of the City Engineer, at Developer's sole cost, before the City will accept the offer of dedication of the Park Site and assume ownership of the park Improvements. Developer acknowledges that the City cannot issue a final approval of the Work until the City Engineer has (a) fully completed its review and formally approved the Submitted Plans and Specifications; and (b) completed an inspection of the Work based on the Approved Plans and Specifications.

- J. The parties now desire to set forth in this Agreement the terms by which the Developer will ultimately dedicate and convey the Park Site to the City and further construct the neighborhood park improvements on the Park Site as shown on the four (4) sheets of improvement plans entitled "Improvement Plans, Park #1, Tracy Hills Phase 1A" prepared by Ruggeri-Jensen-Azar of Rocklin, California, and twenty-one (21) sheets of landscape plans entitled "Landscape Construction Drawings for Tracy Hills Public Park 1" prepared by FORMA of Costa Mesa, California, (together hereinafter "Tracy Hills Neighborhood Park 1 improvements" or "Work"), and incorporated herein by reference, in exchange for Neighborhood Park Development Fee Credits to be granted to Developer against a portion of the Neighborhood Park Development Fees otherwise due on the specified lots in the Project as more specifically described in Paragraph 5 of this Agreement.

**NOW THEREFORE, THE PARTIES MUTUALLY AGREE AS FOLLOWS:**

1. **INCORPORATION OF RECITALS.** The recitals set forth above are incorporated into this Agreement as though set forth in full herein.
2. **TIME OF PERFORMANCE.** Time is of the essence in the performance of the requirements of this Agreement and the timing requirements set forth herein shall be strictly adhered to unless otherwise modified in writing in accordance with this Agreement. Each party shall commence performance, and shall complete all required performance no later than the dates set forth in this Agreement.
  - 2.1 **Commencement of Work.** No later than fifteen (15) days prior to the commencement of Work, the Developer shall provide written notice to the City Engineer of the date on which the Developer shall commence Work. The Developer shall not commence Work until after the notice required by this section is properly provided, and the Developer shall not commence Work prior to the date specified in the written notice.
  - 2.2 **Schedule of Work.** Concurrently with the written notice of commencement of Work, the Developer shall provide the City with a written schedule of Work, which shall be updated in writing as necessary to accurately reflect the Developer's prosecution of the Work.
  - 2.3 **Completion of Work.** As specified in Item C.1.a in Exhibit "C" of the DIA, within one year following final occupancy or inspection of the first dwelling (except for up to fifteen model homes), the first neighborhood park (Tracy Hills Neighborhood Park 1) shall be completed and accepted by the City.



2.4 **Extension of Time.** No party may request an extension of time, unless a written request is made to the other party no later than ten (10) days after the start of the condition which purportedly caused the delay, and not later than the date on which performance is due.

3. **CONVEYANCE OF THE PARK SITE.** The Developer has offered the Park Site for dedication as specified in Recital G of this Agreement. The City's acceptance of dedication is subject to satisfactory completion of the Work by the Developer.
4. **SCOPE OF WORK.** The Developer shall perform, or cause to be performed, the Work described in the Plans and Specifications, to the reasonable satisfaction of the City Engineer. The Work shall be performed, and all materials and labor shall be provided, at the Developer's expense, in the manner described in the Plans and Specifications. No change shall be made to the Scope of Work unless authorized in writing by the City Engineer. The Developer may submit a written request to the City Engineer for a change in the Scope of Work, as required by Tracy Municipal Code section 12.36.060(f).

Developer understands and agrees that because the Submitted Plans and Specifications have not been approved by the City Engineer, if any of the completed improvements do not conform to the Approved Plans and Specifications the Developer will have to remove and reconstruct such improvements to the reasonable satisfaction of the City Engineer at Developer's sole cost.

5. **PARK FEE CREDITS.** The Developer is entitled to receive Neighborhood Park Development Fee Credits in the amount of **\$5,455 per SFDU**, in accordance with the Tracy Hills Specific Plan (Developer Phases) Finance and Implementation Plan, until the entire fee credit of \$2,158,006.00 (per Recital E and Exhibit "B" of this Agreement) is used.
6. **DEVELOPER'S AUTHORIZED REPRESENTATIVE.** Developer shall have a competent foreman or superintendent (hereinafter "Authorized Representative") on site with authority to act on behalf of the Developer. The Developer shall, at all times, keep the City Engineer reasonably informed in writing of the name and telephone number of the Authorized Representative. The Authorized Representative shall be on site approximately sixty-percent (60%) of the time work is occurring. The Developer may designate an employee of its general contractor or development manager as the Authorized Representative. The Developer shall, at all times, keep the City Engineer informed in writing of the names and telephone numbers of all contractors and subcontractors performing the Work.
7. **LOCATION OF PERFORMANCE.** The Developer shall perform all Work at the locations and grades shown on the Plans and Specifications or as otherwise approved by the City Engineer. Any easement or right-of-way necessary for the performance of the Work shall be acquired by the Developer at the Developer's sole cost and expense.

8. **IMPROVEMENT SECURITY.** Concurrently with the execution of this Agreement by the Developer, and prior to the commencement of any Work, the Developer shall furnish improvement security, in a form authorized and required by the Subdivision Map Act (including Government Code sections 66499 et seq.) and Tracy Municipal Code (including Chapter 12.36), in the following amounts:
  - 8.1. **Faithful Performance** security in the amount of **\$1,604,128.00** to secure faithful performance of this Agreement (until the date on which the City Council accepts the Work as complete) pursuant to Government Code section 66499.1, 66499.4, and 66499.9.
  - 8.2. **Labor and Material** security in the amount of **\$1,604,128.00** to secure payment by the Developer to laborers and materialmen (until the date of which claims are required to be made by laborers and materialmen) pursuant to Government Code sections 66499.2, 66499.3, 66499.4 and 66499.7(b).
  - 8.3. **Warranty** security in the amount of **\$160,413.00** to secure faithful performance of this Agreement (from the date on which the City Council accepts the Work as complete until one year thereafter) pursuant to Government Code section 66499.1, 66499.4 and 66499.9.
9. **INSURANCE.** Concurrently with the execution of this Agreement by the Developer, and prior to the commencement of any Work, the Developer shall furnish evidence to the City that all of the following insurance requirements have been satisfied.
  - 9.1. **General.** The Developer shall, throughout the duration of this Agreement, maintain insurance to cover Developer, its agents, representatives, contractors, subcontractors, and employees in connection with the performance of services under this Agreement at the minimum levels set forth herein.
  - 9.2. **Commercial General Liability** with coverage at least as broad as ISO form CG 00 01 01 96) coverage shall be maintained in an amount not less than \$1,000,000 per occurrence and \$3,000,000 in the general aggregate for general liability, bodily injury, personal injury, and property damage, including completed operation coverage.
  - 9.3. **Automobile Liability** (with coverage at least as broad as ISO form CA 00 01 07 97, for “any auto” including “hired autos and “non-owned autos”) coverage shall be maintained in an amount not less than \$1,000,000 per accident for bodily injury and property damage. If Developer has no employees, or does not own automobiles, then “hired autos” and “non-owned autos” coverage shall be maintained in an amount not less than \$1,000,000 per accident for bodily injury and property damage.
  - 9.4. **Workers’ Compensation** coverage for employees shall be maintained as required by the State of California.

- 9.5. **Endorsements.** Developer shall obtain endorsements to the automobile and commercial general liability with the following provisions:
- 9.5.1. The City (including its elected and appointed officials, officers, employees, agents, and volunteers) shall be named as an additional “insured.”
- 9.5.2. For any claims related to this Agreement, Developer’s coverage shall be primary insurance with respect to the City. Any insurance maintained by the City shall be excess of the Developer’s insurance and shall not contribute with it.
- 9.6. **Notice of Cancellation.** Developer shall obtain endorsements to all insurance policies by which each insurer is required to provide thirty (30) days prior written notice to the City should the policy be canceled before the expiration date. For the purpose of this notice requirement, any material change in the policy prior to the expiration shall be considered a cancellation.
- 9.7. **Authorized Insurers.** All insurance companies providing coverage to Developer shall be insurance organizations authorized by the Insurance Commissioner of the State of California to transact the business of insurance in the State of California.
- 9.8. **Insurance Certificate.** Developer shall provide evidence of compliance with the insurance requirements listed above by providing a certificate of insurance, in a form satisfactory to the City Attorney.
- 9.9. **Substitute Certificates.** No later than thirty (30) days prior to the policy expiration date of any insurance policy required by this Agreement, Developer shall provide a substitute certificate of insurance.
- 9.10. **Developer’s Obligation.** Maintenance of insurance by the Developer as specified in this Agreement shall in no way be interpreted as relieving the Developer of any responsibility whatsoever (including indemnity obligations under this Agreement), and the Developer may carry, at its own expense, such additional insurance as it deems necessary.
10. **PERMITS, LICENSES, AND COMPLIANCE WITH LAW.** The Developer shall, at the Developer’s expense, obtain and maintain all necessary permits and licenses for the performance of the Work. Prior to the commencement of the Work, the Developer shall obtain a City of Tracy Business License. The Developer shall comply with all local, state, and federal laws, whether or not said laws are expressly stated in this Agreement.
11. **INSPECTION BY THE CITY.** In order to permit the City to inspect the Work, the Developer shall, at all times, provide to the City proper and safe access to the Project

Site and all portions of the Work, and to all shops wherein portions of the Work are in preparation.

12. **INSPECTION FEES.** Concurrently with the execution of this Agreement by the Developer, and prior to the commencement of any Work, the Developer shall pay the City Inspection Fees in the amount of three and one-half percent (3-1/2%) of the estimated Project costs (as approved by the City Engineer). In the event that the City determines that the City's actual costs of inspecting the Work (including all costs and expenses of inspection, reviewing maps and plans, field checking, testing, and administrative and overhead costs of fifteen percent (15%) exceeds the amount of Inspection Fees paid by the Developer, the Developer shall pay the City the actual costs of inspecting the Work less Inspection Fees previously paid. In the event that the City requires an independent inspection, the Developer shall pay all such costs and provide a report to the City.

13. **DEFAULT.**

13.1 In the event that the Developer is in default of this Agreement, as defined in this section, the City Engineer shall provide written notice to the Developer and the Developer's surety (if any) in which the default is described.

13.2 The Developer shall be in default of this Agreement if the City Engineer determines that any one of the following conditions exist:

13.2.1 The Developer is insolvent, bankrupt, or makes a general assignment for the benefit of its creditors.

13.2.2 The Developer abandons the Project Site.

13.2.3 The Developer fails to perform one or more requirements of this Agreement.

13.2.4 The Developer fails to timely (as determined by the City) replace or repair any damage caused by Developer or its agents, representatives, contractors, subcontractors, or employees in connection with performance of the Work.

13.2.5 The Developer violates any legal requirement related to the Work.

13.3 In the event that the Developer fails to cure the default within five (5) days, or provide adequate written assurance to the satisfaction of the City Engineer that the cure will be promptly commenced and diligently prosecuted to its completion, the City may, in the discretion of the City Engineer, take any or all of the following actions:

13.3.1 Cure the default and charge the Developer for the costs therefor, including administrative costs and interest in an amount equal to seven percent (7%) per annum from the date of default.

13.3.2 Demand the Developer to complete performance of the Work.

13.3.3 Demand the Developer's surety (if any) to complete performance of the Work.

14. **ACCEPTANCE OF WORK.** Prior to acceptance of the Work by the City Council, the Developer shall be solely responsible for maintaining the quality of the Work and maintaining safety at the Project Site. The Developer's obligation to perform the Work shall not be satisfied until after the City Engineer has made a written determination that all obligations of the Agreement have been satisfied and all outstanding fees and charges have been paid, and the City Council has accepted the Work as complete.
15. **WARRANTY PERIOD.** The Developer shall warrant the quality of the Work, in accordance with the terms of the Plans and Specifications, for a period of one year after acceptance of the Work by the City Council. In the event that (during the one-year warranty period) any portion of the Work is determined by the City Engineer to be defective as a result of an obligation of the Developer under this Agreement, the Developer shall be in default.
16. **INDEPENDENT CONTRACTOR STATUS.** Developer is an independent contractor and is solely responsible for all acts of its employees, agents, or subcontractors, including any negligent acts or omissions. Developer is not City's employee and Developer shall have no authority, express or implied, to act on behalf of the City as an agent, or to bind the City to any obligation whatsoever, unless the City provides prior written authorization to Developer.
17. **OWNERSHIP OF WORK.** All original documents prepared by Developer for this Agreement are the property of the City and shall be given to the City at the completion of Developer's Work, or upon demand from the City.
18. **INDEMNIFICATION.** Developer shall indemnify, defend, and hold harmless the City (including its elected officials, officers, agents, and employees) from and against any and all claims, demands, damages, liabilities, costs, and expenses (including court costs and attorney's fees) resulting from or arising out of the performance of this Agreement by Developer or Developer's agents, representatives, contractors, subcontractors, or employees.
19. **ASSIGNMENT AND DELEGATION.** This Agreement and any portion thereof shall not be assigned or transferred, nor shall any of the parties' duties be delegated without the written consent of all parties. Any attempt to assign or delegate this Agreement without the written consent of all parties shall be void and of no force and

effect. Consent by all parties to one assignment shall not be deemed to be consent to any subsequent assignments.

**20. NOTICES.**

**20.1.** All notices, demands, or other communications which this Agreement contemplates or authorizes shall be in writing and shall be personally delivered or mailed to the respective party as follows:

To City:

City Engineer  
City of Tracy  
333 Civic Center Plaza  
Tracy CA 95376

To Developer:

Tracy Phase I, LLC  
888 San Clemente, Suite 100  
Newport Beach, CA 92660  
Attn: John Stanek, Principal

**20.2.** Communications shall be deemed to have been given and received on the first to occur of: (1) actual receipt at the address designated above, or (2) three working days following the deposit in the United States Mail of registered or certified mail, sent to the address designated above.

- 21. MODIFICATIONS.** This Agreement may not be modified except by an agreement in writing signed by both parties.
- 22. WAIVERS.** Waiver of a breach or default under this Agreement shall not constitute a continuing waiver or a waiver of a subsequent breach of the same or any other provision of this Agreement.
- 23. SEVERABILITY.** In the event any term of this Agreement is held invalid by a court of competent jurisdiction, the Agreement shall be construed as not containing that term, and the remainder of this Agreement shall remain in full force and effect.
- 24. JURISDICTION AND VENUE.** The interpretation, validity, and enforcement of the Agreement shall be governed by and construed under the laws of the State of California. Any suit, claim, or legal proceeding of any kind related to this Agreement shall be filed and heard in a court of competent jurisdiction in the County of San Joaquin.

*[remainder of page intentionally left blank]*

**CITY OF TRACY – PARK IMPROVEMENT & REIMBURSEMENT AGREEMENT  
TRACY HILLS NEIGHBORHOOD PARK 1**

- 25. ATTORNEY'S FEES.** In the event any legal action is commenced to enforce this Agreement, the prevailing party is entitled to reasonable attorney's fees, costs, and expenses incurred.
- 26. ENTIRE AGREEMENT.** This Agreement, including all documents incorporated by reference, comprises the entire integrated understanding between the parties concerning the improvements to be constructed for this Project. This Agreement supersedes all prior negotiations, representations, or agreements.
- 27. SIGNATURES.** The City and Developer represent and warrant that the individuals executing this Agreement have the right, power, legal capacity, and authority to enter into and to execute this Agreement on behalf of the respective legal entities of the Developer and the City. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF the parties do hereby agree to the full performance of the terms set forth herein.

CITY OF TRACY,  
a municipal corporation

\_\_\_\_\_  
By: Robert Rickman  
Title: MAYOR  
Date: \_\_\_\_\_

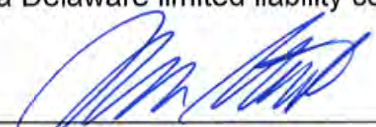
Attest:

\_\_\_\_\_  
By: Adrianna Richardson  
Title: CITY CLERK  
Date: \_\_\_\_\_

Approved As To Form:

\_\_\_\_\_  
By: Thomas Watson  
Title: CITY ATTORNEY  
Date: \_\_\_\_\_

DEVELOPER:  
Tracy Phase I, LLC,  
a Delaware limited liability company

  
\_\_\_\_\_  
By: John Stanek  
Title: PRINCIPAL  
Date: \_\_\_\_\_

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

**CIVIL CODE § 1189**

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )

County of Orange )

On June 25, 2018 before me, Sharon Ward, notary public,  
Date Here Insert Name and Title of the Officer

personally appeared John Stanek  
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature Sharon Ward  
Signature of Notary Public

Place Notary Seal Above

**OPTIONAL**

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

**Description of Attached Document**

Title or Type of Document: Park Improvement & Reimbursement Agreement Document Date: \_\_\_\_\_

Number of Pages: \_\_\_\_\_ Signer(s) Other Than Named Above: \_\_\_\_\_

**Capacity(ies) Claimed by Signer(s)**

Signer's Name: \_\_\_\_\_

- Corporate Officer — Title(s): \_\_\_\_\_
- Partner —  Limited  General
- Individual  Attorney in Fact
- Trustee  Guardian or Conservator
- Other: \_\_\_\_\_

Signer Is Representing: \_\_\_\_\_

Signer's Name: \_\_\_\_\_

- Corporate Officer — Title(s): \_\_\_\_\_
- Partner —  Limited  General
- Individual  Attorney in Fact
- Trustee  Guardian or Conservator
- Other: \_\_\_\_\_

Signer Is Representing: \_\_\_\_\_



EXHIBIT "A"

TRACY HILLS NEIGHBORHOOD PARK 1

All that real property situate in the City of Tracy, County of San Joaquin, State of California, described as follows:

Lot A as shown on the map of Tract No. 3890, filed April 11, 2018, in Book 43 of Maps and Plats, at Page 26, Official Records of San Joaquin County.

## Tracy Hills Phase 1A -Park Credit

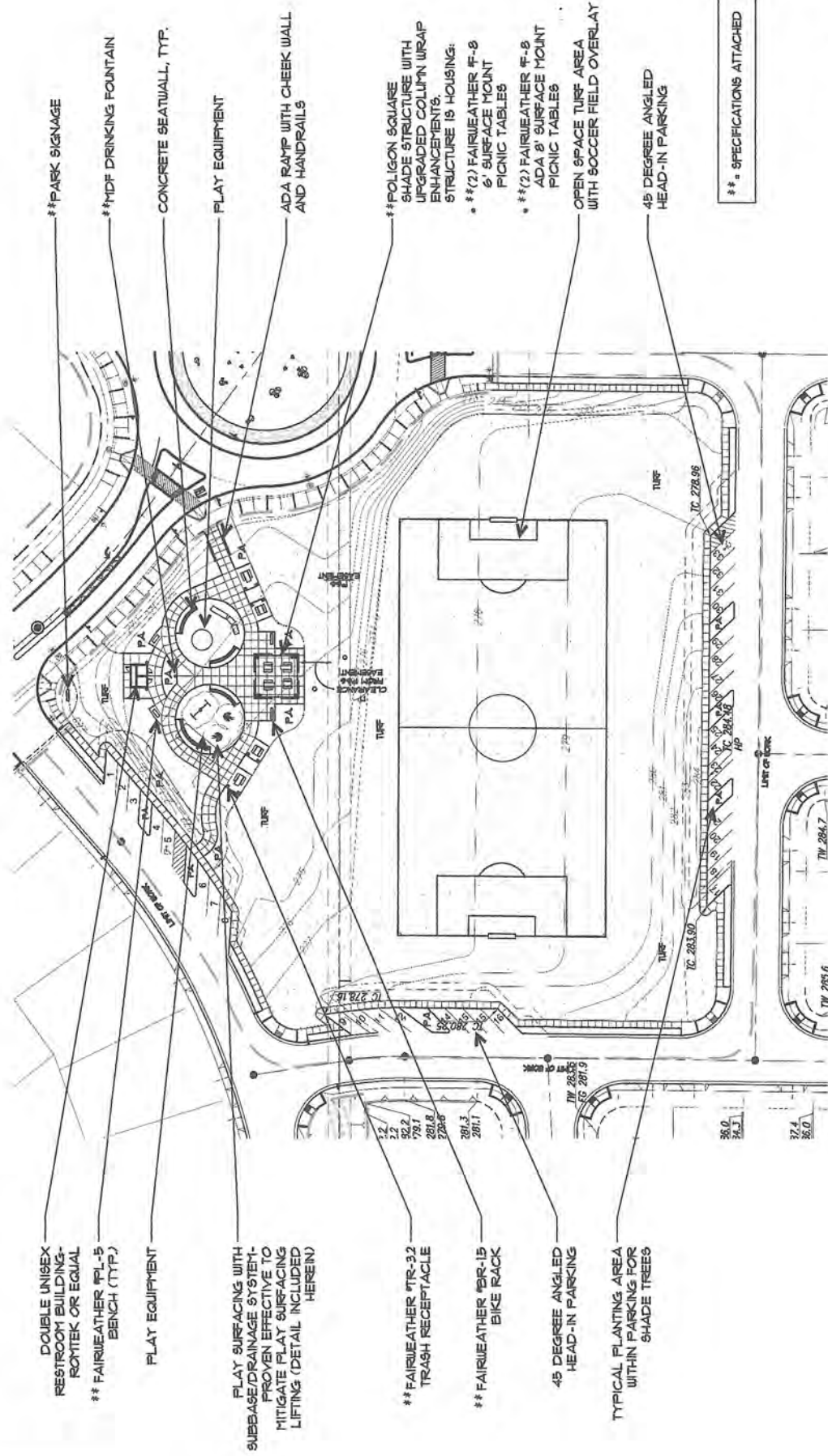
Project	Acres	Site Development (Cost per Acre) <sup>(1,2)</sup>	Site Acquisition (Cost per Acre) <sup>(2)</sup>	Total Cost (per acre)	Total Credits
Phase 1A - Public Park 1	3.83	\$ 463,448	\$ 100,000	\$ 563,448	\$ 2,158,006

## Notes:

(1) Based on the Parks AB1600 Development Impact Fee Technical Memo by Harris & Associates, adopted on January 7, 2014 by Resolution 2014-10.

(2) Does not include the program administration portion of the cost.

# ATTACHMENT C



DOUBLE UNIBEX RESTROOM BUILDING-ROYTEK OR EQUAL  
 \*\* FAIRWEATHER #FL-5 BENCH (TYP.)  
 PLAY EQUIPMENT

PLAY SURFACING WITH SUBBASE/DRAINAGE SYSTEM- PROVEN EFFECTIVE TO MITIGATE PLAY SURFACING LIFTING (DETAIL INCLUDED HEREIN)

\*\* FAIRWEATHER #TR-32 TRASH RECEPTACLE

\*\* FAIRWEATHER #BR-15 BIKE RACK

45 DEGREE ANGLED HEAD-IN PARKING

TYPICAL PLANTING AREA WITHIN PARKING FOR SHADE TREES

\*\* PARK SIGNAGE  
 \*\* MDF DRINKING FOUNTAIN

CONCRETE SEATWALL, TYP.  
 PLAY EQUIPMENT

ADA RAMP WITH CHEEK WALL AND HANDRAILS

\*\* POLYGON SQUARE SHADE STRUCTURE WITH UPGRADED COLUMN WRAP ENHANCEMENTS. STRUCTURE IS HOUSING:  
 • \*\* (2) FAIRWEATHER #F-8 6' SURFACE MOUNT PICNIC TABLES  
 • \*\* (2) FAIRWEATHER #F-8 ADA 8' SURFACE MOUNT PICNIC TABLES

OPEN SPACE TURF AREA WITH SOCCER FIELD OVERLAY

45 DEGREE ANGLED HEAD-IN PARKING

\*\* SPECIFICATIONS ATTACHED

## Park #1 Conceptual Layout

## Tracy Hills Public Park

Integral Communities

 NORTH  
 0' 25' 50' 100'  
 **FORMA**  
 NOVEMBER 14, 2017  
 SCALE: 1" = 50'-0"

RESOLUTION 2018-\_\_\_\_\_

APPROVING THE PARK IMPROVEMENT AND REIMBURSEMENT AGREEMENT FOR TRACY HILLS NEIGHBORHOOD PARK 1

WHEREAS, Tracy Phase I, LLC (Developer) is the owner of an approximately 3.83 acre parcel identified as Lot A within the subdivision known as Tract 3890, Tracy Hills Village 4A, said Lot A also being the location of Tracy Hills Neighborhood Park 1 (Park Site), and

WHEREAS, The Conditions of Approval for the Small-Lot Vesting Tentative Subdivision Map for the 1,139-lot Tracy Hills Phase 1A project require the Developer to dedicate the park site to the City and complete the construction of the neighborhood park improvements, and

WHEREAS, The recorded Final Subdivision Map for Tract 3890, Tracy Hills Village 4A offered the Park Site for dedication to the City, and

WHEREAS, The City will accept the offer of dedication of the Park Site and will take ownership of the park improvements upon satisfactory completion of the park improvements by the Developer, and

WHEREAS, The Developer has submitted improvement plans for the required park improvements for approval and has requested to proceed with construction of the improvements prior to the City Engineer's approval of the plans, and

WHEREAS, Under the provisions of the Park Improvement and Reimbursement Agreement, the Developer will construct the park improvements at its sole and exclusive risk until such time as the City Engineer approves the park improvement plans, and

WHEREAS, The City will periodically inspect Developer's work in constructing and installing the park improvements shown on the submitted improvement plans, and periodically advise Developer regarding whether the work appears to be proceeding in conformance with the submitted plans, and will continue to inspect construction of the park improvements after the City Engineer's approval of the plans, and

WHEREAS, The Developer has executed the Park Improvement and Reimbursement Agreement (Agreement) and has posted the required securities to guarantee completion of the improvements, and

WHEREAS, The Developer is entitled to receive Neighborhood Park Development Fee Credits for the program portion of the Tracy Hills Neighborhood Park 1 improvements in accordance with the Agreement, and

WHEREAS, The Developer will pay for the cost of engineering, construction, inspection and processing the Agreement;

NOW, THEREFORE, BE IT RESOLVED, That City Council of the City of Tracy hereby approves the Park Improvement and Reimbursement Agreement for Tracy Hills Neighborhood Park 1, and authorizes the City Clerk to file the Agreement with the Office of the San Joaquin County Recorder.

\* \* \* \* \*

The foregoing Resolution 2018-\_\_\_\_\_ was passed and adopted by the Tracy City Council on the 17<sup>th</sup> day of July, 2018, by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

AGENDA ITEM 1.C

REQUEST

**APPROVE THE AGREEMENT BETWEEN THE CITY OF TRACY AND EBRAHIM KAABIPOUR AND SHAHLA KAABIPOUR TRUSTEES OR SUCCESSOR TRUSTEES OF EBRAHIM “ABE” KAABIPOUR AND SHAHLA KAABIPOUR REVOCABLE LIVING TRUST, DATED FEBRUARY 9, 2007 TO ACQUIRE AN EASEMENT FOR THE CONSTRUCTION OF THE TRACY HILLS TRUNK SEWER FORCE MAINS**

EXECUTIVE SUMMARY

Infrastructure needs for Tracy Hills require the construction of two sewer force mains within property owned by Ebrahim Kaabipour and Shahla Kaabipour Trustees or Successor Trustees of Ebrahim “Abe” Kaabipour and Shahla Kaabipour Revocable Living Trust, Dated February 9, 2007, APN 253-100-15, (Kaabipour Property). The installation of the sewer force mains on the Kaabipour Property will require an easement. Tracy Hills has negotiated with the property owners for the acquisition of a permanent easement for the proposed sewer force mains within the Kaabipour Property, and the owners have agreed to grant an easement to the City for this purpose and have signed the agreement. This asset will be recorded in the General Fund fixed assets upon approval.

DISCUSSION

On October 18, 2016, the Tracy City Council approved an Offsite Improvement Agreement (OIA) with Tracy Hills-Phase 1A for the construction of certain off-site infrastructure improvements required to provide services to their development. Said off-site infrastructure improvements include two (2) ten-inch diameter sanitary sewer force mains to convey wastewater from the Tracy Hills Sewer Lift Station to the fifteen-inch sewer trunk line that will be constructed by Tracy Hills. The sewer trunk line will be part of the capital improvements project for Corral Hollow Road Utility Improvements – Water and Sewer Pipelines.

A portion of the two sewer force mains will cross the Kaabipour Property, and thus the sewer force mains will require an easement in order to authorize the installation of the mains on the property. Attachment A shows the location of the easement.

The Tracy Hills developer has negotiated with the property owners for the acquisition of a permanent easement to enable the City to construct, install, maintain, repair, improve, operate, and replace the proposed sewer force mains within the Kaabipour Property. The developer will construct these improvements as part of the aforementioned OIA. The property owners have agreed to grant an easement to the City consisting of approximately 4,937sf for this purpose and have signed the Grant of Easement and Easement Agreement.

### STRATEGIC PLAN

This agenda item is consistent with the City's Economic Development Strategy and meets the goals to ensure physical infrastructure and systems necessary for development.

### FISCAL IMPACT

The cost of acquisition of this easement for construction of the two (2) ten-inch diameter sanitary sewer force mains and the cost of preparation and recording the Grant of Easement and Easement Agreement has been paid by the Developer of the Tracy Hills project. The value of the asset to the City is \$47,000 and will be included in the General Fund assets.

### RECOMMENDATION

It is recommended that City Council adopt a resolution approving the Agreement between the City of Tracy and the Trustees/Owners of the Kaabipour property to acquire an easement for the construction of the Tracy Hills Trunk Sewer Force Mains as outlined in the OIA with Tracy Hills.

Prepared by: Al Gali, Associate Civil Engineer

Reviewed by: Robert Armijo, P.E., City Engineer / Assistant Development Services Director  
Karin Schnaider, Finance Director  
Andrew Malik, Development Services Director

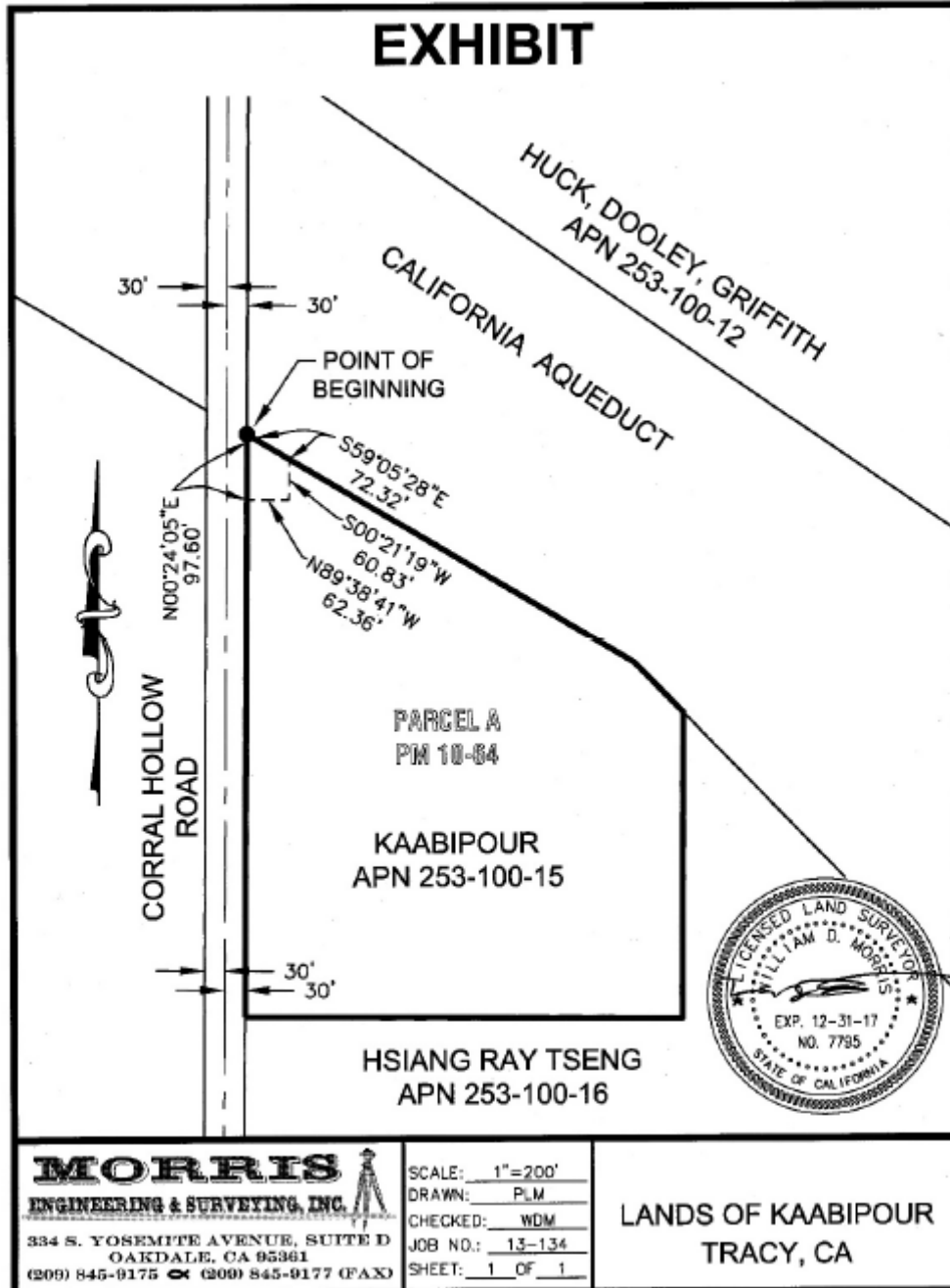
Approved by: Midori Lichtwardt, Interim Assistant City Manager

### ATTACHMENTS

Attachment A – Location Map

Attachment B – Grant of Easement and Easement Agreement

ATTACHMENT A



**MORRIS**  
**ENGINEERING & SURVEYING, INC.**  
 334 S. YOSEMITE AVENUE, SUITE D  
 OAKDALE, CA 95361  
 (209) 845-9175 ☎ (209) 845-9177 (FAX)

SCALE: 1"=200'  
 DRAWN: PLM  
 CHECKED: WDM  
 JOB NO.: 13-134  
 SHEET: 1 OF 1

LANDS OF KAABIPOUR  
 TRACY, CA



ATTACHMENT B

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

City of Tracy  
Office of the City Clerk  
333 Civic Center Plaza  
Tracy, California, 95376  
Attn: Nora Pimentel

---

(Space Above this Line is for Recorder's Use Only)

This Grant of Easement and Easement Agreement is recorded at the request and for the benefit of the City of Tracy and is exempt from the payment of a recording fee pursuant to Government Code § 6103.

**GRANT OF EASEMENT AND EASEMENT AGREEMENT**

This GRANT OF EASEMENT AND EASEMENT AGREEMENT ("Easement Agreement") is entered into this 24th day of May, 2016, by and between EBRAHIM KAABIPOUR and SHAHLA KAABIPOUR, Trustees, or Successor Trustees, of the Ebrahim "ABE" Kaabipour and Shahla Kaabipour Revocable Living Trust dated February 9, 2007 (collectively, the "Owner"), and the CITY OF TRACY, a municipal corporation ("City").

**R E C I T A L S**

A. Owner is the owner in fee of that certain real property located in the City of Tracy, County of San Joaquin, State of California, more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference (the "Property").

B. City intends to construct and install two (2) ten (10) inch diameter sewer trunk lines (collectively, the "New Sewer Line") within the Property.

C. City and Owner desire to enter into this Easement Agreement to (i) provide for the grant by Owner to the City of an easement on, over, across, and through a 4,937 square foot portion of the Property to enable the City to construct, reconstruct, install, maintain, repair, improve, operate, and replace the New Sewer Line; and (ii) permit Owner to maintain certain improvements within the Easement Area (as defined herein below), all on the terms and conditions more particularly set forth in this Easement Agreement.

**A G R E E M E N T**

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by both parties, City and Owner hereby agree as follows:

1. Grant of Easement. Owner hereby grants to the City, its successors and assigns, an easement in perpetuity on, over, across, and through the portion of the Property described in Exhibit "B", attached hereto (the "Easement Area"), for the purpose of providing the City access,

ingress, and egress to and from the New Sewer Line, to enable City to construct, reconstruct, install, maintain, repair, improve, operate, and replace the New Sewer Line.

2. Owner's Use of Easement Area. The rights and obligations of Owner with respect to the use of the Easement Area shall be as set forth in this Section 2. In the event of any inconsistency between the provisions of this Section 2 and the provisions set forth in any other agreement or document with regard to the Owner's use of the Easement Area, the provisions of this Section 2 shall control. Owner shall have the right to use the surface of the land within the boundaries of the Easement Area provided such use is compatible with the full and free use of the Easement Area by the City. Owner shall cause to be prepared and submitted to the City Engineer for approval, improvement plans, specifications, and cost estimates for the performance of any work or the installation of any improvements within the Easement Area. No permanent structures such as buildings, walls, and others or landscaping with invasive root systems shall be placed within the Easement Area and no other improvements which impair City's access along the Easement Area or access to the New Sewer Line shall be placed within the Easement Area. City shall have the right to alter or remove any improvements within the Easement Area including the improvements that are expressly permitted by this Section 2 as reasonably necessary in order to construct, operate, maintain, repair, improve, and replace the New Sewer Line and Owner shall be solely responsible for all costs to remove, alter and replace said improvements.

3. Indemnity. City shall indemnify, defend, and hold harmless Owner from and against any and all claims, liabilities, and losses for which Owner may sustain, incur, or be liable arising out of City's work on the Property in connection with the construction, repair, replacement, or maintenance of the New Sewer Line, except those which arise out of the negligent acts or omissions or willful misconduct of Owner, or its employees, agents, lessees or permittees, or any default or breach of this Easement Agreement by Owner. Owner shall indemnify, defend, and hold harmless City from and against any and all claims, liabilities, and losses for which City may sustain, incur, or be liable arising out of Owner's use of the Easement Area, including any improvements of Owner located within the Easement Area, except those which arise out of the negligent acts or omissions or willful misconduct of City, or its employees, agents, lessees or permittees, or any default or breach of this Easement Agreement by City.

4. Miscellaneous.

a. Covenants Run With the Land. The covenants contained in this Easement Agreement shall be covenants running with the land comprising the Property, and shall bind every person having any interest in the Property.

b. Entire Agreement, Waivers, and Amendments. This Easement Agreement contains the entire understanding of the parties with respect to the subject matter addressed herein and supersedes all prior and contemporaneous discussions, negotiations, and agreements between the parties relating thereto. All waivers of the provisions of this Easement Agreement must be in writing and signed by the appropriate authorities of the party to be charged. A waiver of the breach of the covenants, conditions or obligations of this Easement Agreement by either party shall not be construed as a waiver of any succeeding breach of the same or other covenants, conditions or obligations of this Easement Agreement. This Easement Agreement may not be modified, terminated, or rescinded, in whole or in part, except by a written instrument duly executed and acknowledged by City, or its successors or assigns, and Owner, or its successors or assigns, and duly recorded in the Office of the San Joaquin County Recorder.

c. Governing Law. This Easement Agreement shall be governed by and construed in accordance with the laws of the State of California.

d. Severability. The invalidity or unenforceability of any provision of this Easement Agreement with respect to a particular party or set of circumstances shall not in any way affect the validity and enforceability of any other provision hereof, or the same provision when implied to the other party or to a different set of circumstances.

e. Notices. Any notice to be given under this Easement Agreement shall be given by personal delivery, by depositing the same in the United States Mail, certified or registered, postage prepaid, or by depositing the same with Federal Express or another reputable overnight delivery service, at the following address:

City: City of Tracy  
333 Civic Center Plaza  
Tracy, CA 95376  
Attn: City Engineer

Owner: Ebrahim and Shahla Kaabipour  
12600 Saratoga Avenue  
Saratoga, CA 95070  
Phone: 408-866-4900  
Fax: 408-850-1917  
Email: abekabi@gmail.com

Any notice delivered personally shall be effective upon delivery. Any notice given by mail as above provided shall be effective forty-eight (48) hours after deposit in the mails. Any notice given by overnight delivery service shall be effective twenty-four hours after deposit with such service. Any party may change its address for notice by giving written notice of such change to the other party.

f. Litigation Expenses. In any judicial proceeding or arbitration (collectively, "Action") between City and Owner seeking enforcement of any of the terms and provisions of this Easement Agreement, the prevailing party in such Action shall be awarded, in addition to any damages or injunctive or other relief, all of its actual and reasonable costs and expenses, including expert witness fees, attorney's fees, and costs of investigation and preparation prior to the commencement of the Action. The right to recover such costs and expenses shall accrue upon commencement of the Action, regardless of whether the Action is prosecuted to a final judgment or decision.

g. Authority. The persons executing this Easement Agreement on behalf of the parties hereto warrant and represent that they are duly authorized to execute and deliver this Easement Agreement on behalf of such party, and by so executing this Easement Agreement, said party is formally bound to the provisions of this Easement Agreement.

h. Counterparts. This Easement Agreement may be executed in counterparts, and all so executed shall constitute one agreement binding on all parties hereto, notwithstanding that all parties are not signatories to the original or same counterpart.

Portion of this Page Intentionally Left Blank

IN WITNESS WHEREOF, City and Owner have executed this Easement Agreement as of the date first written above.

"OWNER"



Ebrahim Kaabipour, Trustee, or Successor  
Trustee, of the Ebrahim "ABE" Kaabipour  
and Shahla Kaabipour Revocable Living  
Trust dated February 9, 2007



Shahla Kaabipour, Trustee, or Successor  
Trustee, of the Ebrahim "ABE" Kaabipour  
and Shahla Kaabipour Revocable Living  
Trust dated February 9, 2007

“CITY”

CITY OF TRACY, a municipal corporation

By: \_\_\_\_\_  
Name: Robert Rickman  
Title: CITY MAYOR  
Date: \_\_\_\_\_

ATTEST:

By: \_\_\_\_\_  
Name: Adrienne Richardson  
Title: INTERIM CITY CLERK  
Date: \_\_\_\_\_

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Name: Thomas Watson  
Title: CITY ATTORNEY  
Date: \_\_\_\_\_

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )  
County of Santa Clara )

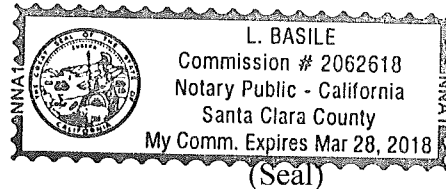
On June 2-2016, before me, L. Basile,  
(insert name and title of the officer)

Notary Public, personally appeared Ebrahim Kaabipour,  
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are  
subscribed to the within instrument and acknowledged to me that he/she/they executed the same  
in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument  
the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that  
the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature L Basile



A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )  
County of Santa Clara )

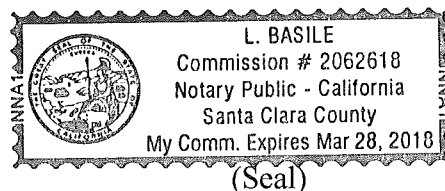
On June 2-2016, before me, L. Basile,  
(insert name and title of the officer)

Notary Public, personally appeared Shahla Ebrahim,  
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are  
subscribed to the within instrument and acknowledged to me that he/she/they executed the same  
in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument  
the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that  
the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature L Basile



A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )  
County of \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_,  
(insert name and title of the officer)

Notary Public, personally appeared \_\_\_\_\_,  
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

(Seal)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )  
County of \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_,  
(insert name and title of the officer)

Notary Public, personally appeared \_\_\_\_\_,  
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

(Seal)

EXHIBIT "A"  
Page 1 of 1  
LEGAL DESCRIPTION OF PROPERTY

The real property located in the City of Tracy, County of San Joaquin, State of California, described as follows:

PARCEL "A" AS DESIGNATED ON THAT CERTAIN PARCEL MAP FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN JOAQUIN COUNTY, CALIFORNIA, ON JUNE 5, 1981 IN VOLUME 10 OF PARCEL MAPS, PAGE 64, OFFICIAL RECORDS.

APN: 253-100-15



EXHIBIT "B"  
Page 1 of 2  
LEGAL DESCRIPTION OF EASEMENT AREA

The real property located in the City of Tracy, County of San Joaquin, State of California, described as follows:

**EXHIBIT**

APN 253-100-15

Being a portion of Parcel "A" as designated on that certain Parcel Map filed for record June 5, 1981 in Volume 10 of Parcel Maps, at Page 64, San Joaquin County Records, situate in the Northwest Quarter of Section 17, Township 3 South, Range 5 East, Mount Diablo Meridian, County of San Joaquin, State of California, more particularly described as follows:

Beginning at the Northwest Corner of said Parcel "A", running thence along the Northerly Line of said Parcel "A" and the Southerly Line of the California Aqueduct, South 59°05'28" East 72.32 feet to a point;

Thence, South 00°21'19" West 60.83 feet to a point;

Thence, North 89°38'41" West 62.36 feet to a point on the Westerly Line of said Parcel "A" and the Easterly Right-of-Way Line of Corral Hollow Road (30 feet half width);

Thence, along the said Westerly Line of said Parcel "A" and the said Easterly Right-of-Way Line of said Corral Hollow Road, North 00°24'05" East 97.60 feet to the **Point of Beginning**.

Containing 4,937 square feet of land, more or less.

Subject to all easements and right-of-way of record.

Basis of Bearings for this description is the bearing North 00°24'05" East for the said Westerly Line of said Parcel "A" and the said Easterly Right-of-Way Line of said Corral Hollow Road as shown in Volume 10 of Parcel Maps, at Page 64, San Joaquin County Records.

**End Description**

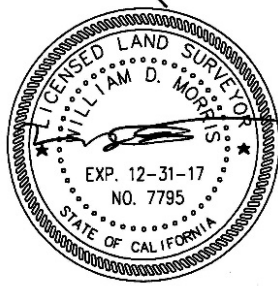
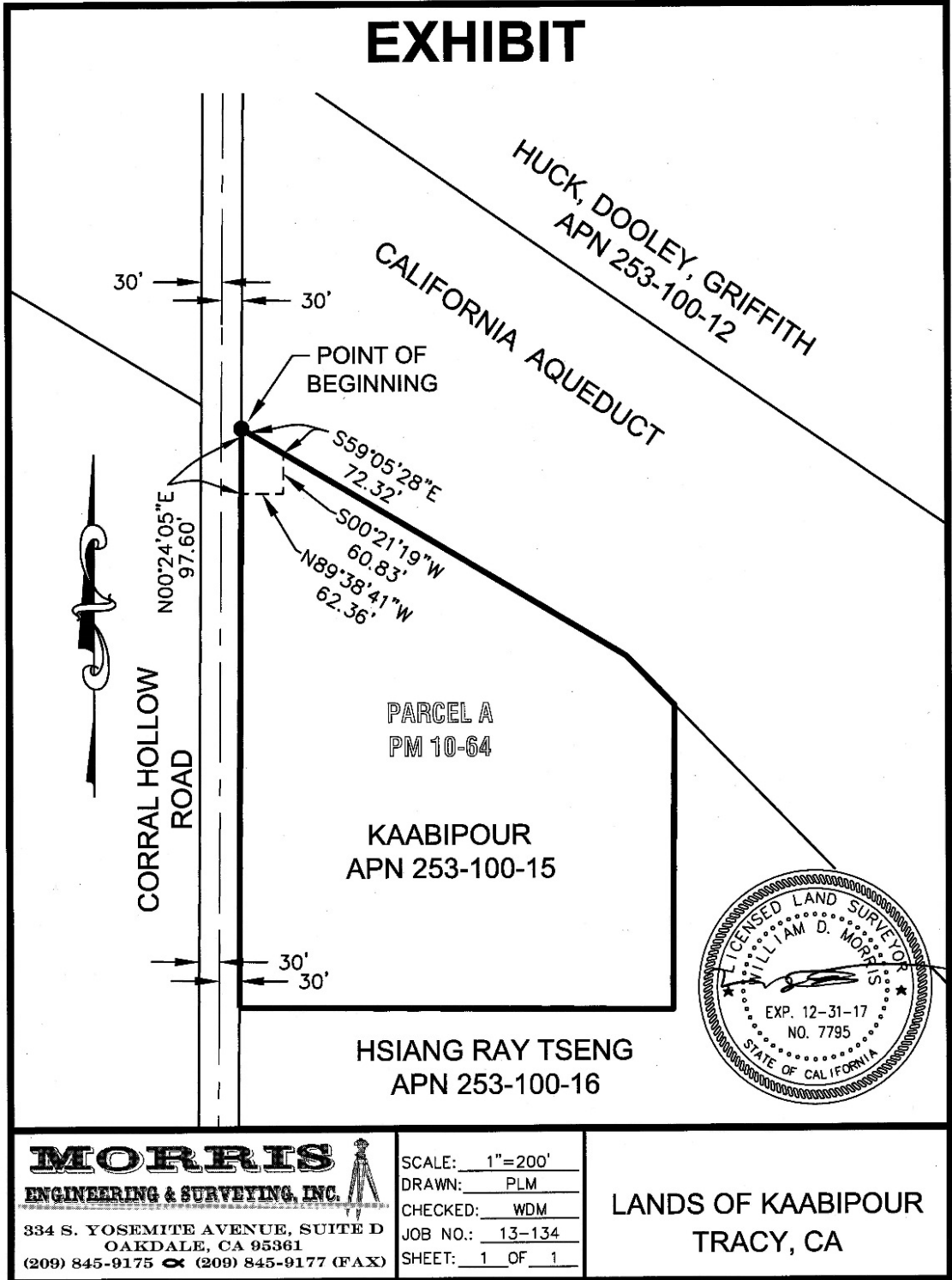


William D. Morris  
PLS No.: 7795  
Exp.: 12-31-17

3/21/16  
Date



EXHIBIT "B"  
 Page 2 of 2  
 DEPICTION OF EASEMENT AREA



**MORRIS**  
 ENGINEERING & SURVEYING, INC.  
 334 S. YOSEMITE AVENUE, SUITE D  
 OAKDALE, CA 95361  
 (209) 845-9175 ☎ (209) 845-9177 (FAX)

SCALE: 1" = 200'  
 DRAWN: PLM  
 CHECKED: WDM  
 JOB NO.: 13-134  
 SHEET: 1 OF 1

LANDS OF KAABIPOUR  
 TRACY, CA

RESOLUTION 2018-\_\_\_\_\_

APPROVING THE AGREEMENT BETWEEN THE CITY OF TRACY AND EBRAHIM KAABIPOUR AND SHAHLA KAABIPOUR TRUSTEES OR SUCCESSOR TRUSTEES OF EBRAHIM "ABE" KAABIPOUR AND SHAHLA KAABIPOUR REVOCABLE LIVING TRUST DATED FEBRUARY 9, 2007, TO ACQUIRE AN EASEMENT FOR THE CONSTRUCTION OF TRACY HILLS TRUNK SEWER FORCE MAINS

WHEREAS, On October 18, 2016, the Tracy City Council approved the Offsite Improvement Agreement (OIA) for the construction of certain off-site infrastructure improvements required to provide services to the Tracy Hills development, including two (2) ten-inch diameter sanitary sewer force mains to convey wastewater from the Tracy Hills Sewer Lift Station to the fifteen-inch Sewer Trunk line that will be constructed by the Tracy Hills developer as part of the Capital Improvement Project for Corral Hollow Road Utility Improvements – Water and Sewer Pipelines, and

WHEREAS, A portion of the sewer force mains will cross property owned by Ebrahim Kaabipour and Shahla Kaabipour Trustees or Successor Trustees of Ebrahim "Abe" Kaabipour and Shahla Kaabipour Revocable Living Trust Dated February 9, 2007 (Kaabipour Property), APN 253-100-15, and

WHEREAS, Tracy Hills developer has negotiated with the property owners for the acquisition of a permanent easement to enable the City to construct, install, maintain, repair, improve, operate, and replace the proposed trunk sewer line within the property, and

WHEREAS, Tracy Hills developer will construct the improvement per the aforementioned the OIA, and

WHEREAS, The Property Owners have agreed to grant an easement to the City consisting of approximately 4,937sf for this purpose, and they have signed the Grant of Easement and Easement Agreement, and

WHEREAS, The cost of acquisition of this easement for construction of the two 10" trunk sewer mains, and the cost of preparation and recording the Grant of Easement and Easement Agreement has been paid by the Developer of the Tracy Hills project. The value of the asset to the City is \$47,000 and will be included in the General Fund assets;

NOW, THEREFORE, BE IT RESOLVED, That the City Council of the City of Tracy hereby approves the Easement Agreement between the City of Tracy and the Trustees/Owners of the Kaabipour Property to acquire an easement for the construction of the Tracy Hills Trunk Sewer Force Mains as outlined in the OIA with Tracy Hills.

\* \* \* \* \*

The foregoing Resolution 2018-\_\_\_\_\_ was passed and adopted by the Tracy City Council on the 17<sup>th</sup> day of July, 2018, by the following vote:

AYES:	COUNCIL MEMBERS:
NOES:	COUNCIL MEMBERS:
ABSENT:	COUNCIL MEMBERS:
ABSTAIN:	COUNCIL MEMBERS:

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

AGENDA ITEM 1.D

REQUEST

**APPROVE THE FINAL SUBDIVISION MAP FOR BROOKVIEW II-UNIT 3 TRACT 3952, TO CREATE 11 RESIDENTIAL LOTS WITHIN THE BROOKVIEW II SUBDIVISION**

EXECUTIVE SUMMARY

Approval of the Final Subdivision Map will facilitate the recordation of the Final Subdivision Map, and the issuance of building permits for the eventual construction of the proposed residential houses. Subdivision improvements that are required to serve the new eleven (11) residential lots were constructed by Brookview Properties LLC, a California limited liability company (Subdivider) under the Brookview II Subdivision Improvement Agreement, previously authorized by the City Council.

DISCUSSION

On June 19, 2007, City Council approved the Preliminary and Final Development Plan (PDP/FDP) and Vesting Tentative Subdivision Map (VTSM) for the Brookview II Subdivision on a 10-acre parcel located at the northwest corner of Brookview Drive and Perennial Place. The site was originally dedicated to the school district for a new proposed school. However, the school district decided against building a new school. The PDP/FDP was to create ninety-five (95) residential lots for a single family dwelling unit development. This subdivision is designated Residential Low Density in the General Plan and Residential in the Tracy South Industrial Specific Plan.

On October 5, 2010, pursuant to Resolution No. 2010-167, City Council approved an amendment to the PDP/FDP and VTSM for Brookview II subdivision, and among other things, to reduce the density from ninety-five (95) to eighty (80) residential lots.

On July 21, 2015, pursuant to Resolution No. 2015-125, City Council approved the first residential phase of the subdivision, Brookview II-Unit 1, Tract 3568, consisting of twenty-three (23) residential lots. With the approval of the first final subdivision map, City Council also authorized a subdivision improvement agreement for the construction of the subdivision's improvements that serve the entire 80 lots.

The second final subdivision map was approved around June 2017 which created 46 lots.

If approved by the City Council, Brookview II-Unit 3, Tract 3952, the third and last final subdivision map of Brookview II Subdivision will create 11 residential lots shown in Attachment A. The map has been reviewed by City staff and is in substantial conformance with the design of the approved VTSM, and is on file with the City Engineer and is available for review upon request.

FISCAL IMPACT

The Subdivider has paid the applicable engineering review fees, which include the cost of checking and processing the Final Subdivision Map.

STRATEGIC PLAN

This agenda item is a routine operational item and is not related to the Council's Strategic Plans.

RECOMMENDATION

That City Council, by resolution, approve the Final Subdivision Map for Brookview II-Unit 3, Tract 3952, to create eleven residential lots within the Brookview II Subdivision.

Prepared by: Al Gali, Associate Civil Engineer

Reviewed by: Robert Armijo, PE, City Engineer / Assistant Development Services Director  
Andrew Malik, Development Services Director  
Karin Schnaider, Finance Director

Approved by: Midori Lichtwardt, Interim Assistant City Manager

ATTACHMENTS

Attachment A – Excerpt from Final Subdivision Map, Tract 3952

# ATTACHMENT A

**REFERENCES:**  
 (R-1) TRACT NO. 3568, MAPS & PLATS BK. 42, PG. 39, S.J.C.R.  
 (R-2) RECORD OF SURVEY, BK. 36, PG. 118, S.J.C.R.  
 (R-3) RECORD OF SURVEY, BK. 30, PG. 18, S.J.C.R.

**NOTES:**  
 1. FOR LOTS 70-80, SET 1" BRASS MARKER PUNCHED AND STAMPED "LS 8817" ON THE PROLONGATION OF THE SIDE LOT LINE, 0.5' FROM THE FRONT LOT CORNER IN SIDEWALK.

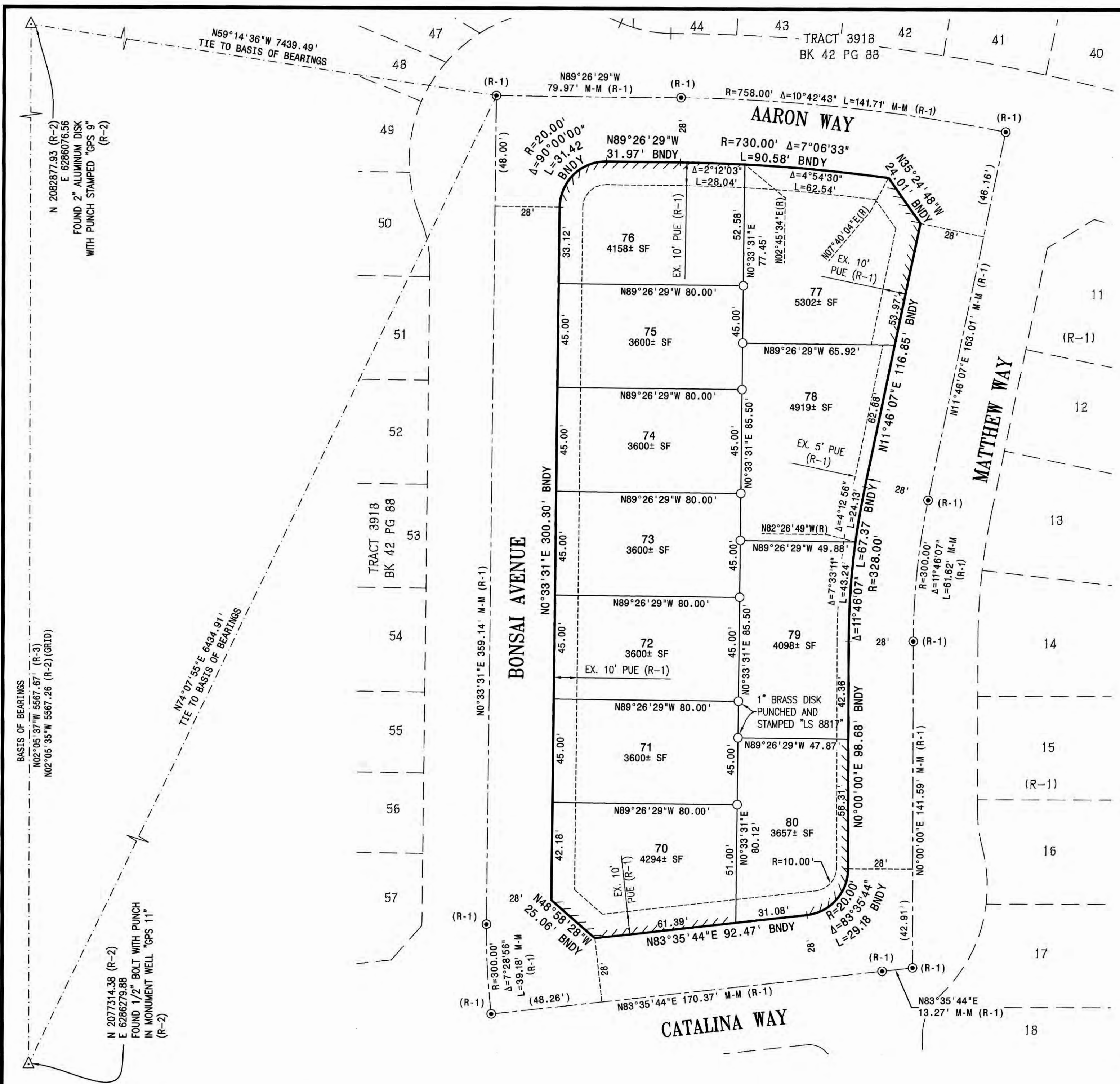
**LEGEND**

- BOUNDARY LINE
- - - LOT LINE/PARCEL LINE
- - - EXISTING PROPERTY/RIGHT OF WAY LINE
- - - EXISTING EASEMENT LINE
- - - MONUMENT LINE
- NON-ACCESS
- FOUND STANDARD CITY STREET MONUMENT PER (R-1) UNLESS NOTED OTHERWISE
- 3/4" IRON PIPE WITH CAP STAMPED "LS 8817" UNLESS OTHERWISE NOTED
- BDNY BOUNDARY
- EX. EXISTING
- M-M MONUMENT TO MONUMENT
- PUE PUBLIC UTILITY EASEMENT
- SF SQUARE FEET
- (R) RADIAL BEARING
- ( ) PULLBACK DISTANCE
- S.J.C.R. SAN JOAQUIN COUNTY RECORDS

**BASIS OF BEARINGS:**  
 THE LINE BEARING NORTH 02°05'37" WEST BETWEEN CITY OF TRACY CONTROL MONUMENTS 9 AND 11 OF THE CITY OF TRACY MODIFIED GRID SYSTEM, AS SHOWN ON RECORD OF SURVEY FILED IN BOOK 30 OF SURVEYS, AT PAGE 18, SAN JOAQUIN COUNTY RECORDS, WAS USED AS THE BASIS OF BEARINGS SHOWN HEREON. COORDINATES SHOWN ARE BASED ON THE CALIFORNIA STATE PLANE COORDINATE SYSTEM, ZONE 3, NAD83 (EPOCH 2004.0)(R-2)

**GENERAL NOTES:**

- ALL DISTANCES ARE MEASURED AND GROUND LEVEL DISTANCES UNLESS OTHERWISE NOTED. TO GET GRID DISTANCES, MULTIPLY DISTANCES SHOWN BY 0.9999352.
- THE SUBDIVISION CONTAINS 11 RESIDENTIAL LOTS FOR A TOTAL GROSS AREA OF 1.02 ACRES MORE OR LESS.
- THE LANDS INCLUDED IN THIS TRACT MAP ARE SUBJECT TO THE TERMS AND PROVISIONS CONTAINED IN THE DOCUMENT ENTITLED "DEED OF AVIGATION AND HAZARD EASEMENT" RECORDED SEPTEMBER 14, 2001 AS INSTRUMENT NO. 01150154 OF OFFICIAL RECORDS.
- ALL EXTERIOR BOUNDARY DIMENSIONS INDICATED WITH "BDNY" AND DIMENSION BETWEEN FOUND STREET MONUMENTS ARE PER REFERENCE (R-1) UNLESS NOTED OTHERWISE.
- EXISTING EASEMENTS ARE PER REFERENCE (R-1) UNLESS NOTED OTHERWISE.

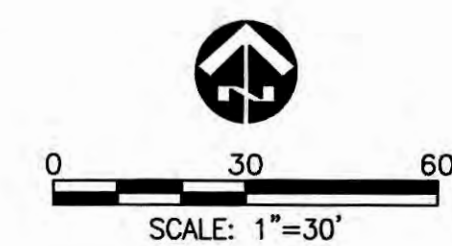


## TRACT 3952

SUBDIVISIONS OF SAN JOAQUIN COUNTY  
 BROOKVIEW II, UNIT 3  
 SUBDIVISION OF PARCEL 'B' OF TRACT NO. 3568  
 FILED IN BOOK 42 OF MAPS AND PLATS AT PAGE 39,  
 SAN JOAQUIN COUNTY RECORDS,  
 BEING A PORTION OF SECTION 4, TOWNSHIP 3 SOUTH,  
 RANGE 5 EAST, MOUNT DIABLO BASE AND MERIDIAN  
 CITY OF TRACY  
 SAN JOAQUIN COUNTY, CALIFORNIA

**MACKAY & SOMPS**  
 ENGINEERS PLANNERS SURVEYORS  
 5142B FRANKLIN DR., PLEASANTON, CA 94588 (925)225-0690

APRIL 2018



RESOLUTION 2018-\_\_\_\_\_

APPROVING THE FINAL SUBDIVISION MAP FOR BROOKVIEW II-UNIT 3, TRACT 3952, TO  
CREATE ELEVEN RESIDENTIAL LOTS WITHIN THE BROOKVIEW II SUBDIVISION

WHEREAS, On June 19, 2007, City Council approved the Preliminary and Final Development Plan (PDP/FDP) and Vesting Tentative Subdivision Map (VTSM) for the Brookview Subdivision located at the northwest corner of Brookview Drive and Perennial Place, to create 95 residential lots for single family dwelling unit development, and

WHEREAS, On October 5, 2010, pursuant to Resolution No. 2010-167, the City Council approved the amendment to the PDP/FDP and VTSM for Brookview subdivision, to allow reduction of density from 95 to 80 residential lots, and

WHEREAS, This is the third and final map for this subdivision, and

WHEREAS, This Final Subdivision Map for Brookview II, Tract 3952 will create eleven (11) residential lots, and

WHEREAS, The Final Subdivision Map for Brookview II, Tract 3952 has been reviewed for its technical completeness and accuracy, and

WHEREAS, The subdivision improvements that will serve the newly created lots were constructed under the Subdivision Improvement Agreement for Brookview II-Unit 1, Tract 3568, the first residential phase of Brookview II Subdivision, and

WHEREAS, Upon completion of all improvements, the City will accept the improvements for maintenance and will accept all offers of dedication of public right-of-way at that time, and

WHEREAS, The Subdivider has paid the applicable engineering review fees, which include the cost of reviewing and processing the Final Subdivision Map;

NOW, THEREFORE BE IT RESOLVED, That the City Council of the City of Tracy hereby approves the Final Subdivision Map for Brookview II-Unit 3, Tract 3952.

\* \* \* \* \*

The foregoing Resolution 2018-\_\_\_\_\_ was passed and adopted by the Tracy City Council on the 17<sup>th</sup> day of July 2018, by the following vote:

AYES: COUNCIL MEMBERS:  
NOES: COUNCIL MEMBERS:  
ABSENT: COUNCIL MEMBERS:  
ABSTAIN: COUNCIL MEMBERS:

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK



AGENDA ITEM 1.E

REQUEST

**ESTABLISH A NEW CAPITAL IMPROVEMENT PROJECT FOR CONSTRUCTION OF THE MACARTHUR DRIVE OVERLAY – GRANT LINE ROAD TO I-205, AUTHORIZE A TRANSFER OF \$500,000 FROM CIP 73156 AND \$200,000 FROM CIP 73166, ALLOCATE \$504,000 FROM SB-1 FUND TO THE NEW CIP, AWARD A CONSTRUCTION CONTRACT TO TOM MAYO CONSTRUCTION, AND APPROVE A CONTINGENCY AMOUNT OF \$110,640.**

EXECUTIVE SUMMARY

A previously installed pavement overlay is failing and this street must receive improvement so further deterioration of the street does not occur. Therefore, City staff requests that City Council authorize the following:

1. Establishment of a new CIP for construction of the MacArthur Drive Overlay – Grant Line Road to I-205;
2. Transfer \$500,000 from CIP 73156 and \$200,000 from CIP 73166 to the new CIP;
3. Allocate \$504,000 from SB-1 fund to the new CIP;
4. Award a construction contract for the MacArthur Drive Overlay – Grant Line Road to I-205 and approve a contingency amount for the contract.

DISCUSSION

The project replaces spalling asphalt concrete overlay full width approximately ¾ mile of MacArthur Drive between Grant Line Road and the I-205 interchange. This work is required to restore functionality and mitigate further pavement deterioration. The replacement overlay design also includes localized structural section repair and addition of a pavement reinforcing grid.

The existing overlay completed in fall 2015 by Knife River Construction started de-bonding soon after the one year warranty period.

Plans and specifications were prepared in-house by City Staff. The project was advertised for competitive bids on May 11th and 18th, 2018. The following bids were received and publicly opened on May 30, 2018:

<u>Contractor</u>	<u>Bid Amount</u>
Tom Mayo Construction, Stockton	\$1,037,360
United Pavement Maintenance, Hughson	\$1,261,386
Knife River Construction, Stockton	\$1,146,599

Tom Mayo Construction is the lowest monetary responsible bidder. Bid analysis indicates that the bid is responsive. The contractor has good references and has completed similar projects for other agencies.

The projected cost to complete the project if awarded to the low bidder is as follows:

Contractor's Bid for Construction	\$1,037,360
Inspection, Design Support and Construction Management	\$56,000
Contingency	\$110,640
<b>Total Construction Cost</b>	<b>\$1,204,000</b>

Staff anticipates construction to be completed by winter 2018.

Tracy Municipal Code 2.20.090(b) authorizes City Manager to approve change orders up to the amount approved by City Council. The recommended contingency amount for this project is \$110,640.

### STRATEGIC PLAN

This agenda item is a routine maintenance item and not part of council's Strategic Plan.

### FISCAL IMPACT

The estimated project cost is \$1.2 million, to be funded as follows:

Transfer	\$ 500,000 from CIP 73156
Transfer	\$ 200,000 from CIP 73166
Allocate	\$ 504,000 from SB-1 Grant Fund
<b>TOTAL</b>	<b>\$1,204,000</b>

The transfer of funds from CIP 73156 and 73166 will move funds that have been already allocated for general street patch and overlay programs to the newly created CIP for MacArthur Drive Overlay – Grant Line Road to I-205.

### RECOMMENDATION

That City Council, by resolution:

1. Establish a new CIP for construction of the MacArthur Drive Overlay – Grant Line Road to I-205;
2. Transfer \$500,000 from CIP 73156 and \$200,000 from CIP 73166 to the new CIP;
3. Allocate \$504,000 from SB-1 fund to the new CIP;
4. Award a construction contract to Tom Mayo Construction for \$1,037,360 and approve a contingency amount of \$110,640 for construction of the MacArthur Drive Overlay – Grant Line Road to I-205

Prepared by: Binh Nguyen, PE, Senior Civil Engineer  
Zabih Zaca, PE, Senior Civil Engineer

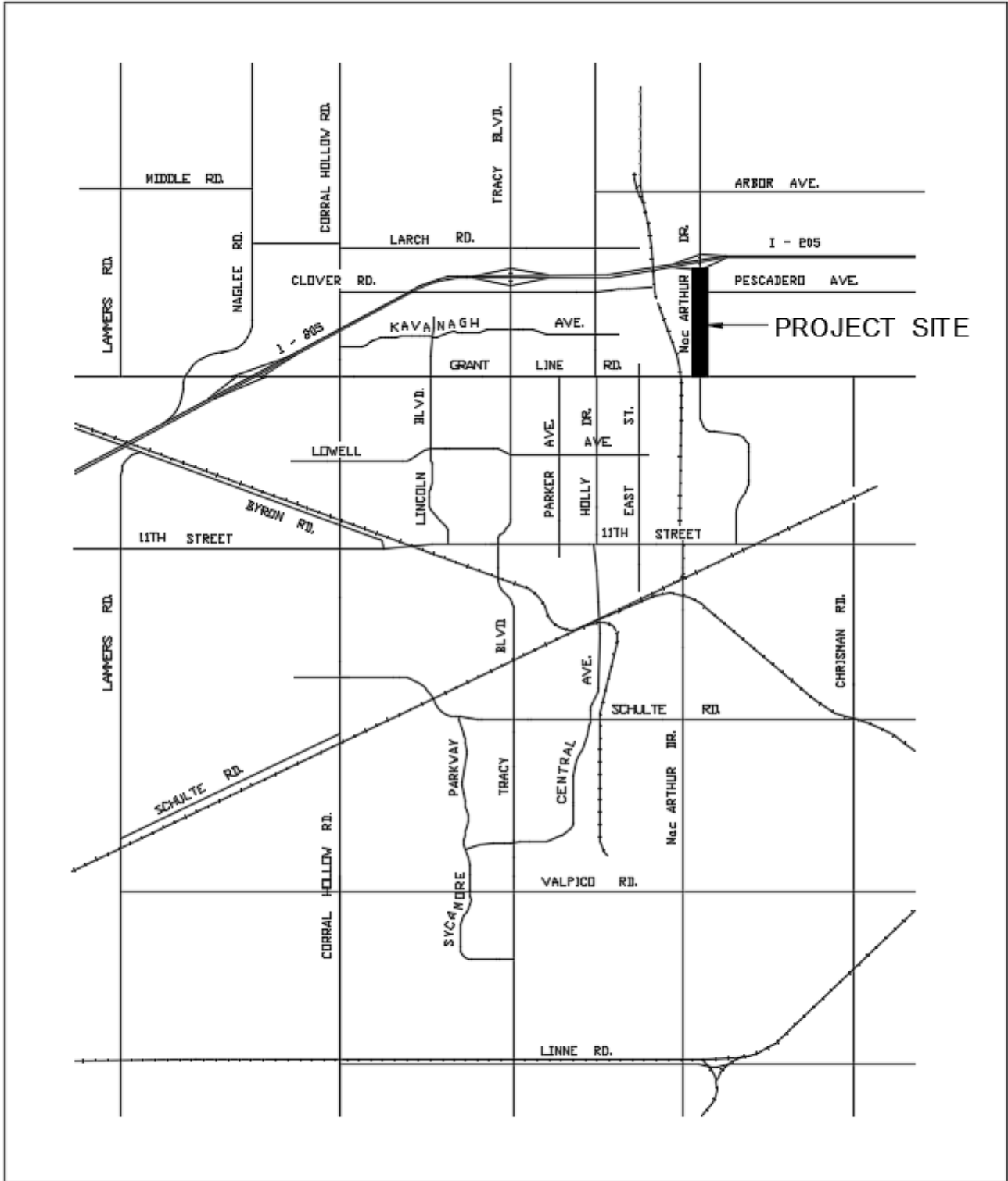
Reviewed by: Robert Armijo, PE, City Engineer / Assistant Development Services Director  
Andrew Malik, Development Services Director  
Karin Schnaider, Finance Director

Agenda Item 1.E  
July 17, 2018  
Page 3

Approved by: Midori Lichtwardt, Interim Assistant City Manager

ATTACHMENTS

Attachment A – Location Map



**LOCATION MAP**  
NOT TO SCALE



RESOLUTION 2018-\_\_\_\_\_

ESTABLISHING A NEW CAPITAL IMPROVEMENT PROJECT FOR THE MACARTHUR DRIVE OVERLAY PROJECT – GRANT LINE ROAD TO I-205, AUTHORIZING A TRANSFER OF \$500,000 FROM CIP 73156 AND \$200,000 FROM CIP 73166, ALLOCATING \$504,000 FROM SB-1 FUND TO THE NEW CIP, AWARDING A CONSTRUCTION CONTRACT TO TOM MAYO CONSTRUCTION, AND APPROVING A CONTINGENCY AMOUNT

WHEREAS, The project replaces ¾ mile of deteriorated asphalt concrete along MacArthur Drive from Grant Line Road to the I-205 interchange, and

WHEREAS, The project is required to rehabilitate the street and restore the pavement's functionality, and

WHEREAS, The project was advertised for competitive bids on May 11th and 18th, 2018, three bids were received and publicly opened on May 30, 2018, and

WHEREAS, The lowest monetary bid is from Tom Mayo Construction, Stockton, California, in the amount of \$1,037,360, and

WHEREAS, The anticipated cost for construction if awarded to the low bidder, is estimated as follows:

Contractor's Bid for Construction	\$1,037,360
Inspection, Design Support & Construction Management	\$56,000
Contingency	\$110,640
<b>Total Construction Cost</b>	<b>\$1,204,000</b>

WHEREAS, Tracy Municipal Code 2.20.090(b) authorizes City Manager to approve change orders up to the amount approved by City Council. The recommended contingency amount for this project is \$110,640, and

WHEREAS, Project will be funded from the following sources:

Transfer	\$ 500,000 from CIP 73156
Transfer	\$ 200,000 from CIP 73166
Allocate	\$ 504,000 from SB-1 Grant Fund
<b>TOTAL</b>	<b>\$1,204,000</b>

NOW, THEREFORE, BE IT RESOLVED, That City Council of the City of Tracy hereby

1. Establishes a new CIP for construction of the MacArthur Drive Overlay – Grant Line Road to I-205;
2. Approves a transfer of \$500,000 from CIP 73156 and \$200,000 from CIP 73166 to the new CIP;
3. Allocates \$504,000 from SB-1 fund to the new CIP;
4. Awards a construction contract for \$1,037,360 and approves a contingency amount of \$110,640 for construction of the MacArthur Drive Overlay – Grant Line Road to I-205.

\* \* \* \* \*

The foregoing Resolution 2018-\_\_\_\_\_ was adopted by the Tracy City Council on the 17<sup>th</sup> day of July, 2018 by the following vote:

AYES:	COUNCIL MEMBERS:
NOES:	COUNCIL MEMBERS:
ABSENT:	COUNCIL MEMBERS:
ABSTAIN:	COUNCIL MEMBERS:

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

AGENDA ITEM 1.F

REQUEST

**APPROVE AN IMPROVEMENT AND INSPECTION AGREEMENT FOR TRACT 3955,  
TRACY HILLS VILLAGE 7A**

EXECUTIVE SUMMARY

Approval of the Improvement and Inspection Agreement will allow Meritage Homes of California, Inc. (Subdivider), to proceed at the Subdivider's own risk with the construction of on-site street and utility improvements within Tract 3955, Tracy Hills Village 7A ("Project"), which are intended to be dedicated to the City after completion, prior to the formal approval of the Improvement Plans.

DISCUSSION

On April 5, 2016, Tracy City Council approved Vesting Tentative Subdivision Map for Tracy Hills Phase 1A, Tract 3788 (Application No. TSM13-0005), pursuant to Resolution No. 2016-066. The Project is geographically located within the boundaries of the Vesting Tentative Subdivision Map. Attachment A shows the location of the Project.

The Subdivider has submitted improvement plans for the subdivision improvements for approval and has requested to proceed with construction of the improvements pending approval of the Final Map, execution of the Subdivision Improvement Agreement, and approval of the Improvement Plans. The aforementioned improvement plans are currently under review by the Engineering Division and all improvements required of the Project are guaranteed as part of the Inspection Improvement Agreement.

Under the provisions of the Improvement and Inspection Agreement (IIA), the Subdivider will construct the public improvements at its own risk and responsibility, prior to the City's formal approval of the improvement plans. The City will inspect the public improvements as they are constructed, however, the City's final approval of the improvements will occur after the improvements plans are formally approved by the City.

FISCAL IMPACT

The Subdivider has paid the cost of plan checking, engineering inspection and processing the IIA.

STRATEGIC PLAN

This agenda item is consistent with the City Council's Economic Development Strategy, to ensure physical infrastructure necessary for development are constructed.

RECOMMENDATION

That City Council, by resolution, approve the Improvement and Inspection Agreement for Tract 3955, Tracy Hills Village 7A.

Agenda Item 1.F  
July 17, 2018  
Page 2

Prepared by: Nanda Gottiparthi, PE, SNG & Associates, Inc.

Reviewed by: Robert Armijo, PE, City Engineer  
Andrew Malik, Development Services Director  
Karin Schnaider, Finance Director  
Midori Lichtwardt, Interim Assistant City Manager

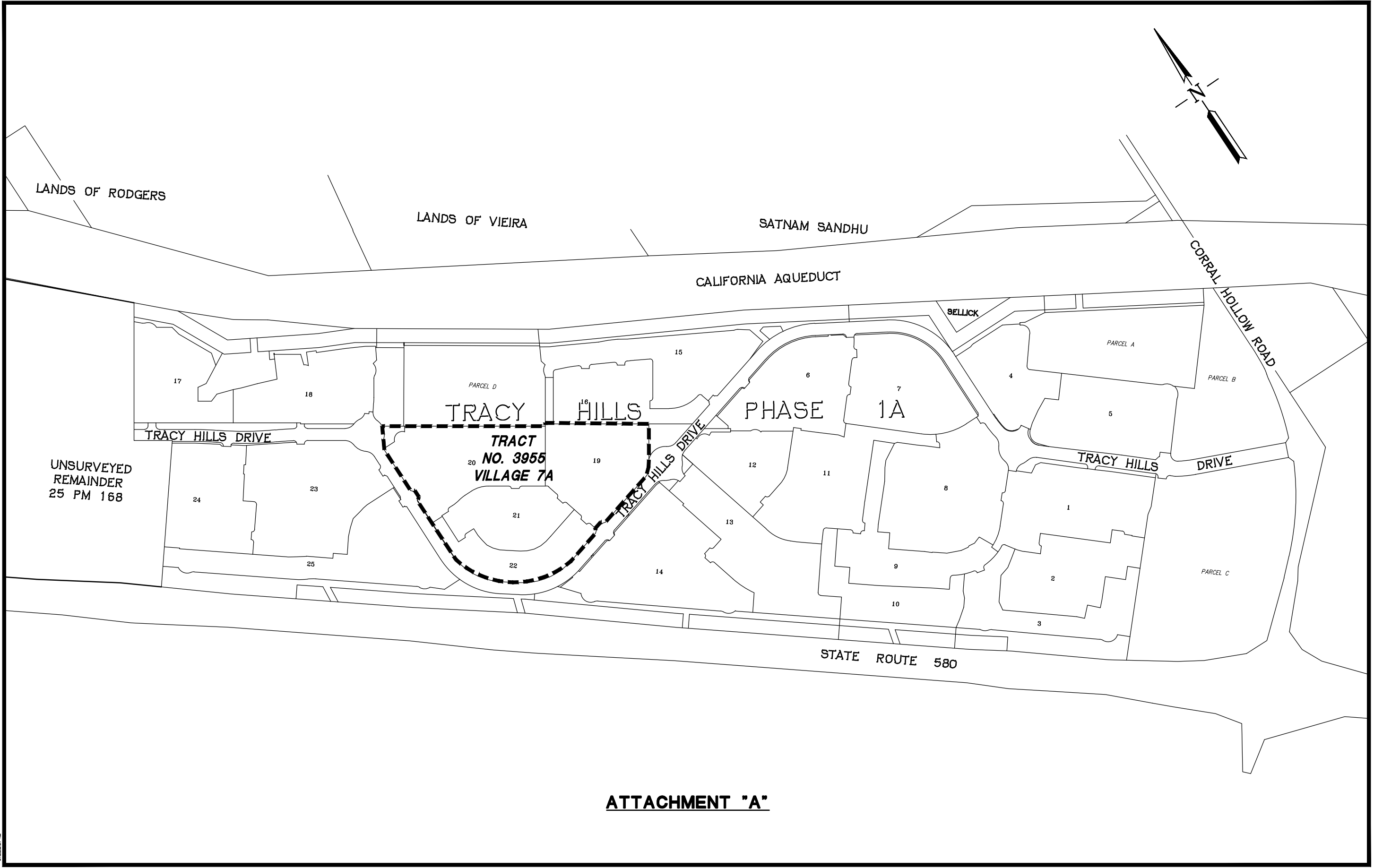
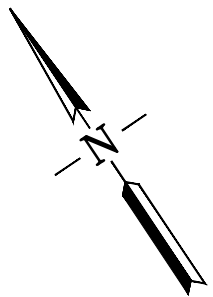
Approved by: Randall Bradley, City Manager

ATTACHMENTS

Attachment A – Location Map

Attachment B – Improvement and Inspection Agreement





**ATTACHMENT "A"**

G:\JOB2012\121083-1\1 CAD FILES\00-EXHIBITS\SA EXHIBITS\17A - ATTACH\_A.DWG 6/8/2018 12:57:53 PM ALLYSON GILLESPIE

## ATTACHMENT B

### CITY OF TRACY IMPROVEMENT AND INSPECTION AGREEMENT TRACT 3955, TRACY HILLS VILLAGE 7A

This **IMPROVEMENT AND INSPECTION AGREEMENT** (hereinafter "Agreement") is made and entered into by and between the **CITY OF TRACY**, a municipal corporation (hereinafter "City"), and **MERITAGE HOMES OF CALIFORNIA, INC.**, a California corporation, (hereinafter "Subdivider").

#### RECITALS

- A. The Subdivider is a party to that certain Purchase and Sale Agreement and Joint Escrow Instructions dated May 2, 2018 pursuant to which Subdivider has the right to acquire from Tracy Phase I, LLC, a Delaware limited liability company ("TPI") a portion of the real property generally described as Lots 19, 20, 21 and 22 as shown on the map of Tract 3878, recorded on January 26, 2018, in Book 43 of Maps and Plats, at Page 17, Official Records of San Joaquin County, and generally located south of the California Aqueduct, north of Interstate 580, west of Corral Hollow Road, and east of the future Lammers Road interchange.
- B. In accordance with the Subdivision Map Act (California Government Code sections 66410, et seq.) and the Subdivision Ordinance (Tracy Municipal Code, Title 12), the Subdivider has submitted to the City a Final Map (hereinafter "Final Map") for the Project known as **TRACT 3955, TRACY HILLS VILLAGE 7A** (hereinafter "Project"). The Final Map is being reviewed by the City Engineer for substantial compliance with the approved Vesting Tentative Subdivision Map, and the Final Map has not yet been approved by the City for recordation.
- C. The Project is geographically located within the boundaries of that certain Small-Lot Vesting Tentative Subdivision Map known as Tracy Hills Phase 1A, Tract 3788 (hereinafter "Tentative Subdivision Map"). The Tentative Subdivision Map, processed under Application No. TSM13-0005, as approved by the Tracy City Council ("City Council") on April 5, 2016, pursuant to Resolution No. 2016-066, is on file with the City Engineer, and is incorporated herein by reference.
- D. The approval of the Tentative Subdivision Map by the City Council was subject to specified conditions of approval (hereinafter "Conditions"). The Conditions are attached hereto as Exhibit "A", and incorporated herein by reference.
- E. The Conditions describe, among other things, improvements which are required for approval of the Final Map pursuant to the Subdivision Map Act, the Subdivision Ordinance, and applicable City Standards.
- F. Improvement Plans and Specifications (which incorporate portions of the City's Standard Specifications) have been prepared on behalf of the Subdivider, and are under review by the City Engineer, which describe in more detail the improvements which are required for approval of the Final Map. The Improvement Plans and Specifications under review are titled "Improvement Plans Village 7A-Tract 3955-

Tracy Hills Phase 1A”, prepared by Ruggeri-Jensen- Azar, “Joint Trench, Integral Communities, LLC, Tracy Hills-Village 7A-Tract 3955”, prepared by Giacalone Design Services, Inc., and “Public Street Lighting, Integral Communities, LLC, Tracy Hills-Village 7A-Tract 3955”, prepared by Giacalone Design Services, Inc. (collectively “Submitted Plans and Specifications”).

- G. In order to meet Subdivider’s development schedule, Subdivider intends to commence construction and installation of the required public improvements based on the Submitted Plans and Specifications, prior to Subdivider’s acquisition of the Project from TPI (which is anticipated to occur in August of 2018) and before the City completes its review and approval of the Submitted Plans and Specifications. Subdivider understands and acknowledges that it will be proceeding with such improvements at Subdivider’s sole and exclusive risk, and that if the public improvements completed by Subdivider do not conform, in the City Engineer’s reasonable determination, to the Plans and Specifications ultimately approved by the City (the “Approved Plans and Specifications”), Subdivider will be required to remove or correct any non-conformities to the reasonable satisfaction of the City Engineer, at Subdivider’s sole cost, before the City will approve the Subdivider’s Final Map for Tract 3955.
- H. In an effort to minimize the risk of such non-conformities, Subdivider has asked the City to periodically inspect Subdivider’s work in constructing and installing the public improvements required by the Conditions of Approval (the “Work”), and periodically advise Subdivider regarding whether the Work appears to be proceeding in conformance with the Submitted Plans and Specifications. Subdivider acknowledges that the City cannot issue a final approval of the Work until (a) the City Engineer has fully completed its review and formally approved the Submitted Plans and Specifications; and (b) completed an inspection of the Work based on the approved Plans and Specifications. To facilitate the City’s periodic inspections, Subdivider has offered to pay all City costs incurred in such inspections.
- I. To facilitate Subdivider’s efforts to meet its development schedule, Subdivider has requested that City enter into this Agreement.

NOW THEREFORE, THE PARTIES MUTUALLY AGREE AS FOLLOWS:

- 1. INCORPORATION OF RECITALS.** The recitals set forth above are incorporated into this Agreement as though set forth in full herein.
- 2. SCOPE OF WORK.** The Subdivider shall perform or cause to be performed, the Work described in the Submitted Plans and Specifications and the Conditions (hereinafter “Work”), to the satisfaction of the City Engineer. The Work shall be performed, and all materials and labor shall be provided, at the Subdivider’s expense, in the manner described in the Plans and Specifications. No change shall be made to the Scope of Work unless authorized in writing by the City Engineer. The Subdivider may submit a written request to the City Engineer for a change in the

Scope of Work, as required by Tracy Municipal Code Section 12.36.060(f).

Subdivider understands and agrees that because the Submitted Plans and Specifications have not been approved by the City Engineer, if any of the completed improvements do not conform to the Approved Plans and Specifications the Subdivider will have to remove and reconstruct such improvements to the reasonable satisfaction of the City Engineer at Subdivider's sole cost. Prior to commencing any of the Work, Subdivider will provide the City with evidence that Subdivider has acquired the Project or has permission from TPI to enter the Project and perform the Work.

**3. GRADING AND STREETS MAINTENANCE.**

**3.1.** Until all the Work is accepted by the City as complete and all applicable warranty periods have expired, the Subdivider shall diligently perform the necessary maintenance of the entire Project site including berms and streets constructed within the Project by Subdivider to the satisfaction of the City Engineer at the Subdivider's own cost.

**3.2.** The Subdivider shall maintain the streets within the Project including the removal and disposal of weed and accumulated debris.

**3.3.** All public improvements including roads, sewer, water and storm drain constructed within the Project by Subdivider will be maintained by the Subdivider until accepted by the City as complete

**4. FILING OF FINAL MAP.** Subdivider understands and agrees that no final map may be filed for the Project until after the Subdivider and the City enter into a Subdivision Improvement Agreement which addresses all requirements of the Conditions. Neither the execution of this Agreement, nor the completion of the Work, shall cause Subdivider to acquire any vested rights to file a final map, to the payment of any development impact fees, and/or the performance of any conditions. It is expressly agreed that Subdivider shall be subject to all laws and regulations now in force or hereinafter enacted affecting the Project. By executing this Agreement, the Subdivider fully understands and agrees to comply with these conditions. Upon the execution by City and Subdivider of a Subdivision Improvement Agreement with respect to the Project, the terms and provisions of this Agreement shall be superseded by the provisions of such Subdivision Improvement Agreement and this Agreement shall be of no further force or effect.

**5. SUBDIVIDER'S AUTHORIZED REPRESENTATIVE.** At all times during the progress of the Work, Subdivider shall have a competent foreman or superintendent (hereinafter "Authorized Representative") on site or available by cell phone with authority to act on behalf of the Subdivider. The Subdivider shall, at all times, keep the City Engineer reasonably informed in writing of the name and telephone number of the Authorized Representative. The Authorized Representative shall be on site

approximately 60% of the time the Work is occurring. The Subdivider may designate an employee of its general contractor as the Authorized Representative. The Subdivider shall, at all times, keep the City Engineer reasonably informed in writing of the names and telephone numbers of all contractors and subcontractors performing the Work.

6. **LOCATION OF PERFORMANCE.** The Subdivider shall perform all Work at the locations and grades shown on the Plans and Specifications. The Subdivider shall acquire at the Subdivider's sole cost and expense, any easement or right-of-way necessary for the performance of the Work, with no credit or reimbursement from the City.
7. **IMPROVEMENT SECURITY.** Concurrently with the execution of this Agreement by the Subdivider, and prior to the commencement of any Work, the Subdivider shall furnish contract security, in a form authorized by the Subdivision Map Act (including Government Code Section 66499 *et seq.*) and Tracy Municipal Code Section 12.36.080, in the following amounts:
  - 7.1. **Faithful Performance** security in the amount of **\$2,415,048.00** in accordance with the cost estimates approved by the City to secure faithful performance of this Agreement (until the date on which the City Council accepts the work as complete).
  - 7.2. **Labor and Material** security in the amount of **\$2,415,048.00** in accordance with the cost estimates approved by the City to secure payment by the Subdivider to laborers and materialmen (until the date on which claims are required to be made by laborers and materialmen).
  - 7.3. **Warranty** security in the amount of **\$241,505.00** in accordance with the cost estimates approved by the City to secure faithful performance of this Agreement (from the date on which the City Council accepts the Work as complete until one year thereafter).
8. **INSURANCE.** Concurrently with the execution of this Agreement by the Subdivider, and prior to the commencement of any Work, the Subdivider shall furnish evidence to the City that all of the following insurance requirements have been satisfied.
  - 8.1. **General.** The Subdivider shall, throughout the duration of this Agreement, maintain insurance to cover Subdivider, its agents, representatives, contractors, subcontractors, and employees in connection with the performance of services under this Agreement at the minimum levels set forth herein.
  - 8.2. **Commercial General Liability** (with coverage at least as broad as ISO form CG 00 01 01 96) coverage shall be maintained in an amount not less than \$1,000,000 per occurrence, and \$3,000,000 in the general aggregate for general liability, bodily injury, personal injury, and property damage, including completed operation coverage.

- 8.3. Automobile Liability** (with coverage at least as broad as ISO form CA 00 01 07 97, for "any auto" including "hired autos" and "non-owned autos") coverage in an amount not less than \$1,000,000 per accident for bodily injury and property damage. If Subdivider has no employees, or does not own automobiles, then "hired autos" and "non-owned autos" coverage shall be maintained in an amount not less than \$1,000,000 per accident for bodily injury and property damage.
- 8.4. Workers' Compensation** coverage shall be maintained as required by the State of California.
- 8.5. Endorsements**. Subdivider shall obtain endorsements to the automobile and commercial general liability insurance policies with the following provisions:
- 8.5.1.** The City (including its elected and appointed officials, officers, employees, agents, and volunteers) shall be named as an additional "insured".
- 8.5.2.** For any claims related to this Agreement, Subdivider's coverage shall be primary insurance with respect to the City. Any insurance maintained by the City shall be excess of the Subdivider's insurance and shall not contribute with it.
- 8.6. Notice of Cancellation**. Subdivider shall obtain endorsements to all insurance policies by which each insurer is required to provide thirty (30) days prior written notice to the City should the policy be canceled before the expiration date. For the purpose of this notice requirement, any material change in the policy prior to the expiration shall be considered a cancellation.
- 8.7. Authorized Insurers**. All insurance companies providing coverage to Subdivider shall be insurance organizations authorized by the Insurance Commissioner of the State of California to transact the business of insurance in the State of California.
- 8.8. Insurance Certificate**. Subdivider shall provide evidence of compliance with the insurance requirements listed above by providing a certificate of insurance, in a form satisfactory to the City Attorney.
- 8.9. Substitute Certificates**. No later than thirty (30) days prior to the policy expiration date of any insurance policy required by this Agreement, Subdivider shall provide a substitute certificate of insurance.
- 8.10. Subdivider's Obligation**. Maintenance of insurance by the Subdivider as specified in this Agreement shall in no way be interpreted as relieving the Subdivider of any responsibility whatsoever (including indemnity obligations under this Agreement), and the Subdivider may carry, at its own expense, such additional insurance as it deems necessary.

9. **PERMITS, LICENSES, AND COMPLIANCE WITH LAW.** The Subdivider shall, at the Subdivider's expense, obtain and maintain all necessary permits and licenses for the performance of the Work. Prior to the commencement of the Work, the Subdivider shall obtain a City of Tracy Business License. The Subdivider shall comply with all local, state, and federal laws, whether or not said laws are expressly stated in this Agreement.
10. **TIME OF PERFORMANCE.** Time is of the essence in the performance of the Work, and timing requirements set forth herein shall be strictly adhered to unless otherwise modified in writing in accordance with this Agreement. The Subdivider shall submit all requests for extensions of time to the City, in writing, no later than ten (10) days after the start of the condition which purportedly caused the delay, and not later than the date on which performance is due. Notwithstanding any contrary provision of this Agreement, the time for performance of Subdivider's obligations under Agreement shall be extended by a period of time equal to any period that such performance or progress in construction of the Work is delayed due to any strike, riot, act of war, act of violence, unseasonable or intemperate weather, act of God, or any other act, occurrence or non-occurrence beyond Subdivider's reasonable control.
- 10.1. **Commencement of Work.** No later than fifteen (15) days prior to the commencement of Work, the Subdivider shall provide written notice to the City Engineer of the date on which the Subdivider shall commence Work. The Subdivider shall not commence Work until after the notice required by this section is properly provided, and the Subdivider shall not commence Work prior to the date specified in the written notice.
- 10.2. **Schedule of Work.** Concurrently with the written notice of commencement of Work, the Subdivider shall provide the City with a written schedule of Work, which shall be updated in writing as necessary to accurately reflect the Subdivider's prosecution of Work.
- 10.3. **Completion of Work.** The Subdivider shall complete all Work by no later than three hundred sixty-five (365) days after the City's execution of this Agreement. If the Work is not completed and accepted by City Council by this date, City Engineer may grant an extension of time if (a) the Subdivider submits a written request for extension at least ten (10) days prior to expiring date of completion, (b) the City Engineer determines that Work is progressing satisfactorily and an extension is warranted, and (c) the Subdivider pays all processing fees for such time extension.
11. **INSPECTION BY THE CITY.** In order to permit the city to inspect the Work, the Subdivider shall, at all times, provide to the City proper and safe access to the Project site, and all portions of the Work, and to all shops wherein portions of the Work are in preparation.

**12. INSPECTION FEES AND FEE CREDITS.** Concurrently with the execution of this Agreement by the Subdivider, and prior to the commencement of any Work, the Subdivider shall pay the City Inspection Fees in the amount of three and one-half percent (3-1/2%) of the estimated Project costs (as approved by the City Engineer). In the event that the City determines that the City's actual costs of inspecting the Work (including all costs and expenses of inspection, reviewing maps and plans, field checking, testing, and administrative and overhead costs of fifteen percent (15%)) exceeds the amount of Inspection Fees paid by the Subdivider, the Subdivider shall pay the City the actual costs of inspecting the Work less Inspection Fees previously paid.

In the event that the City requires an independent inspection, the City may retain an independent inspector, Subdivider shall pay all costs associated with the independent inspection, and the independent inspector shall provide a report directly to the City.

In the event that the City determines that the City's actual costs of inspecting the Work (including all costs and expenses of inspection, reviewing maps and plans, field checking, testing and administrative and overhead costs of fifteen (15%)) is less than the amount of Inspection Fees paid by the Subdivider, the City shall refund the Subdivider the cost difference between the Inspection Fees previously paid and the actual costs of inspecting the Work.

The Subdivider shall be entitled to fee credits consistent with Section 3.3 of the Development Agreement (DA), adopted by Ordinance 1213 and as provided in greater detail in the Finance and Implementation Plan (FIP) for the Property pursuant to the DA and the Tracy Municipal Code Section 10.20.060(b)(3), as may be amended from time to time.

**13. DEFAULT.**

**13.1.** In the event that the Subdivider is in default of this Agreement, as defined in this section, the City Engineer shall provide written notice to the Subdivider and the Subdivider's surety (if any) in which the default is described.

**13.2.** The Subdivider shall be in default of this Agreement if the City Engineer determines that any one of the following conditions exist:

The Subdivider is insolvent, bankrupt, or makes a general assignment for the benefit of its creditors.

**13.2.1.** The Subdivider abandons the Project site.

**13.2.2.** The Subdivider fails to perform one or more requirements of this Agreement.



13.2.3. The Subdivider fails to replace or repair any damage caused by Subdivider or its agents, representatives, contractors, subcontractors, or employees in connection with performance of the Work.

13.2.4. The Subdivider violates any legal requirement related to the Work.

13.3. In the event that the Subdivider fails to cure the default within thirty (30) days, or provide adequate written assurance to the satisfaction of the City Engineers that the cure will be promptly commenced and diligently prosecuted to its completion, the City may, in the discretion of the City Engineer, take any or all of the following actions:

13.3.1. Cure the default and charge the Subdivider for the costs therefor, including administrative costs and interest in any amount equal to seven percent (7%) per annum from the date of default.

13.3.2. Demand the Subdivider to complete performance of the Work.

13.3.3. Demand the Subdivider's surety (if any) to complete performance of the Work.

13.3.4. Commence a legal action to enforce the terms of this Agreement.

14. **ACCEPTANCE OF WORK.** Prior to acceptance of the Work by the City Council, the Subdivider shall be solely responsible for maintaining the quality of the Work and maintaining safety at the Project site. The Subdivider's obligation to perform the Work shall not be satisfied until after the City Engineer has made a written determination that all obligations of the Agreement have been satisfied and all outstanding fees and charges have been paid and the City Council has accepted the Work as complete.

15. **WARRANTY PERIOD.** The Subdivider shall warrant the quality of the Work, in accordance with the terms of the Plans and Specifications, for a period of one year after acceptance of the Work by the City Council. In the event that (during the one year warranty period) any portion of the Work is determined by the City Engineer to be defective as a result of an obligation of the Subdivider under this Agreement, the Subdivider shall be in default.

16. **INDEPENDENT CONTRACTOR STATUS.** Subdivider is an independent contractor and is solely responsible for all acts of its employees, agents, or subcontractors, including any negligent acts or omissions. Subdivider is not City's employee and Subdivider shall have no authority, express or implied, to act on behalf of the City as an agent, or to bind the City to any obligation whatsoever, unless the City provides prior written authorization to Subdivider.

17. **OWNERSHIP OF WORK.** All original documents prepared by Subdivider for this

Agreement shall be given to City upon City's acceptance of the Work; provided, however, ownership of said documents shall be determined in accordance with applicable laws. Prior to acceptance of the Work, the Subdivider shall submit the as-built drawings in Auto-CAD format Release-14 or higher in a compact disc (CD).

**18. ASSIGNMENT AND DELEGATION.** This Agreement and any portion thereof shall not be assigned or transferred, nor shall any of the Subdivider's duties be delegated, without the written consent of the City, which is not to be unreasonably conditioned, withheld or delayed. Any attempt to assign or delegate this Agreement without the written consent of the City shall be void and of no force and effect. Consent by the City of one assignment shall not be deemed to be consent to any subsequent assignment. Notwithstanding the forgoing, in the event Subdivider fails to acquire the Project from TP 1 as contemplated in Recital A or Subdivider's right to acquire the Project are otherwise terminated, Subdivider may assign this Agreement to TP 1 (or any successor-in-interest to TP 1) without the consent of the City and, provided TP 1 (or such successor-in-interest) assumes the obligations of Subdivider as set forth herein in connection with such assignment, following such assignment Subdivider shall have no further duties or obligations hereunder.

**19. NOTICES.**

**19.1.** All notices, demands, or other communications which this Agreement contemplates or authorizes shall be in writing and shall be personally delivered or mailed to the respective party as follows:

To City:  
City of Tracy  
333 Civic Center Plaza  
Tracy, California 95376  
Attn: City Engineer

To Subdivider:  
Meritage Homes of California, Inc.  
860 Stillwater Road, Suite 200A  
West Sacramento, CA 95605  
Attn: John Bayless,  
VP of Land Development

**19.2.** Communications shall be deemed to have been given and received on the first to occur of: (1) actual receipt at the address designated above, or (2) three working days following the deposit in the United States Mail of registered or certified mail, sent to the address designated above.

**20. MODIFICATIONS.** This Agreement may not be modified orally or in any manner other than by an agreement in writing signed by both parties.

**21. WAIVERS.** Waiver of a breach or default under this Agreement shall not constitute a continuing waiver or a waiver of a subsequent breach of the same or any other provision of this Agreement.

**22. SEVERABILITY.** In the event any term of this Agreement is held invalid by a court

CITY OF TRACY – IMPROVEMENT AND INSPECTION AGREEMENT

TRACT 3955, TRACY HILLS VILLAGE 7A

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of competent jurisdiction, the Agreement shall be construed as not containing that term, and the remainder of this Agreement shall remain in full force and effect.

23. **JURISDICTION AND VENUE.** The interpretation, validity, and enforcement of the Agreement shall be governed by and construed under the laws of the State of California. Any suit, claim, or legal proceeding of any kind related to this Agreement shall be filed and heard in a court of competent jurisdiction in the County of San Joaquin.
24. **ENTIRE AGREEMENT.** This Agreement, including all documents incorporated herein by reference, comprises the entire integrated understanding between the parties concerning the improvements to be constructed for this Project. This Agreement supersedes all prior negotiations, representations or agreements.
25. **SIGNATURES.** The individuals executing this Agreement represent and warrant that they have the right, power, legal capacity, and authority to enter into and to execute this Agreement on behalf of the respective legal entities of the Subdivider and the City. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF the parties do hereby agree to the full performance of the terms set forth herein.

CITY OF TRACY,  
a municipal corporation

\_\_\_\_\_  
By: Robert Rickman  
Title: MAYOR  
Date: \_\_\_\_\_


Attest:

\_\_\_\_\_  
By: Adrienne Richardson  
Title: CITY CLERK  
Date: \_\_\_\_\_

Approved As To Form:

\_\_\_\_\_  
By: Thomas Watson  
Title: CITY ATTORNEY  
Date: \_\_\_\_\_

SUBDIVIDER:  
Meritage Homes of California, Inc.,  
a California corporation

  
\_\_\_\_\_  
By: John Bayless  
Title: VP OF LAND DEVELOPMENT  
Date: 7/2/13

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

**CIVIL CODE § 1189**

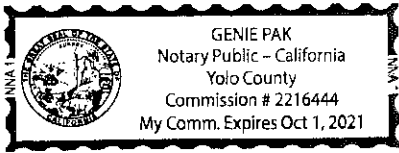
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )  
County of Yolo )

On 7/2/18 before me, Genie Pak, Notary Public  
Date Here Insert Name and Title of the Officer

personally appeared John Bayless  
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature [Handwritten Signature]  
Signature of Notary Public

Place Notary Seal Above

**OPTIONAL**

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

**Description of Attached Document**

Title or Type of Document: \_\_\_\_\_  
Document Date: \_\_\_\_\_ Number of Pages: \_\_\_\_\_  
Signer(s) Other Than Named Above: \_\_\_\_\_

**Capacity(ies) Claimed by Signer(s)**

Signer's Name: \_\_\_\_\_  
 Corporate Officer — Title(s): \_\_\_\_\_  
 Partner —  Limited  General  
 Individual  Attorney in Fact  
 Trustee  Guardian or Conservator  
 Other: \_\_\_\_\_  
Signer Is Representing: \_\_\_\_\_

Signer's Name: \_\_\_\_\_  
 Corporate Officer — Title(s): \_\_\_\_\_  
 Partner —  Limited  General  
 Individual  Attorney in Fact  
 Trustee  Guardian or Conservator  
 Other: \_\_\_\_\_  
Signer Is Representing: \_\_\_\_\_

EXHIBIT "A"

**Conditions of Approval for Tracy Hills Phase 1A  
Small-Lot Vesting Tentative Subdivision Map  
Application Number TSM13-0005  
April 5, 2016**

**Project:** These Conditions of Approval shall apply to the small-lot Vesting Tentative Subdivision Map for Tracy Hills Phase 1A, Application Number TSM13-0005, including approximately 1,160 single-family residential lots, three park sites, a school site, and approximately 50 acres of commercial property.

**Property:** The property consists of approximately 417.6 acres located in the Tracy Hills Specific Plan Area, west of Corral Hollow Road, south of the California Aqueduct, and north of Interstate 580, Application Number TSM13-0005.

**Community Facilities Districts:** Certain conditions of approval herein involve the establishment of one or more Community Facilities Districts (CFDs) to implement the Project. The imposition of conditions requiring or involving the establishment of CFDs on the Property shall not limit the City from establishing additional CFDs over the Property, subject to an affirmative vote of the Property owner(s).

**A. Definitions; Abbreviations.**

The definitions in the City's zoning regulations (Tracy Municipal Code, Title 10, Chapter 10.08) and subdivision ordinance (Tracy Municipal Code, Title 12, Chapter 12.08) apply, and in addition:

1. "Applicant" means any person, or other legal entity, defined as a "Subdivider" by Section 12.08.010 of the City of Tracy Municipal Code.
2. "Development Services Director" means the Development Services Director of the City of Tracy, or any other person designated by the City Manager or the Development Services Director, to perform the duties set forth here. (The Development Services Director is also referred to in the Tracy Municipal Code as the Development and Engineering Services Director.)
3. "City Regulations" means all written laws, rules, and policies established by the City, including those set forth in the City of Tracy General Plan, the Tracy Hills Specific Plan, the Tracy Municipal Code, ordinances, resolutions, written policies, written procedures, and the City's Design Documents (including the Standard Plans, Standard Specifications, Design Standards, and relevant Public Facility Master Plans).
4. "Conditions of Approval" or "Conditions" means these conditions of approval.

The following abbreviations may be used in these Conditions:

EIR	Environmental Impact Report	PI&RA	Park Improvement and Reimbursement Agreement
DIA	Deferred Improvement Agreement	PUE	Public Utility Easement
OIA	Offsite Improvement Agreement	TMC	Tracy Municipal Code

**B. Planning Division Conditions of Approval**

1. Compliance with laws. The Subdivider shall comply with all laws (federal, state, and local) related to the development of real property within the Project boundaries, including, but not limited to: the Planning and Zoning Law (Government Code sections 65000, et seq.), the Subdivision Map Act (Government Code sections 66410, et seq.), the California Environmental Quality Act (Public Resources Code sections 21000, et seq., "CEQA"), and the Guidelines for the California Environmental Quality Act (California Administrative Code, title 14, sections 15000, et seq., "CEQA Guidelines").
2. City Regulations. Unless specifically modified by these Conditions of Approval, the Subdivider shall comply with all City Regulations.
3. Mitigation Measures. The Subdivider shall comply with all mitigation measures in the Final Subsequent Environmental Impact Report (EIR) for the Tracy Hills Specific Plan Project (State Clearinghouse No. 2013102053), which was certified by the City Council on April 5, 2016.
4. Notice of protest period. Pursuant to Government Code Section 66020, including Section 66020 (d)(1), the City HEREBY NOTIFIES the Subdivider that the 90-day approval period (in which the Subdivider may protest the imposition of any fees, dedications, reservations, or other exactions that are within the purview of the Mitigation Fee Act [Government Code section 66000 et seq.] ("Exactions") and imposed on this Project by these Conditions of Approval) shall begin on the date of the conditional approval of this Project. If the Subdivider fails to file a protest of the Exactions complying with all of the requirements of Government Code Section 66020 within this 90-day period, the Subdivider will be legally barred from later challenging any of the Exactions. The terms of this paragraph shall not affect any other deadlines or statutes of limitations set forth in the Mitigation Fee Act or other applicable law, or constitute a waiver of any affirmative defenses available to the City.
5. Conformance with Vesting Tentative Subdivision Map. All Final Maps shall be in substantial conformance with the approved Vesting Tentative Subdivision Map (Application Number TSM13-0005), which was date stamped as received by the Development Services Department on February

24, 2016, and approved by the City Council on April 5, 2016, unless modified by these Conditions.

6. Maintenance for Project Public Landscaping. Before approval of the first Final Map, the Subdivider shall assure that there will be sufficient funding for the ongoing costs related to public landscaping maintenance. Subdivider shall prepare public landscaping improvement plans and a public landscaping budget analysis (to be reviewed and approved by the City Public Works Director) to establish the scope of and cost estimates for public landscaping maintenance.

As used in these Conditions of Approval:

"Public landscaping maintenance costs" include but are not limited to all costs associated with the maintenance, operation, repair and replacement of public landscaping included in the Project. Labor costs shall be based upon and be paid at "prevailing wages," as that term is used in Section 1771 of the California Labor Code.

"Public landscaping" includes but is not limited to the following public areas and public improvements within or adjacent to the Project: public walls, special public amenities, ground cover, turf, shrubs, trees, irrigation systems, drainage and electrical systems, masonry walls or other fencing, entryway monuments or other ornamental structures, furniture, recreation equipment, hardscape and any associated appurtenances within medians, parkways, dedicated easements, channel-ways, public parks and public open space areas. It does not include public streets and street sweeping, but may include street lights.

Before approval of the first Final Map, Subdivider shall enter into an agreement with the City, which shall be recorded against the entire Phase 1A property, which adopts and implements one or more of the following three options (a., b. or c.), subject to the approval of the Administrative Services Director:

- a. CFD or other funding mechanism. Before final inspection or occupancy of the first dwelling (except for up to fifteen model homes), the Subdivider shall, at its expense, form a Community Facilities District (CFD) or establish another lawful funding mechanism that is reasonably acceptable to the City for the entire Project area for funding or performing the on-going maintenance of public landscaping. Formation of the CFD shall include, but not be limited to, affirmative votes and the recordation of a Notice of Special Tax Lien. Upon successful formation, the Property will be subject to the maximum special tax rates as outlined in the Rate and Method of Apportionment. If funds are needed to pay for such public landscaping maintenance costs before collection of the first Special Services Tax (the "deficit"), then before final inspection or occupancy of the first dwelling (except for up to fifteen model homes), the Subdivider shall deposit to the CFD (by submittal to the City's Administrative Services Director) the amount of the deficit;

Or

- b. HOA and dormant CFD. If the HOA is the chosen funding mechanism, the Subdivider must do the following:
- (1) Form a Homeowner's Association (HOA) or other maintenance association, with CC&Rs reasonably acceptable to the City, to assume the obligation for the on-going maintenance of all public landscaping areas within the entire tentative subdivision map area;
  - (2) Cause the HOA to enter into an agreement with the City, in a form to be approved by the City and to be recorded concurrently with the first Final Map, setting forth, among other things, the required maintenance obligations, the standards of maintenance, and all other associated obligation(s) to ensure the long-term maintenance by the HOA of all public landscape areas within the entire tentative subdivision map area;
  - (3) For each Final Map, make and submit to the City, in a form reasonably acceptable to the City, an irrevocable offer of dedication of all public landscape areas within the Final Map area;
  - (4) Before final inspection or occupancy of the first dwelling (except for up to fifteen model homes), annex into a CFD in a "dormant" capacity, to be triggered if the HOA fails (as determined by the City in its sole and exclusive discretion) to perform the required level of public landscape maintenance. The dormant tax or assessment shall be disclosed to all homebuyers and non-residential property owners, even during the dormant period.

Or

- c. Direct funding. Before final inspection or occupancy of the first dwelling (except for up to fifteen model homes), the Subdivider shall deposit with the City an amount necessary, as reasonably determined by the City, to fund in perpetuity the full costs of public landscaping maintenance as identified by the approved landscaping budget analysis.
7. Maintenance for Public Landscaping for Major Program Roadways. Before approval of the first Final Map, the Subdivider shall assure that there will be sufficient funding to pay the Subdivider's proportionate share of the ongoing public landscaping maintenance costs associated with major program roadways, by entering into an agreement with the City, which shall be recorded against the entire Phase 1A property, which adopts and implements one of the following two options (a. or b.), subject to the approval of the Administrative Services Director:



- a. CFD. Before final inspection or occupancy of the first dwelling (except for up to fifteen model homes), Subdivider shall, at its sole expense, form a Community Facilities District (CFD) for the entire Project area, for funding the Subdivider's proportionate share of the ongoing public landscaping maintenance costs associated with major program roadways identified in the Citywide Roadway and Transportation Master Plan. Formation of the CFD shall include, but not be limited to, affirmative votes and the recordation of a Notice of Special Tax Lien. Upon successful formation, the Property will be subject to the maximum special tax rates as outlined in the Rate and Method of Apportionment. If funds are needed to pay for such public landscaping maintenance costs before collection of the first Special Services Tax (the "deficit"), then before final inspection or occupancy of the first dwelling (except for up to fifteen model homes), the Subdivider shall deposit to the CFD (by submittal to the City's Administrative Services Director) the amount of the deficit;

Or

- b. Direct Funding. Before final inspection or occupancy of the first dwelling (except for up to fifteen model homes), the Subdivider shall deposit with the City an amount necessary, as reasonably determined by the City, to fund in perpetuity the full costs of funding the Subdivider's proportionate share of the ongoing public landscaping maintenance costs associated with major program roadways identified in the Citywide Roadway and Transportation Master Plan.
8. Land-Locked Parcels. No land-locked parcels shall result from this Vesting Tentative Subdivision Map, including but not limited to the parcels known as the Integral parcel (formerly the Ferry parcel) and the Sellick parcel.
    - a. With the approval of a Final Map that includes any lot or parcel adjacent to the Integral parcel (Assessor's Parcel Number 253-020-08, formerly the Ferry parcel), the Subdivider shall record an access easement between the public right-of-way and the Integral parcel, as shown on the Vesting Tentative Subdivision Map, to the satisfaction of the Development Services Director. The access easement shall have a minimum width of 20 feet and shall grant continuous access to and from the public right-of-way, across the Subdivider's property, for the benefit of the owner of the Integral parcel.
    - b. With the approval of a Final Map that includes any lot or parcel adjacent to the Sellick parcel (Assessor's Parcel Number 253-020-10), the Subdivider shall record an access easement between the public right-of-way and the Sellick parcel, as shown on the Vesting Tentative Subdivision Map, to the satisfaction of the Development Services Director. The access easement shall have a minimum width of 20 feet and shall grant continuous access to and from the public

right-of-way, across the Subdivider's property, for the benefit of the owner of the Sellick parcel.

9. Parks. Before approval of the first Final Map, the Subdivider shall enter into an agreement with the City, which shall be recorded against the property, which stipulates the following:
  - a. Within one year following final inspection or occupancy of the first dwelling (except for up to fifteen model homes), the first neighborhood park shall be completed and accepted by the City. If the first neighborhood park is not completed and accepted by the City within one year following final inspection or occupancy of the first dwelling, no further building permits shall be issued until the first neighborhood park is completed and accepted by the City; and
  - b. Before final inspection or occupancy of the 750<sup>th</sup> dwelling, the second neighborhood park shall be completed and accepted by the City; and
  - c. Before final inspection or occupancy of the 1,000<sup>th</sup> dwelling, the third neighborhood park shall be completed and accepted by the City.
  
10. Conservation Easement. Before approval of the first Final Map, the Subdivider shall enter into an agreement with the City, which shall be recorded against the property, which stipulates that before issuance of a building permit for the structure containing the 500<sup>th</sup> dwelling unit, the Subdivider shall plant trees in the 100-foot wide conservation easement adjacent to Interstate 580 and the Project, as described and depicted in Section 3.4.7 of the Tracy Hills Specific Plan (pages 3-49 to 3-54), to the satisfaction of the Development Services Director.
  
11. Community Gateway Icon. Before approval of the first Final Map, the Subdivider shall enter into an agreement with the City, which shall be recorded against the property, which stipulates that before issuance of a building permit for the structure containing the 500<sup>th</sup> dwelling unit, the Subdivider shall construct the Community Gateway Icon, which is conceptually described and depicted in Section 3.4.5 of the Tracy Hills Specific Plan (page 3-34), to the satisfaction of the Development Services Director, based on substantial conformance with the Development Review approval by City Council. The Community Gateway Icon shall be located on a privately-owned parcel and be privately maintained. Prior to issuance of a building permit for the Community Gateway Icon, the Community Gateway Icon shall be subject to Development Review approval by City Council, as specified in Section 5.1.2 of the Tracy Hills Specific Plan (page 5-1).
  
12. Schools. Before issuance of a building permit for each new dwelling, the Subdivider shall document compliance with all applicable school mitigation requirements and provide to the City a certificate of compliance for such requirements from the Jefferson School District and Tracy Unified School District.

13. Public Services. Before approval of the first Final Map, the Subdivider shall do one of the following, subject to the approval of the Administrative Services Director:
  - a. CFD or other funding mechanism. The Subdivider shall enter into an agreement with the City, which shall be recorded against the Property, which stipulates that prior to issuance of a building permit (except for up to fifteen model homes), the Subdivider will form a Community Facilities District (CFD) or establish another lawful funding mechanism that is reasonably acceptable to the City for funding the on-going operational costs of providing Police services, Fire services, Public Works and other City services within the Project area. Formation of the CFD shall include, but not be limited to, affirmative votes and the recordation of a Notice of Special Tax Lien. Upon successful formation, the parcels will be subject to the maximum special tax rates as outlined in the Rate and Method of Apportionment which, at the time of formation of the CFD, shall not exceed \$325 per unit per month; provided, however, that the City reserves the right to provide for escalation of the maximum special tax rate to a commercially reasonable rate determined by the City.

Or

  - b. Direct funding. The Subdivider shall enter into an agreement with the City, which shall be recorded against the property, which stipulates that prior to issuance of a building permit (except for up to fifteen model homes), the Subdivider will fund a fiscal impact study to be conducted and approved by the City to determine the long term on-going operational costs of providing Police services, Fire services, Public Works and other City services within the Project area, and deposit with the City an amount necessary, as reasonably determined by the City, to fund the full costs of funding the provision of Police services, Fire services, Public Works and other City services within the Project area in perpetuity as identified by the approved study.
14. Utilities in Roundabouts. All three roundabouts shown on the approved Vesting Tentative Subdivision Map for Tracy Hills Phase 1A shall be designed and constructed in such a manner that no utility lines intersect a 30-foot radius from the center of each roundabout in order to allow sufficient space for the planting and mature growth of the oak trees (three per roundabout), which are conceptually depicted in the Tracy Hills Specific Plan. The Subdivider shall submit Improvement Plans that demonstrate compliance with this condition, to the satisfaction of the Development Services Director.
15. Building and Fire. Before approval of the first Final Map, the Subdivider shall enter into an agreement with the City, which shall be recorded against the Property, which stipulates the following, to the satisfaction of the Chief Building & Fire Code Official:

- a. Before issuance of any building permits, the Subdivider shall provide Fire Department access to the Property in compliance with all provisions of Section 503 of the California Fire Code, to the satisfaction of the Chief Building & Fire Code Official.
- b. Before issuance of any building permits (except for up to fifteen model homes), the Subdivider shall provide a fire protection water supply in compliance with all provisions of Section 507 of the California Fire Code, to the satisfaction of the Chief Building & Fire Code Official.
- c. Before issuance of any building permits for model homes, the Subdivider shall comply with the following requirements:
  - (1) In lieu of active hydrants onsite, a static water storage supply shall be provided in compliance with NFPA 1142, to the satisfaction of the Chief Building & Fire Code Official. The volume of water shall be based on the total cubic footage of all structures plus a 1.5 exposure coefficient.
  - (2) A separate static water supply shall be provided for each group of model homes throughout the subdivision, to the satisfaction of the Chief Building & Fire Code Official.
  - (3) Fire Department access to and from the static water supplies shall be provided, to the satisfaction of the Chief Building & Fire Code Official.
- d. Before issuance of the first building permit (except for up to fifteen model homes), the Subdivider shall construct an all-weather, emergency vehicle access to the westerly terminus of the Phase 1A Spine Road. The emergency vehicle access shall be available to Police, Fire, and other necessary and relevant emergency responders. The design, location, and maintenance of the access shall meet City standards, to the satisfaction of the Fire Chief. The access shall be continuously maintained by the Subdivider until permanent access is developed and accepted for maintenance by the City.
- e. Whenever 50 or more homes are under construction at the same time, the Subdivider shall provide an onsite trailer for the exclusive use of City inspection staff. The inspection trailer shall have a minimum size of 8' x 20' and be equipped with HVAC and basic furnishings, to the satisfaction of the Chief Building & Fire Code Official.

16. Phillips 66 Pipeline Easement. A Phillips 66 pipeline easement intersects the project site. Before approval of the first Final Map, the Subdivider shall submit a copy of the Phillips 66 pipeline easement to the Development Services Director and enter into an agreement with the City, which shall be recorded against the Property, which stipulates that before issuance of each building permit, the Subdivider shall clearly mark and label each plot plan with the location of the 5-foot minimum setback line from the edge of the Phillips 66 pipeline easement, if applicable, to the satisfaction of the Development Services Director.

### C. **Engineering Division Conditions of Approval**

#### C.1. General Conditions

- C.1.1 Subdivider shall comply with the applicable requirements of the approved documents, technical analyses/reports prepared for the Project listed as follows:
  - a) *Tracy Hills Specific Plan* approved by City Council by Resolution \_\_\_\_\_ dated \_\_\_\_\_ and any amendments thereto.
  - b) *Tracy Hills Specific Plan Recirculated Draft Subsequent Environmental Impact Report*, Volume I; Section 4.13-Traffic and Circulation, prepared by Kimley-Horn Associates, dated October 2015, and  
*Traffic Analysis of Tracy Hills Specific Plan Area- Phase 1a Residential Units and School Only Analysis*, prepared by Kimley-Horn, Associates, dated April 27 2015. ("*Traffic Analysis*")
  - c) *Tracy Hills Phase 1A and 1B Sanitary Sewer Study Technical Memorandum* prepared by Ruggeri-Jensen-Azar, dated December 12, 2013 ("*Sanitary Sewer Study*") and reviewed by CH2M Hill.
  - d) *Tracy Hills Water Study Technical Memorandum* prepared by Ruggeri-Jensen-Azar, dated December 5, 2014 ("*Water Study*") and reviewed by West Yost Associates.
  - e) *Tracy Hills Storm Drainage Master Plan* prepared by Ruggeri-Jensen-Azar, dated November 2013 ("*Storm Drainage Master Plan*") and reviewed by Stormwater Consulting, Inc.
  - f) *Tier 2 Storm Drainage Study for Tracy Hills Phase 1A*, prepared by Ruggeri-Jensen-Azar, dated July 2015 ("*Tier 2 Storm Drainage Study*") and reviewed by Stormwater Consulting, Inc.
  - g) *Citywide Water System Master Plan* dated December 2012, prepared by West Yost Associates.
  - h) *Plan Line Study – Corral Hollow Road* prepared by Ruggeri-Jensen-Azar ("*Corral Hollow Road Plan Line*") reviewed by the City Engineer.

- i) *Any Finance Implementation Plan ("FIP")*, as described in Section 10.20.060(b)(3)(B) of the Tracy Municipal Code, that is approved by the City Council for the property described in the Tracy Hills Phase 1A Vesting Tentative Subdivision Map, Application No. TSM13-0005.
  - j) *Liquid Petroleum Pipeline Risk and California Aqueduct Flood Risk for the Proposed Tracy Hills School Site, Jefferson School District, City of Tracy, San Joaquin County, California* prepared by Wilson Geosciences, Inc. dated May 2013.
  - k) *Pipeline Safety Hazard Assessment, Tracy Hills Specific Plan* prepared by Place Works dated September 2014.
- C.1.2 Subdivider shall comply with the requirements of the Development Agreement, approved by City Council on \_\_\_\_\_, 2016, by Ordinance No. \_\_\_\_\_ (hereafter, the "Development Agreement"),
- C.1.3 Timing of Compliance: The Applicant shall satisfy each of the following conditions prior to filing the first Final Map unless a different time for compliance is specifically stated in these Conditions of Approval. Any condition requiring an improvement that has already been designed and completed under a City-approved improvement agreement may be considered satisfied at the discretion of the City Engineer.
- C.1.4 Maintenance for Major Program Roadways. Before approval of the first Final Map, the Subdivider shall assure that there will be sufficient funding to pay the Subdivider's proportionate share of the ongoing costs for maintenance of public landscaping, including urban forest, on major program roadways by entering into an agreement with the City, which shall be recorded against the entire Phase 1A property, which adopts and implements one of the following two options (a. or b.), subject to the approval of the Administrative Services Director:
- a. CFD. Before final inspection or occupancy of the first dwelling (except for up to fifteen model homes), Subdivider shall, at its sole expense, form a Community Facilities District (CFD) for the entire Project area, for funding the Subdivider's proportionate share of the ongoing maintenance costs of public landscaping, including urban forest, on major program roadways identified in the Citywide Roadway and Transportation Master Plan. Formation of the CFD shall include, but not be limited to, affirmative votes and the recordation of a Notice of Special Tax Lien. Upon successful formation, the Property will be subject to the maximum special tax rates as outlined in the Rate and Method of Apportionment. Before final inspection or occupancy of the first dwelling (except for up to fifteen model homes), the Subdivider shall deposit to the CFD (by submittal to the City's Administrative Services Director) an amount equal to the first year's taxes, except for any portion of this

amount that has been previously collected by the special tax and already deposited in the CFD;

OR

- b. Direct Funding. Before final inspection or occupancy of the first dwelling (except for up to fifteen model homes), the Subdivider shall deposit with the City an amount necessary, as reasonably determined by the City, to fund in perpetuity the full costs of funding the Subdivider's proportionate share of the ongoing maintenance costs of public landscaping, including urban forest, on major program roadways identified in the Citywide Roadway and Transportation Master Plan.

## C.2. Improvement Plans

### C.2.1 General.

The Subdivider shall complete the Improvement Plans to comply with all applicable laws, including the City Regulations (defined above) and these Conditions of Approval. Improvement Plans shall contain the design, construction details and specifications of improvements that is/are required to serve the Project. The Improvement Plans shall be drawn on a 24" x 36" size 4-mil thick polyester film (mylar) and shall be prepared under the supervision of, and stamped and signed by a Registered Civil, Traffic, Electrical, Mechanical Engineer, and Registered Landscape Architect for the relevant work.

### C.2.2 Site Grading

#### C.2.2.1 Erosion Control

Improvement Plans shall specify the method of erosion control to be employed and materials to be used.

#### C.2.2.2 Grading and Drainage Plans

Submit a Grading and Drainage Plan prepared by a Registered Civil Engineer and accompanied by the Project's Geo-technical /Soils Engineering report. The report shall provide recommendations regarding adequacy of the site relative to the stability of soils such as soil types and classification, percolation rate, soil bearing capacity, highest observed ground water elevation, and others.

#### C.2.2.3

When the grade differential between the Project site and the adjacent property(s) exceeds 12 inches, a reinforced or masonry block wall, engineered slope, or engineered retaining wall is required for retaining soil. The Subdivider shall submit Retaining Wall Plans that includes the construction detail(s) and structural calculations of the

retaining wall or masonry wall for City's review and approval.

C.2.2.4 If an engineered slope is used to retain soil subject to approval by the City Engineer, a slope easement will be necessary from the adjacent property. The Subdivider shall obtain a slope easement from owner(s) of the adjacent and affected property(s) and show the slope easement on the Final Map.

C.2.2.5 If applicable, show all existing irrigation structure(s), channel(s) and pipe(s) that are to remain or relocated or to be removed, if any, after coordinating with the irrigation district or owner of the irrigation facilities. If there are irrigation facilities including tile drains, that are required to remain to serve existing adjacent agricultural uses, the Subdivider shall design, coordinate and construct required modifications to the facilities to the reasonable satisfaction of the owner of the irrigation facilities and the City.

C.2.3. Grading Permit

The City will not accept a grading permit application for the Project as complete until the Subdivider has provided all relevant documents related to the grading permit required by the City Regulations and these Conditions of Approval, to the satisfaction of the City Engineer.

C.2.4. Storm Drainage

C.2.4.1 Site grading shall be designed such that the Project's storm drainage overland release point will be directed to an existing percolation retention pond, clean water pond, existing storm drainage easement or to public streets with a functional storm drainage system and that the storm drainage system within the public street has adequate capacity to drain storm water from the Property, proposed roadway, lot runoffs, landscaping, off-site flow-thru surface drainage, off-site Corral Hollow Road drainage improvements or private property subject to a drainage release.

C.2.4.2 All permanent underground storm drainage lines and structures to be maintained by the City shall be located within right-of-way to be dedicated to the City or within an easement. Interim facilities and storm drain lines and collection basins shall be maintained by the Subdivider.

Provide design and construction details for all storm water intercept points at Project boundary at I-580 showing adequate inlet structures, erosion control features, storm



drainage easements and connections to the proposed storm drainage facilities in Spine Road.

Prior to acceptance of storm drainage facilities for maintenance by the City, the Subdivider shall revise the locations of the 50' wide openings in the Conservation Easements to align with existing drainage routes and proposed storm drainage intercept points into the Project on-site storm drainage system.

C.2.4.3 Storm drainage plans are to be submitted with the required hydrologic and hydraulic calculations for the sizing of storm drainage pipe(s) and shall comply with Storm Drainage Master Plan, Tier 2 Storm Drainage Study and City Regulations.

C.2.4.4 Prior to acceptance of maintenance of any public facilities by the City, the Subdivider shall prepare and obtain approval from the Public Works Department of a maintenance plan for all temporary and permanent storm drainage facilities to be maintained by the Subdivider or the HOA. The maintenance plan shall show the phasing of roadway construction, mass grading, drainage facilities, including collection channels, erosion control and protection of the Phillips 66 pipeline during construction. A SWPPP may be used as the maintenance plan with approval by the City Engineer.

C.2.4.5 Storm water designs shall show facilities needed for the collection and channeling of surface water runoff, and off-site flow-thru surface water runoff to underground storm drainage facilities within Spine Road such as temporary drainage collection channels and sedimentation ponds. These improvements shall be shown on the Grading Plans and be approved by the City Engineer before the issuance of a Grading Permit.

C.2.4.6 Since the Project will construct a terminal retention basin, it has been determined that the Project will be exempt from the Post Construction Stormwater Quality Standards. However, should new Federal or State regulations come into effect during the buildout of the Project that would require future compliance, then the Project would not be exempted from those new requirements.

SWPPP's shall be implemented during project construction. In addition, the Project may implement stormwater control measures such as disconnected roof leaders, non-contiguous street sidewalks (providing landscape strips/parkways), tree planting in parkways and use of drought tolerant landscape with drip irrigation systems and "intelligent" controllers. Similarly, public

- education measures regarding the damaging effects of pollutants to water quality may also be implemented.
- C.2.4.7 All Storm Water structural and construction details that are not part of the City Standard Plans or City Design Standards shall be provided by the Subdivider and submitted to the City for approval as part of the improvement plans.
- C.2.4.8 Subdivider shall dedicate appropriate easements and execute a maintenance agreement with the City to address maintenance, liability, permit compliance, and related items for Parcel E, to be owned and maintained by the HOA while the storm drainage system (72" pipe and associated facilities) will be owned and maintained by the City.
- C.2.4.9 Subdivider shall coordinate with Police and Fire departments for safety measures to be incorporated in the improvement plans for the back alley/corridor shown as Parcel VV and Parcel XX which may include alley lighting and other improvements. These measures will be part of the improvement plans that include construction of facilities within these parcels.
- C.2.4.10 All storm drainage retention basins/facilities, including Percolation Basin D, shall be contained within storm drainage parcels suitable for dedication to the City of Tracy. This basin shall be provided with appropriate fencing with warning signs as approved by the City Engineer, access roadways to and from public roadways and access roadways into the ponds for maintenance purposes. All storm drainage inlets into this basin shall have inlet structures with design acceptable to the City of Tracy.
- C.2.4.11 Install a forebay in the bottom of RET D to collect and accumulate sediments and pollutants and facilitate future maintenance activities. The forebay shall be sized to hold 0.25 inches of runoff per impervious acre of the contributing watershed. Based on data regarding the storage requirements for RET D provided in the Tracy Hills Storm Drainage Master Plan and the Tier 2 Storm Drainage Study, the recommended volume for the forebay shall be 5 ac-ft. The forebay shall be linear and connect all three proposed pipe discharges into the basin. The forebay may be created by providing a berm (20-foot top width recommended) in the bottom of the basin. A stabilized spillway shall be provided across the berm to allow runoff entering the forebay to spill into the larger bottom area of the basin when the forebay storage exceeds 5 ac-ft. The spillway shall be sized to pass the

- 100-year combined peak inflow into the basin with freeboard.
- C.2.4.12 Fixed vertical sediment depth markers shall be installed near discharge points into the forebay for RET D to assist with measurements of sediment deposition over time and future assessments of the need for maintenance activities.
- C.2.4.13 All storm drainage facilities that run along the northerly boundary of Project, as part of the project on-site storm drainage collection system not located within Spine Road shall be located within a 20' wide utility maintenance easement. Subdivider shall provide access points for City maintenance vehicles.
- C.2.4.14 Subdivider shall show adequate detail of the common storm drainage/sanitary sewer easement between Court 3M and Court 5L, between Court 3M and Spine Road, and easement between Street 6K and Parcel J. Details should show the dimensions of this easement, that this easement will be paved, show clearances to existing 16" oil line, and whether this easement will be gated or fenced off. This information shall be shown on the project Improvement plans for the respective neighborhood, and shall be approved by the City Engineer before Improvement Plan approval.

C.2.5. Sanitary Sewer

- C.2.5.1 All sanitary sewer lines and associated improvements shall be designed and installed per the Sanitary Sewer Study and City Regulations. Before approval of Final Map(s) for the Project, Subdivider shall submit improvement plans and obtain approval for the plans for all on-site sewer improvements.
- C.2.5.2 As referenced in Conditions C.2.5. and C.2.6, the terms "Program Funded City CIP Costs" and "Non-Program Funded Subdivider CIP Costs" shall mean the following:
- Program Funded City CIP Costs - Costs applicable to CIP project if constructed by the City shall include costs of design, project management, program management, construction, inspection, construction management, contingencies and construction change orders as approved by the City.
- Non-Program Funded Subdivider CIP Costs - Costs applicable to CIP project if constructed by the Subdivider shall include costs of design, project management, construction, inspection, construction oversight by City, contingencies and construction change orders as approved by the City.

- C.2.5.3 There is insufficient conveyance capacity in the City's wastewater conveyance system for Tracy Hills build-out ("Choke Points"). The Choke Points will be resolved in three phases of improvements. City is in the process of constructing Phase 1 Choke Points improvements. Upon completion of the Phase 1 Choke Points improvements, limited conveyance capacity will be available for the Project. The available capacity will be made available to new developments in the City including the Project as per the Development Agreement.
- The City does not currently have adequate program funding to construct Phase 2 & 3 Choke Points Improvements, but anticipates it will have adequate funding to construct the improvements by the time they are needed. If the City does not have adequate funding to construct the improvements by the time the improvements are needed to serve the Project, the Subdivider may pre-pay sewer fees in an amount equal to the funding needed to fund Phase 2 & 3 Choke Points improvements, subject to reimbursement from appropriate available program funds. The additional capacity available after completion of these improvements will be available to serve new developments including this Project, until the downstream capacity of the wastewater collection system is used and further improvements are triggered.
- C.2.5.4 The Subdivider shall pay for the design and construction of the Sanitary Sewer Pump Station (SSPS) with sufficient capacity to service the Project, Phase 1B, Phase 2-4 and Phase 5B. This Pump Station shall be constructed on Subdivider's land to be dedicated by Subdivider, as approved and required by the City, and shall convey sewage through underground force main sewer pipes from the SSPS to Corral Hollow Road. The Non-Program Funded Subdivider CIP Costs for construction of this pump station and force main, as determined by the City, shall be borne by the Subdivider. Upon satisfactory completion of the SSPS improvements, as determined by City, the City will accept the land dedication and SSPS improvements for maintenance.
- C.2.5.5 The Subdivider shall pay for all design costs incurred by the City and its consultant(s) for the sanitary sewer force main and the sanitary sewer gravity line from the SSPS to Node 1W near W. Linne Road (as shown in Wastewater Master Plan) per the improvement plans prepared by CH2M Hill and approved by the City ("Off-site Sewer Line Improvements"). After approval of the design by the City, the Subdivider shall pay for the City CIP Costs for the SSPS and Off-site Sewer Line Improvements (unless the

Subdivider opts to construct these improvements as described below). If the Subdivider does not elect to construct the Off-site Sewer Line Improvements in accordance with this condition of approval, the Subdivider shall pay to the City all related City CIP Costs either before approval of the first Final Map within the Project, or within 15 days from the date of written notice from the City that the project is ready for bid, whichever is earlier. Upon receipt of the funds, City will proceed with bidding of the project. In the event the responsive bid as determined by the City is higher than the funding provided by the Subdivider, the Subdivider shall promptly provide additional funding.

For the underground crossings of the sewer line at Delta Mendota Canal and California Aqueduct ("Crossing Improvements"), permits from appropriate regulating agencies will be required. The Subdivider may opt to construct the Crossing Improvements in full compliance with the permit requirements and subject to Subdivider's posting security as required by TMC section 12.36.080 and executing an Offsite Improvement Agreement approved by the City which, among other things, provides for Subdivider to fully indemnify City against any and all claims and liabilities that may arise from the construction of the Crossing Improvements.

In the event the Subdivider opts to construct the sanitary sewer improvements listed in Condition C.2.5.4 and C.2.5.5, the Subdivider shall enter into an improvement agreement (Offsite Improvement Agreement or OIA) and post improvement security in the amounts and form required by TMC section 12.36.080 and as required by these Conditions of Approval. The Subdivider shall submit the signed and notarized OIA with the necessary improvement security before approval of the first Final Map within the Project. These improvements are not included in the Fee Program and no fee credits or reimbursements will be applicable.

- C.2.5.6 Sanitary sewer improvements north of WWMP Node 1W up to the current terminus of the City's sanitary sewer line in Corral Hollow Road are required to be completed prior to final inspection or occupancy of first residential or commercial building within the Project, excluding Model Homes. These are program-funded improvements under a Capital improvement Project (CIP). However, City will not have collected sufficient program fees to construct this Project. As such, Subdivider shall deposit total Program Funded City CIP Costs of this CIP to the City at least 18

months prior to the occupancy of any residential or commercial buildings within the Project

Upon receipt of the funds, City will proceed with bidding of the project. In the event the responsive bid as determined by the City is higher than the funding provided by the Subdivider, the Subdivider shall promptly provide additional funding sufficient to make up the difference.

If Subdivider opts to construct this sewer line, the Subdivider shall enter into an Offsite Improvement Agreement and post improvement securities in accordance with TMC Section 12.36.080.

- C.2.5.7 No final inspection of any residential building will be performed or certificate of occupancy for commercial building will be issued, with the exception of Model Homes, until the improvements listed in Conditions C.2.5.4 through C.2.5.6 are completed and functional, as determined by the City Engineer.
- C.2.5.8 The Subdivider is hereby notified that the City has limited wastewater treatment capacity in the City's Wastewater Treatment Plant until current and future expansion capital improvement projects are completed and operational. As of January 2015, the City had an unused capacity of approximately 4200 EDU's within its wastewater treatment plant available to new development within the City on a first-come-first-served basis. These EDU's are currently available to serve the proposed project, but as other development projects within the City come forward and building permits are issued, this remaining capacity will be reduced.
- C.2.5.9 Prior to the City's approval of the first Final Map within Project, the Subdivider shall dedicate to the City utility maintenance easements necessary for all sanitary sewer lines (gravity or force mains). All requirements relating to the access and maintenance by the Utilities Department and Public Works Department shall be incorporated into the improvement plans.
- C.2.5.10 Subdivider is to coordinate with Utilities Department and Public Works Department for providing access to Sanitary Sewer Pump Station during the initial phases of construction when public streets are in construction.

C.2.6. Water Distribution System

- C.2.6.1 All potable water lines and associated improvements as identified in the Water Study (Water Line Improvements)

shall be designed and installed per City Regulations.

- C.2.6.2 During the construction phases of the Project, the Subdivider shall be responsible for providing water infrastructure (temporary or permanent) capable of delivering adequate fire flows and pressure appropriate to the various stages of construction and as approved by the City of Tracy Fire Code Official.
- C.2.6.3 Prior to approval of each Final Map, the Subdivider shall submit calculations and improvement plans as required by the Fire Department and the City Engineer, and obtain a letter from the Fire Code Official that the fire flow parameters per Tracy Design Standards Section 6.02 are met for the phased construction of water lines to the satisfaction of the City of Tracy Fire Code Official.
- C.2.6.4 The Subdivider shall complete design and construction of an at-grade water storage tank with a holding capacity of at least 3.5 MG (million gallons) and a booster pump station equipped with pumps that meets required domestic water and fire demand pumping capacity. These improvements are required to be complete, in place and operational before the final inspection of the 301<sup>st</sup> residential building within the Project.

All costs related to the design and construction of the water tank are the responsibility of the Subdivider. Before approval of first Final Map within the Project, the Subdivider shall execute a Deferred Improvement Agreement (DIA) to address timing, scope of work and funding responsibilities.

- C.2.6.5 In order to serve the Project, prior to final building inspection of the 301<sup>st</sup> residential building, or prior to completion of the at-grade water storage tank, the Subdivider shall provide for the design and construction of a remote pressure sensing station to be located near the residential units to transmit pressure data from the distribution system back to the pump controls at the City's John Jones Water Treatment Plant ("JJWTP"). This temporary remote pressure sensing station shall be funded and maintained by the Subdivider.

The Subdivider shall enter into a DIA, to guarantee removal of the remote pressure sensing station when the at-grade storage tank, and pump station are constructed and operational. Costs of installation of the remote pressure sensing station are not eligible for fee credits or reimbursements. The DIA will also include any

modifications required at the JJWTP until the at-grade storage tank and pump station are constructed and operational.

This requirement shall not apply if the at-grade water tank and pump station are constructed prior to final building inspection or occupancy for the first residential or commercial building excluding model homes within the Project.

- C.2.6.6 The Project will require completion of construction of Tracy Hills Booster Pump Station at JJWTP before any water services can be provided by the City to serve the Project. This pump station and associated work ("JJWTP Improvements") shown in the approved improvement plans titled "Tracy Hills Booster Pump Station at JJWTP" prepared by West Yost Associates ("JJWTP Improvement Plans") is a Capital Improvement Project, and the entire cost of this CIP (except the cost of the 20-inch diameter City Side Zone 3 Water Line as shown in the JJWTP Improvement Plans) is the responsibility of the Subdivider.

The Subdivider has the option to pay to the City full cost of this CIP project (as provided above) or enter into an agreement with the City (which shall be approved by the City) for paying portions of the CIP cost at major milestones. Any overruns in costs as listed in Condition C.2.5.2 will be the responsibility of the Subdivider. The Subdivider shall be eligible to receive reimbursements for the cost of the 20-inch diameter City Side Zone 3 Water Line if the Subdivider pays for its installation. The timing of reimbursement, if from the City, will be addressed in the agreement specified above.

- C.2.6.7 If the at-grade storage tank and booster pump station is not completed before final inspection of the structure that is the subject of the 100th building permit and subsequently before final inspection of 150th, 200th, and 250th building permits, the Subdivider shall demonstrate to the satisfaction of the City Engineer and Fire Code Official that required domestic and fire flow and water pressure are met by performing flow and pressure field tests.
- C.2.6.8 The onsite Recycled Water Transmission mains are required to serve the Project. As part of the onsite improvements for the Project, the Subdivider shall install an 8-in Recycled Water main with the Spine Road improvements



Initially, the 8-in Recycled Water Main will be connected to a potable water supply (with a stub in place to future recycled water) as approved by the City until the program backbone Recycled Water facilities are in place. Once the Recycled Water system network is online the 8-in Recycled Water distribution main will be disconnected from the Potable Water system and connected to the Recycled Water System as part of the Recycled Water Project by the City.

- C.2.6.9 Prior to final inspection of the first residential building (excluding model homes), or issuance of certificate of occupancy for the first commercial building within the Project, the water line from the JJWTP to Corral Hollow Road and from Corral Hollow Road to the Project ("Offsite Water Line Improvements") per the approved improvement plans titled "Corral Hollow Road Utility Improvements – Water and Sewer Pipelines" prepared by CH2MHill ("Offsite Water Line Improvement Plans") must be constructed and operational.

The Subdivider can either have the City construct these improvements by depositing with the City an amount equaling the estimated Non-Program Subdivider CIP Costs or opt to construct the improvements.

For the crossings of the water line at Delta Mendota Canal and California Aqueduct ("Crossing Improvements"), permits from appropriate regulating agencies will be required. The City Subdivider may opt, to construct the Crossing Improvements in full compliance with the permit requirements and subject to Subdivider's posting improvement security as required by TMC section 12.36.080 and executing an Offsite Improvement Agreement approved by the City which, among other things, provides for Subdivider to fully indemnify City against any and all claims and liabilities that may arise from the construction of the Crossing Improvements.

If the City constructs the Crossing Improvements, the Subdivider shall pay to the City for City CIP Costs either before approval of the first Final Map within the Project, or within 15 days from the date of written notice from the City that the project is ready for bid, whichever is earlier. Upon receipt of the funds, City will proceed with bidding of the project. In the event the responsive bid as determined by the City is higher than the funding provided by the Subdivider, the Subdivider shall promptly provide additional funding sufficient to make up the difference.

If the Subdivider either constructs or pays for installation by the City, the 20-inch diameter City Side Zone 3 Water Line (shown as "Zone 3-C CL 20" Pipeline on the Offsite Water Line Improvement Plans), the Subdivider shall be eligible to receive reimbursements for the cost of the 20" City Side Zone 3 Water Line. The amount and timing of reimbursement, if from the City, will be addressed in the agreement specified above.

In the event a portion of the "Zone 3-TH" CL Pipeline as shown on the Offsite Water Line Improvement Plans will be installed by a third party other than the City, the Subdivider shall pay the party that will install the "Zone 3-TH" CL Pipeline the cost of the pipeline prior to beginning of construction. The Subdivider shall provide to the City documentation of payment in full for the cost of the "Zone 3-TH" CL Pipeline prior to final inspection of the first building constructed within the Project.

- C.2.6.10 In the event the Subdivider opts to construct the Off-site Water Line Improvements, the Subdivider shall enter into an OIA with the City and post improvement security in the amounts and form in accordance with section 12.36.080 of the TMC, and as required by these Conditions, prior to the approval of the first final map of any residential neighborhood, or issuance of building permit for the first commercial building, whichever occurs first. The Subdivider shall submit the signed and notarized OIA with the necessary improvement security, before starting the installation of water lines.
- C.2.6.11 Any public improvements required to be installed within the jurisdiction of the San Joaquin County (County) will require Subdivider to obtain an encroachment permit from the County. The Subdivider shall pay all permit and inspection fees associated with the construction of improvements within the County.
- C.2.6.12 For all program and non-program Off-site Water Line Improvements that the Subdivider opts to construct, the Subdivider shall be responsible for notifying residents, business owner(s) and users, regarding construction work that involves traffic re-routing or other traffic related and access impacts to the existing residents and businesses. The Subdivider shall deliver the written notice, after approval by the City Engineer, to the affected residents or business owner(s) at least 72 hours before start of work. Before starting the work described in this section, the

Subdivider shall submit a Work Plan acceptable to the City that demonstrates that there will be no interruptions to the water supply, and a Traffic Control Plan to be used during the installation of the offsite water mains and connections. These plans and their costs are the sole responsibility of the Subdivider.

- C.2.6.13 Domestic and Irrigation Water Services – The HOA will be responsible for the repair and maintenance of all valves, fittings on services related to all street right-of-way landscaping, and for all parcels to be owned by HOA and all HOA easements.
- C.2.6.14 Where pressures at individual water services will be 80 psi or more, the Subdivider shall provide pressure reducing valves at the location approved by the City Engineer. The design operation of the individual pressure reducing valves for services shall be subject to approval by the Building Official.
- C.2.6.15 Fire Service Line – The Subdivider shall design and install fire hydrants at the locations approved by the City's Fire Safety Officer and Chief Building Official. Before the approval of the Improvement Plans, the Subdivider shall obtain written approval from the City's Fire Safety Officer and Chief Building Official, for the design, location and construction details of the fire service connections to the Project, and for the location and spacing of fire hydrants that are to be installed to serve the Project.
- C.2.6.16 In the event any additional right-of-ways and easements (temporary and/or permanent) including construction easements are required for program and non-program water and sewer line improvements, the Subdivider shall acquire such right(s)-of-way and easement(s), at the sub divider's sole cost and expense, prior to start of construction whether the Subdivider opts to construct such improvements or not.

Costs of right(s)-of-way and easement(s) acquisition for non-program improvements are not eligible for fee credits or reimbursements. Subdivider shall be eligible for fee credits and reimbursement for program improvements as provided in the City Regulations.

If required, the Subdivider may request the City to exercise its condemnation/ eminent domain powers for acquisition of right-of-way and easements. All costs of any condemnation process shall be paid for by the Subdivider.

#### C.2.7. Street Improvements

C.2.7.1 Subdivider is required to design and construct roadway and underground utility improvements to serve the Project, as identified in the sections applicable to Phase 1A of the Final Subsequent EIR for the Tracy Hills Specific Plan Project ("EIR") and these Conditions of Approval. All improvements shall comply with City Regulations, and Tracy Hills Design Standards. Such improvements shall include, but are not limited to, roadways, water supply system, sewer system, storm drainage systems, curb and gutter, sidewalks, street lighting system, traffic signals, ITS systems, pavement and crosswalk striping, bicycle lanes and trails, roadway signage and street signs, median islands, turn lanes, landscaping, and all necessary related improvements as required by the City. Timing of completion of street improvements shall comply with these Conditions of Approval and as outlined in the Mitigation Measures listed in the EIR.

C.2.7.2 Corral Hollow Road Right of Way

Per the Citywide Roadway & Transportation Master Plan (CRTMP) that was adopted by City Council on November 26, 2012, pursuant to Resolution 2012-240, amended on November 19, 2013, Corral Hollow Road will be a 4-lane major arterial street with a raised median, sidewalks, bicycle facilities and landscaping, and depicted Corral Hollow Road Plan Line.

The Corral Hollow Road Plan Line established the amount of right-of-way to be dedicated from the Project along Corral Hollow Road. The Subdivider shall dedicate all rights-of-way necessary for the widening of Corral Hollow Road along the entire frontage of the Property on Corral Hollow Road to the project boundary along I-580. The dedication shall include Caltrans Right of Way and City of Tracy requirements that satisfies the roadway cross section shown on the Corral Hollow Road Plan Line, including a future westbound loop on-ramp at the interchange. The Subdivider shall also dedicate right-of-way for construction of intersection improvements with a traffic signal at Spine Road / Corral Hollow Road, for Phase 1A and project buildout requirements, including all turn lanes.

The Subdivider shall be eligible for fee Credits and/or reimbursements for right-of-way dedication beyond Project's frontage obligation per the CRTMP requirements.

C.2.7.3 Corral Hollow Road Improvements (Project Frontage)

The Subdivider shall design and construct the Corral Hollow Road Improvements in accordance with the Traffic Analysis, Corral Hollow Road Plan Line and City Regulations.

Prior to issuance of final inspection or occupancy of Model Homes and residential units the Subdivider shall complete substantial portion of the Corral Hollow Road Improvements to provide adequate and safe traffic conditions on Corral Hollow Road to the satisfaction of the City Engineer. The improvements will include, but are not limited to, construction of, at a minimum, one southbound through lane, one southbound right-turn lane at Spine Road, one northbound through lane, one northbound left-turn lane at Spine Road, temporary concrete median island, including tapers, asphalt concrete pavement, water main, fire hydrants, storm drain lines, catch basins, traffic signal, pavement markings and striping, traffic signage, street lighting, roadway section construction and/or replacement, asphalt concrete overlay (where required), pavement transitions and other street and utilities improvements that are required to serve the Project based on the phasing plan approved by the City Engineer. Roadway design shall conform to STAA truck traffic requirements and Caltrans requirements.

Subdivider shall prepare improvement plans for Corral Hollow Road Improvements and obtain approval by the City Engineer before approval of the first Final Map within the Project.

Fee Credits and/or reimbursements for eligible costs of improvements beyond Project's frontage obligation per the CRTMP, will be determined based on the improvement plans to be approved by the City Engineer. Interim improvements are not eligible for fee credits or reimbursements and are the sole responsibility of the Subdivider.

- C.2.7.4 In order to guarantee completion of the Corral Hollow Road Improvements, the Subdivider shall enter into an improvement agreement (SIA or OIA) and post an improvement security in the amounts and form in accordance with section 12.36.080 of the TMC and as required by these Conditions of Approval. The Subdivider shall submit the signed and notarized OIA with the necessary improvement security before approval of the first Final Map within the Project.
- C.2.7.5 For any Corral Hollow Road Improvements considered frontage improvements (such as Subdivider's Frontage Obligation per the CRMP and landscape improvements behind the curb) and improvements within Caltrans right-of-way at I-580/Corral Hollow Road interchange that are not constructed or security posted with OIA at the time of

approval of the first Final Map, the Subdivider shall enter into a DIA with the City.

The Subdivider shall submit the signed and notarized DIA before approval of the first Final Map within the Project. The Subdivider shall post improvement security in the amounts and form in accordance with TMC section 12.36.080 at the times specified in the DIA.

C.2.7.6 Traffic Control Plan - Before starting any work within City's right-of-way on Corral Hollow Road, the Subdivider shall submit a Traffic Control Plan for each phase of work, to show the method and type of construction signs to be used for regulating traffic at the work areas within these streets. The Traffic Control Plan shall be prepared by a Civil Engineer or Traffic Engineer licensed to practice in the State of California. Subdivider shall comply with Caltrans requirements and standards for any work conducted within Caltrans ROW.

C.2.7.7 The Subdivider shall design and construct Corral Hollow Road Improvements to meet the applicable requirements of the latest edition of the California Department of Transportation Highway Design Manual (CHDM) and the California Manual of Uniform Traffic Control Devices (MUTCD), the Applicable Law, and these Conditions of Approval.

C.2.7.8 The Tracy Hills Specific Plan EIR ("EIR") identifies the Project's traffic impacts that are to be mitigated by the Subdivider. The mitigation measures are summarized in Table 4.13-68, Transportation & Circulation EIR Mitigation Matrix, and are included herein by reference. Subdivider shall comply with the applicable mitigation measures as outlined in the EIR. Following is a list of traffic improvements for Phase 1A from the mitigation measures included with implementation requirements.

a) Corral Hollow Road/ I-580 EB Ramps (Mitigation Measure 4.13-14a, Intersection #1)

Prior to final inspection of the building that will generate 196 (cumulative) peak hour trips from the Project, the Subdivider shall install an all-way stop controlled intersection as an interim improvement. In order to guarantee timely installation of the stop signs, prior to final inspection of building generating 100 peak hour trips, the Subdivider shall obtain an encroachment permit from Caltrans. The installation of stop signs shall be included in the Deferred Improvement Agreement.

Prior to final inspection of a building that will generate 832 (cumulative) peak hour trips from the Project, the

Subdivider shall install a traffic signal at the intersection. In order to guarantee timely installation of the traffic signal, prior to final inspection of building generating 700 peak hour trips, the Subdivider shall obtain an encroachment permit from Caltrans. The installation of traffic signal shall be included in the Deferred Improvement Agreement.

The Subdivider shall, in collaboration with the City Engineer and Caltrans, commence with an encroachment permit application process to install the all-way stop sign and signal not later than ninety (90) calendar days following approval of the Vesting Tentative Map by the City of Tracy. If the Subdivider / City is unable to obtain required permits from Caltrans, City shall issue building permits beyond the above-mentioned limits, provided that the Subdivider has, to the reasonable satisfaction of the City Engineer, diligently pursued its efforts to obtain the required permits and collaborated closely with City staff in this effort.

The Subdivider shall submit a trip generation calculation with each building permit application or Final Map approval as directed by the City Engineer.

Any improvements installed that will be part of the Traffic Impact Fee Program (Fee Program) will be eligible for fee credits in accordance with City Regulations and the Development Agreement. The installation of traffic improvements at these locations will require Caltrans approval and an Encroachment permit from Caltrans.

b) Traffic Signal at Spine Road /Corral Hollow Road (Mitigation Measure 4.13-14a, Intersection #3)

A traffic signal at Spine Road / Corral Hollow Road shall be installed and made operational before final inspection of first building within the Project. The Subdivider shall provide improvement plans that show the design and construction details of the traffic signal and all associated intersection improvements such as turn lanes, signage and striping, traffic controller and power supply cabinet, traffic detecting loops and video camera for traffic monitoring, fiber optic traffic signal interconnect system and other improvements reasonably determined by the City Engineer to be necessary to operate a signalized intersection. The improvement plans shall be submitted prior to approval of the first final map (residential or commercial).

The traffic signal at Spine Road/ Corral Hollow Road is not included in the Fee Program, and hence the Subdivider shall pay for costs of design and construction of the traffic signal improvements.

c) Traffic Signal at Corral Hollow Road / Linne Road  
(Mitigation Measure 4.13-14a, Intersection #4)

The Subdivider shall design and install a traffic signal at the intersection that will have interconnect with the railroad crossing controller. These improvements will require UPRR and CA PUC approval

Prior to final inspection of a building that will generate 396 (cumulative) peak hour trips from the Project, the Subdivider shall install a traffic signal at the intersection. In order to guarantee timely installation of the traffic signal, prior to final inspection of building generating 300 peak hour trips, the Subdivider shall obtain an encroachment permit / agreement from UPRR. The installation of the traffic signal shall be included in the Deferred Improvement Agreement.

The Subdivider shall, in collaboration with the City Engineer and UPRR / CA PUC, commence an engineering design process for the traffic signal improvements not later than ninety (90) calendar days following approval of this Vesting Tentative Map by the City of Tracy. If the Subdivider is unable to obtain required permits from UPRR / CA PUC, City shall issue building permits beyond the above-mentioned limits, provided that the Subdivider has, to the reasonable satisfaction of the City Engineer, diligently pursued its efforts to obtain the required permits and collaborated closely with City staff in this effort.

The Subdivider shall submit a trip generation calculation with each building permit application or Final Map approval as directed by the City Engineer.

Any improvements installed that will be part of the Traffic Impact Fee Program (Fee Program) will be eligible for fee credits in accordance with City Regulations and the Development Agreement.

d) Intersection Improvements at Tracy Boulevard /  
Linne Road (Mitigation Measure 4.13-14a, Intersection #5):

The Subdivider shall reconstruct the eastbound approach to an eastbound left turn lane and eastbound through lane, and the westbound approach to a westbound right turn lane and a westbound through lane

Prior to final inspection of a building that will generate 469 (cumulative) peak hour trips from the Project, the Subdivider shall install intersection improvements as identified in the EIR. In order to guarantee timely installation of said improvements, prior to final inspection of building generating 400 peak hour trips, the Subdivider shall submit improvement plans and obtain approval by the City



Engineer. The Intersection Improvements shall be included in the Deferred Improvement Agreement.

The Subdivider shall, in collaboration with the City Engineer and UPRR / CA PUC (if required), commence with an engineering design process for the intersection not later than ninety (90) calendar days following approval of the Vesting Tentative Map by the City of Tracy. If the Subdivider is unable to obtain required permits from UPRR / CA PUC, City shall issue building permits beyond the above-mentioned limits, provided that the Subdivider has, to the reasonable satisfaction of the City Engineer, diligently pursued its efforts to obtain the required permits and collaborated closely with City staff in this effort. The Subdivider shall submit a trip generation calculation with each building permit application or Final Map approval as directed by the City Engineer.

Alternatively, with the approval of the City Engineer, the Subdivider may install a traffic signal interconnected with the controller at the railroad crossing, which installation would be subject to approval by the City Engineer.

Any improvements installed that will be part of the ultimate (program) improvements may be eligible for fee credits in accordance with City Regulations and the Development Agreement.

e) Overlay Corral Hollow Road between I-580 and Linne Road (Mitigation Measure 4.13-14b)

Before final inspection or occupancy of the first building (excluding the Model Homes) within the Project, the Subdivider shall overlay the existing two lanes on Corral Hollow Road between I-580 right-of-way and railroad right-of-way including 100 feet of the easterly leg of Linne Road. The Subdivider shall provide improvement plans that show the design and construction details of the overlay improvements and shall commence with the improvement plans following approval of the Vesting Tentative Map. The improvement plans shall be approved prior to approval of the first final map (residential or commercial). The Overlay Improvements shall be included in the Off-site Improvement Agreement.

No fee credits or reimbursements shall be applicable for these improvements.

f) Interim / Permanent School Site and roadways (Mitigation Measures 4.13-15d, 4.13-15e and 4.13-15f)

The Subdivider shall provide roadways to the school that meet acceptable on and off-site storage for drop-off/pickup queuing, safety considerations, vehicular circulation, and bike and pedestrian access, per the City Standard Plans and Vesting Tentative Map.

Prior to approval of the Vesting Tentative Map, or when the first student from Phase 1a attends either Tracy Hills Elementary School or Tom Hawkins Elementary School or the new school located within the Project (Phase 1a) commences design, the Subdivider shall demonstrate that the following planning and design considerations are addressed to the satisfaction of the City Engineer:

- School driveways are located directly opposite proposed streets entering the residential neighborhood to maximize traffic and student safety.
- 10' concrete Pedestrian and bicycle paths, sidewalks, and crosswalks are provided.
- A Safe Routes to School Program (SRTS) is initiated in coordination with the School District for the Phase 1a school site. The SRTS Program shall be funded and developed by the Subdivider. The SRTS Program shall be developed when the School District applies for an Encroachment Permit from the City.
- The Subdivider shall fund the development of a Traffic Management Plan to the satisfaction of the City Engineer, the Police Department, and the Jefferson School District for the interim conditions when additional traffic would be generated to the interim school adjacent to the Tracy Hills Elementary School. The Traffic Management Plan shall be implemented when the temporary school building opens up for attendance and the first student from Tracy Hills attends the school(s).

g) Traffic Signal at Lammers Road / Old Schulte Road (Mitigation Measure 4.13-5a, Intersection #10)

The City has established a CIP Project for this interim improvement and partial funds have already been collected from other development projects as fair share payments and these other development projects funded the addition of the northbound left-turn lane only. The Applicant shall pay a proportionate share for the interim capacity improvements. These fees will be payable at the final inspection of the first building for the Project.

h) Traffic Signal at Internal Intersection at Business Park Main Driveway and Spine Road (Mitigation Measure 4.14-5a, Intersection #23)

A traffic signal at the Business Park Main Driveway and Spine Road shall be installed and made operational before issuance of Certificate of Occupancy for the first commercial building permit for within the Project. The Subdivider shall provide improvement plans that show the design and construction details of the traffic signal and all associated intersection improvements such as turn lanes, signage and striping, traffic controller and power supply cabinet, traffic detecting loops and video camera for traffic monitoring, fiber optic traffic signal interconnect system and other improvements reasonably determined by the City Engineer to be necessary to operate a signalized intersection. The improvement plans shall be submitted prior to issuance of a building permit for the first commercial building within the Project. The installation of the traffic signal shall be included in the Deferred Improvement Agreement.

C.2.7.9 As the properties north of the Project along Corral Hollow Road develop, City will install fiber-optic lines to connect signals on Corral Hollow Road. In the interim, at the time of installation of traffic signals at Corral Hollow Road / Spine Road and other traffic signals with the Project, the Subdivider shall provide a functional communication system acceptable to the City Engineer, to connect the City's Traffic Control Management Center (TCMC) located at the City Hall to the traffic signals that will be constructed with this Project. Any required improvements at the TCMC to facilitate communications in the interim condition that is not part of the Master Plan Facilities, shall be installed at Subdivider's cost, and no fee credits or reimbursements will be applicable.

C.2.7.10 Bus shelter and turnout on Corral Hollow Road and Spine Road: The bus shelters and turnouts on Spine Road shall be constructed as part of the Spine Road Improvements. Bus turnouts and shelters on Spine Road shall be located at the two fire turnouts on Spine Road. The City will provide the construction details and materials specifications of the bus shelter. Timing of construction of bus shelters will be determined in the future based on the extension of TRACER's Fixed Route to serve the Project. In order to assure completion of construction of the bus shelters, the Subdivider may either enter into a DIA with security, or pay to the City the estimated cost for two bus shelters on Spine Road, and one bus shelter on Corral Hollow Road at the time of approval of the first Final Map within the Project.

- C.2.7.11 Encroachment Permit. Before starting any work to be performed and improvements to be constructed within City's right-of-way, the Subdivider shall obtain an Encroachment Permit from the City. The Subdivider or its authorized representative shall submit all documents that are required to process the Encroachment Permit including but not limited to, approved Improvement Plans, Traffic Control Plan that is prepared by and signed and stamped by a Civil Engineer or Traffic Engineer registered to practice in the State of California, payment of engineering review fees, copy of the Contractor's license, Contractor's Tracy business license, and certificate of insurance naming the City of Tracy as additional insured or as a certificate holder.
- C.2.7.12 Dead-End Streets. A standard barricade and guardrail with appropriate traffic sign will be required at street ends. Alternatively, turnarounds meeting the requirements of Fire Department shall be provided at these dead-end streets.
- C.2.7.13 Spine Road and Other In-tract Streets. The Subdivider shall dedicate all rights-of-way that are necessary to construct Spine Road and all the in-tract streets based on their respective cross sections shown on the Vesting Tentative Subdivision Map with the Final Map for the respective phase. The width of travel lanes, street median, landscaping strip and sidewalk shall be in accordance with the Vesting Tentative Subdivision Map.
- Design and construction details of the in-tract streets such as asphalt concrete pavement, curb, gutter, sidewalk, street light, water main, fire hydrant, landscaping with automatic irrigation system, storm drain, catch basin and drop inlets, sanitary sewer main and lateral, water main, individual water service and meter, pavement marking and striping, traffic sign, driveway, handicap ramp and other street improvements shall comply with City Regulations and shall be shown on the Improvement Plans.
- C.2.7.14 The Subdivider shall construct an all-whether, emergency vehicle access as required in Planning Division's Conditions.
- The Subdivider and City shall enter into an EVA Agreement prior to the start of construction. This agreement will address access across private properties and maintenance responsibilities. The Subdivider shall submit improvement plans for any improvements required by the Police and Fire Departments, and agencies having jurisdiction. The Subdivider shall obtain any permits and/or easements that may be required for construction

and use of the EVA. Required improvements may include but not limited to addition of gates with optical opening devices, turnouts, and gates at the California Aqueduct.

- C.2.7.15 The Subdivider shall execute Grant of Easement documents for the Emergency Vehicle Access Easement at the time of approval of the first Final Map.
- C.2.7.16 Prior to final inspection or certificate of occupancy for the 289<sup>th</sup> residential unit within the Project, a fire station and all related equipment shall be constructed and operational to serve Tracy Hills in accordance with the Citywide Public Safety Master Plan.
- C.2.7.17 All intersections shall be designed to accommodate fire truck movements as required by the Fire Department.
- C.2.7.18 Subdivider must provide and verify sight distances, where applicable, with regard to reverse lots and fence placements as required by the City Engineer.

C.2.8 Mini/Neighborhood and Community Parks

- C.2.8.1 The Subdivider shall offer for dedication Parcels "A", "B" and "C" for park purposes on the Final Map that corresponds to the timing of completion of respective parks as identified in Planning's Conditions. The Subdivider shall design and construct the neighborhood park improvements consistent with the Tracy Hills Specific Plan and City Regulations. The Subdivider shall be eligible for neighborhood/mini park fee credits in accordance with the PI&RA and Title 13 of the TMC.
- C.2.8.2 The Subdivider shall submit park improvement plans, signed and notarized improvement agreement ("Park Improvement and Reimbursement Agreement" or "PI&RA"), and Improvement Security in the amount and type specified in the City Regulations at the time of approval of the Final Map that corresponds to the timing of completion of the neighborhood park improvements specified in Planning Division's Conditions of Approval.
- C.2.8.3 Before issuance of the first residential building permit (excluding model homes), the Subdivider shall submit park design alternatives for review by the City to determine the Phillips 66 pipeline impacts and overall grading over the future construction and use of Parks 1 & 2. The Subdivider's design engineer will be responsible for providing grading designs that will demonstrate that the proposed mass grading will facilitate park improvements construction without the requirement of major regrading or retaining walls.

C.2.9. Public Utility Easements

C.2.9.1 Undergrounding of Overhead Utilities. The existing overhead lines and poles shall be removed from the Project specifically along the west side of Corral Hollow Road. The Subdivider shall abandon any easements associated with these overhead lines that are no longer needed.

C.2.9.2 All private utility services to serve the Project such as electric, telephone and cable TV to the building must be installed underground, within right-of-way or a dedicated Public Utility Easement (PUE) and at the location approved by the City and the respective owner(s) of the utilities.

The Subdivider shall submit improvement plans for the installation of electric, gas, telephone and TV cable lines that are to be installed under the sidewalk or within the PUE. Underground utility conduits may be installed under the sidewalks, and underground boxes and structures may be located in the landscaped parkway next to the curb. All above-ground boxes and facilities shall be behind the sidewalk and within the PUE. Pop-outs to provide additional width of PUE where required to accommodate larger above-ground structures will be permitted subject to review and approval by Public Works Director and the City Engineer. Before approval of the first Final Map, the Subdivider shall complete the necessary coordination work with the respective owner(s) of the utilities to for approval.

C.2.9.3 Public Utility Easements on sideyard lots shall be adjusted in final neighborhood designs based on actual joint trench design requirements.

C.2.10 Phillip 66 Oil Pipeline Easement and Facilities

C.2.10.1 Prior to beginning of grading operations that may impact the existing Phillips 66 underground facilities within the Project, the Subdivider shall obtain signatures on the improvement plans by Phillips 66. Grading and improvement plans affecting Phillips 66 facilities shall comply with the applicable version of Phillip 66 Pipeline Encroachment Design and Construction Specifications. The Improvement plans shall contain an approval block for Phillip 66 indicating their approval of such designs.

C.2.10.2 Before the approval of the park improvement plans, the Subdivider shall submit evidence of approval of the park

plans by Phillips 66 for the proposed park improvements consistent with the Parks Master Plan and as approved by the City. Subdivider shall provide a grading plan and profiles showing cut/fill sections over the Phillips 66 pipelines within proposed park areas.

The Subdivider shall be responsible for design and construction of surface water drainage facilities within the Phillip 66 Oil Line Easement. All surface water within this easement shall be collected and channeled to the public storm drainage system within public roadways.

- C.2.10.3 The Subdivider shall notify in writing the future buyers of lots about the existing Philips 66 easement and any requirements /restrictions relating to the existence of the easement. The Disclosure Statement(s) shall be made part of the Sale Deeds and recorded in compliance with the applicable law.

### C.3. Final Map

The City will not approve any Final Map until the Subdivider demonstrates, to the satisfaction of the City Engineer, that all the requirements set forth in these Conditions of Approval are completed, including, but not limited to the following:

- C.3.1 Subdivider has submitted one reproducible (mylar) copy of the approved tentative subdivision map for the Project after Subdivider's receipt of a notification of approval of the Tentative Subdivision Map. The signature of the owner of the Property on the Tentative Subdivision Map shall indicate the owner's consent to the preparation of the Tentative Subdivision Map and the proposed subdivision of the Property.
- C.3.2 Each Final Map is prepared in accordance with the applicable requirements of the Tracy Municipal Code, these Conditions of Approval, all other applicable City Regulations, and in substantial conformance with the Tentative Subdivision Map.
- C.3.3 Each Final Map includes and shows offer(s) of dedication of all right(s)-of-way and/or temporary or permanent easement(s) required by the Improvement Plans and Final Map, in accordance with City Regulations and these Conditions. If construction easement(s) is/are shown, it/they shall indicate the termination date of the construction easement(s).
- C.3.4 Horizontal and vertical control for the Project shall be based upon the City of Tracy coordinate system and at least three 2nd order Class 1 control points establishing the "Basis of Bearing" and shown as such on the Final Map. The Final Map shall also identify surveyed ties from

two of the horizontal control points to a minimum of two separate points adjacent to or within the Property described by the Final Map.

- C.3.5 Subdivider has submitted a signed and stamped Engineer's Estimate that show construction cost of subdivision improvements that are described in Conditions C.2 above plus 10% for construction contingencies.

- C.3.6 Subdivision Improvement Agreement. Before the City's approval of any Final Map, the Subdivider shall execute a Subdivision Improvement Agreement (for the public facilities required to serve the real property described by the Final Map), and post all required improvement security in accordance with City Regulations.

Phasing Plan and Deferred Improvement Agreement- Prior to Subdivider's submittal to the City of the first Final Map for City approval, Subdivider shall submit for the City Engineer's review and reasonable approval a phasing plan for the submittal of all Final Maps to be filed for this Vesting Tentative Subdivision Map. The phasing plan may be subject to subsequent modifications based on market conditions, the rate of development, and Subdivider's disposition of the parcels created by the Final Maps. Prior to the City's approval of the first final map within the Project, the Subdivider shall execute a Deferred Improvement Agreement, in substantial conformance with the City's standard form agreement, by which (among other things) the Subdivider agrees to complete construction of all remaining public facilities (to the extent the public facilities are not included in the Subdivision Improvement Agreement) which are required by these Conditions of Approval. The Deferred Improvement Agreement shall identify timing requirements for construction of all remaining public facilities, in conformance with the phasing plan submitted by the Subdivider and approved by the City Engineer.

- C.3.7 Improvement Security. The Subdivider shall provide improvement security for all public facilities, as required by Subdivision Improvement Agreement or Offsite Improvement Agreement. The form of the improvement security may be a surety bond, letter of credit or other form in accordance with City Regulations. The amount of the improvement security shall be as follows:

- C.3.7.1 Faithful Performance (100% of the estimated cost of constructing the public facilities),
- C.3.7.2 Labor & Material (100% of the estimated cost of constructing the public facilities), and
- C.3.7.3 Warranty (10% of the estimated cost of constructing the public facilities)



- C.3.7.4 Monumentation (\$750 multiplied by the total number of street centerline monuments that are shown on the Final Map)
- C.3.8 Subdivider has paid engineering review fees including improvement plan checking, final map review, agreement processing, and all other fees required by these Conditions of Approval and City Regulations.
- C.3.9 Subdivider has submitted technical or materials specifications, cost estimate, and technical reports related to the design of improvements that are shown on the Improvement Plans and as required by these Conditions.
- C.3.10 Subdivider has submitted hydrologic and storm drainage calculations for the design and sizing of in-tract storm drainage pipes located within the Project.
- C.3.11 Subdivider has submitted signed and stamped Improvement Plans as required in Condition C.2 above.

C.4. Grading and Encroachment Permit

No applications for grading and encroachment permits will be accepted by the City as complete until the Subdivider has provided all documents required by these Conditions and City Regulations, to the reasonable satisfaction of the City Engineer, including, but not limited to, the following:

- C.4.1 Grading and Drainage Plans prepared on a 24" x 36" size polyester film (mylar). Grading and Drainage Plans shall be prepared under the supervision of, and stamped and signed by a Registered Civil Engineer.
- C.4.2 Payment of the applicable Grading Permit fees which include grading plan checking and inspection fees, and other applicable fees as required by these Conditions of Approval.
- C.4.3 Three sets of the Storm Water Pollution Prevention Plan (SWPPP) identical to the reports submitted to the State Water Quality Control Board (SWQCB) and any documentation or written approvals from the SWQCB including a copy of the Notice of Intent (NOI) with the state-issued Wastewater Discharge Identification number (WDID). After the completion of the Project, the Subdivider is responsible for filing the Notice of Termination (NOT) required by SWQCB, and shall provide the City, a copy of the completed Notice of Termination.
- C.4.4 Cost of preparing the SWPPP, NOI and NOT including the annual storm drainage fees and the filing fees of the NOI and NOT shall be paid by the Subdivider. The Subdivider shall comply with all the requirements of the SWPPP and applicable Best Management Practices (BMPs) and the Storm Water Regulations adopted by the City in 2008 and any subsequent amendment(s), and the City Regulations.

- C.4.5 Two sets of the Project's Geotechnical Report signed and stamped by a licensed Geo-technical Engineer licensed to practice in the State of California. The technical report must include relevant information related to soil types and characteristics, soil bearing capacity, percolation rate, roadway section construction recommendations and elevation of the highest observed groundwater level.
- C.4.6 A copy of the Approved Fugitive Dust and Emissions Control Plan that meets San Joaquin Valley Air Pollution Control District (SJVAPCD) as required in Mitigation Monitoring and Reporting Program of the Tracy Hills Specific Plan Final Environmental Impact Report (TH-EIR).
- C.4.7 Two sets of Hydrologic and Storm Drainage Calculations for the design of the on-site storm drainage system and for determining the size of the project's storm drainage connection.
- C.4.8 Reasonable written permission from irrigation district or affected owner(s), if applicable as required in Condition C.2.2.5, above. The cost of relocating and/or removing irrigation facilities and/or tile drains is the sole responsibility of the Subdivider.
- C.4.9 Written approval(s) or permit(s) obtained from San Joaquin County regarding the removal and abandonment of any existing well(s), if applicable. All existing on-site wells, if any, shall be abandoned or removed in accordance with the City and San Joaquin County requirements. The Subdivider shall be responsible for all costs associated with the abandonment or removal of the existing well(s) including the cost of permit(s) and inspection.
- C.4.10 Improvement Plans prepared on a 24" x 36" size 4-mil thick polyester film (mylar) that incorporate all the requirements described in these Conditions of Approval. Improvement Plans shall be prepared under the supervision of, and stamped and signed by a Registered Civil, Traffic, Electrical, Mechanical Engineer, and Registered Landscape Architect for the relevant work.
- C.4.11 Two sets of structural calculations for drainage structures and retaining walls within street right-of-way and retention basins signed and stamped by a Structural Engineer licensed in the State of California.
- C.4.12 Signed and stamped Engineer's Estimate that summarizes the cost of constructing all the public improvements shown on the Improvement Plans.
- C.4.13 Signed and notarized Offsite Improvement Agreement (OIA) and Improvement Security, to guarantee completion of the identified public improvements that are necessary to serve the Project as required by these Conditions of Approval. The form and amount of Improvement Security shall be in accordance with Section 12.36.080 of the Tracy Municipal Code (TMC), and the OIA.
- C.4.14 Signed and notarized Deferred Improvement Agreement (DIA) and Improvement Security, to allow deferment of completion of

improvements as required by these Conditions of Approval. The form and amount of Improvement Security shall be in accordance with the DIA and Section 12.36.080 of the TMC, or pursuant to the terms of the Development Agreement, as appropriate.

- C.4.15 Check payment for the applicable engineering review fees which include plan checking, permit and agreement processing, testing, construction inspection, and other applicable fees as required by these Conditions of Approval. The engineering review fees will be calculated based on the fee rate adopted by the City Council on April 15, 2014, per Resolution 2014-059.
- C.4.16 Traffic Control Plan for each phase signed and stamped by a Registered Civil Engineer or Traffic Engineer licensed in the State of California.
- C.4.17 As required per Mitigation Measure 4.8-2a of the EIR, the Subdivider shall submit, prior to issuance of grading permits, a Phase II ESA focused on soil sampling and/or soil vapor sampling conducted near the location of the underground crude oil pipelines, as determined by a qualified Phase II/Site Characterization specialist.
- C.4.18 As required per Mitigation Measure 4.8-2b of the EIR, prior to issuance of grading permits, the Subdivider shall work with Conoco Phillips to implement and observe a site damage prevention plan to the satisfaction of the City of Tracy Engineering Division.

#### C.5. Building Permit

The City will not approve any building permit within the Project boundaries until a Final Map is approved by the City Council and it is recorded at the San Joaquin County Recorder's Office, and the Subdivider demonstrates, to the reasonable satisfaction of the City Engineer, compliance with all the required Conditions including, but not limited to, the following, except that the timing of payment of fees shall be as approved in the Development Agreement:

- C.5.1 Check payment of the applicable City Wide Roadway and Traffic, Water, Recycled Water, Wastewater, Storm Drainage, Public Safety, Public Facilities, and Park Development Impact Fees (adopted by Resolution 2014-010) as these relate to the Project and as required by these Conditions of Approval.
- C.5.2 Check payment of applicable Regional Transportation Impact Fees (RTIF) as required in the Mitigation Monitoring and Reporting Program of the Final Environmental Impact Report and these Conditions of Approval.
- C.5.3 Check payment of any applicable Agricultural Conversion or Mitigation Fee as required in Chapter 13.28 of the Tracy Municipal Code and the Mitigation Monitoring and Reporting Program of Tracy Hills Final Environmental Impact Report and these Conditions of Approval.

- C.5.4 Payment of the San Joaquin County Facilities Fees as required in Chapter 13.24 of the TMC.
- C.5.6 The Project developer(s) shall be required to pay the Transportation Impact Fee established pursuant to the written Agreement by and between the City of Tracy, LTA, the Sierra Club, the County of Alameda, and the City of Livermore to the City of Tracy prior to issuance of building permits for any residential portion of the Project. Said condition shall be incorporated into any development agreement or similar agreement if entered into by the developer and the City of Tracy. Said condition shall constitute the only regional traffic impact fee charged against the Project.

C.6. Final Building Inspection

The City will not perform final building inspection until after the Subdivider provides documentation which demonstrates, to the reasonable satisfaction of the City Engineer, that:

- C.6.1 The Subdivider has completed construction of all public facilities required to serve the building for which a certificate of occupancy is requested or a final building inspection has to be performed unless otherwise defined herein. Unless specifically provided in these Conditions, or the City Regulations, the Subdivider shall take all actions necessary to construct all public facilities required to serve the Project, and the Subdivider shall bear all costs related to construction of the public facilities (including all costs of design, construction, construction management, plan check, inspection, land acquisition, program implementation, and contingency).
- C.6.2 The Subdivider shall pay a fair share towards the cost of constructing the interim improvements at the Lammers Road/Old Schulte Road intersection, as determined by the City Engineer.

C.7. Temporary or Final Building Certificate of Occupancy

No Final Building Inspection shall be performed or a Temporary or Final Building Certificate of Occupancy will be issued by the City until after the Subdivider provides reasonable documentation which demonstrates, to the satisfaction of the City Engineer, that:

- C.7.1 The Subdivider has satisfied all the requirements set forth in these Conditions of Approval.
- C.7.2 The Subdivider has completed construction of all required public facilities for the building for which a certificate of occupancy is requested, unless otherwise defined herein. Unless specifically provided in these Conditions of Approval, or some other applicable City Regulations, the Subdivider shall use diligent and good faith efforts in taking all actions necessary to construct all public facilities

required to serve the Project, and the Subdivider shall bear all costs related to construction of the public facilities (including all costs of design, construction, construction management, plan check, inspection, land acquisition, program implementation, and contingency).

C.8. Acceptance of Public Improvements

Public improvements will not be considered for City Council's acceptance until after the Subdivider demonstrates to the reasonable satisfaction of the City Engineer, completion of the following:

- C.8.1 All the public improvements shown on the Improvement Plans are completed and all the deficiencies listed in the deficiency report prepared by the assigned Engineering Inspector are all corrected.
- C.8.2 Subdivider has completed the 90-day public landscaping maintenance period.
- C.8.3 Subdivider has submitted Certified "As-Built" Improvement Plans (or Record Drawings). Upon completion of the construction by the Subdivider, the City shall temporarily release the originals of the Improvement Plans to the Subdivider so that the Subdivider will be able to document revisions to show the "As Built" configuration of all improvements.
- C.8.4 Signed and notarized Grant Deed(s) with legal description(s) and plat maps for the offer of dedication of right-of-way, and Grant of Easements as required per these Conditions of Approval and City Regulations, or dedications shown on the Final Map.

C.9. Release of Improvement Security

City will release Improvement Security(s) to the Subdivider after City Council's acceptance of public improvements, both on-site and off-site, in accordance with TMC section 12.36.080, upon written request and submittal of the recorded Notice of Completion.

C.10. Special Conditions

- C.10.1. All streets and utilities improvements within City's right-of-way shall be designed and constructed in accordance with City Regulations, except as otherwise specifically approved in the Tracy Hills Specific Plan.
- C.10.2 When street cuts are made for installation of utilities, the Subdivider is required to install 2 inches thick asphalt concrete overlay with reinforcing fabric at least 25 feet from all sides and for the entire length of the utility trench. A 2 inches deep grind on the existing asphalt concrete pavement will be required where the asphalt concrete overlay will be applied and shall be uniform thickness in

order to maintain current pavement grades, cross and longitudinal slopes. If the utility trench extends beyond the median island, the limit of asphalt concrete overlay shall be up to the lip of existing gutter located along that side of the street.

- C.10.3. All improvement plans shall contain a note stating that the Developer (or Contractor) will be responsible to preserve and protect all existing survey monuments and other survey markers. Any damaged, displaced, obliterated or lost monuments or survey markers shall be re-established or replaced by a licensed Land Surveyor at the Developer's (or Contractor's) sole expense. A corner record must be filed in accordance with the State law for any reset monuments (California Business and Professions Code Section 8871).
- C.10.4. Benefit District – The Subdivider may make a written request to the City for the formation of a Benefit District, before the approval of the final map and improvement plans for the public facility(s) considered to be oversized that benefits other property(s) or development(s). Reimbursement request(s) will be processed in accordance with TMC Chapter 12.60.
- C.10.5. Nothing contained in these Conditions shall be construed to permit any violation of City Regulations. Subject, however, to City Regulations, this Condition does not preclude the City from requiring pertinent revisions and additional requirements to the final map, improvement agreements, and improvement plans, before the City Engineer's signature on the final map and improvement plans, if the City Engineer finds it necessary due to public health and safety reasons. (Government Code section 66498.6.) The Subdivider shall bear all the cost for the inclusion, design, and implementations of such additions and requirements, without reimbursement or any payment from the City.

RESOLUTION 2018-\_\_\_\_\_

APPROVING THE IMPROVEMENT AND INSPECTION AGREEMENT FOR TRACT 3955,  
TRACY HILLS VILLAGE 7A

WHEREAS, On April 5, 2016, Tracy City Council approved Vesting Tentative Subdivision Map for Tracy Hills Phase 1A, Tract 3788 (Application No. TSM13-0005), pursuant to Resolution No. 2016-066. The Project is geographically located within the boundaries of the Vesting Tentative Subdivision Map, and

WHEREAS, The Subdivider has submitted improvement plans for the subdivision improvements for approval and has requested to proceed with construction of the improvements pending approval of the improvement plans, and

WHEREAS, Under the provisions of the Inspection Improvement Agreement, the Subdivider will construct the public improvements at its own risk and responsibility, prior to the City's formal approval of the improvement plans, and

WHEREAS, The City will inspect the construction of the public improvements as they are completed, however the City's approval of the improvements will occur after the City has formally approved improvement plans, and

WHEREAS, The Improvement and Inspection Agreement (IIA) will be superseded by the Subdivision Improvement Agreement (SIA) after the SIA is executed, and

WHEREAS, The Subdivider has executed the IIA and has posted the required securities to guarantee completion of the improvements, and

WHEREAS, The Developer will pay for the cost of engineering inspection and processing the agreement;

NOW, THEREFORE, BE IT RESOLVED, That the City Council of the City of Tracy hereby approves the Improvement and Inspection Agreement for Tract 3955, Tracy Hills Village 7A.

\* \* \* \* \*

The foregoing Resolution 2018-\_\_\_\_\_ was passed and adopted by the Tracy City Council on the 17<sup>th</sup> day of July 2018, by the following vote:

AYES: COUNCIL MEMBERS:  
NOES: COUNCIL MEMBERS:  
ABSENT: COUNCIL MEMBERS:  
ABSTAIN: COUNCIL MEMBERS:

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

AGENDA ITEM 1.G

REQUEST

**ACCEPT THE OFFSITE WATER LINE IMPROVEMENTS ON ARBOR AVENUE AND MACARTHUR DRIVE FOR THE DCT INDUSTRIAL DISTRIBUTION FACILITY, CONSTRUCTED BY DCT ARBOR AVENUE LLC, ASSUME RESPONSIBILITY FOR THEIR FUTURE MAINTENANCE AND REPAIR, AND AUTHORIZE THE CITY ENGINEER TO RELEASE BONDS IN ACCORDANCE WITH THE TERMS OF THE AGREEMENT.**

EXECUTIVE SUMMARY

DCT Arbor Avenue LLC, a Delaware limited liability company (Developer), has completed offsite water line improvements for the DCT Industrial Building, a 795,732 square foot industrial distribution facility, in accordance with the Offsite Improvement Agreement approved by Council, including project plans and specifications. Staff recommends City Council accept the improvements as complete and enable the City to release the developer's bonds. This asset will be recorded in the Water Fund fixed assets upon acceptance.

DISCUSSION

On November 1, 2016, City Council approved the Offsite Improvement Agreement (Agreement) by Resolution No. 2016-229 for offsite water line improvements on Arbor Avenue and MacArthur Drive, associated with the DCT Industrial Building. This facility is generally located on the south side of Arbor Avenue, east of MacArthur Drive, as shown on Attachment A.

Kier & Wright, Civil Engineers and Surveyors, Inc., of Livermore, California prepared the improvement plans titled "Improvement Plans – Arbor Avenue," containing forty-nine (49) sheets.

Developer has completed all the work required to be done in accordance with the Agreement, and has requested acceptance of the public improvements. The Developer shall warrant the quality of the work for one year after acceptance of the work by the City Council. The City Engineer has inspected the completed work and confirmed that the improvements conform to the Agreement and City specifications and plans.

The estimated cost of the infrastructure improvements are as follows:

Water Line Improvements	\$ 965,540
-------------------------	------------

The City will assume responsibility for the future maintenance and repair of these improvements, which will be carried out by the Public Works Department.



### STRATEGIC PLAN

This agenda item is consistent with the Council approved Economic Development Strategy to ensure physical infrastructure necessary for development.

### FISCAL IMPACT

The Developer, in accordance with the Offsite Improvement Agreement, completed all improvements. The infrastructure improvements cost of \$965,540 will be included in the City of Tracy asset of Water Enterprise Fund 511. The ongoing maintenance will be budgeted in the Public Works operating budget; there is sufficient funds to meet this expense.

### RECOMMENDATION

That City Council, by resolution, accept the improvements as complete in accordance with the Offsite Improvement Agreement for DCT Industrial Building – Offsite Water Line Improvements on Arbor Avenue and MacArthur Drive, including the project plans and specifications, the City assumes responsibility for their future maintenance and repair and authorizes the City Engineer to release all bonds in accordance with the terms of the Agreement.

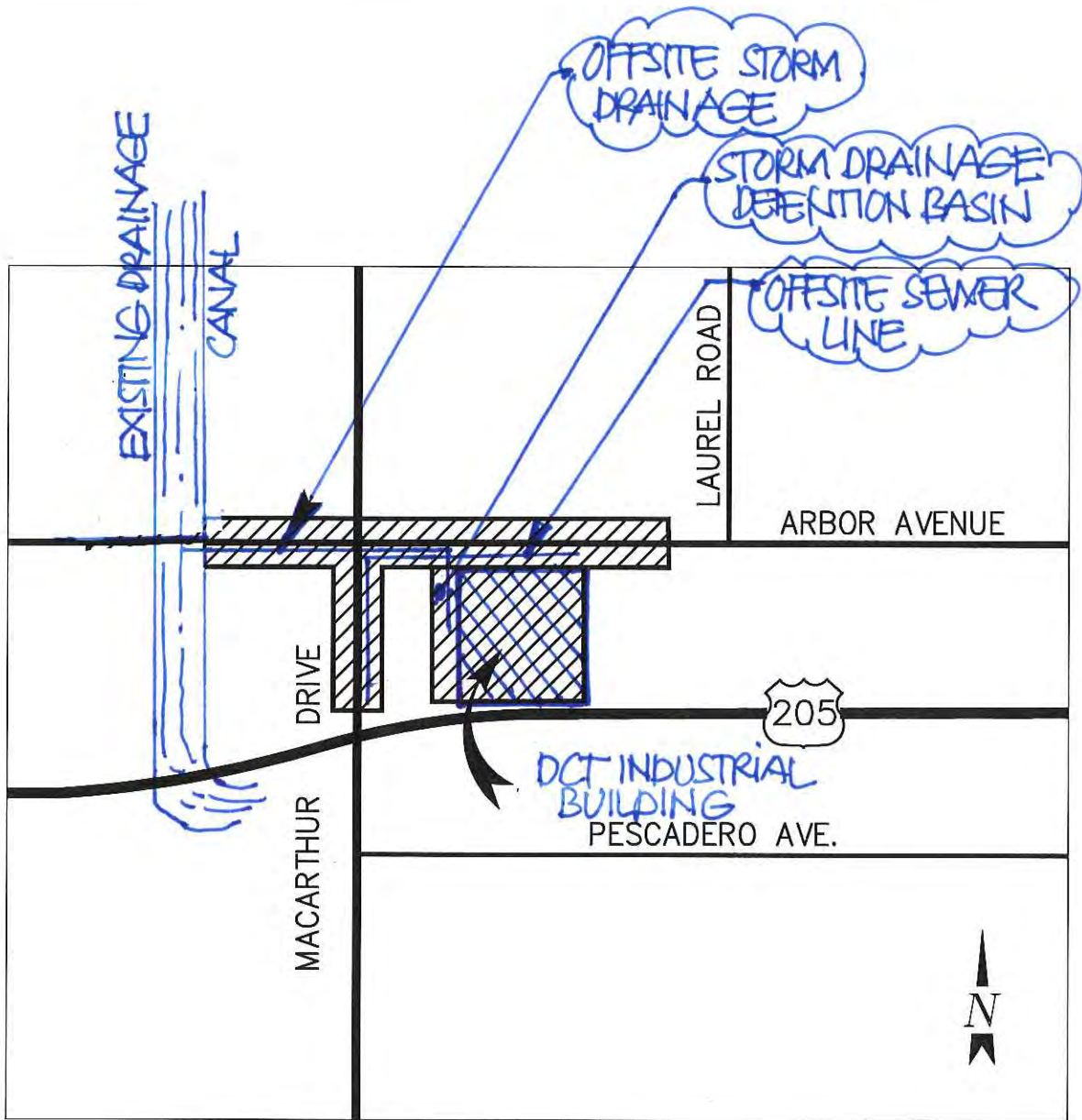
Prepared by: Paul Verma, PE, Senior Civil Engineer

Reviewed by: Robert Armijo, PE, City Engineer / Assistant Development Services Director  
Andrew Malik, Development Services Director  
Karin Schnaider, Finance Director  
Midori Lichtwardt, Interim Assistant City Manager

Approved by: Randall Bradley, City Manager

### ATTACHMENTS

Attachment A – Vicinity Map



**KIER & WRIGHT**  
 CIVIL ENGINEERS & SURVEYORS, INC.  
 2850 Collier Canyon Road Phone (925) 245-8788  
 Livermore, California 94551 Fax (925) 245-8796

**VICINITY MAP**  
**ARBOR AVENUE**

TRACY, CALIFORNIA

DATE	SEPTEMBER 2016
SCALE	NTS
BY	KRR
JOB NO.	A13669-2
SHEET	1 OF 1

RESOLUTION 2018-\_\_\_\_\_

ACCEPTING THE OFFSITE WATER LINE IMPROVEMENTS ON ARBOR AVENUE AND MACARTHUR DRIVE FOR THE DCT INDUSTRIAL DISTRIBUTION FACILITY, CONSTRUCTED BY DCT ARBOR AVENUE LLC, ASSUMING RESPONSIBILITY FOR THEIR FUTURE MAINTENANCE AND REPAIR, AND AUTHORIZING THE CITY ENGINEER TO RELEASE ALL BONDS IN ACCORDANCE WITH THE TERMS OF THE OFFSITE IMPROVEMENT AGREEMENT

WHEREAS, On November 1, 2016, City Council approved the Offsite Improvement Agreement (Agreement) by Resolution No. 2016-229 for offsite water line improvements on Arbor Avenue and MacArthur Drive, associated with the DCT Industrial Building, and

WHEREAS, DCT Arbor Avenue LLC, a Delaware limited liability company (Developer), has completed all the work required to be done in accordance with the Agreement, and has requested acceptance of the offsite public improvements, and

WHEREAS, The City Engineer has inspected the completed work and recommends acceptance, and

WHEREAS, The estimated cost of infrastructure improvements is as follows:

Water Line Improvements                      \$ 965,540

WHEREAS, The City will now assume responsibility for the maintenance and repair of the improvements;

NOW, THEREFORE, BE IT RESOLVED, That the City Council of the City of Tracy hereby accepts the improvements as complete in accordance with the Offsite Improvement Agreement for DCT Industrial Building – Offsite Water Line Improvements on Arbor Avenue and MacArthur Drive, including the project plans and specifications, the City assumes responsibility for their future maintenance and repair, and authorizes the City Engineer to release all bonds in accordance with the terms of the Agreement.

\* \* \* \* \*

The foregoing Resolution 2018-\_\_\_\_\_ was passed and adopted by the Tracy City Council on the 17<sup>th</sup> day of July 2018, by the following vote:

AYES:                      COUNCIL MEMBERS:  
NOES:                     COUNCIL MEMBERS:  
ABSENT:                 COUNCIL MEMBERS:  
ABSTAIN:                COUNCIL MEMBERS:

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

July 17, 2018

AGENDA ITEM 1.H

REQUEST

**RESCHEDULE THE REGULAR CITY COUNCIL MEETING SCHEDULED FOR TUESDAY, NOVEMBER 6, 2018, TO WEDNESDAY, NOVEMBER 7, 2018, DUE TO THE GENERAL MUNICIPAL ELECTION**

EXECUTIVE SUMMARY

This is a request to change the date of the regular City Council meeting scheduled for November 6, 2018, to November 7, 2018.

DISCUSSION

The November 6, 2018, regularly scheduled City Council meeting falls on the same day as the City's General Municipal Election.

Given the importance of the election to all citizens of Tracy, staff suggests rescheduling the Council meeting to Wednesday, November 7, 2018.

STRATEGIC PLAN

This agenda item is a routine operational item and does not relate to the Council's strategic priorities.

FISCAL IMPACT

There is no fiscal impact associated with this item.

RECOMMENDATION

That City Council approves, by resolution, rescheduling the regular City Council meeting from Tuesday, November 6, 2018, to Wednesday, November 7, 2018.

Prepared by: Adrienne Richardson, City Clerk  
Reviewed by: Midori Lichtwardt, Interim Assistant City Manager  
Approved by: Randall Bradley, City Manager

RESOLUTION 2018-\_\_\_\_

APPROVING CITY COUNCIL MEETING DATE CHANGE FROM  
TUESDAY, NOVEMBER 6, 2018, TO WEDNESDAY, NOVEMBER 7, 2018,  
DUE TO THE GENERAL MUNICIPAL ELECTION

WHEREAS, The regular City Council meeting scheduled for Tuesday, November 6, 2018, coincides with the City's General Municipal Election for the same date, and

WHEREAS, The Tracy City Council encourages every Tracy citizen to vote on Tuesday, November 6, 2018.

NOW, THEREFORE, BE IT RESOLVED by the Tracy City Council that the regular City Council meeting scheduled for Tuesday, November 6, 2018, is hereby rescheduled to Wednesday, November 7, 2018.

\* \* \* \* \*

The foregoing Resolution 2018-\_\_\_\_ was passed and adopted by the Tracy City Council on the 17th day of July, 2018, by the following vote:

- AYES:            COUNCIL MEMBERS:
- NOES:           COUNCIL MEMBERS:
- ABSENT:        COUNCIL MEMBERS:
- ABSTAIN:       COUNCIL MEMBERS:

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

AGENDA ITEM 1.I

REQUEST

**DECLARE CERTAIN VEHICLES AND EQUIPMENT AS SURPLUS AND APPROVE THEIR SALE**

EXECUTIVE SUMMARY

The City periodically declares equipment and commodities that have been used beyond their economical and/or useful life as surplus for sale at public auction.

DISCUSSION

The equipment and commodities on the attached list have been removed from service and are no longer needed by the City. These items have been used beyond their economical and/or useful life and may be declared as surplus property.

The disposal of surplus equipment and commodities or other property no longer needed by any department of the City is governed by Section 2.20.310 of the Tracy Municipal Code which identifies the method of disposition of surplus property.

These surplus items will be sold at public auction to the highest bidder. Items which are not sold at public auction will be reviewed for value, and if appropriate, sold for scrap value.

STRATEGIC PLAN

This agenda item is a routine operational item and does not relate to the Council's strategic plans.

FISCAL IMPACT

The proceeds from the sale of surplus property will be deposited in the appropriate City fund from which the property was originally purchased. The estimated value of this surplus property is \$150,000

RECOMMENDATION

That the City Council, by resolution, declares and approves the list of surplus equipment and commodities, and authorizes the sale of said items at public auction to the highest bidder.

Prepared by: Bob Gravelle, Public Works Superintendent  
Frank Desousa, Fleet Supervisor

Reviewed by: Don Scholl, Public Works Director  
Karin Schnaider, Finance Director

Approved by: Midori Lichtwardt, Interim Assistant City Manager

Attachment A: Surplus Vehicle and Equipment List

## Attachment A

**SURPLUS VEHICLES AND EQUIPMENT 07/17/2018**

<b><u>Asset ID</u></b>	<b><u>VIN/SERIAL #</u></b>	<b><u>Year</u></b>	<b><u>Make</u></b>	<b><u>Model</u></b>
9502	2FTEF15Y2SCA24370	1995	FORD	F-150
9807	1FTZF1824WKB16574	1999	FORD	F-150
9814	4P1CT0232XA000935	1998	PIERCE	DASH 2000
9920	1HTSCAAPXXH205860	1999	INTERNATIONAL	4700
2006	1FTYR10C2YTB12012	2001	FORD	RANGER
2042	1FTYR10U71TA82357	2001	FORD	RANGER
2048	16VPX202211H41079	2001	BIG TEX	TRAILER
2062	2FAFP71W72X129848	2002	FORD	CROWN VIC
2088	2FAFP71W53X136475	2003	FORD	CROWN VIC
2093	1FTNF20L13EB86794	2003	FORD	F-250
2094	1FTNF20L33EB86795	2003	FORD	F-250
2097	1FTNF20L63EB86791	2003	FORD	F-250
2098	1FTNF20LX3EB86793	2003	FORD	F-250
2100	3FTNX20S63MB26492	2003	FORD	F-250
2107	1FDAF56P43ED85456	2003	FORD	F-550
2111	2FAFP71W34X114170	2004	FORD	CROWN VIC
2123	1GDHC24U34E250307	2004	GMC	SIERRA
2188	2FAFP71W36X132588	2006	FORD	CROWN VIC
2199	1GBHC29U06E200128	2007	CHEVROLET	SILVERADO
2203	1FTRX12W26NB64579	2006	FORD	F-150
2210	2FAFP74W06X129160	2006	FORD	CROWN VIC
2217B	2508055	2006	KUBOTA	L2062C
2241	686377	2007	EXMARK	LZ31BV604
2249	2B3KA43G47H866944	2007	DODGE	CHARGER
2261	2FAFP71V48X141858	2008	FORD	CROWN VIC
2263	1FTNX20538EB40065	2008	FORD	F-250
2282	082118	2008	BLEC	BV175
2287	2B3KA43G68H317568	2008	DODGE	CHARGER
2291	2FAFP71V68X151811	2008	FORD	CROWN VIC
2299	2S9US21188S132181	2008	SOLAR	PCMS548
2365	2FABP7BV8BX152303	2011	FORD	CROWN VIC
2366	2FABP7BV4BX152329	2011	FORD	CROWN VIC
2367	2FABP7BV7BX152325	2011	FORD	CROWN VIC
2387	6G3NS5U26EL943348	2014	CHEVROLET	CAPRICE
2414	6G3NS5U24EL929786	2014	CHEVROLET	CAPRICE

**Miscellaneous Items**

12 Pallets      Antiquated fire hydrants (approximately 48)

RESOLUTION \_\_\_\_\_

DECLARING CERTAIN VEHICLES AND EQUIPMENT AS SURPLUS AND APPROVING THEIR SALE

WHEREAS, The City periodically declares equipment and commodities that have been used beyond their economical and/or useful life as surplus property, and

WHEREAS, The disposal of surplus equipment and commodities or other property no longer needed by a department in the City is governed by Section 2.20.310 of the Tracy Municipal Code which identifies the method of disposition of surplus property, and

WHEREAS, The listed surplus items will be sold at public auction to the highest bidder. Items which are not sold at public auction will be reviewed for value, and if appropriate, sold for scrap value, and

WHEREAS, The proceeds from the sale of the surplus property will be deposited in the appropriate City fund from which the property was originally purchased;

NOW, THEREFORE, BE IT RESOLVED, That the City Council declares and approves the list of equipment and commodities attached to the staff report accompanying this resolution as surplus, and authorizes the sale of said items at public auction to the highest bidder and the remaining items to be sold for scrap value, if appropriate.

\*\*\*\*\*

The foregoing Resolution \_\_\_\_\_ was passed and adopted by the Tracy City Council on the 17th day of July 2018, by the following vote:

AYES: COUNCIL MEMBERS

NOES: COUNCIL MEMBERS

ABSENT: COUNCIL MEMBERS

ABSTAIN: COUNCIL MEMBERS

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK



July 17, 2018

AGENDA ITEM 1.J

REQUEST

**APPOINT SEVEN YOUTH COMMISSIONERS TO THE YOUTH ADVISORY COMMISSION**

EXECUTIVE SUMMARY

The bylaws of the Youth Advisory Commission set the minimum number of youth appointed Commissioners at eight, with a maximum limit at fourteen and a maximum of three adult Commissioners. A selection panel was established and made recommendations for seven youth to be appointed for a two-year term to fill the existing youth vacancies on the Youth Advisory Commission.

DISCUSSION

The bylaws of the Youth Advisory Commission call for a minimum of eight youth and a maximum of fourteen youth Commissioners and a maximum of three adult Commissioners that may sit on the Commission. The bylaws are crafted to include two youth representatives from each of the four comprehensive high schools in the area (Kimball, Millennium, Tracy and West) and the four alternative education high schools (Delta Charter, Duncan-Russell Continuation, Excel High and Stein Continuation). The selection process for the Youth Advisory Commission is to have a diverse group of teens that reflect each of the Tracy area high schools, and who wish to have a voice in their community and be involved in the Commission. Adult Commissioners shall reside within the jurisdiction of any Tracy school district to include one member of the School District and two members of the community who desire to work with youth. Currently the Commission has six youth and two adult vacancies.

The City recruits new Commissioners on an ongoing basis to fill any vacancies created by outgoing Commissioners. The bylaws of the Youth Advisory Commission call for a selection panel to review new applications and make recommendations for appointment to the City Council. This year's panel consisted of Recreation Coordinator Amanda Jensen, Recreation Coordinator Lauren Repetto and Parks and Community Services Commissioner Mark Miller.

The interview panel conducted interviews on May 29, 2018. The selection panel recommends the following seven youth to serve two-year terms, from August 1, 2018, to July 31, 2020: Manal Siddiqui and Armina Moshiri from Millennium High School, Samantha Crowley, Nathaniel Tran, Tejas Gill and Carly Winters from Tracy High School and Jassjot Kaur from West High School.

FISCAL IMPACT

There is no impact on the General Fund.

RECOMMENDATION

Staff recommends that the City Council approve, by resolution, the appointment of seven youth Commissioners to the Youth Advisory Commission based upon the interview and selection panel recommendations.

Prepared by: Jolene Jauregui, Recreation Services Supervisor

Reviewed by: Kim Scarlata, Division Manager II  
Brian MacDonald, Parks & Recreation Director  
Karin Schnaider, Finance Director

Approved by: Midori Lichtwardt, Interim Assistant City Manager

RESOLUTION 2018-\_\_\_\_\_

APPOINTING SEVEN YOUTH COMMISSIONERS TO THE  
YOUTH ADVISORY COMMISSION

WHEREAS, The bylaws of the Youth Advisory Commission (YAC) call for a minimum of eight Commissioners, and a maximum of fourteen youth Commissioners and a maximum of three adult Commissioners that may sit on the Commission; and

WHEREAS, The eligibility criteria and selection process of YAC Commissioners are established; and

WHEREAS, The City recruits new Commissioners on an ongoing basis to replace the outgoing Commissioners and existing vacancies, and has established a selection panel to recommend appointees to City Council; and

WHEREAS, The recommendation selection panel recommended the following seven youth for a two-year term, from August 1, 2018, to July 31, 2020: Manal Siddiqui and Armina Moshiri from Millennium High School, Samantha Crowley, Nathaniel Tran, Tejas Gill and Carly Winters from Tracy High School and Jasjot Kaur from West High School.

NOW, THEREFORE, BE IT RESOLVED, That the City Council hereby approves the appointment of the seven new Youth Commissioners recommended by the selection panel as identified above, and for the recommended terms, to the Youth Advisory Commission.

\*\*\*\*\*

The foregoing Resolution 2018-\_\_\_\_\_ was passed and adopted by the Tracy City Council on the \_\_\_\_\_ day of \_\_\_\_\_, by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

AGENDA ITEM 1.K

REQUEST

**AUTHORIZE AN APPROPRIATION OF \$7,900,000 FROM MEASURE V FUND 107 AND VARIOUS CAPITAL IMPROVEMENT FUNDS TO CIP 78164 FOR THE CONSTRUCTION BUDGET OF SITE IMPROVEMENTS FOR PHASE 1D OF LEGACY FIELDS.**

EXECUTIVE SUMMARY

The Parks & Recreation Department is requesting the authorization of an appropriation of \$7,900,000 from CIP 78164 for the construction of site improvements for Phase 1D of Legacy Fields.

DISCUSSION

The Legacy Fields Sports Complex has been under various stages of construction since Council awarded the first construction contract in October of 2015. After three sub-phases of construction, this proposal is the latest step in finalizing the Phase 1 area of the complex.

The work completed during the latest phase of construction included the completion of the fifth baseball field, outfield and foul line fencing and warning tracks for all five fields, concessions/restrooms, bleachers, an auto-fill system for the irrigation pond, a maintenance yard and storage, and power supply to numerous areas on the site.

In order to fulfill the Council's vision of making Legacy Fields a "destination" facility that attracts more local play and large regional tournaments, staff is recommending the following amenities be completed in this next phase:

- Legacy Fields Phase 1D
  - a. Sports Field Lighting
    - i. Install all required electrical components to light 5 baseball fields and 8 soccer fields
      - 1. Lights provide the opportunity to extend use of the fields, especially in the winter months
  - b. Landscaping
    - i. Finish landscaping in spokes of the western wagon wheel
      - 1. This item was removed from Phase 1C in order to accommodate heavy equipment traffic and avoid damage
      - 2. Includes lawn areas, trees, irrigation, and soil amendments
      - 3. Provides for a safer facility by eliminating unfinished areas of project from previous phases
      - 4. Provides shade from new trees and lawn areas for users
  - c. Shade Structures
    - i. Purchase and install shade structures over bleacher areas
      - 1. Provides adequate shade for spectators watching baseball and soccer games

d. Security Cameras

i. Install security cameras throughout facility to help increase security at facility

1. Provides the Police Department with a high-tech option for observing potential criminal activity at the facility without requiring major staffing efforts
2. Helps protect Public Works equipment and supplies that are stored on site

Should funding for the project be allocated, staff estimates it will take 6 months to complete this project. This timeline takes into consideration the numerous other capital projects currently in the planning stage or awaiting completion. Timelines will vary greatly if intermediate steps of a reduced scope are taken.

Finally, these amenities not only enhance the spectator experience but they also create an added value for hosting tournaments and extending local league play. Staff is in the process of finalizing the design of other key amenities in the Phase 1 area and will return back to Council for further direction as funding becomes available.

STRATEGIC PLAN

This agenda item is consistent with the City Council's adopted Quality of Life Strategy and meets the goal of enhancing the City's amenities.

FISCAL IMPACT

A supplemental appropriation from the fund balance of the following accounts to Legacy Fields Phase 1D CIP 78164 is required for this project:

Fund	Number	Amount
Measure V	107	\$4.9M
Infill – Parks	311	\$1.0M
Plan C – Parks	321	\$2.0M
TOTAL		\$7.9M

Note: Use of Measure V funds will exceed the 25% pay-as-you go CIP funds allocated for Fiscal Year 2018-19.

Staff is recommending utilization of available Capital Improvement Funds (collected from developer impact fees) to partially fund the project and offset the use of future Measure V funds. These funds have been collected over the past several years to pay for a community park.

RECOMMENDATION

Authorize, by resolution, an appropriation of \$7,900,000 from Measure V fund 107 and various Capital Improvement Funds to CIP 78164 for the construction budget of site improvements for Phase 1D of Legacy Fields.

Agenda Item 1.K

July 17, 2018

Page 3

Prepared by: Richard Joaquin, Parks Planning & Development Manager

Reviewed by: Brian MacDonald, Parks & Recreation Director  
Karin Schnaider, Finance Director

Approved by: Midori Lichtwardt, Interim Assistant City Manager

RESOLUTION \_\_\_\_\_

AUTHORIZING AN APPROPRIATION OF \$7,900,000 FROM MEASURE V FUND 107 AND VARIOUS CAPITAL IMPROVEMENT FUNDS TO CIP 78164 FOR THE CONSTRUCTION BUDGET OF SITE IMPROVEMENTS FOR PHASE 1D OF LEGACY FIELDS

WHEREAS, The Legacy Fields Sports Complex has been under various stages of construction since Council awarded the first construction contract in October of 2015. After three sub-phases of construction, this proposal is the latest step in finalizing the Phase 1 area of the Complex, and

WHEREAS, The work completed during the latest phase of construction included the completion of the 5<sup>th</sup> baseball field, outfield and foul line fencing and warning tracks for all five fields, concessions/restrooms, bleachers, an auto-fill system for the irrigation pond, a maintenance yard and storage, and power supply to numerous areas on the site, and

WHEREAS, In order to fulfill the Council’s vision of making Legacy Fields a “destination” facility that attracts more local play and large regional tournaments, there are a few remaining amenities and improvements that need to be completed, and

WHEREAS, these amenities not only enhance the spectator experience but they also create an added value for hosting tournaments and extending local league play;

NOW, THEREFORE, BE IT RESOLVED, That the City Council authorizes, by resolution, an appropriation of \$7,900,000 from the fund balance of following accounts to CIP 78164 for the construction budget of site improvements for Phase 1D of Legacy Field:

Fund	Number	Amount
Measure V	107	\$4.9M
Infill – Parks	311	\$1.0M
Plan C – Parks	321	\$2.0M
TOTAL		\$7.9M

\*\*\*\*\*

The foregoing Resolution \_\_\_\_\_ was adopted by Tracy City Council on the 17<sup>th</sup> day of July 2018, by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

AGENDA ITEM 1.L

REQUEST

**WAIVE SECOND READING AND ADOPT ORDINANCE 1257, AN ORDINANCE OF THE CITY OF TRACY AMENDING SECTIONS 9.44.030 AND 9.44.040 OF THE TRACY MUNICIPAL CODE**

EXECUTIVE SUMMARY

Ordinance 1257 was introduced at the regular Council meeting held on June 19, 2018. Ordinance 1257 is before Council for adoption.

DISCUSSION

Ordinance 1257 was introduced at the June 19, 2018, regular Council meeting to amend the ordinance creating the Board of Appeals ("Board") to provide that the members of the Board will be appointed to four year terms. The City Clerk will maintain a list of potentially interested and qualified candidates. In addition, proposed Ordinance 1257 will amend Section 9.44.040 of the Tracy Municipal Code to establish a standard of review under which the City Council hears appeals of the Board's decision. Currently, no standard of review is provided. Adding a standard review would clarify to all parties to an appeal that the City Council will hear the appeal anew ("de novo"). Under a de novo standard of review, new evidence and arguments may be presented and considered along with all matters in the record before the Board under which the City Council hears appeals of the Board's decisions.

Ordinance 1257 is before City Council for adoption.

STRATEGIC PLAN

This agenda item does not relate to the Council's four strategic plans.

FISCAL IMPACT

There is no fiscal impact.

RECOMMENDATION

That City Council adopt Ordinance 1257.

Prepared by: Adrienne Richardson, City Clerk  
Reviewed by: Midori Lichtwardt, Interim Assistant City Manager  
Approved by: Randall Bradley, City Manager



## ORDINANCE 1257

AN ORDINANCE OF THE CITY OF TRACY AMENDING SECTIONS 9.44.030 AND 9.44.040  
OF THE TRACY MUNICIPAL CODE

WHEREAS, The City of Tracy ("City") has an established Board of Appeals ("Board"), as required by the California Building Codes and Fire Code, and

WHEREAS, Though established, the members are appointed to the Board at the time the City receives an appeal requiring a hearing by the Board and members of the Board serve only until the matter appealed has concluded, and

WHEREAS, There is some administrative burden for the City in appointing members to the Board each time the City receives an appeal requiring a hearing by the Board, and

WHEREAS, City staff recommends amending the ordinance creating the Board of Appeals to provide for the appointment of members to the Board for four (4) year terms. The City Clerk would maintain a list of potentially interested and qualified candidates, and

WHEREAS, The ordinance provides no standard of review for appeals to the City Council and City staff recommends amending the ordinance to clarify the standard of review;

NOW THEREFORE, the City Council of the City of Tracy hereby ordains as follows:

SECTION 1: Sections 9.44.030 and 9.44.040 of the Tracy Municipal Code are amended to read as follows:

**9.44.030 - Organization and membership.**

- (a) *Membership; Term.* The Board shall be comprised of five (5) members appointed by the Mayor with the advice and consent of the Council. The term of office for each member shall be four (4) years, with staggered terms. Vacancies occurring during a term shall be filled for the unexpired period of the term by the Council. Members shall serve at the pleasure of the Council and may be removed from office without cause upon an affirmative vote of the majority of the Council.
- (b) *Qualifications.* The Board will be appointed from a list of potentially interested and qualified candidates maintained by the City Clerk. The Board shall consist of members who are qualified by experience and training to pass on matters pertaining to building construction (such as licensed contractors, engineers and architects). When the appeal concerns the Fire Code, at least two (2) of the members shall be qualified by experience with the Fire Code. When the appeal concerns access for persons with disabilities, at least two (2) members shall be disabled individuals.

A member may not be an employee or elected officer of the City, but may be a member of another City board or commission. A member need not be a resident of the City. A member may not have any interest in property which is the subject of the appeal to the Board.

- (c) *Officers; Procedures.* Once appointed, the Board shall meet to elect a chair and vice-chair, and to set the time and place of its meetings. The Board shall function in accordance with the standard commission bylaws which apply to other City commissions and boards.
- (d) *Secretary; Ex Officio Members.* The Chief Building Official shall be the ex officio Secretary of the Board but shall not vote. When an appeal is heard regarding the Fire Code, the Fire Chief or his or her designee shall sit as an ex officio member.

#### **9.44.040 - Powers and duties.**

- (a) *Functions.* The functions of the Board shall be as follows:
  - (1) To hear appeals of administrative decisions regarding the use of alternative materials, interpretations pertaining to the enforcement of any of the Codes and related regulations listed in TMC section 9.44.010; and
  - (2) To hear appeals of administrative decisions in the application of the Uniform Housing Code, the Uniform Code for the Abatement of Dangerous Buildings, and related sections of this Code in actions declaring certain building structures or conditions therein substandard, unsanitary, or hazardous and requiring their consideration, rehabilitation, reconstruction, correction, or abatement as applicable.
- (b) *Limitation on appeals.* An application for appeal must be based on a claim that:
  - (1) The true intent of the applicable code or the related regulations has been incorrectly interpreted;
  - (2) The provisions of the applicable code do not fully apply;
  - (3) An equally good or better form of construction is proposed.

The Board does not have the authority to waive requirements of the Code. (California Building Code section 113.2.)

- (c) *Conduct of appeals.*
  - (1) The Board shall exercise its powers in such a manner that substantial justice is done most nearly in accord with the intent and purpose of this Code.
  - (2) The Board shall follow fair procedural rules, including giving adequate notice of hearings to all parties, providing hearings open to the public, assuring that the hearing is commenced within sixty (60) days after the date of the filing of the petition for an appeal, recording minutes of its proceedings, and providing copies of minutes for inspection as a public record.
- (d) *Procedure of petitions for hearing of appeals.* Upon the filing of a petition and appointment of the Board under section 9.44.030, the Secretary shall set the matter on the Board's agenda for consideration. The Secretary shall give written notice of at least seven (7) days to the applicant or petitioner, specifying the time and place of the hearing. At the hearing, the petitioner shall be given an opportunity to be heard and present any evidence to support the request. If necessary, the hearing may be continued.
- (e) *Decisions.* In rendering its decision, the Board has no authority to waive requirements of any code. (California Building Code section 113.2.) No later than ten (10) days after the close of the hearing(s) the Board shall formally report its decision in writing, including its findings of fact and reasons for the decision. The report shall either approve, approve with

modifications or deny the appeal, and shall specify any conditions or limitations imposed. A copy of the report shall be forwarded to the petitioner or his or her representative at the address shown on the petition within ten (10) days after the decision. The Secretary shall provide a copy of the report to the administrative office whose decision was appealed, and shall maintain a copy in the Board's permanent records.

- (f) *Appeals to the Council.* The decision of the Board in granting or denying an appeal shall become final and effective unless timely appealed to the City Council under section 1.12.020. Upon the receipt of a written appeal filed with the Council, the Secretary of the Board shall transmit to the Council the Board's complete record of the case. Review of all appeals shall be de novo. The City Council is not bound by the decision that has been appealed or limited to the issues raised on appeal.

Within ten (10) days after the Council adopts a resolution ordering that an appeal be granted or denied, or modified subject to conditions, the Secretary shall mail a copy of the resolution to the appellant, and one copy shall be attached to the Board's file of the case.

SECTION 2: Because of the unique circumstances, the Board of Appeals is not subject to Council Resolution 2004-1522 (or any successor resolution) Establishing the Council Selection Process and Defining Residence Requirements, for Appointee Bodies.

SECTION 3: This Ordinance shall take effect 30 days after its final passage and adoption.

SECTION 4: This Ordinance shall be published once in a newspaper of general circulation, within 15 days from and after its final passage and adoption.

\* \* \* \* \*

The foregoing Ordinance 1257 was introduced at a regular meeting of the City Council of the City of Tracy on the 19th day of June, 2018, and finally adopted on the 17th day of July, 2018 by the following vote:

AYES:            COUNCIL MEMBERS:  
NOES:            COUNCIL MEMBERS:  
ABSENT:        COUNCIL MEMBERS:  
ABSTAIN:       COUNCIL MEMBERS:

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

AGENDA ITEM 1.M

REQUEST

**AWARD A PROFESSIONAL SERVICES AGREEMENT TO ALL CITY MANAGEMENT SERVICES, INC. FOR SCHOOL PEDESTRIAN CROSSING GUARD SERVICES FROM AUGUST 6, 2018 TO JUNE 30, 2019.**

EXECUTIVE SUMMARY

This agreement will provide School Pedestrian Crossing Guard Services to 26 sites within Tracy Unified School District and Jefferson School District.

DISCUSSION

In the 2018-19 fiscal year, \$305,156 has been allocated for School Pedestrian Crossing Guard Services in the Police Department Budget for Contracted Services.

The City has contracted with All City Management Services to provide Crossing Guard Services since 1995. The contract with All City Management Services was renewed and amended in 2005, 2008, and 2014. All City Management Services had been the sole contractor responding to published "Request for Proposals" dating back to 1995, indicating there were no competing contracts in the area. The contract between All City Management Services and the City of Tracy expired on June 30, 2018.

On June 25, 2018, the Tracy Police Department published a Request for Proposals on the City of Tracy website. In addition, the two agencies providing crossing guard services to the Tracy Area, All City Management Services and American Guard Services, were contacted and notified of the published Request for Proposals.

On July 5, 2018, proposals from the following contractors were received and opened:

All City Management Services:	\$18.55 per hour
American Guard Services:	\$21.72 per hour

All City Management Services was found to be the most responsive proposer. Their service has consistently met the standards set by the City and their fees have incrementally increased to keep pace with California minimum wage increases.

All City Management Services has submitted a proposal in the amount of \$18.55 per hour, per crossing guard, for the 2018-19 fiscal year. They will provide crossing guard services to 26 sites within the Jefferson Unified School District and Tracy Unified School District, 3.0 hours daily, for 180 school days annually, with a program cost to the City of \$260,442 for the 2018-19 fiscal year.

FISCAL IMPACT

School Pedestrian Crossing Guard Services is a contracted service funded in each fiscal year budget. The 2018-19 fiscal year budget provides funding for this service in the amount of \$305,156. The City contribution, which combined with the 50% shared costs

from The Tracy Unified School District and the Jefferson School District, is sufficient to support the proposed contract cost of \$260,442 for 2018-19.

STRATEGIC PLAN

This agenda item relates to the Council's Strategic Plan in the area of Safety and the Mayor's Five-Point Plan in working with Public Safety to enhance our community safety.

RECOMMENDATION

Staff recommends that the City Council award, by resolution, a professional services agreement to All City Management Services, Inc. for school pedestrian crossing guard services from August 6, 2018 to June 30, 2019 in the amount of \$18.55 per hour, per crossing guard for FY 2018-19, in an amount not to exceed \$260,442, from Contracted Services Account #101-5278.

Prepared by: Beth Lyons, Support Operations Manager

Reviewed by: Larry Esquivel, Chief of Police  
Karin Schnaider, Finance Director

Approved by: Midori Lichtwardt, Interim Assistant City Manager

ATTACHMENT A - Professional Services Agreement

**City of Tracy**  
**PROFESSIONAL SERVICES AGREEMENT**  
**SCHOOL PEDESTRIAN CROSSING GUARD SERVICES**

This Professional Services Agreement (Agreement) is entered into between the City of Tracy, a municipal corporation (City), and All City Management Services, Inc., a California corporation, (CONSULTANT).

**Recitals**

- A.** On July 5, 2018, the City obtained formal requests for proposals from two prospective Consultants to provide School Pedestrian Crossing Guard Services for the City of Tracy. All City Management Services submitted its proposal to perform the services described by this Agreement. After negotiations between CITY and CONSULTANT, the parties have reached an agreement for the performance of services in accordance with the terms set forth in this Agreement.
- B.** On July 17, 2018, the City Council authorized the execution of this Agreement, pursuant to Resolution No. 2018-\_\_\_\_\_.

**Now therefore, the parties mutually agree as follows:**

- 1. Scope of Services.** CONSULTANT shall perform the services described in Exhibit "A" attached and incorporated by reference. The services shall be performed by or under the direct supervision of CONSULTANT. CONSULTANT shall not use any subcontractors or sub consultants, without City's prior written consent.
- 2. Time of Performance.** Time is of the essence in the performance of services under this Agreement and the timing requirements set forth shall be strictly adhered to unless otherwise modified in writing in accordance with this Agreement. Consultant shall begin performance, and shall complete all required services no later than the dates set forth in Exhibit "A." Any services for which times for performance are not specified in this Agreement shall be started and completed by Consultant in a reasonably prompt and timely manner based upon the circumstances and direction communicated to the Consultant. Consultant shall submit all requests for extensions of time to the City in writing no later than ten days after the start of the condition which purportedly caused the delay, and not later than the date on which performance is due. City shall grant or deny such requests at its sole discretion.
- 3. Compensation.**
- 3.1 General.** For services performed by Consultant under this Agreement, City shall pay Consultant on a time and expense basis, at the billing rates set forth in Exhibit "A," attached and incorporated by reference. Consultant's fee for this Agreement is Not to Exceed \$260,442. Consultant's billing rates shall cover all costs and expenses for Consultant's performance of this Agreement. No work shall be performed by Consultant in excess of the Not to Exceed amount without the City's prior written approval. The term of this Agreement shall be from August 6, 2018 through June 30, 2019, unless extended by the CITY in accordance with this section. CITY shall have the option to extend the term of this Agreement.
- 3.2 Invoices.** Consultant shall submit monthly invoices to the City describing the services performed, including times, dates, and names of persons performing the service.

**3.3 Payment.** Within 30 days after the City's receipt of invoice, City shall make payment to the Consultant based upon the services described on the invoice and approved by the City.

**4. Indemnification.** Consultant shall, to the fullest extent permitted by law, indemnify, defend (with independent counsel approved by the City), and hold harmless the City from and against any claims arising out of Consultant's performance or failure to comply with obligations under this Agreement, except to the extent caused by the sole, active negligence or willful misconduct of the City.

In this section, "City" means the City, its officials, officers, agents, employees and volunteers; "Consultant" means the Consultant, its employees, agents and subcontractors; "Claims" includes claims, demands, actions, losses, damages, injuries, and liability, direct or indirect (including any and all related costs and expenses) and any allegations of these; and "Arising out of" includes "pertaining to" and "relating to".

(The duty of a "design professional" to indemnify and defend the City is limited to claims that arise out of, pertain to, or relate to the negligence, recklessness or willful misconduct of the design professional, under Civ. Code § 2782.8.)

The provisions of this section survive completion of the services or the termination of this contract, and are not limited by the provisions of Section 5 relating to insurance.

**5. Insurance.**

**5.1 General.** Consultant shall, throughout the duration of this Agreement, maintain insurance to cover Consultant, its agents, representatives, and employees in connection with the performance of services under this Agreement at the minimum levels set forth here.

**5.2 Commercial General Liability** (with coverage at least as broad as ISO form CG 00 01 01 96) "per occurrence" coverage shall be maintained in an amount not less than \$2,000,000 general aggregate and \$1,000,000 per occurrence for general liability, bodily injury, personal injury, and property damage.

**5.3 Automobile Liability** (with coverage at least as broad as ISO form CA 00 01 07 97, for "any auto") "claims made" coverage shall be maintained in an amount not less than \$1,000,000 per accident for bodily injury and property damage.

**5.4 Workers' Compensation** coverage shall be maintained as required by the State of California.

**5.5 Endorsements.** Consultant shall obtain endorsements to the automobile and commercial general liability with the following provisions:

**5.6.1** The City (including its elected officials, officers, employees, agents, and volunteers) shall be named as an additional "insured."

**5.6.2** For any claims related to this Agreement, Consultant's coverage shall be primary insurance with respect to the City. Any insurance maintained by the City shall be excess of the Consultant's insurance and shall not contribute with it.

**5.6 Notice of Cancellation.** Consultant shall notify the City if the policy is canceled before the expiration date. For the purpose of this notice requirement, any material change in the policy prior to the expiration shall be considered a cancellation. Consultant shall immediately obtain a replacement policy.

**5.7 Authorized Insurers.** All insurance companies providing coverage to Consultant shall be insurance organizations authorized by the Insurance Commissioner of the State of California to transact the business of insurance in the State of California.

**5.8 Insurance Certificate.** Consultant shall provide evidence of compliance with the insurance requirements listed above by providing a certificate of insurance and endorsements, in a form satisfactory to the City, before the City signs this Agreement.

**5.9 Substitute Certificates.** No later than 30 days prior to the policy expiration date of any insurance policy required by this Agreement, Consultant shall provide a substitute certificate of insurance.

**5.10 Consultant's Obligation.** Maintenance of insurance by the Consultant as specified in this Agreement shall in no way be interpreted as relieving the Consultant of any responsibility whatsoever (including indemnity obligations under this Agreement), and the Consultant may carry, at its own expense, such additional insurance as it deems necessary.

**6. Independent Contractor Status; Conflicts of Interest.** Consultant is an independent contractor and is solely responsible for the acts of its employees or agents, including any negligent acts or omissions. Consultant is not City's employee and Consultant shall have no authority, express or implied, to act on behalf of the City as an agent, or to bind the City to any obligation, unless the City provides prior written authorization. Consultant is free to work for other entities while under contract with the City. Consultant, and its agents or employees, are not entitled to City benefits.

Consultant (including its employees, agents, and sub consultants) shall not maintain or acquire any direct or indirect interest that conflicts with the performance of this Agreement. If Consultant maintains or acquires such a conflicting interest, the City may terminate any contract (including this Agreement) involving Consultant's conflicting interest.

**7. Termination.** The City may terminate this Agreement by giving ten days written notice to Consultant. Upon termination, Consultant shall give the City all original documents, including preliminary drafts and supporting documents, prepared by Consultant for this Agreement. The City shall pay Consultant for all services satisfactorily performed in accordance with this Agreement, up to the date notice is given.

**8. Ownership of Work.** All original documents prepared by Consultant for this Agreement, whether complete or in progress, are the property of the City, and shall be given to the City at the completion of Consultant's services, or upon demand from the City. No such documents shall be revealed or made available by Consultant to any third party without the City's prior written consent.

**9. Miscellaneous.**

**9.1 Notices.** All notices, invoices, demands, or other communications which this Agreement contemplates or authorizes shall be in writing and shall be personally delivered or mailed to the other party as follows:

To City:

Police Support Operations Manager  
Tracy Police Department  
1000 Civic Center Drive  
Tracy, CA 95376

To Consultant:

All City Management Services, Inc.  
Director of Operations  
10440 Pioneer Boulevard, Suite 5  
Santa Fe Springs, CA 90670

With a copy to:

City Attorney  
333 Civic Center Plaza



Tracy, CA 95376

Communications shall be deemed to have been given and received on the first to occur of: (1) actual receipt at the address designated above, or (2) three working days after the deposit in the United States Mail of registered or certified mail, sent to the address designated above.

**9.2 Standard of Care.** Unless otherwise specified in this Agreement, the standard of care applicable to Consultant's services will be the degree of skill and diligence ordinarily used by reputable professionals performing in the same or similar time and locality, and under the same or similar circumstances.

**9.3 Modifications.** This Agreement may not be modified orally or in any manner other than by an agreement in writing signed by both parties.

**9.4 Waivers.** Waiver of a breach or default under this Agreement shall not constitute a continuing waiver or a waiver of a subsequent breach of the same or any other provision of this Agreement.

**9.5 Assignment and Delegation.** Consultant may not assign, transfer or delegate this Agreement or any portion of it without the City's written consent. Any attempt to do so will be void. City's consent to one assignment shall not be deemed to be a consent to any subsequent assignment.

**9.6 Jurisdiction and Venue.** The interpretation, validity, and enforcement of the Agreement shall be governed by and construed under the laws of the State of California. Any suit, claim, or legal proceeding of any kind related to this Agreement shall be filed and heard in a court of competent jurisdiction in the County of San Joaquin.

**9.7 Compliance with the Law.** Consultant shall comply with all local, state, and federal laws, whether or not those laws are expressly stated in this Agreement.

**9.8 Business Entity Status.** Contractor is responsible for filing all required documents and/or forms with the California Secretary of State and meeting all requirements of the Franchise Tax Board, to the extent such requirements apply to Contractor. City may void this Agreement if Contractor is a suspended corporation, limited liability company or limited partnership at the time it enters into this Contract. City may take steps to have this Agreement declared voidable.

**9.9 Business License.** Before the City signs this Agreement, Consultant shall obtain a City of Tracy Business License.

**9.10 Entire Agreement; Severability.** This Agreement comprises the entire integrated understanding between the parties concerning the services to be performed. This Agreement supersedes all prior negotiations, representations or agreements.

If a term of this Agreement is held invalid by a court of competent jurisdiction, the Agreement shall be construed as not containing that term, and the remainder of this Agreement shall remain in effect.

**10. Signatures.** The individuals executing this Agreement represent and warrant that they have the right, power, legal capacity and authority to enter into and to execute this Agreement on behalf of the respective legal entities of the Consultant and the City. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

The parties agree to the full performance of the terms set forth here.

**City of Tracy**

\_\_\_\_\_  
By: Robert Rickman  
Title: Mayor  
Date: \_\_\_\_\_

Attest:


\_\_\_\_\_  
Adrienne Richardson, City Clerk

Approved as to form:

\_\_\_\_\_  
Thomas T. Watson, City Attorney

**Consultant**

*All City Management Services, Inc.*

  
\_\_\_\_\_  
By: Demetra Farwell  
Title: Corporate Secretary  
Date: 1/11/18

Federal Employer Tax ID No.  
95-3911517

Exhibits:

- A Scope of Services/Compensation

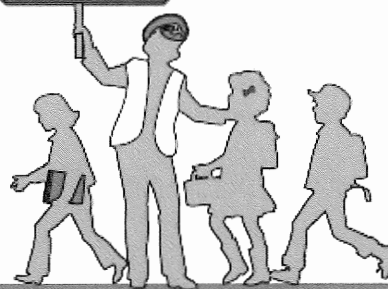
# ALL CITY MANAGEMENT SERVICES

*“The Crossing Guard Company”*

**A Proposal for  
City of Tracy  
Crossing Guard Services**

**July 5, 2018**

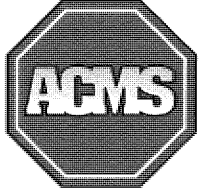
**Presented by**



10440 Pioneer Boulevard, Suite 5, Santa Fe Springs, CA 90670

OFFICE PHONE: 800.540.9290 FAX: 310.202.8325

EMERGENCY DISPATCH: 877.363.2267



## ALL CITY MANAGEMENT SERVICES

July 1, 2018

City of Tracy Police Department  
Attn: Beth Lyons, Support Operations Manager  
1000 Civic Center Drive, Tracy, CA 95376

Dear Ms. Lyons:

On behalf of All City Management Services, Inc. (ACMS), I would like to express our sincere appreciation for the opportunity to have served the City of Tracy Crossing Guard Program for the over 20 years.

We have received the Request for Bids Crossing Guard Services. I have reviewed the Scope of Services contained therein and agree to the terms and conditions set forth. The terms of our response shall be valid for a period of 90 days.

Our goal is simple; to continue to provide the City of Tracy with a model crossing guard program that relieves the Police Department of the day to day responsibilities of managing a Crossing Guard program. As your service provider, we have assumed complete responsibility for the day to day operations of the Crossing Guard program. This includes recruitment, background clearance, hiring, training, equipment, payroll, supervision and management of the program.

We understand the unique and demanding scheduling requirements of the program. We will maintain local supervision and management to ensure the needs of the Tracy community are met. We provide alternate guards, a paging system and a 24 hour 800 number to ensure adequate response and immediate back-up for any Crossing Guard absent from duty for any reason. We will continue to communicate with each school to ensure proper scheduling.

We have become the nation's largest provider of private crossing guards as a result of our singular focus to this industry as well development of benchmark training. This includes our "**Employee Handbook for School Crossing Guards**" which details our Job Requirements, the initial and ongoing Training we provide, including our Site Evaluations, our Rules of Conduct, Crossing Guard of the Year recognition and the Certification Requirements for all Crossing Guards.

We are certainly excited and hopeful about continuing to provide Crossing Guard services for the City of Tracy. If you have any questions, please feel free to contact me at 800 540-9290.

Harlan Sims, Director of Marketing  
harlan@thecrossingguardcompany.com

## Statement of Qualifications

**All City Management Services, Inc. (ACMS)** Serving over 250 cities, counties and school districts, we have successfully privatized both large and small Crossing Guard programs. ACMS currently employs over 5,000 Crossing Guards who are supported by locally assigned Area Supervisors. We have experience managing small programs, mid-size programs and large programs in excess of 100 crossing guards.

While the size of our Company reflects our broad-based knowledge and success in the industry, we understand that each agency, school district and community we serve comes with their own set of specific requirements and challenges. Our understanding of the unique challenges presented by the Tracy program; guard scheduling, geography, school locations and demographics, makes us well qualified to continue to meet the unique demands of this program including summer school requirements.

Our ability to continue service to the Tracy Crossing Guard program is supported by our current success with the Transportation Authority of Marin and in similar programs throughout the State of California and elsewhere. Examples of the many mid size Northern and Southern California clients we serve include the cities of Fremont, Pleasanton, Dublin, Livermore, San Leandro, Marin County, Santa Rosa, Lafayette, Piedmont, Davis, Fontana School Police, Covina, Santa Ana, the County of Los Angeles and numerous other municipalities. We have significant experience managing many similar size programs to the Tracy Crossing Guard Program.

We are pleased to announce that we will also begin service to the City of Palo Alto and Twin Rivers School District in the fall 2018 school year.

We are very proud ACMS performance standards and training procedures were integrated into the model for the California Safe Routes to School Crossing Guard Training Guidelines.

Another defining component that distinguishes ACMS as the industry leader is our focus on exclusively providing School Safety Services. This singular area of service enables all of our resources to be devoted to the development and delivery of programs that provide exceptionally high safety standards and client satisfaction.

## Approach and Management Plan

ACMS employs a Team Concept of management which results in efficient field operations as well as providing a multifaceted response to potential problems. The Director of Operations and Region Operations Manager work together (with continued input from the **City of Tracy PD**) to establish specific program objectives and expectations. These Senior Managers then work directly with your Area Field Supervisor to implement the management plan.

The Regional Manager along with your local Area Supervisor has responsibility for the direct management of the Crossing Guards and together they will continue to ensure City of Tracy operational expectations are met. Standards and expectations are communicated to Crossing Guards personally by their local supervisor so as to allow the employee a better understanding of the decision-making process. This helps reduce confrontational attitudes by establishing and enhancing the common goal of providing for the safety of school children.

Our project schedule is simply a continuation of the program we have had in place for years with new school year start up to include hiring needs meet, training delivery and scheduling, observation and monitoring, ongoing communication with the schools, guard counseling and reporting to the City.

Crossing Guard performance and compliance with safety standards will continue to be accomplished through regular site visits by the local Area Supervisor and Regional Manager. In addition to verbal training and counseling, these managers are supported by the use Field Training Check Lists, Field Training Cards, Site Performance Evaluations, independent Field Observations and a professionally produced Crossing Guard Safety DVD. Reports of satisfactory completion of all levels of training and ongoing safety reviews will be summarized and available to the Tracy PD representative. ACMS has developed performance standards and training procedures that have been solicited by **California Safe Routes to School** personnel.

Background checks and fingerprinting will be completed on all potential employees as allowed by California state law. Successful completion of the background check, drug and alcohol screening and Social Security verification via E-Verify is required prior to the employee being hired.

ACMS has a strict policy on Drug and Alcohol abuse. This policy is included in our Employee Manual.

Internal minimum passing standards along with City of Tracy established standards would prevent any person from working as a Crossing Guard for the program who has been convicted of any felony, a crime of moral turpitude or a crime against children, including, but not limited to:

- Conduct in violation of California Penal Code or which requires registration under California Penal Code

- Conduct which requires registration under California Health and Safety Code;
- Any offense involving the use of force or violence upon another person;
- Any offense involving theft, fraud, dishonesty or deceit;
- Any offense involving the manufacture, sales, possession or use of a controlled substance
- Conspiracy or attempt to commit any of the aforementioned offenses.

Summary reports of background clearance on employees within the Tracy Crossing Guard program will be regularly available to the City.

ACMS will investigate all public complaints concerning crossing guard services. All incidents shall be reported to the Police Department within two (2) hours. ACMS shall furnish a written report within five (5) work days after the date of the incident.

Communications with individual school sites is facilitated by the Area Supervisor. Personal visits are made regularly (minimum quarterly) to each school site in an effort to develop relationships with staff and establish a collaborative environment for information exchange. Calendars and bell schedules are obtained for each school both at the beginning of the school year and periodically throughout the year. Key school personnel are supplied with appropriate contact information (business cards) and reminded to inform ACMS of any changes. Additionally, schools are provided with large magnets which can be easily displayed making contact information effectively available to all staff. The email address of the Office Manager is also obtained which enables ACMS administrative support staff to regularly contact each school and proactively solicit information regarding potential schedule changes.

The establishment of accurate and responsive shift times is critical to the effectiveness of Crossing Guard services. Sites further from the school would be expected to start earlier in the morning and finish later in the afternoon. These staggered shifts effectively address the time it takes for students to walk from a remote location to the school site (or vice versa in the afternoon) and optimize the protected periods. Additionally, locations are continually monitored for actual pedestrian traffic patterns enabling a better understanding of site needs and any potential deviation from established guidelines.



**ALL CITY MANAGEMENT SERVICES**

**City of Tracy**



**Director of Operations  
John Dotson  
310 770 1956**



**Regional Manager/Project Manager  
Alan Stone  
415 844 0223**



**Area Field Supervisor  
Shaunna Nothstein  
408 722 0214**



**Crossing Guards / Alternates**



## Recruitment and Staffing

ACMS Managers will continue to assess City of Tracy **staffing** needs on an ongoing basis. We would then focus further recruitment efforts in the geographical areas where additional Crossing Guards will be needed.

We have developed a comprehensive plan for **recruitment** of new Crossing Guards. As a part of our Staffing strategy we encourage a very aggressive recruitment program. We utilize soft advertising, local media advertising, targeted flyers, on-site solicitation, school flyers and employee referral bonuses as parts of our overall recruitment strategy. We often work closely with school districts in some of our recruitment drives.

Our ability to effectively staff a Crossing Guard Program remains a fundamental benefit that ACMS brings to most Crossing Guard Programs. Staffing sites is one of the primary responsibilities of the Area Supervisors. They are trained to continuously recruit and train prospective Crossing Guards. New recruits are first processed and submitted to the Department of Justice for background clearance.

Supervisors are also responsible for coordinating the staffing for all sites under their supervision. As part of our staffing strategy Area Supervisors aggressively enforce the following policies and procedures for Crossing Guards.

- ◆ Supervisors must maintain an adequate alternate or substitute guard roster. We encourage at least a 5 to 1 ratio of sites versus alternate guards
- ◆ We require any guard not reporting for duty to notify the Area Supervisor as early as possible utilizing our 24/7 Guard Hotline or directly notifying their Area Supervisor. Notifications less than 1 hour prior to shift starts are considered unexcused absences.
- ◆ Our employee policy is "No call, No show, No Job" Throughout our training we emphasize the importance of insuring the safety of children by our presence. As such, we cannot allow the children's safety to be compromised by failing to call or show for duty.

**Supervisor Teams** – Tracy continues to benefit from the numerous neighboring programs we operate and manage. Area Supervisors are grouped together by their geographic location. These Teams meet every quarter and team members are encouraged to work together. This cooperative effort allows them to share alternate guards with each other. This has resulted in alternates guards getting more hours as they are “shared” with other Supervisors. Consequently, we are able to retain a more stable group of alternate guards.

## Training

Effective initial and ongoing training is essential in a profession dedicated to the safety of children. With over 33 years of experience and a commitment to working cooperatively with other public safety professionals, ACMS is recognized as an industry leader in the development and implementation of School Crossing Guard training and standards of excellence.

The process begins during the first contact with a potential employee when our phone interview process outlines job expectations and our zero tolerance policy for failure to report for a scheduled shift. Throughout the application process prospective employees are reminded about the critical nature of our assignments and the work ethic and integrity required of our employees.

Once hired, the training process starts in the classroom where employees review sections of the ACMS *“Employee Handbook for School Crossing Guards”*. Additionally the guards are shown the professionally produced training DVD, “Crossing Guard Safety”. The process then moves to a field practicum where the trainer demonstrates proper procedures and allows the employee to practice correct techniques. The employee’s progress is closely noted on the detailed steps outlined on the **Field Training Check List** to ensure the employees’ field competence. This cross-modality approach not only exposes the employee to the necessary training components but also addresses the needs of the visual, auditory and kinesthetic learner. While the classroom setting is expected to require approximately two- three (2-3) hours and the field training approximately four (4) hours, it’s important to note that the low ratio of students to trainer allows for accurate assessments of the employees readiness to move forward.

The new employee is typically assigned to alternate work and closely supervised during their early assignments. They benefit from their trainer completing of a written assessment of their work which better allows them to understand their strengths and weakness and make improvements where necessary (**the Site Performance Evaluation**). Additionally, all new employees are required to carry and regularly refer to the **Field Training Cards**. This pocket-sized card (listing all steps for a safe cross) allows the employee to self-evaluate their performance prior to the time they have all steps of the procedures memorized.

Throughout their employment, Crossing Guards receive refresher training. Employees are subjected to the same Site Performance Evaluation as an ongoing training and assessment tool. These evaluations happen in both side-by-side sessions as well as unannounced observations without the knowledge of the employee.

The standard issue equipment and clothing includes:

- ANSI II compliant high-visibility retro-reflective vest marked with the required insignia of a Crossing Guard
- MUTCD compliant 18” STOP/STOP paddle
- Picture Identification Card with emergency contact information

- Company-issued cap or visor with corporate logo
- Whistle for emergency alert to vehicles and pedestrians
- High-visibility ANSI II compliant rain coat and or jacket

## Northern California References

### **City of Alameda, CA**

1555 Oak Street  
Alameda, CA 94501  
510 337 8498  
Anthony Munoz, Lieutenant

### **Antioch School District, CA**

510 G Street  
Antioch, CA 94509  
925 779 7500 Ext. 32000  
Tom Forrester, Associate Superintendent

### **City of Burlingame PD, CA**

1111 Trousdale Drive  
Burlingame, CA 94010  
650 558 7222  
Carol T. Augustine, Finance Director

### **City of Cupertino, CA**

10555 Mary Avenue  
Cupertino, CA 95014  
408 777 3350  
Roger S. Lee, Assistant Director Public Works

### **City of Livermore, CA**

1110 South Livermore Avenue  
Livermore, CA 94550  
925 371 4854  
Mike Peretti, Administrator

### **Pittsburg Unified School District, CA**

2000 Railroad Avenue  
Pittsburg, CA 94565  
925 473 2331  
Norma Gonzalez, Administrator

### **City of Pleasanton PD, CA**

4833 Bernal Avenue  
Pleasanton, CA 94566  
925 931 5100  
Joe Leonardo, Traffic Unit Supervisor

### **County of Alameda, CA**

399 Elmhurst Street  
Hayward, CA 94544  
510 670 5461  
Keith Whitaker, Chief Financial Officer

### **Brentwood Unified School District, CA**

255 Guthrie Lane  
Brentwood, CA 94513  
925 513 6349  
Gayle Crockett, Administrator

### **City of Fremont, CA**

2000 Stephenson Blvd.  
Fremont, CA 94537  
510 790 6873  
Mark Dant, Lieutenant

### **Lafayette School District, CA**

3477 School Street  
Lafayette, CA 94549  
925 927 3501  
Rachel Zinn, Superintendent

### **City of Los Altos PD, CA**

One North San Antonio Road  
Los Altos, CA 94022  
650 947 2770  
Scott Seaman, Chief of Police

### **City of Redwood City PD, CA**

1301 Maple Street  
Redwood City, CA 94063  
650 780 7654  
Ashley Osborne, Lieutenant

### **City of Davis, CA**

1717 Fifth Street  
Davis, CA 95616  
530 747 8284  
Jennifer Donofrio, Coordinator

*With over 250 nationwide clients, we would be happy to supply additional references if needed.*

In addition to our numerous current clients; ACMS believes the best reference for our service is when a client agency returns to ACMS after trying the service of another contractor that does not specialize in Crossing Guard services.

The following pages are from a staff report from the City of Fremont. The City of Fremont was a client that contracted with the low price security guard company following a number of years with ACMS.

The staff report highlights the issues they experienced with their service and the City's justification for returning to All City Management Services; " The Crossing Guard Company".

We cannot think of a stronger recommendation than a City that has returned to ACMS after poor service from another contractor.

Additionally, we have recently contracted with the City of Palo Alto and Twin Rivers USD both of which had utilized this same low price security guard company. If the City of Tracy were to consider this low cost provider, we would strongly suggest contacting the following individuals to discuss their experience and rationale for contracting for service with ACMS.

City of Palo Alto PD  
Lt. Con Maloney  
650 329 2637

Twin Rivers USD  
Greg Rush, Director Business Services  
916 566 1646



**STAFF REPORT (ID # 3102)**

**SCHOOL CROSSING GUARD SERVICES - Authorize the City Manager, or His Designee, to Execute an Agreement with All City Management Services, Inc. for School Crossing Guard Services in an Amount Not-to-Exceed \$771,000 over three years.**

**Contact Persons:**

Name: Mark Dang  
Title: Police Sergeant  
Div/Dept: Police Department  
Phone: 510-790-6761  
E-Mail: mdang@fremont.gov

Deirdre Rockefeller-Ramsey  
Business Manager  
Police Department  
510-790-6991  
dramsey@fremont.gov

**Executive Summary:** The purpose of this report is to recommend that the Council enter into a one year contract with All City Management Services, Inc. for adult crossing guard services, with options for two additional one year extensions.

**BACKGROUND:** The City of Fremont's Adult Crossing Guard Program was outsourced to All City Management Services ("ACMS") in 2001 in order to reduce the amount of police staff time required to manage and supervise the crossing guard program. From 2001 to June 2014, ACMS provided services for the community by safely crossing school-aged children walking to and from specified elementary schools. Services provided by ACMS included the recruiting and hiring of crossing guards, training, processing payroll, providing crossing guard coverage, daily supervision of the crossing guards, and overall management of the program. The Police Department oversaw ACMS's activities to ensure that the program ran smoothly.

In 2014, the City went out to bid for crossing guard services for the 2014/2015 school year and the award went to the lowest bidder, American Guard Services (AGS). The Service Agreement provided for a one year term, with two optional one year extensions. The City has had several issues with AGS' services during the three years, more particularly in the last school year. Staffing during the first few months of the 2014/2015 school year had periodic unexpected vacancies, which were resolved by the second half of the school year. AGS overbilled the City during the months of August and September 2014. The City discovered the billing error, which was refunded by AGS. AGS' service was adequate during the 2015/2016 school year.

During the 2016/2017 school year, crossing guard positions near Cabrillo Elementary School, Forest Park Elementary School and Leitch Elementary School became vacant. On April 3, 2017, a school aged pedestrian was hit by a vehicle and suffered a severe injury at the vacant crossing near Cabrillo Elementary School. The crossing guard position at this location near Cabrillo Elementary School was restored after the collision. AGS was never able to again staff the locations near Forest Park Elementary School and Leitch Elementary School during the 2016/2017 school year. In addition, the City discovered another billing error in AGS' invoices in the spring of 2017, dating back to the beginning of the 2016/2017 school year. AGS had under-billed the City as a result of a discrepancy between actual hours

worked by guards as reported by the field supervisor and hours reported to the City by AGS office staff.

#### **DISCUSSION/ANALYSIS:**

##### 2017 Traffic Survey

In the second quarter of 2017, staff conducted traffic surveys at known school pedestrian crossings in the City of Fremont to provide a one hour peak vehicle, bicycle, and pedestrian movement counts. The survey was completed in June 2017 and the counts were analyzed by staff to determine which intersections needed crossing guards. Pursuant to the criteria of the California 2014 Manual on Uniform Traffic Control Devices (MUTCD), three additional intersections require crossings guards, increasing the total number of crossing guard staffed locations from 19 to 22.

##### Request for Proposal

In May 2017, a Request for Proposal was issued for adult crossing guard services (RFP#18-005), requesting a consultant to recruit, select, and employ crossing guards, provide program management, and provide field supervision. Three vendors responded with proposals to provide the required services: American Guard Services, All City Management Services, and BRM Investments.

American Guard Services listed three California municipalities where they currently perform crossing guard services. Two of the three references for American Guard Services responded to an inquiry. One municipality reported adequate service with the exception of a history of billing errors. The second municipality reported consistent billing errors, unanticipated vacancies, and substandard crossing guard performance. The administrator for the latter municipality spent the majority of their staff time managing the crossing guard operations due to difficulties with AGS performance issues.

All Cities Management Services listed six California municipalities where they are currently performing crossing guard services. Three references responded to inquiries and reported good service, reliability, and responsive oversight of their programs. Staff contacted four additional municipalities that currently contract with ACMS, all reported satisfaction with ACMS and recommended their services.

BRM Investments listed four references for which BRM provided vehicle towing, impound, storage, emergency service; and one reference for which BRM provided logistical and transport management and services. BRM did not list any references for providing crossing guard services. Staff contacted BRM and confirmed that company has no experience with providing crossing guard services. As a result, staff did not conduct any further research of BRM.

After careful consideration, staff concluded that All City Management Services, Inc. is the preferred vendor. The City has previous history of good service from ACMS, the company has the highest qualifications for crossing guard services, and references provided feedback of satisfactory service. The City has experience poor staffing and billing inaccuracy with AGS in the recent school year. AGS also received poor feedback in billing and crossing guard performance from references. BRM Investments has no experience of providing crossing guard services, and their bid came in at the highest amount.

Hourly rates and first year annual costs were submitted by the potential vendors in response to an initial request for 19 crossing guard posts. Following receipt of the bids, results of a survey of school crossings identified three (3) additional locations that warranted a crossing guard, increasing the total number of post from 19 to 22. Vendors were asked to resubmit first year annual costs with staffing for 22 posts. ACMS responded to the request with a lower hourly rate based on 22 posts. AGS and BRM Investments did not provide revised costs for 22 posts.

Contractor	Hourly Rate	Annual Cost – 19 Posts	Annual Cost – 22 Posts
American Guard Services	\$16.39	\$168,161	\$194,713 (projected)
All City Management Services	\$20.85/\$20.73	\$219,238	\$246,273
BRM Investments	\$30.20	\$332,200	\$384,653 (projected)

**FISCAL IMPACT:** The annual costs for crossing guard services at 22 locations in the City is \$246,273 (11,880 hours X \$20.73). The total number of hours is based on staffing a guard at 22 locations, on 180 school days, at 3 hours per location per day. The first year cost of the contract was included in the FY 2017/18 Police Department adopted operating budget. However, the FUSD Superintendent is recommending to the School Board that FUSD and the City equally share the budget increase due to the additional cost of the approved vendor and the cost of adding three posts. Funding from FUSD is pending School Board approval. Staff recommends the City accept funding from FUSD if approved by the School Board. The cost of the second and third year optional extensions will be included in the Police Department operating budget.

**ENVIRONMENTAL REVIEW:** The proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) per CEQA Guidelines Section 15061(b)(3) in that it is not a project which has the potential for causing a significant effect on the environment.

**ATTACHMENTS:** None.

**RECOMMENDATION:** Authorize the City Manager, or his designee, to execute a contract with All City Management Services, Inc. for adult crossing guard services in an amount not to exceed \$246,400 for the 2017/2018 school year, \$255,900 for the 2018/2019 school year and \$268,700 for the 2019/2020 school year and to accept any funding provided by FUSD.





## ALL CITY MANAGEMENT SERVICES

### Proposed Hourly Rate

As a full service contractor, the hourly rate quoted is a fully loaded rate, meaning all of our costs are included in the proposed hourly billing rate. This would include but be not limited to; recruitment, background clearance, training, equipment, insurance, supervision and management of the City of Tracy, CA Crossing Guard Program.

**Proposed Hourly Rate:** Eighteen dollars and Fifty-five cents (**\$18.55**) per hour, per guard. This pricing is based upon 26 Crossing Guards compensated an average of 3.0 hours, per day for 180 school days annually. Local field supervision and substitute guards are also included in the rate, as are all other costs except as noted below. Based upon 14,040 hours annually we project a **Not to Exceed price of \$260,442** for school year 2018-19.

Invoices for services are mailed every two weeks. Included with each invoice is a Work Summary, which details each site, each day and the hours worked at that site. **Tracy PD** would only be billed for Crossing Guard services rendered on designated "school days" unless otherwise requested by the City.

The hourly rate does not include additional safety equipment, crosswalk delineators, cones or safety devices. If the City should desire any such additional equipment the additional cost would be billed to the City.

### ACMS Contact Information

Business Address: 10440 Pioneer Blvd, Suite 5 Santa Fe Springs, CA 90670

Phone numbers: 310.202.8284 or 800.540.9290

Fax number: 310.202.8325

Website address: [www.thecrossingguardcompany.com](http://www.thecrossingguardcompany.com)

24 Hour Emergency Dispatch: 877.363.2267

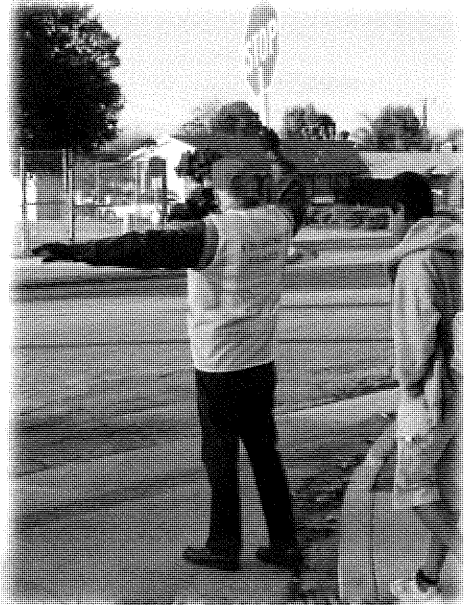
General Manager: Baron Farwell: [baron@thecrossingguardcompany.com](mailto:baron@thecrossingguardcompany.com)

Director of Field Operations: : John Dotson: [john@thecrossingguardcompany.com](mailto:john@thecrossingguardcompany.com)

Director of Marketing: Harlan Sims: [harlan@thecrossingguardcompany.com](mailto:harlan@thecrossingguardcompany.com)

This pricing is valid for a period of 90 days.

[www.thecrossingguardcompany.com](http://www.thecrossingguardcompany.com)



*Over thirty years of experience in providing communities with  
**PROFESSIONAL SCHOOL CROSSING GUARD SERVICES***

**ALL CITY MANAGEMENT SERVICES**

RESOLUTION NO. \_\_\_\_\_

AWARDING A PROFESSIONAL SERVICES AGREEMENT TO ALL CITY MANAGEMENT SERVICES, INC. FOR SCHOOL PEDESTRIAN CROSSING GUARD SERVICES FROM AUGUST 6, 2018 TO JUNE 30, 2019.

WHEREAS, The Tracy Police Department contracts with outside vendors to provide school pedestrian crossing guard services for 26 school crossing sites located within Jefferson Unified School District and Tracy Unified School District, and

WHEREAS, The contract was advertised in a Request for Proposals on June 25, 2018, and

WHEREAS, All City Management Services, Inc. was found to be the proposer in the amount of \$18.55 per hour for an annual program cost of \$260,442, and

WHEREAS, The Tracy Police Department determined All City Management Services the competence and professional qualifications necessary for the satisfactory performance of the required services, and

WHEREAS, The School Pedestrian Crossing Guard Services is a contracted service funded in each fiscal year budget;

NOW, THEREFORE, BE IT RESOLVED, That the City Council hereby awards a professional services agreement to All City Management Services, Inc. for school pedestrian crossing guard services from August 6, 2018 through June 30, 2019, in an amount not to exceed \$260,442.

\* \* \* \* \*

The foregoing Resolution \_\_\_\_\_ was passed and adopted by the Tracy City Council on the 17th day of July, 2018, by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

AGENDA ITEM 1.N

REQUEST

**REJECT BID PROTEST ON THE GROUNDS THAT THE IRREGULARITY IS NON-MATERIAL AND EXERCISE DISCRETION TO WAIVE IT, AWARD A CONSTRUCTION CONTRACT TO DIEDE CONSTRUCTION, OF LODI, CALIFORNIA, APPROVE A CONTINGENCY AMOUNT, APPROVE AMENDMENT NO. 2 TO THE PSA WITH LDA PARTNERS FOR CONSTRUCTION SUPPORT SERVICES, AND AUTHORIZE AN APPROPRIATION OF \$350,000 FROM GENERAL FUND 301 – MEASURE V (107) FOR CONSTRUCTION OF THE SENIOR CENTER UPGRADE/EXPANSION CIP 71093 AND 78155**

EXECUTIVE SUMMARY

City staff requests that City Council reject a bid protest on the grounds that the irregularity is non-material and exercise its discretion to waive it and award a construction contract to Diede Construction in the amount of \$2,132,000 and approve a contingency amount of \$213,200 for construction of the Senior Center Upgrade/Expansion CIP 71093 & 78155. Staff also requests that Council approve Amendment No.2 to the PSA with LDA Partners for construction support services, and authorize an appropriation of \$350,000 from General Fund 301- Measure V (107) to fund this project.

DISCUSSION

The Lolly Hansen Senior Center is heavily used by residents and provides recreational programs and activities such as fitness classes, art classes and special events for seniors. The 5,200 square foot building was built in 1987 and is at maximum capacity. Previously, City Council approved the use of General Fund (301), Development Impact fees, and federal Community Development Block Grant (CDBG) funds to expand and upgrade the facility.

With design input from the senior community, the project will expand the building size by 40%, including the following:

- 50% expansion of the multipurpose room
- 100% expansion of classroom with moveable partition
- 100% larger storage room
- Convert existing storage room into Computer Lab
- Renovation of interior finishes
- Remodeling kitchen, restrooms, reception area
- 90-inch interactive TV
- Audio visual and public address system
- Recreation equipment
- Outdoor covered patio

The project plans and specifications were prepared by LDA Partners, LLP of Stockton, California. The project was advertised for competitive bids on April 20, 2018. The following bids were received and publicly opened on May 23, 2018:

<u>Contractor</u>	<u>Bid Amount</u>
• Diede Construction, Lodi	\$2,132,000
• Bobo Construction, Elk Grove	\$2,171,888
• Haggerty Construction, Stockton	\$2,300,000

Diede Construction is the lowest monetary responsible bidder. The contractor has good references and has completed similar projects for the City.

A bid protest was filed by Haggerty Construction on the basis that the bid proposals submitted by Diede Construction and Bobo Construction did not contain the DUNS numbers for all of the listed subcontractors on the Designation of Subcontractors form. (Attachment D). A Data Universal Numbering System (DUNS) number is a nine-digit unique identifier that the federal government requires all vendors and contractors to have and assists in the tracking and identification of vendors. An administrative hearing regarding this bid protest was held before a hearing officer. The hearing officer found the bid irregularity was material because it may have impacted the apparent low bid results (Attachment E).

The City's bid protest procedures state that the City Council shall consider the merits of any timely protests at the time it considers the award of the contract. Staff recommends that Council reject the protest on the grounds that the irregularity is non-material and exercise its discretion to waive it and award the contract to Diede Construction based on the following:

- The City's practice has been to consider bid proposals that contain the names and addresses and work to be performed by the subcontractor but are missing DUNS numbers to be responsive. The City's Designation of Subcontractors form includes a space for DUNS numbers, however, the instructions state that the bidder is certifying and submitting the subcontractors' names, addresses and the portion of work to be performed by a subcontractor and does not specifically mention the DUNS number.
- The Designation of Subcontractors form submitted by Diede Construction complies with the Public Contract Code requirement that the name, address, California contractor license number, and the public works contractor registration number be submitted in the bid proposal.
- Federal regulations require that all contractor and subcontractor information be verified prior to the award of contract.
- Prior to the publication of this staff report, Diede Construction has submitted DUNS numbers for all of their subcontractors, and their bid proposal meets all Federal requirements prior to award.
- It is in the City's best interest to proceed without further delay because the bids are competitive and schedule adjustments have already been made to relocate the seniors to the Community Center during construction.

The projected cost to complete the project is as follows:

Contractor's Bid for Construction	\$2,132,000
Construction Support	\$21,000
Inspection and Construction Management (2%)	\$42,600
Contingency (10%)	\$213,200
<b>Total Construction Cost</b>	<b>\$2,408,800</b>

Staff anticipates construction to be completed by the Summer of 2019.

Tracy Municipal Code 2.20.090(b) authorizes City Manager to approve change orders up to the amount approved by City Council. The recommended contingency amount for this project is \$213,200.

A second amendment to the Professional Services Agreement with LDA Partners in the amount of \$8,200 is needed to reestablish construction support budget that was used during the design phase to remodel the kitchen and add a moveable partition.

#### STRATEGIC PLAN

This agenda item supports the Quality of Life Strategy, specifically:

Goal 2, Objective 1: Improve current recreation and entertainment programming & services to reflect the community and match trending demands. Develop recreational, cultural arts and entertainment programs and services that reflect community demographics, evaluation feedback and trends.

Goal 1, Objective 4: Develop plan to complete existing approved projects such as the Senior Center Expansion.

#### FISCAL IMPACT

The estimated project cost is \$2.62 Million and the current available budget is \$2.274 Million. An additional appropriation of \$350,000 is being requested to fully fund the construction of this project. The request is for \$350,000 in one time Measure V funding, this will be used in combination with the \$600,000 of Measure V funding approved at the February 6, 2018 Council meeting. (See table below)

Funding Table:

REVENUE	\$\$
CIP 71093	\$72,000
CIP 78155	\$824,100
CDBG Grant	\$400,000
CDBG Grant	\$177,728
CDBG Grant	\$200,000
2/6/18 Council Ask (Measure V)	\$600,000
7/17/18 Council Ask (Measure V)	\$350,000
TOTAL REV	\$2,623,828
<b>EXPENSE</b>	
Charges YTD FY18	\$215,028
Construction Contract	\$2,408,800
TOTAL EXP	\$2,623,828

RECOMMENDATION

That City Council, by resolution, reject the bid protest on the grounds that the irregularity is non-material and exercise its discretion to waive it and award a construction contract to Diede Construction of Lodi, California, approve a contingency amount of \$213,200, approve Amendment No. 2 to the PSA with LDA Partners LLP, and authorize an appropriation of \$350,000 from General Fund, Measure – V(107) for construction of the Senior Center Upgrade/Expansion CIP 71093 & 78155.

Prepared by: Binh Nguyen, PE, Senior Civil Engineer

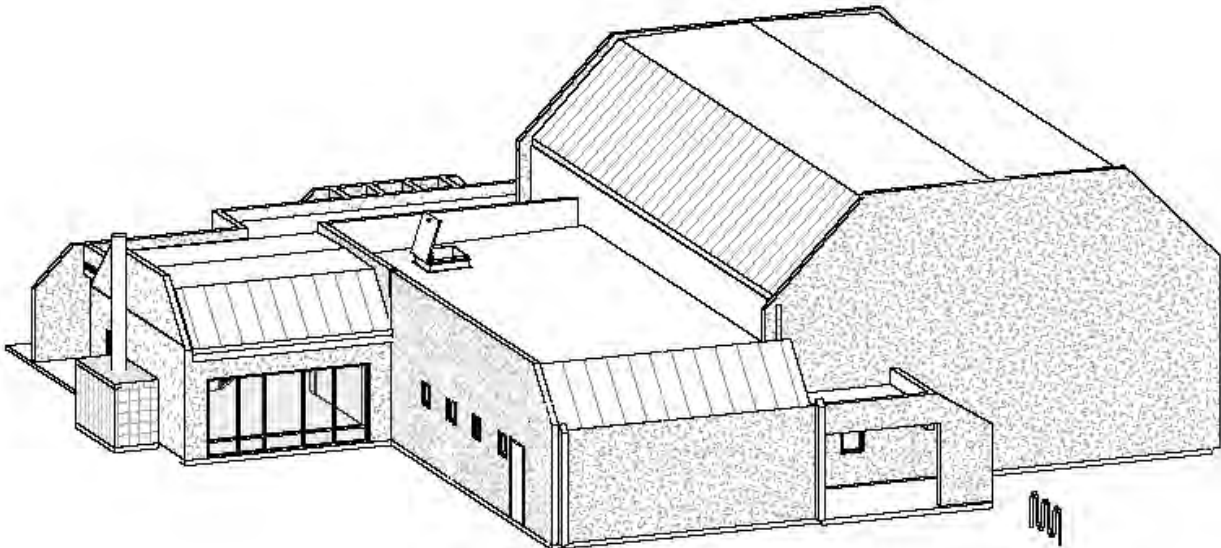
Reviewed by: Robert Armijo, PE, City Engineer / Assistant Development Services Director  
 Brian MacDonald, Parks Director  
 Andrew Malik, Development Services Director  
 Karin Schnaider, Finance Director

Approved by: Midori Lichtwardt, Interim Assistant City Manager

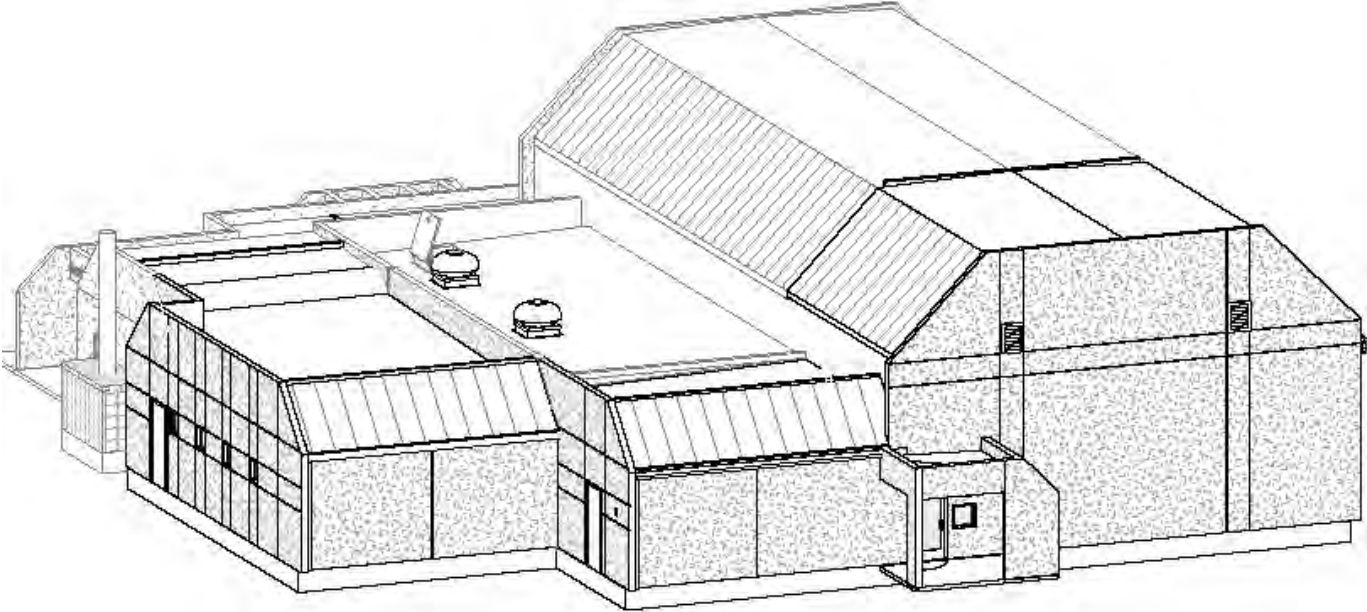
ATTACHMENTS

- Attachment A – Isometric view of existing and expansion
- Attachment B & C – Plan view of expansion
- Attachment D – Diede Construction Bid Proposal Subcontractor Designation Pages
- Attachment E – Administrative Hearing findings
- Attachment F – Amendment No. 2 to the PSA with LDA Partners LLP

Attachment A



EXISTING ISOMETRIC VIEW



1 NEW ISOMETRIC VIEW

A6.10







DESIGNATION OF SUBCONTRACTORS

The Contractor shall perform work equaling at least 30 percent of the value of the original total bid with the Contractor's own employees and equipment, owned or rented, with or without operators.

In accordance with the Subletting and Subcontracting Fair Practices Act, Public Contract Code sections 4100 *et seq.* (the "Subcontracting Act"), the Bidder hereby certifies and submits, as required by law, the following concerning subcontractors:

1. The portion of the work, which will be done by each such subcontractor.
2. The name and location of the place of business of each subcontractor who will perform work or labor, fabricate a portion of the work or improvement according to detailed drawings in the project plans, or render service to the Contractor in or about the construction of the work in an amount in excess of one-half of one percent (0.5%) of the Contractor's total bid; and

Portion of Work to be Performed:	Subcontractor Name and Address
③ 1. <u>Bldg Demo</u>	<u>Yelton Company Inc</u> <u>Uccabille, CA</u> DUNS # <u>787964055</u> DRI # <u>100005030</u> LICENSE# <u>807638</u>
2. <u>Roofing</u>	<u>Californ Single Ply</u> <u>Rocklin</u> DUNS # _____ DRI # <u>100007318</u> LICENSE# <u>662255</u>
③ 3. <u>so <del>Bldg Demo</del> <sup>understand util</sup></u>	<u>J. B. R. A. Cement Co. Inc</u> <u>Stockton</u> DUNS # _____ DRI # <u>100054744</u> LICENSE# <u>1032385</u>
③ 4. <u>Stone Veneer</u>	<u>Sedlet, Newberry Concr</u> <u>Rocklin California</u> DUNS # _____ DRI # <u>100042912</u> LICENSE# <u>777293</u>

(For additional Subcontractors, attach copies of this sheet as necessary)

NOTE: THIS CERTIFICATE MUST BE COMPLETED AND RETURNED ALONG WITH THE CONTRACTOR'S BID PROPOSAL.

CITY BUSINESS LICENSE REQUIREMENT

NOTE: It is understood and agreed that the bidder and all subcontractors will obtain a City of Tracy Business License before beginning any work.

**DESIGNATION OF SUBCONTRACTORS**

The Contractor shall perform work equaling at least 30 percent of the value of the original total bid with the Contractor's own employees and equipment, owned or rented, with or without operators.

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<u>Portion of Work to be Performed:</u>	<u>Subcontractor Name and Address</u>
(14) 1. <u>Street. Steel</u>	<u>San Joaquin Steel com Inc</u> <u>Stockton</u> DUNS # <u>063019780</u> DRI # <u>100000852</u> LICENSE# <u>275092</u>
2. _____	_____ _____ DUNS # _____ DRI # _____ LICENSE# _____
(19) 3. <u>Cash work</u>	<u>Fremont mill park</u> <u>Klamath Falls OR</u> DUNS # <u>040069244</u> DRI # <u>100000896</u> LICENSE# <u>249756</u>
4. _____	_____ _____ DUNS # _____ DRI # _____ LICENSE# _____

(For additional Subcontractors, attach copies of this sheet as necessary)

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<u>Portion of Work to be Performed:</u>	<u>Subcontractor Name and Address</u>
② 1. <u>Insulation</u>	<u>Alcal Specialty Conc. Inc.</u> <u>Stockton</u> DUNS # <u>128251281</u> DRI # <u>1000000315</u> LICENSE# <u>815286</u>
2. _____	_____ DUNS # _____ DRI # _____ LICENSE# _____
② 3. <u>Glazing</u>	<u>Mont Valley Glass Inc.</u> <u>Wally Springs</u> DUNS # <u>788944939</u> DRI # <u>1000006847</u> LICENSE# <u>887953</u>
② 4. <u>Lath &amp; Plaster</u>	<u>Robert Berger Plastering</u> <u>West. Sac.</u> DUNS # <u>102849627</u> DRI # <u>1000006092</u> LICENSE# <u>319451</u>

(For additional Subcontractors, attach copies of this sheet as necessary)

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2. The name and location of the place of business of each subcontractor who will perform work or labor, fabricate a portion of the work or improvement according to detailed drawings in the project plans, or render service to the Contractor in or about the construction of the work in an amount in excess of one-half of one percent (0.5%) of the Contractor's total bid; and

Portion of Work to be Performed:	Subcontractor Name and Address
(29) 1. <u>⊙ Gypsum</u>	<u>Consolidated Spec. Inc</u> <u>Hickson</u> DUNS # <u>787482439</u> DRI # <u>1000006989</u> LICENSE# <u>988260</u>
(30) 2. <u>Tile</u>	<u>Fischer Tile Mable Inc</u> <u>Sacramento</u> DUNS # _____ DRI # <u>1000003706</u> LICENSE# <u>187135</u>
(31) 3. <u>Accession</u>	<u>Cal Accession Int. Inc</u> <u>Reno Nevada</u> DUNS # _____ DRI # <u>1000003846</u> LICENSE# <u>657810</u>
(33) 4. <u>Flooring</u>	<u>Harold W Thompson Inc.</u> <u>Stockton</u> DUNS # _____ DRI # <u>1000005820</u> LICENSE# <u>258611</u>

(For additional Subcontractors, attach copies of this sheet as necessary)

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<u>Portion of Work to be Performed:</u>	<u>Subcontractor Name and Address</u>
③① 1. <u>Painting</u>	<u>TSU Painting Inc</u> <u>Sacramento</u> DUNS # <u>0924999597</u> DRI # <u>1000001903</u> LICENSE# <u>392900</u>
④① 2. <u>opp. Partitions</u>	<u>PF 186 Inc</u> <u>Modesto</u> DUNS # _____ DRI # <u>1000002695</u> LICENSE# <u>901993</u>
④② 3. <u>Plumbing</u>	<u>Summit Plumbing Mech Inc</u> <u>Modesto</u> DUNS # <u>360610385</u> DRI # <u>1009002752</u> LICENSE# <u>86170</u>
④③ 4. <u>HVAC</u>	<u>Exeel Air Solu Inc</u> <u>Manteca</u> DUNS # _____ DRI # <u>1000027460</u> LICENSE# <u>300702</u>

(For additional Subcontractors, attach copies of this sheet as necessary)

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The Contractor shall perform work equaling at least 30 percent of the value of the original total bid with the Contractor's own employees and equipment, owned or rented, with or without operators.

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2. The name and location of the place of business of each subcontractor who will perform work or labor, fabricate a portion of the work or improvement according to detailed drawings in the project plans, or render service to the Contractor in or about the construction of the work in an amount in excess of one-half of one percent (0.5%) of the Contractor's total bid; and

Portion of Work to be Performed:	Subcontractor Name and Address
(49) 1. <u>Elec</u>	<u>Riviera Elec</u> <u>Newman</u> DUNS # <u>792354789</u> DRI # <u>10000404073</u> LICENSE# <u>615577</u>
(5) 2. <u>Haz - mat</u>	<u>PALS</u> <u>Stockton</u> DUNS # <u>038141091</u> DRI # <u>1000003350</u> LICENSE# <u>700658</u>
(48) 3. <u>Fire Sprinkler Sys.</u>	<u>Cosco Fire Protection</u> <u>Rocklin</u> DUNS # <u>625278767</u> DRI # <u>1000002305</u> LICENSE# <u>572621</u>
4. _____	_____ _____ DUNS # _____ DRI # _____ LICENSE# _____

(For additional Subcontractors, attach copies of this sheet as necessary)

**NOTE: THIS CERTIFICATE MUST BE COMPLETED AND RETURNED ALONG WITH THE CONTRACTOR'S BID PROPOSAL.**

**CITY BUSINESS LICENSE REQUIREMENT**

NOTE: It is understood and agreed that the bidder and all subcontractors will obtain a City of Tracy Business License before beginning any work.





**Attachment E**

City of Tracy  
333 Civic Center Plaza  
Tracy, CA 95376

ADMINISTRATIVE HEARINGS

MAIN 209.831.6000  
FAX 209.831.6120  
[www.ci.tracy.ca.us](http://www.ci.tracy.ca.us)

June 14, 2018

Ms. Ronee Van Dyk  
Haggerty Construction, Inc.  
2474 Wigwam Drive, Suite A  
Stockton, CA 95205

REF: Administrative Hearing – Bid Protest from Haggerty Construction Inc., for Senior Center Upgrade/Expansion, CIP 71093 and 78155

Dear Ms. Ronee:

An administrative hearing for the referenced bid protest regarding the Senior Center Upgrade/Expansion, CIP 71093 and 78155, was held on Tuesday, June 12, 2018, at City Hall. The hearing was conducted by me and was attended by you along with another representative from Haggerty Construction, Inc. Mr. Brett Diede representing Diede Construction also attended the hearing. Staff from the City's Development Services Department and Parks and Recreation Department were also in attendance.

During the hearing, you stated that the bid proposals submitted for the referenced project by apparent low monetary bidder, Diede Construction, and the second low monetary bidder, Bobo Construction Inc., did not comply with the City's bid requirements because both of the bidders did not provide DUNS numbers for certain subcontractors even though the City's bid documents required the contractors to complete the "Designation of Subcontractors" certificates with DUNS numbers and return with the bid proposal.

You further claimed that by not providing the required information both the apparent low and the second low bidders took unfair advantage by proposing subcontractors who may not have DUNS numbers. You indicated that had Haggerty Construction known that the City would not require the subcontractors to have DUNS numbers, Haggerty would have reduced the bid price and it would have been the lowest bidder.

Mr. Diede stated that Diede complied with the City's bid requirements. The names and other information of the subcontractors were listed in the "Designation of Subcontractors" form. Mr. Dieder added that DUNS numbers are not required by law and the City may have needed it for other informational uses. Mr. Diede also stated that it is a minor irregularity because all other information about the subcontractors was listed in the certificate.

Administrative Finding

After listening to arguments from both sides and reviewing the protest documents, bid proposals from the apparent low and second low bidder, and the City's bid proposal documents, I find that the failure to list the subcontractors' DUNS numbers was a material and consequential

June 14, 2018

Page 2 of 2

irregularity. The "Designation of Subcontractor" certificate provided a note in capital letters that this certificate must be filled out and returned with the contractor's bid proposal.

Section 3 – "Award and Execution of Contract" of the general provision of the project bid documents allows the City to waive irregularities in the bid if such irregularities are non-material and inconsequential. However, Haggerty Construction maintains that their bid amount would have been the lowest by providing subcontractors on this project without having DUNS numbers. I find Haggerty's argument convincing because even though it is speculative, it seems that including subcontractors without DUNS numbers may have impacted the apparent low bid results.

Based upon the testimony from both sides, review of project bid documents, I find that even though the bid proposals from Diede Construction and Bobo Construction, Inc., are competitive, they did not meet all the bid proposal requirements of the City as disputed by Haggerty Construction, Inc. and are therefore non-responsive.

The City Council will also consider the merits of your protest when it hears the award of this contract at its July 17, 2018 meeting starting at 7:00 p.m., in the City Hall Council Chambers.

Sincerely,



Kul Sharma

Administrative Hearing Officer

cc: Bianca Rodriguez, Deputy City Attorney  
Matthew Brown, Associate Civil Engineer  
Brett Diede, Diede Construction

**City of Tracy  
AMENDMENT NO. 2 TO  
PROFESSIONAL SERVICES AGREEMENT  
FOR SENIOR CENTER UPGRADES/EXPANSION CIP 71093 & 78155**

This Amendment No. 2 to Professional Services Agreement (Agreement) is made and entered into between the City of Tracy, a municipal corporation (City), and LDA Partners, LLP (Consultant).

**RECITALS**

- A.** Consultant performed design services for the Senior Center Upgrades/Expansion CIP 71093 & 78155 under Professional Services Agreement (Agreement) dated May 31, 2017, pursuant to Resolution No. 2017-080.

At the request of the City and in compliance with the terms of the Agreement, in February, 2018, Consultant submitted a proposal to perform construction support services as described in Amendment No. 1 to the Agreement. Because Consultant's services are still needed, City and Consultant have agreed to into this Amendment No. 2 to add Task 3A2 to the scope of work and increase compensation for said additional work.

**NOW THEREFORE, THE PARTIES MUTUALLY AGREE AS FOLLOWS:**

- 1. Incorporation By Reference.** This Amendment No. 2 hereby incorporates by reference all terms and conditions set forth in the Agreement, unless specifically modified by this Amendment. All terms and conditions set forth in the Agreement which are not specifically modified by this Amendment No. 2 shall remain in full force and effect.
- 2. Terms of Amendment.** The following language shall be added as sub-item 1.1 to Paragraph 1 of the Agreement.

"Consultant shall also perform the tasks described in Exhibit "A-2" attached to Amendment No. 2 of the Agreement and incorporated herein by reference."

- 3. Terms of Amendment.** The following language shall be added to Section 5.1 of paragraph 5 of the Agreement.

In addition, for services performed by Consultant in accordance with Exhibit "A-2" of Amendment No. 2 of this Agreement, City shall pay Consultant on a time and expense basis, at the billing rates set forth in Exhibit "B-2," of Amendment No. 2 incorporated herein by reference. Consultant's fee for Amendment No. 2 is **Not to Exceed \$8,200**. Consultant's billing rates shall cover all costs and expenses of every kind and nature for Consultant's performance of the services outlined in Exhibit "A-2". No work shall be performed by Consultant in excess of the Not To Exceed amount without the prior written approval of the City.

- 4. Modifications.** This Amendment may not be modified orally or in any manner other than by an agreement in writing signed by both parties, in accordance with the requirements of the Agreement.
- 5. Severability.** In the event any term of this Amendment is held invalid by a court of competent jurisdiction, the Amendment shall be construed as not containing that term, and the remainder of this Amendment shall remain in full force and effect.



**EXHIBIT "A-2"**  
**SCOPE OF SERVICES**  
**AMENDMENT NO. 2 TO PROFESSIONAL SERVICES AGREEMENT**  
**SENIOR CENTER UPGRADES/EXPANSION CIP 71093 & 78155**

**TASK 3A2**

CONSULTANT will provide design support during construction

- Review and respond to RFI's, submittals, change orders, claims within 10 calendar days
- Answer construction questions
- Resolve non-compliance with materials specifications
- Attend 4 meetings and 1 final Site Visit upon city request
- Prepare record drawings in AutoCAD and pdf.

Total Estimated Fee for Task 3A2 Services = \$8,200

**FEE**

CONSULTANT's "Not-to-Exceed" fee for completing the Design Support Services During Construction described above is \$8,200.

**COMPLETION OF THE SCOPE OF SERVICES.**

CONSULTANT shall complete the services identified in this Exhibit "A-2" within 30 working days of receipt of authorization to proceed from the CITY.

**PERSONNEL**

CONSULTANT shall assign the following person/persons to perform the tasks set forth in this Agreement.

Principal Architect  
Draftsman  
Engineer

**EXHIBIT "B-2"**

**FEE SCHEDULE**

The billing rate schedule for this Project is as depicted below:

Principal Architect	\$200/hour
Draftsman	\$125/hour
Engineer	\$185/hour

RESOLUTION 2018-\_\_\_\_\_

REJECTING A BID PROTEST ON THE GROUNDS THAT THE IRREGULARITY IS NON-MATERIAL AND EXERCISING DISCRETION TO WAIVE IT, AWARDING A CONSTRUCTION CONTRACT TO DEIDE CONSTRUCTION OF LODI, CALIFORNIA, WITH A CONTINGENCY AMOUNT, AND APPROVING AMENDMENT NO. 2 TO PSA WITH LDA PARTNERS FOR CONSTRUCTION SUPPORT SERVICES AND AUTHORIZING AN APPROPRIATION OF \$350,000 FROM GENERAL FUND (107) MEASURE V FOR THE SENIOR CENTER UPGRADES/EXPANSION, CIPs 71093 & 78155

WHEREAS, The Lolly Hansen Senior Center was built in 1987, is heavily used and at maximum capacity, and

WHEREAS, The Senior Center Expansion project will expand building size by approximately 40% along with much needed storage and upgrades, and

WHEREAS, The Senior Center Upgrades/Expansion improvement plans, and specifications were prepared by LDA Partners LLP, of Stockton, California, and

WHEREAS, The project was funded from General Fund, Development Impact Fees, and \$777,728 in Community Development Block Grant funds, and

WHEREAS, The project was advertised for competitive bids on April 20, 2018, and

WHEREAS, Three bids were received, the lowest monetary bid is from Diede Construction of Lodi, California, in the amount of \$2,132,000, and

WHEREAS, The anticipated cost for construction of this project, if awarded to the low bidder, is estimated as follows:

Contractor's Bid for Construction	\$2,132,000
Design Support during Construction	\$21,000
Inspection and Construction Management (5%)	\$42,600
Contingency (10%)	\$213,200
<b>Total Construction Cost</b>	<b>\$2,408,800</b>

WHEREAS, Tracy Municipal Code 2.20.090(b) authorizes City Manager to approve change orders up to the amount approved by City Council and the recommended contingency amount for this project is \$213,200, and

WHEREAS, An additional \$350,000 is needed to construct the project, as follows:

PROJECT COST		AVAIL. FUNDS	
CONS CONTRACT	\$2,408,800	\$72,000	CIP 71093
CHARGES YTD FY18	\$215,208	\$824,100	CIP 78155
		\$400,000	CDBG Grant
		\$177,728	CDBG Grant
		\$200,000	CDBG Grant
		\$600,000	2/6/18 Measure V
<b>TOTAL</b>	<b>\$2,623,828</b>	<b>\$2,273,828</b>	
<b>UNDERFUNDED AMT</b>	<b>\$ 350,000</b>		

WHEREAS, A bid protest was filed due a non-material irregularity in the bid proposals,  
and

WHEREAS, Council has discretion to waive non-material irregularities;

NOW, THEREFORE, BE IT RESOLVED, That City Council of the City of Tracy hereby  
rejects the bid protest on the grounds that the irregularity is non-material and exercise its  
discretion to waive it, and awards a construction contract to Diede Construction of Lodi,  
California, in the amount of \$2,132,000, authorizes a contingency amount of \$213,200,  
approves Amendment No.2 to PSA with LDA Partners and authorizes appropriation of \$350,000  
from General Fund Measure – V (107) for construction of the Senior Center  
Upgrades/Expansion CIPs 71093 and 78155.

\*\*\*\*\*

The foregoing Resolution 2018-\_\_\_\_\_ was adopted by the Tracy City Council on the 17<sup>th</sup>  
day of July, 2018 by the following vote:

AYES:           COUNCIL MEMBERS:  
NOES:           COUNCIL MEMBERS:  
ABSENT:        COUNCIL MEMBERS:  
ABSTAIN:       COUNCIL MEMBERS:

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

AGENDA ITEM 1.O

REQUEST

**ACCEPT SUBDIVISION IMPROVEMENTS FOR THE COSE LANE SUBDIVISION, TRACT 3623 AND DEDICATED RIGHT OF WAY, CONSTRUCTED BY HRDB INVESTMENT LLC, ASSUMING RESPONSIBILITY FOR THEIR FUTURE MAINTENANCE AND REPAIR, AND AUTHORIZE THE CITY ENGINEER TO RELEASE THE BONDS IN ACCORDANCE WITH THE SUBDIVISION IMPROVEMENT AGREEMENT**

EXECUTIVE SUMMARY

HRDB Investment, a California Limited Liability Company (Subdivider), has completed subdivision improvements for the Cose Lane Subdivision, Tract 3623, containing seven single-family dwelling lots in accordance with the Subdivision Improvement Agreement, project plans, and specifications. Staff recommends City Council accept the offers of dedication and the improvements as completed to enable the City to release the developer's bonds. The assets that are above the threshold outlined the Capital Asset policy will be recorded into the fixed assets upon acceptance.

DISCUSSION

On June 5, 2007, City Council approved the Subdivision Improvement Agreement (Agreement) for Cose Lane, Tract 3623, and subdivision of seven single-family residential lots. This subdivision is located within the Glenbriar Subdivision, south of Tom Hawkins School, west of MacArthur Dive and south of Valpico Road as shown on Attachment A. The subdivision is within the Infill Residential Area designated in the General Plan as Low Density Residential (LDR) for residential.

Inter Mountain Engineering of Modesto, California prepared the improvement plans titled "Improvement Plans for Cose Lane Subdivision, Tract 3623."

HRDB Investment, the subdivider/developer of Cose Lane subdivision, Tract 3623, has completed all the work required to be done in accordance with the Agreement, and has requested acceptance of the subdivision public improvements. The Developer shall warrant the quality of the work for one year after acceptance of the work by the City Council. The City Engineer has inspected the completed work and confirmed that the improvements conform to the Agreement and City specifications and plans.

The estimated cost of the infrastructure improvements are as follows:

Cost Breakdown:

Roadway Improvements	\$ 80,000
Water	\$ 30,000
Storm Drainage	\$ 20,000
Sanitary Sewer	\$ 10,000
Street Lights	\$ 6,000
Total	\$146,000



A total of 9,370 square feet of land, with an estimated value of \$78,958 in accordance to the assessed land values of the lots by San Joaquin County, has been dedicated as part of the public right-of-way in the Final Map.

#### STRATEGIC PLAN

This agenda item is consistent with the Council approved Economic Development Strategy to ensure physical infrastructure necessary for development.

#### FISCAL IMPACT

The Developer, in accordance with the Subdivision Improvement Agreement, completed all improvements. The infrastructure improvement and right-of-way costs of \$164,958 will be included as assets in the City of Tracy General Fund (910), all other improvements do not meet the threshold outlined in the City's Capital Asset policy. The ongoing maintenance of the Roadway Improvements will be budgeted in the Public Works and the Water, Storm, Sewer and Street Lights improvements will be in Utilities. There are sufficient funds to meet these expenses.

#### RECOMMENDATION

That City Council, by resolution, accept the improvements as complete and dedicated right-of-way in accordance with the Subdivision Improvement Agreement for Cose Lane Subdivision, Tract 3623, including the project plans and specifications, assumes responsibility for their future maintenance and repair in accordance with the terms of the Subdivision Improvement Agreement and authorizes the City Engineer to release all bonds in accordance with the terms of the Subdivision Improvement Agreement.

Prepared by: Paul Verma, PE, Senior Civil Engineer

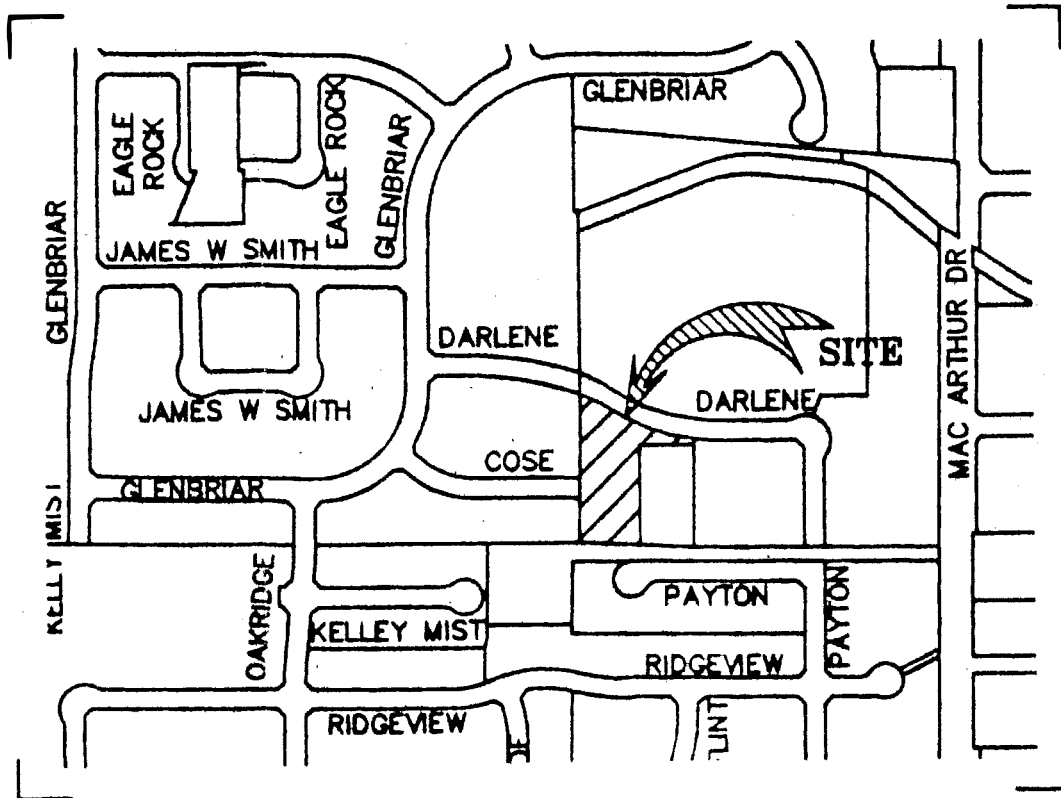
Reviewed by: Robert Armijo, PE, City Engineer / Assistant Development Services Director  
Andrew Malik, Development Services Director  
Karin Schnaider, Finance Director

Approved by: Midori Lichtwardt, Interim Assistant City Manager

#### ATTACHMENTS

Attachment A – Vicinity Map

**COSE LANE SUBDIVISION**  
**TRACT NO. 3623**



**VICINITY MAP**  
**(NOT TO SCALE)**

RESOLUTION 2018-\_\_\_\_\_

ACCEPTING THE SUBDIVISION IMPROVEMENTS FOR THE COSE LANE SUBDIVISION, TRACT 3623 AND DEDICATED RIGHT OF WAY, CONSTRUCTED BY HRDB INVESTMENT LLC, ASSUMING RESPONSIBILITY FOR THEIR FUTURE MAINTENANCE AND REPAIR, AND AUTHORIZING THE CITY ENGINEER TO RELEASE THE BONDS IN ACCORDANCE WITH THE SUBDIVISION IMPROVEMENT AGREEMENT

WHEREAS, On June 5, 2007, City Council approved the Subdivision Improvement Agreement (Agreement) for the Cose Lane, Tract 3623, and

WHEREAS, HRDB Investment, the subdivider/developer of Cose Lane subdivision, Tract 3623, has completed all the work required to be done in accordance with the Agreement, and has requested acceptance of the subdivision public improvements, and

WHEREAS, The City Engineer has inspected the completed work and recommends acceptance, and

WHEREAS, The estimated cost of infrastructure improvements is as follows:

Roadway Improvements	\$ 80,000
Water	\$ 30,000
Storm Drainage	\$ 20,000
Sanitary Sewer	\$ 10,000
Street Lights	\$ 6,000
Total	\$146,000

WHEREAS, A total of 9,370 square feet of land with an estimated value of \$78,958 has been offered for dedication as part of the public right-of-way in the Final Map, and

WHEREAS, City will assume responsibility for the future maintenance and repair of these improvements to be carried out by the Public Works and Utilities Department;

NOW, THEREFORE, BE IT RESOLVED, The City Council of the City of Tracy hereby accepts the improvements and dedicated right-of-way as complete in accordance with the Subdivision Improvement Agreement for Cose Lane Subdivision, Tract 3623, including the project plans and specifications, and assumes responsibility for their future maintenance and repair in accordance with the terms of the Subdivision Improvement Agreement;

BE IT FURTHER RESOLVED, That the City Engineer is authorized to release all bonds in accordance with the terms of the Subdivision Improvement Agreement.

\* \* \* \* \*

The foregoing Resolution 2018-\_\_\_\_\_ was passed and adopted by the Tracy City Council on the 17<sup>th</sup> day of July 2018, by the following vote:

AYES:	COUNCIL MEMBERS:
NOES:	COUNCIL MEMBERS:
ABSENT:	COUNCIL MEMBERS:
ABSTAIN:	COUNCIL MEMBERS:

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

AGENDA ITEM 1.P

REQUEST

**ACCEPT OFFSITE ROADWAY, SEWER, AND STORM DRAINAGE IMPROVEMENTS FOR THE DCT INDUSTRIAL BUILDING, CONSTRUCTED BY DCT ARBOR AVENUE LLC, ASSUME RESPONSIBILITY FOR THEIR FUTURE MAINTENANCE AND REPAIR, ACCEPT ALL OFFERS OF DEDICATION OF PUBLIC RIGHTS OF WAY, AND AUTHORIZE THE CITY ENGINEER TO RELEASE ALL BONDS IN ACCORDANCE WITH THE TERMS OF THE AGREEMENT.**

EXECUTIVE SUMMARY

DCT Arbor Avenue LLC, a Delaware Limited Liability Company (Developer), has completed offsite roadway, sewer, and storm drainage improvements for the DCT Industrial Building, a 795,732 square foot industrial distribution facility, in accordance with the Offsite Improvement Agreement approved by Council, including project plans and specifications. Staff recommends City Council accept the improvements as complete, accept all offers of dedication of public rights of way, and enable the City to release the developer's bonds. These assets will be recorded in the corresponding funds fixed assets upon acceptance.

DISCUSSION

On November 1, 2016, City Council approved the Offsite Improvement Agreement (Agreement) by Resolution No. 2016-228 for offsite roadway, sewer, and storm drainage improvements associated with the DCT Industrial Building. This facility is generally located on the south side of Arbor Avenue, east of MacArthur Drive, as shown on Attachment A.

Kier & Wright, Civil Engineers and Surveyors, Inc., of Livermore, California prepared the improvement plans titled "Improvement Plans – Arbor Avenue," containing forty-nine (49) sheets.

Developer has completed all the work required to be done in accordance with the Agreement, and has requested acceptance of the public improvements. The Developer shall warrant the quality of the work for one year after acceptance of the work by the City Council. The City Engineer has inspected the completed work and confirmed that the improvements conform to the Agreement and City specifications and plans. The estimated cost of the infrastructure improvements are as follows:

Cost Breakdown:

Roadway Improvements	\$ 1,042,098
Storm Drainage	\$ 620,856
Sanitary Sewer	\$ 368,374
Total	\$ 2,031,328

A total of 17,552 square feet (0.40 acre) of land is being dedicated as part of the public right-of-way for Arbor Avenue. A total of 108,945 square feet (2.50 acres) is being dedicated for City Detention Basin 13. Signed and notarized dedication documents have been delivered to the City for acceptance by City Council.

#### STRATEGIC PLAN

This agenda item is consistent with the Council approved Economic Development Strategy to ensure physical infrastructure necessary for development.

#### FISCAL IMPACT

The Developer, in accordance with the Offsite Improvement Agreement, completed all improvements. The infrastructure improvements cost of \$2,031,328 will be recorded in the corresponding funds fixed assets upon acceptance. The ongoing maintenance will be budgeted in the Public Works operating budget; there is sufficient funds to meet this expense.

#### RECOMMENDATION

That City Council, by resolution, accept the improvements as complete in accordance with the Offsite Improvement Agreement for DCT Industrial Building including the project plans and specifications, accepts all dedications of public right of way, assumes responsibility for their future maintenance and repair, and authorizes the City Engineer to release all bonds in accordance with the terms of the Agreement.

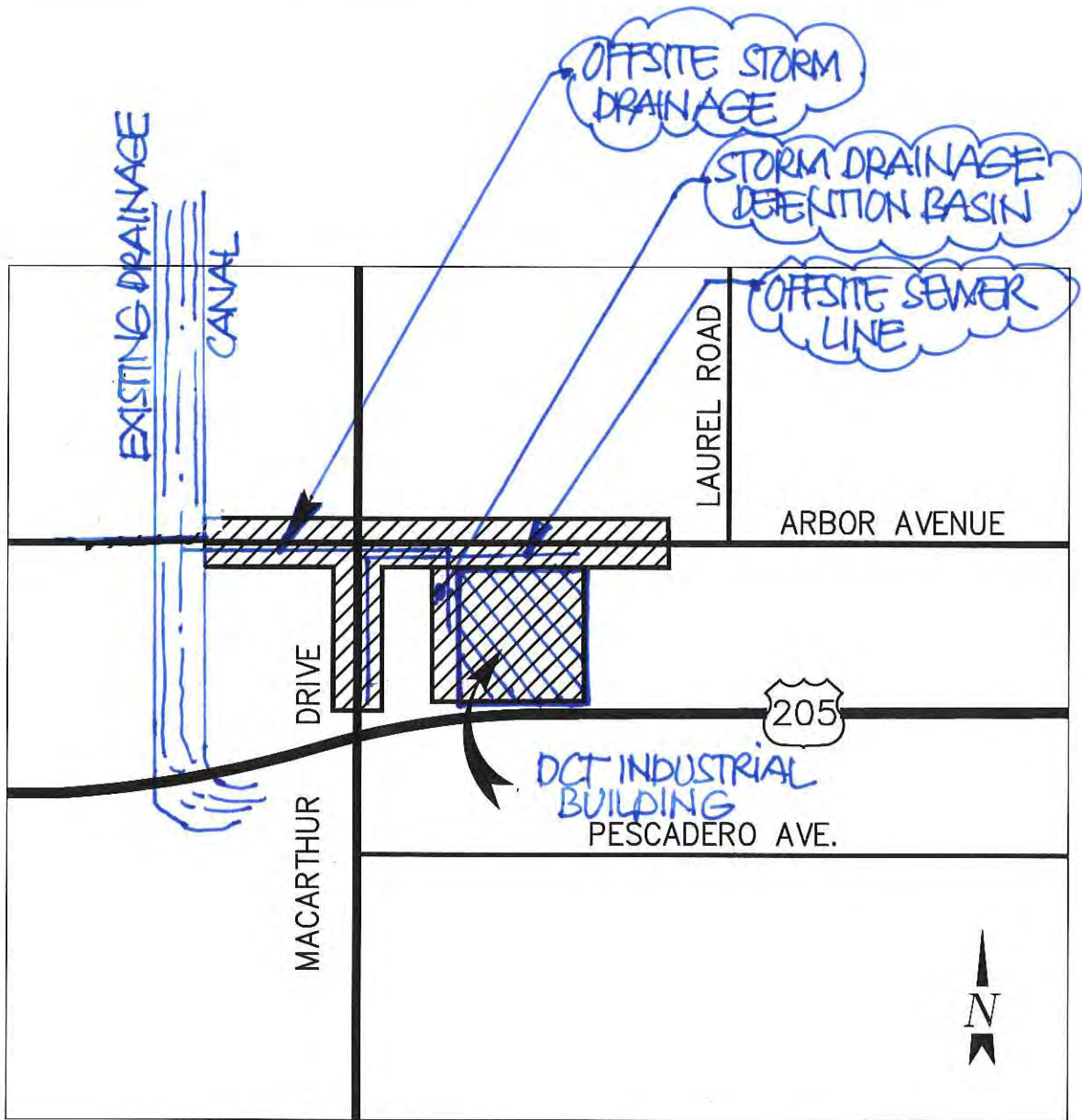
Prepared by: Paul Verma, PE, Senior Civil Engineer

Reviewed by: Robert Armijo, PE, City Engineer / Assistant Development Services Director  
Andrew Malik, Development Services Director  
Karin Schnaider, Finance Director

Approved by: Midori Lichtwardt, Interim Assistant, City Manager

#### ATTACHMENTS

Attachment A – Vicinity Map  
Attachment B – Grant Deeds



**KIER & WRIGHT**  
 CIVIL ENGINEERS & SURVEYORS, INC.  
 2850 Collier Canyon Road Phone (925) 245-8788  
 Livermore, California 94551 Fax (925) 245-8796

**VICINITY MAP**  
**ARBOR AVENUE**

TRACY, CALIFORNIA

DATE	SEPTEMBER 2016
SCALE	NTS
BY	KRR
JOB NO.	A13669-2
SHEET	1 OF 1

Attachment 'B'  
Grant Deed.

RECORDING REQUESTED BY:

CITY OF TRACY

AND WHEN RECORDED MAIL TO:

CITY CLERK OFFICE  
City of Tracy  
333 Civic Center Plaza  
Tracy, California 95376

APN:

SPACE ABOVE THIS LINE FOR RECORDER'S USE

THE UNDERSIGNED GRANTOR(S) DECLARE(S)  
DOCUMENTARY TRANSFER TAX is \$0.00 CITY TAX \$0.00  
\_\_\_ computed on full value of property conveyed; or  
\_\_\_ computed on full value less value of liens or encumbrances remaining at time of sale.  
\_\_\_ Unincorporated area: X City of Tracy, and

\*\*This Grant Deed is not subject to documentary transfer tax because the City of Tracy is acquiring title to the property conveyed by this Grant Deed. See R & T 11922.

**GRANT DEED  
(ARBOR AVENUE DEDICATION)**

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, DCT ARBOR AVENUE LLC, a Delaware limited liability company ("Grantor") hereby grants in fee to CITY OF TRACY, a municipal corporation ("Grantee"), the following described real property in the City of Tracy, County of San Joaquin, State of California:

Exhibit "A" and Exhibit "B" attached hereto and made a part hereof.

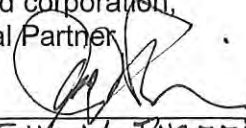
**GRANTOR:**

Dated 4/10/18

DCT ARBOR AVENUE LLC,  
a Delaware limited liability company

By: DCT Industrial Operating Partnership LP,  
a Delaware limited partnership,  
its Sole Member

By: DCT Industrial Trust Inc.,  
a Maryland corporation,  
its General Partner

By:   
Name: JOHN V. INGRIS  
Title: MANAGING DIRECTOR, WEST REGION



RESOLUTION OF ACCEPTANCE:

This is to certify that the interest in real property conveyed by this Deed or Grant is hereby accepted by the undersigned City Clerk of the City of Tracy, pursuant to authority conferred by Resolution No. 1670 of the Tracy City Council, adopted on August 6, 1968, and recorded with the San Joaquin County Recorder on August 14, 1968, Book 3231, pages 581 through 583, and the grantee consents to recordation thereof by its duly authorized officer.

---

City Clerk,  
City of Tracy, California

PLEASE USE CALIFORNIA ALL -PURPOSE ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

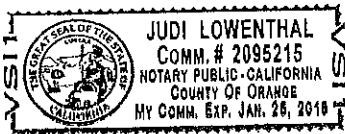
STATE OF CALIFORNIA

COUNTY OF ORANGE

On APRIL 10, 2018, before me, JUDI LOWENTHAL, a Notary Public, personally appeared JOHN V. PHARRIS, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Judi Lowenthal  
Signature of the Notary Public

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA

COUNTY OF \_\_\_\_\_

On \_\_\_\_\_, 2018, before me, \_\_\_\_\_, a Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Signature of the Notary Public

**EXHIBIT 'A'**  
**LEGAL DESCRIPTION**  
**ARBOR AVENUE RIGHT OF WAY DEDICATION**

BEING A PORTION OF ADJUSTED PARCEL 1, AS SAID PARCEL IS DESCRIBED IN THAT CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. MS16-0006 RECORDED NOVEMBER 10, 2017 AS DOCUMENT NUMBER 2017-131495, OFFICIAL RECORDS OF SAN JOAQUIN COUNTY, BEING DESCRIBED AS FOLLOWS:

**BEGINNING** AT THE NORTHWEST CORNER OF SAID ADJUSTED PARCEL 1;

THENCE ALONG THE NORTH LINE OF SAID ADJUSTED PARCEL 1, SAID NORTH LINE ALSO BEING THE SOUTH LINE OF ARBOR AVENUE, SOUTH 89° 38' 16" EAST, 1,320.62 FEET TO THE NORTHEAST CORNER OF SAID LOT 37;

THENCE ALONG THE EAST LINE OF SAID ADJUSTED PARCEL 1, SOUTH 00° 22' 01" WEST, 18.00 FEET TO A POINT ON A LINE THAT IS PARALLEL WITH AND 18.00 FEET SOUTHERLY OF SAID NORTH LINE;

THENCE ALONG SAID PARALLEL LINE, NORTH 89° 38' 16" WEST, 385.41 FEET;

THENCE ALONG THE ARC OF A CURVE TO THE RIGHT HAVING A RADIUS OF 307.03 FEET, THROUGH A CENTRAL ANGLE OF 7° 49' 45" FOR AN ARC LENGTH OF 41.95 FEET;

THENCE NORTH 81° 48' 31" WEST, 40.38 FEET;

THENCE ALONG THE ARC OF A CURVE TO THE LEFT HAVING A RADIUS OF 283.03 FEET, THROUGH A CENTRAL ANGLE OF 7° 49' 45" FOR AN ARC LENGTH OF 38.67 FEET TO A POINT ON A LINE THAT IS PARALLEL WITH AND 7.00 FEET SOUTHERLY OF SAID NORTH LINE;

THENCE ALONG LAST SAID PARALLEL LINE, NORTH 89° 38' 16" WEST, 635.42 FEET;

THENCE ALONG THE ARC OF A NON-TANGENT CURVE TO THE LEFT, THE CENTER OF WHICH BEARS SOUTH 25° 21' 46" EAST, HAVING A RADIUS OF 55.50 FEET, THROUGH A CENTRAL ANGLE OF 32° 09' 58" FOR AN ARC LENGTH OF 31.16 FEET TO A POINT ON A LINE THAT IS PARALLEL WITH AND 27.50 FEET SOUTHERLY OF SAID NORTH LINE;

THENCE ALONG LAST SAID PARALLEL LINE, NORTH 89° 38' 16" WEST, 156.49 FEET TO A POINT ON THE WEST LINE OF SAID LOT 24;

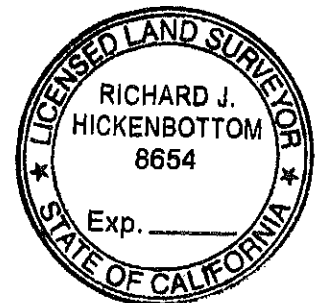
THENCE ALONG THE WEST LINE OF SAID ADJUSTED PARCEL 1, NORTH 00° 22' 01" EAST, 27.50 FEET TO THE **POINT OF BEGINNING**.

CONTAINING 17,552 SQUARE FEET OF LAND, MORE OR LESS.

KIER & WRIGHT CIVIL ENGINEERS & SURVEYORS, INC.

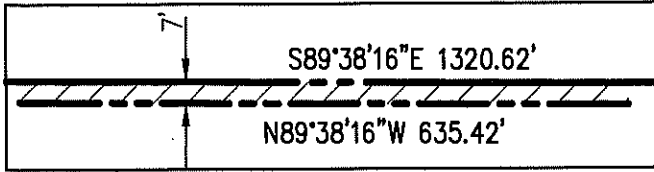
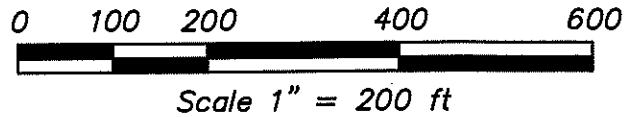
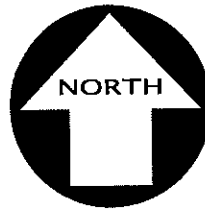
  
RICHARD J. HICKENBOTTOM, LS 8654

3/6/18  
DATE



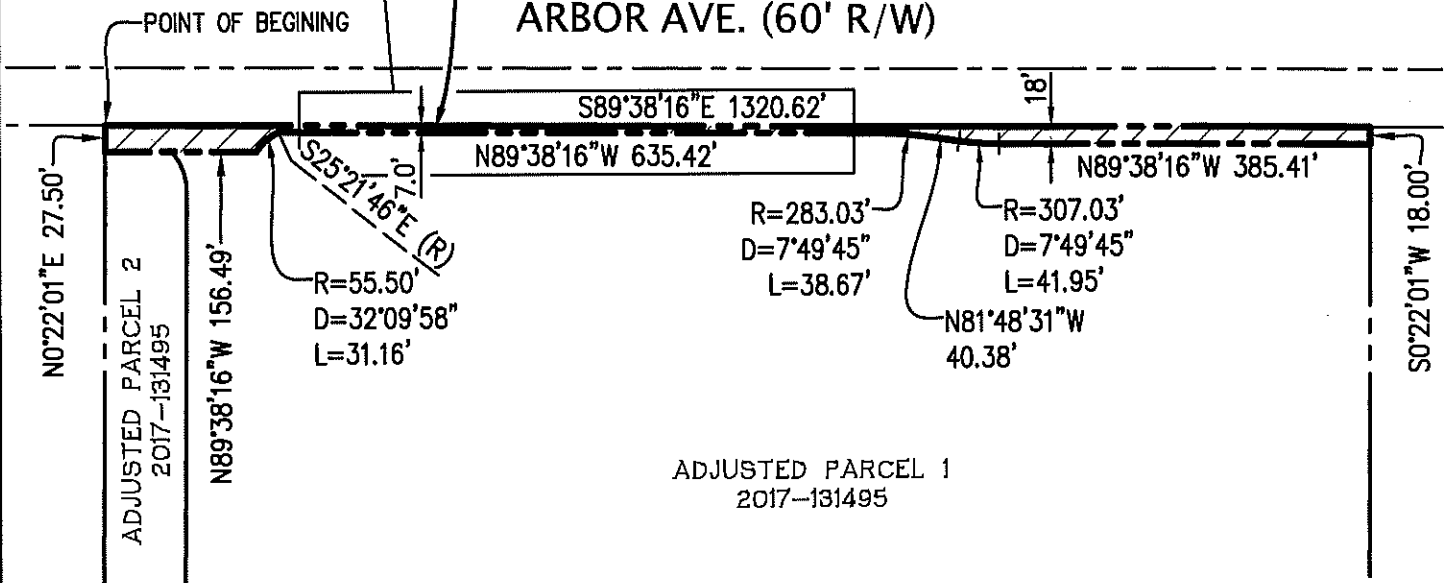
# DETAIL

NTS



RIGHT-OF-WAY  
DEDICATION  
AREA = 17,552± SQFT.

ARBOR AVE. (60' R/W)



## LEGEND

	EASEMENT BOUNDARY LINE
	LOT LINE
	PROPERTY LINE
	MAP
	RIGHT OF WAY
	SQUARE FEET
	RIGHT OF WAY DEDICATION



**KIER & WRIGHT**  
CIVIL ENGINEERS & SURVEYORS, INC.  
2850 Collier Canyon Road Phone (925) 245-8788  
Livermore, California 94551 Fax (925) 245-8796

**EXHIBIT "B"**  
RIGHT OF WAY DEDICATION

TRACY, CALIFORNIA

DATE	MAY 2016
SCALE	1" = 200'
BY	RJH
JOB NO.	A13669-2
SHEET	1 OF 1

RECORDING REQUESTED BY:

CITY OF TRACY

AND WHEN RECORDED MAIL TO:

CITY CLERK OFFICE  
City of Tracy  
333 Civic Center Plaza  
Tracy, California 95376

APN:

SPACE ABOVE THIS LINE FOR RECORDER'S USE

THE UNDERSIGNED GRANTOR(s) DECLARE(s)  
DOCUMENTARY TRANSFER TAX is \$0.00 CITY TAX \$0.00  
\_\_\_ computed on full value of property conveyed; or  
\_\_\_ computed on full value less value of liens or encumbrances remaining at time of sale.  
\_\_\_ Unincorporated area: X City of Tracy, and

\*\*This Grant Deed is not subject to documentary transfer tax because the City of Tracy is acquiring title to the property conveyed by this Grant Deed. See R & T 11922.

**GRANT DEED  
(DRAINAGE BASIN DEDICATION)**

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, DCT ARBOR AVENUE LLC, a Delaware limited liability company ("Grantor") hereby grants in fee to CITY OF TRACY, a municipal corporation ("Grantee"), the following described real property in the City of Tracy, County of San Joaquin, State of California:

Exhibit "A" and Exhibit "B" attached hereto and made a part hereof.


**GRANTOR:**

Dated 4/10/18

DCT ARBOR AVENUE LLC,  
a Delaware limited liability company

By: DCT Industrial Operating Partnership LP,  
a Delaware limited partnership,  
its Sole Member

By: DCT Industrial Trust Inc.,  
a Maryland corporation,  
its General Partner

By:   
Name: JOHN V. HARRIS  
Title: MANAGING DIRECTOR, WEST REGION

RESOLUTION OF ACCEPTANCE:

This is to certify that the interest in real property conveyed by this Deed or Grant is hereby accepted by the undersigned City Clerk of the City of Tracy, pursuant to authority conferred by Resolution No. 1670 of the Tracy City Council, adopted on August 6, 1968, and recorded with the San Joaquin County Recorder on August 14, 1968, Book 3231, pages 581 through 583, and the grantee consents to recordation thereof by its duly authorized officer.

---

City Clerk,  
City of Tracy, California

PLEASE USE CALIFORNIA ALL -PURPOSE ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

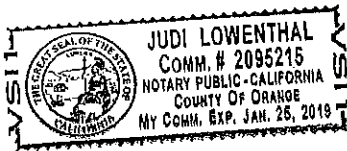
STATE OF CALIFORNIA

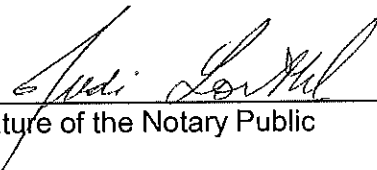
COUNTY OF ORANGE

On APRIL 10, 2018, before me, JUDI LOWENTHAL, a Notary Public, personally appeared JOHN V. PHARRIS, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/~~she~~they executed the same in his/~~her~~their authorized capacity(ies), and that by his/~~her~~their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



  
\_\_\_\_\_  
Signature of the Notary Public



A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA

COUNTY OF \_\_\_\_\_

On \_\_\_\_\_, 2018, before me, \_\_\_\_\_, a Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Signature of the Notary Public

**EXHIBIT 'A'**  
**LEGAL DESCRIPTION**  
**DRAINAGE BASIN PARCEL**

BEING ALL OF ADJUSTED PARCEL 2, AS SAID PARCEL IS DESCRIBED IN THAT CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. MS16-0006 RECORDED NOVEMBER 10, 2017 AS DOCUMENT NUMBER 2017-131495, OFFICIAL RECORDS OF SAN JOAQUIN COUNTY, BEING DESCRIBED AS FOLLOWS:

BEING A PORTION OF LOT 24 OF THE MAP OF UNIT NO. 1, PESCADERO COLONY RECORDED NOVEMBER 10, 1921 IN VOLUME 10 OF MAPS AND PLATS, PAGE 44, OFFICIAL RECORDS OF SAN JOAQUIN COUNTY, SITUATE IN THE CITY OF TRACY, COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

**BEGINNING** AT THE SOUTHWEST CORNER OF SAID LOT 24;

THENCE ALONG THE WEST LINE OF SAID LOT 24, NORTH 00° 22' 01" EAST, 1,277.80 FEET TO A POINT ON A LINE THAT IS PARALLEL WITH AND 27.50 FEET SOUTHERLY OF THE NORTH LINE OF SAID LOT 24;

THENCE ALONG SAID PARALLEL LINE, SOUTH 89° 38' 16" EAST, 68.40 FEET TO A NON TANGENT CURVE TO THE RIGHT;

THENCE ALONG THE ARC OF A 59.00 FOOT RADIUS NON-TANGENT CURVE TO THE RIGHT, THE CENTER OF WHICH BEARS NORTH 47° 00' 47" EAST, THROUGH A CENTRAL ANGLE OF 43° 21' 14", HAVING DISTANCE OF 44.64 FEET TO A POINT ON A LINE THAT IS PARALLEL WITH AND 84.50 FEET EASTERLY OF THE WEST LINE OF SAID LOT 24;

THENCE ALONG LAST SAID PARALLEL LINE, SOUTH 00° 22' 01" WEST, 407.38 FEET;


THENCE SOUTH 00° 32' 34" EAST, 94.45 FEET TO A POINT ON A LINE THAT IS PARALLEL WITH AND 86.00 FEET EASTERLY OF THE WEST LINE OF SAID LOT 24;

THENCE ALONG LAST SAID PARALLEL LINE, SOUTH 00° 22' 01" WEST, 735.49 FEET TO A POINT ON THE SOUTH LINE OF SAID LOT 24;

THENCE ALONG THE SOUTH LINE OF SAID LOT 24, NORTH 89° 37' 29" WEST 86.00 FEET TO THE **POINT OF BEGINNING.**

CONTAINING 108,945 SQUARE FEET, OR 2.5010 ACRES OF LAND, MORE OR LESS.

KIER & WRIGHT CIVIL ENGINEERS & SURVEYORS, INC.

  
RICHARD J. HICKENBOTTOM, LS 8654

3/6/18  
DATE



0 100 200 400 600



Scale 1" = 200 ft



ARBOR AVE. (60' R/W)

S0°22'01"W 27.50'

S89°38'16"E 68.40'

S89°38'16"E 1320.62'

R=59.00'

84.5' D=43°21'14"

L=44.64'

S0°22'01"W 407.38'

1277.80'

**DRAINAGE BASIN PARCEL**

AREA = 108,949± SF (2.4869± ACRES)

S0°32'34"E 94.45'

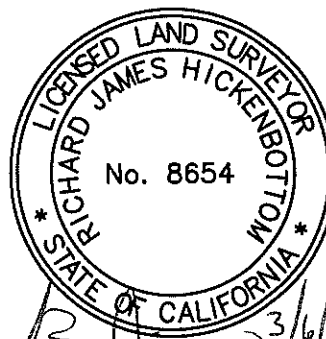
N0°22'01"E 1305.30'

ADJUSTED PARCEL 2  
DOC# 2017-131495

S0°22'01"W 735.49'

ADJUSTED PARCEL 1

DOC# 2017-131495



S0°22'01"W 1305.60'

**LEGEND**

	EASEMENT BOUNDARY LINE
	LOT LINE
	PROPERTY LINE
	MAP
	RIGHT OF WAY
	SQUARE FEET
	BASIN PARCEL

BACCHETTI  
DOC# 2005-057634

86.0'

86.00'

1234.62'

N89°37'29"W 1320.62'

POINT OF BEGINNING

I-205



**KIER & WRIGHT**  
CIVIL ENGINEERS & SURVEYORS, INC.  
2850 Collier Canyon Road Phone (925) 245-8788  
Livermore, California 94551 Fax (925) 245-8796

**EXHIBIT "B"**  
**DRAINAGE BASIN PARCEL**

TRACY,

CALIFORNIA

DATE	MAY 2016
SCALE	1" = 200'
BY	RJH
JOB NO.	A13669-2
SHEET	1 OF 1

RESOLUTION 2018-\_\_\_\_\_

ACCEPTING OFFSITE ROADWAY, SEWER, AND STORM DRAINAGE IMPROVEMENTS FOR THE DCT INDUSTRIAL BUILDING, CONSTRUCTED BY DCT ARBOR AVENUE LLC, ASSUMING RESPONSIBILITY FOR THEIR FUTURE MAINTENANCE AND REPAIR, ACCEPTING ALL OFFERS OF DEDICATION OF PUBLIC RIGHTS OF WAY, AND AUTHORIZING THE CITY ENGINEER TO RELEASE BONDS IN ACCORDANCE WITH THE TERMS OF THE OFFSITE IMPROVEMENT AGREEMENT

WHEREAS, On November 1, 2016, City Council approved the Offsite Improvement Agreement (Agreement) by Resolution No. 2016-228 for offsite roadway, sewer, and storm drainage improvements associated with the DCT Industrial Building, and

WHEREAS, DCT Arbor Avenue LLC, a Delaware limited liability company (Developer), has completed all the work required to be done in accordance with the Agreement, and has requested acceptance of the offsite public improvements, and

WHEREAS, The City Engineer has inspected the completed work and recommends acceptance, and

WHEREAS, The estimated cost of infrastructure improvements is as follows:

Cost Breakdown:

Roadway Improvements	\$ 1,042,098
Storm Drainage	\$ 620,856
Sanitary Sewer	\$ 368,374
Total	\$ 2,031,328

WHEREAS, Signed and notarized conveyance documents have been delivered to the City for required dedications of road right of way along Arbor Avenue and for Detention Basin 13, and

WHEREAS, Upon acceptance the City is assuming responsibility for maintenance of these improvements which shall be carried out by the City's Public Works Department;

NOW, THEREFORE, BE IT RESOLVED, That the City Council of the City of Tracy hereby accepts the improvements as complete in accordance with the Offsite Improvement Agreement for the DCT Industrial Building, including the project plans and specifications and assumes responsibility for their future maintenance and repair in accordance with the terms of the Subdivision Improvement Agreement;

BE IT FURTHER RESOLVED, That the City Clerk is authorized to accept right of way Dedications along Arbor Avenue and for Detention Basin 13;

BE IT FURTHER RESOLVED, That the City Engineer is authorized to release all bonds in accordance with the terms of the Offsite Improvement Agreement.

\* \* \* \* \*

The foregoing Resolution 2018-\_\_\_\_\_ was passed and adopted by the Tracy City Council on the 17<sup>th</sup> day of July 2018, by the following vote:

AYES:	COUNCIL MEMBERS:
NOES:	COUNCIL MEMBERS:
ABSENT:	COUNCIL MEMBERS:
ABSTAIN:	COUNCIL MEMBERS:

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

AGENDA ITEM 3

REQUEST

**ACCEPT THE CERTIFICATE OF SUFFICIENCY OF INITIATIVE PETITION FOR THE WORKFORCE AND SENIOR HOUSING RESIDENTIAL ATTAINMENT INITIATIVE AND DISCUSS AND PROVIDE DIRECTION ON THE FOLLOWING: (1) DIRECT STAFF TO PREPARE AN INFORMATIONAL REPORT ON THE INITIATIVE AND, IF THE DIRECTION IS TO PREPARE THE REPORT, APPROPRIATE \$25,000 FROM GENERAL FUND RESERVES OR (2) SUBMIT THE INITIATIVE TO THE VOTERS AT THE NEXT REGULAR MUNICIPAL ELECTION ON NOVEMBER 6, 2018 AND DIRECT THE CITY ATTORNEY TO PREPARE AN IMPARTIAL ANALYSIS, SET THE DATES FOR SUBMITTAL OF BALLOT ARGUMENTS, AND DETERMINE WHETHER TO ALLOW REBUTTAL ARGUMENTS AND APPROPRIATE \$75,000 FROM GENERAL FUND RESERVES**

EXECUTIVE SUMMARY

On June 7, 2018, a Notice of Intent to Circulate Petition was filed with the City Clerk for the "Workforce and Senior Housing Attainment Initiative" (Initiative Measure or Ordinance). The purpose of this agenda item is to seek Council acceptance of the Certificate of Sufficiency finding that there are sufficient signatures for the Initiative in accordance with the Elections Code. Council direction and action is also sought on the following: (1) direct staff to prepare an informational report on the Initiative and return to Council no later than 30 days from this meeting or (2) submit the Initiative to the voters, without alteration, at the next regular municipal election on November 6, 2018 (deadline to submit Initiative to County for November ballot is August 10, 2018). In the event the Council decides to submit the ordinance to the voters, Council action is needed in order to direct the City Attorney to prepare an impartial analysis, set dates for submittal of ballot arguments and allow rebuttal arguments.

Staff has confirmed with the County Registrar of Voters that the deadline to submit this initiative measure for inclusion on the November 6, 2018 ballot is August 10, 2018.

DISCUSSION

On June 7, 2018, a Notice of Intent to Circulate Petition was filed with the City Clerk by proponents William Reeve, Gurcharan Takhar, and Grace Alvarez for the "Workforce and Senior Housing Attainment Initiative." (Attachment A) The Initiative would add an ordinance to the Tracy Municipal Code to exempt deed-restricted senior housing, attached homes, and homes on lots of 4,000 sq. ft. or less located within the designated areas on the map attached to the Initiative (Page 24 of Attachment A) from the City's Growth Management Ordinance (GMO), found in Chapter 10.12 of the Tracy Municipal Code. Some of the designated areas are outside of the City limits but within the City's Sphere of Influence and some areas are outside both the City limits and the City's Sphere of Influence. The Initiative would also require that each subdivision or project phase be released for sale only after a lottery is held for Tracy residents to obtain an opportunity to purchase dwelling units in that phase or subdivision. After the lottery is

completed, units may be released to non-Tracy residents for sale. The language in the Initiative does not specify whether the lottery system would pertain to the areas designated on the map or citywide.

Pursuant to the Elections Code, the City Attorney prepared a ballot title and summary of the proposed measure on June 14, 2018, which is attached as Attachment B. The proponents provided proof of publication of the title and summary to the City Clerk on June 15, 2018, which is attached as Attachment C. The proponents circulated the petition for signatures by Tracy voters and submitted the petition to the City Clerk on June 25, 2018. The City Clerk completed a prima facie examination of the petition and submitted the petition to the County Registrar of Voters (ROV) on June 27, 2018 to verify signatures in accordance with Elections Code Section 9114. On July 12, 2018, the ROV issued a Signature Verification Certificate. The City Clerk has issued a Certificate of Sufficiency of the Initiative Petition deeming the petition sufficient under the Elections Code. (Attachment D)

Pursuant to Section 9215 of the Elections Code, upon certification of the sufficiency of signatures at a regular meeting, the City Council must either:

- (a) Adopt the ordinance without alteration; or
- (b) Submit the ordinance to the voters, without alteration, in accordance with Elections Code Section 1405; or
- (c) Order that an informational report be prepared.

Provisions of the Initiative create an exemption from the City's GMO, and therefore have an effect on parts of the GMO that were adopted by the voters in 2000 via Measure A. Section 9217 of the Elections Code provides in relevant part that an ordinance that is adopted by the voters may only be repealed or amended by a vote of the people unless the provision is otherwise made in the original ordinance. Because Measure A did not contain a provision allowing the GMO to be amended by the City Council to create this type of exemption, the City Council must submit the Initiative measure to the voters.

Elections Code Section 1405 was amended, effective January 1, 2018 by Assembly Bill 765, to provide that an initiative that qualifies under Elections Code 9215 shall be considered at the next regularly scheduled municipal election, or in the alternative, the legislative body may call a special election for the purpose of submitting the initiative to voters before the date in which the initiative would have otherwise appeared. The next regularly scheduled municipal election will be held on November 6, 2018. Staff recommends against calling a special election before that date as there will be a greater electorate participation at that election and this is a measure of great citywide interest.

Thus, staff recommends that the City Council either: (1) order that an informational report be prepared and appropriate funds, as needed; or (2) submit the ordinance to the voters at the November 6, 2018 election, provide direction on election matters, and appropriate funds, as needed. Staff has confirmed with the County Registrar of Voters that the deadline to submit this initiative for inclusion on the November 6, 2018 ballot is August 10, 2018.

Council Options

A. Order Staff to Prepare an Informational Report

Elections Code section 9212 provides, in relevant part, that before submitting a proposed initiative measure to a vote, the City Council may refer the proposed initiative measure to any city agency or agencies for a report on any or all of the following:

- (1) Its fiscal impact.
- (2) Its effect on the internal consistency of the City's General and specific plans, including the Housing Element, the consistency between planning and zoning, and the limitations on City actions set forth in the Government Code relating to discrimination and the density bonus provisions of the Government Code.
- (3) Its effect on the use of land, the impact on the availability and location of housing, and the ability of the City to meet its regional housing needs.
- (4) Its impact on funding for infrastructure of all types, including, but not limited to, transportation, schools, parks, and open space. The report may also discuss whether the measure would be likely to result in increased infrastructure costs or savings, including the costs of infrastructure maintenance, to current residents and businesses.
- (5) Its impact on the community's ability to attract and retain business and employment
- (6) Its impact on the uses of vacant parcels of land.
- (7) Its impact on agricultural lands, open space, traffic congestion, existing business districts, and developed areas designated for revitalization.
- (8) Any other matters the City Council requests to be in the report.

An informational report prepared pursuant to Section 9212 of the Elections Code must be presented to the City Council within the time prescribed by the Council, but no later than 30 days after the City Clerk certifies to the City Council the sufficiency of the petition.

Staff estimates that it would cost approximately \$25,000 to have an independent report prepared that would evaluate the Initiative on issues such as consistency with the General Plan, GMO, GMO Guidelines, infrastructure systems including water supply availability, roadway and traffic impacts, and wastewater treatment and disposal, along with any other issues Council desires to be considered. If the Council desires such a report, staff recommends that the Council appropriate \$25,000 from the City's General Fund to pay for it.

If the Council directs the preparation of an informational report, it need not take action on whether to submit this Initiative to voters at this time. In such a case, the Council would submit the ordinance to voters when the informational report is presented, however, that must occur before August 10, 2018 and that action can only take place at a regular meeting. The next regularly scheduled Council meeting of August 7<sup>th</sup> was canceled.

B. Submit the Initiative to Voters at the Next Regular Municipal Election on November 6, 2018



If the Council chooses not to order preparation of an informational report, then Council can decide to either adopt a resolution to place this Initiative on the next regularly scheduled municipal election or call for a special election that is not less than 88 days after the date of order. The November 6, 2018 election falls within this time frame.

The cost of adding this measure to the November election is an additional \$75,000. Therefore, if the City Council decides to submit this to the voters, staff is recommending that Council appropriate an additional \$75,000 to the City Clerk's office for the costs associated with placing this measure on the ballot.

If the Council orders to submit this to the voters, it should also determine whether to direct the City Attorney to prepare an impartial analysis of the proposed initiative measure and establish the dates for submittal of ballot arguments.

1. Impartial Analysis

Pursuant to Section 9280 of the Elections Code, when directed by the City Council, the City Attorney must prepare an impartial analysis of the measure showing the effect of the measure on the existing law and the operation of the measure. The analysis must include a statement indicating whether the measure was placed on the ballot by a petition signed by the requisite number of voters or by the City Council. The analysis must be printed preceding the arguments for and against the measure and may not exceed 500 words in length.

2. Ballot Arguments

The persons filing the initiative petition may file a written argument in favor of the ordinance, and the City Council may submit an argument against the ordinance. These arguments must be filed with the City Clerk no later than 14 days from the date of ordering the election and may not exceed 300 words.

If the Council chooses, it can also, by resolution, allow for rebuttal arguments of no more than 250 words. If rebuttal arguments are permitted, they must be filed with the City Clerk no later than 10 days after the final filing date for primary arguments.

If the City Council chooses to submit an argument against the measure, staff recommends that it: (a) form a subcommittee of the Council to draft a proposed argument for consideration by the Council as a whole at the next City Council meeting; or (2) schedule a special City Council meeting to consider the contents of such argument before the next City Council meeting.

STRATEGIC PLAN

This is a routine operational item and is not related to any of the Council Strategic Plans.

FISCAL IMPACT

If Council directs staff to prepare an informational report, the costs associated with the report requires an appropriation of \$25,000 to the City Clerk's Office from General Fund

Reserves. If the City Council places this Initiative on the November 2018 ballot, an appropriation of \$75,000 is needed for the City Clerk's Office from the General Fund Reserves. There are sufficient funds to cover this request.

### RECOMMENDATION

That the City Council:

1. Accept the report of the City Clerk declaring the sufficiency of the initiative petition; and either
2. Adopt a resolution directing that an informational report be prepared pursuant to Section 9212 of the Elections Code and appropriating \$25,000 from the City's General Fund Reserves for the costs associated with preparing the report; or
3. Adopt resolutions to submit the ordinance to the voters on the November 6, 2018 election, directing the preparation of an impartial analysis and providing for the filing of arguments and rebuttal arguments and appropriating an additional \$75,000 from the City's General Fund Reserves for the costs associated with adding this measure to the ballot. (Attachment E)

Prepared by: Adrienne Richardson, City Clerk  
Leticia Ramirez, Assistant City Attorney

Reviewed by: Bill Dean, Assistant Development Services Director  
Karin Schnaider, Finance Director

Approved by: Midori Lichtwardt, Interim Assistant City Manager

### ATTACHMENTS

Attachment A – Proposed Initiative

Attachment B - Ballot Title and Summary Prepared by City Attorney

Attachment C - Proof of Publication

Attachment D – City Clerk's Certificate of Sufficiency of Initiative and Registrar of Voters  
Signature Verification Certificate

Attachment E - Resolutions

Date: June 7, 2018

RECEIVED  
CITY CLERK'S OFFICE  
2018 JUN -7 PM 5:48

City Clerk  
City of Tracy  
333 Civic Center Plaza  
Tracy, CA 95376

CITY OF TRACY  
TRACY, CA

Re: Initiative Measure to be Submitted to Voters

Dear City Clerk:

The undersigned are registered voters in the City of Tracy and proponents of the enclosed proposed initiative measure. Find enclosed with this letter:

- Text of a proposed initiative measure;
- Notice of Intent to Circulate Petition;
- Signed proponent affidavits as required by Section 9608 of the California Elections Code; and
- Check in the amount of \$200.

**Please transmit the initiative measure to the City Attorney for preparation of a Title and Summary pursuant to California Elections Code Section 9203.**

For all matters relating to this initiative, we authorize your office to provide notices and to otherwise communicate with our attorneys, and authorize our attorneys to file any and all documents relating to this initiative with your office:

Robert Mehlhaff  
LAW OFFICES OF ROBERT MEHLHAFF  
4600 S. Tracy Boulevard, Suite 114  
Tracy, CA 95378  
(209) 835-3232  
rmehlhaff@mehlhaff-law.com

Ashlee Titus  
BELL, McANDREWS & HILTACHK, LLP  
455 Capitol Mall, Suite 600  
Sacramento, CA 95814  
(916) 442-7757  
atitus@bmhlaw.com

Very Truly Yours,

  
William Reeve

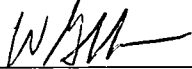
  
Gurcharan Takhar

  
Grace Alvarez

**AFFIDAVIT**

I, William Reeve, acknowledge that it is a misdemeanor under state law (Section 18650 of the Elections Code) to knowingly or willfully allow the signatures on an initiative petition to be used for any purpose other than qualification of the proposed measure for the ballot. I certify that I will not knowingly or willfully allow the signatures for this initiative to be used for any purpose other than qualification of the measure for the ballot.

Signed:



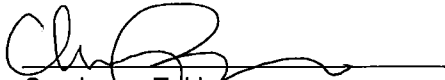
Dated this 7 day of June, 2018

William Reeve  
1417 Harding Avenue  
Tracy, CA 95376

## AFFIDAVIT

I, Gurcharan Takhar, acknowledge that it is a misdemeanor under state law (Section 18650 of the Elections Code) to knowingly or willfully allow the signatures on an initiative petition to be used for any purpose other than qualification of the proposed measure for the ballot. I certify that I will not knowingly or willfully allow the signatures for this initiative to be used for any purpose other than qualification of the measure for the ballot.

Signed:



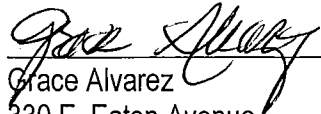
Gurcharan Takhar  
1735 Birchwood Lane  
Tracy, CA 95376

Dated this 7 day of June, 2018

AFFIDAVIT

I, Grace Alvarez, acknowledge that it is a misdemeanor under state law (Section 18650 of the Elections Code) to knowingly or willfully allow the signatures on an initiative petition to be used for any purpose other than qualification of the proposed measure for the ballot. I certify that I will not knowingly or willfully allow the signatures for this initiative to be used for any purpose other than qualification of the measure for the ballot.

Signed:



Grace Alvarez  
330 E. Eaton Avenue  
Tracy, CA 95376

Dated this 2<sup>th</sup> day of June, 2018

## Notice of Intent to Circulate Petition

Notice is hereby given by the persons whose names appears hereon of their intention to circulate the petition within the City of Tracy for the purpose of adopting an ordinance to amend the City's Residential Growth Management Plan. A statement of the reasons for the proposed action as contemplated in the Petition is as follows:

Tracy families and residents are frustrated by the skyrocketing prices of new housing in Tracy. Burdensome regulations, high labor and materials costs and artificial limits on supply from residential growth limits are combining to make a new home in Tracy less and less attainable to the middle class.

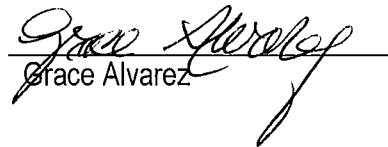
The Workforce and Senior Housing Attainment Initiative is designed to make new homes in Tracy attainable and affordable by removing artificial limits on certain types of new housing and encouraging the development of housing for Tracy's seniors, first-time homebuyers and other middle-income home buyers who do not qualify for government subsidies.

The Workforce and Senior Housing Residential Attainment Initiative would make residential development projects that meet the following specific criteria exempt from the city's artificial restrictions on new residential development:

- A. Senior Housing Projects that are deed restricted to at least one occupant of age 55+.
- B. Market rate housing projects that are "Attainable by Design," defined to mean that they offer multiple types of housing products for all life stages, including first-time buyers, families, and seniors, by including both (i) attached homes (condominiums, duplexes, Townhomes, attached dwellings) and/or (ii) single-family detached homes on lots of 4,000 square feet or less.

  
\_\_\_\_\_  
William Reeve

  
\_\_\_\_\_  
Gurcharan Takhar

  
\_\_\_\_\_  
Grace Alvarez

## INITIATIVE MEASURE TO BE SUBMITTED DIRECTLY TO THE VOTERS

TO THE HONORABLE CLERK OF THE CITY OF TRACY:

We, the undersigned, registered, qualified voters of California, residents of the City of Tracy, hereby propose an amendment to Chapter 10.12 of the City of Tracy Municipal Code, the Residential Growth Management Plan, and petition you to immediately submit this initiative to the City Council for adoption without alteration, or alternatively for submission to the voters of the City of Tracy at a special election or the next regular municipal election for which it qualifies, pursuant to Elections Code section 9215. The proposed ordinance reads as follows:

The People of the City of Tracy hereby do ordain as follows:

### SECTION 1: Purpose of Initiative Ordinance.

The People of the City of Tracy hereby find that it is in the best interests of the present and future residents of Tracy to encourage and promote the development of new housing that is affordable to middle-income residents, first-time homebuyers and seniors by exempting certain types of housing projects from the artificial growth limits of the Residential Growth Management Plan within the areas shown on the attached map.

### SECTION 2: Amendment and Adoption.

Section 10.12.060 of the Tracy Municipal Code Chapter 10.12 (Residential Growth Management Plan), the entirety of the existing text, a copy of which is attached to this Initiative Ordinance and marked "Amended by this Initiative", is hereby amended by adding subdivision "(f)" as follows:

#### 10.12.060 – Exemptions.

(f) A project shall be exempt from further compliance with this chapter if the developer includes (in addition to the requirements of this chapter and the GMO guidelines) documentation, to the satisfaction of the Development and Engineering Services Director, which establishes that the development project which is the subject of the application meets the requirements of one of the following subsections:

(1) Attainable Workforce and Senior Housing. The development project meets one of the following requirements:

(a) All senior residential units in the project are deed restricted to at least one occupant of age 55 or greater;  
or

(b) The project offers multiple types of housing products and consists exclusively of for-sale housing units that are (i) attached homes (including condominiums, duplexes, triplexes, four-plexes, attached dwellings, and townhomes), and/or (ii) single-family detached homes on lots that are 4,000 square feet or less.

### SECTION 3: Title, chapter and section headings.

Title, chapter and section headings contained herein shall not be deemed to govern, limit, modify, or in any manner affect the scope, meaning or intent of the provisions of any title, chapter, or section hereof.

### SECTION 4: Implementation.

(a) Upon passage of this Initiative Ordinance, its provisions shall be immediately effective, and the City shall immediately adopt all changes required by this Initiative Ordinance.

(b) The City shall amend the Residential Growth Management Plan, any successor Growth Management Ordinance, all ordinances, GMO Guidelines, Guidelines, regulations, its zoning ordinance, and all other land use, development, and subdivision regulations to bring them into conformity with this Initiative Ordinance. Revisions to the RGMP, GMO, GMO Guidelines or other Guidelines, regulations and ordinances may include



revisions which are necessary to reflect development which has already occurred and approved development proposals for which the right to develop was legally vested as of the date this Initiative Ordinance is passed by the voters.

(c) Prior to each subdivision or project phase to be released for sale and prior to receiving the first occupancy permit a lottery will be held to sell the dwellings within a subdivision or project phase released for sale to only designated buyers. A designated buyer is a Tracy resident. Once the lottery is completed, any remaining dwelling units may be sold to non-Tracy residents.

(d) The City shall not adopt any amendments to the General Plan inconsistent with the terms and purposes of this Initiative Ordinance without a majority vote of the electorate of the City of Tracy.

**SECTION 5: Amendment and Repeal.**

This Initiative Ordinance as amended shall remain in effect and no part of this Initiative Ordinance may be amended or repealed except by a majority vote of the electorate of the City of Tracy.

**SECTION 6: Severability and Interpretation.**

This Initiative Ordinance shall be interpreted so as to be consistent with all federal and state laws, rules and regulations. Nothing in this Initiative Ordinance shall be construed to interfere with municipal annexation processes. If any portion of this Initiative Ordinance is held to be invalid by a final judgment of a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Initiative Ordinance. Tracy voters hereby declare that this Initiative Ordinance and each portion thereof, would have been adopted or passed even if one or more portions are declared invalid. If any provision of this Initiative Ordinance is held invalid as applied to any person or circumstance, such invalidity shall not affect any application of this Initiative Ordinance that can be given effect without the invalid application.

This Initiative Ordinance shall be broadly construed in order to achieve the purposes stated in this Initiative Ordinance.

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AMENDED BY THIS INITIATIVE

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10.12.060 - Exemptions.

A project shall be exempt from further compliance with this chapter if the developer includes (in addition to the requirements of this chapter and the GMO guidelines) documentation, to the satisfaction of the Development and Engineering Services Director, which establishes that the development project which is the subject of the application meets the requirements of one of the following subsections:

- (a) *Remodel; minor addition; conversion.* The development project is a rehabilitation or remodeling of, or a minor addition to, an existing structure, or a conversion of apartments to condominiums; or
- (b) *Replacement.* The development is replacing legally established dwelling units that have been demolished and do not exceed the number of legally established dwelling units demolished. Where the number of new dwelling units exceeds the number of legally established dwelling units demolished, an allocation of RGAs must be obtained for the additional dwelling units; or
- (c) *Model homes.* To the extent the development project includes "model homes" (structures used as an advertisement for housing sales and not used as dwellings), the model homes shall not be required to obtain an allocation of RGAs; provided, however:
  - (1) The number of model homes shall be limited to the lesser of twenty (20) percent of the total dwelling units identified in the application, or seven dwelling units per project;
  - (2) Prior to the issuance of each building permit, the subdivider shall pay all required fees, including impact fees required by title 13 of this Code; and
  - (3) Model homes may be converted and occupied as dwellings only after RGAs are allocated for each dwelling unit as required by this chapter; or
- (d) *Four units or fewer on a single lot.* The development project is either a four-plex or lesser number of dwelling units on a single existing lot; provided, however:
  - (1) The dwellings are not part of a larger eligible parcel that will result in more than four dwelling units at build-out of the project;
  - (2) The exemption is limited to no more than a total of four such dwelling units per subdivider per calendar year; and
  - (3) Prior to the issuance of each building permit, the subdivider shall pay all required fees, including impact fees required by title 13 of this Code.
- (e) *Second unit.* The development is a secondary residential unit.

(Ord. No. 1136, § 1, 2009; Ord. No. 1184, § 1, 4-2-201)

**Amended by this Initiative**

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2018 JUN 13 PM 2: 13

CITY OF TRACY  
TRACY, CA

Chapter 10.12 - RESIDENTIAL GROWTH MANAGEMENT PLAN<sup>6</sup>

**Sections:**

Footnotes:

--- (6) ---

**Editor's note**— Ord. No. 1136, § 1, adopted June 2, 2009, repealed the former Ch. 10.12., §§ 10.12.010—10.12.210, and enacted a new Ch. 10.12 as set out herein. The former Ch. 10.12 pertained to similar subject matter and derived from Ord. No. 1071, § 1 (part), adopted 2005 and Ord. No. 1095, effective 2006.

Article 1. - General Provisions

10.12.010 - Authority and reference to chapter.

This chapter 10.12 of the Tracy Municipal Code may be referred to as the "Growth Management Ordinance" or "GMO", and is adopted pursuant to article XI, sections 7 and 9 of the California Constitution.

(Ord. No. 1136, § 1, 2009)

10.12.020 - Purpose.

The purpose and intent of this chapter is to:

- (a) Achieve a steady and orderly rate of annual residential growth in the City, and to encourage diverse housing opportunities for the region in which the City is situated, and to balance these needs with the City's obligation to provide public facilities and services to the City's residents with available fiscal resources; and
- (b) Regulate the timing and annual amount of new development projects, so that necessary and sufficient public facilities and services are provided, and so that new development projects will not diminish the City's level of service standards; and
- (c) Encourage concentric growth of the City by promoting efficient residential development patterns and orderly expansion of residential areas to maximize the use of existing public services and infrastructure; and
- (d) Encourage development which will efficiently utilize existing and planned future, public facilities; and
- (e) Encourage a balance of housing types in the City which will accommodate a variety of persons, including affordable housing projects which will accommodate persons of very low, low, and moderate income, and persons on limited or fixed incomes; and
- (f) Implement and augment the City policies related to the regulation of new development as set forth in the general plan, specific plans, City ordinances and resolutions, master plans, finance and implementation plans and design documents.

(Ord. No. 1136, § 1, 2009)

10.12.030 - Definitions.

Unless otherwise provided in this chapter, the definitions set forth in chapter 10.08 (Zoning Regulations), chapter 12.08 (Subdivision Ordinance), title 9 (Building Regulations), and title 13 (Impact

**Amended by this Initiative**

Fee Ordinance) of this Code shall apply to this chapter. In the event that the definitions or provisions of the Zoning Regulations, the Subdivision Ordinance, the Impact Fee Ordinance, or any other provisions of this Code conflict with any provisions of this chapter, then this chapter shall control to the extent necessary to administer and effectuate the purpose of this chapter. As used in this chapter:

*"Affordable dwelling unit"* means either a "moderate income dwelling unit", or a "low income dwelling unit", or a "very low income dwelling unit", as defined by the State Department of Housing and Community Development. In general, an affordable dwelling unit means a dwelling unit for rent or sale with a rental rate or consumer purchase cost which enables persons to rent or purchase that dwelling unit, if their gross household income is within the following percentages of the San Joaquin County area median income (as adjusted for family size):

- (a) For a moderate-income dwelling unit, more than eighty percent (80%), but not more than 120%;
- (b) For a low-income dwelling unit, more than fifty percent (50%), but not more than eighty percent (80%); and
- (c) For a very low-income dwelling unit, not more than fifty percent (50%).

*"Applicant"* means "developer", as defined below.

*"Board"* means "Growth Management Board".

*"Developer"* means a person, or other legal entity, who applies to the City to divide or cause to be divided real property into a development project, or who applies to the City to improve (into a development project) any existing parcel of real property.

*"Development project"* means any project undertaken for the purpose of development, as defined in the Subdivision Map Act (Government Code § 66410 et seq.), and shall specifically include any tentative parcel map, tentative subdivision map, final parcel map, final subdivision map, preliminary development plan, final development plan or building permit.

*"Growth Management Board"* or *"Board"* means the Board as established and defined by section 10.12.040.

*"Public facilities and services"* is as described in this chapter and the GMO guidelines.

*"Reasonable certainty"* means that the applicant has provided documentation, to the satisfaction of the Board, which establishes that the financing necessary for the public facilities and services required to serve the development project is secured, and is described in a finance and implementation plan, approved by the City Council, which feasibly provides the required public facilities and services in a timely manner. In analyzing "reasonable certainty", the Board shall consider:

- (a) The availability of capacity in public facilities;
- (b) The availability of financing for the public facilities which will serve the applicant's development project, including an analysis of financing from the applicant and financing which will come from other development projects which benefit from the public facilities; and
- (c) The anticipated date of completion of construction of the permanent public facilities which will serve the applicant's development project.

*"RGA"* means "residential growth allotment", and is an allotment made by the City in accordance with this chapter which must be obtained by a developer (by allocation or conveyance) before each residential building permit is issued by the City, unless the subdivider obtains an exemption in accordance with this chapter. One RGA is required for each dwelling unit to be constructed.

(Ord. No. 1136, § 1, 2009)

10.12.040 - Establishment of the Growth Management Board.

**Amended by this Initiative**

The Growth Management Board ("Board") is hereby established in order to manage and enforce the requirements of this chapter. All decisions of the Board shall be made by the City Manager in consultation with appropriate department heads, particularly including the Development and Engineering Services Director and the Public Works Director, or their respective designees. The Board may meet as necessary to implement the GMO and GMO guidelines.

(Ord. No. 1136, § 1, 2009)

10.12.050 - GMO guidelines.

The City Council shall adopt GMO guidelines, in order to implement the requirements of this chapter. In the event that the provisions of this chapter conflict with any provisions of the GMO guidelines, then this chapter shall control.

(Ord. No. 1136, § 1, 2009)

10.12.060 - Exemptions.

A project shall be exempt from further compliance with this chapter if the developer includes (in addition to the requirements of this chapter and the GMO guidelines) documentation, to the satisfaction of the Development and Engineering Services Director, which establishes that the development project which is the subject of the application meets the requirements of one of the following subsections:

- (a) *Remodel; minor addition; conversion.* The development project is a rehabilitation or remodeling of, or a minor addition to, an existing structure, or a conversion of apartments to condominiums; or
- (b) *Replacement.* The development is replacing legally established dwelling units that have been demolished and do not exceed the number of legally established dwelling units demolished. Where the number of new dwelling units exceeds the number of legally established dwelling units demolished, an allocation of RGAs must be obtained for the additional dwelling units; or
- (c) *Model homes.* To the extent the development project includes "model homes" (structures used as an advertisement for housing sales and not used as dwellings), the model homes shall not be required to obtain an allocation of RGAs; provided, however;
  - (1) The number of model homes shall be limited to the lesser of twenty (20) percent of the total dwelling units identified in the application, or seven dwelling units per project;
  - (2) Prior to the issuance of each building permit, the subdivider shall pay all required fees, including impact fees required by title 13 of this Code; and
  - (3) Model homes may be converted and occupied as dwellings only after RGAs are allocated for each dwelling unit as required by this chapter; or
- (d) *Four units or fewer on a single lot.* The development project is either a four-plex or lesser number of dwelling units on a single existing lot; provided, however;
  - (1) The dwellings are not part of a larger eligible parcel that will result in more than four dwelling units at build-out of the project;
  - (2) The exemption is limited to no more than a total of four such dwelling units per subdivider per calendar year; and
  - (3) Prior to the issuance of each building permit, the subdivider shall pay all required fees, including impact fees required by title 13 of this Code.
- (e) *Second unit.* The development is a secondary residential unit.

(Ord. No. 1136, § 1, 2009; Ord. No. 1184, § 1, 4-2-2013)

10.12.065 - Compliance with the regional housing needs assessment.

- (a) *Authority.* This section is enacted under the authority of and is intended to comply with and implement Government Code section 65584.
- (b) *RHNA.* The State Department of Housing and Community Development requires that each city adopt a housing element as part of its general plan. That Department also establishes a "Regional Housing Needs Allocation" (RHNA) for all cities, setting forth the target number of dwelling units to be constructed during any planning period. (The "planning period" is defined in each housing element. The planning period in effect at the time this code amendment was adopted is July 1, 2009 through December 31, 2015.) The RHNA housing unit allocations are established by income categories: very low-, low-, moderate, and above-moderate-income.
- (c) *Requirement.* Notwithstanding other provisions of this chapter, in any calendar year, once RGAs have been allocated or building permits have been issued for the number of residential units permitted by this chapter, the City shall continue to issue building permits for residential dwelling units if they are necessary to achieve the RHNA goals in a particular income category (during each planning period). The number of building permits may not exceed the RHNA goals in each income category. Any building permits issued in accordance with this provision shall not require an RGA.
- (d) *Purpose of calculating averages.* For the sole purpose of calculating the RGA and building permit averages contained in sections 10.12.100 and 10.12.110, any building permits issued under the authority of this section shall be treated as if an RGA and a building permit were issued under the GMO.

(Ord. No. 1184, § 2, 4-2-2013; Ord. No. 1201, § 1, 11-3-2015)

## Article 2. - Applications

10.12.070 - Application requirements for RGAs.

No RGA shall be allocated by the City unless the developer submits an application in accordance with the requirements of this chapter and the requirements of the GMO guidelines.

(Ord. No. 1136, § 1, 2009)

10.12.080 - Affordable housing project exceptions.

An application for an RGA shall be considered an affordable housing project exception if the application includes (in addition to the application requirements of this chapter and the GMO guidelines) documentation, to the satisfaction of the Board, which establishes that the housing unit which is the subject of the application meets the following requirements:

- (a) The housing unit meets the income level requirements for low, very low, or moderate income levels, as defined by section 10.12.030.
- (b) The housing unit is formally dedicated to provide affordable dwelling units in accordance with a locally recognized program.
- (c) The applicant provides documentation that the requirements of this section will be met and maintained for a minimum of ten years.

(Ord. No. 1136, § 1, 2009; Ord. No. 1184, § 3, 4-2-2013)

**Amended by this Initiative**

### Article 3. - Allocations; Development Agreements

#### 10.12.090 - Allocations; development agreements.

- (a) RGAs shall be allocated in accordance with this chapter and the GMO guidelines. Notice shall be given to each applicant of the availability of the annual report.
- (b) At a minimum, the terms of any development agreement providing for an allocation of RGAs, shall identify: (1) the timing of the applicant's obligation to comply with the requirements set forth in GMO; (2) the timing and amount of RGA allocations (not to exceed a maximum of 225 RGAs per calendar year, as set forth in GMO subsection 10.12.100(c)); and (3) remedies for default, including the time after which RGAs shall be invalid as described in the GMO guidelines.
- (c) Unless specifically modified by a development agreement identified in subsection 10.12.090(b), above, each applicant shall comply with all requirements set forth in the GMO and the GMO guidelines. A development agreement may only modify the requirements of the GMO related to: (1) the timing requirements for applications for RGAs; and (2) the time after which RGAs will be deemed invalid (as identified in the GMO guidelines).
- (d) The number of RGA allocations per application shall not exceed: (1) the number requested in the application; and (2) the number which can be reasonably anticipated to be used by the applicant based on development project approvals (such as general plan, specific plan, tentative map, final map or development plan). The Board has the discretion to award all of the RGAs that are available in that allocation cycle, or fewer, based on the applications received and the criteria as established in the GMO guidelines.

(Ord. No. 1136, § 1, 2009; Ord. No. 1201, § 2, 11-3-2015)

### Article 4. - Annual limits

#### 10.12.100 - Residential growth allotments (as set forth in Measure A adopted by voters November 2000).

- (a) The City shall not allocate RGAs in any calendar year in excess of either of the following: (1) an average of 600 RGAs per year calculated pursuant to subsection 10.12.100(b); and (2) a maximum of 750 RGAs per year calculated pursuant to subsection 10.12.100(c).
- (b) The average number of RGAs per year shall be calculated as follows: (1) the total sum of RGAs allocated by the City from January 1, 2000, through the calendar year of the allocation; (2) less the sum of RGAs which are invalid, as defined in the GMO guidelines; (3) less the sum of RGAs allocated for affordable housing project exceptions; and (4) divided by the number of years which have passed from January 1, 2000, to the year of the allocation, inclusive.
- (c) The maximum number of RGAs per year shall equal the total sum of RGAs allocated by the City for the calendar year of the allocation, including a maximum of 150 RGAs allocated for affordable housing project exceptions, and including a maximum of 225 RGAs allocated to development projects with which the City has entered into a development agreement providing for an allocation of RGAs (as identified in the GMO guidelines). The City shall not allocate more than 150 RGAs in any calendar year for affordable housing project exceptions. The City shall not allocate more than 225 RGAs in any calendar year to development projects with which the City has entered into a development agreement providing for an allocation of RGAs (as identified in the GMO guidelines). The annual limit of 225 RGAs for development agreement shall include the sum of all RGAs allocated to all development agreements in any calendar year. The City shall not allocate more than 750 RGAs in any calendar year.

**Amended by this Initiative**

- (d) To the extent that RGAs have not been allocated in any calendar year for affordable housing project, the City shall reserve, until the first Friday in July of each year: 150 RGAs for affordable housing projects.

(Ord. No. 1136, § 1, 2009)

10.12.110 - Residential building permits (as set forth in Measure A adopted by voters November 2000).

- (a) The City shall not issue residential building permits in any calendar year in excess of either of the following: (1) an average of 600 residential building permits per year calculated pursuant to subsection 10.12.100(b); and (2) a maximum of 750 residential building permits per year calculated pursuant to subsection 10.12.100(c).
- (b) The average number of residential building permits per year shall be calculated as follows: (1) the total sum of residential building permits allocated by the City from January 1, 2000, through the calendar year of the allocation; (2) less the sum of residential building permits which expired prior to completion of construction; (3) less the sum of residential building permits allocated for affordable housing project exceptions; (4) less the sum of residential building permits exempt from this chapter; and (5) divided by the number of years which have passed from January 1, 2000, to the year of the allocation, inclusive.
- (c) The maximum number of residential building permits per year shall be calculated as follows: (1) the total sum of residential building permits allocated by the City for the calendar year of the allocation; and (2) less the sum of residential building permits exempt from this chapter.
- (d) Applications for residential building permits will be evaluated (and, for each approved application, will be issued) by the City in the order they are received.

(Ord. No. 1136, § 1, 2009)

Article 5. - Appeals

10.12.120 - Appeals.

Any applicant dissatisfied with any decision made pursuant to this chapter, by the Development and Engineering Services Director or the Board, may submit a written appeal to the City Clerk in accordance with chapter 1.12 of this Code. All decisions of the City Council are final.

(Ord. No. 1136, § 1, 2009)





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RESOLUTION 2012-214

CITY OF TRACY

**ADOPTING REVISED GROWTH MANAGEMENT ORDINANCE GUIDELINES  
AND NOTICE OF INTENT TO PERIODICALLY REVISE THE GUIDELINES**

WHEREAS, On June 16, 1987, the City Council adopted by ordinance a Residential Growth Management Plan, (commonly referred to as the Growth Management Ordinance "GMO"), which has been amended from time to time and which is codified in Tracy Municipal Code Chapter 10.12; and

WHEREAS, On February 20, 2001, the City Council adopted Resolution 2001-067, GMO Guidelines to aid in the implementation of the Growth Management Ordinance; and

WHEREAS, Measure A, which became effective December 22, 2000, caused a change in the growth rate and patterns of the City, thus creating a need to review and update the GMO and GMO Guidelines to most effectively implement the Intentions of the Residential Growth Management Plan; and

WHEREAS, On April 5, 2005, the City Council adopted Resolution 2005-092 which amended the GMO Guidelines; and

WHEREAS, It is the intent of the City Council to substantially modify the GMO Guidelines from time-to-time to implement the General Plan; and

WHEREAS, On May 19, 2009, the City Council adopted Resolution 2009-084 which amended the Growth Management Ordinance Guidelines; and

WHEREAS, On October 1, 2012, the City Council held a workshop to consider and receive comments on proposed revisions to the GMO Guidelines; and

WHEREAS, On October 16, 2012, the City Council held a regular meeting to consider Revisions to the Growth Management Ordinance Guidelines; and

WHEREAS, The revised GMO Guidelines, which implement the requirements of the GMO, are set forth below;

NOW, THEREFORE, BE IT RESOLVED, by the Tracy City Council as follows:

**SECTION 1.** Resolution 2009-084 is hereby repealed.

**SECTION 2.** In accordance with the Growth Management Ordinance ("GMO"), Tracy Municipal Code Chapter 10.12, specifically section 10.12.050, the Tracy City Council hereby adopts the "Growth Management Ordinance Guidelines," as set forth below.

**Amended by this Initiative**

## Growth Management Ordinance ("GMO") Guidelines

### A. Overview: Purpose of Guidelines.

The Guidelines are intended to contemporize the City's residential growth management program by addressing the following components:

- Residential Growth Allotment and Building Permit activities including tracking and forecasting of all RGAs and Building Permits
- RGA Exemptions
- RGA Issuance including application requirements, deadlines, expirations
- System for Allocation of RGAs/Building Permits

### B. Annual Report on Residential Building Activity and Projections/Forecast.

An Annual Report, and a preliminary, and final RGA allocation, shall be prepared by staff and presented to the Growth Management Board ("GMB"). This Annual Report shall serve as the official tracking system for the GMO and shall include historic information as well as update the annual average/maximums of the GMO. In addition, the Annual Report shall serve as the official forecast for the purposes of planning the next calendar year's RGA allocation by identifying various residential projects in process.

### C. Applications. All applications for RGAs shall meet all requirements of the GMO, and these Guidelines.

1. Applicability; Application Contents. Every project is subject to these Guidelines unless specifically exempted by the GMO. Each application shall identify, at a minimum, (1) the project which is the subject of the application; (2) the applicant; (3) all property owners; (4) the purpose of the application; (5) each development project which is the subject of the application; (6) the total number of dwelling units included in the project which is the subject of the application for which: (i) the City has previously allocated RGAs, (ii) the applicant has received building permits, (iii) the applicant has received certificates of occupancy or approved final building inspection, (iv) the applicant's RGA has expired; and (7) compliance with all requirements of the GMO and the GMO Guidelines relevant to the application.

2. Application and Eligibility Requirements.

(a) In order to apply for an RGA a project must demonstrate *all of the following components*:

- (i) be within the City limits,
- (ii) be identified in the City's General Plan ("GP") as an area for residential growth consistent with all GP growth policies set forth in Object LU 1.4,
- (iii) be within an approved specific plan/PUD, or within a zoning district that permits residential uses,
- (iv) be subject to an approved Finance and Implementation Plan (FIP) based on approved Infrastructure master plans,

- (v) have an approved Tentative Subdivision Map, Vesting Tentative Subdivision Map, or if no map is required, Development Review approval in accordance with Tracy Municipal Code ("TMC") Section 10.08.3920 et seq., or a Final Development Plan in accordance with Tracy Municipal Code ("TMC") Section 10.08.1760, et seq.

3. Application due dates. The term "application date" shall mean the deadline for filing any complete application pursuant to the GMO (including applications for RGAs, exceptions, and residential building permits). Unless otherwise established in these Guidelines, the application for RGAs, other than Affordable Housing Project RGAs, shall be the first Thursday in September each year for RGAs to be used to obtain building permits in the following calendar year. See Section D below for Timeframes for Allocations.

4. Application dates for Affordable Housing Project exception applications. In accordance with the GMO, the application date for filing Affordable Housing Project exception applications shall be at any time during normal City working hours. (Also see GMO section 10.12.100(d)).

5. Affordable Housing Project exceptions. The GMB shall determine, and allocate, the number of RGAs which are subject to the Affordable Housing Project exception set forth in the GMO. The allocation of RGAs for Affordable Housing Project exceptions may occur at any time, regardless of the allocation cycles established in the GMO. These applications will be processed as they are received, and RGAs shall be allocated to the qualifying applicants in accordance with the GMO. Affordable housing exceptions count against the GMO average/maximum for affordable housing but not against GMO average of 600 for market rate. Affordable housing exceptions do count against the GMO maximum of 750 per calendar year.

D. Timeframes for RGA allocations, expirations.

1. Allocations timeframes. The following timeframes shall apply to the allocations of RGAs:

- 1<sup>st</sup> Thursday in September: Application date per C 3 above
- October-November: GMB Public hearing to allocate RGAs
- December: Appeals (if any) to City Council
- October-March: Staff verification of submitted or approved project Final Map
- No later than March 31: GMB verifies number of RGAs allocated against number of lots on submitted or approved Final Map

2. Calendar years 2013 and 2014. The application date for an RGA application in calendar years 2013 and 2014 shall be at any point during this period. The GMB shall meet as needed in response to complete RGA applications in calendar years 2013 and 2014 to allocate RGAs. However, the application date for an RGA application for RGAs described in subsection F 6 shall be no earlier than April 1<sup>st</sup> of each of those years.

3. Expirations.

(a) RGAs shall be valid only for the calendar year for which they are allocated, and shall expire concurrently with issuance of the building permit, or pursuant to this subsection.

(b) No later than March 31<sup>st</sup> the GMB shall verify that a Final Map and improvement plans have been submitted and/or approved for the number of lots for which RGAs were awarded. Any RGAs for the number of lots that do not have submitted or approved Final Maps or improvement plans as of March 31<sup>st</sup> shall automatically revert back to the City and shall be available for the GMB to allocate to projects with complete applications in accordance with the criteria in Section F.

(c) RGAs must be used to obtain a building permit no later than September 30<sup>th</sup> of the year following the allocation in accordance with GMB action. For RGAs allocated in years 2013 and 2014, the RGA must be used by September 30<sup>th</sup> in the year for which it was allocated. In the event an RGA has not been used to obtain a building permit by September 30<sup>th</sup>, then such RGAs automatically revert back to the City and shall be available for the GMB to allocate to projects with complete applications in accordance with the criteria set forth in Section F. The GMB shall meet as needed to address such RGA allocations.

E. Evaluation of RGA Applications and Final RGA Allocations.

1. In order to obtain an RGA allocation, the applicant shall provide documentation to the satisfaction of the Board, that the public facilities and services required to serve the development project are available to the project, including each of the elements set forth below. A project with an approved Vesting Tentative Subdivision Map, Tentative Subdivision Map, Development Review approval, or Finance and Implementation Plan is deemed to have complied with the public facilities obligations of this section. The public facilities and services to be analyzed by the Board for each RGA application shall include, at a minimum: (1) the water system (including supply, storage, treatment, distribution); and (2) the wastewater system (including conveyance and treatment); and (3) the storm drainage system (including permanent facilities and interim ponds prior to construction of the permanent facilities); and (4) the roadway system (including regional streets and interchanges, transit, bikeways, local streets, traffic signals, and other public right-of-way improvements); and (5) the parks system (including mini parks, neighborhood parks, and community parks); and (6) public buildings (including but not limited to buildings for city hall, police, fire, public works maintenance, community meeting facilities, libraries, and aquatics); and (7) police protection services and facilities; and (8) fire protection services and facilities. Any application which does not meet all of the minimum requirements shall not receive any RGA allocations.

2. In accordance with the preparation and process for the Annual Report, as described in Section B above, the GMB shall issue a recommendation of preliminary allocations, hold a public hearing for input on the proposed allocations, and issue final allocations. At the public hearing, the Board shall address written and oral comments regarding the Annual Report and the proposed RGA allocation. The purpose of the Board's consideration of written and oral comments at the public

hearing shall be for applicants to provide information which was not included in the application. The public hearing may be continued by the Board, as necessary, to obtain additional information. After the conclusion of the public hearing, the Board shall provide written notice to each applicant of the Board's final RGA allocations. After the appeal period has expired pursuant to Tracy Municipal Section 10.12.160, and after the City Council has acted on any relevant appeals, the Board shall issue a final determination of RGA allocations. The allocations of the GMB shall be final unless appealed to the City Council in accordance with the GMO. Allocations shall be project-specific.

F. RGA allocation criteria, order of priority for allocations of RGAs; proportionate allocation of previously unallocated RGAs.

The GMB shall evaluate RGA applications, and allocate RGAs, in accordance with these criteria. A project may not receive more RGAs than on its approved Tentative Subdivision Map or Development Review Approval, or Final Development Plan. In any year, the GMB shall not allocate more RGAs than the anticipated number of available building permits for that same year. RGAs shall be issued on a first come first serve basis based when the City receives a complete application and in accordance with the following order of priority:

1. Vested Projects: RGA applications from projects vested under a previous GMO Guidelines shall be process in accordance with such guidelines.
2. Primary Growth Areas. Primary Growth Areas are defined in Exhibit "A", attached hereto and incorporated herein by this reference. Subject to the requirements of the GMO and these Guidelines, including criteria in subsection F 8 below, Primary Area projects shall be entitled to receive, at the beginning of each allocation cycle:
  - (a) In years where 750 RGAs may be allocated, the Primary Growth Areas shall be entitled to receive 100 RGAs;
  - (b) In years where 600 RGAs may be allocated, the Primary Growth Areas shall be entitled to receive 80 RGAs
3. Development Agreements. Notwithstanding subsection 4 below, Development Agreement projects may receive allocations as specifically set forth in the applicable development agreement subject to the provisions in these Guidelines. In any conflict between the development agreement and these Guidelines, the development agreement provisions shall control.
4. Tracy Hills and Ellis Specific Plan Projects. The following specific plan projects, more fully described in the General Plan and subject to the requirements of the GMO and these Guidelines, shall be entitled to receive, at the beginning of each allocation cycle:
  - (a) In years where 750 RGAs may be allocated, Tracy Hills shall be eligible to receive 406 RGAs and Ellis shall be eligible to receive 194 RGAs
  - (b) In years where 600 RGAs may be allocated, Tracy Hills shall be entitled to receive 325 RGAs and Ellis shall be entitled to receive 155 RGAs

- (c) If either Tracy Hills or Ellis receives less than the number of RGAs described above, the difference between the numbers of RGAs allocated and the numbers of RGAs described above shall be reserved. Either Tracy Hills or Ellis may apply for such RGAs no later than the March GMB meeting described in Section D. If Tracy Hills or Ellis do not apply for RGAs prior to the March GMB meeting, the RGAs shall be available in accordance with this Section F.
5. Other Projects. "Other Projects" is defined as initially beginning with the Kagehiro Phase III project (Assessor's Parcel Number 242-040-360) and then commencing with development sites identified in the General Plan Objective LU 1.4 that are not within the Primary Areas as defined in these GMO Guidelines. Subject to the requirements of the GMO and these Guidelines, the Other Projects shall be entitled to receive, at the beginning of each allocation cycle:
- (a) In years where 750 RGAs may be allocated, Other Projects shall be entitled to receive 50 RGAs per year
- (b) In years where 600 RGAs may be allocated, Other Projects shall be entitled to receive 40 RGAs per year
6. If the number of RGAs allocated does not meet or exceed the number of RGAs available, the remaining RGAs shall then be made available on a proportionate basis in accordance with the criteria set forth in subsections F 1-5 to the projects identified in subsections F 1-5, for which a complete application has been submitted. Any RGAs then allocated would be in addition to the RGAs identified in subsections 1-5 of this Section F. The GMB can meet as needed to allocate such RGAs.
7. During years when a number of RGAs other than 600 or 750 are available, the RGAs shall be issued in proportionate amounts as established in section F 1-5.
8. Additional Primary Areas Criteria. These Primary Areas criteria will apply to all Primary Areas Projects in competition for RGAs. The following criteria can be used to determine which projects will have priority to receive RGAs in the event that the number of RGAs requested exceeds the number available in any allocation cycle for the Primary Areas numeric parameters established in section F 2 above. Within these categories, projects that meet more of the criteria listed are considered preferred to receive RGAs. Based on the following criteria, staff will make a recommendation to the Board as to which proposed projects have best achieved the criteria.
- (a) Housing Type, in order of importance
- (i) High Density—12.1 dwelling units per gross acre or more
- (ii) Medium Density—5.9-12 dwelling units per gross acre
- (iii) Low Density—5.8 dwelling units per gross acre or less
- (iv) Projects with an affordable component, including moderate and low to very low income categories (RGAs for the affordable component come from the "Affordable Housing Exception" category in the GMO)
- (v) Innovative housing types—Mixing products in a single project, cluster housing, mixed-use developments
- (b) Geographic Area, in order of importance
- (i) In a Village Center, as established in the General Plan

- (ii) Connects incomplete infrastructure (streets, water, sewer, etc.)
- (iii) Projects that combine several smaller parcels
- (iv) Fit and compatibility with the surrounding area
- (c) Project Size and Proximity to Existing Development, in order of importance
  - (i) Small infill (less than 5 acres surrounded by development on 3 sides)
  - (ii) Large infill (over 5 acres surrounded by development on 3 sides)
  - (iii) Project in progress that needs additional RGAs to complete construction
- (d) Project Design
  - (i) High level of connectivity, vehicular and pedestrian, both internally and externally to the project
  - (ii) Amenities—public or private, parks, schools, etc.
  - (iii) Architecture—compatible with, enhances, and/or improves neighborhood
  - (iv) Energy efficient design, using recycled or green/sustainable materials
  - (v) Walkability and high intersection density
  - (vi) Building type and building frontage type variation
- G. Processing Fees. The fees for processing all applications pursuant to the GMO shall be as set forth in a separate Resolution of the City Council.
- H. 1994 GMO Guidelines for Pre-Measure A Projects. The Board shall award RGAs to any applications for Pre-Measure A Vested Projects in accordance with the provisions of the 1994 GMO.
- I. Building Permit Issuance. The City shall evaluate applications for residential building permits (and, for each approved application, issue the building permit) in the order in which the City receives them. The City shall not issue any building permits in excess of the limitations set forth in the GMO, except the limit Measure A and the GMO impose on the average number of building permits issued each year does not, by its terms, apply to affordable housing projects.

**SECTION 3.** Pursuant to Section 15183 of the California Environmental Quality Act this amendment to the GMO Guidelines is exempt because there will be no significant on or off-site impacts as a result of the amended GMO Guidelines (CEQA Guidelines, 14 Cal. Code of Regs. §15061(b)(3).) All development projects are required to comply with CEQA as a part of their project approvals, and all of the potential environmental impacts are studied and mitigated through the development process, not through the administration of the GMO. These GMO Guidelines simply provide procedures related to future land use applications, which must first undergo CEQA review.

Furthermore, in accordance with CEQA Guidelines Section 15162, no further environmental assessment of the GMO Guidelines is required. An analysis of the project shows that no substantial changes are proposed that would require major changes to any existing environmental documentation, including the General Plan EIR SCH #2008092006, or cause any increase in severity of previously identified significant effects or any new significant effects. Also, no new information of substantial importance shows that there will be additional significant effects not discussed in the previous environmental documentation of the General Plan EIR, or that any previously identified significant effects will be substantially more severe, or that any potential mitigation measures are now considered feasible that weren't previously, nor are any new mitigation measures identified but not implemented. The GMO Guidelines add no new



development areas, remove no new development areas, or modify any development areas. The GMO Guidelines provide procedures for future land use applications.

**SECTION 4.** In the event any provision of the Guidelines is held invalid by a court of competent jurisdiction, the Guidelines shall be construed as not containing that provision, and the remainder of the Guidelines shall remain in full force and effect.

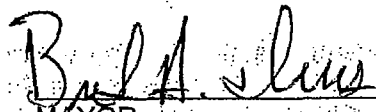
**SECTION 5.** The City Council finds that these GMO Guidelines will not be detrimental to the health safety and welfare of the residents of Tracy because they aid only in the administration (i.e. timing and distribution of RGAs) of the existing regulations within the GMO.

This resolution shall be effective upon adoption.


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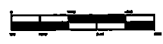
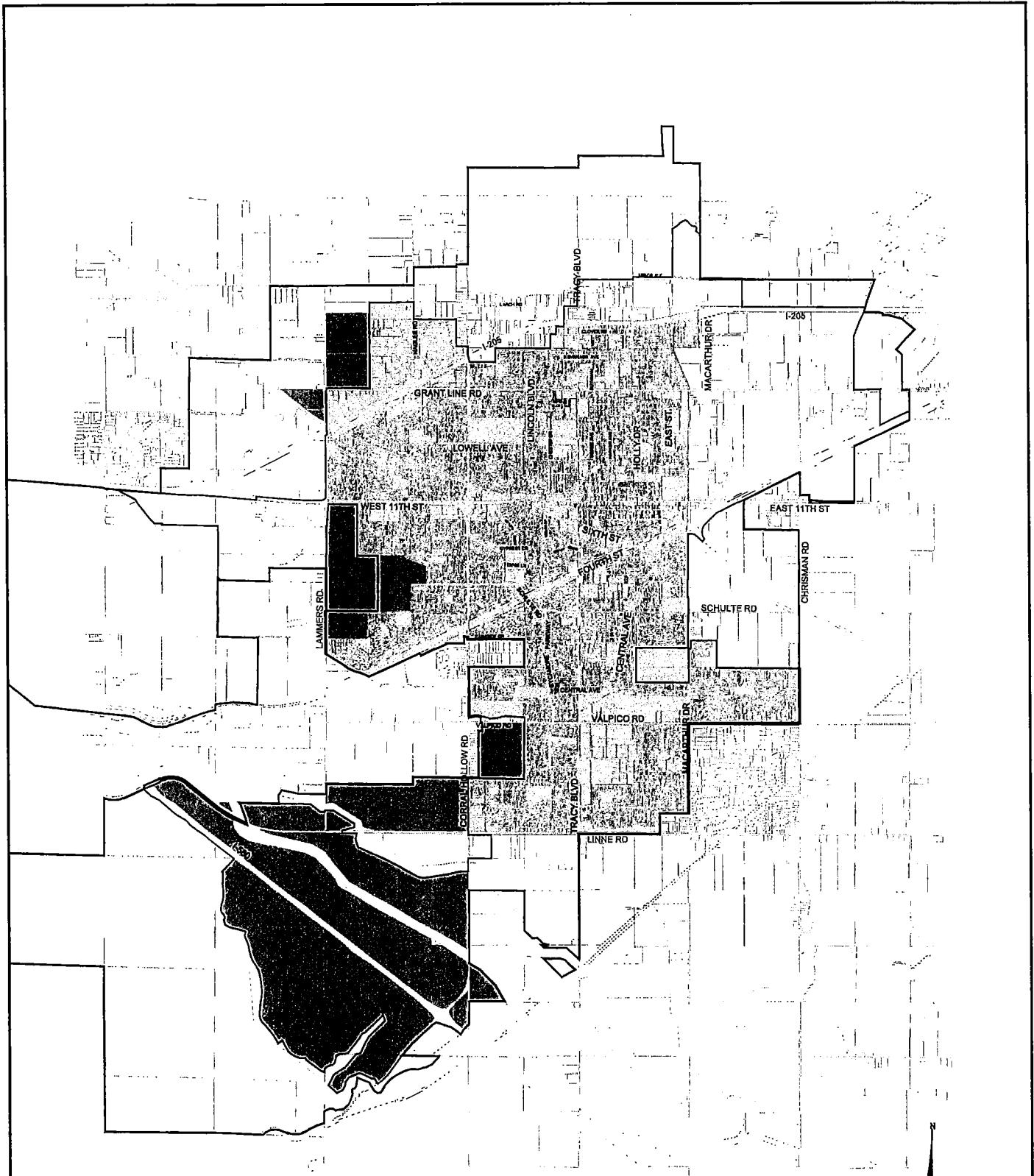
The foregoing Resolution 2012-214 was adopted by the Tracy City Council on the 16<sup>th</sup> of October 2012, by the following vote:

AYES: COUNCIL MEMBERS: ABERCROMBIE, ELLIOTT, MACIEL, RICKMAN, IVES  
NOES: COUNCIL MEMBERS: NONE  
ABSENT: COUNCIL MEMBERS: NONE  
ABSTAIN: COUNCIL MEMBERS: NONE





  
MAYOR

ATTEST:

  
CITY CLERK



# Residential Growth Areas

-  City Limits
-  Sphere of Influence
-  Primary Residential Growth Areas
-  Secondary Residential Growth Areas

**Amended by this Initiative**

BALLOT TITLE AND SUMMARY FOR PROPOSED INITIATIVE MEASURE FILED WITH THE CITY CLERK OF THE CITY OF TRACY ON JUNE 7, 2018 BY WILLIAM REEVE, GURCHARAN TAKHAR, AND GRACE ALVAREZ

Initiative Measure to be Submitted Directly to the Voters

The City Attorney of the City of Tracy has prepared the following title and summary of the chief purpose and points of the proposed measure pursuant to Elections Code section 9203:

TITLE

An Initiative to Exempt Deed-Restricted Senior Housing and Attached Homes and Homes on 4,000 square foot Lots From the City's Growth Management Ordinance and to Establish a Lottery System for the Sale of Dwellings to Provide Tracy Residents with Priority

SUMMARY OF CHIEF PURPOSE AND POINTS OF PROPOSED INITIATIVE

The proposed initiative measure ("Measure") would amend the City of Tracy Residential Growth Management Plan (Chapter 10.12 of the Tracy Municipal Code), also known as the Growth Management Ordinance ("GMO") and require the City to amend the GMO Guidelines, all zoning, and land use regulations to be in conformity with the Measure. The Measure consists of two pages and four attachments, including a map. As summarized further below, the Measure would amend Section 10.12.060 of the GMO to add subsection (f), which would exempt certain residential development projects within the designated areas of the attached map from the requirements under the GMO ("GMO Amendment"). Some of the designated areas are outside of the City limits but within the City's sphere of influence and some areas are outside both the City limits and the sphere of influence.

The Measure's GMO Amendment creates a new exemption from the application of the GMO for development projects that include one of the following requirements:

1. All residential units in the project are deed restricted to include at least one occupant age 55 or older; or
2. The project consists exclusively of for-sale housing units which are either attached homes (including condominiums, duplexes, or townhomes) and/or single-family detached homes on lots that are 4,000 square feet or less.

The Measure requires that each subdivision or project phase be released for sale only after a lottery is held for Tracy residents to obtain an opportunity to purchase dwelling units in that phase or subdivision. After the lottery is completed, units may be released to non-Tracy residents for sale.

The Measure states that the City cannot adopt any amendments to the General Plan that are inconsistent with the terms and purpose of the Measure without voter approval.

The Measure states that the provisions of the Measure would take immediate effect upon passage and that the City is required to immediately adopt all changes required by the Measure. The Measure does not affect approved developments which are legally vested as of the date of passage of the Measure.

Initiative Summary

June 13, 2018

Page 2

The Measure states that it shall be interpreted to be consistent with all federal and state laws, rules and regulations. The Measure provides that it cannot be amended or repealed without a subsequent vote of the electorate of Tracy.

The Measure states it is to be broadly construed. The Measure provides that it would only be amended or repealed by the voters. The Measure provides for severability, and if a portion of the Measure is found invalid by a court, such invalidity shall not affect the other parts of the Measure that is not found invalid.

PROOF OF PUBLICATION Stamp

(2015.5 C.C.P.)

STATE OF CALIFORNIA County of San Joaquin

I am a citizen of the United States and a resident of the County aforesaid: I am over the age of eighteen years, and not a part to or interested in the above entitled matter; I am the principal clerk of the printer of the Tracy Press, a newspaper of general circulation, printed and published one time a week on Friday in the City of Tracy, California, County of San Joaquin, and which of newspaper has been adjudged a newspaper of general circulation by the Superior Court, Department 4, of the County of San Joaquin, State of California, under the date of June 30, 1952, Case Number 53686; that the notice, of which the annexed is a printed copy (set in type not smaller than nonpareil), has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to-wit;

June 15

all in the year, 2018

I certify (or declare) under penalty of perjury that the foregoing is true and correct.

Dated at Tracy, California, this 15

day of June 2018

Signature

PROOF OF PUBLICATION

PROOF OF PUBLICATION Public Notice #0404

ATTACHMENT C

Bell, McAndrews & Hiltachk, LLP

Notice of Intent to Circulate Petition

PUBLIC NOTICE PUBLIC NOTICE PUBLIC NOTICE

No. 0404

Notice of Intent to Circulate Petition

Notice is hereby given by the persons whose names appears hereon of their intention to circulate the petition within the City of Tracy for the purpose of adopting an ordinance to amend the City's Residential Growth Management Plan. A statement of the reasons for the proposed action as contemplated in the Petition is as follows:

Tracy families and residents are frustrated by the skyrocketing prices of new housing in Tracy. Burdensome regulations, high labor and materials costs, and artificial limits on supply from residential growth limits are combining to make a new home in Tracy less and less attainable to the middle class.

The Workforce and Senior Housing Attainment Initiative is designed to make new homes in Tracy attainable and affordable by removing artificial limits on certain types of new housing and encouraging the development of housing for Tracy's seniors, first-time homebuyers and other middle-income home buyers who do not qualify for government subsidies.

The Workforce and Senior Housing Residential Attainment Initiative would make residential development projects that meet the following specific criteria exempt from the city's artificial restrictions on new residential development:

- A. Senior Housing Projects that are deed restricted to at least one occupant of age 55+.
B. Market rate housing projects that are "Attainable by Design," defined to mean that they offer multiple types of housing products for all life stages, including first-time buyers, families, and seniors, by including both (i) attached homes (condominiums, duplexes, Townhomes, attached dwellings) and/or (ii) single-family detached homes on lots of 4,000 square feet or less.

/s/ William Reeve /s/ Gurcharan Takhar /s/ Grace Alvarez
William Reeve Gurcharan Takhar Grace Alvarez

The City Attorney has prepared the following title and summary of the chief purpose and points of the proposed measure:

TITLE

An Initiative to Exempt Deed-Restricted Senior Housing and Attached Homes and Homes on 4,000 square foot Lots From the City's Growth Management Ordinance and to Establish a Lottery System for the Sale of Dwellings to Provide Tracy Residents with Priority

SUMMARY OF CHIEF PURPOSE AND POINTS OF PROPOSED INITIATIVE

The proposed initiative measure ("Measure") would amend the City of Tracy Residential Growth Management Plan (Chapter 10.12 of the Tracy Municipal Code), also known as the Growth Management Ordinance ("GMO") and require the City to amend the GMO Guidelines, all zoning, and land use regulations to be in conformity with the Measure. The Measure consists of two pages and four attachments, including a map. As summarized further below, the Measure would amend Section 10.12.060 of the GMO to add subsection (f), which would exempt certain residential development projects within the designated areas of the attached map from the requirements under the GMO ("GMO Amendment"). Some of the designated areas are outside of the City limits but within the City's sphere of influence and some areas are outside both the City limits and the sphere of influence. The Measure's GMO Amendment creates a new exemption from the application of the GMO for development projects that include one of the following requirements:

- 1. All residential units in the project are deed restricted to include at least one occupant age 55 or older; or
2. The project consists exclusively of for-sale housing units which are either attached homes (including condominiums, duplexes, or townhomes) and/or single-family detached homes on lots that are 4,000 square feet or less.

The Measure requires that each subdivision or project phase be released for sale only after a lottery is held for Tracy residents to obtain an opportunity to purchase dwelling units in that phase or subdivision. After the lottery is completed, units may be released to non-Tracy residents for sale.

The Measure states that the City cannot adopt any amendments to the General Plan that are inconsistent with the terms and purpose of the Measure without voter approval.

The Measure states that the provisions of the Measure would take immediate effect upon passage and that the City is required to immediately adopt all changes required by the Measure. The Measure does not affect approved developments which are legally vested as of the date of passage of the Measure.

The Measure states that it shall be interpreted to be consistent with all federal and state laws, rules and regulations. The Measure provides that it cannot be amended or repealed without a subsequent vote of the electorate of Tracy.

The Measure states it is to be broadly construed. The Measure provides that it would only be amended or repealed by the voters. The Measure provides for severability, and if a portion of the Measure is found invalid by a court, such invalidity shall not affect the other parts of the Measure that is not found invalid. Tracy Press: June 15, 2018

RECEIVED CITY CLERK'S OFFICE 2018 JUN 15 PM 12:30 CITY OF TRACY TRACY, CA



CITY MANAGER'S OFFICE

MAIN 209.831.6000  
FAX 209.831.6120  
www.ci.tracy.ca.us

### CERTIFICATE OF SUFFICIENCY OF INITIATIVE PETITION

I, Adrienne Richardson, City Clerk of the City of Tracy, County of San Joaquin, State of California hereby certify that:

The petition entitled "An Initiative to Exempt Deed-Restricted Senior Housing and Attached Homes and Homes on 4,000 square foot Lots From the City's Growth Management Ordinance and to Establish a Lottery System for the Sale of Dwellings to Provide Tracy Residents with Priority" was filed with the City Clerk on June 25, 2018.

That attached to this petition at the time it was filed, were affidavits purporting to be the affidavits of the persons who solicited the signatures, and containing the dates between which the purported qualified electors signed this petition;


That each affiant stated his or her own qualification, that he or she had solicited the signatures upon that Section, that all of the signatures were made in his or her presence, and that to the best of his or her own information and belief, each signature to that section was the genuine signature of the person whose name it purports to be;

That after the proponents filed this petition; and, based on the County of San Joaquin Registrar of Voters' Signature Verification Certificate, I have determined the following facts regarding this petition:

1. Number of signatures filed by proponent raw count	6,710	
2. Number of signatures required	4,004	
3. Random Sample signatures verified	500	
4. Number of signatures found sufficient	401	
5. Valid signatures percentage required for Sample Verification		80.2%

Based on the above, the petition is deemed to be sufficient.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Tracy this 12<sup>th</sup> day of July, 2018



Adrienne Richardson, City Clerk

RESOLUTION 2018-\_\_\_\_\_

DIRECTING THAT AN INFORMATIONAL REPORT BE PREPARED PURSUANT TO SECTION 9212 OF THE ELECTIONS CODE AND APPROPRIATING \$25,000 FROM GENERAL FUND RESERVES FOR THE COSTS ASSOCIATED WITH PREPARING THE REPORT

WHEREAS, On June 7, 2018, a Notice of Intent to Circulate Petition was filed with the City Clerk by proponents William Reeve, Gurcharan Takhar, and Grace Alvarez for the "Workforce and Senior Housing Attainment Initiative," and

WHEREAS, On June 25, 2018, the initiative petitions were filed with the City Clerk; the total number of raw signatures submitted by the proponents was 6,710; the total number of Random Sample signatures verified by the San Joaquin County Registrar of Voters was 500 and the total number of sufficient signatures was 401 (80.2%), valid signatures percentage required for Sample Verification was 59.672%, and

WHEREAS, The minimum number of 4,004 signatures required to call an election was met, and

WHEREAS, Section 9212 of the Elections Code provides in relevant part that, before taking action to submit an initiative to the voters, the City Council may refer the proposed initiative to any City agency or agency for an informational report;

NOW, THEREFORE, BE IT RESOLVED, the City Council of the City of Tracy hereby directs staff to prepare an informational report consistent with Section 9212 of the Elections Code.

BE IT FURTHER RESOLVED, That the City Council approves an appropriation of \$25,000 from the General Fund Reserves to pay for the estimated cost of preparing the informational report.

\*\*\*\*\*

The foregoing Resolution 2018-\_\_\_\_\_ was passed and adopted by the Tracy City Council on the 17<sup>th</sup> day of July 2018, by the following vote:

AYES: COUNCIL MEMBERS:  
NOES: COUNCIL MEMBERS:  
ABSENT: COUNCIL MEMBERS:  
ABSTAIN: COUNCIL MEMBERS:

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

RESOLUTION 2018-\_\_\_\_\_

DIRECTING THE PREPARATION OF AN IMPARTIAL ANALYSIS

WHEREAS, On July 17, 2018, the City Council ordered that the following question be submitted to the voters at the next regularly scheduled municipal election to be held on November 6, 2018:

Shall an ordinance be adopted exempting deed-restricted senior housing, attached homes or detached homes on 4,000 square foot or less lots from the City's Growth Management Ordinance located in areas identified on the attached map, including the implementation section establishing a lottery requirement prior to the sale of homes?	<b>YES</b>
	<b>NO</b>

WHEREAS, Section 9280 of the Elections Code provides that the City Council may direct the City Clerk to transmit a copy of the measure to the City Attorney for preparation of an impartial analysis of the measure.

NOW, THEREFORE, BE IT RESOLVED, the City Council of the City of Tracy hereby directs the City Clerk to transmit a copy of the measure to the City Attorney for preparation of an impartial analysis of the measure.

BE IT FURTHER RESOLVED, that the City Council approves an appropriation of \$75,000 from General Fund Reserves to pay for the estimated cost of adding the measure to the November 6, 2018 ballot.

\* \* \* \* \*

The foregoing Resolution 2018-\_\_\_\_\_ was passed and adopted by the Tracy City Council on the 17<sup>th</sup> day of July 2018, by the following vote:

AYES:           COUNCIL MEMBERS:  
 NOES:           COUNCIL MEMBERS:  
 ABSENT:        COUNCIL MEMBERS:  
 ABSTAIN:       COUNCIL MEMBERS:

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK



RESOLUTION NO. 2018- \_\_\_\_\_

ORDERING THE CITY CLERK TO SUBMIT AN INITIATIVE MEASURE TO THE VOTERS AT THE NEXT REGULARLY SCHEDULED MUNICIPAL ELECTION TO BE HELD ON NOVEMBER 6, 2018 AND APPROPRIATING \$75,000 FROM GENERAL FUND RESERVES FOR THE COSTS ASSOCIATED WITH PLACING THIS MEASURE ON THE BALLOT

WHEREAS, On June 7, 2018, a Notice of Intent to Circulate Petition was filed with the City Clerk by proponents William Reeve, Gurcharan Takhar, and Grace Alvarez for the "Workforce and Senior Housing Attainment Initiative" (Initiative), and

WHEREAS, On June 25, 2018, the Initiative petitions were filed with the City Clerk; the total number of raw signatures submitted by the proponents was 6,710; the total number of Random Sample signatures verified by the San Joaquin County Registrar of Voters was 500 and the total number of sufficient signatures was 401 (80.2%), valid signatures percentage required for Sample Verification was 59.672%, and

WHEREAS, The minimum number of 4,004 signatures required to call an election was met;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Tracy as follows:

**Section 1. Recitals.** The City Council hereby finds and determines that the foregoing recitals are true and correct.

**Section 2. Election.** The City Council hereby orders the City Clerk to submit the Initiative to the voters at the General Municipal Election to be held on November 6, 2018.

**Section 3. Ballot Label.** The following question shall be submitted to qualified electors regarding the Initiative for a "Yes" or "No" vote as follows:

Shall an ordinance be adopted exempting deed-restricted senior housing, attached homes or detached homes on 4,000 square foot or less lots from the City's Growth Management Ordinance located in areas identified on the attached map, including the implementation section establishing a lottery requirement prior to the sale of homes?	YES
	NO

**Section 4. Full Text.** The full text of the Ordinance, which is attached as Exhibit "A" shall be printed in the sample ballot/voter information pamphlet for the November 6, 2018 election.

**Section 5. Appropriation.** The City Council appropriates \$75,000 from the City's General Fund Reserves to the City Clerk for costs associated with placing this initiative on the ballot.

**Section 6. Effective Date.** This Resolution shall be effective immediately upon adoption by City Council.

The foregoing Resolution was adopted by the Tracy City Council on the 17<sup>th</sup> day of July, 2018, by the following vote:

AYES:           COUNCIL MEMBERS:  
NOES:           COUNCIL MEMBERS:  
ABSENT:        COUNCIL MEMBERS:  
ABSTAIN:       COUNCIL MEMBERS:

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Mayor

ATTEST:

---

City Clerk

RESOLUTION 2018-\_\_\_\_\_

PROVIDING FOR THE FILING OF ARGUMENTS AND REBUTTAL ARGUMENTS

WHEREAS, On July 17, 2018, the City Council ordered that the following question be submitted to the voters at the next regularly scheduled municipal election to be held on November 6, 2018:

Shall an ordinance be adopted exempting deed-restricted senior housing, attached homes or detached homes on 4,000 square foot or less lots from the City's Growth Management Ordinance located in areas identified on the attached map, including the implementation section establishing a lottery requirement prior to the sale of homes?	YES
	NO

WHEREAS, Section 9282(a) of the Elections Code provides in relevant part that, persons filing an initiative petition may file a written argument in favor of the ordinance, and

WHEREAS, Section 9285 of the Elections Code provides in relevant part that, when an argument in favor and an argument against a measure have been selected to be printed in the ballot pamphlet, the City Council may allow for the submittal of rebuttal arguments;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Tracy as follows:

SECTION 1. The deadline for submitting arguments (not to exceed 300 words) for and against the measure to the City Clerk for transmittal to the San Joaquin County Registrar of Voters is August \_\_, 2018, at 5:00 p.m.

SECTION 2. Rebuttal arguments may be filed only if the persons filing the initiative measure files a written argument in favor of the ordinance and the City Council files an argument against the ordinance.

SECTION 3. The deadline for submitting rebuttal arguments (not to exceed 250 words) to the City Clerk for transmittal to the San Joaquin County Registrar of Voters is August \_\_, 2018, at 5:00 p.m.

SECTION 4. All previous resolutions providing for the filing of rebuttal arguments for city measures are repealed.

SECTION 5. The provisions of sections 2 and 3 of this resolution shall only apply to the election to be held on November 6, 2018, and shall then be repealed.

\* \* \* \* \*

The foregoing Resolution 2018-\_\_\_\_\_ was passed and adopted by the Tracy City Council on the 17<sup>th</sup> day of July 2018, by the following vote:

AYES:	COUNCIL MEMBERS:
NOES:	COUNCIL MEMBERS:
ABSENT:	COUNCIL MEMBERS:
ABSTAIN:	COUNCIL MEMBERS:

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

AGENDA ITEM 4

REQUEST

**PUBLIC HEARING TO CONSIDER (1) APPROVING THE ENGINEER'S ANNUAL LEVY REPORT; AND (2) ORDERING THE LEVY AND COLLECTION OF ASSESSMENTS FOR TRACY CONSOLIDATED LANDSCAPE MAINTENANCE DISTRICT FOR FISCAL YEAR 2018/2019**

EXECUTIVE SUMMARY

On June 19, 2018, Council approved the Tracy Consolidated Landscape Maintenance District (LMD) preliminary Engineer's Report, and declared its intention to levy annual assessments for the maintenance of landscaping and related appurtenances in the LMD. After considering public comments, it is recommended that City Council approve the final LMD Engineer's Report, and authorize the levy and collection of assessments for Fiscal Year 2018/2019 in amounts not to exceed the maximum rates previously approved by the zones' property owners.

The assessments pay for the care and management of improvements within the public right-of-way such as median landscaping, small parks, street trees and streetscape aligned with neighborhoods. The LMD is a critical component in keeping Tracy well-maintained and physically attractive.

Expenditures for Fiscal Year 2018/2019 are estimated to be \$5,106,553. The total revenues are broken down in the following manner: revenue from the levying of assessments is estimated to be \$3,155,081; \$115,000 from the Drainage Fund to cover the costs of channel way/bike path landscape improvements; \$192,725 from Gas Tax for zones that have arterial, median and right-of-way landscaping; \$95,978 from General Fund for improvements and maintenance that are largely of general benefit and \$1,547,769 from Zone Capital Reserves<sup>1</sup>.

DISCUSSION

The purpose of this agenda item is to allow the City Council to: (1) hear and consider public comments pertaining to the annual Engineer's Report; (2) approve the final Engineer's Report as presented to, or modified by, Council; and (3) order the levy and collection of assessments within the LMD for Fiscal Year 2018/2019.

ASSESSMENT LEVIES

Maximum assessment rates were previously approved by the LMD property owners. Although maximum rates were approved, the assessments levied for the 41 assessable

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<sup>1</sup> A portion of assessments is set aside each year as "Capital Reserves" for planned cyclical maintenance and CIPs such as park renovation, streetscape revitalization, and tree pruning since the cost of these services cannot reasonably be collected in a single year. Capital Reserves may also be used to fund shortfalls within Zones—for instance, when the cost for services exceeds the maximum rates of levied assessments, or due to increased utility costs.

zones are based upon whether the needs of each zone warrant the levying of the maximum approved rates or a lesser rate.

The LMD zones are assessed pursuant to the 1972 Act and the provisions of the California Constitution. Each year, the cost per Zone is analyzed and determined if an increase in the levy is needed based on the expenses for each zone which include annual maintenance, operation and servicing of landscape improvements, long-term maintenance and rehabilitation programs such as tree maintenance programs, streetscape revitalization and rehabilitation, and park rehabilitation and renovation program. There is a maximum levy amount per parcel that is calculated when the Zone is annexed into the LMD. The annual assessments cannot exceed the maximum assessment rate previously approved by property owners without balloting to increase the assessments for the Zone.

It is recognized that the cost of maintaining the improvements increases slightly each year as a result of inflation. Therefore, in order to offset inflationary increases that affect service costs to the District, District assessments include a formula for increasing the *maximum* assessment rates for each future fiscal year<sup>2</sup>. These annual increases (3% in Fiscal Year 2018/2019) have not been sufficient to keep up with the cost of services. It has been over 20 years since rates have been increased beyond the annual inflationary rate increases for the vast majority of the Zones. To increase the rate beyond the maximum rate, excluding inflationary increases, requires a vote of the property owners within each zone per Proposition 218. Currently, staff is working with homeowners in Zone 29 for a possible ballot measure to increase their maximum assessment rate.

The annual inflationary rate increase allows the *maximum* rates to be increased by three percent or the percentage increase of the Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose Area Region<sup>3</sup>, whichever is less. The District's assessment formula complies with Government Code Section 54954.6 (a) and was approved by the City Council and the original District Property Owners.

The CPI for the San Francisco-Oakland-San Jose Area applicable for the period of June 2016 to June 2017 was 3.48%. Therefore, the *maximum assessment* rates allowed for Fiscal Year 2018/2019 *will be* adjusted by 3.00% over the prior year's maximum assessment rates. Although inflationary rates may be applied to the *maximum* voter-approved rates, *only the assessment amount needed for maintenance (routine and cyclical), repairs, renovations and capital projects will be levied.*

Based upon the estimated costs and expenditures to maintain the long and short-term landscaping and improvements within the LMD, staff recommends approval of the assigned assessment rates found in Section IV, Appendix A ("Budget Fiscal Year 2018/2019") of the Engineer's Report for fiscal year 2018/2019. Of the 41 assessable zones, 23 zones will be assessed the maximum assessment rates allowed for fiscal year 2018/2019 due to insufficient funding to cover basic maintenance costs and/or due to

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<sup>2</sup> This does not necessarily mean that the inflated rate will be levied. The assessments levied will be based upon the estimated costs of maintenance.

<sup>3</sup> California Consumer Price Indexes consist of the aforementioned Index San Francisco-Oakland-San Jose Area, and Western Region Indexes. A vote of the LMD property owners is necessary to change the Index to another index.

increased capital spending; 13 zones will be assessed at a level below their maximum rate due to lower operating costs; and five zones will not be assessed due to a Home Owners Association providing maintenance, adequate reserves, no improvements, or the zone providing a general benefit to the City of Tracy (such as Zone 38 which includes portions of Eleventh Street, Grantline Road, and Valpico Road) which is funded by the General Fund.

### STRATEGIC PLAN

This item is in accordance with Council Governance Strategy, Goal 2: Ensure continued fiscal sustainability through budgetary and financial stewardship; Objective 3: Enhance Fiscal Transparency.

### FISCAL IMPACT

Revenue for operations, maintenance and capital replacement in the LMD is proposed to be from the following sources:

Assessments	\$3,155,081
Drainage Fund	\$ 115,000
Gas Tax	\$ 192,725
General Fund	\$ 95,978
Zone Capital Reserves	<u>\$1,547,769</u>
Total	\$5,106,553

The total expenditures for the LMD for Fiscal Year 2018/2019 are estimated to be \$5,106,553.

### RECOMMENDATION

That at the close of the Public Hearing, the Council approves, by resolution, the final "FY 2018/2017 Engineer's Report" and orders the levy and collection of assessments for Fiscal Year 2018/2019.

Prepared by: Robin Kloepfer, Management Analyst II

Reviewed by: Don Scholl, Public Works Director  
Karin Schnaider, Finance Director  
Midori Lichtwardt, Interim Assistant City Manager

Approved by: Randall Bradley, City Manager

### ATTACHMENTS

Exhibit "A" – FY 18/19 Engineer's Report<sup>4</sup>

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<sup>4</sup> The Tax Roll for the Engineer's Report is available for review in the Public Works Department.

RESOLUTION \_\_\_\_\_

APPROVING THE ENGINEER'S REPORT REGARDING THE PROPOSED LEVY AND COLLECTION OF ASSESSMENTS FOR THE TRACY CONSOLIDATED LANDSCAPE MAINTENANCE DISTRICT, PURSUANT TO THE PROVISIONS OF THE LANDSCAPING AND LIGHTING ACT OF 1972 FOR FISCAL YEAR 2018/2019

WHEREAS, The City Council pursuant to provisions of the *Landscaping and Lighting Act of 1972 (commencing with Section 22500) Part 2, Division 15 of the California Streets and Highways Code* (hereinafter referred to as the "Act") did by previous Resolution, order the preparation of the Fiscal Year 2018/2019 Engineer's Report for the Tracy Consolidated Landscape Maintenance District (hereinafter referred to as the "District"), and

WHEREAS, Said Engineer's Report was filed with the City Clerk of the City of Tracy and upon review of the Report, the City Council had, by resolution, declared its intention to levy and collect assessments within the District for Fiscal Year 2018/2019 and fixed July 17, 2018, as the public hearing date to accept public comment and testimony regarding the District and proposed assessments in accordance with *Section 22624 of Chapter 3 of Part 2 of Division 15 of the California Streets and Highways Code*, and

WHEREAS, This City Council has examined and reviewed the Report as presented, and is satisfied with the description of the District, the Zones and improvements identified therein, each of the budget items and documents as set forth, and is satisfied that the proposed assessments have been spread proportionately in accordance with the special benefit each property receives from the improvements, operation, maintenance and services to be performed, as set forth in the Report or as modified by Council action and incorporated herein, and

WHEREAS, The Engineer's Report was completed and finalized after adoption of the City's Fiscal Year 2017/2019 Budget and minor adjustments are required to reconcile the Budget and Engineer's Report;

NOW, THEREFORE, BE IT RESOLVED, That the City Council hereby resolves, orders and determines as follows:

1. The above recitals are true and correct.
2. The Engineer's Report as previously presented or as modified by direction of the City Council shall consist of the following:
  - a) A sufficient description of the territory and properties within the District, the Zones therein and the improvements and services to be provided.
  - b) The Annual Budgets associated with the various improvements and services provided by the District (an estimate of the costs and expenses required for the operation and maintenance of the improvements within the various Zones of the District).



- c) An Assessment Rate per benefit unit and description of the Method of Apportionment sufficient to calculate the proportional special benefit assessment to be applied to each parcel for Fiscal Year 2018/2019 and identification of the maximum assessment rates that may be applied to properties within each Zone of the District and Assessment Roll identifying the special benefit assessment proposed for each assessed parcel within the District.
  
- 3. The Report as presented or as modified by City Council action is hereby approved. Said Report as presented or as modified is ordered to be filed in the Office of the City Clerk as a permanent record and to remain open to public inspection.
  
- 4. The Budget Officer is authorized to make necessary adjustments to the City's Budget to reconcile the Budget with the Engineer's Report.
  
- 5. The City Clerk shall certify to the passage and adoption of this Resolution and the minutes of this meeting shall so reflect the presentation and final approval of the Report.

\* \* \* \* \*

The foregoing Resolution \_\_\_\_\_ was adopted by the City Council of the City of Tracy on the 17<sup>th</sup> day of July, 2018, by the following vote:

AYES:            COUNCIL MEMBERS:  
NOES:            COUNCIL MEMBERS:  
ABSENT:        COUNCIL MEMBERS:  
ABSTAIN:       COUNCIL MEMBERS:

\_\_\_\_\_  
MAYOR

ATTEST:  
  
\_\_\_\_\_  
CITY CLERK

RESOLUTION \_\_\_\_\_

ORDERING THE LEVY AND COLLECTION OF ASSESSMENTS WITHIN  
THE TRACY CONSOLIDATED LANDSCAPE MAINTENANCE DISTRICT  
FOR FISCAL YEAR 2018/2019

WHEREAS, The City Council, pursuant to provisions of the *Landscaping and Lighting Act of 1972 (commencing with Section 22500) Part 2, Division 15 of the California Streets and Highways Code* (hereinafter referred to as the "Act"), did by previous Resolution, initiate proceedings for the levy and collection of assessments against lots and parcels within the Tracy Consolidated Landscape Maintenance District (hereinafter referred to as the "District") for Fiscal Year 2018/2019, and

WHEREAS, Harris & Associates (the Assessment Engineer for the District) has prepared and filed the District Engineer's Report for Fiscal Year 2018/2019 with the City Clerk pursuant to *Section 22623* of the Act, and said report has been presented to the City Council, and is incorporated herein by reference;

WHEREAS, The City Council desires to levy and collect assessments against parcels of land within the District for the fiscal year commencing July 1, 2018 and ending June 30, 2019, to pay the costs and expenses of operating, maintaining and servicing landscaping and appurtenant facilities located within the District;

NOW, THEREFORE, BE IT RESOLVED, That the City Council hereby resolves, orders determines and certifies as follows:

1. The above recitals are true and correct.
2. Following notice duly given, the City Council has held a full and fair Public Hearing regarding a Resolution approving or amending the Report prepared in connection herewith; the levy and collection of assessments, and considered all oral and written statements, protests and communications made or filed by interested persons.
3. Based upon its review (and amendments, as applicable) of the Report, a copy of which has been presented to the City Council and which has been filed with the City Clerk, the City Council hereby finds, determines, and certifies that:
  - a) The land within the District will receive special benefit by the operation, maintenance and servicing of landscaping and appurtenant facilities within the boundaries of the District.
  - b) The District includes all of the land receiving such benefit.
  - c) The net amount to be assessed upon the lands within the District has been apportioned by a formula and method which fairly distributes the net amount among the eligible parcels in proportion to the special benefit to be received by each parcel from the improvements and services for the fiscal year commencing July 1, 2018 and ending June 30, 2019.

- d) The proposed special benefit assessments calculated and apportioned for fiscal year 2018/2019 are consistent with the previously adopted Rate and Method approved by the property owners within the District in accordance with the provisions of the California Constitution Articles XIIC and XIID; and meet the requirements of Proposition 218.
  - e) The assessments are in accordance with *Article 4 of Chapter 1 of Part 2 of Division 15 of the California Streets and Highways Code, commencing with Section 22565*, in connection with the proposed levy and collection of assessments related thereto.
  - f) The assessments to be levied are without regard to property valuation.
4. The Report and assessments as presented to the City Council and on file with the City Clerk are hereby confirmed as filed.
  5. The City Council hereby orders the proposed improvements to be made, which improvements are briefly described as the maintenance, operation, administration and servicing of the improvements including turf, ground cover, shrubs and trees, irrigation systems, water features, channel way landscape, and all appurtenant facilities related thereto or that may be authorized pursuant to the provisions of the Act.
  6. The County Auditor of the County of San Joaquin shall enter on the County Assessment Roll opposite each parcel of land the amount of levy, and such levies shall be collected at the same time and in the same manner as the County taxes are collected. After collection by the County, the net amount of the levy shall be paid to the City Treasurer.
  7. The City Treasurer shall deposit all money representing assessments collected by the County for the District to the credit of a fund for the Tracy Consolidated Landscape Maintenance District, and such money shall be expended only for the maintenance, operation and servicing of the landscaping, parks and appurtenant facilities as described in the Report.
  8. The adoption of this resolution constitutes the District levy for the fiscal year commencing July 1, 2018 and ending June 30, 2019.
  9. The City Clerk or their designee is hereby authorized and directed to file the levy with the County Auditor upon adoption of this resolution.

Resolution \_\_\_\_\_  
Page 3

\* \* \* \* \*

The foregoing Resolution \_\_\_\_\_ was adopted by the City Council of the City of Tracy on the 17<sup>th</sup> day of July, 2018, by the following vote:

AYES:            COUNCIL MEMBERS:

NOES:            COUNCIL MEMBERS:

ABSENT:        COUNCIL MEMBERS:

ABSTAIN:       COUNCIL MEMBERS:

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

# **ENGINEER'S REPORT**

**CITY OF TRACY**

**CONSOLIDATED LANDSCAPE  
MAINTENANCE DISTRICT**

**Fiscal Year 2018-19**

**City of Tracy  
San Joaquin County, California**

**June 19, 2018**



**Harris & Associates**

**ENGINEER'S REPORT  
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- A Improvement Areas By Zone
- B Consolidated Landscape Maintenance District Map
- C Assessment Roll

# ENGINEER'S REPORT

## CITY OF TRACY

### CONSOLIDATED LANDSCAPE MAINTENANCE DISTRICT

The undersigned acting on behalf of Harris & Associates, respectfully submits the enclosed Engineer's Report as directed by City Council pursuant to the provisions of Section 4 of Article XIID of the California Constitution, and provisions of the Landscaping and Lighting Act of 1972, Section 22500 et seq. of the California Streets and Highways Code. The undersigned certifies that he is a Professional Engineer, registered in the State of California.

DATED: June 19, 2018

BY: K. Dennis Klingelhofer, P.E.  
R.C.E. No. 50255



I HEREBY CERTIFY that the enclosed Engineer's Report, together with Assessment Roll and Assessment Diagram thereto attached, was filed with me on the \_\_\_\_ day of \_\_\_\_\_, 2018.

Adrienne Richardson, City Clerk  
City of Tracy  
San Joaquin County, California

By \_\_\_\_\_

I HEREBY CERTIFY that the enclosed Engineer's Report, together with Assessment Roll and Assessment Diagram thereto attached, was approved and confirmed by the City Council of the City of Tracy, California, on the \_\_\_\_ day of \_\_\_\_\_, 2018.

Adrienne Richardson, City Clerk  
City of Tracy  
San Joaquin County, California

By \_\_\_\_\_

**CITY OF TRACY****FISCAL YEAR 2018-19****ENGINEER'S REPORT****PREPARED PURSUANT TO THE PROVISIONS OF THE  
LANDSCAPING AND LIGHTING ACT OF 1972  
SECTION 22500 THROUGH 22679  
OF THE CALIFORNIA STREETS AND HIGHWAYS CODE,  
ARTICLE XIID OF THE CALIFORNIA CONSTITUTION, AND  
THE PROPOSITION 218 OMNIBUS IMPLEMENTATION ACT  
(GOVERNMENT CODE SECTION 53750 ET SEQ.)**

Pursuant to Part 2 of Division 15 of the Streets and Highways Code of the State of California, Article XIID of the California Constitution (Proposition 218), and the Proposition 218 Omnibus Implementation Act and in accordance with the Resolution of Initiation, adopted by the City Council of the City of Tracy, State of California, in connection with the proceedings for:

**CITY OF TRACY****CONSOLIDATED LANDSCAPE MAINTENANCE DISTRICT**

Hereinafter referred to as the "Assessment District" or "District", I, K. Dennis Klingelhofer, P.E., the authorized representative of Harris & Associates, the duly appointed ENGINEER OF WORK, submit herewith the "Report" consisting of seven (7) parts as follows:

**PART A****INTRODUCTION**

The introduction provides a brief background of the City, District and Zones.

**PART B****PLANS AND SPECIFICATIONS**

Plans and specifications for the improvements are as set forth on the lists thereof, attached hereto, and are on file in the Office of the City Clerk and are incorporated herein by reference.

**PART C****ESTIMATE OF COST**

An estimate of the costs of the proposed improvements, including incidental costs and expenses in connection therewith, is as set forth on the lists thereof, attached hereto, and are on file in the Office of the City Clerk and incorporated herein by reference.



**PART D**  
**QUANTIFICATION OF BENEFIT**

The Quantification of Benefit identifies, separates and quantifies the general and special benefits received by each parcel in the District, for the services received and the improvements provided.

**PART E**  
**METHOD OF ASSESSMENT**

The Method of Assessment indicates the proposed levy of the net amount of the costs and expenses of the improvements to be levied upon the parcels of land within the District, in proportion to the estimated benefits to be received by such parcels.

**PART F**  
**ASSESSMENT DIAGRAM**

The Diagram of the District Boundaries showing the exterior boundaries of the Assessment District and the lines and dimensions of each lot or parcel of land within the Assessment District. The lines and dimensions of each lot or parcel within the Assessment District are those lines and dimensions shown on the maps of the Assessor of the County of San Joaquin for the fiscal year to which this Report applies. The Assessor's maps and records are incorporated by reference herein and made part of this Report.

**PART G**  
**ASSESSMENT ROLL**

An assessment of the estimated cost of the improvements on each benefited lot or parcel of land within the District. The proposed Assessment Roll using Fiscal Year 2018/19 assessment rates are included in this Report as Appendix B.

## **PART A**

### **Introduction**

The City of Tracy (the "City"), is the second most populated city in San Joaquin County. The City population is approximately 90,000. Tracy is located inside a geographic triangle formed by Interstate 205 on the north side, Interstate 5 to the east, and Interstate 580 to the southwest; this has given rise to Tracy's motto, now recorded on the City's website: "Think Inside the Triangle".

Prior to Fiscal Year 2003/04, the City levied and managed three individual landscape maintenance districts identified as:

- Tracy Landscape and Lighting Assessment District 8501 formed in 1985;
- Tracy Landscape and Lighting Assessment District 8801 formed in 1988; and,
- Tracy Landscape and Lighting Assessment District 9802 formed in 1998.

Each of these original districts was formed with various Zones, and with specific areas of improvements. The parcels receiving benefit from those improvements have been assessed the costs of maintaining those improvements. At that time, the three original districts included thirty (30) different Zones. Each Zone included specific improvements that were installed as a condition of approval and the Zone improvements were maintained for the benefit of those properties.

In Fiscal Year 2003/04 the City consolidated the three existing districts into a single district pursuant to Section 22605 (d) of the 1972 Act and established the Tracy Consolidated Landscape Maintenance District. As part of the consolidation, the improvements associated with various Zones were closely evaluated and it was determined that in some areas, the special benefits to properties could be more refined by expanding the existing thirty (30) Zones to thirty-seven (37) Zones.

Several annexations have taken place over the subsequent years and there are now 41 Zones within the District. Each annexation was made pursuant to the 1972 Act and the substantive and procedural requirements of the Proposition 218.

## **PART B**

### **Plans and Specifications**

The facilities, which have been constructed within the City of Tracy, and those which may be subsequently constructed, will be operated, serviced and maintained as generally described below:

#### **DESCRIPTION OF IMPROVEMENTS FOR THE CITY OF TRACY CONSOLIDATED LANDSCAPE MAINTENANCE DISTRICT FISCAL YEAR 2018-19**

The District and assessments provide for the continued maintenance, servicing, administration and operation of specific landscaped areas and associated appurtenances for each of the forty-one (41) Zones in the District. It has been determined that the assessed parcels within each Zone receive special benefits from various landscape improvements that may include, but are not limited to: ground cover, turf, shrubs, trees, irrigation systems, drainage and electrical systems, masonry walls or other fencing, entryway monuments or other ornamental structures, recreational equipment, hardscapes and any associated appurtenances within medians, parkways, dedicated easements, channel-ways, parks or open space areas within each Zone. Services provided include the necessary operations, administration, and maintenance required to keep the improvements in a healthy, vigorous, and satisfactory condition or is necessary or convenient for the maintenance of the improvements. The continued maintenance of these improvements shall be budgeted and reviewed each fiscal year and fully or partially funded through the annual assessments. A listing of the improvement areas associated with each Zone is shown in Appendix A.

All assessable parcels identified as being within each Zone share in both the cost and the benefits of the improvements. The costs and expenses associated with the improvements in each Zone are equitably spread among all benefitting parcels within that Zone and only parcels that receive special benefit from the improvements are assessed in proportion to benefit received. The funds collected from the assessments are dispersed and used for the services and operations provided within the District. Properties receive the following special benefits from the District landscape improvements:

- Enhanced desirability of properties through association with the improvements and the aesthetic value of green space within the area.
- Improved aesthetic appeal of properties providing a positive representation of the area.
- Enhanced adaptation of the urban environment within the natural environment from adequate green space and landscaping.
- Environmental enhancement through improved erosion resistance, dust and debris control and reduced noise and air pollution.
- Increased sense of pride in ownership of property resulting from well-maintained improvements associated with the properties.
- Reduced vandalism and criminal activity resulting from well-maintained surroundings and amenities.
- The special enhancements of the properties that results from the above benefits.

The proposed budgets and maintenance costs for various Zones may include the following long-term cyclical maintenance programs:

1. Tree Maintenance Programs (Arterial, Parkway Street and Park Tree Maintenance);
2. Streetscape Revitalization and Rehabilitation Program and;
3. Park Rehabilitation and Renovation Program.

The total amount to provide these programs in each Zone where these services apply is greater than can be conveniently raised from a single annual assessment and the estimated costs of these programs for each Zone shall be raised and collected in installments as part of the annual assessments. The individual Budget pages for each Zone detail the amounts collected and/or expended each year.

The City developed these programs to fund periodic and programmed maintenance, renovation, rehabilitation, replacement and revitalization of District improvements. The City has carefully reviewed each of the associated program costs and the corresponding collection of funds has been proportionately spread to each parcel based on special benefits received from the services to be rendered within their Zone over an extended period.

### **Tree Maintenance Program**

The Tree Maintenance program may include both routine and emergency maintenance for the District trees, whether those trees are along streets or within parks. In the Zones assessed for this program, the following may apply:

1. Parkway street-tree maintenance, targets the trees associated with individual properties within the District installed by the City or developer that are located in the public right-of-way or City easement which the District is responsible for maintaining. This program addresses two specific maintenance issues:
  - Regular trimming and pruning of the street-trees. This program is designed to trim and prune all street-trees within the applicable Zones on a five to seven year rotation or as needed to ensure the health and growth of the trees.
  - Removal and replacement of the street-trees. The program provides for the removal and replacement of damaged or diseased trees as needed, or removal of trees whose growth has, or will potentially cause damage to existing structures such as underground utilities or sidewalks. This program may also include the replacement or repair of surrounding City improvements as needed.
2. Arterial-tree maintenance, targets the trees associated with the parkways and medians on the arterial streets adjacent to or surrounding the Zones. Similar to the parkway street-tree program, this program addresses two specific maintenance issues:
  - Regular trimming and pruning of the arterial-trees, which includes trimming and pruning of the arterial-trees as needed to ensure the health and growth of the trees.
  - Removal and replacement of the arterial-trees, including the removal or replacement of damaged or diseased trees as needed, or removal of trees whose growth has or will potentially cause damage to existing landscape improvements, sidewalks or curbs. This program may include the replacement or repair of surrounding City improvements as needed.

3. Park-tree maintenance, targets the trees within the various Parks of the District/Zones. Similar to the parkway and arterial street-tree program, this program addresses two specific maintenance issues:
  - Regular trimming and pruning of the Park-trees, which includes trimming and pruning of the trees as needed to ensure the health and growth of the trees.
  - Removal and replacement of the Park-trees, including the removal or replacement of damaged or diseased trees as needed, or removal of trees whose growth has or will potentially cause damage to existing landscape improvements, sidewalks or curbs. This program may include the replacement or repair of surrounding City improvements as needed.

Assessments for the tree maintenance program shall be collected from only those parcels and Zones identified as receiving special benefit from each of the specific services provided. Each parcel within the District that benefits from the various tree maintenance services is assessed on an annual installment basis to meet its proportional share of the cost and expenses associated with the tree maintenance, which is planned every five years.

### **Streetscape Revitalization and Rehabilitation Program**

The Streetscape Revitalization and Rehabilitation program includes, but is not limited to the following and may include routine or emergency maintenance.

1. Removal or replacement of existing dead/dying plant materials within the medians and parkway-landscaped areas.
2. Removal of existing plant materials and replacement with new plant material or non-plant materials within the medians and parkway-landscaped areas.
3. Upgrades or renovation to the irrigation or drainage systems, electrical systems or water meters, hardscape improvements associated with the landscaping such as fencing, sidewalks and curbs, stamped concrete or soil.

Assessments for the streetscape program shall be collected from only those parcels and Zones identified as receiving special benefit from parkway and median landscaped areas. Each parcel within the District that benefits from the streetscape revitalization and rehabilitation services is assessed on an annual installment basis to meet its proportional share of the cost and expenses associated with the program, which is planned every ten years. This program is designed to ensure the long-term maintenance of all streetscape landscaping within the District.

### **Park Rehabilitation and Renovation Program**

There are specific costs associated the annual and regular maintenance of park improvements and facilities which are included in the annual maintenance expenses of those Zones that benefit from the parks associated with that Zone. However, the cost of periodically repairing, replacing and upgrading the landscaping and facilities within these parks cannot be reasonably collected in a single annual assessment. Therefore, the City has established a long-term park rehabilitation and renovation program that includes the design repair and reconstruction of parks within the District. The program anticipates revitalization design in the 13th year of a park's life, with the revitalization occurring in the 15th year. Each parcel within the District that benefits from the park rehabilitation and renovation services is assessed on an annual installment basis to meet its proportional share of the cost and expenses associated with the program.

The costs of providing for the annual and regular maintenance of the landscape improvements as well as the long-term maintenance programs for the District have been identified as a special benefit to properties within the District. Although the location of the improvements may be visible to properties outside the District or to the public at large, the improvements have been installed and are maintained for the benefit of properties within the District and there is no quantifiable general benefit from the improvements except for portions of the costs associated with the maintenance of the Channel-ways and the landscaped areas on Eleventh Street generally between Lammers Road and the Railroad Tracks east of Corral Hollow Road. These specific improvement areas benefit both properties within the adjacent Zones as well as properties that are not within the District and it has been determined that the City will contribute funds to the District for the maintenance of these areas.

The assessments and Method of Assessment described in this Report utilizes commonly accepted assessment engineering practices and have been established pursuant to the 1972 Act and the provisions of the Proposition 218. The assessment amount for each Zone is based only on the services and improvements associated with that Zone. All assessments are apportioned based upon the special benefit received by the properties within each Zone and are over and above any general benefit conferred on the public at large. Any new or increased assessments will be subject to the substantive and procedural requirements of the Proposition 218. Property owner ballot proceedings are not required if the proposed annual assessment rate is less than or equal to the maximum assessment rate previously approved for each of the Zones.

In any given fiscal year, if the assessment revenue will not allow for full maintenance service in a particular Zone, City staff will determine the scope of work for each Zone as assessment revenues allow, and any necessary reductions in the scope of work will likely include, but not be limited to, the reduction or elimination of the long-term renovation and rehabilitation programs and some or all of the following:

#### Turf Areas

- Reduced frequency of mowing and edging turf areas. Full scope includes mowing and edging turf areas regularly.
- No fertilization. Full scope includes fertilization multiple times a year. Limited/elimination of weed control.
- Limited/elimination of aeration.

#### Ground Cover/Shrub Areas

- Limited/elimination of emergent weed control. No fertilization.
- Limited/elimination of mowing or removal of dead plants and leaves.
- Limited/elimination of vine trimming.

General Landscaping

- Limited/elimination of removal of tree stakes and ties. Limited/elimination of trash pick-up in landscaping areas.
- Limited/elimination of weed and litter control for gutters, curbs, parking lots and walkways and adjacent to contract areas.
- Administration and operations of the landscaping Zones.

The proposed assessments described in this Report are based on the estimated costs associated with the regular annual maintenance, operation and servicing of landscape improvements within each Zone. The total cost of these improvements are proportionately spread to only the properties within each respective Zone based on a method of apportionment that reflects the direct and proportional special benefits to each property. In addition to the regular annual maintenance of the landscape improvements, various Zone budgets include the collection of funds associated with specific long-term maintenance and rehabilitation programs identified as: Tree Maintenance Programs; Streetscape Revitalization and Rehabilitation Program; and Park Rehabilitation and Renovation Program. The funds collected for these programs are proportionally collected from only those Zones for which these programs are provided.

The word “parcel”, for the purposes of this Report, refers to an individual property assigned its own Assessment Parcel Number by the San Joaquin County Assessor’s Office. The San Joaquin County Auditor/Controller uses Assessment Parcel Numbers and specific Fund Numbers to identify, on the tax roll, properties assessed for special district benefit assessments.

## PART C

### Estimate of Cost

The estimated costs of maintenance and servicing the improvements for the District as described in Part B, Plans and Specifications, for each Zone are summarized in the Zone budget tables on pages 13-53. A summary table of consolidated costs for all 41 Zones in the District is provided on page 54 of this Report.

The following is a description of the budget items including maintenance, replacement, power costs for supplying electrical energy for the illumination of the decorative lights, irrigation systems, City administrative and personnel services for the annual administration, San Joaquin County costs related to placing assessments onto the tax roll, and any Reserve collections.

#### Description of Budget Items

Long-Term Cyclical Maintenance. Includes the following:

- Streetscape Revitalization & Rehabilitation. This represents the zone's annual installment for participation in the Streetscape Revitalization and Rehabilitation program.
- Arterial Street Tree Maintenance. This represents the zone's annual installment for participation in the Arterial Street Tree Maintenance program.
- Street Tree Maintenance. This represents the zone's annual installment for participation in the Street Tree Maintenance program.
- Park Tree Maintenance. This represents the zone's annual installment for participation in the Tree Maintenance program, specific to Parks.
- Park Rehabilitation & Renovation. This represents the zone's annual installment for participation in the Park Rehabilitation and Renovation program.

Maintenance Contracts. Includes all regularly scheduled labor, material, e.g. fertilizer, insecticides, etc., and equipment required to properly maintain and ensure the satisfactory condition of all landscaping, irrigation and drainage systems, and appurtenant facilities.

Utilities. The cost of water, sewer and electrical utilities necessary to maintain improvements within the Zones.

Supplies. Includes supplies, purchase and replacement of improvement facilities and/or equipment used by City personnel for the maintenance and administration of the improvements (e.g. City maintenance trucks), and training and licenses.

Field & Supervisory Personnel. The cost associated to the staff of the City for providing non-scheduled repairs, graffiti removal and other services, operations and maintenance of the improvements within the Zones.

LMD Administration. The costs of contracting with professionals to provide services specific to the levy administration, including preparation of the Engineer's Report, resolutions, and levy submittal to the County. These fees can also include any additional administrative, legal, or engineering services specific to the District such as the cost to prepare and mail notices of the public meeting and hearing.



Indirect Costs. Includes other tree maintenance and waste disposal cost, Incidental costs and expenses of the City associated with the operation and administration of the District and the cost of maintenance, services and incidentals not included above.

County Collection Fee. The cost to the Consolidated District for the County to collect the assessments on the property tax bills.

Capital Improvement Projects. These costs include the long-term replacement costs of improvements that cannot be paid for during a single fiscal year. Funds are collected over several years to pay for those replacement costs.

Zone Reserve Adjustments. Each Zone has its own Reserve Fund and monies are used from the Reserve Funds to reduce assessment amounts to individual parcels or to contribute to the Zone Reserve Funds, whether Operating Reserves or Capital Reserves.

Gas Tax Support. Represents proceeds allocated to the City per Proposition K, Special Transportation Tax that can be utilized for maintenance expenses in zones where the City maintains the arterial, median and right-of-way landscaping.

General Fund Support. Represents the City's contribution to the Zones for any general benefit that the improvements within the Zones may have impact on other properties or the public at large.

Drainage Fund Support. Represents the City's contribution to the Zones for any channel way that the improvements within the Zones may have impact on other properties or the public at large.

Balance to Levy. This is the total amount to be levied and collected through assessments for the current fiscal year. It represents the sum of Total Expenses and Other Revenues subtracting the General Fund Support and the Drainage Fund Support.

Variance. A variance may be seen between the Levy per EDU and the Maximum Levy per EDU. The variance occurs because the Special Assessments required to meet expenses for the current fiscal year are below the maximum level. The Maximum Levy per EDU is based upon the total expenses for all improvements both existing and those planned for the future.

Total Parcels Levied. The total number of parcels within the Zones that will receive the special benefits during the current fiscal year.

Total EDUs. The total Equivalent Dwelling Units within the Zones applied to the parcels described above.

Proposed Levy per EDU. This amount represents the rate being applied to each parcel's individual EDU. The Levy per EDU is the result of dividing the "Special Assessment to Levy" by the Total EDUs of the Zones for the fiscal year. This rate is rounded to the nearest even pennies.

Maximum Levy per EDU. This is the rate per EDU approved by property owners within the Zone, in accordance with Proposition 218, adjusted for inflation as described in the Method of Apportionment. This rate is rounded to the nearest pennies.

## **Budget Tables**

Budget tables for each zone and a summary table for the District are presented on the following pages. The following footnotes apply to all the Budgets:

1. Direct Costs for 2019/20 and 2020/21 are equal to the current year's amount plus 3% escalation to account for inflation.
2. Administration Costs for 2019/20 and 2020/21 are equal to the current year's amount plus 3% escalation to account for inflation, except for the County Collection Fee, which is equal to the lesser of \$3 per parcel or 1% of the levy amount, and the LMD Administration, which has no built-in escalation factor.
3. Levy Adjustments for 2019/20 and 2020/21 are equal to the current year's amount plus 3% escalation to account for inflation, except for the Zone Reserve Adjustments, which equals the amount necessary to maintain the assessment rate that is at or below the maximum allowable assessment rate for that year. Also, the Gas Tax will be eliminated for the 2019/20 and 2020/21 fiscal years.
4. The Maximum Assessment Rate for 2019/20 and 2020/21 are equal to the current year's Maximum Assessment Rate, plus 3% escalation for inflation. The actual escalation rate is based upon the June CPI and is calculated each year.

**Other Budget Table Notes:**

The Budget Tables shown on the following pages combine several line items from previous years Budgets. This is an effort to consolidate and stream-line the look of the Budget Tables. The items that are grouped are as follows:

**Long-Term Cyclical Maintenance** includes Streetscape Revitalization and Rehabilitation, Tree Maintenance and Park Rehabilitation and Renovation.

**Maintenance Contracts** include the Grounds Maintenance Contract and the Tree Maintenance Contract.

**Utilities** includes Water and Sewer, Gas and Electric and Waste.

**Supplies** includes Supplies, Radio/Computer/Controllers, Equipment/Vehicles and Training/Licenses.

**Indirect Costs** include Internal Service Charges, other Indirect Costs and IF Reimbursements.

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 1</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$0	\$0	\$0
Maintenance Contracts	\$24,108	\$24,831	\$25,576
Utilities	\$1,759	\$1,812	\$1,866
Supplies	<u>\$2,799</u>	<u>\$2,883</u>	<u>\$2,969</u>
<b>TOTAL DIRECT</b>	<b>\$28,666</b>	<b>\$29,526</b>	<b>\$30,412</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$9,861	\$10,157	\$10,462
LMD Administration	\$690	\$690	\$690
Indirect Costs	\$1,990	\$2,050	\$2,111
County Collection Fee	<u>\$295</u>	<u>\$295</u>	<u>\$295</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$12,836</b>	<b>\$13,192</b>	<b>\$13,558</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$41,502</b>	<b>\$42,718</b>	<b>\$43,970</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	(\$108)	(\$5,468)	(\$5,603)
Gas Tax Support	(\$5,234)	\$0	\$0
General Fund Support	(\$146)	(\$150)	(\$155)
Drainage Fund Support	<u>(\$6,555)</u>	<u>(\$6,752)</u>	<u>(\$6,955)</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$12,043)</b>	<b>(\$12,370)</b>	<b>(\$12,712)</b>
<b>Balance to Levy</b>	<b>\$29,459</b>	<b>\$30,347</b>	<b>\$31,258</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$29,463</b>	<b>\$30,347</b>	<b>\$31,258</b>
Variance above/(below) Maximum Revenue	(\$5)	\$0	\$0
<b>DISTRICT STATISTICS</b>			
Total Parcels	294	294	294
Total Parcels Levied	294	294	294
Total EDUs	485.00	485.00	485.00
Total EDUs Levied	485.00	485.00	485.00
Proposed Levy per EDU	<b>\$60.74</b>	\$62.57	\$64.45
Max Levy per EDU <sup>4</sup>	\$60.75	\$62.57	\$64.45
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$37,870	\$38,330	\$33,436
Reserve Fund Adjustment	(\$108)	(\$5,468)	(\$5,603)
Interest (1.5%)	<u>\$568</u>	<u>\$575</u>	<u>\$502</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$38,330</b>	<b>\$33,436</b>	<b>\$28,335</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 2</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$0	\$0	\$0
Maintenance Contracts	\$6,161	\$6,346	\$6,536
Utilities	\$1,539	\$1,585	\$1,633
Supplies	<u>\$884</u>	<u>\$910</u>	<u>\$938</u>
<b>TOTAL DIRECT</b>	<b>\$8,584</b>	<b>\$8,842</b>	<b>\$9,107</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$2,070	\$2,132	\$2,196
LMD Administration	\$133	\$133	\$133
Indirect Costs	\$418	\$430	\$443
County Collection Fee	<u>\$92</u>	<u>\$92</u>	<u>\$92</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$2,713</b>	<b>\$2,788</b>	<b>\$2,865</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$11,298</b>	<b>\$11,630</b>	<b>\$11,972</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	\$1	\$0	\$0
Gas Tax Support	(\$1,435)	\$0	\$0
General Fund Support	(\$486)	(\$500)	(\$515)
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$1,920)</b>	<b>(\$500)</b>	<b>(\$515)</b>
<b>Balance to Levy</b>	<b>\$9,378</b>	<b>\$11,130</b>	<b>\$11,457</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$11,334</b>	<b>\$11,674</b>	<b>\$12,024</b>
Variance above/(below) Maximum Revenue	(\$1,956)	(\$544)	(\$567)
<b>DISTRICT STATISTICS</b>			
Total Parcels	125	125	125
Total Parcels Levied	125	125	125
Total EDUs	125.00	125.00	125.00
Total EDUs Levied	125.00	125.00	125.00
Proposed Levy per EDU	<b>\$75.02</b>	\$89.04	\$91.66
Max Levy per EDU <sup>4</sup>	\$90.67	\$93.39	\$96.19
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$3,710	\$3,766	\$3,823
Reserve Fund Adjustment	\$1	\$0	\$0
Interest (1.5%)	<u>\$56</u>	<u>\$56</u>	<u>\$57</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$3,766</b>	<b>\$3,823</b>	<b>\$3,880</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 3</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$165,000	\$169,950	\$175,049
Maintenance Contracts	\$90,705	\$93,427	\$96,229
Utilities	\$73,294	\$75,493	\$77,757
Supplies	<u>\$49,786</u>	<u>\$51,280</u>	<u>\$52,818</u>
<b>TOTAL DIRECT</b>	<b>\$378,785</b>	<b>\$390,149</b>	<b>\$401,853</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$145,806	\$150,180	\$154,685
LMD Administration	\$8,694	\$8,694	\$8,694
Indirect Costs	\$29,426	\$30,309	\$31,218
County Collection Fee	<u>\$3,563</u>	<u>\$3,563</u>	<u>\$3,563</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$187,488</b>	<b>\$192,745</b>	<b>\$198,160</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$566,273</b>	<b>\$582,894</b>	<b>\$600,013</b>
Capital Improvement Projects	(\$165,000)	(\$169,950)	(\$175,049)
Zone Reserves Adjustment	(\$2,877)	(\$9,823)	(\$9,750)
Gas Tax Support	(\$7,017)	\$0	\$0
General Fund Support	(\$19,537)	(\$20,123)	(\$20,727)
Drainage Fund Support	<u>(\$18,433)</u>	<u>(\$18,986)</u>	<u>(\$19,556)</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$212,864)</b>	<b>(\$218,882)</b>	<b>(\$225,081)</b>
<b>Balance to Levy</b>	<b>\$353,410</b>	<b>\$364,012</b>	<b>\$374,932</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$353,409</b>	<b>\$364,012</b>	<b>\$374,932</b>
Variance above/(below) Maximum Revenue	\$0	\$0	\$0
<b>DISTRICT STATISTICS</b>			
Total Parcels	2,294	2,294	2,294
Total Parcels Levied	2,294	2,294	2,294
Total EDUs	2,622.81	2,622.81	2,622.81
Total EDUs Levied	2,622.81	2,622.81	2,622.81
Proposed Levy per EDU	<b>\$134.74</b>	\$138.79	\$142.95
Max Levy per EDU <sup>4</sup>	\$134.74	\$138.79	\$142.95
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$561,131	\$566,671	\$565,349
Reserve Fund Adjustment	(2,877)	(9,823)	(9,750)
Interest (1.5%)	<u>8,417</u>	<u>8,500</u>	<u>8,480</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$566,671</b>	<b>\$565,349</b>	<b>\$564,079</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 4</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$70	\$72	\$74
Maintenance Contracts	\$5	\$5	\$5
Utilities	\$28	\$29	\$29
Supplies	<u>\$174</u>	<u>\$179</u>	<u>\$185</u>
<b>TOTAL DIRECT</b>	<b>\$277</b>	<b>\$285</b>	<b>\$293</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$73	\$75	\$77
LMD Administration	\$5	\$5	\$5
Indirect Costs	\$15	\$15	\$16
County Collection Fee	<u>\$3</u>	<u>\$3</u>	<u>\$3</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$95</b>	<b>\$98</b>	<b>\$101</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$372</b>	<b>\$383</b>	<b>\$394</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	\$0	\$0	\$0
Gas Tax Support	\$0	\$0	\$0
General Fund Support	(\$17)	(\$18)	(\$18)
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$17)</b>	<b>(\$18)</b>	<b>(\$18)</b>
<b>Balance to Levy</b>	<b>\$355</b>	<b>\$365</b>	<b>\$376</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$19,403</b>	<b>\$19,985</b>	<b>\$20,585</b>
Variance above/(below) Maximum Revenue	(\$19,048)	(\$19,620)	(\$20,209)
<b>DISTRICT STATISTICS</b>			
Total Parcels	144	144	144
Total Parcels Levied	144	144	144
Total EDUs	144.00	144.00	144.00
Total EDUs Levied	144.00	144.00	144.00
Proposed Levy per EDU	<b>\$2.46</b>	\$2.54	\$2.61
Max Levy per EDU <sup>4</sup>	\$134.74	\$138.79	\$142.95
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$8,023	\$8,143	\$8,265
Reserve Fund Adjustment	\$0	\$0	\$0
Interest (1.5%)	<u>\$120</u>	<u>\$122</u>	<u>\$124</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$8,143</b>	<b>\$8,265</b>	<b>\$8,389</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 5</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$1,282	\$1,320	\$1,360
Maintenance Contracts	\$1,000	\$1,030	\$1,061
Utilities	\$57	\$59	\$61
Supplies	<u>\$155</u>	<u>\$159</u>	<u>\$164</u>
<b>TOTAL DIRECT</b>	<b>\$2,493</b>	<b>\$2,568</b>	<b>\$2,645</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$0	\$0	\$0
LMD Administration	\$18	\$18	\$18
Indirect Costs	\$0	\$0	\$0
County Collection Fee	<u>\$9</u>	<u>\$9</u>	<u>\$9</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$28</b>	<b>\$28</b>	<b>\$28</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$2,521</b>	<b>\$2,596</b>	<b>\$2,673</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	\$0	\$0	\$0
Gas Tax Support	(\$300)	\$0	\$0
General Fund Support	\$0	\$0	\$0
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$300)</b>	<b>\$0</b>	<b>\$0</b>
<b>Balance to Levy</b>	<b>\$2,221</b>	<b>\$2,596</b>	<b>\$2,673</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$9,297</b>	<b>\$9,576</b>	<b>\$9,864</b>
Variance above/(below) Maximum Revenue	(\$7,077)	(\$6,980)	(\$7,191)
<b>DISTRICT STATISTICS</b>			
Total Parcels	69	69	69
Total Parcels Levied	69	69	69
Total EDUs	69.00	69.00	69.00
Total EDUs Levied	69.00	69.00	69.00
Proposed Levy per EDU	<b>\$32.19</b>	\$37.62	\$38.74
Max Levy per EDU <sup>4</sup>	\$134.74	\$138.79	\$142.95
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$11,978	\$12,157	\$12,340
Reserve Fund Adjustment	(\$0)	\$0	\$0
Interest (1.5%)	<u>\$180</u>	<u>\$182</u>	<u>\$185</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$12,157</b>	<b>\$12,340</b>	<b>\$12,525</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 6</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$3,812	\$3,927	\$4,045
Maintenance Contracts	\$1,000	\$1,030	\$1,061
Utilities	\$1,013	\$1,043	\$1,074
Supplies	<u>\$155</u>	<u>\$159</u>	<u>\$164</u>
<b>TOTAL DIRECT</b>	<b>\$5,980</b>	<b>\$6,159</b>	<b>\$6,344</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$0	\$0	\$0
LMD Administration	\$4	\$4	\$4
Indirect Costs	\$0	\$0	\$0
County Collection Fee	<u>\$6</u>	<u>\$6</u>	<u>\$6</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$10</b>	<b>\$10</b>	<b>\$10</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$5,990</b>	<b>\$6,169</b>	<b>\$6,354</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	\$0	\$0	\$0
Gas Tax Support	(\$300)	\$0	\$0
General Fund Support	\$0	\$0	\$0
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$300)</b>	<b>\$0</b>	<b>\$0</b>
<b>Balance to Levy</b>	<b>\$5,690</b>	<b>\$6,169</b>	<b>\$6,354</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$6,043</b>	<b>\$6,225</b>	<b>\$6,411</b>
Variance above/(below) Maximum Revenue	(\$354)	(\$55)	(\$57)
<b>DISTRICT STATISTICS</b>			
Total Parcels	2	2	2
Total Parcels Levied	2	2	2
Total EDUs	44.85	44.85	44.85
Total EDUs Levied	44.85	44.85	44.85
Proposed Levy per EDU	<b>\$126.86</b>	\$137.56	\$141.68
Max Levy per EDU <sup>4</sup>	\$134.74	\$138.79	\$142.95
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$6,970	\$7,075	\$7,181
Reserve Fund Adjustment	\$0	\$0	\$0
Interest (1.5%)	<u>\$105</u>	<u>\$106</u>	<u>\$108</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$7,075</b>	<b>\$7,181</b>	<b>\$7,289</b>



<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 7</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$497,300	\$0	\$0
Maintenance Contracts	\$118,246	\$121,794	\$125,447
Utilities	\$51,803	\$53,357	\$54,958
Supplies	<u>\$32,306</u>	<u>\$33,275</u>	<u>\$34,273</u>
<b>TOTAL DIRECT</b>	<b>\$699,655</b>	<b>\$208,425</b>	<b>\$214,678</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$108,601	\$111,859	\$115,215
LMD Administration	\$6,422	\$6,422	\$6,422
Indirect Costs	\$21,917	\$22,575	\$23,252
County Collection Fee	<u>\$2,138</u>	<u>\$2,138</u>	<u>\$2,138</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$139,078</b>	<b>\$142,994</b>	<b>\$147,027</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$838,733</b>	<b>\$351,419</b>	<b>\$361,705</b>
Capital Improvement Projects	(\$497,300)	\$0	\$0
Zone Reserves Adjustment	(\$75,304)	(\$99,107)	(\$101,823)
Gas Tax Support	(\$21,165)	\$0	\$0
General Fund Support	(\$15,403)	(\$15,865)	(\$16,341)
Drainage Fund Support	<u>(\$15,740)</u>	<u>(\$16,212)</u>	<u>(\$16,699)</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$624,912)</b>	<b>(\$131,184)</b>	<b>(\$134,863)</b>
<b>Balance to Levy</b>	<b>\$213,820</b>	<b>\$220,235</b>	<b>\$226,842</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$213,820</b>	<b>\$220,235</b>	<b>\$226,842</b>
Variance above/(below) Maximum Revenue	(\$0)	\$0	\$0
<b>DISTRICT STATISTICS</b>			
Total Parcels	1,172	1,172	1,172
Total Parcels Levied	1,172	1,172	1,172
Total EDUs	1,273.34	1,273.34	1,273.34
Total EDUs Levied	1,273.34	1,273.34	1,273.34
Proposed Levy per EDU	<b>\$167.92</b>	\$172.96	\$178.15
Max Levy per EDU <sup>4</sup>	\$167.92	\$172.96	\$178.15
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$645,675	\$580,056	\$489,650
Reserve Fund Adjustment	(\$75,304)	(\$99,107)	(\$101,823)
Interest (1.5%)	<u>\$9,685</u>	<u>\$8,701</u>	<u>\$7,345</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$580,056</b>	<b>\$489,650</b>	<b>\$395,172</b>

<b>City of Tracy</b>			
<b>Consolidated Landscape Maintenance District</b>			
<b>Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 8</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$0	\$0	\$0
Maintenance Contracts	\$26,972	\$27,782	\$28,615
Utilities	\$13,099	\$13,492	\$13,897
Supplies	<u>\$7,152</u>	<u>\$7,366</u>	<u>\$7,587</u>
<b>TOTAL DIRECT</b>	<b>\$47,223</b>	<b>\$48,640</b>	<b>\$50,099</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$22,836	\$23,521	\$24,227
LMD Administration	\$1,399	\$1,399	\$1,399
Indirect Costs	\$4,609	\$4,747	\$4,889
County Collection Fee	<u>\$367</u>	<u>\$367</u>	<u>\$367</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$29,210</b>	<b>\$30,034</b>	<b>\$30,882</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$76,433</b>	<b>\$78,673</b>	<b>\$80,981</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	\$0	\$0	\$0
Gas Tax Support	(\$2,705)	\$0	\$0
General Fund Support	(\$2,258)	(\$2,325)	(\$2,395)
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$4,962)</b>	<b>(\$2,325)</b>	<b>(\$2,395)</b>
<b>Balance to Levy</b>	<b>\$71,471</b>	<b>\$76,348</b>	<b>\$78,585</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$36,775</b>	<b>\$37,878</b>	<b>\$39,014</b>
Variance above/(below) Maximum Revenue	\$34,696	\$38,470	\$39,571
<b>DISTRICT STATISTICS</b>			
Total Parcels	219	219	219
Total Parcels Levied	219	219	219
Total EDUs	219.00	219.00	219.00
Total EDUs Levied	219.00	219.00	219.00
Levy per EDU to Fully Fund Zone	<b>\$326.35</b>	\$348.62	\$358.84
Allowable Levy per EDU	<b>\$167.92</b>	\$172.96	\$178.15
Max Levy per EDU <sup>4</sup>	\$167.92	\$172.96	\$178.15
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	(\$26,414)	(\$26,414)	(\$26,414)
Reserve Fund Adjustment	\$0	\$0	\$0
Interest (1.5%)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>(\$26,414)</b>	<b>(\$26,414)</b>	<b>(\$26,414)</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 9</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$0	\$0	\$0
Maintenance Contracts	\$178,248	\$183,595	\$189,103
Utilities	\$96,896	\$99,803	\$102,797
Supplies	<u>\$55,941</u>	<u>\$57,620</u>	<u>\$59,348</u>
<b>TOTAL DIRECT</b>	<b>\$331,085</b>	<b>\$341,018</b>	<b>\$351,248</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$178,578	\$183,935	\$189,454
LMD Administration	\$10,926	\$10,926	\$10,926
Indirect Costs	\$36,040	\$37,121	\$38,235
County Collection Fee	<u>\$3,663</u>	<u>\$3,663</u>	<u>\$3,663</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$229,207</b>	<b>\$235,645</b>	<b>\$242,277</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$560,292</b>	<b>\$576,663</b>	<b>\$593,525</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	(\$78,409)	(\$106,864)	(\$109,632)
Gas Tax Support	(\$25,757)	\$0	\$0
General Fund Support	(\$18,822)	(\$19,387)	(\$19,968)
Drainage Fund Support	<u>(\$69,734)</u>	<u>(\$71,826)</u>	<u>(\$73,981)</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$192,722)</b>	<b>(\$198,077)</b>	<b>(\$203,581)</b>
<b>Balance to Levy</b>	<b>\$367,570</b>	<b>\$378,587</b>	<b>\$389,944</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$367,560</b>	<b>\$378,587</b>	<b>\$389,944</b>
Variance above/(below) Maximum Revenue	\$10	\$0	\$0
<b>DISTRICT STATISTICS</b>			
Total Parcels	2,368	2,368	2,368
Total Parcels Levied	2,368	2,368	2,368
Total EDUs	2,441.03	2,441.03	2,441.03
Total EDUs Levied	2,441.03	2,441.03	2,441.03
Proposed Levy per EDU	<b>\$150.58</b>	\$155.09	\$159.75
Max Levy per EDU <sup>4</sup>	\$150.58	\$155.09	\$159.75
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$147,286	\$71,087	(\$34,711)
Reserve Fund Adjustment	(\$78,409)	(\$106,864)	(\$109,632)
Interest (1.5%)	<u>\$2,209</u>	<u>\$1,066</u>	<u>(\$521)</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$71,087</b>	<b>(\$34,711)</b>	<b>(\$144,864)</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 10</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$0	\$0	\$0
Maintenance Contracts	\$91,249	\$93,987	\$96,806
Utilities	\$37,302	\$38,422	\$39,574
Supplies	<u>\$28,071</u>	<u>\$28,913</u>	<u>\$29,780</u>
<b>TOTAL DIRECT</b>	<b>\$156,622</b>	<b>\$161,321</b>	<b>\$166,161</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$99,500	\$102,485	\$105,560
LMD Administration	\$5,550	\$5,550	\$5,550
Indirect Costs	\$20,081	\$20,683	\$21,304
County Collection Fee	<u>\$948</u>	<u>\$948</u>	<u>\$948</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$126,079</b>	<b>\$129,667</b>	<b>\$133,362</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$282,702</b>	<b>\$290,988</b>	<b>\$299,522</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	(\$70,228)	(\$84,661)	(\$87,006)
Gas Tax Support	(\$12,158)	\$0	\$0
General Fund Support	(\$7,029)	(\$7,240)	(\$7,457)
Drainage Fund Support	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$89,415)</b>	<b>(\$91,901)</b>	<b>(\$94,463)</b>
<b>Balance to Levy</b>	<b>\$193,286</b>	<b>\$199,087</b>	<b>\$205,059</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$193,288</b>	<b>\$199,087</b>	<b>\$205,059</b>
Variance above/(below) Maximum Revenue	(\$2)	\$0	\$0
<b>DISTRICT STATISTICS</b>			
Total Parcels	316	316	316
Total Parcels Levied	316	316	316
Total EDUs	2,156.25	2,156.25	2,156.25
Total EDUs Levied	2,156.25	2,156.25	2,156.25
Proposed Levy per EDU	<b>\$89.64</b>	\$92.33	\$95.10
Max Levy per EDU <sup>4</sup>	\$89.64	\$92.33	\$95.10
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$209,587	\$142,503	\$59,979
Reserve Fund Adjustment	(\$70,228)	(\$84,661)	(\$87,006)
Interest (1.5%)	<u>\$3,144</u>	<u>\$2,138</u>	<u>\$900</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$142,503</b>	<b>\$59,979</b>	<b>(\$26,126)</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 11</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$208	\$214	\$221
Maintenance Contracts	\$1,000	\$1,030	\$1,061
Utilities	\$0	\$0	\$0
Supplies	<u>\$163</u>	<u>\$168</u>	<u>\$173</u>
<b>TOTAL DIRECT</b>	<b>\$1,371</b>	<b>\$1,413</b>	<b>\$1,455</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$0	\$0	\$0
LMD Administration	\$1	\$1	\$1
Indirect Costs	\$0	\$0	\$0
County Collection Fee	<u>\$3</u>	<u>\$3</u>	<u>\$3</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$4</b>	<b>\$4</b>	<b>\$4</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$1,375</b>	<b>\$1,417</b>	<b>\$1,459</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	\$0	\$0	\$0
Gas Tax Support	(\$300)	\$0	\$0
General Fund Support	\$0	\$0	\$0
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$300)</b>	<b>\$0</b>	<b>\$0</b>
<b>Balance to Levy</b>	<b>\$1,075</b>	<b>\$1,417</b>	<b>\$1,459</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$1,627</b>	<b>\$1,676</b>	<b>\$1,726</b>
Variance above/(below) Maximum Revenue	(\$552)	(\$259)	(\$267)
<b>DISTRICT STATISTICS</b>			
Total Parcels	1	1	1
Total Parcels Levied	1	1	1
Total EDUs	18.15	18.15	18.15
Total EDUs Levied	18.15	18.15	18.15
Proposed Levy per EDU	<b>\$59.24</b>	\$78.05	\$80.38
Max Levy per EDU <sup>4</sup>	\$89.64	\$92.33	\$95.10
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$2,732	\$2,774	\$2,815
Reserve Fund Adjustment	\$0	\$0	\$0
Interest (1.5%)	<u>\$41</u>	<u>\$42</u>	<u>\$42</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$2,774</b>	<b>\$2,815</b>	<b>\$2,858</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 12</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$26,135	\$26,919	\$27,727
Maintenance Contracts	\$20,581	\$21,199	\$21,835
Utilities	\$8,701	\$8,963	\$9,231
Supplies	<u>\$4,453</u>	<u>\$4,587</u>	<u>\$4,724</u>
<b>TOTAL DIRECT</b>	<b>\$59,871</b>	<b>\$61,667</b>	<b>\$63,517</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$16,127	\$16,610	\$17,109
LMD Administration	\$960	\$960	\$960
Indirect Costs	\$3,255	\$3,352	\$3,453
County Collection Fee	<u>\$306</u>	<u>\$306</u>	<u>\$306</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$20,647</b>	<b>\$21,229</b>	<b>\$21,828</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$80,518</b>	<b>\$82,896</b>	<b>\$85,345</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	(\$4)	\$0	\$0
Gas Tax Support	\$0	\$0	\$0
General Fund Support	\$0	\$0	\$0
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$4)</b>	<b>\$0</b>	<b>\$0</b>
<b>Balance to Levy</b>	<b>\$80,515</b>	<b>\$82,896</b>	<b>\$85,345</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$122,515</b>	<b>\$126,191</b>	<b>\$129,977</b>
Variance above/(below) Maximum Revenue	(\$42,001)	(\$43,295)	(\$44,632)
<b>DISTRICT STATISTICS</b>			
Total Parcels	102	102	102
Total Parcels Levied	102	102	102
Total EDUs	940.59	940.59	940.59
Total EDUs Levied	940.59	940.59	940.59
Proposed Levy per EDU	<b>\$85.60</b>	\$88.13	\$90.74
Max Levy per EDU <sup>4</sup>	\$130.25	\$134.16	\$138.19
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$194,963	\$197,884	\$200,852
Reserve Fund Adjustment	(\$4)	\$0	\$0
Interest (1.5%)	<u>\$2,924</u>	<u>\$2,968</u>	<u>\$3,013</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$197,884</b>	<b>\$200,852</b>	<b>\$203,865</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 13</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$29,967	\$30,866	\$31,792
Maintenance Contracts	\$53,564	\$55,171	\$56,826
Utilities	\$16,857	\$17,363	\$17,884
Supplies	<u>\$7,071</u>	<u>\$7,283</u>	<u>\$7,502</u>
<b>TOTAL DIRECT</b>	<b>\$107,459</b>	<b>\$110,683</b>	<b>\$114,004</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$19,824	\$20,419	\$21,031
LMD Administration	\$1,296	\$1,296	\$1,296
Indirect Costs	\$4,001	\$4,121	\$4,244
County Collection Fee	<u>\$901</u>	<u>\$901</u>	<u>\$901</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$26,022</b>	<b>\$26,737</b>	<b>\$27,473</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$133,481</b>	<b>\$137,420</b>	<b>\$141,476</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	\$2	(\$11,645)	(\$11,929)
Gas Tax Support	(\$11,370)	\$0	\$0
General Fund Support	(\$915)	(\$943)	(\$971)
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$12,284)</b>	<b>(\$12,588)</b>	<b>(\$12,900)</b>
<b>Balance to Levy</b>	<b>\$121,197</b>	<b>\$124,832</b>	<b>\$128,577</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$121,196</b>	<b>\$124,832</b>	<b>\$128,577</b>
Variance above/(below) Maximum Revenue	\$2	\$0	\$0
<b>DISTRICT STATISTICS</b>			
Total Parcels	421	421	421
Total Parcels Levied	421	421	421
Total EDUs	421.00	421.00	421.00
Total EDUs Levied	421.00	421.00	421.00
Proposed Levy per EDU	<b>\$287.88</b>	\$296.51	\$305.41
Max Levy per EDU <sup>4</sup>	\$287.88	\$296.51	\$305.41
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$354,872	\$360,197	\$353,954
Reserve Fund Adjustment	\$2	(\$11,645)	(\$11,929)
Interest (1.5%)	<u>\$5,323</u>	<u>\$5,403</u>	<u>\$5,309</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$360,197</b>	<b>\$353,954</b>	<b>\$347,335</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 14</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$0	\$0	\$0
Maintenance Contracts	\$38,416	\$39,569	\$40,756
Utilities	\$14,956	\$15,405	\$15,867
Supplies	<u>\$7,544</u>	<u>\$7,770</u>	<u>\$8,003</u>
<b>TOTAL DIRECT</b>	<b>\$60,916</b>	<b>\$62,744</b>	<b>\$64,626</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$18,769	\$19,332	\$19,912
LMD Administration	\$1,187	\$1,187	\$1,187
Indirect Costs	\$3,788	\$3,901	\$4,018
County Collection Fee	<u>\$583</u>	<u>\$583</u>	<u>\$583</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$24,327</b>	<b>\$25,003</b>	<b>\$25,700</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$85,243</b>	<b>\$87,747</b>	<b>\$90,327</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	(\$18,392)	(\$26,818)	(\$27,569)
Gas Tax Support	(\$7,701)	\$0	\$0
General Fund Support	(\$674)	(\$694)	(\$715)
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$26,766)</b>	<b>(\$27,512)</b>	<b>(\$28,284)</b>
<b>Balance to Levy</b>	<b>\$58,477</b>	<b>\$60,236</b>	<b>\$62,043</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$58,481</b>	<b>\$60,236</b>	<b>\$62,043</b>
Variance above/(below) Maximum Revenue	(\$4)	\$0	(\$0)
<b>DISTRICT STATISTICS</b>			
Total Parcels	369	369	369
Total Parcels Levied	369	369	369
Total EDUs	371.00	371.00	371.00
Total EDUs Levied	371.00	371.00	371.00
Proposed Levy per EDU	<b>\$157.62</b>	\$162.36	\$167.23
Max Levy per EDU <sup>4</sup>	\$157.63	\$162.36	\$167.23
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$71,866	\$54,552	\$28,552
Reserve Fund Adjustment	(\$18,392)	(\$26,818)	(\$27,569)
Interest (1.5%)	<u>\$1,078</u>	<u>\$818</u>	<u>\$428</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$54,552</b>	<b>\$28,552</b>	<b>\$1,411</b>



<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 15</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$23,028	\$23,719	\$24,430
Maintenance Contracts	\$59,946	\$61,744	\$63,597
Utilities	\$50,278	\$51,787	\$53,340
Supplies	<u>\$20,145</u>	<u>\$20,749</u>	<u>\$21,372</u>
<b>TOTAL DIRECT</b>	<b>\$153,397</b>	<b>\$157,999</b>	<b>\$162,739</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$62,781	\$64,665	\$66,604
LMD Administration	\$4,048	\$4,048	\$4,048
Indirect Costs	\$12,670	\$13,050	\$13,442
County Collection Fee	<u>\$1,985</u>	<u>\$1,985</u>	<u>\$1,985</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$81,484</b>	<b>\$83,748</b>	<b>\$86,079</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$234,881</b>	<b>\$241,747</b>	<b>\$248,818</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	(\$16)	(\$6,705)	(\$6,725)
Gas Tax Support	(\$6,685)	\$0	\$0
General Fund Support	(\$4,994)	(\$5,143)	(\$5,298)
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$11,695)</b>	<b>(\$11,848)</b>	<b>(\$12,023)</b>
<b>Balance to Levy</b>	<b>\$223,187</b>	<b>\$229,899</b>	<b>\$236,796</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$223,203</b>	<b>\$229,899</b>	<b>\$236,796</b>
Variance above/(below) Maximum Revenue	(\$16)	\$0	\$0
<b>DISTRICT STATISTICS</b>			
Total Parcels	1,187	1,187	1,187
Total Parcels Levied	1,187	1,187	1,187
Total EDUs	1,415.98	1,415.98	1,415.98
Total EDUs Levied	1,415.98	1,415.98	1,415.98
Proposed Levy per EDU	<b>\$157.62</b>	\$162.36	\$167.23
Max Levy per EDU <sup>4</sup>	\$157.63	\$162.36	\$167.23
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$148,635	\$150,848	\$146,406
Reserve Fund Adjustment	(\$16)	(\$6,705)	(\$6,725)
Interest (1.5%)	<u>\$2,230</u>	<u>\$2,263</u>	<u>\$2,196</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$150,848</b>	<b>\$146,406</b>	<b>\$141,877</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 16</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$0	\$0	\$0
Maintenance Contracts	\$32,900	\$33,887	\$34,904
Utilities	\$9,674	\$9,964	\$10,263
Supplies	<u>\$4,663</u>	<u>\$4,803</u>	<u>\$4,947</u>
<b>TOTAL DIRECT</b>	<b>\$47,237</b>	<b>\$48,654</b>	<b>\$50,114</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$11,469	\$11,813	\$12,167
LMD Administration	\$735	\$735	\$735
Indirect Costs	\$2,315	\$2,384	\$2,456
County Collection Fee	<u>\$487</u>	<u>\$487</u>	<u>\$487</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$15,005</b>	<b>\$15,419</b>	<b>\$15,844</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$62,242</b>	<b>\$64,073</b>	<b>\$65,958</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	(\$6,664)	(\$13,741)	(\$14,117)
Gas Tax Support	(\$6,716)	\$0	\$0
General Fund Support	\$0	\$0	\$0
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$13,380)</b>	<b>(\$13,741)</b>	<b>(\$14,117)</b>
<b>Balance to Levy</b>	<b>\$48,862</b>	<b>\$50,332</b>	<b>\$51,842</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$48,866</b>	<b>\$50,332</b>	<b>\$51,842</b>
Variance above/(below) Maximum Revenue	(\$3)	\$0	\$0
<b>DISTRICT STATISTICS</b>			
Total Parcels	310	310	310
Total Parcels Levied	310	310	310
Total EDUs	310.00	310.00	310.00
Total EDUs Levied	310.00	310.00	310.00
Proposed Levy per EDU	<b>\$157.62</b>	\$162.36	\$167.23
Max Levy per EDU <sup>4</sup>	\$157.63	\$162.36	\$167.23
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$119,628	\$114,758	\$102,738
Reserve Fund Adjustment	(\$6,664)	(\$13,741)	(\$14,117)
Interest (1.5%)	<u>\$1,794</u>	<u>\$1,721</u>	<u>\$1,541</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$114,758</b>	<b>\$102,738</b>	<b>\$90,162</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 17</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$697,300	\$0	\$0
Maintenance Contracts	\$67,642	\$69,671	\$71,761
Utilities	\$34,130	\$35,154	\$36,209
Supplies	<u>\$10,774</u>	<u>\$11,097</u>	<u>\$11,430</u>
<b>TOTAL DIRECT</b>	<b>\$809,846</b>	<b>\$115,923</b>	<b>\$119,400</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$37,634	\$38,763	\$39,926
LMD Administration	\$2,595	\$2,595	\$2,595
Indirect Costs	\$7,595	\$7,823	\$8,058
County Collection Fee	<u>\$1,408</u>	<u>\$1,408</u>	<u>\$1,408</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$49,232</b>	<b>\$50,588</b>	<b>\$51,986</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$859,078</b>	<b>\$166,511</b>	<b>\$171,386</b>
Capital Improvement Projects	(\$497,300)	\$0	\$0
Zone Reserves Adjustment	(\$40,524)	\$0	\$0
Gas Tax Support	(\$12,800)	\$0	\$0
General Fund Support	(\$5,418)	(\$5,580)	(\$5,748)
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$556,042)</b>	<b>(\$5,580)</b>	<b>(\$5,748)</b>
<b>Balance to Levy</b>	<b>\$303,036</b>	<b>\$160,931</b>	<b>\$165,639</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$304,084</b>	<b>\$313,207</b>	<b>\$322,603</b>
Variance above/(below) Maximum Revenue	(\$1,048)	(\$152,276)	(\$156,964)
<b>DISTRICT STATISTICS</b>			
Total Parcels	1,137	1,137	1,137
Total Parcels Levied	1,137	1,137	1,137
Total EDUs	1,673.15	1,673.15	1,673.15
Total EDUs Levied	1,673.15	1,673.15	1,673.15
Proposed Levy per EDU	<b>\$181.12</b>	\$96.18	\$99.00
Max Levy per EDU <sup>4</sup>	\$181.74	\$187.20	\$192.81
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$1,017,206	\$991,940	\$1,006,819
Reserve Fund Adjustment	(\$40,524)	\$0	\$0
Interest (1.5%)	<u>\$15,258</u>	<u>\$14,879</u>	<u>\$15,102</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$991,940</b>	<b>\$1,006,819</b>	<b>\$1,021,921</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 18</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$14,766	\$15,209	\$15,665
Maintenance Contracts	\$51,604	\$53,152	\$54,747
Utilities	\$22,822	\$23,507	\$24,212
Supplies	<u>\$6,265</u>	<u>\$6,453</u>	<u>\$6,647</u>
<b>TOTAL DIRECT</b>	<b>\$95,457</b>	<b>\$98,321</b>	<b>\$101,271</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$22,921	\$23,609	\$24,317
LMD Administration	\$1,627	\$1,627	\$1,627
Indirect Costs	\$4,626	\$4,765	\$4,908
County Collection Fee	<u>\$939</u>	<u>\$939</u>	<u>\$939</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$30,113</b>	<b>\$30,939</b>	<b>\$31,790</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$125,570</b>	<b>\$129,260</b>	<b>\$133,061</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	\$1	(\$11,485)	(\$11,752)
Gas Tax Support	(\$11,225)	\$0	\$0
General Fund Support	(\$4,615)	(\$4,753)	(\$4,896)
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$15,839)</b>	<b>(\$16,238)</b>	<b>(\$16,648)</b>
<b>Balance to Levy</b>	<b>\$109,731</b>	<b>\$113,022</b>	<b>\$116,413</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$109,731</b>	<b>\$113,022</b>	<b>\$116,413</b>
Variance above/(below) Maximum Revenue	\$1	\$0	\$0
<b>DISTRICT STATISTICS</b>			
Total Parcels	968	968	968
Total Parcels Levied	968	968	968
Total EDUs	977.65	977.65	977.65
Total EDUs Levied	977.65	977.65	977.65
Proposed Levy per EDU	<b>\$112.24</b>	\$115.61	\$119.07
Max Levy per EDU <sup>4</sup>	\$112.24	\$115.61	\$119.07
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$143,077	\$145,224	\$135,917
Reserve Fund Adjustment	\$1	(\$11,485)	(\$11,752)
Interest (1.5%)	<u>\$2,146</u>	<u>\$2,178</u>	<u>\$2,039</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$145,224</b>	<b>\$135,917</b>	<b>\$126,204</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 19</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$36,708	\$37,809	\$38,944
Maintenance Contracts	\$49,413	\$50,896	\$52,423
Utilities	\$22,782	\$23,465	\$24,169
Supplies	<u>\$8,698</u>	<u>\$8,959</u>	<u>\$9,228</u>
<b>TOTAL DIRECT</b>	<b>\$117,601</b>	<b>\$121,129</b>	<b>\$124,763</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$28,771	\$29,634	\$30,523
LMD Administration	\$1,858	\$1,858	\$1,858
Indirect Costs	\$5,807	\$5,981	\$6,160
County Collection Fee	<u>\$1,082</u>	<u>\$1,082</u>	<u>\$1,082</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$37,517</b>	<b>\$38,555</b>	<b>\$39,623</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$155,118</b>	<b>\$159,684</b>	<b>\$164,386</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	(\$1)	(\$7,224)	(\$7,353)
Gas Tax Support	(\$7,100)	\$0	\$0
General Fund Support	(\$2,360)	(\$2,431)	(\$2,504)
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$9,460)</b>	<b>(\$9,655)</b>	<b>(\$9,857)</b>
<b>Balance to Levy</b>	<b>\$145,658</b>	<b>\$150,029</b>	<b>\$154,529</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$145,659</b>	<b>\$150,029</b>	<b>\$154,529</b>
Variance above/(below) Maximum Revenue	(\$1)	\$0	\$0
<b>DISTRICT STATISTICS</b>			
Total Parcels	454	454	454
Total Parcels Levied	454	454	454
Total EDUs	706.94	706.94	706.94
Total EDUs Levied	706.94	706.94	706.94
Proposed Levy per EDU	<b>\$206.04</b>	\$212.22	\$218.59
Max Levy per EDU <sup>4</sup>	\$206.04	\$212.22	\$218.59
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$509,540	\$517,183	\$517,716
Reserve Fund Adjustment	(\$1)	(\$7,224)	(\$7,353)
Interest (1.5%)	<u>\$7,643</u>	<u>\$7,758</u>	<u>\$7,766</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$517,183</b>	<b>\$517,716</b>	<b>\$518,130</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 20</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$12,077	\$12,439	\$12,812
Maintenance Contracts	\$13,266	\$13,664	\$14,074
Utilities	\$4,393	\$4,525	\$4,661
Supplies	<u>\$2,152</u>	<u>\$2,217</u>	<u>\$2,283</u>
<b>TOTAL DIRECT</b>	<b>\$31,888</b>	<b>\$32,845</b>	<b>\$33,830</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$4,269	\$4,398	\$4,529
LMD Administration	\$301	\$301	\$301
Indirect Costs	\$862	\$887	\$914
County Collection Fee	<u>\$237</u>	<u>\$237</u>	<u>\$237</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$5,670</b>	<b>\$5,824</b>	<b>\$5,982</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$37,558</b>	<b>\$38,669</b>	<b>\$39,812</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	\$0	(\$1,221)	(\$1,242)
Gas Tax Support	(\$1,202)	\$0	\$0
General Fund Support	(\$390)	(\$402)	(\$414)
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$1,592)</b>	<b>(\$1,623)</b>	<b>(\$1,655)</b>
<b>Balance to Levy</b>	<b>\$35,966</b>	<b>\$37,046</b>	<b>\$38,157</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$35,967</b>	<b>\$37,046</b>	<b>\$38,157</b>
Variance above/(below) Maximum Revenue	(\$0)	\$0	\$0
<b>DISTRICT STATISTICS</b>			
Total Parcels	168	168	168
Total Parcels Levied	168	168	168
Total EDUs	174.56	174.56	174.56
Total EDUs Levied	174.56	174.56	174.56
Proposed Levy per EDU	<b>\$206.04</b>	\$212.22	\$218.59
Max Levy per EDU <sup>4</sup>	\$206.04	\$212.22	\$218.59
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$123,791	\$125,648	\$126,312
Reserve Fund Adjustment	\$0	(\$1,221)	(\$1,242)
Interest (1.5%)	<u>\$1,857</u>	<u>\$1,885</u>	<u>\$1,895</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$125,648</b>	<b>\$126,312</b>	<b>\$126,965</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 21</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$0	\$0	\$0
Maintenance Contracts	\$27,818	\$28,652	\$29,512
Utilities	\$15,055	\$15,507	\$15,972
Supplies	<u>\$6,876</u>	<u>\$7,082</u>	<u>\$7,295</u>
<b>TOTAL DIRECT</b>	<b>\$49,749</b>	<b>\$51,241</b>	<b>\$52,778</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$18,740	\$19,303	\$19,882
LMD Administration	\$1,192	\$1,192	\$1,192
Indirect Costs	\$3,782	\$3,896	\$4,012
County Collection Fee	<u>\$610</u>	<u>\$610</u>	<u>\$610</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$24,325</b>	<b>\$25,000</b>	<b>\$25,696</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$74,073</b>	<b>\$76,241</b>	<b>\$78,475</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	(\$6,239)	(\$12,975)	(\$13,311)
Gas Tax Support	(\$6,415)	\$0	\$0
General Fund Support	(\$262)	(\$270)	(\$278)
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$12,917)</b>	<b>(\$13,246)</b>	<b>(\$13,589)</b>
<b>Balance to Levy</b>	<b>\$61,157</b>	<b>\$62,996</b>	<b>\$64,886</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$61,161</b>	<b>\$62,996</b>	<b>\$64,886</b>
Variance above/(below) Maximum Revenue	(\$4)	\$0	\$0
<b>DISTRICT STATISTICS</b>			
Total Parcels	388	388	388
Total Parcels Levied	388	388	388
Total EDUs	388.00	388.00	388.00
Total EDUs Levied	388.00	388.00	388.00
Proposed Levy per EDU\	<b>\$157.62</b>	\$162.36	\$167.23
Max Levy per EDU <sup>4</sup>	\$157.63	\$162.36	\$167.23
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$87,126	\$82,194	\$70,452
Reserve Fund Adjustment	(\$6,239)	(\$12,975)	(\$13,311)
Interest (1.5%)	<u>\$1,307</u>	<u>\$1,233</u>	<u>\$1,057</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$82,194</b>	<b>\$70,452</b>	<b>\$58,198</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 22</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$0	\$0	\$0
Maintenance Contracts	\$15,071	\$15,523	\$15,989
Utilities	\$7,172	\$7,387	\$7,609
Supplies	<u>\$5,298</u>	<u>\$5,457</u>	<u>\$5,620</u>
<b>TOTAL DIRECT</b>	<b>\$27,541</b>	<b>\$28,367</b>	<b>\$29,218</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$13,744	\$14,157	\$14,581
LMD Administration	\$811	\$811	\$811
Indirect Costs	\$2,774	\$2,857	\$2,943
County Collection Fee	<u>\$337</u>	<u>\$337</u>	<u>\$337</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$17,667</b>	<b>\$18,162</b>	<b>\$18,673</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$45,208</b>	<b>\$46,529</b>	<b>\$47,891</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	(\$6,717)	(\$10,778)	(\$11,067)
Gas Tax Support	(\$3,783)	\$0	\$0
General Fund Support	(\$977)	(\$1,006)	(\$1,036)
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$11,477)</b>	<b>(\$11,784)</b>	<b>(\$12,103)</b>
<b>Balance to Levy</b>	<b>\$33,731</b>	<b>\$34,745</b>	<b>\$35,787</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$33,733</b>	<b>\$34,745</b>	<b>\$35,787</b>
Variance above/(below) Maximum Revenue	(\$2)	\$0	\$0
<b>DISTRICT STATISTICS</b>			
Total Parcels	214	214	214
Total Parcels Levied	214	214	214
Total EDUs	214.00	214.00	214.00
Total EDUs Levied	214.00	214.00	214.00
Proposed Levy per EDU	<b>\$157.62</b>	\$162.36	\$167.23
Max Levy per EDU <sup>4</sup>	\$157.63	\$162.36	\$167.23
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$83,060	\$77,588	\$67,974
Reserve Fund Adjustment	(\$6,717)	(\$10,778)	(\$11,067)
Interest (1.5%)	<u>\$1,246</u>	<u>\$1,164</u>	<u>\$1,020</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$77,588</b>	<b>\$67,974</b>	<b>\$57,927</b>



<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 23</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$11,248	\$11,585	\$11,933
Maintenance Contracts	\$3,106	\$3,199	\$3,295
Utilities	\$3,674	\$3,784	\$3,897
Supplies	<u>\$1,192</u>	<u>\$1,228</u>	<u>\$1,265</u>
<b>TOTAL DIRECT</b>	<b>\$19,220</b>	<b>\$19,796</b>	<b>\$20,390</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$3,690	\$3,801	\$3,915
LMD Administration	\$266	\$266	\$266
Indirect Costs	\$745	\$767	\$790
County Collection Fee	<u>\$116</u>	<u>\$116</u>	<u>\$116</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$4,817</b>	<b>\$4,950</b>	<b>\$5,087</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$24,037</b>	<b>\$24,746</b>	<b>\$25,477</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	\$0	\$0	\$0
Gas Tax Support	\$0	\$0	\$0
General Fund Support	(\$866)	(\$892)	(\$918)
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$866)</b>	<b>(\$892)</b>	<b>(\$918)</b>
<b>Balance to Levy</b>	<b>\$23,171</b>	<b>\$23,855</b>	<b>\$24,559</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$52,491</b>	<b>\$54,066</b>	<b>\$55,688</b>
Variance above/(below) Maximum Revenue	(\$29,320)	(\$30,211)	(\$31,129)
<b>DISTRICT STATISTICS</b>			
Total Parcels	241	241	241
Total Parcels Levied	241	241	241
Total EDUs	333.00	333.00	333.00
Total EDUs Levied	333.00	333.00	333.00
Proposed Levy per EDU	<b>\$69.58</b>	\$71.64	\$73.75
Max Levy per EDU <sup>4</sup>	\$157.63	\$162.36	\$167.23
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$62,801	\$63,743	\$64,699
Reserve Fund Adjustment	\$0	\$0	\$0
Interest (1.5%)	<u>\$942</u>	<u>\$956</u>	<u>\$970</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$63,743</b>	<b>\$64,699</b>	<b>\$65,670</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 24</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$18,277	\$18,825	\$19,390
Maintenance Contracts	\$22,152	\$22,816	\$23,501
Utilities	\$10,286	\$10,594	\$10,912
Supplies	<u>\$6,466</u>	<u>\$6,660</u>	<u>\$6,859</u>
<b>TOTAL DIRECT</b>	<b>\$57,180</b>	<b>\$58,895</b>	<b>\$60,662</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$17,348	\$17,868	\$18,405
LMD Administration	\$986	\$986	\$986
Indirect Costs	\$3,501	\$3,606	\$3,714
County Collection Fee	<u>\$597</u>	<u>\$597</u>	<u>\$597</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$22,432</b>	<b>\$23,057</b>	<b>\$23,702</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$79,612</b>	<b>\$81,953</b>	<b>\$84,364</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	\$9	\$0	\$0
Gas Tax Support	(\$1,502)	\$0	\$0
General Fund Support	\$0	\$0	\$0
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$1,494)</b>	<b>\$0</b>	<b>\$0</b>
<b>Balance to Levy</b>	<b>\$78,118</b>	<b>\$81,953</b>	<b>\$84,364</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$94,283</b>	<b>\$97,111</b>	<b>\$100,025</b>
Variance above/(below) Maximum Revenue	(\$16,165)	(\$15,159)	(\$15,661)
<b>DISTRICT STATISTICS</b>			
Total Parcels	591	591	591
Total Parcels Levied	591	591	591
Total EDUs	598.24	598.24	598.24
Total EDUs Levied	598.24	598.24	598.24
Proposed Levy per EDU	<b>\$130.58</b>	\$136.99	\$141.02
Max Levy per EDU <sup>4</sup>	\$157.60	\$162.33	\$167.20
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$358,176	\$363,558	\$369,011
Reserve Fund Adjustment	\$9	\$0	\$0
Interest (1.5%)	<u>\$5,373</u>	<u>\$5,453</u>	<u>\$5,535</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$363,558</b>	<b>\$369,011</b>	<b>\$374,546</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 25</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$0	\$0	\$0
Maintenance Contracts	\$0	\$0	\$0
Utilities	\$0	\$0	\$0
Supplies	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL DIRECT</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$0	\$0	\$0
LMD Administration	\$0	\$0	\$0
Indirect Costs	\$0	\$0	\$0
County Collection Fee	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	\$0	\$0	\$0
Gas Tax Support	\$0	\$0	\$0
General Fund Support	\$0	\$0	\$0
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Balance to Levy</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Variance above/(below) Maximum Revenue	\$0	\$0	\$0
<b>DISTRICT STATISTICS</b>			
Total Parcels	0	0	0
Total Parcels Levied	0	0	0
Total EDUs	459.84	459.84	459.84
Total EDUs Levied	0.00	0.00	0.00
Proposed Levy per EDU	<b>\$0.00</b>	\$0.00	\$0.00
Max Levy per EDU <sup>4</sup>	\$0.00	\$0.00	\$0.00
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	(\$3,391)	(\$3,391)	(\$3,391)
Reserve Fund Adjustment	\$0	\$0	\$0
Interest (1.5%)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>(\$3,391)</b>	<b>(\$3,391)</b>	<b>(\$3,391)</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 26</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$0	\$0	\$0
Maintenance Contracts	\$76,758	\$79,061	\$81,433
Utilities	\$50,256	\$51,763	\$53,316
Supplies	<u>\$23,306</u>	<u>\$24,006</u>	<u>\$24,726</u>
<b>TOTAL DIRECT</b>	<b>\$150,320</b>	<b>\$154,830</b>	<b>\$159,474</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$68,428	\$70,481	\$72,596
LMD Administration	\$4,005	\$4,005	\$4,005
Indirect Costs	\$13,810	\$14,224	\$14,651
County Collection Fee	<u>\$2,229</u>	<u>\$2,229</u>	<u>\$2,229</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$88,473</b>	<b>\$90,940</b>	<b>\$93,481</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$238,793</b>	<b>\$245,769</b>	<b>\$252,955</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	(\$2,068)	(\$8,296)	(\$8,358)
Gas Tax Support	(\$6,167)	\$0	\$0
General Fund Support	(\$3,127)	(\$3,220)	(\$3,317)
Drainage Fund Support	<u>(\$4,537)</u>	<u>(\$4,673)</u>	<u>(\$4,813)</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$15,898)</b>	<b>(\$16,190)</b>	<b>(\$16,488)</b>
<b>Balance to Levy</b>	<b>\$222,894</b>	<b>\$229,580</b>	<b>\$236,467</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$222,893</b>	<b>\$229,580</b>	<b>\$236,467</b>
Variance above/(below) Maximum Revenue	\$2	(\$0)	(\$0)
<b>DISTRICT STATISTICS</b>			
Total Parcels	1,081	1,081	1,081
Total Parcels Levied	1,081	1,081	1,081
Total EDUs	1,098.76	1,098.76	1,098.76
Total EDUs Levied	1,098.76	1,098.76	1,098.76
Proposed Levy per EDU	<b>\$202.86</b>	\$208.94	\$215.21
Max Levy per EDU <sup>4</sup>	\$202.86	\$208.94	\$215.21
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$528,074	\$533,927	\$533,640
Reserve Fund Adjustment	(\$2,068)	(\$8,296)	(\$8,358)
Interest (1.5%)	<u>\$7,921</u>	<u>\$8,009</u>	<u>\$8,005</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$533,927</b>	<b>\$533,640</b>	<b>\$533,286</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 27</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$1,864	\$1,920	\$1,978
Maintenance Contracts	\$2,646	\$2,726	\$2,808
Utilities	\$10,137	\$10,441	\$10,754
Supplies	<u>\$1,399</u>	<u>\$1,441</u>	<u>\$1,484</u>
<b>TOTAL DIRECT</b>	<b>\$16,046</b>	<b>\$16,527</b>	<b>\$17,023</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$2,441	\$2,515	\$2,590
LMD Administration	\$389	\$389	\$389
Indirect Costs	\$493	\$508	\$523
County Collection Fee	<u>\$160</u>	<u>\$160</u>	<u>\$160</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$3,483</b>	<b>\$3,571</b>	<b>\$3,662</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$19,529</b>	<b>\$20,098</b>	<b>\$20,685</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	\$1	\$0	\$0
Gas Tax Support	(\$300)	\$0	\$0
General Fund Support	(\$573)	(\$590)	(\$608)
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$872)</b>	<b>(\$590)</b>	<b>(\$608)</b>
<b>Balance to Levy</b>	<b>\$18,656.87</b>	<b>\$19,508</b>	<b>\$20,077</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$82,056</b>	<b>\$84,518</b>	<b>\$87,054</b>
Variance above/(below) Maximum Revenue	(\$63,400)	(\$65,010)	(\$66,977)
<b>DISTRICT STATISTICS</b>			
Total Parcels	75	75	75
Total Parcels Levied	75	75	75
Total EDUs	520.56	520.56	520.56
Total EDUs Levied	520.56	520.56	520.56
Proposed Levy per EDU	<b>\$35.84</b>	\$37.48	\$38.57
Max Levy per EDU <sup>4</sup>	\$157.63	\$162.36	\$167.23
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$40,965	\$41,581	\$42,204
Reserve Fund Adjustment	\$1	\$0	\$0
Interest (1.5%)	<u>\$614</u>	<u>\$624</u>	<u>\$633</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$41,581</b>	<b>\$42,204</b>	<b>\$42,837</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 28</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$20,852	\$21,478	\$22,122
Maintenance Contracts	\$30,767	\$31,690	\$32,641
Utilities	\$3,738	\$3,850	\$3,965
Supplies	<u>\$7,067</u>	<u>\$7,279</u>	<u>\$7,497</u>
<b>TOTAL DIRECT</b>	<b>\$62,423</b>	<b>\$64,296</b>	<b>\$66,225</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$16,969	\$17,478	\$18,002
LMD Administration	\$1,000	\$1,000	\$1,000
Indirect Costs	\$3,425	\$3,527	\$3,633
County Collection Fee	<u>\$521</u>	<u>\$521</u>	<u>\$521</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$21,914</b>	<b>\$22,526</b>	<b>\$23,156</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$84,337</b>	<b>\$86,822</b>	<b>\$89,381</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	\$0	\$0	\$0
Gas Tax Support	(\$7,887)	\$0	\$0
General Fund Support	\$0	\$0	\$0
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$7,887)</b>	<b>\$0</b>	<b>\$0</b>
<b>Balance to Levy</b>	<b>\$76,450</b>	<b>\$86,822</b>	<b>\$89,381</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$86,697</b>	<b>\$89,298</b>	<b>\$91,977</b>
Variance above/(below) Maximum Revenue	(\$10,247)	(\$2,476)	(\$2,596)
<b>DISTRICT STATISTICS</b>			
Total Parcels	550	550	550
Total Parcels Levied	550	550	550
Total EDUs	550.00	550.00	550.00
Total EDUs Levied	550.00	550.00	550.00
Proposed Levy per EDU	<b>\$139.00</b>	\$157.86	\$162.51
Max Levy per EDU <sup>4</sup>	\$157.63	\$162.36	\$167.23
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$223,617	\$226,971	\$230,375
Reserve Fund Adjustment	\$0	\$0	\$0
Interest (1.5%)	<u>\$3,354</u>	<u>\$3,405</u>	<u>\$3,456</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$226,971</b>	<b>\$230,375</b>	<b>\$233,831</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 29</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$0	\$0	\$0
Maintenance Contracts	\$47,269	\$48,687	\$50,148
Utilities	\$28,217	\$29,064	\$29,935
Supplies	<u>\$9,368</u>	<u>\$9,649</u>	<u>\$9,938</u>
<b>TOTAL DIRECT</b>	<b>\$84,854</b>	<b>\$87,399</b>	<b>\$90,021</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$27,364	\$28,185	\$29,031
LMD Administration	\$1,515	\$1,515	\$1,515
Indirect Costs	\$5,523	\$5,688	\$5,859
County Collection Fee	<u>\$723</u>	<u>\$723</u>	<u>\$723</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$35,125</b>	<b>\$36,112</b>	<b>\$37,128</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$119,979</b>	<b>\$123,511</b>	<b>\$127,149</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	(\$39,222)	(\$47,110)	(\$48,456)
Gas Tax Support	(\$6,581)	\$0	\$0
General Fund Support	(\$1,616)	(\$1,664)	(\$1,714)
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$47,419)</b>	<b>(\$48,774)</b>	<b>(\$50,170)</b>
<b>Balance to Levy</b>	<b>\$72,560</b>	<b>\$74,737</b>	<b>\$76,979</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$72,560</b>	<b>\$74,737</b>	<b>\$76,979</b>
Variance above/(below) Maximum Revenue	(\$0)	\$0	\$0
<b>DISTRICT STATISTICS</b>			
Total Parcels	444	444	444
Total Parcels Levied	444	444	444
Total EDUs	485.74	485.74	485.74
Total EDUs Levied	485.74	485.74	485.74
Proposed Levy per EDU	<b>\$149.38</b>	\$153.86	\$158.48
Max Levy per EDU <sup>4</sup>	\$149.38	\$153.86	\$158.48
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$70,405	\$32,239	(\$14,387)
Reserve Fund Adjustment	(\$39,222)	(\$47,110)	(\$48,456)
Interest (1.5%)	<u>\$1,056</u>	<u>\$484</u>	<u>(\$216)</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$32,239</b>	<b>(\$14,387)</b>	<b>(\$63,058)</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 30</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$33,179	\$34,174	\$35,200
Maintenance Contracts	\$24,600	\$25,338	\$26,098
Utilities	\$3,873	\$3,989	\$4,109
Supplies	<u>\$3,676</u>	<u>\$3,786</u>	<u>\$3,899</u>
<b>TOTAL DIRECT</b>	<b>\$65,328</b>	<b>\$67,288</b>	<b>\$69,306</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$7,692	\$7,923	\$8,161
LMD Administration	\$429	\$429	\$429
Indirect Costs	\$1,552	\$1,599	\$1,647
County Collection Fee	<u>\$359</u>	<u>\$359</u>	<u>\$359</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$10,032</b>	<b>\$10,310</b>	<b>\$10,595</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$75,360</b>	<b>\$77,597</b>	<b>\$79,901</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	(\$18,096)	(\$24,080)	(\$24,779)
Gas Tax Support	(\$5,306)	\$0	\$0
General Fund Support	(\$608)	(\$626)	(\$645)
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$24,010)</b>	<b>(\$24,706)</b>	<b>(\$25,424)</b>
<b>Balance to Levy</b>	<b>\$51,350</b>	<b>\$52,891</b>	<b>\$54,478</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$51,350</b>	<b>\$52,891</b>	<b>\$54,478</b>
Variance above/(below) Maximum Revenue	\$0	\$0	\$0
<b>DISTRICT STATISTICS</b>			
Total Parcels	166	166	166
Total Parcels Levied	166	166	166
Total EDUs	166.00	166.00	166.00
Total EDUs Levied	166.00	166.00	166.00
Proposed Levy per EDU	<b>\$309.34</b>	\$318.62	\$328.18
Max Levy per EDU <sup>4</sup>	\$309.34	\$318.62	\$328.18
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$156,298	\$140,546	\$118,574
Reserve Fund Adjustment	(\$18,096)	(\$24,080)	(\$24,779)
Interest (1.5%)	<u>\$2,344</u>	<u>\$2,108</u>	<u>\$1,779</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$140,546</b>	<b>\$118,574</b>	<b>\$95,574</b>



<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 31</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$0	\$0	\$0
Maintenance Contracts	\$0	\$0	\$0
Utilities	\$0	\$0	\$0
Supplies	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL DIRECT</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$0	\$0	\$0
LMD Administration	\$0	\$0	\$0
Indirect Costs	\$0	\$0	\$0
County Collection Fee	<u>\$0</u>	<u>\$3</u>	<u>\$3</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$0</b>	<b>\$3</b>	<b>\$3</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$0</b>	<b>\$3</b>	<b>\$3</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	\$0	\$0	\$0
Gas Tax Support	\$0	\$0	\$0
General Fund Support	\$0	\$0	\$0
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Balance to Levy</b>	<b>\$0</b>	<b>\$3</b>	<b>\$3</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$5,799</b>	<b>\$5,972</b>	<b>\$6,152</b>
Variance above/(below) Maximum Revenue	(\$5,798)	(\$5,969)	(\$6,149)
<b>DISTRICT STATISTICS</b>			
Total Parcels	1	1	1
Total Parcels Levied	1	1	1
Total EDUs	27.75	27.75	27.75
Total EDUs Levied	27.75	27.75	27.75
Proposed Levy per EDU	<b>\$0.00</b>	\$0.11	\$0.11
Max Levy per EDU <sup>4</sup>	\$208.96	\$215.22	\$221.68
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$852	\$865	\$878
Reserve Fund Adjustment	\$0	\$0	\$0
Interest (1.5%)	<u>\$13</u>	<u>\$13</u>	<u>\$13</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$865</b>	<b>\$878</b>	<b>\$891</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 32</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$0	\$0	\$0
Maintenance Contracts	\$0	\$0	\$0
Utilities	\$0	\$0	\$0
Supplies	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL DIRECT</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$0	\$0	\$0
LMD Administration	\$0	\$0	\$0
Indirect Costs	\$0	\$0	\$0
County Collection Fee	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	\$0	\$0	\$0
Gas Tax Support	\$0	\$0	\$0
General Fund Support	\$0	\$0	\$0
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Balance to Levy</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$39,133</b>	<b>\$40,307</b>	<b>\$41,516</b>
Variance above/(below) Maximum Revenue	(\$39,133)	(\$40,307)	(\$41,516)
<b>DISTRICT STATISTICS</b>			
Total Parcels	0	0	0
Total Parcels Levied	0	0	0
Total EDUs	228.68	228.68	228.68
Total EDUs Levied	0.00	0.00	0.00
Proposed Levy per EDU	<b>\$0.00</b>	\$0.00	\$0.00
Max Levy per EDU <sup>4</sup>	\$171.12	\$176.26	\$181.55
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$0	\$0	\$0
Reserve Fund Adjustment	\$0	\$0	\$0
Interest (1.5%)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 33</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$16,677	\$17,177	\$17,693
Maintenance Contracts	\$15,867	\$16,343	\$16,834
Utilities	\$2,783	\$2,867	\$2,953
Supplies	<u>\$1,545</u>	<u>\$1,591</u>	<u>\$1,639</u>
<b>TOTAL DIRECT</b>	<b>\$36,872</b>	<b>\$37,979</b>	<b>\$39,118</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$5,247	\$5,405	\$5,567
LMD Administration	\$311	\$311	\$311
Indirect Costs	\$1,059	\$1,091	\$1,124
County Collection Fee	<u>\$90</u>	<u>\$90</u>	<u>\$90</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$6,707</b>	<b>\$6,897</b>	<b>\$7,091</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$43,580</b>	<b>\$44,875</b>	<b>\$46,209</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	\$24	\$0	\$0
Gas Tax Support	(\$4,508)	\$0	\$0
General Fund Support	(\$1,231)	(\$1,268)	(\$1,306)
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$5,715)</b>	<b>(\$1,268)</b>	<b>(\$1,306)</b>
<b>Balance to Levy</b>	<b>\$37,865</b>	<b>\$43,607</b>	<b>\$44,904</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$505,256</b>	<b>\$520,414</b>	<b>\$536,026</b>
Variance above/(below) Maximum Revenue	(\$467,391)	(\$476,806)	(\$491,123)
<b>DISTRICT STATISTICS</b>			
Total Parcels	30	30	30
Total Parcels Levied	30	30	30
Total EDUs	2,430.34	2,430.34	2,430.34
Total EDUs Levied	2,430.34	2,430.34	2,430.34
Proposed Levy per EDU	<b>\$15.58</b>	\$17.94	\$18.48
Max Levy per EDU <sup>4</sup>	\$207.90	\$214.13	\$220.56
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$127,987	\$129,931	\$131,880
Reserve Fund Adjustment	\$24	\$0	\$0
Interest (1.5%)	<u>\$1,920</u>	<u>\$1,949</u>	<u>\$1,978</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$129,931</b>	<b>\$131,880</b>	<b>\$133,858</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 34</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$0	\$0	\$0
Maintenance Contracts	\$6,981	\$7,191	\$7,406
Utilities	\$1,856	\$1,912	\$1,969
Supplies	<u>\$3,521</u>	<u>\$3,627</u>	<u>\$3,736</u>
<b>TOTAL DIRECT</b>	<b>\$12,359</b>	<b>\$12,729</b>	<b>\$13,111</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$11,233	\$11,570	\$11,917
LMD Administration	\$620	\$620	\$620
Indirect Costs	\$2,267	\$2,335	\$2,405
County Collection Fee	<u>\$27</u>	<u>\$27</u>	<u>\$27</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$14,148</b>	<b>\$14,553</b>	<b>\$14,970</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$26,506</b>	<b>\$27,282</b>	<b>\$28,081</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	(\$3,383)	(\$4,237)	(\$4,345)
Gas Tax Support	(\$751)	\$0	\$0
General Fund Support	(\$2,635)	(\$2,714)	(\$2,795)
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$6,769)</b>	<b>(\$6,951)</b>	<b>(\$7,141)</b>
<b>Balance to Levy</b>	<b>\$19,738</b>	<b>\$20,331</b>	<b>\$20,941</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$19,739</b>	<b>\$20,331</b>	<b>\$20,941</b>
Variance above/(below) Maximum Revenue	(\$1)	\$0	\$0
<b>DISTRICT STATISTICS</b>			
Total Parcels	9	9	9
Total Parcels Levied	9	9	9
Total EDUs	83.19	83.19	83.19
Total EDUs Levied	83.19	83.19	83.19
Proposed Levy per EDU	<b>\$237.26</b>	\$244.39	\$251.72
Max Levy per EDU <sup>4</sup>	\$237.27	\$244.39	\$251.72
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$30,378	\$27,451	\$23,626
Reserve Fund Adjustment	(\$3,383)	(\$4,237)	(\$4,345)
Interest (1.5%)	<u>\$456</u>	<u>\$412</u>	<u>\$354</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$27,451</b>	<b>\$23,626</b>	<b>\$19,635</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 35</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$0	\$0	\$0
Maintenance Contracts	\$35,068	\$36,120	\$37,204
Utilities	\$11,246	\$11,584	\$11,931
Supplies	<u>\$4,936</u>	<u>\$5,084</u>	<u>\$5,236</u>
<b>TOTAL DIRECT</b>	<b>\$51,250</b>	<b>\$52,788</b>	<b>\$54,372</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Field and Supervisory Personnel	\$13,609	\$14,018	\$14,438
LMD Administration	\$865	\$865	\$865
Indirect Costs	\$2,747	\$2,829	\$2,914
County Collection Fee	<u>\$445</u>	<u>\$445</u>	<u>\$445</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$17,666</b>	<b>\$18,156</b>	<b>\$18,662</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$68,916</b>	<b>\$70,944</b>	<b>\$73,033</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	(\$17,131)	(\$24,659)	(\$25,359)
Gas Tax Support	(\$6,851)	\$0	\$0
General Fund Support	(\$458)	(\$472)	(\$486)
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$24,440)</b>	<b>(\$25,131)</b>	<b>(\$25,845)</b>
<b>Balance to Levy</b>	<b>\$44,476</b>	<b>\$45,814</b>	<b>\$47,188</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$44,479</b>	<b>\$45,814</b>	<b>\$47,188</b>
Variance above/(below) Maximum Revenue	(\$3)	\$0	\$0
<b>DISTRICT STATISTICS</b>			
Total Parcels	186	186	186
Total Parcels Levied	186	186	186
Total EDUs	186.00	186.00	186.00
Total EDUs Levied	186.00	186.00	186.00
Proposed Levy per EDU	<b>\$239.12</b>	\$246.31	\$253.70
Max Levy per EDU <sup>4</sup>	\$239.14	\$246.31	\$253.70
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$22,530	\$5,737	(\$18,836)
Reserve Fund Adjustment	(\$17,131)	(\$24,659)	(\$25,359)
Interest (1.5%)	<u>\$338</u>	<u>\$86</u>	<u>(\$283)</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$5,737</b>	<b>(\$18,836)</b>	<b>(\$44,477)</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 36</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$0	\$0	\$0
Maintenance Contracts	\$0	\$0	\$0
Utilities	\$0	\$0	\$0
Supplies	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL DIRECT</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Personnel	\$0	\$0	\$0
LMD Administration	\$1	\$1	\$1
Indirect Costs	\$4	\$4	\$4
County Collection Fee	<u>\$3</u>	<u>\$3</u>	<u>\$3</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$8</b>	<b>\$8</b>	<b>\$8</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$8</b>	<b>\$8</b>	<b>\$8</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	(\$8)	\$0	\$0
Gas Tax Support	\$0	\$0	\$0
General Fund Support	\$0	\$0	\$0
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$8)</b>	<b>\$0</b>	<b>\$0</b>
<b>Balance to Levy</b>	<b>\$0</b>	<b>\$8</b>	<b>\$8</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$1,793</b>	<b>\$1,847</b>	<b>\$1,902</b>
Variance above/(below) Maximum Revenue	(\$1,793)	(\$1,838)	(\$1,894)
<b>DISTRICT STATISTICS</b>			
Total Parcels	1	1	1
Total Parcels Levied	1	1	1
Total EDUs	20.00	20.00	20.00
Total EDUs Levied	20.00	20.00	20.00
Proposed Levy per EDU	<b>\$0.00</b>	\$0.41	\$0.41
Max Levy per EDU <sup>4</sup>	\$89.64	\$92.33	\$95.10
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$2,445	\$2,473	\$2,510
Reserve Fund Adjustment	(\$8)	\$0	\$0
Interest (1.5%)	<u>\$37</u>	<u>\$37</u>	<u>\$38</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$2,473</b>	<b>\$2,510</b>	<b>\$2,548</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 37</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$0	\$0	\$0
Maintenance Contracts	\$0	\$0	\$0
Utilities	\$6	\$6	\$6
Supplies	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL DIRECT</b>	<b>\$6</b>	<b>\$6</b>	<b>\$6</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Personnel	\$0	\$0	\$0
LMD Administration	\$2	\$2	\$2
Indirect Costs	\$0	\$0	\$0
County Collection Fee	<u>\$2</u>	<u>\$2</u>	<u>\$2</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$3</b>	<b>\$3</b>	<b>\$3</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$9</b>	<b>\$9</b>	<b>\$10</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	(\$9)	\$0	\$0
Gas Tax Support	\$0	\$0	\$0
General Fund Support	\$0	\$0	\$0
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$9)</b>	<b>\$0</b>	<b>\$0</b>
<b>Balance to Levy</b>	<b>\$0</b>	<b>\$9</b>	<b>\$10</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$6,813</b>	<b>\$7,017</b>	<b>\$7,228</b>
Variance above/(below) Maximum Revenue	(\$6,813)	(\$7,008)	(\$7,218)
<b>DISTRICT STATISTICS</b>			
Total Parcels	10	10	10
Total Parcels Levied	10	10	10
Total EDUs	76.00	76.00	76.00
Total EDUs Levied	76.00	76.00	76.00
Proposed Levy per EDU	<b>\$0.00</b>	\$0.12	\$0.13
Max Levy per EDU <sup>4</sup>	\$89.64	\$92.33	\$95.10
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$4,723	\$4,785	\$4,856
Reserve Fund Adjustment	(\$9)	\$0	\$0
Interest (1.5%)	<u>\$71</u>	<u>\$72</u>	<u>\$73</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$4,785</b>	<b>\$4,856</b>	<b>\$4,929</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 40</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$0	\$0	\$0
Maintenance Contracts	\$4,175	\$4,300	\$4,429
Utilities	\$1,148	\$1,182	\$1,218
Supplies	<u>\$471</u>	<u>\$485</u>	<u>\$499</u>
<b>TOTAL DIRECT</b>	<b>\$5,793</b>	<b>\$5,967</b>	<b>\$6,146</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Personnel	\$2,273	\$2,341	\$2,411
LMD Administration	\$132	\$132	\$132
Indirect Costs	\$459	\$472	\$487
County Collection Fee	<u>\$3</u>	<u>\$3</u>	<u>\$3</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$2,867</b>	<b>\$2,949</b>	<b>\$3,033</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$8,660</b>	<b>\$8,916</b>	<b>\$9,179</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	(\$2,807)	(\$4,125)	(\$4,245)
Gas Tax Support	(\$1,202)	\$0	\$0
General Fund Support	(\$533)	(\$549)	(\$566)
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$4,542)</b>	<b>(\$4,674)</b>	<b>(\$4,810)</b>
<b>Balance to Levy</b>	<b>\$4,118</b>	<b>\$4,242</b>	<b>\$4,369</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$4,118</b>	<b>\$4,242</b>	<b>\$4,369</b>
Variance above/(below) Maximum Revenue	(\$0)	(\$0)	\$0
<b>DISTRICT STATISTICS</b>			
Total Parcels	1	1	1
Total Parcels Levied	1	1	1
Total EDUs	9.00	9.00	9.00
Total EDUs Levied	9.00	9.00	9.00
Proposed Levy per EDU	<b>\$457.56</b>	\$471.29	\$485.43
Max Levy per EDU <sup>4</sup>	\$457.57	\$471.29	\$485.43
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$687	(\$2,110)	(\$6,235)
Reserve Fund Adjustment	(\$2,807)	(\$4,125)	(\$4,245)
Interest (1.5%)	<u>\$10</u>	<u>\$0</u>	<u>\$0</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>(\$2,110)</b>	<b>(\$6,235)</b>	<b>(\$10,480)</b>



<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 41</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$0	\$0	\$0
Maintenance Contracts	\$1,240	\$1,277	\$1,315
Utilities	\$148	\$152	\$157
Supplies	<u>\$249</u>	<u>\$256</u>	<u>\$264</u>
<b>TOTAL DIRECT</b>	<b>\$1,636</b>	<b>\$1,685</b>	<b>\$1,736</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Personnel	\$268	\$276	\$284
LMD Administration	\$16	\$16	\$16
Indirect Costs	\$54	\$56	\$57
County Collection Fee	<u>\$3</u>	<u>\$3</u>	<u>\$3</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$341</b>	<b>\$351</b>	<b>\$361</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$1,977</b>	<b>\$2,036</b>	<b>\$2,097</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	(\$5)	(\$314)	(\$323)
Gas Tax Support	(\$300)	\$0	\$0
General Fund Support	(\$31)	(\$32)	(\$33)
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$336)</b>	<b>(\$346)</b>	<b>(\$356)</b>
<b>Balance to Levy</b>	<b>\$1,641</b>	<b>\$1,690</b>	<b>\$1,741</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$1,641</b>	<b>\$1,690</b>	<b>\$1,741</b>
Variance above/(below) Maximum Revenue	(\$0)	\$0	\$0
<b>DISTRICT STATISTICS</b>			
Total Parcels	1	1	1
Total Parcels Levied	1	1	1
Total EDUs	4.16	4.16	4.16
Total EDUs Levied	4.16	4.16	4.16
Proposed Levy per EDU	<b>\$394.50</b>	\$406.35	\$418.54
Max Levy per EDU <sup>4</sup>	\$394.51	\$406.35	\$418.54
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$6,913	\$7,011	\$6,803
Reserve Fund Adjustment	(\$5)	(\$314)	(\$323)
Interest (1.5%)	<u>\$104</u>	<u>\$105</u>	<u>\$102</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$7,011</b>	<b>\$6,803</b>	<b>\$6,582</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 42</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$6,881	\$7,087	\$7,300
Maintenance Contracts	\$1,100	\$1,133	\$1,167
Utilities	\$3,884	\$4,001	\$4,121
Supplies	<u>\$1,080</u>	<u>\$1,112</u>	<u>\$1,146</u>
<b>TOTAL DIRECT</b>	<b>\$12,945</b>	<b>\$13,333</b>	<b>\$13,733</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Personnel	\$6,201	\$6,387	\$6,579
LMD Administration	\$0	\$0	\$0
Indirect Costs	\$840	\$865	\$891
County Collection Fee	<u>\$6</u>	<u>\$6</u>	<u>\$6</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$7,047</b>	<b>\$7,258</b>	<b>\$7,476</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$19,992</b>	<b>\$20,591</b>	<b>\$21,209</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	\$3	\$0	\$0
Gas Tax Support	\$0	\$0	\$0
General Fund Support	\$0	\$0	\$0
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>\$3</b>	<b>\$0</b>	<b>\$0</b>
<b>Balance to Levy</b>	<b>\$19,995</b>	<b>\$20,591</b>	<b>\$21,209</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$26,582</b>	<b>\$27,379</b>	<b>\$28,200</b>
Variance above/(below) Maximum Revenue	(\$6,587)	(\$6,788)	(\$6,991)
<b>DISTRICT STATISTICS</b>			
Total Parcels	2	2	2
Total Parcels Levied	2	2	2
Total EDUs	441.00	441.00	441.00
Total EDUs Levied	441.00	441.00	441.00
Proposed Levy per EDU	<b>\$45.34</b>	\$46.69	\$48.09
Max Levy per EDU <sup>4</sup>	\$60.28	\$62.08	\$63.95
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$18,222	\$18,499	\$18,776
Reserve Fund Adjustment	\$3	\$0	\$0
Interest (1.5%)	<u>\$273</u>	<u>\$277</u>	<u>\$282</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$18,499</b>	<b>\$18,776</b>	<b>\$19,058</b>

<b>City of Tracy Consolidated Landscape Maintenance District Proposed Budget for Fiscal Year 2018-19</b>			
<b>Zone 43</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$3,320	\$3,420	\$3,522
Maintenance Contracts	\$761	\$783	\$807
Utilities	\$1,984	\$2,044	\$2,105
Supplies	<u>\$1,706</u>	<u>\$1,757</u>	<u>\$1,810</u>
<b>TOTAL DIRECT</b>	<b>\$7,771</b>	<b>\$8,004</b>	<b>\$8,244</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Personnel	\$6,184	\$6,370	\$6,561
LMD Administration	\$40	\$40	\$40
Indirect Costs	\$688	\$708	\$730
County Collection Fee	<u>\$114</u>	<u>\$114</u>	<u>\$114</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$7,025</b>	<b>\$7,231</b>	<b>\$7,444</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$14,796</b>	<b>\$15,235</b>	<b>\$15,688</b>
Capital Improvement Projects	\$0	\$0	\$0
Zone Reserves Adjustment	\$1	\$0	\$0
Gas Tax Support	\$0	\$0	\$0
General Fund Support	\$0	\$0	\$0
Drainage Fund Support	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ADJUSTMENTS</b>	<b>\$1</b>	<b>\$0</b>	<b>\$0</b>
<b>Balance to Levy</b>	<b>\$14,797</b>	<b>\$15,235</b>	<b>\$15,688</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$21,072</b>	<b>\$21,704</b>	<b>\$22,355</b>
Variance above/(below) Maximum Revenue	(\$6,275)	(\$6,469)	(\$6,668)
<b>DISTRICT STATISTICS</b>			
Total Parcels	105	105	105
Total Parcels Levied	105	105	105
Total EDUs	105.00	105.00	105.00
Total EDUs Levied	105.00	105.00	105.00
Proposed Levy per EDU	<b>\$140.92</b>	\$145.10	\$149.41
Max Levy per EDU <sup>4</sup>	\$200.69	\$206.71	\$212.91
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$3,698	\$3,755	\$3,811
Reserve Fund Adjustment	\$1	\$0	\$0
Interest (1.5%)	<u>\$55</u>	<u>\$56</u>	<u>\$57</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$3,755</b>	<b>\$3,811</b>	<b>\$3,868</b>

**City of Tracy**  
**Consolidated Landscape Maintenance District**  
**Proposed Budget for Fiscal Year 2018-19**

<b>Consolidated Totals - 41 Zones</b>			
	<b>Proposed Budget FY 2018-19</b>	<b>Forecasted Budget FY 2019-20</b>	<b>Forecasted Budget FY 2020-21</b>
<b>DIRECT COSTS <sup>1</sup></b>			
Long-Term Cyclical Maintenance	\$1,619,951	\$438,111	\$451,254
Maintenance Contracts	\$1,241,407	\$1,278,649	\$1,317,009
Utilities	\$616,846	\$635,352	\$654,412
Supplies	<u>\$327,505</u>	<u>\$337,330</u>	<u>\$347,450</u>
<b>TOTAL DIRECT</b>	<b>\$3,805,709</b>	<b>\$2,689,442</b>	<b>\$2,770,125</b>
<b>ADMINISTRATION COSTS <sup>2</sup></b>			
Personnel	\$1,011,323	\$1,041,662	\$1,072,912
LMD Administration	\$61,029	\$61,029	\$61,029
Indirect Costs	\$203,134	\$209,228	\$215,505
County Collection Fee	<u>\$25,358</u>	<u>\$25,361</u>	<u>\$25,361</u>
<b>TOTAL ADMINISTRATION</b>	<b>\$1,300,844</b>	<b>\$1,337,281</b>	<b>\$1,374,808</b>
<b>LEVY ADJUSTMENTS <sup>3</sup></b>			
<b>TOTAL DIRECT AND ADMIN COSTS</b>	<b>\$5,106,553</b>	<b>\$4,026,723</b>	<b>\$4,144,933</b>
Capital Improvement Projects	(\$1,159,600)	(\$169,950)	(\$175,049)
Zone Reserves Adjustment	(\$388,169)	(\$521,336)	(\$534,742)
Gas Tax Support	(\$192,725)	\$0	\$0
General Fund Support	(\$95,978)	(\$98,858)	(\$101,823)
Drainage Fund Support	<u>(\$115,000)</u>	<u>(\$118,450)</u>	<u>(\$122,003)</u>
<b>TOTAL ADJUSTMENTS</b>	<b>(\$1,951,472)</b>	<b>(\$908,593)</b>	<b>(\$933,617)</b>
<b>Balance to Levy</b>	<b>\$3,155,081</b>	<b>\$3,118,130</b>	<b>\$3,211,316</b>
<b>Total Revenue at Maximum Rate</b>	<b>\$3,845,370</b>	<b>\$3,960,731</b>	<b>\$4,079,553</b>
Variance above/(below) Maximum Revenue	(\$690,289)	(\$842,601)	(\$868,237)
<b>DISTRICT STATISTICS</b>			
Total Parcels	16,216	16,216	16,216
Total Parcels Levied	16,216	16,216	16,216
Total EDUs	25,015	25,015	25,015
Total EDUs Levied	24,326	24,326	24,326
Proposed Levy per EDU	\$5,659.63	\$5,811.94	\$5,985.57
Max Levy per EDU <sup>4</sup>	\$6,917.22	\$7,124.74	\$7,338.48
<b>FUND BALANCE INFORMATION</b>			
<b>Reserve Fund</b>			
Beginning Fund Balance	\$6,117,691	\$5,821,734	\$5,388,203
Reserve Fund Adjustment	(\$388,169)	(\$521,336)	(\$534,742)
Interest (1.5%)	<u>\$92,212</u>	<u>\$87,805</u>	<u>\$81,364</u>
<b>Projected Reserve Fund Balance at End of Year</b>	<b>\$5,821,734</b>	<b>\$5,388,203</b>	<b>\$4,934,825</b>

<sup>1</sup> Direct Costs for 2019/20 and 2020/21 are equal to the current year's amount plus 3% escalation for inflation.

<sup>2</sup> Administration costs are equal to the previous year's amount plus 3% escalation for inflation except for the County Collection Fee which equals the lesser of \$3/parcel or 1% of the levy except for the County Collection Fee which equals the lesser of \$3/parcel or 1% of levy and LMD Administration which has no built-in escalation factor.

<sup>3</sup> Levy Adjustments are equal to the previous year's amount plus 3% escalation for inflation except for the Zone Reserves Adjustments which equals the amount necessary to maintain an assessment levy rate that is not more than the maximum assessment rate, if any. Also, the Gas Tax Support will be eliminated starting in 2019/20.

<sup>4</sup> The maximum assessment rate for 2019/20 and 2020/21 is equal to the previous year's rate plus 3% escalation for inflation.

The actual escalation rate is based upon the June CPI and is calculated each year.

## PART D

### Quantification of Benefit

The Act allows cities to establish benefit zones for the purpose of providing certain public improvements which provide a special benefit to the parcels. This includes the construction, maintenance, and servicing of street lights, traffic signals, and landscaping facilities. Section 22573 of the Act requires that maintenance assessments be levied according to benefit rather than according to the assessed value of property. This section states:

*The net amount to be assessed upon lands within an assessment district may be apportioned by any formula or method which fairly distributes the net amount among all assessable lots or parcels in proportion to the estimated benefits to be received by each such lot or parcel from the improvements.*

Section 22574 of the Act permits the designation of zones of benefit within any individual assessment district if “by reason of variations in the nature, location, and extent of the improvements, the various areas will receive different degrees of benefit from the improvements.”

In addition, Proposition 218, the “Right to Vote on Taxes Act,” which was approved on the November 1996 Statewide ballot and added Article XIII D to the California Constitution, requires that a parcel’s assessment not exceed the reasonable cost of the proportional special benefit conferred on that parcel. Proposition 218 provides that only special benefits are assessable and the City must separate the general benefits from the special benefits. In addition, Proposition 218 also requires that publicly owned property which benefits from the improvements be assessed, unless there is clear and definite evidence that those properties receive no special benefit. Exempted from the assessment would be the areas of public streets, public avenues, public lanes, public roads, public drives, public courts, public alleys, public easements and rights-of-ways, public greenbelts and public parkways.

The amount to be assessed may be apportioned by any formula or method which fairly distributes the amount among all assessable lots or parcels. Additionally, it’s required that the City separate the general benefits from the special benefits, because only special benefits may be assessed. The quantification and separation of general benefit from special benefits follows for each of the Zones and associated benefit areas.

## PART E

### Method of Assessment

The Method of Assessment outlines the formula by which property that receives special benefit from the improvements and services provided will be assessed annually. The Method of Assessment for the District follows:

Each parcel within the District is deemed to receive special benefit from the landscaping improvements. Each parcel that has a special benefit conferred upon it as a result of the maintenance and operation of the improvements is identified and the proportionate special benefit derived by each identified parcel is determined in relationship to the entirety of the costs of the maintenance, operation, and servicing of the improvements.

Each parcel is assigned a weighting factor known as an Equivalent Dwelling Unit (EDU) to identify the parcel's proportionate special benefit from the improvements. Each parcel's EDU is calculated based on the parcel's land use, development status and/or size as compared to other parcels that are associated with the improvements. All single-family residential properties are assigned an EDU of 1.00, and all other property types are assigned an EDU proportionate to the special benefits they receive as compared to this single-family residential property. The total EDU's in a Zone is divided into the total amount to be assessed (Balance to Levy) to establish the Levy per EDU (Rate). This Rate is then multiplied by the parcel's individual EDU to establish the parcel's levy amount.

The following formulas are used to calculate each property's assessment:

$$\text{Total Balance to Levy} \div \text{Total EDUs} = \text{Levy per EDU}$$

$$\text{Levy per EDU} \times \text{Parcel EDU} = \text{Parcel Levy Amount}$$

The formula used for each Zone reflects the composition of the parcels and properties, and the services provided, to accurately proportion the costs based on estimated special benefit to each parcel. The total Levy per EDU will vary between Zones due to the different costs to maintain the improvements within each Zone and the number of EDU within the Zone.

### Land Use Classifications

Every parcel within the District is assigned a land use classification based on available parcel information obtained from the County Assessor's Office and City records. To assess benefits equitably, it is necessary to relate the different type of parcel improvements to each other. The Equivalent Dwelling Unit method of assessment apportionment uses the single-family home site as the basic unit of assessment. A single-family home site equals one Equivalent Dwelling Unit (EDU). Every other land use is converted to EDU's based on an assessment formula that equates the property's specific development status, type of development (land use), and size of the property, as compared to a single-family home site.

The EDU method of apportioning benefit is typically seen as the most appropriate and equitable assessment methodology for districts formed under the 1972 Act, as the benefit to each parcel from the improvements are apportioned as a function of land use type, size and development.

**Single-Family Residential Subdivided Lot.** This land use is defined as a fully subdivided residential home site with or without a structure. This land use is assessed 1.00 EDU per lot or parcel. This is the base value that all other land use types are compared and weighted against.

**Planned-Residential Subdivision.** This land use is defined as any property not fully subdivided, but has a specific number of proposed residential lots to be developed on the parcel (approved tract map). This land use type is assessed at 1.00 EDU per planned (proposed) residential lot.

**Vacant, Undeveloped Private Property.** This land use is defined as vacant property (undeveloped) that is not a fully subdivided residential lot or planned residential subdivision. This land use is assessed at 4.00 EDU per acre. Parcels less than 0.25 acres are assigned a minimum of 1.00 EDU. In Zones 10, 11, 36 and 37 this land use is assessed at 5.0 EDU per acre. Parcels less than 0.20 acres are assigned a minimum of 1.00 EDU.

**Developed Non-Residential.** This land use is defined as property developed for non-residential use, including, but not limited to, commercial and industrial properties, offices, churches and not-for-profit institutions and private schools. This land use type is assessed at 5.00 EDU per gross acre. Parcels less than 0.20 acres are assigned a minimum of 1.00 EDU.

**Developed Multiple Residential Units.** This land use is defined as a fully subdivided residential parcel that has more than one residential unit developed on the property. This land use is assessed 1.00 EDU per unit for properties that the number of units can be identified. For properties that the number of units cannot be identified the property is assessed as Developed Commercial/Industrial property at 5.00 EDU per gross acre, but a minimum of 1.00 EDU similar.

**Undeveloped, Public Property.** This land use identifies properties that are exempt and are assigned 0.00 EDU. This land use classification may include, but is not limited to lots or parcels identified as:

- Public streets and other roadways (typically not assigned an APN by the County);
- Dedicated public easements such as utility right-of-ways, detention basins, channel ways, greenbelts, parkways, parks and open space areas;
- Privately owned property that cannot be developed or is associated with another property such as common areas, sliver parcels and bifurcated lots or properties that have little or no land value;

These types of parcels are considered to receive little or no benefit from the improvements and are therefore exempted from assessment. Government-owned properties commonly identified as non-taxable properties by the County Assessor's Office are not exempt from District assessments unless:

- The property has restricted development or limited land use potential and the improvements clearly provide no benefit to the property; or
- The property provides additional or substantially similar improvements being provided by the District (such is the case with parks, open space areas and common areas).

**Developed Public Property.** This land use is defined as developed property owned by a public agency such as City buildings or facilities owned by the utility companies. This land use type is assessed at 0.30 EDU per gross acre.

**Developed Regional Commercial.** This land use is defined as property that has been designated for regional commercial development (i.e. Shopping mall). This land use type is assessed at 0.36 EDU per gross acre.

**Restricted/Special Land Use.** This land use classification identifies properties that benefit from the improvements, but cannot be fairly categorized by one of the other land use designations. This land use classification may include, but is not limited to:

- Developed Commercial/Industrial properties that only a small portion of the parcel has been developed;
- Properties identified as planned residential subdivisions, but currently have development restrictions; or
- Vacant properties with development limitations or development plans that identify large portions of the property as open space areas, parklands or similar exempt land uses.

The following table shows the EDU factors assigned to each property type in the District:

Property Type	Factor	Basis
Single Family Residential – Subdivided Lot	1.00	Parcel
Planned Residential Subdivision	1.00	Planned Lot
Vacant, Undeveloped Private Property <sup>(1)</sup>	4.00	Acre
Vacant, Undeveloped Private Property (Zones 10, 11, 36 & 37) <sup>(1)</sup>	5.00	Acre
Developed, Non-Residential Property	5.00	Acre
Developed, Multi-Family Residential	1.00	Unit
Undeveloped, Public Property <sup>(2)</sup>	0.00	Acre
Developed, Public Property <sup>(3)</sup>	0.30	Acre
Developed, Regional Commercial <sup>(4)</sup>	0.36	Acre

Notes

1. The Undeveloped Private property factor for Zones, 10, 11, 36 and 37 (5.00 EDU/Acre) reflects the more intense use of property within these Zones when the properties are developed as compared to property development in other Zones of the District, which are assigned a weighting factor of 4.00 EDU/Acre. It is important to note that the factors shown above are used to apportion the assessment within each specific Zone, not across the entire District and therefore this distinction is an appropriate reflection of these parcels' benefit compared to other property types within the respective Zones.
2. It has been determined that undeveloped public properties generally do not benefit from the improvements and services provided by the District and are not assessed. These types of properties generally include easements, detention basins, parks or properties that have little or no development potential and therefore receive no special benefits from the District improvements.
3. Developed Public properties typically receive comparatively less benefit from the improvements and services provided by the District, since the use and enhancement of these properties has little direct benefit from aesthetics of the local environment. The factor shown was originally established based on typical proportionate cost of service and hours of use for this land use type.
4. Regional Commercial properties have been assigned a reduced benefit because of their size and their more distant proximity to the District improvements. Additionally, due to the nature and hours of use, the benefit received by such properties from the improvements and services is substantially less than other developed properties. The factor shown was originally established based on a calculation of the proportionate cost of service, average floor area ratios, and hours of use.



### Assessment Range Formula

The annual landscaping assessment shall be calculated for each parcel annually by multiplying each parcel's number of EDU's by the actual assessment rate for the specific fiscal year. The actual annual assessment rate levied in any fiscal year for the District may not exceed the maximum annual assessment rate for such fiscal year without receiving property owner approval for the increase. The actual assessment rate shall be as approved by the City Council, not to exceed the maximum annual assessment rate for such fiscal year, after a noticed public hearing has been conducted, as required by law.

In each year, starting in the first year after the consolidation of the District (2003/04), the maximum annual assessment rate for each Zone shall be increased in an amount equal to the lesser of: (1) three percent (3.0%), or (2) the annual percentage increase of the Local Consumer Price Index ("CPI") for All Urban Consumers, for the San Francisco-Oakland-San Jose Area.

Each fiscal year, the City shall identify the percentage difference between the CPI for June and the CPI for the previous June (or similar time period). This percentage difference shall then establish the range of increased assessments allowed based on CPI. Should the Bureau of Labor Statistics revise such index or discontinue the preparation of such index, the City shall use the revised index or comparable system as approved by the City Council for determining fluctuations in the cost of living.

The actual annual assessment rate and actual assessments levied in any fiscal year will be as approved by the City Council and may not exceed the maximum annual assessment rate for that fiscal year without property owner approval via a Proposition 218 compliant increase procedure.

The percentage difference for the CPI for the San Francisco-Oakland-San Jose Area June 2016 to June 2017 was 3.48%. The maximum assessment rates allowed for Fiscal Year 2018/19 therefore, have been adjusted by 3.00% over the prior year's maximum assessment rates.

## **PART F**

### **Assessment Diagram**

The assessment diagrams for each Zone in the District are on file with the City's Office of the City Clerk and available for public inspection.

The lines and dimensions of each lot or parcel within each Zone are those lines and dimensions shown on the maps of the Assessor of the County of San Joaquin for the fiscal year to which this Report applies. The Assessor's maps and records are incorporated by reference herein and made part of this Report.

An overview map of the District showing the locations of each Zone is included herein as Appendix B.

## **PART G**

### **Assessment Roll**

The assessment set forth for each parcel is shown on the Assessment Roll for the District, submitted separately, as "Assessment Roll for the City of Tracy, Consolidated Landscape Maintenance District, Fiscal Year 2018-19", which exhibit is incorporated by reference herein as Appendix C under separate cover, and is on file in the Office of the City Clerk.

The Assessment Roll lists all parcels within the boundaries of the District as shown on the Assessment Diagram, Part D herein, and on the last equalized roll of the Assessor of the County of San Joaquin, which is by reference made part of this report.

A list of names and addresses of the owners of all parcels within this District is shown on the last equalized Property Tax Roll of the Assessor of the County of San Joaquin, which by reference is hereby made a part of this report. This list is keyed to the Assessor's Parcel Numbers as shown on the Assessment Roll on file in the office of the City Clerk of the City of Tracy.

## APPENDIX A

### Improvement Areas By Zone

#### **Zone 1 Channel way on Central Avenue frontage to the Sycamore Village Apartments**

##### ***Arterial Street Landscaping***

Tracy Boulevard - Southeast corner of Tracy Boulevard and Central Avenue, north to 1688 S. Tracy Boulevard

#### **Zone 2 Fairhaven subdivision on west side of Tracy Boulevard**

##### ***Arterial Street Landscaping***

S. Tracy Boulevard - West side, approximately 1,000 feet south of Valpico to Sycamore Parkway (Fairhaven subdivision)

#### **Zone 3 Northwest section of Tracy, bordered by I-205 to the north, Byron Road to the south and O'Hare Drive to the east**

##### ***Arterial Street Landscaping***

Grant Line Road - north side from Corral Hollow Road to O'Hare Drive; south side from 1820 W. Grant Line Road, east to Lincoln Road; median island from Lincoln Road, west to Orchard Parkway; south side from Corral Hollow Road, west to Henley Parkway

Corral Hollow Road - west side from Grant Line Road, south to Byron Road; east side from Byron Road to approximately 150 feet north of Alegre; median island from Byron Road, north to Grant Line Road; east die from Grant Line Road, north to beginning of the channel way; median island on Corral Hollow Road, north of Grant Line Road to the Mall entrance

Kavanagh Avenue - south side from Corral Hollow Road, east to Golden Springs Drive

Lowell Avenue - north side from Henley Parkway heading west to the end of the sound wall; south side from Henley Parkway, west to Blandford Lane; median island from Corral Hollow Road, east to Lincoln Boulevard; south side from Corral Hollow Road, east to Promenade Circle; north side between the sound wall and curb, from Bridle Creek to Joe Pombo Parkway; south side from east end of subdivision to the end of the sound wall/Joe Pombo Parkway; south side from Joe Pombo Parkway to Blandford Lane;

**Zone 3 (Cont.)**

south side from Promenade Circle, east to the end of the sound wall; north side from Henley Parkway, west to the end of the sound wall

Orchard Parkway - east side from Lowell Avenue to Grant Line Road; median island from Hillcrest, north to Joseph Damon Drive; west side from Lowell Avenue, north to approximately 500 feet north of Hillcrest, and from Joseph Damon Drive to Grant Line Road (to be weed free between curb and fence line); west side between curb and fence line, approximately 500 feet south of Joseph Damon Drive

Henley Parkway - east side between sound wall and curb, from Lowell Avenue to Bridle Creek Drive; west side from Lowell Avenue, north to the end of the sound wall (north of Giovanni)

Blandford Lane - east side from Lowell Avenue heading south to the end of the sound wall, including traffic circle at Lowell Avenue and Blandford Lane

***Subdivision Landscaping***

Arnaudo Village - entryways at Lincoln Boulevard and Grant Line Road

Blossom Valley - entryways at Travao Lane and Grant Line Road, including median-island

Foothill Ranch Estates - entryway at Foothill Ranch Drive and Corral Hollow Road, including median-island

Woodfield Estates - entryway at Fieldview, including north and south side sound wall and median strip along Fieldview; entryway at Promenade Circle, including west side of sound wall and median island

Sterling Estates - Alegre – north side and median-island

Pheasant Run - entryways at Corral Hollow Road and Fieldview, including median-island; Annie Court adjacent to Fieldview, including south side of sound wall

Bridle Creek - entryway at Lowell Avenue and Bridle Creek Circle, including median island on Bridle Creek Circle; entryway at Bridle Creek Circle and Joe Pombo Parkway

Heartland - entryways at Lowell Avenue and Oxford Way, including median-island on Oxford Way; entryway at Hampshire Lane, including median strip

**Zone 3 (Cont.)**

Laurelbrook - entryway at Laurelbrook Drive and Southbrook Lane, including median strip

Foothill Vista - entryway at Hillcrest Drive between Orchard Parkway and Isabel Virginia

Countryside - Giovanni Lane, both sides, including median-island, from Henley Parkway, west to Rochester Street

***Park Maintenance***

Arnaudo Village - Slater Park on Suellen Drive

Foothill Ranch Estates - New Harmon Park on Hillcrest Drive

Laurelbrook - Dr. Ralph Allen Park at Veranda Court and Dorset Lane

Sterling Estates - Pombo Family Park on Joseph Damon Drive and Mary Alice Court

Park Atherton - Eagan Park on Oxford Lane and Lowell Avenue; Thrasher Park on Lowell Avenue and Joseph Menusa Drive; McCray Park on Fieldview Drive and Vivian Lane

***Weed Abatement***

Corral Hollow - Byron Road, north to Grant Line Road

Grant Line - north side from Corral Hollow Road heading west 500 feet from curb to 10 feet behind curb

Orchard Parkway - east side from Lowell Avenue to Hillcrest Drive curb to sidewalk; Orchard Parkway median island from Lowell Avenue to Grant Line Road

Pombo Parkway - east side from existing landscape, north to the end of the sound wall

**Zone 4      Located in front of the Summergate Apartments on Grant Line Road*****Weed Abatement***

Grant Line Road - in front of apartment complex

**Zone 5      Located south of East Grant Line Road and east of Esther Drive. No maintenance activity currently being performed**

**Zone 6** Located on the southwest corner of Clover Drive and North Tracy Boulevard. No maintenance activity currently being performed

**Zone 7** Located within the boundaries of 11<sup>th</sup> Street to the south, Corral Hollow Road, the SPRR tracks to the south and Hickory Avenue on the east

#### ***Arterial Street Landscaping***

Lauriana Lane - west side of Cypress Drive, south to Schulte Drive

Cypress Drive - north side from approximately 100 feet west of Hickory Avenue, west to Lauriana Lane; south side and median island from Lauriana Lane to Corral Hollow Road

Corral Hollow Road - east side approximately 300 feet north of Tennis Lane, south to the railroad tracks; east side, south from 11<sup>th</sup> Street to Cypress Drive (Safeway frontage only to include from face of curb to face of sidewalk); median strip from 11<sup>th</sup> Street, south to railroad tracks, south of Schulte Road; west side from Krohn Road, south to Cypress curb, to bike path

Schulte Road - from Corral Hollow Road heading east. The south side ends 1,000 feet before the railroad tracks. The north side ends at the railroad tracks and includes the median island

#### ***Subdivision Landscaping***

Fox Hollow - entryways at Tennis Lane and Lauriana Lane; entryways at Cypress Drive and Fox Hollow; entryways at Cypress Drive and Hunter's Trail; entryways at Tennis Lane and Corral Hollow Road, including median strip and two cul-de-sacs at Pheasant Run Court and Thomas Dehaven Court

Harvest Country West - entryways at Raywood Lane, including median strip

Quail Meadows - entryway at Golden Drive and Cypress Drive, including median strip; entryway at Quail Meadows, including median strip

Candlewood Estates - entryway at Glen Drive and Cypress Drive, including median strip

Corral Hollow Estates - entryway at Lauriana Lane, both side, including median strip from Schulte Road, south approximately 92 feet

**Zone 7 (Cont.)*****Park Maintenance***

Fox Hollow - Kit Fox Park at Foxwood Court and Fox Hollow Way; Rippin Park at Tennis Lane and Firefly

Harvest Country West - Harvest Park at Birchwood Court and Fireside Lane

Candlewood Estates - Patzer Park at Alden Glen Drive and Meadowlark

Quail Meadows - Bailor-Hennan Park on Golden Leaf Lane

***Weed Abatement***

11th Street - Church frontage west of Alden Glen Drive, from face of curb to chain link fence

Schulte Road - from railroad tracks east of Lauriana Lane, heading west 1,000 feet to start of landscaping, 10 feet from the curb

**Zone 8**      **Located within the boundaries of Corral Hollow Road on the west and 11<sup>th</sup> Street on the south*****Arterial Street Landscaping***

Belconte Drive - from 11<sup>th</sup> Street to Byron Road, east and west sides, including median-island

Redington Drive - median-island, east and west of Belconte Drive

Byron Road - from Corral Hollow Road, west approximately 2,280 feet to the end of the subdivision sound wall

Corral Hollow Road - west side from Byron Road to 11<sup>th</sup> Street

***Park Maintenance***

Fox Hollow - entryways at Tennis Lane and Lauriana Lane; entryways at Cypress Drive



**Zone 9**      **Located west of Tracy Boulevard from the SPRR spur line to Corral Hollow Road on the west, and the City limits on the south**

***Arterial Street Landscaping***

Tracy Boulevard - Circle B Ranch – west side from 245 feet north of Mt. Diablo Avenue, heading south past Schulte Road

Tracy Boulevard - Heritage subdivision – west side starting from approximately 200 feet north of Meday Drive, heading south.

Tracy Boulevard - west side from Central Avenue heading south approximately 970 feet south of Valpico Road, next to the baseball field

Tracy Boulevard - west side from Sycamore Parkway heading south approximately 570 feet, to the end of the sound wall

Corral Hollow Road - from the railroad tracks south to Parkside drive, approximately 600 feet

Sycamore Parkway - west side and medians from Amberwood Lane south to Dove Lane; south of Central Avenue to Tracy Boulevard; west side, from Schulte Road, south to Amberwood Lane

Schulte Road - median strip from Tracy Boulevard to railroad tracks; north side from Tracy Boulevard to Sycamore Parkway; south side from Tracy Boulevard to west end of shopping center; south side from Sycamore Parkway, west to the end of the sound wall; south side from Sycamore Parkway, east to the shopping center

Valpico Road - Tracy Boulevard, both side, west to the City limits; median islands from Tracy Boulevard, west to the City limits

West Central Avenue - median from Tracy Boulevard to Sycamore Parkway; north side from Tracy Boulevard, west to the end of Cedrus Drive

***Subdivision Landscaping***

Circle B Ranch - entryways at Morris Phelps and Schulte Road; entryways at Mt. Diablo Avenue and Tracy Boulevard

Hearthstone - entryways at Menay Drive and Tracy Boulevard; entryways at Amberwood Ln. and Sycamore Parkway cul-de-sac at Yorkshire Loop and Hampton Ct.

Regency Square - entryways at Monument Drive, Tracy Boulevard and Sycamore Parkway; Monument Drive (north and south sides), including

**Zone 9 (Cont.)**

median islands at Monterey and Vintage Courts; cul-de-sac at southeast corner of Tahoe Court and northwest corner; cul-de-sacs at northeast and southwest corners of Tahoe Circle; court adjacent to Mt. Oso Mini Park on Henderson Court; court adjacent to Mt. Diablo Mini Park on Alpine Court

Muirfield - entryway at Steinbeck; entryway at Petrig; cul-de-sac at Whitman Court; cul-de-sac at Longfellow Court; entryway at Dove Lane; median island on Chaplin, east and west of Sycamore Parkway; cul-de-sac at Shaw Creek; cul-de-sac at Williams Court; cul-de-sac at Bogart Court; cul-de-sac at Hepburn Court; entryway at Allegheny

Glen Creek - entryway at Glen Creek Way

Greystone Station - median-island at Windham; median-island at Sudley Drive

Harvest Glen - entryway at Ray Harvey Drive; entryway at Meadow Lane; cul-de-sac at Cornucopia

Ironwood - entryway at Monument Drive; walking path from Whitehaven Court, heading west to Mountain View Road; cul-de-sac at Newcastle Court; cul-de-sac at Clairmont Court; cul-de-sac at Hampton Court

Sienna Park - entryway at Sienna Park Drive, including median strip; pedestrian walkway at Delores Lane and Katlin Court

Heritage Subdivision - median on Cedrus Drive; entryway at Cedrus Drive (east end); cul-de-sac at Iberis Court

***Park Maintenance***

Hearthstone - Valley Oak Park at Larkspur and Honeysuckle Court; Evelyn Costa Park at Claremont Drive and Whitehaven Court

Parkside Estates - Evans Park on Parkside Drive

Harvest Glen - Fitzpatrick Park on Savanna Drive; Albert Emhoff Park on Jonathon Place and Moonlight Way

Regency Square - Mt. Oso Park at Henderson Court; Mt. Diablo Park at Alpine Court

Muirfield - Golden Spike Park on Christy Court; Fred Icardi Park on Russell Street at Steinbeck Way; Westside Pioneer Park at Cagney Drive and Hepburn Street

**Zone 9 (Cont.)**

Circle B - Sister Cities Park at Moris Phelps Drive and Saddleback Court

Greystone Station - John Kimball Park at Tom Fowler Drive and Sudley

Sienna Park - Tracy Press Park at Schulte Road and Weeping Willow Lane

**Zone 10 Includes the MacArthur Drive area, bounded by I-205 to the north and 11<sup>th</sup> Street to the south*****Arterial Street Landscaping***

MacArthur Drive - east side, from Pescadero Avenue south to 2020 MacArthur Drive (curb to sidewalk). West side from Grant Line Road to 11<sup>th</sup> Street, approximately 35 feet from curb; median strip from I-205 to 11<sup>th</sup> Street; west side from Pescadero Avenue, south to end of the California Esprit subdivision; east side from Pescadero Avenue, north 165 feet; west side from Pescadero to private canal

Pescadero Avenue - north side, from MacArthur Drive, east to the end of the Outlet Center, curb to sidewalk and median strip; adjacent to Yellow Freight, from redwood header to sidewalk; south side adjacent to Market Wholesale, from face of curb approximately 30 feet; south side adjacent to the California Esprit subdivision, from MacArthur Drive west to the end of the sound wall; south side from MacArthur Drive, east to McLane Food Services; north side starting at 3403 Bungalows Dr to MacArthur Dr

Grant Line Road - north side, MacArthur Drive, east to the City limits, including median strip

**Zone 11 Located southwest at the corner of W. Eleventh Street and north MacArthur Drive. No maintenance activity currently being performed****Zone 12 Located northwest of I-205 including the existing arterial landscaping along the right-of-way on Naglee Road and Grant Line Road*****Arterial Street Landscaping***

Naglee Road - from Grant Line Road to Auto Plaza Drive, median and 5 foot strip between curb and sidewalk on the east side; west side from Pavilion Parkway to Robertson Drive, turf and curb strip only

Auto Plaza Drive - south side curb face to sidewalk, from Naglee Road, east to dead end

**Zone 12 (Cont.)**

Robertson Drive - both sides of the street curb face to sidewalk, from Naglee Road, west to Pavilion Parkway

Grant Line Road - south side from 2850 W. Grant Line Road, west to 3292 W. Grant Line Road; north side from west driveway of Chevron at 2615 W. Grant Line Road, west to the western edge of the property at 2785 W. Grant Line Road

Pavilion Parkway - both sides of the street curb face to sidewalk, from Naglee Road to Power Road; median from Naglee Road, west to Power Road

**Zone 13 Located southwest of I-205 with 11<sup>th</sup> Street bordering on the south, Lammers Road on the west and Byron Road on the north*****Arterial Street Landscaping***

Fabian Road - north side from the edge of the sound wall, east to Montgomery Lane, west to Lammers Road

Lammers Road - east side from Fabian Road, north to Feteira Way

***Subdivision Landscaping***

Westgate - entryway at Westgate Drive, both sides, east to Antonio Loop; entryway from Feteira Way to Glazzy Lane, both sides, from Lammers Road, east to Glazzy Lane; median on Souza Way, from Thelma Loop to Antonio Loop

***Park Maintenance***

Souza Park South - on Antonio Loop between Souza Way and Ann Marie Way

Souza Park North - on Thelma Loop between Milton Jenson Court and Michael Drive

**Zone 14 Bounded on the west by Lammers Road, on the east by Corral Hollow Road and on the south by Schulte Road and the railroad tracks*****Arterial Street Landscaping***

Corral Hollow Road - west side, 234 feet north of Tracey Jean Way, including the walking path between Corral Hollow Road and Tracey Jean Court

**Zone 14 (Cont.)**

***Subdivision Landscaping***

Gabriel Estates - entryway at Tracey Jean Way, including median strip

***Park Maintenance***

Joan Sparks Park - on Carol Ann Drive

Chandeyne Kingsley Park - on Robert Gabriel Drive

**Zone 15**      **Located in the southwest section of the City, bordered by Tracy Boulevard, Linne Road and Corral Hollow Road**

***Arterial Street Landscaping***

Tracy Boulevard - west side, from approximately 700 feet north of Whispering Wind, south to the end of the sound wall

Whispering Wind - both sides, including medians from Tracy Boulevard, west to English Oaks Lane

Applebrook Lane - both sides, including median from Whispering Wind, south to approximately 75 feet

English Oak Lane - east side from Whispering Wind, north to approximately 80 feet

Windsong Drive - both sides, including median from Tracy Boulevard, west to approximately 370 feet

Corral Hollow Road - east side from north of Peony Drive, heading south to railroad tracks

***Subdivision Landscaping***

Edgewood VI - entryway at Peony Drive, both sides, including median strip from Corral Hollow Road, east to Maison Court; entryway at Middlefield Drive, both sides, including median strip from Corral Hollow Road, east to Whispering Wind Drive

***Park Maintenance***

William Adams Park - on Edgewood Terrace Drive

**Zone 15 (Cont.)**

Don Cose Park - on Whirlway Lane

Bill Schwartz Park - on Peony Drive

**Zone 16 Bordered on the north by Byron Road, 11<sup>th</sup> Street on the south, Palomar Drive on the west and Mamie Anderson on the east*****Subdivision Landscaping***

Crossroads Drive - Crossroads Drive, east and west from 11<sup>th</sup> Street to Tolbert Drive

***Park Maintenance***

Dan Busch Park - on the northeast corner of Crossroads Drive and Tolbert Drive

**Zone 17 Includes all areas east of Tracy Boulevard between the SPRR tracks on the north and 100 feet north of Deerwood Lane on the south*****Arterial Street Landscaping***

Tracy Boulevard - east side from Valpico Road, north to the end of the shopping center (on-site landscape contractor maintains the 5,150 sq. ft. of shrubs and 800 sq. ft. of turf); east side from Valpico Road, south to the end of the shopping center

Central Avenue - west side from Schulte Road, south to Ferdinand Street and the east side from Schulte Road, south to Deerwood Lane; west side from Schulte Road, north to Country Court, including ground cover in front of fence on Mt. Oso

Schulte Road - north side from Tracy Boulevard, east to the cemetery; medians from east of Tract Boulevard to Gianelli; south side from Central Avenue to 300 feet east of Independence Drive

MacArthur Boulevard - west side from Krider Court, south to the north edge of the cemetery

Third Street - north side from Jaeger to Tudor

Leamon Street - south side of California Cameo Parkway from MacArthur Boulevard, west to Third Street and Jaeger Street

Mt. Diablo Avenue - south side (est. 1,000 sq. ft.) and median-island from MacArthur, west to Third Street

Valpico Boulevard - south side from Tracy Boulevard, east to end of landscaping; north side from Tracy Boulevard, east to end of landscaping (on-site landscape contractor maintains the 4,906 sq. ft. of shrubs)

### ***Subdivision Landscaping***

Meadow Glen - entryways at Edenvale and Schulte Road; parkway from Cedar Mountain Drive to San Simeon Way

Victoria Park I - entryways at Gianelli, including median, south side of Schulte Road; cul-de-sacs at Elizabeth Court, Henry Court and Edward Court

Victoria Park II (American Classics) - cul-de-sacs at James Court and Mary Court

Victoria Park II (Traditions) - cul-de-sacs at Elysan, Lavender and Primrose Courts, and entrance at Junior Harrington, north side to 100 feet east

California Collections - entryways at MacArthur Drive and Wagtail Drive; cul-de-sac at Krider Court

California Renaissance - entryway median at Third Street; entryway and median at Hotchkiss Street; cul-de-sac at Sir Lancelot

California Cameo - entryway median at Leamon Street; cul-de-sac at Versailles Court; cul-de-sac at Czerny Street

### ***Park Maintenance***

Meadow Glen - Florence Stevens Park at Tassajero Court

Victoria Park - Sullivan Park on Victoria Street

California Collections - Huck Park on Wagtail Drive

**Zone 18**      **Bounded on the north by Valpico Road, on the east by MacArthur Drive and on the south by Linne Road**

### ***Arterial Street Landscaping***

Valpico Road (Glenbriar Estates) - south side from MacArthur Drive, west to the end of the sound wall; south side from Pebblebrook Drive, west to the end of the sound wall, approximately 600 feet (Pebblebrook Estates)

**Zone 18 (Cont.)**

MacArthur Drive (Glenbriar Estates) - west side from Valpico Road, south to the end of the landscaping, approximately 290 south of Fair Oaks Road; west side from Glenbrook Drive, north 220 feet to the end of the landscaping

***Subdivision Landscaping***

Glenbriar Estates - Glenbriar Drive from Valpico Road, south to Glenbriar Circle, both sides and median

Pebblebrook Estates - entryway at Pebblebrook Drive, including median; cul-de-sac at Pebblebrook Court

**Zone 19      Located north of the UPRR tracks, south of Valpico Road, east of Tracy Boulevard and west of Glenbriar Estates*****Arterial Street Landscaping***

Tracy Boulevard - east side including median from Valpico Road, south to UPRR tracks, Whispering Winds, Regency and Brookview,

***Park Maintenance***

William Kendal Lowes Park

***Subdivision Landscaping***

Regis Drive - west side from Whispering Wind Drive, south to Dietrick Avenue; from Regis Drive, east to 418 feet east of Reids Way; from Whispering Wind Drive, north to Arezzo Way, then east on Arezzo Way to Escatta Avenue

Brookview Drive - from Perennial Place, east to Glenhaven Drive, north side; from Regis Drive, east to Glenhaven Drive, south side

**Zone 20      (Larkspur Estates) located generally south of Montclair Lane, west of MacArthur Drive, and north of Valpico Road*****Arterial Street Landscaping***

MacArthur Boulevard - west side from DeBord Drive, north 415 feet to the end of the sound wall, and south from DeBord Drive 213 feet to the end of the sound wall; median on DeBord Drive



**Zone 20 (Cont.)*****Park Maintenance***

Stalsberg Drive - Clyde Abbot Park located on the south dead end of Stalsberg Drive

**Zone 21 (Huntington Park) located generally between Byron Road, south to Fabian Road and Gentry Lane, east to Jones Lane*****Subdivision Landscaping***

Huntington Park - entryway on Montgomery Lane, both sides from Fabian Road, north to King Loop, including median; entryway on Lankershire Drive, both sides from Byron Road, south to Kensington Court, including median; cul-de-sac on Kensington Court; Byron Road south side from Lankershire Drive, west 243 feet to the end of the sound wall, and east from Lankershire Drive 554 feet to the end of the sound wall; entryway at Byron Road, 100 feet to Ogden Sannazor, east and west side of the pathway

***Mini-Park Maintenance***

Richard Hastie Park – located on Huntington Park Drive

**Zone 22 Generally located between Corral Hollow Road, east to Egret Drive, and from Persimmon Way, south to Starflower Drive on the western half and Dove Drive on the eastern half*****Arterial Street Landscaping***

Corral Hollow Road - east side from Starflower Drive, north to the end of the sound wall of the sound wall

***Subdivision Landscaping***

Parkview (Muirfield 7) - north side of Persimmon Way along the sound wall from Geranium, west to Corral Hollow Road; west side of Lotus Way, along sound wall from Starflower Drive, north to Petunia; north side of Starflower along sound wall from Corral Hollow Road, east to Lotus Way, including median

**Zone 23 Starflower Drive south to Kagehiro Drive between Corral Hollow Road and Talley Park**

***Arterial Street Landscaping***

Corral Hollow Road - from Starflower Drive, south to end of soundwall by irrigation private canal

Starflower Drive - from Corral Hollow Road, south side to Lotus Way

Kagehiro Drive - from Corral Hollow Road, east to Lotus Way

**Zone 24 (Eastlake) - Located south of 26102 S. MacArthur Drive, north of Valpico Road and east of MacArthur Drive**

***Park Maintenance***

Tiago Park - Located on Eastlake Circle between Crater Place and McKenna Court

**Zone 25 Located north of Bricchetto Road and Schulte Road, east of Zone 32. No maintenance activity currently being performed**

**Zone 26 Located generally west of Corral Hollow Road, east of Lammers Road, north of Zone 14 and south of W. 11<sup>th</sup> Street**

***Arterial Street Landscaping***

Corral Hollow Road - 60 feet north of Cypress Drive to the end of the sound wall, south approximately 240 feet; north side, 31 feet north of Cypress Drive

Sterling Park II - from the San Marcos subdivision at Tennis Lane, 290 feet north to the Sterling Park subdivision; Tennis Lane, west of Corral Hollow Road center median and south side

Krohn Road - south side from Corral Hollow Road, west to end of landscaping

***Subdivision Landscaping***

Sterling Park - Cypress Drive, north and south side, including median; Banff, east and west side, including median

San Marcos - Schulte, north and south side, including median; Babcock entryway and median; Cabana entryway and median; Schulte Road, north

922 feet to Tennis Lane; Schulte Road, south to Golden Leaf Lane

## **Zone 26 (Cont.)**

### ***Park Maintenance***

Verner Harrison - located at Jill Drive and Brittany

Marlow Brothers - located at Adaire Lane and Golden Leaf Lane

John Erb Park - located Barcelona Drive and Cypress Drive

## **Zone 27 Located generally west of Zone 26, south of Zone 28, north of Zones 25 and 14, approximately one mile east of Lammers Road**

### ***Arterial Street Landscaping***

South Gate - Schulte Road, east from Mabel Josephine to the end of the landscaping

South Gate - Mabel Josephine, south from Schulte Road to Patrick McCaffrey

South Gate – Schulte Road median, east from Mabel Josephine to Barcelona Drive

Sterling Park II - from the San Marcos subdivision at Tennis Lane, 290 feet north to the Sterling Park subdivision; Tennis Lane, west of Corral Hollow Road center median and south side

## **Zone 28 Located generally south of W. 11<sup>th</sup> Street, west of Zone 26, north of Zone 27 and east of Lammers Road**

### ***Subdivision Landscaping***

Crossroads Drive - from 11<sup>th</sup> Street, heading south on west side of the dead end of Crossroads Drive, curb to sound wall; from 11<sup>th</sup> Street, heading south on the east side of the dead end of Crossroads Drive; median from 11<sup>th</sup> Street, heading south to the end of Crossroads Drive; Cranston Court; Wyman Court; Bennet Court; Marshall Court

Jefferson Parkway - 11<sup>th</sup> Street, heading south to Safford Lane; median from 11<sup>th</sup> Street, heading south to Safford Lane

**Zone 29** Located generally south of Schulte Road, north of Valpico Road, west of Chrisman Road and east of Zone 24

***Arterial Street Landscaping***

Valpico Road - north side of Valpico Road from Chrisman Road, heading west 1,018 feet to the end of the sound wall; north side from Elissagaray Drive, heading west 145 feet; north side starting 440 feet west of Elissagaray Drive at sound wall, heading 238 feet west to the end of the sound wall

Chrisman Road - west side of Valpico Road, heading north 960 feet past Elissagaray Drive

***Subdivision Landscaping***

Elissagaray Drive - east side from Valpico Road to Rodger Drive; east side from Rodger Drive, heading northeast to Chrisman Road, including Amatchi Drive entrances, east and west; west side from Rodger Drive, heading north to Dominique Drive; north side from Aldacourrou Street, heading east to Chrisman Road

Dominique Drive - south side from Elissagaray Drive, heading west 525 feet past Basque Drive

Mount Pellier Street - west side from 125 feet south of Montauban Street, heading south 225 feet to the end of the fence at 2203 Mt. Pellier Street

***Subdivision Court Landscaping***

Balgorry Court - east side from 130 feet south of Rodger Drive, starting at the sound wall 210 feet to the end of the sound wall

***Park Maintenance***

Robert Kellogg Park - Located on Elissagaray Street

**Zone 30** Yosemite Vista Housing Development located on S. MacArthur Drive

***Arterial Street Landscaping***

S. MacArthur Drive - from Yosemite Drive, heading north to the end of the sound wall; from Yosemite Drive, heading south to Jesse J. Martinez Drive; from Jesse J. Martinez Drive, heading south to the end of the landscaping

**Zone 30 (Cont.)**

Yosemite Drive - median-island from S. MacArthur Drive, east approximately 100 feet

***Park Maintenance***

Sentinel Drive - Jim Raymond Park

**Zone 31 Tracy Mini Storage**

***Arterial Street Landscaping***

Tracy Boulevard - east of Tracy Boulevard, west of Zone 28 and south of Valpico Road

**Zone 32** Located north of Schulte Road, east of Lammers Road. No maintenance activity currently being performed

**Zone 33 Generally located south of I-205, north of the SPRR tracks and east of Chrisman Road**

***Arterial Street Landscaping***

Grant Line Road - from Best Buy warehouse, east to Skylark Way

**Zone 34 The triangle area located south of the SPRR tacks, north of W. 11<sup>th</sup> Street and east of Corral Hollow Road**

***Arterial Street Landscaping***

Corral Hollow Road - east side from 11<sup>th</sup> Street, north to railroad tracks at Byron Road

11th Street - from railroad tracks east of Alden Glen, heading west to Corral Hollow Road, north side from sidewalk to mow strip

**Zone 35 East side of Tracy Boulevard between Centre Court and Tennis Lane**

***Arterial Street Landscaping***

Tracy Boulevard - east side from BSC, heading south 375 feet past Tennis Lane

**Zone 35 (Cont.)**

11th Street - from railroad tracks east of Alden Glen, heading west to Corral Hollow Road, north side from sidewalk to mow strip

***Subdivision Landscaping***

Ryland Junction - entryway at Tracy Boulevard and Tennis Lane, including median; entryway at Tracy Boulevard and Centre Court, including median; Rockingham Court cul-de-sacs

***Park Maintenance***

Fisher Park - Located on Tracy Boulevard between Tennis Lane and Centre Court

**Zone 36 El Pescadero at Grant Line Road**

***Arterial Street Landscaping***

El Pescadero Park - south of El Pescadero Park, north of Grant Line Road and east of Buthmann

**Zone 37 Forrest Greens**

***Arterial Street Landscaping***

Acacia Street – north side of Acacia Street between East Street and MacArthur Drive

**Zone 38 This Zone is split into four different areas within the District**

***Arterial Street Landscaping***

11th Street - north side of 11<sup>th</sup> Street from Belconte Drive, west to Lammers Road; north side of 11<sup>th</sup> Street from Corral Hollow Road, west to Belconte Drive, from curb to sidewalk; north side of 11<sup>th</sup> Street from rail road tracks east of Alden Glen Drive, west to Corral Hollow Road, from curb to sidewalk; south side of 11<sup>th</sup> Street from Corral Hollow Road, west to the end of the landscaping west of Jefferson Drive, curb to sidewalk; south side of 11<sup>th</sup> Street from railroad tracks east of Alden Glen Drive, west to Corral Hollow Road, curb to sidewalk; median on 11<sup>th</sup> Street from rail road tracks east of Alden Glen Drive, heading west to Lammers Road

**Zone 38 (Cont.)**

Grant Line Road - south side of Grant Line Road from 1820 W. Grant Line Road, east to Lincoln Boulevard; Corral Hollow Road, west side from Grant Line Road, north to I-205

Valpico Road - north side of Valpico Road from Glenbriar Drive, heading east to MacArthur Drive

Tracy Transit Station - plaza area in the middle of 6<sup>th</sup> Street from Central Avenue to D Street; traffic circle at the intersection of 6<sup>th</sup> Street and Central Avenue; traffic circle at the intersection of 6<sup>th</sup> Street and D Street; all on-site landscaping around the transit building and parking lot

**Zone 39 Channel Way and Arterial Landscaping*****Located in Zone 1***

Central Avenue - from Silkwood Lane, west to Tracy Boulevard (channel way in front of the Sycamore Village apartments); Central Avenue channel along the eastern side of the Sycamore Village apartments

Transit Corridor - bike path to face of curb

***Located in Zone 3***

Grant Line Road - east side from Grant Line Road to the I-205 freeway right-of-way, approximately 1,600 linear feet; east side from Grant Line Road, north to I-205 (no mow), weed down as needed

Orchard Parkway - west side of Orchard Parkway from Lowell Avenue to Grant Line Road

Vivian Lane/Rita Way - from south end of Vivian Lane, heading north past Rita Way to Lowell Avenue

Lowell Avenue - north side of Lowell Avenue to Orchard Parkway

Transit Corridor (bike path to face of curb) - east side of Corral Hollow Road from Grant Line Road to I-205; Orchard Parkway; Orchard Parkway, west side from Lowell Avenue to Grant Line Road; Vivian Lane/Rita Way from rail road tracks, south of Vivian Lane, north to Lowell Avenue; north side of Lowell Avenue, west to Orchard Parkway

**Zone 39 (Cont.)*****Located in Zone 7***

From edge of property to bike path - north side of Cypress Drive from Corral Hollow Road to Lauriana lane; east side of Lauriana Lane from Cypress Drive to Schulte Road; north side of Schulte Road from Lauriana Lane, east to the rail road tracks

Transit Corridor (bike path to face of curb) - starting at the rail road tracks on Schulte Road west of Sycamore Parkway, heading west to Lauriana Lane, then on Lauriana, then west on Cypress Drive to Corral Hollow Road

***Located in Zone 9***

From edge of property to bike path - north side of Schulte Road channel way from railroad tracks to Sycamore Parkway; east side of Sycamore Parkway from Schulte Road, south to Windham Drive; south side of Central Avenue from Tracy Boulevard to Sycamore Parkway; east side of Windham Drive, south from Sycamore Parkway to Cherry Blossom

Transit Corridor (bike path to face of curb) - from Cherry Blossom, north to Sycamore Parkway on the east side, north to Schulte Road then west to rail road tracks; Central Avenue from Tracy Boulevard, west to Sycamore Parkway; north side of Schulte Road from Sycamore Parkway, west to Lauriana Lane

***Located in Zone 10***

MacArthur Drive - landscaped channel way, east side from 11<sup>th</sup> Street overpass, north to driveway at 2020 MacArthur Drive-edge of property to bike path; non-landscaped channel area, east side from driveway at 2020 MacArthur Drive to Grant Line Road, north to Pescadero Road; I-205, west to rail road tracks west of MacArthur

Pescadero Avenue - starting from the east driveway of the Outlet Mall, heading east 835 feet to the curve, then heading north 975 feet to the curve, then west 2,080 feet, ending at MacArthur Drive; starting from the south side of Pescadero Avenue from the east driveway of the Outlet Mall, heading south 2,550 feet to Grant Line Road; starting on the eastern edge of the property at 800 Grant Line Road, heading south 485 feet, then picking back up on the south side of the rail road tracks and heading south 950 feet to MacArthur Drive (Channel way is approximately 50 feet wide)



**Zone 39 (Cont.)**

Transit Corridor (bike path to face of curb) - east side of MacArthur Drive from the 11<sup>th</sup> Street overpass, north to 1,820 MacArthur Drive

***Located in Zone 12***

Naglee Detention Basin - around fence line to bottom of the berm; entrance on Naglee Road, northwest side of Auto Plaza Drive

Park and Ride Lot - transit corridor Park & Ride

***Located in Zone 26***

From edge of property to bike path - west side of Corral Hollow Road from Cypress Drive, north to Krohn Road; end of channel way from Krohn Road, 300 feet west to DB-V Detention Basin;

Placentia Fields Channel Way (General Fund Channel Way) - north of Cypress Drive towards 11<sup>th</sup> Street, then east to the end of the channel way

Transit Corridor (bike path to face of curb) - west side of Corral Hollow Road from Cypress Drive, north to Krohn Road

**Zone 40 Located at the northwest corner of Valpico Road and MacArthur**

***Arterial Street Landscaping***

Rite-Aid - north side of Valpico Road from MacArthur Drive, heading west 370 feet to second driveway; west side of MacArthur Drive from Valpico Road, heading north 135 feet

**Zone 41 Located at east side of Corral Hollow Road, north of Tennis Lane and south of Cypress Drive**

***Arterial Street Landscaping***

Corral Hollow Road - east side of Corral Hollow Road fronting 350 N. Corral Hollow Road, starting from 285 feet north of Cypress Drive, heading north 375 feet to the end of the landscaping

**Zone 42 Located at south side of W. Grant Line Road, north of Byron Road and west of S. Lammers Road**

***Arterial Street Landscaping***

Tracy Gateway Crossing - ongoing maintenance, servicing and operation of the landscaping improvements within the public right-of-ways, to be installed in connection with this development

**Zone 43      Located east of MacArthur Drive and north of Valpico Road*****Arterial Street Landscaping***

Tract 3290 (Ventana) - ongoing maintenance, servicing and operation of the landscaping improvements within the public right-of-ways, to be installed in connection with this development

**The following cyclical maintenance programs benefit the Zones shown below:**

Streetscape Revitalization - Zones 1-13, 16-22, 23- 24, 26-0, 33-37, 39-43

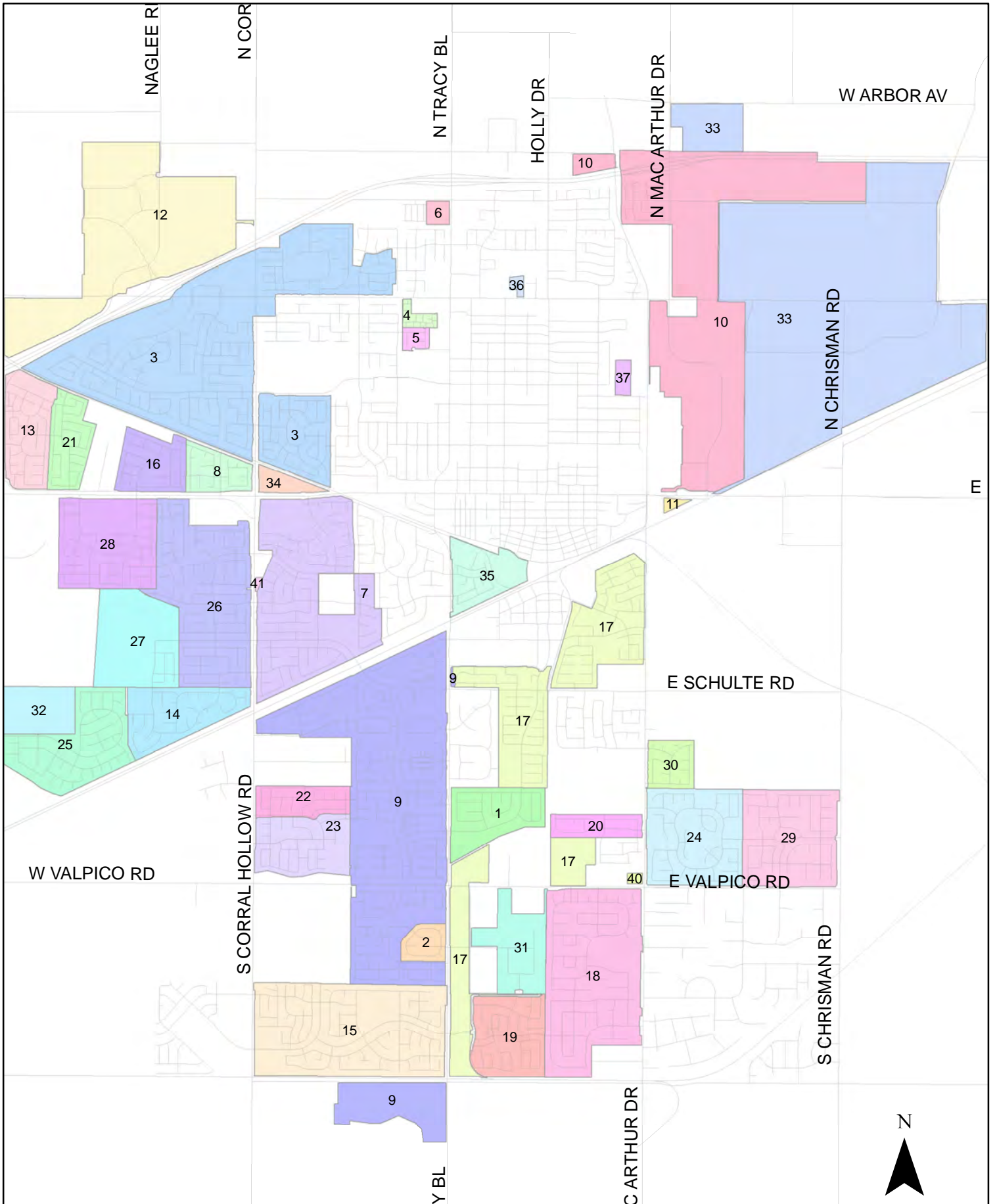
Arterial Street Maintenance - Zones 6 -10, 15-26, 28-30, 33, 42-43

Park Rehabilitation and Renovation - Zones 3, 7-9, 13-17, 19-21, 26, 29, 35

**APPENDIX B**  
**Consolidated Landscape Maintenance Map**

A Diagram showing the District and Zone boundaries is on the following page.

# LMD Zone Boundary Map



0 0.225 0.45 0.9 Miles

## **APPENDIX C**

### **Assessment Roll**

The assessment set forth for each parcel is shown on the Assessment Roll for the District, submitted separately, as "Assessment Roll for the City of Tracy, Consolidated Landscape Maintenance District, Fiscal Year 2018-19", which exhibit is incorporated by reference herein as Appendix C under separate cover, and is on file in the Office of the City Clerk.

AGENDA ITEM 5

REQUEST

**APPROVAL OF A RESOLUTION SUPPLEMENTING RESOLUTION NO. 2016-161 TO AUTHORIZE THE ISSUANCE AND SALE OF SPECIAL TAX BONDS FOR THE PURPOSE OF FINANCING AUTHORIZED FACILITIES, AND APPROVING AND AUTHORIZING RELATED DOCUMENTS AND ACTIONS**

EXECUTIVE SUMMARY

For the purpose of financing public facilities and public services for development in the Tracy Hills Specific Plan, the City Council previously acted under the Mello-Roos Community Facilities Act of 1982 (the “Mello-Roos Act”) to establish the following:

- City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) (the “CFD”),
- Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) (“Improvement Area No. 1”), and
- City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) (Future Annexation Area) (the “Future Annexation Area”).

All of the property that is currently in the CFD is located in Improvement Area No. 1.

Staff recommends that the City Council adopt the referenced resolution (the “2018 Bond Resolution”) for the purpose of authorizing the issuance of an initial series of bonds on behalf of the CFD with respect to Improvement Area No. 1 and approving related documents.

DISCUSSION

**LOCAL GOALS AND POLICIES**

Section 53312.7(a) of the Mello-Roos Act requires the City to consider and adopt local goals and policies concerning the use of the Mello-Roos Act prior to the initiation of proceedings on or after January 1, 1994 to establish a new community facilities district.

The City adopted “Amended Local Goals and Policies for Community Facilities Districts (CFDs)” on February 4, 2014, by Resolution No. 2014-019 (“Goals and Policies”).

The Goals and Policies provide guidance and conditions for the conduct by the City of proceedings for, and the issuance of bonds secured by special taxes levied in, a community facilities district established under the Mello-Roos Act.

**CFD FORMATION PROCESS AND APPROVAL OF BONDS**

Under the Mello-Roos Act, the City previously formed the CFD and Improvement Area No. 1 for the purpose of financing the public facilities and services described in the City

Council's Resolution No. 2016-157 adopted on July 19, 2016 (the "Resolution of Formation"). All of the property that is currently in the CFD is located in Improvement Area No. 1.

In the Resolution of Formation, the City Council also provided for the levy of special taxes upon the land within the CFD and approved a rate and method of apportionment of special taxes for Improvement Area No. 1 (the "Improvement Area No. 1 Rate and Method") and approved an appropriations limit of \$70,000,000 for Improvement Area No. 1 (the "Improvement Area No. 1 Appropriations Limit").

Pursuant to Resolution No. 2016-158, adopted by the City Council on July 19, 2016, the City Council declared the necessity to incur bonded indebtedness and other debt on behalf of the CFD with respect to Improvement Area No. 1 in an aggregate amount not to exceed \$70,000,000 (the "Improvement Area No. 1 Indebtedness Limit").

At an election of the qualified electors in Improvement Area No. 1 held on July 19, 2016, the qualified electors approved the levy of special taxes according to the Improvement Area No. 1 Rate and Method, the Improvement Area No. 1 Bonded Indebtedness Limit and the Improvement Area No. 1 Appropriations Limit.

Pursuant to Resolution No. 2016-161, which was adopted on July 19, 2016 (the "Original Resolution of Issuance"), this Council authorized the issuance of up to \$70,000,000 of bonded indebtedness and other debt on behalf of the CFD with respect to Improvement Area No. 1, directed staff to prepare documentation for such bonded indebtedness and other debt and return to this Council for approval of such documentation, and appointed U.S. Bank National Association as fiscal agent for such bonded indebtedness and other debt (the "Fiscal Agent").

### **CHANGE PROCEEDINGS**

This Council has initiated proceedings to increase the Improvement Area No. 1 Indebtedness Limit to \$80,000,000 and amend the Improvement Area No. 1 Rate and Method, among other things.

### **PROPOSED 2018 BONDS**

Staff recommends that the City Council adopt a resolution (the "2018 Bond Resolution") to supplement the Original Resolution of Issuance for the following purposes:

- (i) subject to completion of the change proceedings for the CFD and Improvement No. 1 initiated by the Resolution of Consideration, authorize the issuance of up to \$80,000,000 of bonded indebtedness and other debt on behalf of the CFD with respect to Improvement Area No. 1,
- (ii) provide for the issuance of the Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) Special Tax Bonds, Series 2018 (the "2018 Bonds") in a principal amount not to exceed \$36,000,000.00,
- (iii) approve the sale of the 2018 Bonds to Piper Jaffray & Co. (the "Underwriter")

- (iv) approve the documents related to the 2018 Bonds, and
- (v) authorize staff to take all actions necessary related to issuance of the 2018 Bonds.

### **TERMS OF THE 2018 BONDS**

Pursuant to the Resolution, the true interest cost of the 2018 Bonds cannot exceed 6.0% and the principal amount of the 2018 Bonds cannot exceed \$36,000,000. Government Code Section 5852.1 requires the City to obtain and disclose a good faith estimate of certain information about the 2018 Bonds, including the true interest cost, the financing costs, the use of proceeds and the total payment amount, and the information is included in Appendix A of the 2018 Bond Resolution. Based upon current market conditions, the 2018 Bonds are estimated to be issued in the amount of \$34,005,000 and carry a true interest cost of approximately 4.74%.

The Goals and Policies require a minimum value to lien ratio for special tax financings of 3:1 (the value-to-lien calculation compares the market value of the property to the proposed principal amount of the 2018 Bonds and bonds issued by overlapping community facilities districts and assessment districts). Based on the current draft of the appraisal prepared by Integra Realty Resources (the "Appraiser"), the value of the property in Improvement Area No.1 has been determined to be not less than \$123,610,000, resulting in an estimated value to lien ratio of approximately 3.4:1 based on the \$36,000,000 maximum authorized principal amount of the 2018 Bonds (there are no overlapping special tax or assessment bonds). Because the appraisal is not final, the proposed Resolution authorizes staff to execute a bond purchase agreement with the Underwriter only if the value to lien ratio based on the final principal amount of the 2018 Bonds will be at least 3:1.

The 2018 Bonds are a limited obligation of the City, payable only from special taxes levied in Improvement Area No. 1 and moneys in the funds and accounts established under the Fiscal Agent Agreement described below.

### **DOCUMENTS RELATED TO THE 2018 BONDS**

The City Council is being asked to approve each of the following:

- Preliminary Official Statement. The Official Statement is the primary disclosure document for investors in the 2018 Bonds. A Preliminary Official Statement will be circulated to potential investors prior to the pricing of the 2018 Bonds. After the 2018 Bonds have been priced, a Final Official Statement will be circulated to investors; the Final Official Statement should be identical to the Preliminary Official Statement except for the addition of pricing information (principal amount, interest rates, redemption terms).

The Preliminary Official Statement describes the special taxes to be levied in Improvement Area No. 1, each of the parcels to be taxed, and, based on information by the developers of property in Improvement Area No. 1, the development plans for the parcels within Improvement Area No. 1. The



Preliminary Official Statement will also include the appraisal of the taxable parcels in Improvement Area No. 1.

The Preliminary Official Statement is prepared by Jones Hall, serving the City as Bond Counsel and Disclosure Counsel for this transaction, with the assistance of the remainder of the financing team, including City staff; the property owners in Improvement Area No. 1; CSG Advisors Incorporated, the City's municipal advisor ("Municipal Advisor"); the Underwriter; and Goodwin Consulting, the City's special tax consultant ("Special Tax Consultant").

The Preliminary Official Statement has been reviewed and approved for transmittal to the City Council by the City's financing team. The distribution of the Preliminary Official Statement by the City is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the 2018 Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the bonds. If the City Council concludes that the Preliminary Official Statement includes all facts that would be material to an investor in the 2018 Bonds, it must adopt a resolution that authorizes staff to execute a certificate to the effect that the Preliminary Official Statement has been "deemed final."

The Securities and Exchange Commission (the "SEC"), the agency with regulatory authority over the City's compliance with the federal securities laws, has issued guidance as to the duties of the City Council with respect to its approval of the Preliminary Official Statement. In its "Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors" (Release No. 36761 / January 24, 1996) (the "Release"), the SEC stated that, if a member of the City Council has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the 2018 Bonds, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement. In the Release, the SEC stated that the steps that a member of the City Council could take include becoming familiar with the Preliminary Official Statement and questioning staff and consultants about the disclosure of such facts.

The key sections of the Preliminary Official Statement are summarized below:

- "THE 2018 BONDS": This section summarizes the key terms of the 2018 Bonds, including payment dates and redemption provisions.
- "SECURITY FOR THE 2018 BONDS": This section summarizes key security terms, including the City's pledge of special tax revenues, its covenant to levy special taxes according to the Improvement Area No. 1 Rate and Method, as amended, and its covenant to foreclose on parcels that are delinquent in the payment of special taxes. As described above, the 2018 Bonds are a limited obligation of the City, payable only from

- special taxes levied in Improvement Area No. 1 and moneys in the funds and accounts established under the Fiscal Agent Agreement.
  - “THE DISTRICT AND IMPROVEMENT AREA NO. 1”: This section summarizes certain features of Improvement Area No. 1, including the appraised value of taxable property, overlapping taxes, assessments and debt and anticipated debt service coverage provided by maximum special taxes that may be levied under the RMA.
  - “PROPERTY OWNERSHIP AND DEVELOPMENT STATUS”: This section includes information provided by the property owners in Improvement Area No. 1, and describes the proposed development in Improvement Area No. 1 and its current status.
  - “BOND OWNERS’ RISK”: This section highlights the primary risks associated with the 2018 Bonds, including failure to complete the proposed development, natural disasters and failure of property owners to pay their special taxes.
  - “LEGAL MATTERS - Tax Exemption”: This section describes the tax-exempt nature of interest on the 2018 Bonds.
- Continuing Disclosure Certificate. Under SEC Rule 15c2-12, the underwriter of the 2018 Bonds may only purchase the 2018 Bonds if it has determined that the City is obligated to provide continuing disclosure, including annual updates of the financial and operating data included in the Official Statement and notices of certain specified events. The developers in Improvement Area No. 1 will also provide continuing disclosure on a semi-annual basis until certain development thresholds have been met.
  - Fiscal Agent Agreement. This document governs the 2018 Bonds and the use of special taxes from Improvement Area No. 1 to pay debt service on the 2018 Bonds. The special taxes will be levied on the regular County tax roll and collected by the County from each taxable parcel in Improvement Area No. 1. The County will remit these special taxes to the City. The City will remit them to the Fiscal Agent as provided for in the Fiscal Agent Agreement. The Fiscal Agent will use the revenues to (1) pay administrative costs of the CFD and (2) pay principal of and interest on the 2018 Bonds to the bond owners.
  - Bond Purchase Agreement. At the time the 2018 Bonds are sold, the City will enter into a Bond Purchase Agreement with the Underwriter, who will agree to underwrite the 2018 Bonds subject to satisfaction of the conditions described in the Bond Purchase Agreement. The resolution provides the Underwriter’s discount on the purchase of the 2018 Bonds may not exceed 1.25% of the par amount of the 2018 Bonds. The Underwriter was selected as underwriter for the 2018 Bonds through an RFP process, and was chosen based upon the combination of its qualifications and proposed fees.

## STRATEGIC PLAN

Governance – Goal 2: Ensure continued Fiscal Sustainability through Financial and Budgetary Stewardship.

FISCAL IMPACT

The fees and expenses of the financing team, including Bond Counsel, Disclosure Counsel, Underwriter, Municipal Advisor, Special Tax Consultant and Appraiser are paid from proceeds of the 2018 Bonds or paid through an existing Cost Recovery Agreement with the developer.

RECOMMENDATION

That Council adopt the 2018 Bond Resolution.

Prepared by: Karin Schnaider, Finance Director  
Christopher Lynch, Jones Hall  
Scott Smith, CSG Advisors Incorporated

Reviewed and Approved by: Midori Lichtwardt, Interim Assistant City Manager

ATTACHMENTS

- A: Preliminary Official Statement (including Continuing Disclosure Certificates)
- B: Fiscal Agent Agreement
- C: Bond Purchase Agreement

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2018**

**NEW ISSUE – BOOK-ENTRY ONLY**

**NOT RATED**

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2018 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax, although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."*

**\$35,000,000\***  
**IMPROVEMENT AREA NO. 1**  
**OF THE CITY OF TRACY**  
**COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TRACY HILLS)**  
**SPECIAL TAX BONDS, SERIES 2018**

**Dated: Date of Delivery**

**Due: September 1, as shown on inside cover.**

**Authority for Issuance.** The bonds captioned above (the "2018 Bonds") are being issued by the City of Tracy (the "City") for and on behalf of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) (the "District") with respect to its Improvement Area No. 1 ("Improvement Area No. 1") under the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), the Resolution of Issuance (as defined herein), and a Fiscal Agent Agreement dated as of August 1, 2018 (the "Fiscal Agent Agreement"), by and between the City and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"). See "THE 2018 BONDS – Authority for Issuance."

**Security and Sources of Payment.** The 2018 Bonds are payable from proceeds of Special Tax Revenues (as defined herein) levied on property within Improvement Area No. 1 according to the amended and restated rate and method of apportionment of special tax approved by the City Council of the City (the "City Council"), acting as legislative body of the District, and the eligible landowner voters in Improvement Area No. 1. The 2018 Bonds are secured by a first pledge of the revenues derived from the Special Tax Revenues and the moneys on deposit in certain funds held by the Fiscal Agent under the Fiscal Agent Agreement, on a parity with bonds that may be issued in the future, subject to the conditions set forth in the Fiscal Agent Agreement. See "SECURITY FOR THE 2018 BONDS." The 2018 Bonds and any Parity Bonds (as defined herein) are referred to herein as the "Bonds."

**Use of Proceeds.** The 2018 Bonds are being issued to (i) finance the acquisition and construction of certain public capital improvements, (ii) fund a debt service reserve fund, (iii) pay capitalized interest on the 2018 Bonds through and including September 1, 2019, (iv) pay initial administrative expenses with respect to the 2018 Bonds and the District, and (v) pay the costs of issuing the 2018 Bonds. See "FINANCING PLAN."

**Bond Terms.** Interest on the 2018 Bonds is payable on each March 1 and September 1, commencing March 1, 2019. The 2018 Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. The 2018 Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the 2018 Bonds. See "THE 2018 BONDS – General Bond Terms" and "APPENDIX I – DTC and the Book-Entry Only System."

**Redemption.** The 2018 Bonds are subject to optional redemption, mandatory sinking fund redemption and special redemption from prepaid Special Taxes. See "THE 2018 BONDS - Redemption."

**The 2018 Bonds are not general obligations of the City, but are limited obligations, payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California (the "State") or any political subdivision thereof is pledged to the payment of the 2018 Bonds.**

**MATURITY SCHEDULE**

(see inside cover)

***This cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the 2018 Bonds involves risks which may not be appropriate for some investors. See "BOND OWNERS' RISKS" for a discussion of special risk factors that should be considered in evaluating the investment quality of the 2018 Bonds.***

The 2018 Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and subject to certain other conditions. Jones Hall, A Professional Law Corporation, has served as disclosure counsel to the City. Stradling Yocca Carlson & Rauth, P.C., Newport Beach, California, is serving as counsel to the Underwriter, and Holland & Knight LLP, San Francisco, California, is serving as counsel to Tracy Phase I, LLC. It is anticipated that the 2018 Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about \_\_\_\_\_ 2018.

[Piper Jaffray Logo]

The date of this Official Statement is: \_\_\_\_\_, 2018.

\* Preliminary; subject to change.

*This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.*

## MATURITY SCHEDULE

\$ \_\_\_\_\_ Serial Bonds  
(Base CUSIP†: \_\_\_\_\_)

Maturity (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
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\$ \_\_\_\_ % Term Bond due September 1, 20\_\_\_\_, Yield: \_\_%, Price: \_\_%  
CUSIP† No. \_\_\_\_

\$ \_\_\_\_ % Term Bond due September 1, 20\_\_\_\_, Yield: \_\_%, Price: \_\_%  
CUSIP† No. \_\_\_\_

\* Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. None of the City, the Authority, or the Underwriter takes any responsibility for the accuracy of the CUSIP data.

## **CITY OF TRACY**

### **CITY COUNCIL**

Robert Rickman, *Mayor*  
Veronica Vargas, *Mayor Pro Tem*  
Juana L. Dement, *Council Member*  
Rhodesia Ransom, *Council Member*  
Nancy Young, *Council Member*

### **CITY STAFF**

Randall Bradley, *City Manager*  
Karin Schnaider, *Finance Director*  
Adrienne Richardson, *City Clerk*  
Thomas Watson, *City Attorney*

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### **PROFESSIONAL SERVICES**

#### **BOND COUNSEL and DISCLOSURE COUNSEL**

Jones Hall, A Professional Law Corporation  
*San Francisco, California*

#### **MUNICIPAL ADVISOR**

CSG Advisors Incorporated  
*San Francisco, California*

#### **SPECIAL TAX CONSULTANT**

Goodwin Consulting Group, Inc.  
*Sacramento, California*

#### **APPRAISER**

Integra Realty Resources, Inc.  
*Rocklin, California*

#### **MARKET ABSORPTION CONSULTANT**

Empire Economics, Inc.  
San Juan Capistrano, California

#### **FISCAL AGENT**

U.S. Bank National Association  
*San Francisco, California*

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[INSERT REGIONAL MAP]



[INSERT AERIAL OVERVIEW MAP OF IMPROVEMENT AREA NO. 1]

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**No Offering May Be Made Except by this Official Statement.** No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2018 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

**No Unlawful Offers or Solicitations.** This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

**Effective Date.** This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2018 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the District, the Community Facilities District, any other parties described in this Official Statement, or in the condition of property within Improvement Area No. 1 of the District since the date of this Official Statement.

**Use of this Official Statement.** This Official Statement is submitted in connection with the sale of the 2018 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the 2018 Bonds.

**Preparation of this Official Statement.** The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

**Document References and Summaries.** All references to and summaries of the Fiscal Agent Agreement or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

**Stabilization of and Changes to Offering Prices.** The Underwriter may overallocate or take other steps that stabilize or maintain the market prices of the 2018 Bonds at levels above those that might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the 2018 Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

**Bonds are Exempt from Securities Laws Registration.** The issuance and sale of the 2018 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

**Estimates and Projections.** Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

**The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.**

The City maintains an Internet website, but the information on the website is not incorporated in this Official Statement.

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## OFFICIAL STATEMENT

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**\$35,000,000\***  
**IMPROVEMENT AREA NO. 1**  
**OF THE CITY OF TRACY**  
**COMMUNITY FACILITIES DISTRICT NO. 2016-1 (Tracy Hills)**  
**SPECIAL TAX BONDS, SERIES 2018**

### INTRODUCTION

This Official Statement, including the cover page, inside cover and attached appendices, is provided to furnish information regarding the bonds captioned above (the “**2018 Bonds**”) to be issued by the City of Tracy (the “**City**”) on behalf of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) (the “**District**”) with respect to its Improvement Area No. 1 (“**Improvement Area No. 1**”).

*This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, the inside cover and attached appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the 2018 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used but not defined in this Official Statement have the definitions given in the Fiscal Agent Agreement (as defined below).*

**The District and Improvement Area No. 1.** The District (and Improvement Area No. 1) is located west of Corral Hollow Road, south of W. Valpico Road and north of Interstate 580, in the City. The property in Improvement Area No. 1 is part of the larger master-planned community known as “Tracy Hills” (the “**Tracy Hills Project**” or the “**THPO Property**”) being developed by The Tracy Hills Project Owner, LLC, a Delaware limited liability company (“**THPO**”). THPO is developing the property through six affiliated owners (the “**THPO Affiliates**”). THPO and the THPO Affiliates were formed as special-purpose entities managed by the principals of Integral Communities.

The District and Improvement Area No. 1 were formed and established by the City Council of the City (the “**City Council**”), as legislative body of the District, under the Mello-Roos Community Facilities Act of 1982, as amended (the “**Act**”), pursuant to a resolution adopted by the City Council following a public hearing, and a special landowner election at which the qualified electors of Improvement Area No. 1 authorized the City to incur bonded indebtedness with respect to Improvement Area No. 1, and approved the levy of special taxes within Improvement Area No. 1. See “THE DISTRICT AND IMPROVEMENT AREA NO. 1 – Formation and Background.”

The City Council, as legislative body of the District, and the landowner elector, has authorized the incurrence of bonded indebtedness for Improvement Area No. 1 in an aggregate principal amount not to exceed \$70,000,000, which will be increased to \$80,000,000 following the completion of the Change Proceedings (as defined below). The 2018 Bonds represents the first series of special tax bonds issued pursuant to this authorization.

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\* Preliminary; subject to change.

At the time of establishment of the District and Improvement Area No. 1, a future annexation area was also established for the District (the “**Future Annexation Area**”), and parcels may annex into the District and Improvement Area No. 1 in the future. Unless and until parcels annex into Improvement Area No. 1, they do not serve as security for the 2018 Bonds.

**Change Proceedings.** San Joaquin County Assessor’s Parcel Number 253-360-15 (the “**Transferred Parcel**”), which is expected to be developed as a business park and a school site, is currently included within the boundary of Improvement Area No. 1. However, at the request of the property owner, the City is undertaking change proceedings (the “**Change Proceedings**”) to remove the Transferred Parcel from Improvement Area No. 1 and incorporate the Transferred Parcel into the Future Annexation Area. The Change Proceedings are expected to conclude effective as of August 21, 2018 and, accordingly, the Transferred Parcel has been omitted from the estimate of value and other discussion of Improvement Area No. 1 in this Official Statement. The issuance of the 2018 Bonds is not conditioned on the effectiveness of the Change Proceedings. See “THE DISTRICT AND IMPROVEMENT AREA NO. 1 – Formation and Background – Change Proceedings.”

**Authority for Issuance of the 2018 Bonds.** The 2018 Bonds are issued under the Act, a resolution adopted by the City Council on July 19, 2016 (the “**Original Resolution**”), as supplemented and amended by a resolution adopted by the City Council on July 17, 2018 (the “**Supplemental Resolution**,” and together with the Original Resolution, the “**Resolution of Issuance**”), and a Fiscal Agent Agreement, dated as of August 1, 2018 (the “**Fiscal Agent Agreement**”), by and between the City and U.S. Bank National Association, as fiscal agent (the “**Fiscal Agent**”). See “THE 2018 BONDS – Authority for Issuance.”

**Purpose of the 2018 Bonds.** Proceeds of the 2018 Bonds will be used primarily to finance the acquisition and construction of certain public capital improvements. Proceeds of the 2018 Bonds will also fund a debt service reserve fund, pay capitalized interest on the 2018 Bonds through September 1, 2019, pay initial administrative expenses with respect to the 2018 Bonds and the District, and pay the costs of issuing the 2018 Bonds. See “FINANCING PLAN.”

**Redemption of Bonds before Maturity.** The 2018 Bonds are subject to optional redemption, mandatory sinking fund redemption and special redemption from prepaid Special Taxes (as defined below). See “THE 2018 BONDS – Redemption.”

**Security and Sources of Payment for the 2018 Bonds.** The City Council will annually levy special taxes on the property in Improvement Area No. 1 for the purposes of financing facilities (the “**Special Taxes**”) in accordance with the Amended and Restated Rate and Method of Apportionment of Special Taxes for Improvement Area No. 1 (the “**Rate and Method**”). The 2018 Bonds are secured by and payable from a first pledge of the net proceeds of the Special Taxes (as more particularly defined in the Fiscal Agent Agreement, the “**Special Tax Revenues**”), on a parity with any bonds that may be issued in the future, subject to the conditions set forth in the Fiscal Agent Agreement. The 2018 Bonds will be additionally secured by certain funds and accounts established and held under the Fiscal Agent Agreement. See “SECURITY FOR THE 2018 BONDS.”

**Debt Service Reserve Fund.** In order to further secure the payment of principal of and interest on the 2018 Bonds (and any series of Parity Bonds the principal of and interest on which is payable from amounts in the 2018 Reserve Fund), certain proceeds of the 2018 Bonds will be deposited into the 2018 Reserve Fund in an amount equal to the 2018 Reserve Requirement (as defined herein). See “FINANCING PLAN – Estimated Sources and Uses of Funds” and “SECURITY FOR THE 2018 BONDS – 2018 Reserve Fund.”

**Covenant to Foreclose.** The City has covenanted in the Fiscal Agent Agreement to cause foreclosure proceedings to be commenced and prosecuted against certain parcels with delinquent

installments of the Special Taxes. For a more detailed description of the foreclosure covenant see “SECURITY FOR THE 2018 BONDS - Covenant to Foreclose.”

**Property Ownership and Development Status.** The taxable property in Improvement Area No. 1, consisting of 418 acres, is currently owned by Tracy Phase I, LLC, which is a THPO Affiliate. Improvement Area No. 1 is projected to be developed as 1,139 residential units. Improvement Area No. 1 will also house a fire station and open space and HOA property (including an HOA welcome center).

Improvement Area No. 1 is being developed in 8 villages of single-family detached lots (each a “**Village**” and, collectively, the “**Villages**”). Tracy Phase I, LLC does not intend to construct residential homes in Improvement Area No. 1, but will instead develop the property to a blue top condition and then sell property within each Village to various merchant builders, as described herein. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

**Appraised Value of Property in Improvement Area No. 1.** An appraisal of the property within Improvement Area No. 1, dated June 8, 2018 (the “**Appraisal**”), was prepared by Integra Realty Resources, Rocklin, California (the “**Appraiser**”) in connection with issuance of the 2018 Bonds. The purpose of the Appraisal was to estimate the market value of the fee simple estate, subject to lien of the Special Taxes and overlapping liens, for all the taxable property within Improvement Area No. 1 as of a June 1, 2018 date of value. Subject to the assumptions contained in the Appraisal, the Appraiser estimated that the taxable property within Improvement Area No.1, subject to the lien of the Special Taxes and overlapping liens, had an estimated value of \$123,610,000. See “VALUE OF LAND IN IMPROVEMENT AREA NO. 1 – Appraised Values” for further information on the Appraisal. A complete copy of the Appraisal is attached as APPENDIX C.

**Estimated Value-to-Lien Ratios in Improvement Area No. 1.** Based on the appraised value of the taxable property within Improvement Area No. 1 of \$123,610,000, and an estimated par amount of 2018 Bonds of \$35,000,000\*, the overall value-to-lien ratio of the taxable property within Improvement Area No. 1 is approximately 3.53\* to 1. This is an overall estimate, however, and the value-to-lien ratios of individual parcels varies widely from this ratio. In addition, this estimated value-to-lien ratio relates to the various large-lot parcels comprising the 8 planned Villages within Improvement Area No. 1; as subdivision of these large-lot parcels into final-mapped parcels planned for development as single-family homes, the value-to-lien ratios among the parcels will also vary widely. See “VALUE OF LAND IN IMPROVEMENT AREA NO. 1 – Appraised Values.”

**Market Absorption Study.** In connection with the issuance of the 2018 Bonds, the City hired Empire Economics, Inc., San Juan Capistrano, California (the “**Market Absorption Consultant**”) to prepare a market absorption study for the homes planned for Improvement Area No. 1, dated May 28, 2018, as revised on June 15, 2018, and June 25, 2018 (the “**Absorption Study**”). The City is not obligated to make, and has not undertaken to make, an independent verification of the information contained in the Absorption Study and assumes no responsibility for the accuracy or completeness of the Absorption Study. See “THE DISTRICT AND IMPROVEMENT AREA NO. 1 – Market Absorption Study,” and APPENDIX D.

**Risk Factors Associated with Purchasing the 2018 Bonds.** Investment in the 2018 Bonds involves risks that may not be appropriate for some investors. See “BOND OWNERS' RISKS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the 2018 Bonds.

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\* Preliminary; subject to change.

## FINANCING PLAN

### Authorized Facilities

The net proceeds of the 2018 Bonds will be used to construct and/or acquire various facilities authorized to be financed by the District, including Improvement Area No. 1. For a complete list of the authorized facilities, see "THE DISTRICT AND IMPROVEMENT AREA NO. 1 – Authorized Facilities."

Currently, the City intends to use a portion of the proceeds of the 2018 Bonds to pay a portion of the costs of acquiring and/or constructing roads, parks, sewer, water, reclaimed water, and storm drain improvements.

### Estimated Sources and Uses of Funds

The estimated proceeds from the sale of the 2018 Bonds will be used as follows:

#### SOURCES

Principal Amount of 2018 Bonds	\$
Plus/Less: [Net] Original Issue Premium/Discount	
<i>Total Sources</i>	<hr/> \$

#### USES

Deposit into Improvement Fund	\$
Deposit into Capitalized Interest Account <sup>(1)</sup>	
Deposit into 2018 Reserve Fund <sup>(2)</sup>	
Deposit into Administrative Expense Fund	
Costs of Issuance <sup>(3)</sup>	
<i>Total Uses</i>	<hr/> \$

- (1) To be used to pay interest on the 2018 Bonds through September 1, 2019.
- (2) Equal to the 2018 Reserve Requirement with respect to the 2018 Bonds as of the Closing Date.
- (3) Includes, among other things, the fees and expenses of Bond Counsel and Disclosure Counsel, the Fiscal Agent, the Municipal Advisor, and the Special Tax Consultant; printing the Preliminary and Final Official Statements; and Underwriter's discount.

## THE 2018 BONDS

*This section generally describes the terms of the 2018 Bonds contained in the Fiscal Agent Agreement, which is summarized in more detail in APPENDIX E. Capitalized terms used but not defined in this section are defined in APPENDIX E.*

### Authority for Issuance

The 2018 Bonds are issued under the Act, the Resolution of Issuance and the Fiscal Agent Agreement. Under the Resolution of Issuance, the 2018 Bonds may be issued in a maximum principal amount of \$80,000,000 (assuming successful completion of the Change Proceedings).

### General Bond Terms

**Dated Date, Maturity and Authorized Denominations.** The 2018 Bonds will be dated their date of delivery (the “**Closing Date**”) and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The 2018 Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple of \$5,000.

**Calculation of Interest.** Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. The 2018 Bonds will bear interest at the annual rates set forth on the inside cover page of this Official Statement, payable semiannually on each March 1 and September 1, commencing March 1, 2019 (each, an “**Interest Payment Date**”).

Each 2018 Bond will bear interest from the Interest Payment Date next preceding its date of authentication unless:

(i) it is authenticated on an Interest Payment Date, in which event it will bear interest from such date of authentication, or

(ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date (as defined below) preceding such Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or

(iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it will bear interest from the Closing Date;

provided, however, that if at the time of authentication of a 2018 Bond, interest is in default thereon, such 2018 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

“**Record Date**” means the 15th day of the calendar month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day.

**DTC and Book-Entry Only System.** DTC will act as securities depository for the 2018 Bonds. The 2018 Bonds will be issued as fully-registered securities registered initially in the name of Cede & Co. (DTC’s partnership nominee). See APPENDIX I – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

**Payments of Interest and Principal.** *For so long as DTC is used as depository for the 2018 Bonds, principal of, premium, if any, and interest payments on the 2018 Bonds will be made solely to DTC or its nominee, Cede & Co., as registered owner of the 2018 Bonds, for distribution to the beneficial owners of the 2018 Bonds in accordance with the procedures adopted by DTC.*

Interest on the 2018 Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first-class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of 2018 Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which will continue in effect until revoked in writing, or until such 2018 Bonds are transferred to a new Owner.

The principal of the 2018 Bonds and any premium on the 2018 Bonds are payable in lawful money of the United States of America upon surrender of the 2018 Bonds at the Principal Office of the Fiscal Agent.

**Redemption\***

**Optional Redemption.** The 2018 Bonds are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Special Taxes, prior to their stated maturity on any date, as a whole or in part, at a redemption price (expressed as a percentage of the principal amount of the 2018 Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any date on or before August 31, ____	____%
September 1, ____ through August 31, ____	____
September 1, ____ through August 31, ____	____
September 1, ____ and any date thereafter	____

**Mandatory Sinking Fund Redemption.** The 2018 Bonds maturing on September 1, 20\_\_ (the "Term Bonds"), are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

<u>Sinking Fund Redemption Date (September 1)</u>	<u>Sinking Fund Payments</u>
	\$

(maturity)

However, if some but not all of the Term Bonds of a given maturity have been redeemed through optional redemption or mandatory prepayment redemption, the total amount of all future Sinking Fund Payments relating to such maturity will be reduced by the aggregate principal amount of Term Bonds of such maturity so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of \$5,000 as determined by the City, notice of which will be given by the City to the Fiscal Agent and the notice shall include a revised sinking fund schedule.

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\* Preliminary; subject to change.



**Redemption from Special Tax Prepayments.** Special Tax Prepayments and any corresponding transfers from the 2018 Reserve Fund will be used to redeem 2018 Bonds on the next Interest Payment Date for which notice of redemption can timely be given under the Fiscal Agent Agreement, among maturities so as to maintain substantially the same debt service profile for the 2018 Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the 2018 Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any Interest Payment Date on or before March 1, ____	____%
September 1, ____ and March 1, ____	____%
September 1, ____ and March 1, ____	____%
September 1, ____ and any Interest Payment Date thereafter	____%

**Purchase in Lieu of Redemption.** In lieu of redemption, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2018 Bonds upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may 2018 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such 2018 Bonds were to be redeemed in accordance with the Fiscal Agent Agreement.

**Notice of Redemption.** The Fiscal Agent will cause notice of any redemption to be mailed by first-class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Securities Depositories and to the respective registered Owners of any 2018 Bonds designated for redemption, at their addresses appearing on the 2018 Bond registration books in the Principal Office of the Fiscal Agent; but such mailing will not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of such 2018 Bonds. In addition, the Fiscal Agent will file each notice of redemption with the MSRB through its EMMA system.

*However, while the 2018 Bonds are subject to DTC's book-entry system, the Fiscal Agent will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the City and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the Beneficial Owners of the 2018 Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any 2018 Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Fiscal Agent Agreement.*

**Rescission of Redemption.** The City has the right to rescind any notice of the optional redemption of 2018 Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2018 Bonds then called for redemption, and such cancellation shall not constitute a default under the Fiscal Agent Agreement. The City and the Fiscal Agent have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

**Selection of 2018 Bonds for Redemption.** Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all the 2018 Bonds of any maturity or any given portion thereof, the Fiscal Agent will select the 2018 Bonds to be redeemed from all 2018 Bonds or such given portion thereof not previously called for redemption as directed by the City or, in the absence of direction by the

City, on a pro rata basis among maturities, and, within a maturity, by lot in any manner which the Fiscal Agent in its sole discretion deems appropriate.

**Effect of Redemption.** Upon surrender of 2018 Bonds redeemed in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the registered Owner, at the expense of the City, a new 2018 Bond or 2018 Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2018 Bond or 2018 Bonds of such registered Owner.

### **Registration, Transfer and Exchange**

*The following provisions regarding the exchange and transfer of the 2018 Bonds apply only during any period in which the 2018 Bonds are not subject to DTC's book-entry system. While the 2018 Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See "APPENDIX I – DTC and the Book-Entry Only System."*

**Registration.** The Fiscal Agent will keep, or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the 2018 Bonds, which will show the series number, date, amount, rate of interest and last known owner of each 2018 Bond and will at all times be open to inspection by the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the 2018 Bonds as provided in the Fiscal Agent Agreement.

The City and the Fiscal Agent will treat the Owner of any 2018 Bond whose name appears on the Bond register as the absolute Owner of such 2018 Bond for any and all purposes, and the City and the Fiscal Agent will not be affected by any notice to the contrary. The City and the Fiscal Agent may rely on the address of the Bondowner as it appears in the Bond register for any and all purposes.

**Registration of Exchange or Transfer.** Any 2018 Bond may, in accordance with its terms, be transferred, upon the Bond register by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such 2018 Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent.

The 2018 Bonds may be exchanged at the Principal Office of the Fiscal Agent solely for a like aggregate principal amount of 2018 Bonds of authorized denominations and of the same maturity.

The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange will be paid by the City. The Fiscal Agent will collect from the Owner requesting such transfer or exchange any tax or other governmental charge required to be paid with respect to such transfer or exchange. Whenever any 2018 Bond or 2018 Bonds are surrendered for transfer or exchange, the City will execute and the Fiscal Agent will authenticate and deliver a new 2018 Bond or 2018 Bonds, for a like aggregate principal amount.

No transfers or exchanges of 2018 Bonds will be required to be made (i) 15 days prior to the date established by the Fiscal Agent for selection of 2018 Bonds for redemption or (ii) with respect to a 2018 Bond after such 2018 Bond has been selected for redemption; or (iii) between a Record Date and the succeeding Interest Payment Date.

## DEBT SERVICE SCHEDULE

The following table presents the annual debt service (including mandatory sinking fund payments) on the 2018 Bonds, assuming there are no optional redemptions or special redemptions from Special Tax Prepayments.

Year Ending September 1	2018 Bonds Principal	2018 Bonds Interest	2018 Bonds Total
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
Total:			

The Rate and Method is structured to produce annual Special Tax revenues from the Maximum Special Tax which, when applied to the projected debt service on the 2018 Bonds, is anticipated to result in a debt service coverage ratio of at least 110% for the life of the 2018 Bonds.

It should be noted that the City may in the future issue Parity Bonds on a parity with the 2018 Bonds upon the satisfaction of the conditions contained in the Fiscal Agent Agreement, up to a total combined bond authorization for Improvement Area No. 1 of \$80,000,000 (assuming successful completion of the Change Proceedings). However, any Parity Bonds issued must meet the conditions set forth in the Fiscal Agent Agreement. See "SECURITY FOR THE 2018 BONDS – Issuance of Future Parity Bonds."

## SECURITY FOR THE 2018 BONDS

*This section generally describes the security for the 2018 Bonds set forth in the Fiscal Agent Agreement, which is summarized in more detail in APPENDIX E. Capitalized terms used but not defined in the section are defined in APPENDIX E.*

### General

The 2018 Bonds and any Parity Bonds (collectively, the “**Bonds**”) are secured by a first pledge (which will be effected in the manner and to the extent provided in the Fiscal Agent Agreement) of all of the Special Tax Revenues and all moneys deposited in the Bond Fund (including the Capitalized Interest Account and the Special Tax Prepayments Account), and, until disbursed as provided therein, in the Special Tax Fund. “**Special Tax Revenues**” are defined in the Fiscal Agent Agreement as the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. *However*, Special Tax Revenues do not include any interest in excess of the interest due on the Bonds, or any penalties collected in connection with any such foreclosure.

The Special Tax Revenues and all moneys deposited into such funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement.

The 2018 Bonds and all Related Parity Bonds will be secured by a first pledge (which pledge will be effected in the manner and to the extent provided in the Fiscal Agent Agreement) of all moneys deposited in the 2018 Reserve Fund. The moneys in the 2018 Reserve Fund (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the 2018 Bonds and all Related Parity Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the 2018 Bonds and all Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement. “**Related Parity Bonds**” means any series of Parity Bonds for which (i) the Proceeds are deposited into the 2018 Reserve Fund so that the balance therein is equal to the 2018 Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2018 Reserve Fund shall act as a reserve for the payment of the principal of, and interest and any premium on, such series of Parity Bonds.

Amounts in the Improvement Fund (and the accounts therein, including the Remainder Taxes Account), the Administrative Expense Fund and the Costs of Issuance Fund are not pledged to the repayment of the Bonds. The Project is not pledged to the repayment of the Bonds, nor are the proceeds of any condemnation or insurance award received by the City with respect to the Project.

### Limited Obligation

**The 2018 Bonds are not general obligations of the City, but are limited obligations, payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State or any political subdivision thereof is pledged to the payment of the 2018 Bonds.**

## Special Taxes

**Covenant to Levy Special Taxes.** The Finance Director will effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 1 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which Auditor will accept the transmission of the Special Tax amounts for the parcels within Improvement Area No. 1 for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Finance Director shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

**Computation.** The Finance Director will fix and levy the amount of Special Taxes within Improvement Area No. 1 required to pay the following amounts, taking into account the balances in the applicable funds established under the Fiscal Agent Agreement: (i) the principal of and interest on any outstanding Bonds becoming due and payable during the calendar year which begins in such Fiscal Year, (ii) any necessary replenishment or expenditure of the 2018 Reserve Fund and any other reserve account for Parity Bonds that are not Related Parity Bonds to the extent such replenishment has not been included in the computation of the Special Taxes in a previous Fiscal Year, (iii) the Administrative Expenses, including amounts necessary to discharge any rebate obligation, during such year, (iv) an amount to cure delinquencies in the payment of principal or interest on Bonds that occurred in the previous Fiscal Year, and (v) any Project costs to be paid from Special Taxes to the extent that paying for such costs does not increase the Special Taxes levied on Undeveloped Property (as defined in the Rate and Method). During the Remainder Taxes Period, the Finance Director will fix and levy the Special Taxes at the Maximum Special Tax rate on Developed Property before considering any Capitalized Interest (as those terms are defined in the Rate and Method).

**“Remainder Taxes Period”** means the period through and including the end of the 20th Fiscal Year during which Special Taxes for facilities have been levied on the property in Improvement Area No. 1.

The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings under the Resolution of Formation.

**Manner of Collection.** Except as set forth in the Ordinance, the Fiscal Agent Agreement provides that the Special Taxes will be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the *ad valorem* taxes on real property.

*Because the Special Tax levy is limited to the maximum Special Tax rates set forth in the Rate and Method, no assurance can be given that, in the event of Special Tax delinquencies, the receipts of Special Taxes will, in fact, be collected in sufficient amounts in any given year to pay debt service on the Bonds. Further, under no circumstances will the Special Tax levied against any 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 parcel within Improvement Area No. 1. In addition, in no event shall Special Taxes for facilities be levied for more than 80 Fiscal Years. See “BOND OWNERS’ RISKS – Property Tax Delinquencies.”*

## Rate and Method

**General.** The Special Taxes will be levied and collected according to the Rate and Method, which provides the means by which the City Council may annually levy the Special Taxes within Improvement Area No. 1, up to the maximum Special Tax rates, and to determine the amount of the Special Taxes that will need to be collected each fiscal year from the “**Taxable Property**” within Improvement Area No. 1. *As used in this Official Statement, Special Tax refers only to the Facilities Special Tax levied under the Rate and Method; although a Services Special Tax is also authorized to be levied under the Rate and Method, the Services Special Tax is not pledged to repay the 2018 Bonds.*

The following is a summary of the provisions of the Rate and Method, which should be read in conjunction with the complete text of the Rate and Method, including its attachments, which is attached as APPENDIX B. Capitalized terms used but not defined in this section have the meanings as set forth in APPENDIX B. *This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as APPENDIX B.*

**Facilities Special Tax Requirement.** Annually, at the time of levying the Special Tax, the person or firm designated by the City to administer the Special Taxes (the “**Administrator**”) will determine the minimum amount of money to be levied on Taxable Property related to the facilities component of the Rate and Method (the “**Facilities Special Tax Requirement**”), which will be the amount required in any Fiscal Year for the following purposes:

(i) to pay principal and interest on Bonds when due in the calendar year which begins in such Fiscal Year,

(ii) to create or replenish reserve funds to the extent such replenishment has not been included in the computation of the Facilities Special Tax Requirement in a previous Fiscal Year,

(iii) to cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year,

(iv) to pay Administrative Expenses, and

(v) to pay the costs of Authorized Facilities, to the extent that paying directly for such costs does not increase the Facilities Special Taxes levied on Undeveloped Property.

**Annual Determination of Property Categories for Administration of Special Tax.** Each Fiscal Year, the Administrator will (i) categorize each Parcel of Taxable Property as Developed Property, Undeveloped Business Park Property, Undeveloped Property, Taxable Public Property, or Taxable HOA Property, (ii) for Single Family Residential Property, determine within which Village each Parcel of Developed Property is located and the number of Residential Units on the Parcel, and (iii) determine the Facilities Special Tax Requirement for the Fiscal Year. In addition, the Administrator shall, on an ongoing basis, monitor Final Maps and condominium plans to determine if there are any proposed changes to the Expected Land Uses that would reduce the Expected Maximum Facilities Special Tax Revenues for a Village. If the Expected Maximum Special Tax Revenues will be revised pursuant to a proposed Land Use Change, the Administrator shall apply the steps set forth in the Rate and Method, as described further below.

In any Fiscal Year, if it is determined that:

(i) a parcel map for a portion of property in Improvement Area No. 1 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created Parcels into the then-current tax roll),

(ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new Parcels created by the parcel map, and

(iii) one or more of the newly-created Parcels is in a different Development Class than other parcels created by the subdivision,

the Administrator will calculate the Special Tax for the property affected by recordation of the parcel map by determining the Special Tax that applies separately to the property within each Development Class, then applying the sum of the individual Special Taxes to the Parcel that was subdivided by recordation of the parcel map.

**Maximum Facilities Special Tax.** The table below identifies the Maximum Facilities Special Tax, before and after the Trigger Event, for Taxable Property in Improvement Area No. 1, subject to potential adjustments that may occur pursuant to the Rate and Method.

Once a Special Tax has been levied and collected on a Parcel of Developed Property, the Maximum Special Tax applicable to that Parcel will not be reduced in future Fiscal Years regardless of changes in land use on the Parcel, except (i) in the event of a partial prepayment, and (ii) pursuant to Section D of the Rate and Method, which is described below. Notwithstanding the foregoing: (i) if Bonds have yet to be issued for Improvement Area No. 1, the Parcels can be assigned to the appropriate Special Tax category based on the Land Use Change, and the Administrator shall recalculate the Expected Maximum Facilities Special Tax Revenues based on the corresponding change in revenues, and (ii) the actual Special Taxes levied on a Parcel of Developed Property in any Fiscal Year may be less than the Maximum Special Taxes if lower Special Taxes are calculated pursuant to the Rate and Method.

The Expected Maximum Facilities Special Tax Revenues were calculated based on the Expected Land Uses at CFD Formation. The Administrator will review Final Maps, Tentative Map revisions, and other changes to land uses proposed within Improvement Area No. 1 and compare the revised land uses to the Expected Land Uses to evaluate the impact on the Expected Maximum Facilities Special Tax Revenues. See the Rate and Method attached as APPENDIX B for additional details.

**Trigger Event.** The term “**Trigger Event**” means, in any Fiscal Year, that, on or before June 30 of the prior Fiscal Year, the Administrator made a finding that (i) all Bonds secured by the levy and collection of Facilities Special Taxes in the District have been fully repaid, (ii) all Administrative Expenses from prior Fiscal Years have been paid or reimbursed to the City, (iii) the Recycled Water Facilities Costs have been fully funded, and (iv) there are no other Authorized Facilities that the City intends to fund with Facilities Special Taxes. In the first Fiscal Year in which the Administrator determines that the Trigger Event occurred in the prior Fiscal Year, and in each Fiscal Year thereafter, the Facilities Special Tax will cease to be levied, and the Maximum Services Special Tax for each Parcel will be adjusted pursuant to the Rate and Method.

**Fiscal Year 2018-19 Maximum Facilities Special Tax Rates**

<b>Land Use</b>	<b>Maximum Facilities Special Tax Prior to Trigger Event Fiscal Year 2018-19</b>		<b>Maximum Facilities Special Tax After Trigger Event</b>	
Single Family Residential Property				
Village 1	\$2,606.33	per Residential Unit	\$0.00	per Residential Unit
Village 2	\$2,951.22	per Residential Unit	\$0.00	per Residential Unit
Village 3	\$2,949.10	per Residential Unit	\$0.00	per Residential Unit
Village 4	\$2,737.92	per Residential Unit	\$0.00	per Residential Unit
Village 5	\$3,638.88	per Residential Unit	\$0.00	per Residential Unit
Village 6	\$4,000.75	per Residential Unit	\$0.00	per Residential Unit
Village 7	\$2,347.39	per Residential Unit	\$0.00	per Residential Unit
Village 8	\$3,820.35	per Residential Unit	\$0.00	per Residential Unit
Business Park Property/ Undeveloped Business Park Property	\$2,653.02	per Acre	\$0.00	per Acre
Other Property	\$31,836.24	per Acre	\$0.00	per Acre
Taxable Public Property and Taxable HOA Property	\$31,836.24	per Acre	\$0.00	per Acre
Undeveloped Property	\$31,836.24	per Acre	\$0.00	per Acre

(1) Reflects the Maximum Special Tax rates as calculated per Section D.2 of the Rate and Method.  
Source: Goodwin Consulting Group, Inc.



**Expected Land Uses and Expected Maximum Facilities Special Tax Revenues  
Projected for Fiscal Year 2018-19**

<b>Village</b>	<b>Expected Land Uses <sup>(1)</sup></b>	<b>Estimated Facilities Special Tax per Unit Fiscal Year 2018-19 <sup>(2)</sup></b>	<b>Expected Maximum Facilities Special Tax Revenues Fiscal Year 2018-19</b>
Village 1	160 Residential Units	\$2,606.33 per Residential Unit	\$417,012
Village 2	74 Residential Units	\$2,951.22 per Residential Unit	\$218,390
Village 3	103 Residential Units	\$2,949.10 per Residential Unit	\$303,757
Village 4	149 Residential Units	\$2,737.92 per Residential Unit	\$407,950
Village 5	196 Residential Units	\$3,638.88 per Residential Unit	\$713,221
Village 6	136 Residential Units	\$4,000.75 per Residential Unit	\$544,103
Village 7	182 Residential Units	\$2,347.39 per Residential Unit	\$427,225
Village 8	139 Residential Units	\$3,820.35 per Residential Unit	\$531,028
N/A	0.00 Acres of Business Park Property	\$2,653.02 per Acre	\$0
<b>Total</b>	<b>1,139 Residential Units and 0 acres of Business Park Property</b>	<b>N/A</b>	<b>\$3,562,686</b>

(1) Expected Land Uses as of the date of value of the appraisal report, and assuming the effectiveness of the Change Proceedings. See "THE DISTRICT AND IMPROVEMENT AREA NO. 1 – Formation and Background – Change Proceedings." .

(2) Reflects the Maximum Special Tax rates as calculated per Section D.2 of the Rate and Method.

Source: Goodwin Consulting Group, Inc.

**Transfer of Expected Maximum Facilities Special Tax.** The Expected Maximum Facilities Special Tax Revenues were determined for each Village based on the Expected Land Uses within that Village. If the expected number of Residential Units is transferred from one Village to another, the City may, in its sole discretion, allow for a corresponding transfer of Expected Maximum Facilities Special Tax Revenues between the Villages. Such a transfer shall only be allowed if (i) all adjustments are agreed to in writing by the affected property owners and the City, and (ii) there is no reduction in the total Expected Maximum Facilities Special Tax Revenues as a result of the transfer. See APPENDIX B for additional details.

**Method of Special Tax Levy.** Under the Rate and Method, the Administrator will determine the Facilities Special Tax Requirement and levy the Facilities Special Tax as follows:

**Step 1:** In the first 20 Fiscal Years in which a Facilities Special Tax is levied within Improvement Area No. 1, the Maximum Facilities Special Tax shall be levied on all Parcels of Developed Property. Any Facilities Special Tax proceeds collected that are determined by the Administrator to be Remainder Taxes shall be deposited into the Improvement Fund to pay any costs associated with the acquisition of Authorized Facilities that were not paid with Bond proceeds or Facilities Special Taxes levied in prior Fiscal Years.

Beginning in the 21st Fiscal Year in which a Facilities Special Tax is levied within Improvement Area No. 1 and continuing until the Trigger Event, the Facilities Special Tax shall be levied Proportionately on each Parcel of Developed Property up to 100% of the Maximum Facilities Special Tax for each Parcel of Developed Property until the amount levied is equal to the Facilities Special Tax Requirement, the calculation of which will include funding for Recycled Water Facilities Costs and/or other Authorized Facilities designated for funding, as determined in the sole discretion of the City.

After the Trigger Event, the Facilities Special Tax shall no longer be levied.

**Step 2:** If additional revenue is needed after Step 1 and after applying Capitalized Interest to the Special Tax Requirement, the Facilities Special Tax shall be levied Proportionately on (i) each Parcel of Undeveloped Property up to 100% of the Maximum Facilities Special Tax for each Parcel of Undeveloped Property, and (ii) each Parcel of Undeveloped Business Park Property up to 100% of the Maximum Facilities Special Tax for each Parcel of Undeveloped Business Park Property.

**Step 3:** If additional revenue is needed after Step 2, the Facilities Special Tax shall be levied Proportionately on each Parcel of Taxable HOA Property, up to 100% of the Maximum Facilities Special Tax for each Parcel of Taxable HOA Property.

**Step 4:** If additional revenue is needed after Step 3, the Facilities Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property, up to 100% of the Maximum Facilities Special Tax for each Parcel of Taxable Public Property.

**Exemptions.** Any Parcel that becomes Public Property prior to the first series of Bonds being issued for Improvement Area No. 1 will be exempt from both the Services Special Tax and the Facilities Special Tax; the Administrator will reduce the Expected Maximum Facilities Special Tax Revenues to reflect any such exemption, and the first series of Bonds will be sized based on the reduced Expected Maximum Facilities Special Tax Revenues.

Any Parcel that becomes Public Property after the first series of Bonds are issued for Improvement Area No. 1 will be exempt from both the Services Special Tax and the Facilities Special Tax provided such Parcel is not Taxable Public Property.

In addition, no Special Taxes will be levied on:

(i) up to 61.45 Acres of HOA Property, with tax-exempt status assigned in chronological order based on the date on which Parcels were transferred to the Homeowners Association,

(ii) Parcels that are designated as permanent open space or common space on which no structure is permitted to be constructed,

(iii) Parcels owned by a public utility for an unmanned facility, and

(iv) Parcels subject to an easement that precludes any use on the Parcel other than that permitted by the easement.

Notwithstanding the foregoing, if a Facilities Special Tax has been levied on a Parcel in any Fiscal Year, and the entire Parcel subsequently meets the criteria in (ii), (iii) or (iv) above, the Parcel will remain subject to the Facilities Special Tax levy, unless the first series of Bonds have yet to be issued for Improvement Area No. 1, in which case such property will be categorized as Public Property, and the Administrator will recalculate the Expected Maximum Facilities Special Tax Revenues based on the corresponding loss in revenues.

***Partial Prepayment of Special Tax.*** A property owner may prepay up to 80% of the Special Tax obligation applicable to a Parcel in Improvement Area No. 1, subject to certain conditions. The Prepayment Amount is calculated based on the Bond Redemption Amount plus Redemption Premium and other costs, all as specified in “APPENDIX B – Rate and Method of Apportionment of Special Tax – Section H.”

### **Covenant to Foreclose**

***Sale of Property for Nonpayment of Taxes.*** The Fiscal Agent Agreement provides that the Special Taxes are to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described below and in the Act, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for *ad valorem* property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

***Foreclosure Under the Act.*** Under Section 53356.1 of the Act, if any delinquency occurs in the payment of the Special Tax, the City may order the institution of a Superior Court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale.

While judicial foreclosure is not mandatory under the Act, the City has covenanted in the Fiscal Agent Agreement that on or about June 30 of each Fiscal Year, the Finance Director will compare the amount of Special Taxes previously levied in Improvement Area No. 1 of the District to the amount of Special Tax Revenues received by the City, and if delinquencies have occurred, proceed as follows:

***Individual Delinquencies.*** If the Finance Director determines that any single parcel subject to the Special Tax in Improvement Area No. 1 is delinquent in the payment of Special Taxes in the aggregate amount of \$5,000 or more, then the Finance Director will send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings will be commenced by the City within 90 days of such determination.

Notwithstanding the foregoing, the Finance Director may defer any such actions with respect to a delinquent parcel if (1) Improvement Area No. 1 is then participating in the Alternative Method of Distribution of Tax Levies and Collections described in Revenue & Taxation Code Section 4701 et seq. (referred to herein as the “Teeter Plan”), or an equivalent procedure, (2) the amount in the 2018 Reserve Fund is at least equal to the 2018 Reserve Requirement and (3) the amount in the reserve account for any Parity Bonds that are not Related Parity Bonds is at least equal to the required amount.

*Aggregate Delinquencies.* If the Finance Director determines that (i) the total amount of delinquent Special Tax for the prior Fiscal Year for the entire Improvement Area No. 1 (including the total of delinquencies above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, determined by reference to the latest available secured property tax roll of the County, the Finance Director shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in Improvement Area No. 1 with a Special Tax delinquency.

***Sufficiency of Foreclosure Sale Proceeds; Foreclosure Limitations and Delays.*** No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the City to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale.

Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained. However, under Section 53356.5 of the Act, the City, as judgment creditor, is entitled to purchase any property sold at foreclosure using a "credit bid," where the City could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Taxes. If the City becomes the purchaser under a credit bid, the City must pay the amount of its credit bid into the redemption fund established for the Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale.

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent on the nature of the defense, if any, put forth by the debtor and the Superior Court calendar. In addition, the ability of the City to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the property owner if the property is owned by or in receivership of the Federal Deposit Insurance Corporation (the "FDIC"). See "BOND OWNERS' RISKS – Bankruptcy Delays."

***Special Tax Delinquencies; Teeter Plan.*** In 1949, the California Legislature enacted an alternative method for the distribution of property taxes to local agencies. This method, known as the "Teeter Plan," is found in Sections 4701-4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county collects property taxes and certain other public agencies and taxing areas located in the county receive annually the full amount of their shares of property taxes and other levies collected on the secured roll, including delinquent property taxes which have yet to be collected. While the county bears the risk of loss on unpaid delinquent taxes, it retains the penalties associated with delinquent taxes when they are paid. In turn, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless, prior to the commencement of a fiscal year, a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, decide to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency.

The Board of Supervisors of San Joaquin County adopted the Teeter Plan in Fiscal Year 1994-95. The County has elected to apply its Teeter Plan to the collection of the Special Taxes in Improvement Area No. 1. To the extent that the County's Teeter Plan continues in existence and is carried out as adopted, and to the extent the County does not discontinue the Teeter Plan with respect to the District, the County's Teeter Plan may help protect owners of the 2018 Bonds from the risk of delinquencies in the payment of Special Tax.

*There can be no assurance that the County will not modify or eliminate its Teeter Plan, or choose to remove the District from its Teeter Plan, while the 2018 Bonds are outstanding.*

## **Special Tax Fund**

**Deposits.** Under the Fiscal Agent Agreement, the Special Tax Fund is established as a separate fund to be held by the Fiscal Agent, to the credit of which the Fiscal Agent will deposit amounts received from or on behalf of the City consisting of Special Tax Revenues and amounts transferred from the Administrative Expense Fund and the Bond Fund. The City will promptly remit any Special Tax Revenues received by it to the Fiscal Agent for deposit by the Fiscal Agent to the Special Tax Fund.

Notwithstanding the foregoing,

(i) Special Tax Revenues in an amount not to exceed the amount included in the Special Tax levy for such Fiscal Year for Administrative Expenses will be separately identified by the Finance Director and shall be deposited by the Fiscal Agent in the Administrative Expense Fund;

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Finance Director and will be disposed of by the Fiscal Agent first, for transfer to the Bond Fund to pay any past due debt service on the Bonds; second, without preference or priority, for transfer to the 2018 Reserve Fund to the extent needed to increase the amount then on deposit in the 2018 Reserve Fund up to the then 2018 Reserve Requirement and for transfer to the reserve account for any Parity Bonds that are not Related Parity Bonds to the extent needed to increase the amount then on deposit therein to the required level; and third, to be held in the Special Tax Fund for use as described in "Disbursements" below; and

(iii) any proceeds of Special Tax Prepayments will be separately identified by the Finance Director and will be deposited by the Fiscal Agent as follows (as directed in writing by the Finance Director): (a) that portion of any Special Tax Prepayment constituting a prepayment of construction costs (which otherwise could have been included in the proceeds of Parity Bonds) will be deposited by the Fiscal Agent to the Bond Proceeds Account of the Improvement Fund and (b) the remaining Special Tax Prepayment will be deposited by the Fiscal Agent in the Special Tax Prepayments Account established pursuant to the Fiscal Agent Agreement.

**Disbursements.** At least 7 Business Days prior to each Interest Payment Date, the Fiscal Agent will withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority:

(i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the 2018 Reserve Fund and any reserve account for Parity Bonds that are not Related Parity Bonds, the Capitalized Interest Account and the Special Tax Prepayments Account to the Bond Fund such that the amount in the Bond Fund

equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date and any past due principal or interest on the Bonds not theretofore paid from a transfer described in the Fiscal Agent Agreement,

(ii) without preference or priority (a) to the 2018 Reserve Fund an amount, taking into account amounts then on deposit in the 2018 Reserve Fund, such that the amount in the 2018 Reserve Fund is equal to the 2018 Reserve Requirement, and (b) to the reserve account for any Parity Bonds that are not Related Parity Bonds, taking into account amounts then on deposit in such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the Special Tax Fund are not sufficient for the purposes of this paragraph, such amounts will be applied to the 2018 Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds), and

(iii) (A) on each October 1, beginning on October 1, 2019, and continuing through the Remainder Taxes Period, all of the moneys remaining in the Special Tax Fund will be transferred to the Remainder Taxes Account and (B) on each subsequent October 1 after the end of the Remainder Taxes Period, all or a portion of the moneys remaining in the Special Tax Fund will be transferred to the Remainder Taxes Account as directed by the Finance Director.

Within 15 days after the end of each Bond Year, and after the foregoing transfers have been made, the Fiscal Agent will transfer all amounts remaining on deposit in the Special Tax Fund to the Administrative Expense Fund, to be used as set forth in the Fiscal Agent Agreement.

## **Bond Fund**

**Deposits.** The Fiscal Agent will hold the moneys in the Bond Fund for the benefit of the City and the Owners of the Bonds, and will disburse those funds for the payment of the principal of, and interest and any premium on, the Bonds as described below.

There is also created in the Bond Fund a separate account to be held by the Fiscal Agent, designated the "Capitalized Interest Account," to the credit of which deposits will be made as provided in the Fiscal Agent Agreement. Amounts on deposit in the Capitalized Interest Account will be used and withdrawn by the Fiscal Agent solely for the payment of interest on the Bonds. When the amount in the Capitalized Interest Account is fully expended for the payment of interest, the account will be closed.

There is also created in the Bond Fund a separate account to be held by the Fiscal Agent, designated the "Special Tax Prepayments Account," to the credit of which deposits will be made as provided in the Fiscal Agent Agreement.

**Disbursements.** At least 10 Business Days before each Interest Payment Date, the Fiscal Agent will notify the Finance Director in writing as to the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date (whether as a result of scheduled principal of and interest on the Bonds, optional redemption of the Bonds or a mandatory sinking fund redemption). On each Interest Payment Date, the Fiscal Agent will withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on such Interest Payment Date on the Bonds.

At least 5 Business Days prior to each Interest Payment Date, the Fiscal Agent will determine if the amounts then on deposit in the Bond Fund are sufficient to pay the Debt Service due on the Bonds

on the next Interest Payment Date. In the event that amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent promptly will notify the Finance Director by telephone (and confirm in writing) of the amount of the insufficiency.

If amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph with respect to any Interest Payment Date, the Fiscal Agent will do the following:

(i) Withdraw from the 2018 Reserve Fund, in accordance with the provisions of the Fiscal Agent Agreement, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the 2018 Bonds and any Related Parity Bonds. Amounts so withdrawn from the 2018 Reserve Fund will be deposited in the Bond Fund.

(ii) Withdraw from the reserve funds, if any, established under a Supplemental Agreement related to Parity Bonds that are not Related Parity Bonds, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to such Parity Bonds. Amounts so withdrawn from any such reserve fund will be deposited in the Bond Fund.

If, after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments provided for in the second sentence of the first paragraph under “–Bond Fund – Disbursements” above, the Fiscal Agent will apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, if any, and then to payment of principal due on the bonds by reason of sinking payments.

***Disbursements from the Special Tax Prepayments Account.*** Moneys in the Special Tax Prepayments Account will be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under the Fiscal Agent Agreement, and notice to the Fiscal Agent can timely be given under the Fiscal Agent Agreement, and will be used (together with any amounts transferred pursuant to the Fiscal Agent Agreement) to redeem Bonds on the redemption date selected in accordance the Fiscal Agent Agreement.

## **2018 Reserve Fund**

***General.*** In order to further secure the payment of principal of and interest on the 2018 Bonds and any series of Parity Bonds the principal of and interest on which is payable from amounts in the 2018 Reserve Fund (previously defined as “**Related Parity Bonds**”), certain proceeds of the 2018 Bonds will be deposited into the 2018 Reserve Fund in an amount equal to the “**2018 Reserve Requirement**” for the 2018 Bonds (as defined below). See “FINANCING PLAN - Estimated Sources and Uses of Funds.”

***2018 Reserve Requirement.*** The “**2018 Reserve Requirement**” is defined in the Fiscal Agent Agreement to mean the sum of the following:

(i) that amount as of any date of calculation equal to the least of (a) Maximum Annual Debt Service on the 2018 Bonds, (b) 125% of average Annual Debt Service on the 2018 Bonds and (c) 10% of the original principal amount of the 2018 Bonds, plus

(ii) with respect to any series of Related Parity Bonds the principal of and interest on which is payable from amounts in the 2018 Reserve Fund, that amount as of any date of calculation equal to the least of (a) Maximum Annual Debt Service on such Related Parity Bonds, (b) 125% of average Annual Debt Service on such Related Parity Bonds and (c) 10% of the original principal amount of such Related Parity Bonds

Notwithstanding the foregoing, (A) in no event shall the amount calculated under clause (i) exceed the amount on deposit in the 2018 Reserve Fund on the date of issuance of the 2018 Bonds, and (B) in no event shall the amount calculated under clause (ii) for a series of Related Parity Bonds exceed the amount calculated under clause (ii) on the date of issuance of such Related Parity Bonds.

**Disbursements.** Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the 2018 Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the 2018 Bonds and any Related Parity Bonds or, in accordance with the provisions of the Fiscal Agent Agreement, for the purpose of redeeming 2018 Bonds and any Related Parity Bonds from the Bond Fund. Whenever a transfer is made from the 2018 Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund for payment of the principal of, and interest and any premium on, the 2018 Bonds and any Related Parity Bonds, the Fiscal Agent will provide written notice thereof to the Finance Director, specifying the amount withdrawn.

**Transfer Upon Special Tax Prepayment.** Whenever Special Taxes are prepaid and 2018 Bonds or any Related Parity Bonds are to be redeemed with the proceeds of such prepayment pursuant to the Fiscal Agent Agreement, any resulting reduction in the 2018 Reserve Requirement shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the 2018 Bonds or Related Parity Bonds, as applicable. The Finance Director shall deliver to the Fiscal Agent an Officer's Certificate specifying any amount to be so transferred, and the Fiscal Agent may rely on any such Officer's Certificate.

**Qualified Reserve Fund Credit Instruments.** The City has the right at any time to direct the Fiscal Agent to release funds from the 2018 Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument (as defined in the Fiscal Agent Agreement), and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2018 Bonds or any Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation.

The City will have no obligation to replace a Qualified Reserve Account Credit Instrument or to fund the 2018 Reserve Fund with cash if, at any time that the 2018 Bonds are Outstanding, the Qualified Reserve Account Credit Instrument (or its provider) is downgraded or the provider becomes insolvent, if there is an unscheduled termination of the Qualified Reserve Account or if for any reason insufficient amounts are available to be drawn upon under the Qualified Reserve Account Credit Instrument; provided, however, that the City will reimburse the provider, in accordance with the terms of the Qualified Reserve Account Credit Instrument, for any draws made thereon.

The City and the Fiscal Agent will comply with the terms of the Qualified Reserve Account Credit Instrument as will be required to receive payments thereunder in the event and to the extent required under the Fiscal Agent Agreement.

See APPENDIX E for a complete description of the timing, purpose and manner of disbursements from the 2018 Reserve Fund.

### **Investment of Moneys in Funds**

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent will be invested by the Fiscal Agent in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement. See APPENDIX E for a definition of "Permitted Investments."



## Issuance of Future Parity Bonds

**Parity Bonds.** In addition to the 2018 Bonds, the City may issue one or more additional series of Bonds as Parity Bonds, in such principal amount as may be determined by the City, under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds will constitute Bonds under the Fiscal Agent Agreement and will be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds under the Fiscal Agent Agreement on a parity with the 2018 Bonds and all other Bonds Outstanding thereunder.

The City may issue such Parity Bonds subject to the specific conditions precedent set forth in the Fiscal Agent Agreement, including without limitation the following:

Compliance. Following issuance of the Parity Bonds, the City shall be in compliance with all covenants set forth in the Fiscal Agent Agreement and all Supplemental Agreements, and issuance of the Parity Bonds shall not cause the City to exceed the bonded indebtedness limit of Improvement Area No. 1.

Same Payment Dates. The Supplemental Agreement providing for the issuance of such Parity Bonds shall provide that interest thereon shall be payable on the Interest Payment Dates, and principal thereof shall be payable on September 1 (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

Debt Service Reserve Fund. The Supplemental Agreement providing for issuance of the Parity Bonds shall provide for (i) a deposit to the 2018 Reserve Fund in an amount necessary such that the amount deposited therein shall equal the 2018 Reserve Requirement following issuance of the Parity Bonds or (ii) a deposit to a reserve account for the Parity Bonds (and such other series of Parity Bonds identified by the City) so that the amount therein shall equal the Parity Reserve Requirement following the issuance of the Parity Bonds, as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2018 Reserve Fund and that the Owners of the Bonds covered by the 2018 Reserve Fund will have no interest in or claim to such other reserve account.

Value. For each Village, the Village Value must be at least three times the sum of: (i) the Attributable Principal Amount of the Bonds then Outstanding, plus (ii) the Attributable Principal Amount of the series of Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the parcels in the Village subject to the levy of Special Taxes, plus (iv) the Attributable Principal Amount of any and all other community facilities district bonds then outstanding that are payable at least in part from special taxes levied on parcels in the Village (the “**Other District Bonds**”). As used in this section, “**Attributable Principal Amount**” means for the Bonds or any Other District Bonds, calculated separately, an amount equal to the aggregate outstanding principal amount of such Bonds or Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes that will be levied for such Bonds or Other District Bonds on parcels of land within the Village, and the denominator of which is the total amount of special taxes that will be levied for the Bonds or Other District Bonds on all parcels of land against which the special taxes are levied to pay the Bonds or Other District Bonds, based on the following: (i) the outstanding principal amount of the Bonds includes the principal amount of the proposed Parity Bonds and (ii) the fraction shall be determined based upon the projected special taxes for the next Fiscal Year that begins after issuance of the proposed Parity Bonds and the assumptions that (A) the proposed Parity Bonds have been issued, (B) the special taxes will be levied to pay debt service on the proposed Parity Bonds, (C) the special taxes will be levied in the next Fiscal Year based on development in Improvement

Area No. 1 on the date that the City Council approves the issuance of the proposed Parity Bonds and (D) there is no capitalized interest.

Coverage. For each Fiscal Year after issuance of the Parity Bonds, the maximum amount of the Special Taxes that may be levied for such Fiscal Year under the Ordinance, the Agreement and any Supplemental Agreement less estimated Administrative Expenses for each respective Fiscal Year, shall be at least 110% of the total Annual Debt Service of the then Outstanding Bonds and the proposed Parity Bonds for each Bond Year that commences in each such Fiscal Year, and the aggregate Special Tax Prepayments that could occur after the issuance of the Parity Bonds shall be not less than the principal amount of the Outstanding Bonds and the proposed Parity Bonds. For the purpose of calculating the Special Taxes that may be levied for each Fiscal Year after issuance of the Parity Bonds, the City shall not include for any Fiscal Year the Special Taxes that may be levied on any parcel that is delinquent in the payment of Special Taxes on the date of the Officer's Certificate required by the Fiscal Agent Agreement.

***Subordinate Bonds.*** Nothing in the Fiscal Agent Agreement prohibits the City from issuing any other bonds or otherwise incurring debt secured by a pledge of the Special Tax Revenues subordinate to the pledge thereof under the Fiscal Agent Agreement.

See APPENDIX E for additional details regarding the conditions for issuing Parity Bonds.

## THE DISTRICT AND IMPROVEMENT AREA NO. 1

### Formation and Background

**Formation Proceedings.** The District, Improvement Area No. 1 and the Future Annexation Area were established by the City Council under the Act on July 19, 2016, following a noticed public hearing. On the same date, an election was held in which the qualified electors within Improvement Area No. 1 approved a ballot proposition authorizing the City to incur bonded indebtedness for Improvement Area No. 1 of up to \$70,000,000 to finance the acquisition and construction of the authorized facilities, to levy the Special Taxes within Improvement Area No. 1, and to establish an appropriations limit for Improvement Area No. 1. The District (and Improvement Area No. 1) is authorized to finance the construction of authorized facilities. See "FINANCING PLAN – Authorized Facilities" above and "– Authorized Facilities" below.

**Improvement Areas; Annexation Proceedings.** All of the land currently in the District is located within Improvement Area No. 1. The property in the Future Annexation Area may be annexed into the District in the future as an additional portion of Improvement Area No. 1, in which case it will become subject to the levy of the Special Taxes, or as one or more additional improvement areas, in which case such future improvements area(s) will be separately authorized to issue special tax bonds secured only by special taxes levied within the applicable improvement area.

The 2018 Bonds are secured only by the Special Taxes levied within Improvement Area No. 1. and to the extent the Future Annexation Area is annexed as one or more additional improvement areas, there will be no cross-collateralization between or among improvement areas. The City does not currently have any plans to annex any parcels within the Future Annexation Area into Improvement Area No. 1.

**Future Allocation of Bonded Indebtedness Limit.** The bonded indebtedness limit for Improvement Area No. 1 was initially established as an amount not to exceed \$70,000,000. The bonded indebtedness limit for the portion of the District that is not included in Improvement Area No. 1 was initially established as an amount not to exceed \$215,000,000. If all or a portion of the Future Annexation Area is annexed as one or more future improvement areas of the District, the maximum indebtedness of each such future improvement area will be identified in the unanimous approval executed by property owners at the time of the annexation as set forth in the Resolution of Formation, and the amount of the maximum indebtedness for that future improvement area will be subtracted from the indebtedness limit for the remaining area within the Future Annexation Area.

**Change Proceedings.** San Joaquin County Assessor's Parcel Number 253-360-15 (the "Transferred Parcel"), which is expected to be developed as a business park and a school site, is currently included within the boundary of Improvement Area No. 1. However, at the request of the property owner, the City is undertaking the Change Proceedings to remove the Transferred Parcel from Improvement Area No. 1 and incorporate the Transferred Parcel into the Future Annexation Area. The Change Proceedings are expected to conclude effective as of August 21, 2018 and, accordingly, the Transferred Parcel has been omitted from the description of Improvement Area No. 1, estimates of value, special tax revenue projections and other discussion of Improvement Area No. 1 in this Official Statement.

The Change Proceedings are designed to: (i) increase the bonded indebtedness limit for Improvement Area No. 1 to \$80,000,000, (ii) increase the bonded indebtedness limit for the Future Annexation Area to \$305,000,000, (iii) increase the appropriations limit for Improvement Area No. 1 to \$80,000,000, (iv) amend the boundaries of the CFD, Improvement Area No. 1 and Future Annexation Area by removing the Transferred Parcel from Improvement Area No. 1 and incorporating it into the Future Annexation Area, and (v) amend the Rate and Method to reflect the fact that none of the parcels in Improvement Area No. 1 are expected to be Business Park Property (as defined in the Rate and Method).

The issuance of the 2018 Bonds is not conditioned on the effectiveness of the Change Proceedings.

### **Description and Location**

**General.** Improvement Area No. 1 is located in the southern portion of the City, south of the California Aqueduct and north of Interstate 580, near the existing highway interchange at Corral Hollow Road.

See APPENDIX A for demographic and other information regarding the City and the County.

The Tracy Hills Project is part of the larger Tracy Hills Specific Plan, which contemplates the development of 2,438.8 gross acres of land for various land uses, including residential estates, low density residential, medium density residential, high density residential, mixed-use business park, general highway commercial, light industrial and conservation corridors. See “PROPERTY OWNERSHIP AND DEVELOPMENT – The Tracy Hills Project” for further information regarding the Tracy Hill Specific Plan.

**Boundary Map.** The map showing the boundaries of Improvement Area No. 1, as amended to include the changes to the boundaries of the Transferred Parcel to be accomplished under the Change Proceedings (see “–Formation and Background –Change Proceedings” above), is set forth on the following page.

[Insert CFD Boundary Map]

## **Authorized Facilities**

**General.** Under the Resolution of Formation adopted by the City Council, as the legislative body of the District, on July 19, 2016, the District (and each Improvement Area therein including Improvement Area No. 1) is authorized to finance all or a portion of the costs of acquisition, construction and improvement of facilities permitted under the Act and that are required as conditions of development of property in the District, the Future Annexation Area and any other property annexed to the District. The facilities authorized to be financed (the "**Facilities**") include, among others, roadway improvements, wastewater treatment facilities, water facilities, reclaimed water facilities, drainage improvements, landscaping, open space improvements, parks and park equipment, public safety improvements, sound walls and improvements financed by various fees.

Any Facility authorized to be financed by the District and each Improvement Area may be financed through the construction and acquisition of the Facility or through the payment of fees for such facility. The Facilities may be located within or outside the District.

**Status of Construction of Facilities.** For the current status of the construction of Facilities in Improvement Area No. 1, see "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

## **City of Tracy Growth Management Ordinance (GMO)**

On June 16, 1987, the City Council of the City adopted by ordinance a Residential Growth Management Plan, as subsequently amended (the "**Growth Management Ordinance**"). It provides for eligibility requirements and procedures for residential building permits for projects in the City. Under the Growth Management Ordinance, builders must obtain a residential growth allotment ("**RGA**") in order to secure a residential building permit.

Currently, the Growth Management Ordinance allows RGAs to be issued for 600 to 750 building permits per year. The number of RGAs allowed in each year is based on the average of units absorbed since the year 2000. THPO and the THPO Affiliates currently predict that the annual available building permits will be 750 per year through 2028. The allocation of the RGAs is governed by the Council-approved Growth Management Ordinance guidelines (the "GMO Guidelines"), which were last modified in 2012 by City Council Resolution No. 2012-214.

THPO and the THPO Affiliates believe the Growth Management Ordinance will not impact the development of homes within Improvement Area No. 1 given vested rights for the Tracy Hills project and the projected market absorption of homes in Improvement Area No. 1. Tracy Hills is vested into the 2012 GMO Guidelines which provide that, in years where 750 RGAs may be allocated, Tracy Hills is eligible to receive 406 RGAs, and in years where 600 RGAs may be allocated, Tracy Hills is eligible to receive 325 RGAs. If Tracy Hills applies for less than the number of RGAs described above, the difference between the numbers of RGAs allocated and the numbers of RGAs described above will be reserved. Tracy Hills may apply for these RGAs no later than the March 31st deadline set forth in the GMO Guidelines; if application is not made by that date, the RGAs will be made available for other projects.

## **Market Absorption Study**

In connection with the issuance of the 2018 Bonds, the City hired the Market Absorption Consultant, Empire Economics, Inc., to prepare the Absorption Study for the homes planned for Improvement Area No. 1. The Absorption Study sets forth various factors that may impact the development and sale of homes within Improvement Area No. 1. The Absorption Study also sets forth the probably forecast of absorption, which is set forth in the following table:

**Table 1**  
**Absorption Study – Estimated Absorption Schedule**

Year	2019	2020	2021	2022	2023	2024
Estimated Escrow Closings	182	267	284	249	101	56
Cumulative	182	_____	_____	_____	_____	_____

*Source: Empire Economics, Inc.*

The City is not obligated to make, and has not undertaken to make, an independent verification of the information contained in the Absorption Study and assumes no responsibility for the accuracy or completeness of the Absorption Study. A copy of the Absorption Study is set forth in its entirety as APPENDIX D – Market Absorption Study.

**Environmental Matters**

**Flood Hazard Map Information.** According to the Federal Emergency Management Agency’s flood insurance rate maps (Map Panel Number 06077C-0740F, dated October 16, 2009), the developable portions of the property in Improvement Area No. 1 are located within Flood Zone X, described as areas of minimal flooding (outside of the 100 and 500-year floodplains). Property in Improvement Area No. 1 is not subject to the Central Valley Flood Protection Plan.

**Seismic Conditions.** According to the Seismic Safety Commission, Improvement Area No. 1 is located within Zone 3, which is considered to be the lowest risk zone in California. There are only two zones in California: Zone 4, which is assigned to areas near major faults; and Zone 3, which is assigned to all other areas of more moderate seismic activity. In addition, Improvement Area No. 1 is not located within a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 of the California Department of Conservation, Division of Mines and Geology.

**Wetlands.** No wetland mitigation was required for development within Improvement Area No. 1.

**Petroleum Pipeline.** A Phase I environmental site assessment report was prepared for the land in the District by Haley & Aldrich, dated September 2017. The report indicates that two recognized environmental conditions associated with the presence of a ConocoPhillips 66 and a Shell petroleum pipeline on the property within the District. Haley & Aldrich recommended abandoning the on-site groundwater wells (which are located within the District, but outside of improvement Area No. 1) according to local and state regulatory guidelines. However, no additional assessment consisting of soil, groundwater and soil gas sampling is required for the development of the land in Improvement Area No. 1.

## PROPERTY OWNERSHIP AND THE DEVELOPMENT

*The information provided in this section has been included because it may be considered relevant to an informed evaluation and analysis of the Bonds and the Community Facilities District. No assurance can be given, however, that the proposed development of the property within the Tracy Hills Project and Improvement Area No. 1 will occur in a timely manner or in the configuration or to the density described herein, or that Tracy Phase I, LLC, the THPO Affiliates, the merchant builders, any owners or affiliates thereof, or any other property owner described herein will or will not retain ownership of its respective property within the Tracy Hills Project or Improvement Area No. 1. Neither the Bonds nor any of the Special Taxes are personal obligations of any property owner within Improvement Area No. 1. The Bonds are secured solely by the Special Taxes levied on property within Improvement Area No. 1 and amounts on deposit in certain of the funds and accounts maintained by the Fiscal Agent under the Fiscal Agent Agreement.*

### The Master Developer and Subsidiaries

**The Tracy Hills Project Owner.** The property in Improvement Area No. 1 is part of the larger master-planned community known as “Tracy Hills” (the “Tracy Hills Project” or the “THPO Property”) being developed by The Tracy Hills Project Owner, LLC, a Delaware limited liability company (“THPO”). THPO is developing the property through six affiliated owners (herein, the “THPO Affiliates”), as follows:

<u>Phase</u>	<u>THPO Affiliate</u>
Phase 1A	Tracy Phase I, LLC
Phase 1B	Tracy Phase IB, LLC
Phase 2	Tracy Phase 2, LLC
Phase 3	Tracy Phase 3, LLC
Phase 4	Tracy Phase 4, LLC
Business Park/School Site (Part of Phase 1A and 1B)	Tracy BPS, LLC

Each of the THPO Affiliates is a Delaware limited liability company, whose sole member is Tracy Hills Holding Company, LLC (the “Tracy Hills Holding Company”). Tracy Hills Holding Company is a Delaware limited liability company whose sole member is THHC Manager, LLC (“THHC Manager”). THHC Manager is a Delaware limited liability company whose sole member is THPO.

**Integral Communities.** THPO and the THPO Affiliates were formed as special-purpose entities managed by the principals of Integral Communities. The principals of Integral Communities have over 150 years of combined experience in the real estate development business. Many of the principals spent more than a decade growing Western Pacific Housing into a successful western states home building and development company. Recognized as the 12th-largest homebuilder in the country at one time, Western Pacific was later sold to D.R. Horton for in excess of \$1 billion in market capitalization. Following the sale to D.R. Horton, the five principals formed Integral Communities.

Integral Communities creates new opportunities from underutilized or undeveloped parcels of land through value-added land planning, with projects that include for sale, apartment, mixed-use and residential multi-family opportunities. Previous projects of Integral Communities include, among others, the following:

- Gateway Station - Newark, CA (580 residential units sold to Lennar Homes).
- Dublin Ranch Sub Area 3 - Dublin, CA (437 residential units sold to Lennar Homes).
- Dublin Ranch Lot 3 - Dublin, CA (123 residential units sold to Lennar Homes).
- Centre Pointe - Milpitas, CA (241 residential units sold to D.R. Horton).
- Houret - Milpitas, CA (114 residential units sold to The New Home Company).



- Riverdale – Long Beach, CA (131 residential units as a joint venture with Brandywine Homes).
- Torian – Newark, CA (547 residential units sold to William Lyon Homes).
- Palmilla - Brentwood, CA (400 residential units sold to Pulte and William Lyon Homes).
- Montecito Vista - San Jose, CA (284 residential units sold to Taylor Morrison and Lennar Homes).
- The Fields - Milpitas, CA (1,185 for sale and for rent multifamily residential units as a joint venture with Lyon Living).

Further information regarding Integral Communities is available from its website at [integralcommunities.com](http://integralcommunities.com). *This internet address is included for reference only, and the information on the internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement.*

### **The Tracy Hills Project**

The Tracy Hills Project is part of the larger Tracy Hills Specific Plan (“TH Specific Plan”). The TH Specific Plan approved the development of 2,438.8 gross acres of land for various land uses, including residential estates, low density residential, medium density residential, high density residential, mixed-use business park, general highway commercial, light industrial and conservation corridors.

The TH Specific Plan land assemblage began in the mid 1980’s by a local land broker. As the project was processed through the City of Tracy, additional properties were added to create the current boundaries of the TH Specific Plan.

The TH Specific Plan was added to the City of Tracy’s General Plan in 1993. The original TH Specific Plan and EIR were approved and annexed into the City of Tracy in 1998. In 2000, a growth control initiative was passed by the voters of the City of Tracy that effectively placed a moratorium on residential development in the TH Specific Plan until 2012.

THPO purchased the THPO Property – a portion of the TH Specific Plan - in late 2012. Due to the passage of time, the TH Specific Plan needed to be updated and modernized, and a Subsequent Environmental Impact Report was prepared. This culminated with City of Tracy approval of a new Tracy Hills Specific Plan (the “Revised TH Specific Plan”), a Subsequent Environmental Impact Report, a Development Agreement covering the THPO Property, and a large lot and small lot tentative subdivision map on the Tracy Phase I property in April of 2016.

The THPO Property (including the land in Improvement Area No. 1) comprise approximately 1,853 gross acres of the Revised TH Specific Plan.

As of June 1, 2018, THPO has conveyed all of the THPO Property to the THPO Affiliates. THPO and the THPO Affiliates intend to develop the Tracy Hills Project in five phases, as described below:

Phase 1A: Phase 1A is to be developed as 1,139 single family detached units, 50 acres of Mixed Use Business Park, 12 acres of public parks, a 14 acre K-8 school site, and open space. See “Development Plan for Improvement Area No. 1” below for more information.

Phase 1B: Phase 1B is expected to be developed as 411 single family detached units, 5 acres of public parks, 135.6 acres of Mixed Use Business Park, 9.2 acres of high density residential (125 units), 29 acres of general highway commercial, and open space. Lots and housing commencement subject to housing market, but blue top lots expected to be delivered in 2020.

Phase 2: Phase 2 is expected to be developed as 1,526 units of single family detached units, 6.8 acres of general highway commercial, 30 acres of public park, and open space. Lots and housing commencement subject to housing market, but blue top lots expected to be delivered in 2022.

Phase 3: Phase 3 is expected to be developed as 1,178 units of single family detached units, 42 acres of public park, and open space. Lots and housing commencement subject to housing market, but blue top lots expected to be delivered in 2025.

Phase 4: Phase 4 is expected to be developed as 321 units of single family detached units, 4 acres of public park, 29 acres of mixed use business park, and open space. Lots and housing commencement subject to housing market, but blue top lots expected to be delivered in 2028.

The residential lands in Phase 1A comprise Improvement Area 1 of the Community Facilities District. The Mixed-Use Business Park portion of Phase 1A and Phases 1B, 2, 3, and 4 are part of the Future Annexation Area of the Community Facilities District that may, in the future, be annexed to the Community Facilities District as separate improvements areas, *and these phases are not, and will not be, subject to the Special Tax securing the Bonds.*

***Only the property in Improvement Area No. 1 (i.e., the residential portion of Phase 1A) is subject to the Special Tax that secures payment on the Bonds. The property that is anticipated to be developed as the Mixed-Use Business Park portion of Phase 1A and Phases 1B-4, inclusive, are not subject to the lien of Special Tax and will not be subject to a Special Tax securing the Bonds in the future (unless annexed to Improvement Area No. 1, which is not contemplated by THPO).***

## Public Improvements Required for the Tracy Hills Project

The public infrastructure and development impact fees for the entirety of the Tracy Hills Project is estimated to cost approximately \$637 million. All costs will be paid by THPO or its THPO Affiliates. Estimated costs do not include in-tract improvements. Cost estimates are as of June 1, 2018.

Construction on Phase 1A (Improvement Area No. 1) began in November of 2017. The following table shows the costs incurred, fees paid, and percentage completion as of June 1, 2018.

**Table 2**  
**Phase 1A Infrastructure Costs**  
**(as of June 1, 2018)**

<b>Construction Costs</b>	<b>Estimated Cost</b>	<b>% of Work Complete (as of 6/1/18)</b>	<b>Costs of Work to be Completed (as of 6/1/18)</b>
Grading	\$7,718,612	100%	\$0
Retaining Walls	5,560,403	21	4,392,718
Erosion Control/SWPP	750,000	69	232,500
Spine Road	12,121,029	64	4,363,570
Offsite Joint Trench/PG&E	2,712,857	100	0
Traffic Triggers	5,935,210	28	3,553,351
Parks	5,472,143	22	4,268,272
Off-Site Sewer	7,333,243	67	2,419,970
Off-Site Water	3,420,031	78	752,407
On-Site Sewer	3,654,589	89	402,005
Force Main	475,280	0.0	475,280
On-Site Water	1,627,558	83	276,685
Water Tank and Pump Station	10,554,068	14	9,076,498
On-Site Storm Drain	1,103,565	93	77,250
Reclaimed Water	527,868	70	158,360
Landscape	6,651,581	23	5,121,717
Walls and Fencing	3,418,763	33	2,290,571
Soft Costs and Field Overhead	1,705,350	29	1,210,798
<b>SUBTOTAL CONSTRUCTION COSTS</b>	<b>\$79,742,150</b>	<b>49%</b>	<b>\$39,071,952</b>
<b>Payments and Fees</b>			
Infrastructure Lump Sum			
Payments/Fire Station	9,973,100	34	\$6,623,326
School Payments	26,831,795	0.0	26,831,795
Fees	8,901,581	53	4,229,671
<b>SUBTOTAL PAYMENTS AND FEES</b>	<b>\$45,706,476</b>	<b>18%</b>	<b>\$37,684,792</b>
<b>TOTAL ESTIMATED COSTS</b>	<b>\$125,448,626</b>	<b>39%</b>	<b>\$76,756,744</b>

## Acquisition Agreement

In connection with the formation of the Community Facilities District, THPO entered into the Master Acquisition Agreement, dated July 19, 2016, by and between THPO and the City (the "Master Acquisition Agreement"). On the same date, the City and Tracy Phase I, LLC entered into the Acquisition Agreement (the "Phase 1A Acquisition Agreement" and together with the Master Acquisition Agreement, the "Acquisition Agreements"). The Master Acquisition Agreement authorized the financing of various

infrastructure improvements and capital improvement fees for the entirety of the Community Facilities District. The Phase 1A Acquisition Agreement detailed the anticipated costs to be financed by the Bonds for Improvement Area No. 1 for street improvements, signalization, storm drains, sewer and water improvements, reclaimed water improvements, various parks, and the land and improvements for a fire station in a total estimated cost of approximately \$60.8 million and the costs of capital impact fees in the approximate amount of \$17.06 million.

The net proceeds of the Bonds, certain investment earnings thereon and the proceeds of the Special Tax are expected to be sufficient to fund a portion, but not all, of the improvements and fees listed in the Phase 1A Acquisition Agreement.

Tracy Phase I, LLC anticipates that bond proceeds from the property in future phases of the Tracy Hills Project, revenues from land sales, and the proceeds of the Goldman Revolving Loan and the Second Loan (as such terms are defined herein) will be used to fund some or all of the remaining portion of the improvements and fees.

Under the Master Acquisition Agreement, THPO may assign the Master Acquisition Agreement in part to the applicable THPO Affiliate in connection with the development of the applicable phase, and that THPO Affiliate will undergo a similar process in connection with the funding of improvements and fees associated with the future phases of the Tracy Hills Project.

The Rate and Method provides that the funding of improvement costs can also be made from collections of the Special Tax available as the “pay-as-you-go” component of Special Taxes, also described herein as the Remainder Taxes. The Remainder Taxes will provide for funding of the cost of the authorized improvements. Under the Acquisition Agreements, Remainder Taxes are limited to 20 years from each Improvement Area and THPO and Tracy Phase I, LLC expect to utilize the Remainder Taxes for that time period.

### **Development Plan for Improvement Area No. 1**

**General.** The taxable property in Improvement Area No. 1 is currently owned by Tracy Phase I, LLC. Improvement Area No. 1 is projected to be developed as 1,139 residential units. Improvement Area No. 1 will also house a fire station and open space and HOA property (including an HOA welcome center).

Improvement Area No. 1 is being developed in 8 villages of single-family detached lots (each a “Village” and, collectively, the “Villages”).

Tracy Phase I, LLC does not intend to construct residential homes in Improvement Area No. 1, but will instead develop the property to a blue top condition and then sell property within each Village to various merchant builders, as described below.

The property in Improvement Area No. 1 is currently being improved with horizontal infrastructure improvements. Tracy Phase I, LLC has financing in place to build the on- and off-site improvements necessary to bring all 1,139 lots to a blue top condition. Blue top improvements will include, but are not limited to, connection to City services, grading all the lots to within +/- 0.2” of finished grade, construction of the main road through the project (Tracy Hills Road (including all utilities and landscaping)), the construction of the three neighborhood parks, the construction of a Fire Station, and the construction of a 3.2 million gallon water storage tank and booster pump station. It also includes funding provided to the City of Tracy for the construction of a pump station to service the project at the John Jones Water Treatment Plant.

There are eight Villages of single family detached lots in Improvement Area No. 1. The Villages will be sold to merchant builders. The developer will either build all the in-tract improvements in a Village (funded by the merchant builder), build a portion of the in-tract improvements, or the in-tract improvements will be constructed entirely by the merchant builder.

**Conditions of Approval.** Further descriptions of some of the facilities required as conditions of developing Phase 1A are further described below:

A. *Recycled Water Transmission Mains, Water Lines, and Crossing Improvements.* These facilities are required prior to the final inspection of the first residential building (excluding model homes). These facilities are budgeted, and are under construction by Tracy Phase I, LLC. Completion is estimated to occur in the Fall of 2018.

B. *Neighborhood Parks.* The conditions of development require the construction and acceptance by the City of three neighborhood parks according to the following schedule:

- The first park within 1 year of the occupancy of the first production home.
- The second park before the occupancy of the 750<sup>th</sup> dwelling unit.
- The third park before the occupancy of the 1000<sup>th</sup> dwelling unit.

The first park is in plan check, and Tracy Phase I, LLC anticipates starting construction on the first park in the Summer of 2018. Each additional park will be constructed following the construction of the preceding park. The costs of all three parks are budgeted, and Tracy Phase I, LLC anticipates completing each park in advance of the time required.

C. *Trees in Conservation Easement and the Community Gateway Icon.* These two items are required before the issuance of a building permit for the structure containing the 500<sup>th</sup> dwelling unit. Both items are budgeted, and Tracy Phase I, LLC anticipates completing construction of these improvements in a timely manner.

D. *At-Grade Water Storage Tank.* This facility is required prior to the final building inspection of the 301<sup>st</sup> residential building. Tracy Phase I, LLC is constructing this storage tank. The water storage tank has been designed and approved by the City, and the site is graded. Construction is expected to commence in the Fall of 2018. These items are budgeted, and Tracy Phase I, LLC anticipates completing construction of these improvements in a timely manner.

E. *Booster Pump Station.* This facility is fully funded and is being constructed by the City. As of May 15, 2018, it is approximately 50% complete; full completion is expected in August, 2018.

F. *Fire Station.* The conditions of development require that the fire station and related improvements must be completed prior to the final inspection or certificate of occupancy for the 289<sup>th</sup> residential unit. However, the City and Tracy Phase I, LLC have agreed to revise the requirement to defer the time for constructing the fire station. At current build-out expectations, construction of the fire station will commence in 2021, with delivery in 2022. However, if the build-out is accelerated, construction may be required sooner. Approximately 1 acre of Parcel C of the Mixed-Use Business Park will be used as a Fire Station site for the South County Fire Authority. As per the Development Agreement, Tracy Phase I, LLC will sell the site to the Fire Authority, design the fire station, build the Fire Station, then dedicate it. Tracy Phase I, LLC has a maximum contribution of \$5,500,000 to the Fire Station. The Fire Station has already been designed and the building plans are currently under review by the City.

G. *Traffic Improvements (including Signals).* Traffic improvements and traffic signals (described as Traffic Triggers in Table 2) are required at various times throughout the development of

the project. The costs of these traffic improvements have been budgeted, and Tracy Phase I, LLC anticipates completing construction of these improvements in a timely manner.

H. *School Facilities.* Tracy Phase I, LLC will provide funding to the Jefferson School District as per the Amended Mitigation Agreement. Jefferson School District will build an 800 student K-8 elementary school in three phases. The first phase will be open when the school can achieve 50% occupancy (approximately 800<sup>th</sup> Unit Closing) and the second phase will be built within one year of funding. The third phase will be built with Phase 1B of the Project.

I. *Welcome Center.* Approximately 2.6 acres of Parcel B of the Mixed-Use Business Park will be used for the Welcome Center for Phases 1A and 1B. The Welcome Center will be built by Tracy Phase I, LLC and will include a general store, multi-purpose room, welcome center, restrooms, a swimming pool and extensive landscaping. Upon sell out of Phases 1A and 1B, the Welcome Center will be conveyed to the HOA to use as a community facility.

### **Financing Plan for Improvement Area No. 1**

Tracy Phase I, LLC will use the proceeds of two borrowings on the THPO Property (discussed below), lot sales available from a collateral account (as described below), and the proceeds of the Bonds to finance the planned development for Improvement Area No. 1.

**First Trust Deed.** Tracy Hills Holding Company is the borrower under a revolving credit facility (the “Goldman Revolving Loan”) with Goldman Sachs Bank USA (“Goldman”). The Goldman Revolving Loan is secured by a first Deed of Trust on all of the THPO Property, and the available amount of the Goldman Revolving Loan is the lesser of \$40,000,000 or 25% of the as-is appraised value of the THPO Property. The Goldman Revolving Loan is also guaranteed by each of the THPO Affiliates and THHC Manager.

The Goldman Revolving Loan is a 2 year revolver and is set to mature September 29, 2019, with a 2 year extension option that, if approved by Goldman in its sole discretion, will set the loan maturity to September 29, 2021. If Goldman does not approve of the extension, then 50% of the outstanding balance will be due within six months of the original maturity date and the remaining balance due within 12 months of the original maturity date. Tracy Hills Holding Company is required to maintain a minimum of \$20 million funded at all times until repayment.

As of June 1, 2018 the Goldman Revolving Loan is in good standing.

Interest on the outstanding balance of the Goldman Revolving Loan is payable monthly, with principal due at maturity.

Under the Goldman Revolving Loan, Tracy Hills Holding Company may borrow up to \$150 million in subordinated debt secured by the THPO Property for purposes of funding development costs associated with the Tracy Hills Project.

Upon an arms-length sale of a portion of the THPO Property to a non-affiliate of Tracy Hills Holding Company, Goldman will release the property being sold from the lien of the first Deed of Trust securing the Goldman Revolving Loan provided that:

- 100% of the net proceeds of the sale are placed in a collateral account (in which Goldman has a security interest), and
- such amounts are first used to reduce the outstanding principal amount of the Goldman Revolving Loan to \$20 million.

Funds in the collateral account that are available after reducing the outstanding loan amount to \$20 million may be used to (i) make scheduled amortization payments on any subordinated debt, (ii) fund the development of the Tracy Hills Project, and (iii) make distributions to the borrower under certain circumstances.

Goldman has an intercreditor agreement with Sequoia (as defined below), Tracy Hills Holding Company, THHC Manager and the THPO Affiliates.

**Second Trust Deed.** Tracy Hills Holding Company is also the borrower under a \$120,000,000 loan facility with an accordion feature to increase the availability to \$150,000,000 by September 29, 2018 (the "Second Loan"). Lenders of the Second Loan are Sequoia IDF Asset Holdings S.A. ("Sequoia") and Davidson Kempner of New York (collectively, the "Second Lien Lenders"). The Second Loan is secured by a second lien Deed of Trust on the THPO Property, and is guaranteed by each of the THPO Affiliates and THHC Manager.

The Second Loan is set to mature on March 29, 2025, and requires quarterly amortization payments as follows:

- on September 29, 2019 (month 24) with two quarterly payments of \$2,500,000 each;
- On March 29, 2020 (month 30) the quarterly payments will be \$3,928,571 until September 29, 2023; and
- On September 29, 2023 (month 72), the quarterly payments will be \$8,571,429 until the maturity.

As of June 1, 2018, the Second Loan with the Second Lien Lenders is in good standing.

Upon an arms-length sale of a portion of the THPO Property to a non-affiliate of Tracy Hills Holding Company, in connection with the release of such property from the first Deed of Trust held by Goldman, the Second Lien Lender will release the property being sold from the lien of the second Deed of Trust securing the Second Loan provided that all amortization payments on the Second Loan are in good standing and 100% of the net proceeds of the sale are placed in a collateral account (in which the Second Lien Lender has a subordinated security interest).

Funds in the collateral account may be used to (i) make scheduled amortization payments on the Second Loan, (ii) fund the development of the Tracy Hills Project, and (iii) make distributions to the borrower under certain circumstances.

## **The Merchant Builders**

*The information provided in this section has been included because it may be considered relevant to an informed evaluation and analysis of the Bonds and the Community Facilities District. No assurance can be given, however, that the proposed development of the property within Improvement Area No. 1 will occur in a timely manner or in the configuration or to the density described herein, or that the merchant builders, any owners or affiliates thereof, or any other property owner described herein will actually acquire, or, if acquired, will retain ownership of its respective property within Improvement Area No. 1. Neither the Bonds nor any of the Special Taxes are personal obligations of any property owner within Improvement Area No. 1. The Bonds are secured solely by the Special Taxes levied on property within Improvement Area No. 1 and amounts on deposit in certain of the funds and accounts maintained by the Fiscal Agent under the Fiscal Agent Agreement.*

Tracy Phase I, LLC has entered into purchase and sale contracts for six of the eight Villages with three different homebuilders: Lennar Homes of California, Inc. ("Lennar Homes"); Meritage Homes of

California, Inc. (“Meritage”); and Shea Homes Limited Partnership (“Shea”). Lennar Homes and Tracy Phase I, LLC are negotiating an amendment to the Lennar PSA (as defined herein) that will include the acquisition of Village 8. Village 6 – consisting of Tract Map Nos. 3953 (6A) and 3954 (6B) - will be marketed by Tracy Phase I, LLC after construction begins on the other Villages.

A summary of the projected ownership of the Villages is shown below (as of June 1, 2018):

<b>Projected Merchant Builder</b>	<b>Village</b>	<b>Units</b>	<b>Contract Date</b>	<b>Anticipated Close of Escrow with Merchant Builder</b>	<b>Estimated First Production Home Close of Escrow</b>
Lennar Homes	1	160	3/7/18	9/6/18	Q1 2019
Shea Homes	2	74	6/11/18	9/13/18	Q1 2019
Lennar Homes	3	103	3/7/18	9/6/18	Q1 2019
Lennar Homes	4	149	3/7/18	9/6/18	Q1 2019
Lennar Homes	5	196	3/7/18	9/6/18	Q1 2019
TBD	6	136	n/a	n/a	n/a
Meritage Homes	7	182	5/2/18	9/1/18	Q1 2019
Lennar Homes <sup>(1)</sup>	8	139	3/7/18	9/6/18	Q2 2019
<b>Totals</b>		<b>1,139</b>			

(1) The table assumes that Lennar Homes will be under contract to acquire Village 8.

## Lennar Homes

**Purchase and Sale Contract.** On March 7, 2018, Tracy Phase I, LLC and Lennar Homes of California, Inc., a California corporation (previously defined as “Lennar Homes”) entered into a Purchase and Sale Agreement and Joint Escrow Instructions (the “Lennar PSA”) for the purchase of Villages 1, 3, 4, and 5 and intend to enter into an amendment to the Lennar PSA to acquire Village 8 in Improvement Area No. 1 (herein, the “Lennar Villages”). Lennar Homes deposited \$5,000,000 with Tracy Phase I, LLC as an earnest money deposit, and this deposit is now non-refundable.

In addition to the initial deposit, following written notice from Tracy Phase I, LLC that it will be commencing construction of in-tract improvements for each of the Lennar Villages in several phases, Lennar Homes will fund into escrow for each phase 100% of the allocated in-tract improvement costs for such phase. The in-tract improvements in Villages 1, 4, and 5 will be built in three phases; in Villages 3 and 8 the improvements will be built in two phases. Once funded, the improvement payments shall be deemed an additional earnest money deposit and in the event of a default by Lennar Homes will be paid to Tracy Phase I, LLC as liquidated damages.

As of June 1, 2018, Lennar Homes has paid a non-refundable deposit of \$16,466,362 for the in-tract improvements for 1A, 1B, 3A, 3B, 4A, 4B, 5A and 5B into escrow. Tracy Phase I, LLC anticipates providing Lennar Homes notice for the remaining phases of in-tract work in July, 2018, at which point Lennar Homes will be required to deposit an additional approximately \$9,455,240.

**There can be no assurance that Lennar Homes will actually acquire the Lennar Villages.** The Lennar PSA contains numerous traditional conditions to closing (such as no defaults, no lawsuits, no condemnation of the property, delivery of title policy, and compliance with the Subdivision Map Act), but also contains the following additional conditions to closing:



- Lennar Homes has received, or concurrently with the closing will receive, an allocation from Tracy Phase I, LLC of 215 Buyer RGAs for use in calendar year 2018. By a letter dated December 19, 2017 from the City of Tracy, Phase 1 of the Tracy Hills Project was allocated 406 RGAs for 2018. Consequently, there are sufficient RGAs for Lennar Homes to obtain up to 215 building permits this year.

Escrow on the Lennar Homes purchase is estimated to close on September 6, 2018. Approximately 56% of the purchase price is due by close of escrow, with the balance as a note and deed of trust held by Tracy Phase I, LLC. The note will be assigned by Tracy Phase I, LLC to Goldman at closing. The note will be due and payable on September 6, 2020.

**General.** Assuming Lennar Homes closes escrow on the Lennar Villages, the Lennar Villages will be developed by Lennar Homes, which is based in Aliso Viejo, California, and has been in the business of developing residential real estate communities in California since 1995. Lennar Homes is wholly-owned by U.S. Home Corporation, a Delaware corporation (“U.S. Home”). U.S. Home is wholly-owned by Lennar Corporation. Lennar Corporation, founded in 1954 and publicly traded under the symbol “LEN” since 1971, is one of the nation’s largest home builders, operating under a number of brand names, including Lennar Homes and U.S. Home. Lennar Homes primarily develops residential communities both within the Lennar family of builders and through consolidated and unconsolidated partnerships in which Lennar Homes maintains an interest. Lennar Corporation is subject to the informational requirements of the Exchange Act and in accordance therewith files reports, proxy statements and other information with the SEC. Such filings, particularly the Annual Report on Form 10-K and its most recent Quarterly Report on Form 10-Q, may be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Such files can also be accessed over the internet at the SEC’s website at [www.sec.gov](http://www.sec.gov).

Copies of Lennar Corporation’s Annual Report and related financial statements are available from Lennar Corporation’s website at [www.lennar.com](http://www.lennar.com).

On October 30, 2017 Lennar Corporation announced that it would acquire CalAtlantic Group Inc. (“CalAtlantic”) for \$5.7 billion in a combination of cash and stock, creating the largest home builder in the United States by revenue. The transaction closed in February 2018. Both Lennar Corporation’s (stock symbol “LEN”) and CalAtlantic’s (stock symbol “CAA”) public filings with the Securities and Exchange Commission are accessible over the internet at the SEC’s website. The acquisition of CalAtlantic by Lennar Corporation will not affect Lennar Homes’ developments in Improvement Area No. 1 as described herein.

*The internet addresses referenced in the three paragraphs above are included for reference purposes only and the information on these internet sites are not a part of this Official Statement and are not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on these internet sites.*

**Recent Litigation Against Lennar Corporation.** A lawsuit was filed in the state court of California against Lennar Corporation relating to Lennar Corporation and LandSource Communities Development, LLC, a Delaware limited liability company (“LandSource”), in which the California Public Employees’ Retirement System (“CalPers”) invested in 2007. LandSource filed for bankruptcy on June 8, 2008 (“LandSource Bankruptcy Matter”), and a plan for reorganization was approved by the bankruptcy court on July 20, 2009. (In re: LandSource Communities Development LLC, et al, Case No. 08-11111, United States Bankruptcy Court, District of Delaware.) The complaint, which is filed as a qui tam action by a newly created limited liability company, makes a number of claims related to Lennar Corporation’s actions regarding LandSource and the related bankruptcy and seeks injunctive relief and damages (including statutory and treble) relating to CalPers’ alleged \$970 million loss. Lennar Corporation has filed a petition to remove the complaint to federal court (Citizens Against Corporate Crime v. Lennar

Corporation (9th Circuit, California Eastern District Court, Case No. 2:2018cv01269). Lennar Corporation has also filed a Motion to Reopen the Chapter 11 Bankruptcy Cases for the Limited Purpose of Enforcing the Injunction and Release in the Debtors' Joint Chapter 11 Plan and Confirmation Order. Persons released in the LandSource Bankruptcy Matter include Lennar Corporation and Lennar Homes. Lennar Corporation contends that in addition to the complaint being barred by the release and injunction in the LandSource Bankruptcy Matter, the complaint is meritless and barred by applicable statutes of limitation and other defenses. Lennar Homes is not a party to the complaint. Lennar Homes believes that even if, in the unlikely event, the complaint is successful against Lennar Corporation, Lennar Homes will be able to complete the development and sale of its project within Improvement Area No. 1 as described in this Official Statement and pay Special Taxes and ad valorem tax obligations on the property that it owns within Improvement Area No. 1 prior to delinquency during Lennar Homes' period of ownership.

**Tract Map Status.** The status of the tract maps for Villages 1, 3, 4, 5, and 8 are shown below:

**Tract Map Status for the Lennar Villages in Improvement Area No. 1  
(as of June 1, 2018)**

<b>Village</b>	<b>Tract Map</b>	<b>Projected Number of Units</b>	<b>Date of Recordation (projected date in parenthesis)</b>
<b>Village 1</b>			
1A	3788	63	April 11, 2018
1B	3943	52	(6/18)
1C	3944	45	(10/18)
<b>Village 3</b>			
3A	3889	41	April 11, 2018
3B	3945	62	(6/18)
<b>Village 4</b>			
4A	3890	56	April 11, 2018
4B	3946	48	(6/18)
4C	3947	45	(10/18)
<b>Village 5</b>			
5A	3891	44	April 11, 2018
5B	3948	31	(6/18)
5C	3949	121	(10/18)
<b>Village 8</b>			
8A	3957	71	(7/18)
8B	3958	68	(11/18)
Totals:		747	

**Lennar Villages Development Plan.** Under the Lennar PSA, Lennar Homes will be funding the construction of the in-tract improvements, but they will be constructed by Tracy Phase I, LLC. As described above, Lennar Homes must put the funds for the in-tract improvements into escrow upon notice that construction will commence in 30 days. The first funds will be released to Tracy Phase I, LLC once trenching commences then will be released on a predetermined schedule.

Details of each Lennar Village are as follows:

**Village 1**  
**(Tract Nos. 3788, 3954, and 3944)**  
**(as of June 1, 2018)**  
**55 x 90 Typical Lot Size**

<b>Floor Plan</b>	<b>Square Footage</b>	<b>Total Number of Planned Units</b>	<b>Sales Price <sup>(1)</sup></b>
Plan 1	2,173	41	\$545,000
Plan 2	2,278	41	\$545,000
Plan 3	2,421	39	\$550,000
Plan 4	2,654	39	\$560,000
Totals		160	

(1) Sale prices are as of June 1, 2018. Sale prices are subject to change, are all inclusive, and exclude any incentives and selling concessions or price reductions which may be offered.

(2) Lennar Homes anticipates the construction of 4 model homes in this Village.

**Village 3**  
**(Tract Nos. 3889 and 3945)**  
**(as of June 1, 2018)**  
**55 x 100 Typical Lot Size**

<b>Floor Plan</b>	<b>Square Footage</b>	<b>Total Number of Planned Units</b>	<b>Sales Price <sup>(1)</sup></b>
Plan 1	2,502	27	\$600,000
Plan 2	3,122	26	\$605,000
Plan 3	3,266	25	\$620,000
Plan 4	3,490	25	\$635,000
Totals		103	

(1) Sale prices are as of June 1, 2018. Sale prices are subject to change, are all inclusive, and exclude any incentives and selling concessions or price reductions which may be offered.

(2) Lennar Homes anticipates the construction of 4 model homes in this Village.

**Village 4**  
**(Tract Nos. 3890, 3946, 3947)**  
**(as of June 1, 2018)**  
**50 x 100 Typical Lot Size**

<b>Floor Plan</b>	<b>Square Footage</b>	<b>Total Number of Planned Units</b>	<b>Sales Price <sup>(1)</sup></b>
Plan 1	2,257	36	\$565,000
Plan 2	2,566	36	\$570,000
Plan 3	2,749	38	\$580,000
Plan 4	2,980	39	\$592,000
Totals		149	

(1) Sale prices are as of June 1, 2018. Sale prices are subject to change, are all inclusive, and exclude any incentives and selling concessions or price reductions which may be offered.

(2) Lennar Homes anticipates the construction of 4 model homes in this Village.

**Village 5**  
**(Tract Nos. 3891, 3948, 3949)**  
**(as of June 1, 2018)**  
**60 x 100 Typical Lot Size**

<b>Floor Plan</b>	<b>Square Footage</b>	<b>Total Number of Planned Units</b>	<b>Sales Price <sup>(1)</sup></b>
Plan 1	2,681	52	\$602,000
Plan 2	3,372	48	\$627,000
Plan 3	3,533	48	\$652,000
Plan 4	3,599	48	\$667,000
<b>Totals</b>		<u>196</u>	

(1) Sale prices are as of June 1, 2018. Sale prices are subject to change, are all inclusive, and exclude any incentives and selling concessions or price reductions which may be offered.

(2) Lennar Homes anticipates the construction of 4 model homes in this Village.

**Village 8**  
**(Tract Nos. 3957 and 3958)**  
**(as of June 1, 2018)**  
**65 x 100 Typical Lot Size**

<b>Floor Plan</b>	<b>Square Footage <sup>(1)</sup></b>	<b>Total Number of Planned Units <sup>(1)</sup></b>	<b>Sales Price <sup>(1)</sup></b>
Plan 1	2,900	34	\$660,000
Plan 2	3,700	35	\$693,000
Plan 3	3,900	35	\$718,000
Plan 4	4,100	35	\$732,000
<b>Totals</b>		139	

(1) Village 8 are estimates based on Lennar Homes' underwriting. The actual square footage of the plans, the number of units per plan, and the sales price are all subject to change. Sale prices are subject to change, are all inclusive, and exclude any incentives and selling concessions or price reductions which may be offered.

(2) Lennar Homes anticipates the construction of 4 model homes in this Village.

If, for any reason, Lennar Homes does not acquire some or all of the Lennar Villages, Tracy Phase I, LLC will market the unclosed property to other merchant builders.

## Meritage

**Purchase and Sale Contract.** On May 2, 2018, Tracy Phase I, LLC and Meritage Homes of California, Inc., a California corporation (previously defined as “Meritage”) entered into a Purchase and Sale Agreement and Joint Escrow Instructions (the “Meritage PSA”) for the purchase of Village 7 in Improvement Area No. 1 (herein, the “Meritage Village”). Meritage deposited \$1,500,000 with Tracy Phase I, LLC as an earnest money deposit, and this deposit is now non-refundable.

**There can be no assurance that Meritage will actually acquire the Meritage Village.** The Meritage PSA contains numerous traditional conditions to closing (such as no defaults, no lawsuits, no condemnation of the property, delivery of title policy, and compliance with the Subdivision Map Act), but also contains the following additional conditions to closing:

- Meritage Homes has received, or concurrently with the closing will receive, an allocation from Tracy Phase I, LLC of 65 Buyer RGAs for use in calendar year 2018. By a letter dated December 19, 2017 from the City of Tracy, Phase 1 of the Tracy Hills Project was allocated 406 RGAs for 2018. Consequently, there are sufficient RGAs for Meritage to obtain up to 65 building permits this year.
- Phase A Small Lot Final Map is ready to record. The map and related improvement agreements are scheduled for City Council approval on July 19, 2018. Upon approval by the City Council, the Phase A Small Lot Final Map will be ready to record.

Escrow will close upon completion of the blue top lots, which Tracy Phase I, LLC estimates to be no later than September 2018. Approximately 57.5% of the purchase price is due at close of escrow with the balance as a Note and Deed of Trust to be held by Tracy Phase I, LLC. The note will be assigned by Tracy Phase I, LLC to Goldman at closing. The note will be due and payable July 1, 2020.

**General.** Village 7 (herein, the “Meritage Village”) is being developed by Meritage Homes of California, Inc. (previously defined as “Meritage”). Meritage is a subsidiary of Meritage Homes Corporation (“Meritage Homes”). Meritage Homes was incorporated in 1988 as a real estate investment trust in the State of Maryland. Meritage Homes currently focuses exclusively on homebuilding and related activities and no longer operates as a real estate investment trust. The homebuilding and marketing activities are conducted under the Meritage Homes brand, except for Arizona and Texas where they also operate under the name Monterey Homes. Meritage Homes operates as a holding company and has no independent assets or operations. Meritage Homes is traded on the New York Stock Exchange under the ticker symbol MTH. The homebuilding, construction, development and sales activities are conducted through its subsidiaries. Meritage Homes is subject to the informational reporting requirements of the Securities Exchange and files reports, proxy statements and other information with the SEC. Such filings, particularly Meritage Homes Corporations Annual Report on Form 10-K for the Fiscal Year ended December 31, 2017, and its Quarterly Report on Form 10-Q for the six months ended June 30, 2018, set forth certain data relative to the consolidated results of operations and financial position of Meritage Homes and its subsidiaries as of such dates.

The Meritage’s Northern California Division has active projects in Lincoln, Roseville, El Dorado Hills, Woodland, Vacaville, Gilroy, Manteca, Hayward and Brentwood.

The shareholders of Meritage Homes do not guarantee and are not otherwise responsible for any liability of Meritage with respect to the land it is under contract to purchase, the improvements it will be build and the special taxes it will be levied.

**Tract Map Status.** The status of the tract maps for Village 7 is shown below:

**Tract Map Status for the Meritage Village in Improvement Area No. 1  
(as of June 1, 2018)**

<b>Village</b>	<b>Tract Map</b>	<b>Projected Number of Units</b>	<b>Date of Recordation (projected date in parenthesis)</b>
<b>Village 7</b>			
7A	3955	91	(7/18)
7B	3956	91	(3/19)
		182	

**Meritage Village Development Plan.** Under the Meritage PSA, Meritage will be responsible for constructing all of the in-tract improvements for both Phases in Village 7. Details of the Meritage Village are as follows:

**Village 7  
(Tract Nos. 3955 and 3956)  
(as of June 1, 2018)  
50 x 80 Typical Lot Size**

<b>Floor Plan</b>	<b>Square Footage</b>	<b>Total Number of Planned Units</b>	<b>Sales Price <sup>(1)</sup></b>
Plan 1	2,102	38	\$532,000
Plan 2	2,340	40	\$552,000
Plan 3	2,547	51	\$571,000
Plan 4	2,626	<u>53</u>	\$577,000
Totals		182	

(1) Sale prices are as of June 1, 2018. Sale prices are subject to change and exclude any lot premiums, options, upgrades, incentives and selling concessions or price reductions which may be offered.

(2) Meritage anticipates the construction of 3 model homes in this Village.

If, for any reason, Meritage does not acquire some or all of the Meritage Village, Tracy Phase I, LLC will market the unclosed property to other merchant builders.

## Shea

**Purchase and Sale Contract.** On June 11, 2018, Tracy Phase I, LLC and Shea Homes Limited Partnership, a California limited partnership (previously defined as “Shea”) entered into a Purchase and Sale Agreement and Joint Escrow Instructions (the “Shea PSA”) for the purchase of Village 2 in Improvement Area No. 1 (herein, the “Shea Villages”). Shea deposited \$2,000,000 with Tracy Phase I, LLC as an earnest money deposit, and this deposit is now non-refundable.

**There can be no assurance that Shea will actually acquire the Shea Village.** The Shea PSA contains numerous traditional conditions to closing (such as no defaults, no lawsuits, no condemnation of the property, delivery of title policy, and compliance with the Subdivision Map Act), but also contains the following additional conditions to closing:

- Shea has received, or concurrently with the closing will receive, an allocation from Tracy Phase I, LLC of at least 26 and up to 48 Buyer RGAs for use in calendar year 2018. By a letter dated December 19, 2017 from the City of Tracy, Phase 1 of the Tracy Hills Project was allocated 406 RGAs for 2018. Consequently, there are sufficient RGAs for Shea to obtain up to 48 building permits this year..
- Small Lot Final Map has been recorded. The map and related improvement agreements are scheduled for City Council approval on July 19, 2018. Following approval by the City Council, Tracy Phase I, LLC will record the Small Lot Final Map.
- The City has issued written confirmation that Shea can immediately obtain building permits for the construction of model residences on the model lots. Building permits for model residences do not count towards the 406 RGAs allocated to the project. Tracy Phase I, LLC is working to have the City Council approve an emergency access and water plan in August to allow the building of such model residences. Tracy Phase I, LLC anticipates that the City Council will approve such plans so as to allow compliance with this closing condition.

Closing is estimated to occur in September 2018. The purchase price for Village 2 will be paid in full by Shea at closing.

**General.** Village 2 (herein, the “Shea Village”) is being developed by Shea Homes Limited Partnership, a California limited partnership (previously defined as “Shea”). Since 1881, beginning in Portland, Oregon with a plumbing contractor business, the Shea family has expanded to start, own and operate various businesses, including homebuilding, heavy construction, venture capital, home mortgage, insurance and commercial property. Shea is based in Walnut, California, and has been in the business of building homes in California since 1968. Shea was formed pursuant to an agreement of partnership dated January 4, 1989. The partnership agreement was most recently amended March 23, 2016, by and between J.F. Shea, G.P., a Delaware general partnership, as general partner, and Shea’s limited partners, which are comprised of various entities and trusts, with ultimate beneficial ownership held by with various members of the Shea family.

Copies of Shea’s Annual Report and related financial statements, prepared in accordance with generally accepted accounting standards, are available from Shea’s website at [www.sheahomes.com](http://www.sheahomes.com). *Such internet address is included for reference only, and the information on such internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such internet site.*



**Tract Map Status.** The status of the tract map for Village 2 is shown below:

**Tract Map Status for the Shea Village in Improvement Area No. 1  
(as of June 1, 2018)**

<b>Village</b>	<b>Tract Map</b>	<b>Projected Number of Units</b>	<b>Date of Recordation (projected date in parenthesis)</b>
Village 2	3888	74	(7/18)

**Shea Village Development Plan.** Tracy Phase I, LLC is constructing the in-tract improvements in Village 2 to a finished lot condition. Details of the Shea Village are as follows:

**Village 2  
(Tract No. 3888)  
(as of June 1, 2018)  
55 x 100 Typical Lot Size**

<b>Floor Plan</b>	<b>Square Footage</b>	<b>Total Number of Planned Units</b>	<b>Sales Price <sup>(1)</sup></b>
Plan 1	2,250	25	\$615,000
Plan 2	3,250	24	\$665,000
Plan 3	3,450	25	\$695,000
Totals		74	

(1) Sale prices are as of June 1, 2018. Sale prices are subject to change and exclude any lot premiums, options, upgrades, incentives and selling concessions or price reductions which may be offered.

(2) Shea anticipates the construction of 1-3 model homes in this Village.

If, for any reason, Shea does not acquire some or all of the Shea Village, Tracy Phase I, LLC will market the unclosed property to other merchant builders.

## VALUE OF LAND IN IMPROVEMENT AREA NO. 1

### Appraised Values

**General.** Given the largely undeveloped nature of the land in Improvement Area No. 1, the City ordered preparation of an appraisal report dated June 8, 2018 (the “**Appraisal**”), of the estimated value of the taxable land within Improvement Area No. 1 as of a June 1, 2018 date of value. The Appraisal was prepared by Integra Realty Resources, Rocklin, California (the “**Appraiser**”). The Appraisal is set forth in its entirety as APPENDIX C hereto. The description herein of the Appraisal is intended for limited purposes only; the Appraisal should be read in its entirety. The conclusions reached in the Appraisal are subject to certain assumptions, conditions and qualifications which are set forth in the Appraisal.

**Property Appraised.** The properties appraised encompass all of the taxable land in Improvement Area No. 1, which are planned for development as 1,139 single-family detached homes in eight Villages, with lot sizes ranging from 4,000 square feet to 7,000 square feet. The Appraisal excluded the Transferred Property that is subject of the Change Proceedings (see “THE DISTRICT AND IMPROVEMENT AREA NO. 1 – Formation and Background – Change Proceedings”).

**Value Estimate.** The Appraisal provides a market value of the appraised properties by Village, as well as a cumulative value, as of the date of value of \$123,610,000, or \$108/525 per lot. The aggregate value is not the market value of the appraised properties in bulk.

**Appraisal Methodology.** The Appraiser utilized various appraisal methodologies when determining the appraisal value.

First, the Appraiser utilized the sales comparison approach to determine the appraised value. The underlying premise of the sales comparison approach is the market value of a property is directly related to the price of comparable, competitive properties in the marketplace. In the sales comparison approach, the market value of the subject detached lots will be estimated by a comparison to similar properties that have recently sold, are listed for sale or are under contract. The Appraiser stated that the market data set consists of various sales that are considered reasonable indicators of market value for the fee simple interest in the single family residential lot category of the subject property. After accounting for remaining site development costs, permits and fees and special taxes, the Appraiser states that the data set reflects an unadjusted (loaded lot price) range of \$170,585 to \$270,723 per lot. Comparable 1 is the pending sale of 608 lots within the subject property by Lennar Homes, the Nation’s largest homebuilder, in one transaction, which is the most recent transaction in the data set, and a good indicator of achievable prices for the subject’s benchmark lot category.

Second, the Appraiser undertook a land residual analysis. The Appraisal indicates the land residual analysis is employed as an additional indicator of market value for the subject’s lots, by phase. This valuation method is used in estimating land value when subdivision and development are the highest and best use of the land being appraised. All direct and indirect costs are deducted from an estimate of the anticipated gross sales price of the improved product; the resultant net sales proceeds are then discounted to present value at an anticipated rate over the development and absorption period to indicate the value of the land. The land residual analysis is conducted on a quarterly basis. As a discounted cash flow analysis, the land residual analysis consists of four primary components: revenue, absorption analysis, expenses and discount rate. The Appraiser notes that based on this analysis, at \$210,000, the estimate of residual value is consistent with the value via the sales comparison approach estimate (\$210,000), which is relied upon in the Appraiser’s final conclusion of value. Additional details on the Appraiser’s land residual analysis are set forth in the Appraisal.

Finally, the Appraiser analyzed the market value of the appraiser property (in bulk). All but one of the villages are currently in contract to sell to merchant builders, all with an anticipated COE of September

2018; however, as of the date of value all properties within Improvement Area No. 1 are held by the master developer. Therefore, the market value (in bulk) will be estimated by employing the subdivision development method (discounted cash flow analysis); whereby, the expected revenue, absorption period, expenses and discount rate associated with the development and sell-off of the residential lots, in bulk, to merchant builders will be taken into account. A discounted cash flow analysis is a procedure in which a discount rate is applied to a projected revenue stream generated from the sale of individual components of a project. In this method of valuation, the appraiser specifies the quantity, variability, timing and duration of the revenue streams and discounts each to its present value at a specified yield rate. As a discounted cash flow analysis, the subdivision development method consists of four primary components—revenue, expenses, absorption and discount rate. Discussions of these four concepts is set forth in the Appraisal.

**Hypothetical Condition.** A hypothetical condition is a condition contrary to known facts on the effective date of the appraisal, but is supposed for the purposes of analysis. The estimate of market value in the Appraisal is subject to the hypothetical condition that proceeds from the 2018 Bonds have been used to fund the completion of site development associated with Phase 1 of Tracy Hills.

**Assumptions and Limiting Conditions.** In addition to the hypothetical condition described above, the market value of the appraised parcels is subject to a number of other assumptions and conditions which affect the estimates as to value, including, among others, the following.

- The value estimate assumes that the transfer would reflect a cash transaction or terms considered to be equivalent to cash. The estimate is also premised on an assumed sale after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, for their own self-interest, and assuming that neither is under undue stress.
- The valuation analysis did not include review of a current title report of all properties to determine any possible conditions of title affecting the properties appraised. The Appraiser accepts no responsibility for matters pertaining to title.
- The Appraiser has also assumed that there is no hazardous material on or in the property that would cause a loss in value. Should future conditions and events involving hazardous material reduce the level of permitted development or delay the completion of any projected development, the value of the undeveloped land would likely be reduced from that estimated by the Appraiser. See “BOND OWNERS’ RISKS – Property Values” below.

See “APPENDIX C – The Appraisal” hereto for a description of certain assumptions made by the Appraiser. Accordingly, because the Appraiser arrived at an estimate of current market value based upon certain assumptions which may or may not be fulfilled, no assurance can be given that should the parcels become delinquent due to unpaid Special Taxes, and be foreclosed upon and offered for sale for the amount of the delinquency, that any bid would be received for such property or, if a bid is received, that such bid would be sufficient to pay such delinquent Special Taxes.

**Limitations of Appraisal Valuation.** Property values may not be evenly distributed throughout Improvement Area No. 1; thus, certain parcels may have a greater value than others. This disparity is significant because in the event of nonpayment of the Special Tax, the only remedy is to foreclose against the delinquent parcel. No assurance can be given that the foregoing valuation can or will be maintained during the period of time that the 2018 Bonds are outstanding in that the City has no control over the market value of the property within Improvement Area No. 1 or the amount of additional indebtedness that may be issued in the future by other public agencies, the payment of which, through the levy of a tax or an assessment, may be on a parity with the Special Taxes.

For a description of certain risks that might affect the assumptions made in the Appraisal, see “BOND OWNERS’ RISKS” herein. *Neither the City nor the Underwriter makes any representation as to the accuracy or completeness of the Appraisal. See APPENDIX H for the Appraisal Report.*

### Appraised Value-to-Lien Ratios

**Value-to-Lien Analysis by Proposed Merchant Builder Ownership..** The following table shows the approximate value-to-lien ratios allocated to the merchant builders expected to acquire the Villages in Improvement Area No. 1, based on the appraised values set forth in the Appraisal and the proposed principal amount of the 2018 Bonds.

No other community facilities districts or assessment districts currently have overlapping bonded debt affecting the property in Improvement Area No. 1. The estimated value-to-lien ratio of the land within Improvement Area No. 1 including general obligation bond debt would be \_\_\_\_\*. *No assurance can be given that the amounts shown in these tables will conform to those ultimately realized in the event of a foreclosure action following delinquency in the payment of the Special Taxes.*

**Table 3  
Appraised Values and Value-to-Lien Ratios  
By Proposed Property**

<b>Proposed Merchant Builder/Property Owner <sup>(1)</sup></b>	<b>Expected Residential Units</b>	<b>Maximum Special Tax at Buildout (FY 2018-19) <sup>(2)</sup></b>	<b>Percentage of Maximum Special Tax at Buildout</b>	<b>Appraised Value <sup>(3)</sup></b>	<b>Allocated 2018 Bond Debt* <sup>(4)(5)</sup></b>	<b>Estimated Value-to-Lien*</b>
<u>Villages to be Purchased by Lennar</u>						
Village 1	160	\$417,012	11.7%	\$17,220,000	\$4,096,749	4.20
Village 3	103	303,757	8.5	11,600,000	2,984,123	3.89
Village 4	149	407,950	11.5	16,110,000	4,007,716	4.02
Village 5	196	713,221	20.0	22,950,000	7,006,716	3.28
Village 8	139	531,028	14.9	15,700,000	5,216,849	3.01
Subtotal	747	\$2,372,968	66.6%	\$83,580,000	\$23,312,152	3.59
<u>Villages to be Purchased by Shea</u>						
Village 2	74	\$218,390	6.1%	\$7,900,000	\$2,145,476	3.68
<u>Village to be Purchased by Meritage Homes</u>						
Village 7	182	\$427,225	12.0%	\$15,480,000	\$4,197,082	3.69
<u>Remainder of Property</u>						
Village 6	136	\$544,103	15.3%	\$15,270,000	\$5,345,289	2.86
<b>Total</b>	<b>1,139</b>	<b>\$3,562,686</b>	<b>100.0%</b>	<b>\$122,230,000</b>	<b>\$35,000,000</b>	<b>3.49</b>

\*Preliminary, subject to change.

(1) Based on the appraisal report.

(2) Reflects the Maximum Special Tax rates as calculated per Section D.2 of the Rate and Method. The Maximum Special Tax at buildout is based on the expected completed homes on all parcels at buildout of all eight Villages.

(3) Does not include the Business Park Property. The difference between the \$122,580,000 aggregate appraised value in the appraisal report and the \$122,230,000 references above is due to the effect of rounding when a discounted cash value is applied to each Village individually.

(4) Allocated based on the percentage of the maximum special tax at buildout of all eight Villages.

(5) No other community facilities districts or assessment districts currently have overlapping bonded debt affecting the property in Improvement Area No. 1. Does not take into account overlapping general obligation bond debt.

Source: Integra Realty Resources; Goodwin Consulting Group, Inc.

\* Preliminary; subject to change.

**Value-to-Lien Analysis by Village.** The following table shows the approximate value-to-lien ratios for each of the Villages in Improvement Area No. 1, based on the appraised values set forth in the Appraisal and the proposed principal amount of the 2018 Bonds.

No other community facilities districts or assessment districts currently have overlapping bonded debt affecting the property in Improvement Area No. 1. The estimated value-to-lien ratio of the land within Improvement Area No. 1 including general obligation bond debt would be \_\_\_\_\*.

*No assurance can be given that the amounts shown in these tables will conform to those ultimately realized in the event of a foreclosure action following delinquency in the payment of the Special Taxes.*

**Table 4  
Appraised Values and Value-to-Lien Ratios by Village**

<b>Village</b>	<b>Expected Residential Units</b>	<b>Maximum Special Tax at Buildout (FY 2018-19\$) <sup>(1)</sup></b>	<b>Percentage of Maximum Special Tax at Buildout</b>	<b>Appraised Value <sup>(2)</sup></b>	<b>Allocated 2018 Bond Debt* <sup>(3)</sup></b>	<b>Estimated Value-to-Lien*</b>
Village 1	160	\$417,012	11.7%	\$17,220,000	\$4,096,749	4.20
Village 2	74	218,390	6.1	7,900,000	2,145,476	3.68
Village 3	103	303,757	8.5	11,600,000	2,984,123	3.89
Village 4	149	407,950	11.5	16,110,000	4,007,716	4.02
Village 5	196	713,221	20.0	22,950,000	7,006,716	3.28
Village 6	136	544,103	15.3	15,270,000	5,345,289	2.86
Village 7	182	427,225	12.0	15,480,000	4,197,082	3.69
Village 8	139	531,028	14.9	15,700,000	5,216,849	3.01
<b>Total</b>	<b>1,139</b>	<b>\$3,562,686</b>	<b>100.0%</b>	<b>\$122,230,000</b>	<b>\$35,000,000</b>	<b>3.49</b>

\*Preliminary, subject to change.

(1) Reflects the Maximum Special Tax rates as calculated per Section D.2 of the Rate and Method. The Maximum Special Tax at buildout is based on the expected completed homes on all parcels at buildout of all eight Villages.

(2) Does not include the Business Park Property. The difference between the \$122,580,000 aggregate appraised value in the appraisal report and the \$122,230,000 referenced above is due to the effect of a rounding when a discounted cash value is applied to each Village individually.

(3) No other community facilities districts or assessment districts currently have overlapping bonded debt affecting the property in Improvement Area No. 1. Does not take into account overlapping general obligation bond debt.

Source: *Integra Realty Resources; Goodwin Consulting Group, Inc.*

\* Preliminary; subject to change.

**Illustrative Tax Bill.** The following table shows an illustrative tax bill for a sample home in each of the Villages in Improvement Area No. 1.

**Table 5  
Fiscal Year 2018-2019 Illustrative Tax Bill**

<b>Assumptions</b>		<b><u>Village 1</u></b>	<b><u>Village 2</u></b>	<b><u>Village 3</u></b>	<b><u>Village 4</u></b>	<b><u>Village 5</u></b>	<b><u>Village 6</u></b>	<b><u>Village 7</u></b>	<b><u>Village 8</u></b>
Estimated Sales Price <sup>(1)</sup>		\$589,000	\$651,000	\$669,000	\$615,500	\$692,500	\$725,000	\$567,000	\$702,000
Homeowner's Exemption		(\$7,000)	(\$7,000)	(\$7,000)	(\$7,000)	(\$7,000)	(\$7,000)	(\$7,000)	(\$7,000)
<b>Net Expected Assessed Value</b>		<b>\$582,000</b>	<b>\$644,000</b>	<b>\$662,000</b>	<b>\$608,500</b>	<b>\$685,500</b>	<b>\$718,000</b>	<b>\$560,000</b>	<b>\$695,000</b>
<b><u>Ad Valorem Tax Rate</u></b>	<b><u>Rate</u></b>								
County General	1.00000%	\$5,820	\$6,440	\$6,620	\$6,085	\$6,855	\$7,180	\$5,600	\$6,950
Jefferson Elem Bond 2010A	0.01550%	90	100	103	94	106	111	87	108
Jefferson Elem Bond 2010B	0.00690%	40	44	46	42	47	50	39	48
Jefferson Elem Bond 2010C	0.00400%	23	26	26	24	27	29	22	28
SJ Delta College Bond 2004B	0.01550%	90	100	103	94	106	111	87	108
SJ Delta College Bond 2004C	0.00180%	10	12	12	11	12	13	10	13
SJ Delta College Bond 2015R	0.00070%	4	5	5	4	5	5	4	5
Tracy-Lammersville SD Bond 2014R	0.01000%	58	64	66	61	69	72	56	70
Tracy-Lammersville SD Bond 2006C/2015R	0.00720%	42	46	48	44	49	52	40	50
<b>Total Ad Valorem Taxes</b>	<b>1.06160%</b>	<b>\$6,179</b>	<b>\$6,837</b>	<b>\$7,028</b>	<b>\$6,460</b>	<b>\$7,277</b>	<b>\$7,622</b>	<b>\$5,945</b>	<b>\$7,378</b>
<b><u>Direct Charges</u></b>									
Tracy Rural Fire		\$70	\$89	\$93	\$78	\$99	\$107	\$68	\$101
SJC Mosq & VCTR Contr-Benefit Assessment		9	9	9	9	9	9	9	9
Water Investigation		2	2	2	2	2	2	2	2
SJC Mosquito Abatement		17	17	17	17	17	17	17	17
CFD No. 2016-1 (Tracy Hills)		2,606	2,951	2,949	2,738	3,639	4,001	2,347	3,820
CFD No. 2018-1 (Maintenance and Public Services)		219	219	219	219	219	219	219	219
<b>Total Direct Charges</b>		<b>\$2,923</b>	<b>\$3,286</b>	<b>\$3,289</b>	<b>\$3,062</b>	<b>\$3,984</b>	<b>\$4,354</b>	<b>\$2,661</b>	<b>\$4,167</b>
<b>Total Taxes and Direct Charges</b>		<b>\$9,102</b>	<b>\$10,123</b>	<b>\$10,316</b>	<b>\$9,522</b>	<b>\$11,262</b>	<b>\$11,976</b>	<b>\$8,606</b>	<b>\$11,546</b>
<b>Percentage of Estimated Sales Price</b>		<b>1.55%</b>	<b>1.55%</b>	<b>1.54%</b>	<b>1.55%</b>	<b>1.63%</b>	<b>1.65%</b>	<b>1.52%</b>	<b>1.64%</b>

(1) Reflects the average estimated sales price per the Market Absorption Study.  
Source: Empire Economics; San Joaquin County Tax Collector's Office, Goodwin Consulting Group, Inc.

## Direct and Overlapping Governmental Obligations

**Overlapping Debt Statement.** Contained within the boundaries of Improvement Area No. 1 are certain overlapping local agencies providing public services. Many of these local agencies have outstanding debt. The direct and overlapping debt affecting Improvement Area No. 1 as of July 1, 2018 is shown in the table below, a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. The Debt Report is included for general information purposes only. Neither the City nor the Underwriter has reviewed the Debt Report for completeness or accuracy and neither makes any representation in connection therewith.

The Debt Report generally includes long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of Improvement Area No. 1 in whole or in part. These long-term obligations are not payable from revenues of Improvement Area No. 1 (except as indicated) nor are they necessarily obligations secured by land within Improvement Area No. 1. In many cases long term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies that have outstanding debt as of the date of the Debt Report and whose territory overlaps Improvement Area No. 1; (2) the second column shows the percentage of the assessed valuation of the overlapping public agency identified in column 1 which is represented by property located within Improvement Area No. 1; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in Improvement Area No. 1, as determined by multiplying the total outstanding debt of each agency by the percentage of the public agency's assessed valuation represented in column 2.

**Table 6**  
**Direct and Overlapping Governmental Obligations**  
**As of July 1, 2018**

2017-18 Assessed Valuation: \$10,393,573 (Land & Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 7/1/18</u>
San Joaquin Delta Community College District General Obligation Bonds	0.013%	\$ 20,737
Tracy Unified School District General Obligation Bonds	0.062	23,813
Jefferson School District General Obligation Bonds	0.481	157,145
<b>City of Tracy Community Facilities District No. 2016-1, I.A. No. 1</b>	<b>100.000</b>	<b>-</b> (1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$201,695</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Joaquin County General Fund Obligations	0.015%	\$13,547
City of Tracy General Fund Obligations	0.100	<u>21,683</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$35,230
COMBINED TOTAL DEBT		\$236,925 (2)

Ratios to 2017-18 Assessed Valuation:

<b>Direct Debt</b> .....	<b>0.00%</b>
Total Direct and Overlapping Tax and Assessment Debt.....	1.94%
Combined Total Debt.....	2.28%

(1) Excludes the 2018 Bonds.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.



## Potential Consequences of Special Tax Delinquencies

**General.** Delinquencies in the payment of property taxes (including the Special Taxes) with respect to property in Improvement Area No. 1 could result in draws on the 2018 Reserve Fund established for the 2018 Bonds, and perhaps, ultimately, a default in the payment on the 2018 Bonds. See “BOND OWNERS’ RISKS.”

The Board of Supervisors of San Joaquin County adopted the Teeter Plan in Fiscal Year 1994-95. The County has elected to apply its Teeter Plan to the collection of the Special Taxes in Improvement Area No. 1. To the extent that the County’s Teeter Plan continues in existence and is carried out as adopted, and to the extent the County does not discontinue the Teeter Plan with respect to the District, the County’s Teeter Plan may help protect owners of the 2018 Bonds from the risk of delinquencies in the payment of Special Tax. *There can be no assurance that the County will not modify or eliminate its Teeter Plan, or choose to remove the District from its Teeter Plan, while the 2018 Bonds are outstanding.* See “SECURITY FOR THE 2018 BONDS – Covenant to Foreclose – Special Tax Delinquencies; Teeter Plan” for additional information.

**Special Tax Enforcement and Collection Procedures.** The City could receive additional funds for the payment of debt service through foreclosures sales of delinquent property, but no assurance can be given as to the amount of foreclosure sale proceeds or when foreclosure sale proceeds would be received. The City has covenanted in the Fiscal Agent Agreement to take certain enforcement actions and commence and pursue foreclosure proceedings against delinquent parcels under the terms and conditions described herein. See “SECURITY FOR THE 2018 BONDS — Covenant to Foreclose” and “BOND OWNERS’ RISKS.”

Foreclosure actions would include, among other steps, formal City Council action to authorize commencement of foreclosure proceedings, mailing multiple demand letters to the record owners of the delinquent parcels advising them of the consequences of failing to pay the applicable Special Taxes and contacting secured lenders to obtain payment. If these efforts were unsuccessful, they would be followed (as needed) by the filing of an action to foreclose in superior court against each parcel that remained delinquent.

**Limitations on Increases in Special Tax Levy.** If owners are delinquent in the payment of Special Taxes, the City may not increase Special Tax levies to make up for delinquencies for prior Fiscal Years above the Maximum Special Tax rates specified for each category of property within Improvement Area No. 1. See “SECURITY FOR THE 2018 BONDS – Rate and Method.” In addition, Section 53321(d) of the Act provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within a community facilities district by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. In cases of significant delinquency, these factors may result in defaults in the payment of principal of and interest on the 2018 Bonds. See “BOND OWNERS’ RISKS.”

## **BOND OWNERS' RISKS**

*The purchase of the 2018 Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks which should be considered before making an investment decision. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the 2018 Bonds.*

### **Limited Obligation of the City to Pay Debt Service**

The City has no obligation to pay principal of and interest on the 2018 Bonds if Special Tax collections are delinquent or insufficient, other than from amounts, if any, on deposit in the 2018 Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels for Special Tax delinquencies. The City is not obligated to advance funds to pay debt service on the 2018 Bonds.

### **Concentration of Ownership**

All of the land within Improvement Area No. 1 is currently owned by THPO, which is under contract to sell the majority of the land to various merchant builders. The owners of property in Improvement Area No. 1 are not personally obligated to pay the Special Tax attributable to their property. Rather, the Special Tax is an obligation only against the parcel of property, secured by the amount which could be realized in a foreclosure proceeding against the property, and not by any promise of the owner to pay. If the value of the property is not sufficient, taking into account other obligations also constituting a lien against the property, the City, Fiscal Agent and owners of the 2018 Bonds have no recourse against the owner, such as filing a lawsuit to collect money.

Failure of THPO, the merchant builders, or any future owner of significant property subject to the Special Taxes in Improvement Area No. 1 to pay installments of Special Taxes when due could cause the depletion of the reserve fund prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax and, consequently, result in the delinquency rate reaching a level that would cause an insufficiency in collection of the Special Tax for the City to pay debt service with respect to the 2018 Bonds.

### **Future Property Development**

Continuing development of the parcels in Improvement Area No. 1 may be adversely affected by changes in general or local economic conditions, fluctuations in or a deterioration of the real estate market, increased construction costs, development, financing and marketing capabilities of the developer, water or electricity shortages, discovery on the undeveloped property of any plants or animals in their habitat that have been listed as endangered species, changes in laws, and other factors outside the control of the owners of land in Improvement Area No. 1. Development in Improvement Area No. 1 may also be affected by development in surrounding areas, which may compete with the property in Improvement Area No. 1.

For example, H.R. 1 of the 115th U.S. Congress, known as the “Tax Cuts and Jobs Act,” was enacted into law on December 22, 2017 (Pub. L. No. 115-97 (2017)) (the “**Tax Act**”). The Tax Act makes significant changes to many aspects of the Tax Code (defined herein). For example, the Tax Act reduces the amount of mortgage interest expense and state local income tax and property tax expense that individuals may deduct from their gross income for federal income tax purposes, which could increase the cost of home ownership within Improvement Area No. 1 and could adversely affect the sale of homes by the merchant buildings in Improvement Area No. 1. However, neither the City nor the District can predict the effect that the Tax Act may have on the cost of home ownership or the price of homes in Improvement Area No. 1, the rate at which homes in Improvement Area No. 1 are sold to end users by the merchant builders, or the ability or willingness of homeowners to pay Special Taxes or property taxes.

### **Levy and Collection of the Special Tax**

**General.** The principal source of payment of principal of and interest on the 2018 Bonds is the proceeds of the annual levy and collection of the Special Tax against property within Improvement Area No. 1.

**Limitation on Maximum Special Tax Rate.** The annual levy of the Special Tax is subject to the maximum annual Special Tax rate authorized in the Rate and Method. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the 2018 Bonds.

**No Relationship Between Property Value and Special Tax Levy.** Because the Special Tax formula set forth in the Rate and Method is not based on property value, the levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular parcels of Taxable Property and the amount of the levy of the Special Tax against those parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of the parcels of Taxable Property and their proportionate share of debt service on the 2018 Bonds, and certainly not a direct relationship.

**Factors that Could Lead to Special Tax Deficiencies.** The following are some of the factors that might cause the levy of the Special Tax on any particular parcel of Taxable Property to vary from the Special Tax that might otherwise be expected:

*Transfers to Governmental Entities.* The number of parcels of Taxable Property could be reduced through the acquisition of Taxable Property by a governmental entity and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining taxed parcels. See “–Exempt Properties” below.

*Property Tax Delinquencies.* Failure of the owners of Taxable Property to pay property taxes (and, consequently, the Special Tax), or delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, could result in a deficiency in the collection of Special Tax revenues. See “–Property Tax Delinquencies” below.

**Delays Following Special Tax Delinquencies and Foreclosure Sales.** The Fiscal Agent Agreement generally provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described in “SECURITY FOR THE 2018 BONDS – Covenant to Foreclose” and in the Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ordinary *ad valorem* property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County.

If sales or foreclosures of property are necessary, there could be a delay in payments to owners of the 2018 Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the City of the proceeds of sale if the 2018 Reserve Fund is depleted. See “SECURITY FOR THE 2018 BONDS – Covenant to Foreclose.”

The ability of the City to collect interest and penalties specified by State law and to foreclose against properties having delinquent Special Tax installments may be limited in certain respects with regard to properties in which a federal governmental agency has or obtains an interest. See “ – FDIC/Federal Government Interests in Properties” below.

Other laws generally affecting creditors’ rights or relating to judicial foreclosure may affect the ability to enforce payment of Special Taxes or the timing of enforcement of Special Taxes. For example, the Soldiers and Sailors Civil Relief Act of 1940 affords protections such as a stay in enforcement of the foreclosure covenant, a six-month period after termination of such military service to redeem property sold to enforce the collection of a tax or assessment, and a limitation on the interest rate on the delinquent tax or assessment to persons in military service if the court concludes the ability to pay such taxes or assessments is materially affected by reason of such service.

### **Property Tax Delinquencies**

**General.** Delinquencies in the payment of property taxes and, consequently, the Special Taxes, can occur because the owners of delinquent parcels may not have received property tax bills from the County in a timely manner, including situations in which the County initially sent property tax bills to the property developer or merchant builder at a time when the parcels in question had already been sold to individual homeowners. Delinquencies can also reflect economic difficulties and duress by the property owner.

Numerous future delinquencies by the owners of Taxable Property in Improvement Area No. 1 in the payment of property taxes (and, consequently, the Special Taxes, which are collected on the ordinary property tax bills) when due could result in a deficiency in Special Tax revenues necessary to pay debt service on the 2018 Bonds, which could in turn result in the depletion of the 2018 Reserve Fund, prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax. In that event, there could be a delay or failure in payments of the principal of and interest on the 2018 Bonds. See “SECURITY FOR THE 2018 BONDS – 2018 Reserve Fund,” and “VALUE OF LAND IN IMPROVEMENT AREA NO. 1 – Potential Consequences of Special Tax Delinquencies.”

**Measures to Mitigate Consequences of Continuing Delinquencies.** The City intends to take certain actions designed to mitigate the impact of future delinquencies, including: enforcing the lien of the Special Taxes through collection procedures that will include foreclosure actions under certain circumstances (see “SECURITY FOR THE 2018 BONDS – Covenant to Foreclose”); and increasing the levy of Special Taxes against non-delinquent property owners in Improvement Area No. 1 to the extent permitted under the Rate and Method and the Act, and to the extent the Special Taxes are not already being levied at the maximum Special Tax rate. See “VALUE OF LAND IN IMPROVEMENT AREA NO. 1 – Potential Consequences of Special Tax Delinquencies.”

**Limitations on Increases in Special Tax Levy.** If property owners are delinquent in the payment of the Special Tax, the City may not increase Special Tax levies to make up for delinquencies for prior fiscal years above the maximum annual Special Tax rates specified in the Rate and Method.

In addition, the City’s ability to increase Special Tax levies on residential property to make up for delinquencies for prior Fiscal Years is limited by Section 53321(d) of the Act, which provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been

issued may not be increased as a consequence of delinquency or default by the owner of any other parcel by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

In cases of significant delinquency, these factors may result in defaults in the payment of principal of and interest on the 2018 Bonds.

### **Risks Related to High Loan to Value Ratios**

Once homes have been constructed in Improvement Area No. 1, future decline in home values could result in property owner unwillingness or inability to pay mortgage payments, as well as *ad valorem* property taxes and Special Taxes, when due. Under such circumstances, bankruptcies are likely to increase. Bankruptcy by homeowners with delinquent Special Taxes would delay the commencement and completion of foreclosure proceedings to collect delinquent Special Taxes.

It is possible that laws could be enacted in the future to assist homeowners in default in the payment of mortgages and property taxes. It is further possible that federal laws could be enacted that would adversely impact the ability of the City to foreclose on parcels with delinquent Special Taxes. No assurance can be given that any such laws will be enacted, or if enacted will be effective in assisting affected homeowners.

### **Payment of Special Tax is not a Personal Obligation of the Property Owners**

An owner of Taxable Property is not personally obligated to pay the Special Taxes. Rather, the Special Taxes are an obligation running only against the parcels of Taxable Property. If, after a default in the payment of the Special Tax and a foreclosure sale by the City, the resulting proceeds are insufficient, taking into account other obligations also constituting a lien against the affected parcels of Taxable Property, the City has no recourse against the owner.

### **Appraised Values**

The Appraisal summarized in APPENDIX H estimates the market value of the property that is currently Taxable Property within Improvement Area No. 1. This market value is merely the opinion of the Appraiser as of the date of value set forth in the Appraisal, and is subject to the assumptions and limiting conditions stated in the Appraisal. The City has not sought an updated opinion of value by the Appraiser subsequent to the date of value of the Appraisal, or an opinion of the value of the Taxable Property by any other appraiser. A different opinion of value might be rendered by a different appraiser.

The opinion of value assumes a sale by a willing seller to a willing buyer, each having similar information and neither being forced by other circumstances to sell or to buy. Consequently, the opinion is of limited use in predicting the selling price at a foreclosure sale, because the sale is forced and the buyer may not have the benefit of full information.

In addition, the opinion of value is made as of the date of value set forth in the Appraisal, based upon facts and circumstances existing as of the date of value. Differing facts and circumstances may lead to differing opinions of value. The appraised value is not evidence of future value because future facts and circumstances may differ significantly from the facts and circumstances at the time the Appraisal was prepared.

No assurance can be given that any of the taxable property in Improvement Area No. 1 could be sold for the estimated market value contained in the Appraisal if that property should become delinquent in the payment of Special Taxes and be foreclosed upon.

## Property Values

The value of taxable property within Improvement Area No. 1 is a critical factor in determining the investment quality of the 2018 Bonds. If a property owner defaults in the payment of the Special Tax, the City's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Land values could be adversely affected by economic and other factors beyond the City's control, such as a general economic downturn, relocation of employers out of the area, shortages of water, electricity, natural gas or other utilities, destruction of property caused by earthquake, flood, landslides, wildfires, or other natural disasters, environmental pollution or contamination, or unfavorable economic conditions.

The following is a discussion of specific risk factors that could affect the value of property in Improvement Area No. 1.

**Natural Disasters.** The value of the taxable property in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the taxable property and the continued habitability and enjoyment of such private improvements.

The areas in and surrounding Improvement Area No. 1, like those in much of California, may be subject to unpredictable seismic activity, including earthquakes and landslides. Other natural disasters could include, without limitation, floods, landslides, wildfires, droughts or tornadoes. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances there could be significant delinquencies in the payment of Special Taxes, and the value of the Taxable Property may well depreciate or disappear. See "THE DISTRICT AND IMPROVEMENT AREA NO. 1 – Environmental Matters" for additional details on certain environmental matters.

With respect to droughts specifically, California has a history of suffering drought conditions periodically. In response to the most recent drought conditions, on January 17, 2014, the Governor declared a state of drought emergency, calling on Californians to conserve water, and subsequent conservation orders and regulations were imposed by the Governor and the California State Water Resources Control Board. As the result of storms in California in late 2016 and early 2017, the exceptional drought designation was removed. Notwithstanding the improved water conditions, the City cannot predict or make any representations regarding the effects that the recent drought and related conditions had or may have on the value of Taxable Property within Improvement Area No. 1, or to what extent the effects the recent drought or any future drought may have on the pace of development in Improvement Area No. 1.

**Legal Requirements.** Other events that may affect the value of taxable property include changes in the law or application of the law. Such changes may include, without limitation, local growth control initiatives, local utility connection moratoriums and local application of statewide tax and governmental spending limitation measures.

**Hazardous Substances.** One of the most serious risks in terms of the potential reduction in the value of Taxable Property is a claim with regard to a hazardous substance. In general, the owners and operators of Taxable Property may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or

operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the Taxable Property be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The property values set forth in this Official Statement do not take into account the possible reduction in marketability and value of any of the Taxable Property by reason of the possible liability of the owner or operator for the remedy of a hazardous substance condition of the parcel. Although the City is not aware that the owner or operator of any of the Taxable Property has such a current liability with respect to any of the Taxable Property, it is possible that such liabilities do currently exist and that the City is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the Taxable Property resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but that has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently on the parcel of a substance not presently classified as hazardous but that may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of Taxable Property that is realizable upon a delinquency.

### **Other Possible Claims Upon the Value of Taxable Property**

While the Special Taxes are secured by the taxable property, the security only extends to the value of such Taxable Property that is not subject to priority and parity liens and similar claims.

The tables in the sections entitled "VALUE OF LAND IN IMPROVEMENT AREA NO. 1 – Direct and Overlapping Governmental Obligations" and "– Illustrative Tax Bill," show the presently outstanding amount of governmental obligations, the tax or assessment for which is or may become an obligation of one or more of the parcels of Taxable Property. The tables do not specifically identify which of the governmental obligations are secured by liens on one or more of the parcels of Taxable Property.

In addition, other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels of Taxable Property and may be secured by a lien on a parity with the lien of the Special Tax securing the 2018 Bonds.

The principal of and interest on the 2018 Bonds are payable from the Special Tax authorized to be collected within Improvement Area No. 1, and payment of the Special Tax is secured by a lien on taxable real property within Improvement Area No. 1. Such lien is co-equal to and independent of the lien for general taxes and any other liens imposed under the Act, regardless of when they are imposed on the property in Improvement Area No. 1. The imposition of additional special taxes, assessments and general property taxes will increase the amount of independent and co-equal liens which must be satisfied in foreclosure if unpaid. The City, the County and certain other public agencies are authorized by the Act to form other community facilities districts and improvement areas and, under other provisions of State law, to form special assessment districts, either or both of which could include all or a portion of the land within Improvement Area No. 1. Finally, although the Special Taxes will generally have priority over non-governmental liens on a parcel of property in Improvement Area No. 1, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special Tax or not, this result may not apply in the case of bankruptcy. See "BOND OWNERS' RISKS– Bankruptcy Delays" below.

## Exempt Properties

Certain properties are exempt from the Special Tax in accordance with the Rate and Method and the Act, which provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property within Improvement Area No. 1 acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. See “SECURITY FOR THE 2018 BONDS – Rate and Method.”

In addition, although the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the Special Tax. The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax.

## FDIC/Federal Government Interests in Properties

**General.** The ability of the City to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the FDIC, the Federal National Mortgage Association, the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest.

The supremacy clause of the United States Constitution reads as follows: “This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding.”

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association (“**FNMA**”) is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2018 Bonds are outstanding.



**FDIC.** In the event that any financial institution making any loan which is secured by real property within Improvement Area No. 1 is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC's policy statement regarding the payment of state and local real property taxes (the "**Policy Statement**") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from Mello-Roos special taxes.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within Improvement Area No. 1 in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the 2018 Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the 2018 Bonds.

### **Depletion of 2018 Reserve Fund**

The 2018 Reserve Fund is to be maintained at an amount equal to the Reserve Requirement for the 2018 Bonds. See "SECURITY FOR THE 2018 BONDS – 2018 Reserve Fund." The 2018 Reserve Fund will be used to pay principal of and interest on the 2018 Bonds (and any Related Parity Bonds) if insufficient funds are available from the proceeds of the levy and collection of the Special Tax against property within Improvement Area No. 1. If the 2018 Reserve Fund is depleted, it can be replenished from the proceeds of the levy and collection of the Special Taxes that exceed the amounts to be paid to the owners of the 2018 Bonds (and any Related Parity Bonds) under the Fiscal Agent Agreement. However, because the Special Tax levy is limited to the maximum annual Special Tax rates, it is possible that no replenishment would be possible if the Special Tax proceeds, together with other available funds, remain insufficient to pay all such amounts. Thus, it is possible that the 2018 Reserve Fund will be depleted and not be replenished by the levy and collection of the Special Taxes.

## **Bankruptcy Delays**

The payment of the Special Tax and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax, as discussed in "SECURITY FOR THE 2018 BONDS," may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State of California relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the 2018 Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner or any other person claiming an interest in the property could result in a delay in superior court foreclosure proceedings and could result in the possibility of Special Tax installments not being paid in part or in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the 2018 Bonds.

In addition, the amount of any lien on property securing the payment of delinquent Special Taxes could be reduced if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Special Taxes in excess of the reduced lien could then be treated as an unsecured claim by the court. Any such stay of the enforcement of the lien for the Special Tax, or any such delay or non-payment, would increase the likelihood of a delay or default in payment of the principal of and interest on the 2018 Bonds and the possibility of delinquent Special Taxes not being paid in full.

The chances are increased that the 2018 Reserve Fund established for the 2018 Bonds could be fully depleted during any such delay in obtaining payment of delinquent Special Taxes. As a result, sufficient moneys would not be available in the 2018 Reserve Fund to make up shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the 2018 Bonds on a timely basis.

## **Disclosure to Future Purchasers**

The City has recorded a notice of the Special Tax lien in the Office of the County Recorder. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such special tax obligation in the purchase of a parcel of land or a home in Improvement Area No. 1 or the lending of money secured by property in Improvement Area No. 1. The Act requires the subdivider of a subdivision (or its agent or representative) to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with these requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

## **No Acceleration Provisions**

The 2018 Bonds do not contain a provision allowing for their acceleration in the event of a payment default or other default under the terms of the 2018 Bonds or the Fiscal Agent Agreement. Under the Fiscal Agent Agreement, a Bondholder is given the right for the equal benefit and protection

of all Bondowners similarly situated to pursue certain remedies. See “APPENDIX E – Summary of Certain Provisions of the Fiscal Agent Agreement.” So long as the 2018 Bonds are in book-entry form, DTC will be the sole bondholder and will be entitled to exercise all rights and remedies of bondholders.

### **Impact of Certain Events on Tax Exemption**

As discussed under the caption “TAX MATTERS,” interest on the 2018 Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the 2018 Bonds were issued as a result of future acts or omissions of the City in violation of its covenants in the Fiscal Agent Agreement. The Fiscal Agent Agreement does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the 2018 Bonds were to become includable in gross income for purposes of federal income taxation, the 2018 Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to optional or mandatory redemption or redemption upon prepayment of the Special Taxes. See “THE 2018 BONDS – Redemption.”

Future legislative proposals, if enacted into law, clarification of the Tax Code (defined herein) or court decisions may cause interest on the 2018 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bondowners from realizing the full current benefit of the tax status of such interest.

### **IRS Audit of Tax-Exempt Bond Issues**

The Internal Revenue Service (the “**IRS**”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2018 Bonds will be selected for audit by the IRS. It is also possible that the market value of such 2018 Bonds might be affected as a result of such an audit of such 2018 Bonds (or by an audit of similar bonds or securities).

### **Voter Initiatives**

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, including Proposition 218, which was approved in the general election held on November 5, 1996, and Proposition 26, which was approved on November 2, 2010.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the City. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the 2018 Bonds.

Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment, added Articles XIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act”. Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIIC and XIID of the State Constitution. The amendments to Article XIIC limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Article XIIC requires that all new local taxes be submitted to the electorate before they

become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes (“special taxes”) require a two-thirds vote.

The Special Taxes and the 2018 Bonds were each authorized by not less than a two-thirds vote of the landowners within Improvement Area No. 1 who constituted the qualified electors at the time of such voted authorization. The City believes, therefore, that issuance of the 2018 Bonds does not require the conduct of further proceedings under the Act, Proposition 218 or Proposition 26.

Like their antecedents, Proposition 218 and Proposition 26 are likely to undergo both judicial and legislative scrutiny before the impact on the City and its obligations can be determined. Certain provisions of Proposition 218 and Proposition 26 may be examined by the courts for their constitutionality under both State and federal constitutional law, the outcome of which cannot be predicted.

For example, in August 2014, in *City of San Diego v. Melvin Shapiro*, an Appellate Court invalidated an election held by the City of San Diego to authorize the levying of special taxes on hotels city-wide pursuant to a city charter ordinance creating a convention center facilities district which specifically defined the electorate to consist solely of (1) the owners of real property in the city on which a hotel is located, and (2) the lessees of real property owned by a governmental entity on which a hotel is located. The court held that such landowners and lessees are neither “qualified electors” of the city for purposes of Articles XIII A, Section 4 of the California Constitution, nor a proper “electorate” under Article XIII C, Section 2(d) of the California Constitution. The court specifically noted that the decision did not require the Court to consider the distinct question of whether landowner voting to impose special taxes under Section 53326(b) of the Act (which was the nature of the voter approval through which the District and Improvement Area No. 1 were formed) violates the California Constitution in districts that lack sufficient registered voters to conduct an election among registered voters. Accordingly, this case should have no effect on the levy of the Special Taxes by the City.

The City cannot predict the ultimate outcome or effect of any such judicial scrutiny, legislative actions, or future initiatives. These initiatives, and any future initiatives, may affect the collection of fees, taxes and other types of revenue by local agencies such as the City. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the 2018 Bonds.

### **Secondary Market for Bonds**

There can be no guarantee that there will be a secondary market for the 2018 Bonds or, if a secondary market exists, that any 2018 Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the 2018 Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the 2018 Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the 2018 Bonds or obligations that present similar tax issues as the 2018 Bonds.

## LEGAL MATTERS

### Legal Opinions

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, approving the validity of the 2018 Bonds will be made available to purchasers at the time of original delivery and is attached in substantially final form as APPENDIX E.

Jones Hall, A Professional Law Corporation, San Francisco, California, has served as Bond Counsel and Disclosure Counsel to the City. Stradling Yocca Carlson & Rauth, P.C., Newport Beach, California, is serving as counsel to the Underwriter.

### No Litigation

At the time of delivery of the 2018 Bonds, the City will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending with respect to which the City has been served with process or threatened, which:

- in any way questions the powers of the City Council, City or District (including Improvement Area No. 1 therein), or
- in any way questions the validity of any proceeding taken by the City Council in connection with the issuance of the 2018 Bonds, or
- wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by the purchase contract with respect to the 2018 Bonds, or
- which, in any way, could adversely affect the validity or enforceability of the resolutions of the City Council adopted in connection with the formation of the District and Improvement Area No.1 or the issuance of the 2018 Bonds, the Fiscal Agent Agreement, the Continuing Disclosure Certificate or the purchase contract with respect to the 2018 Bonds, or
- to the knowledge of the City, which in any way questions the exclusion from gross income of the recipients thereof of the interest on the 2018 Bonds for federal income tax purposes, or
- in any other way questions the status of the 2018 Bonds under State tax laws or regulations.

## TAX MATTERS

***Federal Tax Status.*** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2018 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax, although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2018 Bonds. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those

covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2018 Bonds.

**Tax Treatment of Original Issue Discount and Premium.** If the initial offering price to the public at which a 2018 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a 2018 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium are disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2018 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2018 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2018 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2018 Bonds who purchase the 2018 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2018 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2018 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2018 Bonds under federal individual alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2018 Bond (said term being the shorter of the 2018 Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2018 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2018 Bond is amortized each year over the term to maturity of the 2018 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2018 Bond premium is not deductible for federal income tax purposes. Owners of premium 2018 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2018 Bonds.

**California Tax Status.** In the further opinion of Bond Counsel, interest on the 2018 Bonds is exempt from California personal income taxes.

**Other Tax Considerations.** Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2018 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2018 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of

interest on the 2018 Bonds, or as to the consequences of owning or receiving interest on the 2018 Bonds, as of any future date. Prospective purchasers of the 2018 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2018 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2018 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2018 Bonds, the ownership, sale or disposition of the 2018 Bonds, or the amount, accrual or receipt of interest on the 2018 Bonds.

## CONTINUING DISCLOSURE

**City Continuing Disclosure.** The City will covenant for the benefit of owners of the 2018 Bonds to provide certain financial information and operating data relating to Improvement Area No. 1 and the 2018 Bonds by not later than nine months after the end of the City's fiscal year (currently March 31 based on the City's fiscal year end of June 30) (the "**Annual Report**") and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in APPENDIX F.

The City, on its own behalf and on behalf of related entities, has entered into a number of prior continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations, and has provided annual financial information and event notices in accordance with those undertakings. During the past five years, the City or its related entities have failed to comply with prior undertakings as follows:

- The audited financial statements for Fiscal Years 2012-13, 2013-14, 2014-15 and 2015-16 were filed up to 5 months late; and
- Certain operating and financial data for Fiscal Years 2012-13, 2013-14 and 2014-15 were filed up to 9 months late.

**Developer Continuing Disclosure.** Tracy Phase I, LLC will covenant in a continuing disclosure certificate, the form of which is set forth in APPENDIX H (the "**Property Owner Continuing Disclosure Certificate**"), for the benefit of holders and beneficial owners of the 2018 Bonds, to provide certain information relating to itself and the status of its property within Improvement Area No. 1 on a semi-annual basis, beginning on March 31, 2019, and to provide notices of the occurrence of certain enumerated events. Tracy Phase I, LLC is not an obligated person as defined under the Rule.

The obligations of Tracy Phase I, LLC under its Property Owner Continuing Disclosure Certificate will terminate (i) overall, when the property owned by Tracy Phase I, LLC within Improvement Area No. 1 is no longer obligated to pay 20% or more of the Special Taxes within Improvement Area No. 1 and (ii) with respect to property conveyed to merchant builders, on the date that the applicable merchant builder enters into an assumption agreements pursuant to Section 7 of the Property Owner Continuing Disclosure Certificate. Each of Lennar Homes, Shea, and Meritage are obligated to enter into such an assumption agreement as a condition of closing the acquisition of their respective Villages.

Tracy Phase I, LLC is a Delaware limited liability company whose sole member is Tracy Hills Holding Company, LLC (the "**Tracy Hills Holding Company**"). Tracy Hills Holding Company is a

Delaware limited liability company whose sole member is THHC Manager, LLC (“**THHC Manager**”). THHC Manager is a Delaware limited liability company whose sole member is The Tracy Hills Project Owner, LLC (“**THPO**”). THPO is ultimately managed by KPMW Integral, LLC, a California limited liability company (“**Integral**”).

Tracy Phase I, LLC is a special purpose entity created to own and develop the property in Improvement Area No. 1. As such, it has not entered into any prior continuing disclosure undertakings. However, in one previous transaction in the last five years, an affiliate of Integral has failed to timely file continuing disclosure reports as follows:

**Bellevue Ranch.** Integral is the ultimate manager of The Merced Project Owner, LLC for a project in the City of Merced known as “Bellevue Ranch” project, upon which special taxes were levied as security for the \$12,745,000 City of Merced Community Facilities District No. 2003-1 (Bellevue Ranch East), 2005 Special Tax Bonds (CUSIP 587626) (which has subsequently been refunded in full). The Merced Project Owner, LLC purchased the property in 2010 but was not asked to enter into a continuing disclosure assumption agreement until 2012. Consequently, there was uncertainty as to The Merced Project Owner, LLC’s continuing disclosure obligation, and 8 reports – both before and after assumption - were filed late. On February 13, 2015, The Merced Project Owner, LLC filed a curative report for the missed reports and thereafter filed timely reports until the continuing disclosure obligation was properly terminated on August 9, 2015.

Tracy Phase I, LLC is not aware of any other failures to comply with continuing disclosure obligations of Integral-related entities.

## NO RATING

The City has not obtained a credit rating on the 2018 Bonds. Nothing should be assumed from any credit rating that the City may obtain for other purposes. Prospective purchasers of the 2018 Bonds are required to make independent determinations as to the credit quality of the 2018 Bonds and their appropriateness as an investment.

## UNDERWRITING

The 2018 Bonds are being purchased by Piper Jaffray & Co. (the “**Underwriter**”), at a purchase price of \$\_\_\_\_\_ (which represents the aggregate principal amount of the 2018 Bonds (\$\_\_\_\_\_), plus an original issue premium/less an original issue discount of \$\_\_\_\_\_, less an Underwriter’s discount of \$\_\_\_\_\_).

The purchase agreement relating to the 2018 Bonds provides that the Underwriter will purchase all of the 2018 Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement.

The Underwriter may offer and sell the 2018 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.



## PROFESSIONAL FEES

In connection with the issuance of the 2018 Bonds, fees or compensation payable to certain professionals are contingent upon the issuance and delivery of the 2018 Bonds. Those professionals include:

- the Underwriter;
- Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel;
- Stradling Yocca Carlson & Rauth, P.C., as Underwriter's Counsel;
- A portion of the fees of CSG Advisors Incorporated, as municipal advisor;
- A portion of the fees of Goodwin Consulting Group, Inc., as special tax consultant; and
- U.S. Bank National Association, as Fiscal Agent.

## EXECUTION

The execution and delivery of the Official Statement has been duly authorized by the City Council, acting as the legislative body of the District.

CITY OF TRACY

By: \_\_\_\_\_  
Finance Director

## APPENDIX A

### GENERAL INFORMATION ABOUT THE CITY OF TRACY AND SAN JOAQUIN COUNTY

The following information concerning the City of Tracy (the "**City**") and San Joaquin County (the "**County**") are included only for the purpose of supplying general information regarding the community. The 2018 Bonds are not a debt of the City, the County, the State of California (the "**State**") or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

#### Population

Population figures for the City, the County and the State for the last six years are shown in the following table.

#### CITY OF TRACY, SAN JOAQUIN COUNTY AND THE STATE OF CALIFORNIA Population Estimates Calendar Years 2013 through 2018 as of January 1

<u>Calendar Year</u>	<u>City of Tracy</u>	<u>San Joaquin County</u>	<u>State of California</u>
2013	85,888	704,739	38,234,391
2014	86,495	712,134	38,568,628
2015	88,074	723,856	38,912,464
2016	89,591	735,319	39,179,627
2017	91,051	747,263	3,9500,973
2018	92,553	758,744	39,809,693

Source: State Department of Finance estimates.

## Employment and Industry

The District is included in the Stockton Metropolitan Statistical Area (“MSA”), which includes all of San Joaquin County. The unemployment rate in the San Joaquin County was 5.8 percent in April 2018, down from a revised 6.6 percent in March 2018, and below the year-ago estimate of 7.2 percent. This compares with an unadjusted unemployment rate of 3.8 percent for California and 3.7 percent for the nation during the same period.

Set forth below is data from calendar years 2013 to 2017 reflecting the MSA’s civilian labor force, employment and unemployment. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in Improvement Area No. 1.

**STOCKTON-LODI MSA  
(San Joaquin County)  
Annual Average Labor Force and Employment by Industry  
Calendar Years 2013 through 2017  
(March 2017 Benchmark)**

	2013	2014	2015	2016	2017
Civilian Labor Force <sup>(1)</sup>	311,300	310,700	316,900	319,200	324,800
Employment	272,800	277,600	288,800	293,500	302,100
Unemployment	38,600	33,100	28,100	25,700	22,700
Unemployment Rate	12.4%	10.7%	8.9%	8.1%	7.0%
<u>Wage and Salary Employment: <sup>(2)</sup></u>					
Agriculture	16,100	15,700	16,300	16,600	16,600
Mining and Logging	100	100	100	100	100
Construction	8,800	8,900	10,100	11,100	11,500
Manufacturing	17,900	18,500	18,900	18,700	19,200
Wholesale Trade	11,100	11,100	11,400	11,600	12,100
Retail Trade	25,600	25,700	26,100	26,600	26,800
Transportation, Warehousing and Utilities	17,200	18,300	20,000	22,800	26,700
Information	2,100	2,100	2,000	2,000	1,900
Financial Activities	7,600	7,500	7,300	7,500	7,800
Professional and Business Services	17,400	18,300	19,700	19,400	19,000
Educational and Health Services	35,500	35,900	36,500	37,200	38,000
Leisure and Hospitality	18,200	19,100	19,600	20,300	21,400
Other Services	6,600	6,900	7,100	7,600	7,900
Federal Government	3,500	3,100	3,000	3,000	3,100
State Government	4,300	5,800	6,200	6,400	6,600
Local Government	29,300	29,600	30,400	31,500	32,400
Total All Industries <sup>(3)</sup>	221,200	226,700	234,100	242,200	250,900

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

The following table lists the major employers within the County, listed in alphabetical order without regard to the number of employees, as of May 2018.

**SAN JOAQUIN COUNTY  
Major Employers  
As of May 2018**

<b><u>Employer Name</u></b>	<b><u>Location</u></b>	<b><u>Industry</u></b>
Amazon Corpnet	Tracy	Distribution Centers (Whls)
Blue Shield of California	Lodi	Insurance
Dameron Hospital	Stockton	Hospitals
Derby International	Not Available	Telecommunications Services
Deuel Vocational Institution	Tracy	City Govt-Correctional Institutions
Division of Juvenile Justice	Stockton	Government Offices-State
Foster Care Svc	Stockton	Government Offices-County
Inland Flying Svc	Stockton	Aircraft Servicing & Maintenance
Leprino Foods Co	Tracy	Cheese Processors (Mfrs)
Lodi Health Home Health Agency	Lodi	Home Health Service
Lodi Memorial Hospital	Lodi	Hospitals
Morada Produce	Stockton	Fruits & Vegetables-Growers & Shippers
North Ca Correctional Youth	Not Available	Police Departments
O-G Packing & Cold Storage Co	Stockton	Fruits & Vegetables-Growers & Shippers
Pacific Coast Producers	Lodi	Canning (Mfrs)
Prima Frutta Packing Inc	Linden	Fruit & Produce Packers
Safeway Distribution Ctr	Tracy	Distribution Centers (Whls)
San Joaquin County Human Svc	Stockton	Government Offices-County
San Joaquin General Hospital	French Camp	Hospitals
San Joaquin Sheriff's Office	French Camp	Government Offices-County
Sjgov	Stockton	Government Offices-County
St Joseph's Cancer Ctr	Stockton	Cancer Treatment Centers
University of the Pacific	Stockton	Schools-Accounting
Walmart Supercenter	Stockton	Department Stores
Waste Management	Lodi	Consultants-Business NEC

*Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2018 1st Edition.*

The following table lists the twenty principal employers within the City, by number of employees, as of June 30, 2017.

**CITY OF TRACY  
Principal Employers  
As of June 30, 2017**

<u>Employer Name</u>	<u>Number of Employees</u>
Golden State FC LLC (Amazon)	3,777
Golden State FC LLC (Amazon)	942
Taylor Farms Pacific Inc.	755
Barbosa Cabinets Inc.	523
Medline Industries Inc.	507
Restoration Hardware	486
Fedex Ground Package System	333
The Home Depot #5641	329
Leprino Foods	309
Orchard Supply Hardware	297
Wal-Mart Stores Inc. #2025	233
Pacific Medical Inc.	210
Costco Wholesale	188
Best Buy	173
YRC	162
MC Lane Foodservice	160
International Paper	138
Best Buy Stores LP #391	138
GlassFab Tempering	136
Texas Roadhouse	131

*Source: City of Tracy Comprehensive Financial Report for fiscal year ended June 30, 2017.*

## Commercial Activity

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables. Figures are yet not available for calendar year 2016.

Total taxable sales during the calendar year 2016 in the City were \$1.54 billion, a 7.49% increase over the total taxable sales of \$1.42 billion reported during the calendar year 2015.

**CITY OF TRACY**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2012	930	1,030,595	1,320	1,199,306
2013	972	1,139,346	1,382	1,339,394
2014	1,010	1,188,945	1,441	1,387,154
2015 <sup>(1)</sup>	1,057	1,233,481	1,641	1,421,064
2016	1,088	1,280,961	1,715	1,536,173

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Board of Equalization.

Total taxable sales during the calendar year 2016 in the County were \$10.92 billion, a 4.17% increase over the total taxable sales of \$10.47 billion reported during the calendar year 2015.

**SAN JOAQUIN COUNTY**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2012	8,524	6,124,320	12,613	9,010,929
2013	8,754	6,519,537	12,752	9,466,015
2014	8,900	6,780,160	12,865	10,031,845
2015 <sup>(1)</sup>	4,958	6,986,878	14,255	10,467,214
2016	9,480	7,380,226	14,682	10,922,271

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Board of Equalization.

## Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the median household effective buying income for the City, the County, the State and the United States for the period 2013 through 2017.

### **CITY OF TRACY AND SAN JOAQUIN COUNTY Median Household Effective Buying Income 2013 through 2017**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
City of Tracy	\$58,300	\$60,154	\$64,225	\$65,371	\$68,295
San Joaquin County	43,204	44,235	46,491	48,149	49,883
California	48,340	50,072	53,589	55,681	59,646
United States	43,715	45,448	46,738	48,043	50,735

*Source: The Nielsen Company (US), Inc.*

## Building Activity

The tables below summarize building activity in the City and the County for the past five available years.

### CITY OF TRACY Building Permit Activity For Calendar Years 2013 through 2017 (Dollars in Thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Permit Valuation</u>					
New Single-family	\$20,057.9	\$44,538.3	\$62,319.4	\$87,820.2	\$98,767.2
New Multi-family	0.0	0.0	0.0	34,038.7	9,686.4
Res. Alterations/Additions	<u>1,402.9</u>	<u>44,884.6</u>	<u>5,381.8</u>	<u>2,281.9</u>	<u>2,982.3</u>
Total Residential	<u>\$21,460.8</u>	<u>\$89,422.9</u>	<u>\$67,701.2</u>	<u>\$124,140.8</u>	<u>\$111,435.9</u>
New Commercial	\$2,378.8	\$1,481.9	\$113,546.0	\$92,124.7	\$184,438.3
New Industrial	0.0	809.6	49,162.0	57,441.7	38,978.1
New Other	4,395.6	2,426.4	12,340.6	11,375.8	4,769.2
Com. Alterations/Additions	<u>18,458.5</u>	<u>18,846.3</u>	<u>127,941.0</u>	<u>138,604.1</u>	<u>93,059.7</u>
Total Nonresidential	<u>\$25,232.9</u>	<u>\$23,564.2</u>	<u>\$302,989.6</u>	<u>\$299,546.3</u>	<u>\$321,245.3</u>
<u>New Dwelling Units</u>					
Single Family	67	135	183	216	236
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>432</u>	<u>65</u>
TOTAL	<u>67</u>	<u>135</u>	<u>183</u>	<u>648</u>	<u>301</u>

Source: Construction Industry Research Board, Building Permit Summary.

### SAN JOAQUIN COUNTY Building Permit Activity For Calendar Years 2013 through 2017 (Dollars in Thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Permit Valuation</u>					
New Single-family	\$264,761.1	\$318,760.2	\$455,877.1	\$467,494.7	\$652,308.1
New Multi-family	7,601.9	4,726.9	48,792.9	66,794.5	62,635.8
Res. Alterations/Additions	<u>28,764.8</u>	<u>78,511.0</u>	<u>42,764.8</u>	<u>99,049.9</u>	<u>86,516.1</u>
Total Residential	<u>\$301,127.8</u>	<u>\$401,998.1</u>	<u>\$547,434.8</u>	<u>\$633,339.1</u>	<u>\$801,460.0</u>
New Commercial	\$158,299.3	\$42,976.5	\$177,272.0	\$205,510.1	\$357,856.9
New Industrial	1,141.9	29,357.4	85,322.6	61,687.0	179,728.4
New Other	21,462.7	41,819.6	44,373.1	42,074.7	27,794.7
Com. Alterations/Additions	<u>79,145.2</u>	<u>89,630.8</u>	<u>193,659.3</u>	<u>298,721.9</u>	<u>269,172.8</u>
Total Nonresidential	<u>\$260,049.1</u>	<u>\$203,784.3</u>	<u>\$500,627.0</u>	<u>\$607,993.7</u>	<u>\$834,552.8</u>
<u>New Dwelling Units</u>					
Single Family	1,062	1,214	1,698	1,754	2,078
Multiple Family	<u>74</u>	<u>19</u>	<u>387</u>	<u>550</u>	<u>516</u>
TOTAL	<u>1,136</u>	<u>1,233</u>	<u>2,085</u>	<u>2,304</u>	<u>2,594</u>

Source: Construction Industry Research Board, Building Permit Summary.



**APPENDIX B**

**AMENDED AND RESTATED  
RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES  
FOR  
IMPROVEMENT AREA NO. 1  
OF THE CITY OF TRACY  
COMMUNITY FACILITIES DISTRICT NO. 2016-1  
(TRACY HILLS)**

**APPENDIX C**  
**APPRAISAL REPORT**

**APPENDIX D**  
**MARKET ABSORPTION STUDY**

**APPENDIX E**

**SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT**

**APPENDIX F**  
**FORM OF OPINION OF BOND COUNSEL**

## APPENDIX G

### FORM OF ISSUER CONTINUING DISCLOSURE CERTIFICATE

#### CONTINUING DISCLOSURE CERTIFICATE

\$ \_\_\_\_\_  
**IMPROVEMENT AREA NO. 1  
OF THE CITY OF TRACY  
COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TRACY HILLS)  
SPECIAL TAX BONDS, SERIES 2018**

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is executed and delivered by the City of Tracy (the “**City**”) in connection with the issuance of the bonds captioned above (the “**2018 Bonds**”). The 2018 Bonds are being issued pursuant to a Fiscal Agent Agreement dated as of \_\_\_\_\_, 2018 (the “**Fiscal Agent Agreement**”), by and between the City and U.S. Bank National Association, as fiscal agent (the “**Fiscal Agent**”). The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the 2018 Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is nine months after the end of the City's fiscal year (currently March 31 based on the City's fiscal year end of June 30).

“*Dissemination Agent*” means Goodwin Consulting Group, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“*District*” means the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills).

“*Improvement Area No. 1*” means Improvement Area No. 1 of the District.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

“*Official Statement*” means the final official statement dated \_\_\_\_\_, 2018, executed by the District in connection with the issuance of the 2018 Bonds.

“*Participating Underwriter*” means Piper Jaffray & Co., the original underwriter of the 2018 Bonds required to comply with the Rule in connection with offering of the 2018 Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2019, with the report for the 2017-18 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the City does not provide, or cause the Dissemination Agent to provide, an Annual Report by the Annual Report Date as required in subsection (a) above, the Dissemination Agent shall provide to the MSRB, in a timely manner, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City and the Participating Underwriter certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following documents and information:

(a) The City's audited financial statements for the most recently completed fiscal year, prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, together with the following statement:

THE CITY'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15c2-12. NO FUNDS OR ASSETS OF THE CITY, OTHER THAN SPECIAL TAX REVENUES, ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE 2018 BONDS, AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE 2018 BONDS.

If the City's audited financial statements are not available by the time the Annual Report is required to be filed, the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements, the following information:

(i) Total assessed value (per the San Joaquin County Assessor's records) of all parcels currently subject to the Special Tax within Improvement Area No. 1, showing the total secured assessed valuation for all property subject to the Special Tax.

(ii) Tables showing the owners of property in Improvement Area No. 1 and value-to-lien ratios based on the San Joaquin County Assessor's last equalized tax roll available to the City, substantially the form of the Tables [3 and 4] in the Official Statement.

(iii) The amount of prepayments of the Special Tax for the prior Fiscal Year.

(iv) A table showing a history of special tax collections and delinquencies within Improvement Area No. 1.

(v) Any change to the County's Teeter Plan affecting Improvement Area No. 1.

(vi) The principal amount of the 2018 Bonds outstanding and the balance in the Reserve Fund (along with a statement of the 2018 Reserve Requirement) as of the September 30 next preceding the Annual Report Date, including the issuance date and principal amount of any additional bonds or obligations issued under the Fiscal Agent Agreement on a parity with the 2018 Bonds.

(vii) Any changes to the Rate and Method of Apportionment of Special Tax for Improvement Area No. 1.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Listed Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 2018 Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.



- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2018 Bonds, or other material events affecting the tax status of the 2018 Bonds.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City.
- (13) The consummation of a merger, consolidation, or acquisition involving the City, or the sale of all or substantially all of the assets of the City (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional Fiscal Agent or the change of name of the Fiscal Agent, if material.

(b) Upon the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected bonds under the Fiscal Agent Agreement.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the 2018 Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Upon occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision

and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2018 Bonds. If such termination occurs prior to the final maturity of the 2018 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2018 Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 2018 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the 2018 Bonds in the manner provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of holders, or (ii) does not, in the opinion of the Fiscal Agent or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 2018 Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the

change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the 2018 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Property Owner, the Fiscal Agent, the 2018 Bond owners or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2018 Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the 2018 Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: \_\_\_\_\_, 2018

CITY OF TRACY

By: \_\_\_\_\_  
Karin Schnaider,  
Finance Director

AGREED AND ACCEPTED:  
Goodwin Consulting Group, Inc.,  
as Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of Tracy

Name of Bond Issue: Improvement Area No. 1 of the City of Tracy  
Community Facilities District No. 2016-1 (Tracy Hills)  
Special Tax Bonds, Series 2018

Date of Issuance: \_\_\_\_\_, 2018

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated \_\_\_\_\_, 2018, executed by the City and countersigned by \_\_\_\_\_, as dissemination agent. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

DISSEMINATION AGENT:

Goodwin Consulting Group, Inc.

By: \_\_\_\_\_  
Its: \_\_\_\_\_

## APPENDIX H

### FORM OF PROPERTY OWNER DISCLOSURE CERTIFICATE

#### CONTINUING DISCLOSURE CERTIFICATE (Property Owner)

\$ \_\_\_\_\_  
**IMPROVEMENT AREA NO. 1  
OF THE CITY OF TRACY  
COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TRACY HILLS)  
SPECIAL TAX BONDS, SERIES 2018**

Dated: [closing date]. 2018

This Continuing Disclosure Certificate (Property Owner) (this “Disclosure Certificate”) is executed and delivered by Tracy Phase I, LLC, a Delaware limited liability company (the “Property Owner”), in connection with the issuance by the City of Tracy (the “City”) of the bonds captioned above (the “2018 Bonds”). The 2018 Bonds are being issued under a Fiscal Agent Agreement dated as of August 1, 2018 (the “Fiscal Agent Agreement”), by and between the City and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”). The Property Owner covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Property Owner for the benefit of the holders and beneficial owners of the 2018 Bonds.

Section 2. Definitions. In addition to the definitions set forth above and in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Affiliate*” means any person presently directly (or indirectly through one or more intermediaries) under managerial control of the Property Owner, and about whom information could be material to potential investors in their investment decision regarding the 2018 Bonds (including without limitation information relevant to the proposed development of the Property or to the Property Owner’s ability to pay the Special Taxes levied on the Property prior to delinquency).

“*Assumption Agreement*” means an undertaking of a Major Owner, for the benefit of the holders and beneficial owners of the 2018 Bonds, containing terms substantially similar to this Disclosure Certificate (as modified for such Major Owner’s development and financing plans with respect to the District), whereby such Major Owner agrees to provide semi-annual reports and notices of significant events, setting forth the information described in sections 4 and 5 hereof, respectively, with respect to the portion of the property in Improvement Area No. 1 owned by such Major Owner and agrees to indemnify the Dissemination Agent (if any) pursuant to a provision substantially in the form of Section 12 hereof.

“*Dissemination Agent*” means Goodwin Consulting Group, Inc., or any successor Dissemination Agent designated in writing by the Property Owner, with the written consent of the City, and which has filed with the Property Owner and the City a written acceptance of such designation, and which is experienced in providing dissemination agent services such as those required under this Disclosure Certificate.

“*District*” means the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills).

“*Improvement Area No. 1*” means Improvement Area No. 1 of the District.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*Major Owner*” means, as of any Report Date, an owner of land in the City responsible in the aggregate for 20% or more of the Special Taxes actually levied at any time during the then-current fiscal year or projected to be levied in the next fiscal year.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information.

“*Official Statement*” means the final Official Statement dated \_\_\_\_\_, 2018, executed by the District in connection with the issuance of the 2018 Bonds.

“*Participating Underwriter*” means Piper Jaffray & Co., the original underwriter of the 2018 Bonds.

“*Property*” means (i) the property owned by the Property Owner in the City as of the Report Date, and (ii) the property in Improvement Area No. 1 that the Property Owner sold to a Major Owner who has not assumed the undertakings of this Disclosure Certificate under Section 7(b) that is owned by such Major Owner.

“*Report Date*” means (a) September 30 of each year, and (b) March 31 of each year.

“*Semi-Annual Report*” means any Semi-Annual Report provided by the Property Owner pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Special Taxes*” means the special taxes levied by the City on the Property.

### Section 3. Provision of Semi-Annual Reports.

(a) The Property Owner shall, or upon written direction of the Property Owner the Dissemination Agent shall, not later than the Report Date, commencing March 31, 2019, provide to the MSRB, in an electronic format as prescribed by the MSRB, a Semi-Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Participating Underwriter and the City. Not later than 15 calendar days prior to the Report Date, the Property Owner shall provide the Semi-Annual Report to the Dissemination Agent (if different from the Property Owner). The Property Owner shall provide a written certification with (or included as a part of) each Semi-Annual Report furnished to the Dissemination Agent (if different from the Property Owner), Participating Underwriter and the City to the effect that such Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by it under this Disclosure Certificate. The Dissemination Agent, the Participating Underwriter and the City may conclusively rely upon such certification of the Property Owner and shall have no duty or obligation to review the Semi-Annual Report. The Semi-Annual Report may be submitted as a single document or as separate documents comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent does not receive a Semi-Annual Report by 15 calendar days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Property Owner that the Semi-Annual Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Property Owner to determine whether its obligations under this Disclosure

Certificate have terminated (pursuant to Section 7 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Property Owner does not provide, or cause the Dissemination Agent to provide, a Semi-Annual Report to the MSRB by the Report Date as required in subsection (a) above, the Dissemination Agent shall provide to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the City and the Participating Underwriter.

(c) The Dissemination Agent shall:

(i) determine prior to each Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of continuing disclosure reports; and;

(ii) to the extent the Semi-Annual Report has been furnished to it, file a report with the Property Owner (if the Dissemination Agent is other than the Property Owner), the City and the Participating Underwriter certifying that the Semi-Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Semi-Annual Reports. The Property Owner's Semi-Annual Report shall contain or incorporate by reference the information set forth in Exhibit B, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Property Owner or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Property Owner shall clearly identify each such other document so included by reference.

In addition to any of the information expressly required to be provided in Exhibit B, each Semi-Annual Report shall include such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) So long as the Property Owner's obligations under this Disclosure Certificate have not been terminated pursuant to Section 6 herein, the Property Owner shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to itself or the Property, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Property Owner and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Property Owner;

(ii) failure to pay any taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property prior to the delinquency date, to the extent such failure is not promptly cured by the Property Owner upon discovery thereof;

(iii) filing of a lawsuit against the Property Owner or, if known, an Affiliate of the Property Owner, seeking damages which, if successful, could have a material and adverse impact on the Property Owner's ability to pay Special Taxes prior to delinquency or to sell or develop the Property;

(iv) material damage to or destruction of any of the improvements on the Property; and



(v) any payment default or other material default by the Property Owner that continues to exist beyond any applicable notice and cure periods on any loan with respect to the construction of improvements on the Property.

(b) Whenever the Property Owner obtains knowledge of the occurrence of a Listed Event, the Property Owner shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Property Owner determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Property Owner shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, with a copy to the City and the Participating Underwriter.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Duration of Reporting Obligation.

(a) All of the Property Owner's obligations hereunder shall commence on the date hereof and shall terminate (except as provided in Section 12) on the earliest to occur of the following:

(i) upon the legal defeasance, prior redemption or payment in full of all the 2018 Bonds, or

(ii) at such time as the Property owned by the Property Owner is no longer responsible for payment of 20% or more of the Special Taxes, or

(iii) the date on which the Property Owner prepays in full all of the Special Taxes attributable to the Property.

The Property Owner shall give notice of the termination of its obligations under this Disclosure Certificate in the same manner as for a Listed Event under Section 5.

(b) If a portion of the Property is conveyed to a person or entity that, upon such conveyance, will be a Major Owner, the obligations of the Property Owner hereunder with respect to the property conveyed to such Major Owner may be assumed by such Major Owner and the Property Owner's obligations hereunder with respect to the property conveyed will be terminated. In order to effect such assumption, such Major Owner shall enter into an Assumption Agreement in form and substance equivalent to this Disclosure Certificate or as otherwise satisfactory to the City and the Participating Underwriter. However, a Major Owner shall not be required to enter into an Assumption Agreement if such Major Owner is already a party to a continuing disclosure certificate in form and substance similar to this Disclosure Certificate with respect to the 2018 Bonds, and under which the property conveyed to such Major Owner will become subject to future Semi-Annual Reports.

Section 8. Dissemination Agent. The Property Owner may, from time to time, with the written consent of the City, appoint or engage a Dissemination Agent to assist the Property Owner in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent,

with the written consent of the City, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 30 days' written notice to the City and the Property Owner.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Property Owner may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(a) if the amendment or waiver relates to the provisions of sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, or change in law;

(b) the proposed amendment or waiver either (i) is approved by holders of the 2018 Bonds in the manner provided in the Fiscal Agent Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 2018 Bonds.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Property Owner from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Semi-Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Property Owner chooses to include any information in any Semi-Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Property Owner shall have no obligation under this Disclosure Certificate to update such information or include it in any future Semi-Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Property Owner to comply with any provision of this Disclosure Certificate, the Fiscal Agent shall (upon written direction and only to the extent indemnified to its satisfaction from any liability, cost or expense, including fees and expenses of its attorneys), and the Participating Underwriter and any holder or beneficial owner of the 2018 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Property Owner to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Property Owner to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Property Owner agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding (i) losses, expenses and liabilities due to the Dissemination Agent's, and its officers, directors, employees, and agents' negligence or willful misconduct, or failure to perform its duties hereunder, and (ii) losses, expenses and liabilities due to the failure of the Community Facilities District to pay the fees and expenses of the Dissemination Agent. The Dissemination Agent shall be paid compensation for its services provided hereunder from the Administrative Expense Fund established under the Fiscal Agent Agreement in accordance with the Dissemination Agent's schedule of fees as amended from time to time,

which schedule, as amended, shall be reasonably acceptable, and all reasonable expenses, reasonable legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Property Owner, the Fiscal Agent, the 2018 Bond owners, or any other party. The obligations of the Property Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2018 Bonds, but shall be assumed by a Major Owner from and after the date of such assumption when property is sold to a Major Owner and such Major Owner enters into an assumption agreement.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer:	City of Tracy 333 Civic Plaza Tracy, CA 95376 Fax: (209) 831-6439
To the Dissemination Agent:	Goodwin Consulting Group, Inc. 333 University Avenue, Suite 160 Sacramento, California 95825 Fax: (916) 561-0891
To the Participating Underwriter:	Piper Jaffray & Co. 2321 Rosecrans Avenue El Segundo, California 90245 Fax: (310) 297-6001
To the Property Owner:	Tracy Phase I, LLC c/o Integral Communities San Clemente, Suite 100 Newport Beach, CA 92660 Fax: (949) 720-3613

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Property Owner (its successors and assigns), the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the 2018 Bonds, and shall create no rights in any other person or entity. All obligations of the Property Owner hereunder shall be assumed by any legal successor to the obligations of the Property Owner as a result of a sale, merger, consolidation or other reorganization.

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

TRACY PHASE I, LLC  
A Delaware limited liability company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

AGREED AND ACCEPTED:  
Goodwin Consulting Group, Inc.,  
as Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE SEMI-ANNUAL REPORT**

Name of Issuer: City of Tracy

Name of Bond Issue: Improvement Area No. 1 of the City of Tracy  
Community Facilities District No. 2016-1 (Tracy Hills)  
Special Tax Bonds, Series 2018

Date of Issuance: \_\_\_\_\_, 2018

NOTICE IS HEREBY GIVEN that \_\_\_\_\_ (the "Major Owner") has not provided a Semi-Annual Report with respect to the above-named bonds as required by that certain Continuing Disclosure Certificate (Property Owner), dated \_\_\_\_\_, 2018. The Major Owner anticipates that the Semi-Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT B**

**SEMI-ANNUAL REPORT**

**[MARCH 31, \_\_\_\_ / SEPTEMBER 30, \_\_\_\_]**

**\$\_\_\_\_\_**

**IMPROVEMENT AREA NO. 1  
OF THE CITY OF TRACY  
COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TRACY HILLS)  
SPECIAL TAX BONDS, SERIES 2018**

This Semi-Annual Report is hereby submitted under Section 4 of the Continuing Disclosure Certificate (Property Owner) (the "Disclosure Certificate") dated as of [closing date]\_\_\_\_\_, 2018, executed by the undersigned (the "Property Owner") in connection with the issuance by the City of Tracy (the "City") of the bonds captioned above (the "2018 Bonds") for Improvement Area No. 1 ("Improvement Area No. 1") of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) (the "District").

Capitalized terms used in this Semi-Annual Report but not otherwise defined have the meanings given to them in the Disclosure Certificate.

**I. Property Ownership and Development**

The information in this section is provided as of \_\_\_\_\_ (this date must be not more than 60 days before the date of this Semi-Annual Report).

A. Description of the Property currently owned by the Property Owner in Improvement Area No. 1 of the District (the "Property"), in substance and form similar to such information in the Official Statement for the 2018 Bonds:

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B. Updated information regarding land development and home construction activities with respect to the Property described in the Official Statement for the 2018 Bonds or the Semi-Annual Report last filed in accordance with the Disclosure Certificate:

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C. Status of building permits and any material changes to the description of land use or development entitlements for the Property described in the Official Statement for the 2018 Bonds or the Semi-Annual Report last filed in accordance with the Disclosure Certificate:

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D. Status of any land purchase contracts with regard to the Property, whether acquisition of land in Improvement Area No. 1 by the Property Owner or sales of land to other property owners (other than individual homeowners).

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**II. Legal and Financial Status of Property Owner**

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any material change in the legal structure of the Property Owner or the financial condition and financing plan of the Property Owner that would materially and adversely interfere with its ability to complete its development plan described in the Official Statement. To the extent that the ownership of the Property Owner has changed, describe all material terms of the new ownership structure.

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**III. Change in Development or Financing Plans**

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any development plans or financing plans relating to the Property *that are materially different from* the proposed development and financing plan described in the Official Statement.

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**IV. Change in Relationship with Builders**

Describe any material change in the relationship between the Property Owner and merchant builders with respect to the construction, marketing and sale of homes within Improvement Area No 1. To the extent that a new builder has been engaged to carry out home construction, marketing and sales activity in Improvement Area No. 1, fully describe all material terms of the relationship between the Property Owner and any such new builder.

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**V. Official Statement Updates**

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any other significant changes in the information relating to the Property Owner or the Property contained in the Official Statement under the heading "PROPERTY OWNERSHIP AND THE DEVELOPMENT" that would materially and adversely interfere with the Property Owner's ability to develop and sell the Property as described in the Official Statement.

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**VI. Status of Tax Payments**

Describe status of payment of taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property owned by the Property Owner and its Affiliates.

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**VII. Other Material Information**

In addition to any of the information expressly required above, provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

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**Certification**

On behalf of the Property Owner, the undersigned Authorized Representative, based on actual knowledge after reasonable inquiry of employees of Property Owner and its affiliates, hereby certifies that this Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by the Property Owner under the Disclosure Certificate.

ANY OTHER STATEMENTS REGARDING THE PROPERTY OWNER, THE DEVELOPMENT OF THE PROPERTY, THE PROPERTY OWNER'S FINANCING PLAN OR FINANCIAL CONDITION, OR THE 2018 BONDS, OTHER THAN STATEMENTS MADE BY THE PROPERTY OWNER IN AN OFFICIAL RELEASE, OR FILED WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD, ARE NOT AUTHORIZED BY THE PROPERTY OWNER. THE PROPERTY OWNER IS NOT RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF ANY SUCH UNAUTHORIZED STATEMENTS.

THE PROPERTY OWNER HAS NO OBLIGATION TO UPDATE THIS SEMI-ANNUAL REPORT OTHER THAN AS EXPRESSLY PROVIDED IN THE DISCLOSURE CERTIFICATE.

Dated: \_\_\_\_\_

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By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_



## APPENDIX I

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the 2018 Bonds (herein, the “Securities”) to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Securities and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the issuer of the Securities (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Securities (the “Agent”) takes any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Securities, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Securities, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Securities, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company (“DTC”) will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are

registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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# **FISCAL AGENT AGREEMENT**

**by and between the**

**CITY OF TRACY**

**and**

**U.S. BANK NATIONAL ASSOCIATION  
as Fiscal Agent**

**Dated as of August 1, 2018**

**Relating to:**

**\$ \_\_\_\_\_  
Improvement Area No. 1 of the  
City of Tracy  
Community Facilities District No. 2016-1 (Tracy Hills)  
Special Tax Bonds, Series 2018**

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- EXHIBIT C: OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT FROM COSTS OF ISSUANCE FUND
- EXHIBIT D: OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT FROM ADMINISTRATIVE EXPENSE FUND

## **FISCAL AGENT AGREEMENT**

**THIS FISCAL AGENT AGREEMENT** (the "Agreement") is made and entered into as of August 1, 2018, by and between the CITY OF TRACY, a municipal corporation and general law city organized and existing under the laws of the State of California (the "City") for and on behalf of the "City of Tracy Community Facilities District No. 2016-1 (Tracy Hills)" (the "CFD") with respect to its "Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills)" ("Improvement Area No. 1"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America with a corporate trust office located in San Francisco, California, as fiscal agent (the "Fiscal Agent").

### **WITNESSETH:**

**WHEREAS**, the City Council of the City has formed the CFD, including Improvement Area No. 1, under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (section 53311 *et seq.* of the California Government Code) (the "Act"); and

**WHEREAS**, the City Council, as the legislative body with respect to the CFD, is authorized under the Act to levy special taxes within Improvement Area No. 1 to pay for the costs of facilities and to authorize the issuance of bonds secured by said special taxes under the Act; and

**WHEREAS**, on July 19, 2016, the City Council adopted Resolution No. 2016-161 (the "Original Resolution") authorizing the issuance of special tax bonds (the "2018 Bonds") on behalf of the CFD with respect to Improvement Area No. 1; and

**WHEREAS**, on July 17, 2018, the City Council adopted Resolution No. 2018-\_\_\_ (the "Supplemental Resolution; together with the Original Resolution, the "Resolution") authorizing the issuance of special tax bonds (the "2018 Bonds") on behalf of the CFD with respect to Improvement Area No. 1; and

**WHEREAS**, it is in the public interest and for the benefit of the City, the CFD, Improvement Area No. 1 and the persons responsible for the payment of special taxes that the City enter into this Agreement to provide for the issuance of the Bonds (as defined below) hereunder to finance the acquisition and construction of facilities for the City and to provide for the disbursement of proceeds of the Bonds, the disposition of the special taxes securing the Bonds and the administration and payment of the Bonds; and

**WHEREAS**, the City has determined that all things necessary to cause the 2018 Bonds, when authenticated by the Fiscal Agent and issued as provided in the Act, the Resolution and this Agreement, to be legal, valid, binding and limited obligations in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Agreement and the creation, authorization, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized.

**NOW, THEREFORE**, in consideration of the covenants and provisions herein set forth and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:



## ARTICLE I

### AUTHORITY AND DEFINITIONS

**Section 1.01. Authority for this Agreement.** This Agreement is entered into pursuant to the Act (as herein defined) and the Resolution.

**Section 1.02. Agreement for Benefit of Owners of the Bonds.** The provisions, covenants and agreements herein set forth to be performed by or on behalf of the City shall be for the equal benefit, protection and security of the Owners of the Bonds. All of the Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Agreement.

**Section 1.03. Definitions.** Unless the context otherwise requires, the terms defined in this Section 1.03 shall, for all purposes of this Agreement, of any Supplemental Agreement, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement, and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

"Acquisition Agreement" means that certain Acquisition Agreement Relating to: City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) Improvement Area No. 1, dated as of July 19, 2016, by and between the City and the Developer.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 *et seq.* of the California Government Code.

"Administrative Expenses" means costs directly related to the administration of the CFD consisting of: the actual costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by a City employee or consultant or both) and the actual costs of collecting the Special Taxes (whether by the County or otherwise); the actual costs of remitting the Special Taxes to the Fiscal Agent; actual costs of the Fiscal Agent (including its legal counsel) in the discharge of its duties under this Agreement; the actual costs of the City or its designee of complying with the disclosure provisions of the Act and this Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Owners of the Bonds and the Original Purchaser; costs of the dissemination agent, whether for the City or another party that has undertaken to provide continuing disclosure; the actual costs of the City or its designee related to an appeal of the Special Tax; any amounts required to be rebated to the federal government; an allocable share of the salaries of the City staff directly related to the foregoing and a proportionate amount of City general administrative overhead related thereto. Administrative Expenses shall also include amounts advanced by the City for any administrative purpose of the CFD, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure maintenance of tax exemption, and the costs of prosecuting foreclosure of delinquent Special Taxes, which amounts advanced are subject to reimbursement from other sources, including proceeds of foreclosure.

“Administrative Expense Fund” means the fund designated the “Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) Administrative Expense Fund” established and administered under Section 4.06.

“Agreement” means this Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions hereof.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking payment due in such Bond Year).

“Attributable Principal Amount” means for the Bonds or any Other District Bonds, calculated separately, an amount equal to the aggregate outstanding principal amount of such Bonds or Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes that will be levied for such Bonds or Other District Bonds on parcels of land within the Village, and the denominator of which is the total amount of special taxes that will be levied for the Bonds or Other District Bonds on all parcels of land against which the special taxes are levied to pay the Bonds or Other District Bonds, based on the following: (i) the outstanding principal amount of the Bonds includes the principal amount of the proposed Parity Bonds and (ii) the fraction shall be determined based upon the projected special taxes for the next Fiscal Year that begins after issuance of the proposed Parity Bonds and the assumptions that (A) the proposed Parity Bonds have been issued, (B) the special taxes will be levied to pay debt service on the proposed Parity Bonds, (C) the special taxes will be levied in the next Fiscal Year based on development in Improvement Area No. 1 on the date that the City Council approves the issuance of the proposed Parity Bonds and (D) there is no capitalized interest.

“Auditor” means the auditor/controller of the County, or such other official at the County who is responsible for preparing property tax bills.

“Authorized Officer” means the Mayor, City Manager, Assistant City Manager, Finance Director, City Clerk or any other officer or employee authorized by the City Council of the City or by an Authorized Officer to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Officer.

“Bond” or “Bonds” means the 2018 Bonds and, if the context requires, any Parity Bonds, at any time Outstanding under this Agreement or any Supplemental Agreement.

“Bond Counsel” means Jones Hall, A Professional Law Corporation or any other attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Fund” means the fund designated the “Improvement Area No. 1 of the City of Tracy, Community Facilities District No. 2016-1 (Tracy Hills) Special Tax Bonds, Bond Fund” established and administered under Section 4.04.

“Bond Proceeds Account” means the account of that name within the Improvement Fund to be established and administered by the Fiscal Agent under Section 4.07.

“Bond Year” means the one-year period beginning on September 2nd in each year and ending on September 1 in the following year, except that the first Bond Year shall begin on the Closing Date and shall end on September 1, 2019.

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Fiscal Agent has its principal corporate trust office are authorized or obligated by law or executive order to be closed.

“Capitalized Interest Account” means the account by that name held by the Fiscal Agent and established and administered under Section 4.04(A).

“CDIAC” means the California Debt and Investment Advisory Commission of the Office of the State Treasurer, or any successor agency, board or commission.

“CFD” means the "City of Tracy Community Facilities District No. 2016-1 (Tracy Hills)" formed under the Resolution of Formation.

“City” means the City of Tracy, and any successor thereto.

“City Attorney” means any attorney or firm of attorneys employed by the City in the capacity of general counsel.

“City Council” means the City Council of the City, in its capacity as the legislative body of the CFD.

“Closing Date” means the date upon which there is a physical delivery of the 2018 Bonds in exchange for the amount representing the purchase price of the 2018 Bonds by the Original Purchaser.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed by the City and dated the date of issuance and delivery of the 2018 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale, delivery and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, appraisal costs, filing and recording fees, fees and expenses of counsel to the City, initial fees and charges of the Fiscal Agent including its first annual administration fees and its legal fees and charges, including the allocated costs of in-house attorneys, expenses incurred by the City in connection with the issuance of the Bonds, Bond (underwriter's) discount, legal fees and charges, including bond counsel, and counsel to any financial consultant, financial consultant's fees, charges for execution, authentication, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

“Costs of Issuance Fund” means the fund designated the “Improvement Area No. 1 of the City of Tracy, Community Facilities District No. 2016-1 (Tracy Hills) Special Tax Bonds, Costs of Issuance Fund” established and administered under Section 4.02.

“County” means the County of San Joaquin, California.

“Dated Date” means \_\_\_\_\_, 2018, the dated date of the 2018 Bonds, which is the Closing Date.

“Debt Service” means the scheduled amount of interest and amortization of principal payable on the 2018 Bonds under Sections 2.02 and 2.03 and the scheduled amount of interest and amortization of principal payable on any Parity Bonds during the period of computation, in each case excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository for book-entry under Section 2.10.

“Developer” means Tracy Phase I, LLC, a Delaware limited liability company, and its successors and assigns.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Fair Market Value” means with respect to the Bonds the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a 10% beneficial interest if the return paid by such fund is without regard to the source of the investment.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and (b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

“Finance Director” means the official of the City, or such official's designee, who acts in the capacity as the chief financial officer of the City, including the controller or other financial officer.

“Fiscal Agent” means U.S. Bank National Association, the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 7.01.

“Fiscal Year” means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“Improvement Area No. 1” means “Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills)” formed under the Resolution of Formation.

“Improvement Fund” means the fund designated “Improvement Area No. 1 of the City of Tracy, Community Facilities District No. 2016-1 (Tracy Hills), Special Tax Bonds, Improvement Fund,” established under Section 4.07.

“Independent Financial Consultant” means any consultant or firm of such consultants appointed by the City or the Treasurer, and who, or each of whom:

(i) is judged by the Treasurer to have experience in matters relating to the issuance and/or administration of bonds under the Act;

(ii) is in fact independent and not under the domination of the City;

(iii) does not have any substantial interest, direct or indirect, with or in the City, or any owner of real property in Improvement Area No. 1, or any real property in Improvement Area No. 1; and

(iv) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

“Interest Payment Date” means each September 1 and March 1 of every calendar year, commencing with March 1, 2019.

“Maximum Annual Debt Service” means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

“Moody’s” means Moody’s Investors Service, Inc., and its successors.

“MSRB” means the Municipal Securities Rulemaking Board, through its EMMA system, and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the City may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Officer’s Certificate” means a written certificate of the City signed by an Authorized Officer of the City.

“Ordinance” means any ordinance of the City Council of the City levying the Special Taxes, including but not limited to Ordinance No. 1224 introduced by the City Council on July 19, 2016, and adopted by the City Council on August 16, 2016.

“Original Purchaser” means Piper Jaffray & Co., the first purchaser of the 2018 Bonds from the City.

“Other District Bonds” has the meaning given that term in Section 3.06.

“Outstanding” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 8.04) all Bonds except (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City under this Agreement or any Supplemental Agreement.

“Owner” or “Bondowner” means any person who shall be the registered owner of any Outstanding Bond.

“Parity Bonds” means additional bonds issued and payable on a parity with the Bonds under Section 3.06.

“Parity Reserve Requirement” means the amount as of any date of calculation equal to the least of (a) Maximum Annual Debt Service on any Parity Bonds that are covered by the reserve account, (b) 125% of average Annual Debt Service on any Parity Bonds that are covered by the reserve account, and (c) 10% of the outstanding principal of any Parity Bonds that are covered by the reserve account; provided, however:

(A) that with respect to the calculation of clause (c), the issue price of any Parity Bonds that are covered by the reserve account excluding accrued interest shall be used rather than the outstanding principal amount, if (i) the net original issue discount or premium of any such Parity Bonds was less than 98% or more than 102% of the original principal amount of any such Related Parity Bonds and (ii) using the issue price would produce a lower result than using the outstanding principal amount;

(B) that in no event shall the amount calculated hereunder exceed the amount on deposit in the reserve account on the date of issuance of the most recently issued series of Parity Bonds that are covered by the reserve account except in connection with any increase associated with the issuance of Parity Bonds that will be covered by the reserve account; and

(C) that in no event shall the amount required to be deposited into the reserve account in connection with the issuance of a series of Parity Bonds exceed the maximum amount under the Tax Code that can be financed with tax-exempt bonds and invested an unrestricted yield..

“Participating Underwriter” shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Permitted Investments” means the following, but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities.

(b) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank; (ii) certificates of beneficial ownership issued by the Farmers Home Administration; (iii) participation certificates issued by the General Services Administration; (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal

National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (v) project notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;

(c) interest-bearing demand or time deposits (including certificates of deposit), including those placed by a third party pursuant to a separate agreement between the City and the Fiscal Agent, banking deposit products, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts or deposit accounts in federal or state chartered savings and loan associations or in federal or State of California banks (including the Fiscal Agent, its parent, if any, and affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated in the highest short-term rating category by any Rating Agency, or (ii) such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated at the time of purchase in the highest short-term rating category by any Rating Agency, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank, including its parent (if any), affiliates and subsidiaries, whose short-term obligations are rated in the highest short-term rating category by any Rating Agency, or whose long-term obligations are rated A or better by any Rating Agency, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by any Rating Agency, or (b) fully secured as to the payment of principal and interest by Federal Securities;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by any Rating Agency;

(h) money market mutual funds (including money market funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory, transfer agency, custodial or other management services for which it receives and retains a fee for such services to the fund) which invest in Federal Securities or which are rated in the highest short-term rating category by any Rating Agency including those funds for which the Fiscal Agent or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise; and

(i) any investment agreement representing general unsecured obligations of a financial institution rated A or better by any Rating Agency, by the terms of which the Fiscal Agent is permitted to withdraw all amounts invested therein in the event any such rating falls below A.

(j) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California, *provided, however*, that the Fiscal Agent shall be permitted to make investments and withdrawals in its own name and the Fiscal Agent may restrict investments in the such fund if necessary to keep moneys available for the purposes of this Fiscal Agent Agreement.

(k) the California Asset Management Program.

“Principal Office” means such corporate trust office of the Fiscal Agent as may be designated from time to time by written notice from the Fiscal Agent to the City, initially being at the address set forth in Section 9.06, or such other office designated by the Fiscal Agent from time to time.

“Proceeds” when used with reference to the Bonds, means the face amount of the Bonds, plus any accrued interest and premium, less any original issue and/or underwriter’s discount.

“Project” means those items described as the “Facilities” in the Resolution of Formation.

“Qualified Reserve Account Credit Instrument” means an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Fiscal Agent, provided that all of the following requirements are met at the time of acceptance thereof by the Fiscal Agent: (a) in the case of a commercial bank, the long-term credit rating of such bank at the time of delivery of the irrevocable standby or direct-pay letter of credit is at least "A" from S&P or "A" from Moody’s and, in the case of an insurance company, the claims paying ability of such insurance company at the time of delivery of the insurance policy or surety bond is at least "A" from S&P, or "A" from Moody’s or, if not rated by S&P or Moody’s but is rated by A.M. Best & Company, is rated at the time of delivery in the highest rating category by A.M. Best & Company; (b) such letter of credit, insurance policy or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the 2018 Reserve Requirement with respect to which funds are proposed to be released; and (d) the Fiscal Agent is authorized pursuant to the terms of such letter of credit, insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments with respect to the 2018 Bonds and any Related Parity Bonds.

“Rate and Method” means the Amended and Restated Rate and Method of Apportionment of the Special Taxes for Improvement Area No. 1 set forth in the Resolution of Change.

“Record Date” means the fifteenth day of the calendar month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day.

“Refunding Bonds” means bonds issued by the City for the CFD with respect to Improvement Area No. 1, the net proceeds of which are used to refund all or a portion of the then-Outstanding Bonds; provided that the principal and interest on the Refunding Bonds to their final maturity date is less than the principal and interest on the Bonds being refunded to their final maturity date, and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.



“Regulations” means temporary and permanent regulations promulgated under the Tax Code.

“Related Parity Bonds” means any series of Parity Bonds for which (i) the Proceeds are deposited into the 2018 Reserve Fund so that the balance therein is equal to the 2018 Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2018 Reserve Fund shall act as a reserve for the payment of the principal of, and interest and any premium on, such series of Parity Bonds.

“Remainder Taxes” means the Special Taxes available for disbursement pursuant to Section 4.05(B)(iii).

“Remainder Taxes Account” means the account of that name within the Improvement Fund to be established and administered by the Fiscal Agent under Section 4.07.

“Remainder Taxes Period” means the period through and including the end of the 20th Fiscal Year during which Special Taxes have been levied on the property in Improvement Area No. 1.

“Resolution” or “Resolution of Issuance” has the meaning given that term in the recitals hereof.

“Resolution of Change” means Resolution No. 2018-\_\_\_\_, adopted by the City Council on August 21, 2018, confirming certain changes to the proceedings for the CFD and Improvement Area No. 1.<sup>1</sup>

“Resolution of Formation” means Resolution No. 2016-157, adopted by the City Council on July 19, 2016, forming the CFD and Improvement Area No. 1, as amended by the Resolution of Change.

“Resolution of Intention” means Resolution No. 2016-111 adopted by the City Council on June 7, 2016, indicating the intention of the City to form the CFD and Improvement Area No. 1.

“Resolution of Necessity” means Resolution No. 2016-158 adopted by the City Council on July 19, 2016, as amended by the Resolution of Change.

“S&P” means S&P Global, a division of McGraw-Hill, and its successors and assigns.

“Securities Depositories” means DTC and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the City may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Special Tax Fund” means the special fund designated “Improvement Area No. 1 of the City of Tracy, Community Facilities District No. 2016-1 (Tracy Hills), Special Tax Fund” established and administered under Section 4.05.

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<sup>1</sup> NTD: Indenture to be updated if the change proceedings are not completed before issuance of the 2018 Bonds.

“Special Tax Prepayments” means the proceeds of any Special Tax prepayments received by the City, as calculated pursuant to the Rate and Method, less any administrative fees or penalties collected as part of any such prepayment.

“Special Tax Prepayments Account” means the account by that name established within the Bond Fund under Section 4.04(A).

“Special Tax Revenues” means the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, but shall not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

“Special Taxes” means the Facilities Special Tax levied by the City Council within Improvement Area No. 1 under the Act, the Rate and Method, the Ordinance and this Agreement.

“State” means the State of California.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Act and which agreement is amendatory of or supplemental to this Agreement, but only if and to the extent that such agreement is specifically authorized hereunder.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Tax Code.

“Tax Consultant” means an independent financial or tax consultant retained by the City for the purpose of computing the Special Taxes.

“Term Bonds” means the (i) 2018 Bonds maturing on September 1, \_\_\_\_\_, and (ii) the 2018 Bonds maturing on September 1, \_\_\_\_\_.

“Village Value” means the market value, as of the date of the appraisal described below and/or the date of the most recent County real property tax roll, as applicable, of all parcels of real property in a Village that are subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such non-delinquent parcels the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined with respect to any parcel or group of parcels by reference to (i) an appraisal performed within six (6) months of the date of issuance of any proposed Parity Bonds by an MAI appraiser (the “Appraiser”) selected by the City, or (ii) in the alternative, the assessed value of all such non-delinquent parcels and improvements thereon as shown on the then current County real property tax roll available to the Finance Director. It is expressly acknowledged that, in determining the Village Value, the City may rely on an appraisal to determine the value of some or all of the parcels in the Village and/or the most recent County real property tax roll as to the value of some or all of the parcels

in the Village. Neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

“Villages” has the meaning given that term in the Rate and Method; provided, however, that if any Taxable Property (as defined in the Rate and Method) in Improvement Area No. 1 is not included in a Village, then all of such property shall be treated as if it were part of a single Village.

“2018 Bonds” means the Bonds so designated and authorized to be issued under Section 2.01 hereof.

“2018 Reserve Fund” means the fund designated the “Improvement Area No. 1 of the City of Tracy, Community Facilities District No. 2016-1 (Tracy Hills), Special Tax Bonds, Reserve Fund” established and administered under Section 4.03.

“2018 Reserve Requirement” means the amount as of any date of calculation equal to the least of (a) Maximum Annual Debt Service on the 2018 Bonds and Related Parity Bonds, if any, (b) 125% of average Annual Debt Service on the 2018 Bonds and Related Parity Bonds, if any and (c) 10% of the outstanding principal of the 2018 Bonds and Related Parity Bonds, if any; provided, however:

(A) that with respect to the calculation of clause (c), the issue price of the 2018 Bonds or any Related Parity Bonds excluding accrued interest shall be used rather than the outstanding principal amount, if (i) the net original issue discount or premium of the 2018 Bonds or any Related Parity Bonds was less than 98% or more than 102% of the original principal amount of the 2018 Bonds or any Related Parity Bonds and (ii) using the issue price would produce a lower result than using the outstanding principal amount;

(B) that in no event shall the amount calculated hereunder exceed the amount on deposit in the 2018 Reserve Fund on the date of issuance of the 2018 Bonds (if they are the only Bonds covered by the Reserve Fund) or the most recently issued series of Related Parity Bonds (if any Related Parity Bonds are covered by the 2018 Reserve Fund) except in connection with any increase associated with the issuance of Related Parity Bonds; and

(C) that in no event shall the amount required to be deposited into the 2018 Reserve Fund in connection with the issuance of a series of Related Parity Bonds exceed the maximum amount under the Tax Code that can be financed with tax-exempt bonds and invested an unrestricted yield.

**ARTICLE II**

**THE BONDS**

**Section 2.01. Principal Amount; Designation.** Subject to the provisions of Section 2 of the Resolution of Necessity, as amended by the Resolution of Change, Bonds in the aggregate principal amount of \$[80,000,000] are hereby authorized to be issued by the City for the CFD with respect to Improvement Area No. 1 under and subject to the terms of the Act, the Resolution, this Agreement and other applicable laws of the State of California.

The 2018 Bonds shall be designated as the "Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) Special Tax Bonds, Series 2018," and shall be in the initial principal amount of \$\_\_\_\_\_.

**Section 2.02. Terms of the 2018 Bonds.**

**(A) Form; Denominations.** The 2018 Bonds shall be issued as fully registered Bonds without coupons. The 2018 Bonds shall be lettered and numbered in a customary manner as determined by the City. The 2018 Bonds shall be issued in the denominations of \$5,000 or any integral multiple in excess thereof.

**(B) Date of 2018 Bonds.** The 2018 Bonds shall be dated the Closing Date.

**(C) CUSIP Identification Numbers.** "CUSIP" identification numbers may, at the election of the Original Purchaser of the Bonds, be imprinted on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the Bonds. In addition, failure on the part of the City or the Fiscal Agent to use such CUSIP numbers in any notice to Owners shall not constitute an event of default or any violation of the City's contract with such Owners and shall not impair the effectiveness of any such notice.

**(D) Maturities; Interest Rates.** The 2018 Bonds shall mature and become payable on each September 1, and shall bear interest at the rates per annum indicated in the below table.

Maturity ( <u>September 1</u> )	Principal <u>Amount</u>	Interest <u>Rate</u>
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\* Term Bond

**(E) Interest.** The 2018 Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest on all Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless

(i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or

(ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or

(iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Dated Date;

provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

**(F) Method of Payment.** Interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer to an account located in the United States made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which shall continue in effect until revoked in writing, or until such Bonds are transferred to a new Owner.

The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent. All Bonds paid by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and, upon request of the City, issue a certificate of destruction of such Bonds to the City.

**Section 2.03. Redemption.**

**(A) Redemption Provisions.**

(i) **Optional Redemption.** The 2018 Bonds are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Special Taxes, prior to their stated maturity on any date, as a whole or in part, at a redemption price (expressed as a percentage of the principal amount of the 2018 Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any date on or before August 31, ____	____%
September 1, ____ through August 31, ____	____
September 1, ____ through August 31, ____	____
September 1, ____ and any date thereafter	____

(ii) **Mandatory Sinking Fund Redemption.** The Term Bond maturing on September 1, \_\_\_\_, is subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

Sinking Fund Redemption Date <u>(September 1)</u>	Sinking Fund <u>Payments</u>
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The Term Bond maturing on September 1, \_\_\_\_, is subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

Sinking Fund Redemption Date <u>(September 1)</u>	Sinking Fund <u>Payments</u>
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Provided, however, if some but not all of the Term Bonds of a given maturity have been redeemed under subsection (i) above or subsection (iii) below, the total

amount of all future Sinking Fund Payments relating to such maturity shall be reduced by the aggregate principal amount of Term Bonds of such maturity so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of \$5,000 as determined by the City, notice of which shall be given by the City to the Fiscal Agent and the notice shall include a revised sinking fund schedule.

(iii) **Redemption from Special Tax Prepayments.** Special Tax Prepayments and any corresponding transfers from the 2018 Reserve Fund pursuant to Section 4.03(F) shall be used to redeem 2018 Bonds on the next Interest Payment Date for which notice of redemption can timely be given under Section 2.03(D), among maturities so as to maintain substantially the same debt service profile for the Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the 2018 Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any Interest Payment Date on or before March 1, ____	____%
September 1, ____ and March 1, ____	____
September 1, ____ and March 1, ____	____
September 1, ____ and any Interest Payment Date thereafter	____

**(B) Notice to Fiscal Agent.** The City shall give the Fiscal Agent written notice of its intention to redeem Bonds under subsection (A)(i) and (A)(iii) not less than 45 days prior to the applicable redemption date or such lesser number of days as shall be authorized by the Fiscal Agent.

**(C) Purchase of Bonds in Lieu of Redemption.** In lieu of redemption under Section 2.03(A), moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2018 Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may 2018 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such 2018 Bonds were to be redeemed in accordance with this Agreement.

**(D) Redemption Procedure by Fiscal Agent.**

(i) **Notices.** The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, or posted, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the Securities Depositories and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds. In addition, the Fiscal Agent shall file each notice of redemption with the MSRB through its EMMA system.

(ii) **Contents of Notices.** Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called

for redemption shall state as to any Bond called in part the principal amount thereof to be redeemed, and shall require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Bonds will not accrue from and after the redemption date. The cost of mailing any such redemption notice and any expenses incurred by the Fiscal Agent in connection therewith shall be paid by the City.

The City has the right to rescind any notice of the optional redemption of Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute a default under this Agreement. The City and the Fiscal Agent have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this Section.

(iii) **Selection of Bonds for Redemption.** Whenever provision is made in this Agreement for the redemption of less than all of the Bonds of any maturity or any given portion thereof, the Fiscal Agent shall select the Bonds to be redeemed, from all Bonds or such given portion thereof not previously called for redemption as directed by the City or, in the absence of direction by the City, on a pro rata basis among maturities, and, within a maturity, by lot in any manner which the Fiscal Agent in its sole discretion deems appropriate.

(iv) **New Bonds.** Upon surrender of Bonds redeemed in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the registered Owner, at the expense of the City, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds of such registered Owner.

**(E) Effect of Redemption.** From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds so called for redemption shall have been deposited in the Bond Fund, such Bonds so called shall cease to be entitled to any benefit under this Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in the notice of redemption. All Bonds redeemed and purchased by the Fiscal Agent under this Section 2.03 shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds in accordance with the Fiscal Agent's retention policy then in effect.

**Section 2.04. Form of Bonds.** The 2018 Bonds, the Fiscal Agent's certificate of authentication and the assignment, to appear thereon, shall be substantially in the forms, respectively, set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, the Resolution and the Act.



### **Section 2.05. Execution and Authentication of Bonds.**

**(A) Execution.** The Bonds shall be executed on behalf of the City by the manual or facsimile signatures of its City Manager and its City Clerk who are in office on the date of execution of this Agreement or at any time thereafter, and the seal of the City shall be impressed, imprinted or reproduced by facsimile thereon. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the Owner, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the Owner. Any Bond may be signed and attested on behalf of the City by such persons as at the actual date of the execution of such Bond shall be the proper officers of the City although at the nominal date of such Bond any such person shall not have been such officer of the City.

**(B) Authentication.** Only such Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A, executed and dated by the Fiscal Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Agreement, and such certificate of authentication of the Fiscal Agent shall be conclusive evidence that the Bonds registered hereunder have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Agreement.

**Section 2.06. Transfer or Exchange of Bonds.** Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept under the provisions of Section 2.07 by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent. Bonds may be exchanged at the Principal Office of the Fiscal Agent solely for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange shall be paid by the City. The Fiscal Agent shall collect from the Owner requesting such transfer or exchange any tax or other governmental charge required to be paid with respect to such transfer or exchange. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the City shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount. No transfers or exchanges of Bonds shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between a Record Date and the succeeding Interest Payment Date.

**Section 2.07. Bond Register.** The Fiscal Agent will keep, or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds which books shall show the series number, date, amount, rate of interest and last known owner of each Bond and shall at all times be open to inspection by the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as hereinbefore provided. The City and the Fiscal Agent will treat the Owner of any Bond whose name appears on the Bond register as the absolute Owner of such Bond for any and all purposes, and the City and the Fiscal Agent shall not be affected by any notice to the contrary. The City and the Fiscal Agent may rely on the address of the Owner as it appears in the Bond register for any and all purposes.

**Section 2.08. Temporary Bonds.** The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the City, and may contain such reference to any of the provisions of this Agreement as may be appropriate. Every temporary Bond shall be executed by the City upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds, it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange for the definitive Bonds at the Principal Office of the Fiscal Agent or at such other location as the Fiscal Agent shall designate, and the Fiscal Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Agreement as definitive Bonds authenticated and delivered hereunder.

**Section 2.09. Bonds Mutilated, Lost, Destroyed or Stolen.**

**(A) Mutilated.** If any Bond shall become mutilated, at the expense of the Owner of such Bond, the City shall execute and the Fiscal Agent shall authenticate and deliver a replacement Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled by it and destroyed by the Fiscal Agent, in accordance with the Fiscal Agent's retention policy then in effect.

**(B) Destroyed or Stolen.** If any Bond shall be lost, destroyed or stolen, the City shall execute and the Fiscal Agent shall authenticate and deliver a replacement Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen, at the expense of the Owner, but only following provision by the Owner to the Fiscal Agent of indemnity for the City and the Fiscal Agent satisfactory to the Fiscal Agent and the City. The City may require payment of a sum not exceeding the actual cost of preparing each a replacement Bond delivered under this Section and the City and the Fiscal Agent may require payment of the expenses which may be incurred by the City and the Fiscal Agent for the preparation, execution, authentication and delivery thereof. Any Bond delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Agreement with all other Bonds issued under this Agreement.

**(C) Additional Stock.** If the Fiscal Agent has an insufficient stock of unauthenticated printed Bonds for such purpose, it shall communicate with the Finance Director with respect to the printing of an additional stock of Bonds, in such quantities and as otherwise approved in writing by the Finance Director.

**Section 2.10. Book-Entry Only System.** DTC shall act as the initial Depository for the Bonds. One Bond for each maturity of the Bonds shall be initially executed, authenticated, and delivered as set forth herein with a separate fully registered certificate (in print or typewritten form). Upon initial execution, authentication, and delivery, the ownership of the Bonds shall be registered in the Bond register kept by the Fiscal Agent for the Bonds in the name of Cede & Co., as nominee of DTC or such nominee as DTC shall appoint in writing.

The Authorized Officers of the City and the Fiscal Agent are hereby authorized to take any and all actions as may be necessary and not inconsistent with this Agreement to qualify the Bonds for the Depository's book-entry system, including the execution of the Depository's required representation letter.

With respect to Bonds registered in the Bond register in the name of Cede & Co., as nominee of DTC, neither the City nor the Agent shall have any responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds Bonds as Depository from time to time (the "DTC Participants") or to any person for which a DTC Participant acquires an interest in the Bonds (the "Beneficial Owners"). Without limiting the immediately preceding sentence, neither the City nor the Fiscal Agent shall have any responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant, any Beneficial Owner, or any other person, other than DTC, of any notice with respect to the Bonds, including any Bonds to be redeemed in the event the City elects to redeem the Bonds, in part, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed in the event the City elects to redeem the Bonds in part, (iv) the payments to any DTC Participant, any Beneficial Owner, or any person, other than DTC, of any amount with respect to the principal of or interest or premium on the Bonds, or (v) any consent given or other action taken by the Depository as Owner of the Bonds.

Except as set forth above, the City and the Fiscal Agent may treat as and deem DTC to be the absolute Owner of each Bond, for which DTC is acting as Depository for the purpose of payment of the principal of and premium and interest on such Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bonds, for the purpose of registering transfers with respect to such Bonds, and for all purposes whatsoever. The Fiscal Agent on behalf of the City shall pay all principal of and premium and interest on the Bonds only to or upon the order of the Owners as shown on the Bond register, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to the principal of and premium and interest on the Bonds to the extent of the sums or sums so paid.

No person other than an Owner, as shown on the Bond register, shall receive a physical Bond. Upon delivery by DTC to the City and the Fiscal Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions in Section 2.06 hereof, references to "Cede & Co." in this Section 2.10 shall refer to such new nominee of DTC.

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the City and to the Fiscal Agent during any time that the Bonds are Outstanding, and discharging its responsibilities with respect thereto under applicable law. The City may terminate the services of DTC with respect to the Bonds if it determines that DTC is unable to discharge its responsibilities with respect to the Bonds or that continuation of the system of book-entry transfer through DTC is not in the best interest of the Beneficial Owners, and the City shall mail notice of such termination to the Fiscal Agent.

Upon termination of the services of DTC as provided in the previous paragraph, and if no substitute Depository willing to undertake the functions hereunder can be found which is willing to undertake such functions upon reasonable or customary terms, or if the City determines that it is in the best interest of the Beneficial Owners of the Bonds that they be able to obtain certified Bonds, the Bonds shall no longer be restricted to being registered in the Bond register of the

Fiscal Agent in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names the Owners shall designate at that time, in accordance with Section 2.06.

To the extent that the Beneficial Owners are designated as the transferee by the Owners, in accordance with Section 2.06, the Bonds will be delivered to such Beneficial Owners.

## ARTICLE III

### ISSUANCE OF BONDS

**Section 3.01. Issuance and Delivery of 2018 Bonds.** At any time after the execution of this Agreement, the City may issue the 2018 Bonds for the CFD with respect to Improvement Area No. 1 in the aggregate principal amount set forth in Section 2.01 and deliver the 2018 Bonds to the Fiscal Agent for authentication and delivery to the Original Purchaser. The Authorized Officers of the City are hereby authorized and directed to execute and deliver any and all documents and instruments necessary to cause the issuance of the 2018 Bonds in accordance with the provisions of the Act, the Resolution and this Agreement, to authorize the payment of Costs of Issuance and costs of the Project by the Fiscal Agent from the proceeds of the 2018 Bonds and to do and cause to be done any and all acts and things necessary or convenient for the timely delivery of the 2018 Bonds to the Original Purchaser. The Fiscal Agent is hereby authorized and directed to authenticate the 2018 Bonds and deliver them to the Original Purchaser, upon receipt of the purchase price for the 2018 Bonds.

**Section 3.02. Pledge of Special Tax Revenues.** The Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all of the Special Tax Revenues and all moneys deposited in the Bond Fund (including the Capitalized Interest Account and the Special Tax Prepayments Account), and, until disbursed as provided herein, in the Special Tax Fund. The Special Tax Revenues and all moneys deposited into such funds (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided herein and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under Section 9.03.

The 2018 Bonds and all Related Parity Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all moneys deposited in the 2018 Reserve Fund. The moneys in the 2018 Reserve Fund (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the 2018 Bonds and all Related Parity Bonds as provided herein and in the Act until all of the 2018 Bonds and all Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under Section 9.03.

Amounts in the Improvement Fund (and the accounts therein), the Administrative Expense Fund and the Costs of Issuance Fund are not pledged to the repayment of the Bonds. The Project is not pledged to the repayment of the Bonds, nor are the proceeds of any condemnation or insurance award received by the City with respect to the Project.

**Section 3.03. Limited Obligation.** All obligations of the City under this Agreement and the Bonds shall not be general obligations of the City, but shall be limited obligations, payable solely from the Special Tax Revenues and the funds pledged therefor hereunder. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth herein) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

**Section 3.04. No Acceleration.** The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section shall in any way prohibit the redemption of Bonds under Section 2.03, or the defeasance of the Bonds and discharge of this Agreement under Section 9.03.

**Section 3.05. Validity of Bonds.** The validity of the authorization and issuance of the Bonds shall not be dependent upon the completion of the acquisition of the Project or upon the performance by any person of his obligation with respect to the Project.

**Section 3.06. Parity Bonds.** In addition to the 2018 Bonds, the City may issue Bonds as Parity Bonds in such principal amount as shall be determined by the City, under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds shall constitute Bonds hereunder and shall be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds hereunder on a parity with all other Bonds Outstanding hereunder. The City may issue such Parity Bonds subject to the following specific conditions precedent:

**(A) Compliance.** Following issuance of the Parity Bonds, the City shall be in compliance with all covenants set forth in this Agreement and all Supplemental Agreements, and issuance of the Parity Bonds shall not cause the City to exceed the bonded indebtedness limit of Improvement Area No. 1.

**(B) Same Payment Dates.** The Supplemental Agreement providing for the issuance of such Parity Bonds shall provide that interest thereon shall be payable on the Interest Payment Dates, and principal thereof shall be payable on September 1 (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

**(C) Debt Service Reserve Fund.** The Supplemental Agreement providing for issuance of the Parity Bonds shall provide for either of the following:

(i) a deposit to the 2018 Reserve Fund in an amount necessary such that the amount deposited therein shall equal the 2018 Reserve Requirement following issuance of the Parity Bonds or

(ii) a deposit to a reserve account for the Parity Bonds (and such other series of Parity Bonds identified by the City) so that the amount therein shall equal the Parity Reserve Requirement following the issuance of the Parity Bonds, as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2018 Reserve Fund and that the Owners of the Bonds covered by the 2018 Reserve Fund will have no interest in or claim to such other reserve account.

**(D) Value.** For each Village, the Village Value shall be at least three (3) times the sum of: (i) the Attributable Principal Amount of the Bonds then Outstanding, plus (ii) the Attributable Principal Amount of the series of Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the parcels in the Village subject to the levy of Special Taxes, plus (iv) the Attributable Principal Amount of any and all other community facilities district bonds then outstanding that are payable at least in part from special taxes levied on parcels in the Village (the “**Other District Bonds**”).

**(E) Coverage.** For each Fiscal Year after issuance of the Parity Bonds, the maximum amount of the Special Taxes that may be levied for such Fiscal Year under the Ordinance, the Agreement and any Supplemental Agreement less estimated Administrative Expenses for each respective Fiscal Year, shall be at least 110% of the total Annual Debt Service of the then Outstanding Bonds and the proposed Parity Bonds for each Bond Year that commences in each such Fiscal Year, and the aggregate Special Tax Prepayments that could occur after the issuance of the Parity Bonds shall be not less than the principal amount of the Outstanding Bonds and the proposed Parity Bonds. For the purpose of calculating the Special Taxes that may be levied for each Fiscal Year after issuance of the Parity Bonds, the City shall not include for any Fiscal Year the Special Taxes that may be levied on any parcel that is delinquent in the payment of Special Taxes on the date of the Officer's Certificate required by subsection (F).

**(F) Certificates.** The City shall deliver to the Fiscal Agent an Officer's Certificate certifying that the conditions precedent to the issuance of such Parity Bonds set forth in subsections (A), (B), (C), (D) and (E) of this Section 3.06 have been satisfied.

Notwithstanding the foregoing, the City may issue Refunding Bonds as Parity Bonds without the need to satisfy the requirements of subsections (D) or (E) above, and, in connection therewith, the Officer's Certificate in subsection (F) above need not make reference to said subsections (D) and (E).

Notwithstanding the foregoing, the City may issue Parity Bonds that are not Refunding Bonds without satisfying the requirements of subsections (C), (D) and (E) above, but only if:

(i) the City deposits a portion of the proceeds of such Parity Bonds into an escrow fund,

(ii) the proceeds in the escrow fund may only be released by the Fiscal Agent from the escrow fund for deposit into (A) the Bond Proceeds Account of the Improvement Fund, (B) the 2018 Reserve Fund or the Parity Reserve Fund, as applicable, or (C) the Bond Fund for redemption of such Parity Bonds,

(iii) the City's non-compliance with the requirements of subsections (C), (D) and (E) is attributable to the proceeds of the Parity Bonds deposited into the escrow fund,

(iv) the proceeds may be released from the escrow fund by the Fiscal Agent only if the City delivers to the Trustee an Officer's Certificate certifying that, after release of the proceeds from the escrow fund, the City will satisfy the requirements of subsections (A), (B), (C), (D) and (E) with respect to all of such Parity Bonds (excluding any Parity Bonds that are no longer Outstanding under Section 9.03 as a result of the transfer of proceeds from the escrow fund to the Bond Fund) and

(v) at the time of issuance of the Parity Bonds, the City shall deliver to the Fiscal Agent an Officer's Certificate certifying that the conditions precedent to the issuance of such Parity Bonds set forth in subsections (A), (B), (C), (D) and (E) of this Section 3.06 have been satisfied except to the extent permitted by this paragraph.

Nothing in this Section 3.06 shall prohibit the City from issuing any other bonds or otherwise incurring debt secured by a pledge of the Special Tax Revenues subordinate to the pledge thereof under Section 3.02 of this Agreement.



## ARTICLE IV

### PROCEEDS, FUNDS AND ACCOUNTS

**Section 4.01. Application of 2018 Bond Proceeds.** The Proceeds of the 2018 Bonds received from the Original Purchaser in the amount of \$\_\_\_\_\_ (which is equal to the initial principal amount of the 2018 Bonds, *plus* a net original issue premium of \$\_\_\_\_\_, *less* an underwriter's discount in the amount of \$\_\_\_\_\_) shall be paid to the Fiscal Agent, which shall deposit the Proceeds on the Closing Date as follows:

- (i) \$\_\_\_\_\_ into the Costs of Issuance Fund;
- (ii) \$\_\_\_\_\_ into the 2018 Reserve Fund equaling the initial 2018 Reserve Requirement;
- (iii) \$\_\_\_\_\_ into the Bond Fund (which shall represent capitalized interest and be deposited into the Capitalized Interest Account); and
- (iv) \$\_\_\_\_\_ into the Bond Proceeds Account of the Improvement Fund.

The Fiscal Agent may, in its discretion, establish a temporary fund or account to facilitate the foregoing deposits.

#### **Section 4.02. Costs of Issuance Fund.**

**(A) Establishment of Costs of Issuance Fund.** The Costs of Issuance Fund is hereby established as a separate fund to be held by the Fiscal Agent, to the credit of which a deposit shall be made as required by Section 4.01. Moneys in the Costs of Issuance Fund shall be held by the Fiscal Agent for the benefit of the City and shall be disbursed as provided in subsection (B) of this Section for the payment or reimbursement of Costs of Issuance.

**(B) Disbursement.** Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition substantially in the form of Exhibit C hereto, executed by the Finance Director, containing respective amounts to be paid to the designated payees and delivered to the Fiscal Agent. Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

**(C) Investment.** Moneys in the Costs of Issuance Fund shall be invested and deposited by the Fiscal Agent under Section 6.01. Interest earnings and profits resulting from such investment shall be retained by the Fiscal Agent in the Costs of Issuance Fund to be used for the purposes of such fund.

**(D) Closing of Fund.** The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of 90 days from the Closing Date and then the Fiscal Agent shall transfer any moneys remaining therein, including any investment

earnings thereon, to the City for deposit in the Bond Proceeds Account of the Improvement Fund and used for the purposes thereof.

**Section 4.03. 2018 Reserve Fund.**

**(A) Establishment of Fund.** The 2018 Reserve Fund is hereby established as a separate fund to be held by the Fiscal Agent to the credit of which a deposit shall be made as required by Section 4.01, which deposit, as of the Closing Date, is equal to the initial 2018 Reserve Requirement with respect to the 2018 Bonds, and deposits shall be made as provided in Sections 3.06(C) and 4.05(A) and (B). Moneys in the 2018 Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the 2018 Bonds and any Related Parity Bonds as a reserve for the payment of the principal of, and interest and any premium on, the 2018 Bonds and any Related Parity Bonds and shall be subject to a lien in favor of the Owners of the 2018 Bonds and any Related Parity Bonds.

**(B) Use of Reserve Fund.** Except as otherwise provided in this Section, all amounts deposited in the 2018 Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the 2018 Bonds and any Related Parity Bonds or, in accordance with the provisions of this Section, for the purpose of redeeming 2018 Bonds and any Related Parity Bonds from the Bond Fund. Whenever a transfer is made from the 2018 Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund for payment of the principal of, and interest and any premium on, the 2018 Bonds and any Related Parity Bonds, the Fiscal Agent shall provide written notice thereof to the Finance Director, specifying the amount withdrawn.

**(C) Transfer of Excess of Reserve Requirement.** Whenever, on or before any Interest Payment Date, or on any other date at the request of the Finance Director, the amount in the 2018 Reserve Fund exceeds the 2018 Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the 2018 Reserve Fund to the Bond Fund, to be used to pay interest on the 2018 Bonds and any Related Parity Bonds on the next Interest Payment Date.

**(D) Transfer for Rebate Purposes.** Amounts in the 2018 Reserve Fund shall be withdrawn for purposes of making payment to the federal government to comply with Section 5.11, upon receipt by the Fiscal Agent of an Officer's Certificate specifying the amount to be withdrawn and to the effect that such amount is needed for rebate purposes; *provided, however*, that no amounts in the 2018 Reserve Fund shall be used for rebate unless the amount in the 2018 Reserve Fund following such withdrawal equals the 2018 Reserve Requirement.

**(E) Transfer When Balance Exceeds Outstanding Bonds.** Whenever the balance in the 2018 Reserve Fund exceeds the amount required to redeem or pay the Outstanding 2018 Bonds and all Outstanding Related Parity Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon the written request of the Finance Director, transfer any cash or Permitted Investments in

the 2018 Reserve Fund to the Bond Fund to be applied, on the redemption date to the payment and redemption, in accordance with Section 4.04 or 2.03 and the provisions of the Supplemental Agreement related to the Related Parity Bonds, as applicable, of all of the Outstanding 2018 Bonds and Outstanding Related Parity Bonds. In the event that the amount so transferred from the 2018 Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding 2018 Bonds and Outstanding Related Parity Bonds, the balance in the 2018 Reserve Fund shall be transferred to the Finance Director to be used by the City for any lawful purpose.

Notwithstanding the provisions of the first paragraph of this Section 4.03(E), no amounts shall be transferred from the 2018 Reserve Fund under this Section 4.03(E) until after: (i) the calculation of any amounts due to the federal government under Section 5.11 and withdrawal of any such amount under Section 4.03(D) for purposes of making such payment to the federal government; and (ii) payment of any fees and expenses due to the Fiscal Agent.

**(F) Transfer Upon Special Tax Prepayment.** Whenever Special Taxes are prepaid and 2018 Bonds or any Related Parity Bonds are to be redeemed with the proceeds of such prepayment pursuant to Section 2.03(A)(iii) or a Supplemental Agreement related to any Related Parity Bonds, any resulting reduction in the 2018 Reserve Requirement shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the 2018 Bonds pursuant to Section 2.03(A)(iii) or a Supplemental Agreement related to any Related Parity Bonds. The Finance Director shall deliver to the Fiscal Agent an Officer's Certificate specifying any amount to be so transferred, and the Fiscal Agent may rely on any such Officer's Certificate.

**(G) Investment.** Moneys in the 2018 Reserve Fund shall be invested by the Fiscal Agent under Section 6.01.

**(H) Qualified Reserve Account Credit Instruments.** The City shall have the right at any time to direct the Fiscal Agent to release funds from the 2018 Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2018 Bonds or any Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Fiscal Agent, and upon delivery by the City to the Fiscal Agent of a written calculation of the amount permitted to be released from the 2018 Reserve Fund (upon which calculation the Fiscal Agent may conclusively rely), the Fiscal Agent shall transfer such funds from the 2018 Reserve Fund to the Bond Proceeds Account of the Improvement Fund to be used for the purposes thereof. The Fiscal Agent shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this Section. Upon

the scheduled expiration of any Qualified Reserve Account Credit Instrument, the City shall either (i) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) deposit or cause to be deposited with the Fiscal Agent an amount of funds equal to the 2018 Reserve Requirement, to be derived from the first available Special Tax Revenues. If the 2018 Reserve Requirement is being maintained partially in cash and partially with a Qualified Reserve Account Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Bond Fund with respect to the 2018 Bonds and any Related Parity Bonds. If the 2018 Reserve Requirement is being maintained with two or more Qualified Reserve Account Credit Instruments, any draw to meet a deficiency which may exist from time to time in the Bond Fund with respect to the 2018 Bonds and any Related Parity Bonds shall be pro-rata with respect to each such instrument.

In the event that a Qualified Reserve Account Credit Instrument is available to be drawn upon for only one or more particular series of Bonds, a separate subaccount in the 2018 Reserve Fund may be established for such series, and the calculation of the 2018 Reserve Requirement with respect to any Related Parity Bonds shall exclude the debt service on such issue of Related Parity Bonds.

The City will have no obligation to replace a Qualified Reserve Account Credit Instrument or to fund the 2018 Reserve Fund with cash if, at any time that the 2018 Bonds are Outstanding, the Qualified Reserve Account Credit Instrument (or its provider) is downgraded or the provider becomes insolvent, if there is an unscheduled termination of the Qualified Reserve Account or if for any reason insufficient amounts are available to be drawn upon under the Qualified Reserve Account Credit Instrument; provided, however, that the City shall reimburse the provider, in accordance with the terms of the Qualified Reserve Account Credit Instrument, for any draws made thereon.

The City and the Fiscal Agent shall comply with the terms of the Qualified Reserve Account Credit Instrument as shall be required to receive payments thereunder in the event and to the extent required under this Section.

#### **Section 4.04. Bond Fund.**

**(A) Establishment of Bond Fund.** The Bond Fund is hereby established as a separate fund to be held by the Fiscal Agent to the credit of which deposits shall be made as required by Section 4.01, Section 4.07 and Section 4.03 and as otherwise set forth in this Agreement. Moneys in the Bond Fund shall be held by the Fiscal Agent for the benefit of the City and the Owners of the Bonds, and shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below.

Within the Bond Fund there is hereby established a separate account designated as the "Capitalized Interest Account" to be held in trust by the Fiscal Agent for the benefit of the City and the Owners of the Bonds into which shall be deposited the amount specified in Section 4.01(iii). Amounts on deposit in the Capitalized Interest Account shall be used and withdrawn by the Fiscal Agent solely for the payment of interest on the Bonds. When the amount in the

Capitalized Interest Account is fully expended for the payment of interest, the account shall be closed.

There is also hereby created in the Bond Fund a separate account to be held by the Fiscal Agent, designated the "Special Tax Prepayments Account," to the credit of which deposits shall be made as provided in clause (iii) of the second paragraph of Section 4.05(A).

**(B) Disbursements.** At least 10 Business Days before each Interest Payment Date, the Fiscal Agent shall notify the Finance Director in writing as to the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date (whether as a result of scheduled principal of and interest on the Bonds, optional redemption of the Bonds or a mandatory sinking fund redemption). On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on such Interest Payment Date on the Bonds.

At least 5 Business Days prior to each Interest Payment Date, the Fiscal Agent shall determine if the amounts then on deposit in the Bond Fund are sufficient to pay the Debt Service due on the Bonds on the next Interest Payment Date. In the event that amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent promptly shall notify the Finance Director by telephone (and confirm in writing) of the amount of the insufficiency.

In the event that amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph with respect to any Interest Payment Date, the Fiscal Agent shall do the following:

(i) Withdraw from the 2018 Reserve Fund, in accordance with the provisions of Section 4.03, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the 2018 Bonds and any Related Parity Bonds. Amounts so withdrawn from the 2018 Reserve Fund shall be deposited in the Bond Fund.

(ii) Withdraw from the reserve funds, if any, established under a Supplemental Agreement related to Parity Bonds that are not Related Parity Bonds, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to such Parity Bonds. Amounts so withdrawn from any such reserve fund shall be deposited in the Bond Fund.

If, after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments provided for in the second sentence of the first paragraph of this Section 4.04(B), the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, if any, and then to payment of principal due on the bonds by reason of sinking payments.

**(C) Disbursements from the Special Tax Prepayments Account.**

Moneys in the Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under Section 2.03(A)(iii), and notice to the Fiscal Agent can timely be given under Section 2.03(B), and shall be used (together with any amounts transferred pursuant to Section 4.03(F)) to redeem Bonds on the redemption date selected in accordance with Section 2.03.

**(D) Investment.**

Moneys in the Bond Fund, the Capitalized Interest Account and the Special Tax Prepayments Account shall be invested under Section 6.01. Interest earnings and profits resulting from such investment shall be retained in the Bond Fund.

**(E) Deficiency.**

If at any time it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay Debt Service on the Bonds in a timely manner, the Fiscal Agent shall report to the Finance Director such fact. The City covenants to increase the levy of the Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Resolution of Formation) in accordance with the procedures set forth in the Act for the purpose of curing Bond Fund deficiencies.

**(F) Excess.**

Any excess moneys remaining in the Bond Fund following the payment of Debt Service on the Bonds on any September 1, shall be transferred to the Special Tax Fund.

**Section 4.05. Special Tax Fund.**

**(A) Establishment of Special Tax Fund.**

The Special Tax Fund is hereby established as a separate fund to be held by the Fiscal Agent, to the credit of which the Fiscal Agent shall deposit amounts received from or on behalf of the City consisting of Special Tax Revenues and amounts transferred from the Administrative Expense Fund and the Bond Fund. The City shall promptly remit any Special Tax Revenues received by it to the Fiscal Agent for deposit by the Fiscal Agent to the Special Tax Fund.

Notwithstanding the foregoing,

(i) Special Tax Revenues in an amount not to exceed the amount included in the Special Tax levy for such Fiscal Year for Administrative Expenses shall be separately identified by the Finance Director and shall be deposited by the Fiscal Agent in the Administrative Expense Fund;

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Finance Director and shall be disposed of by the Fiscal Agent first, for transfer to the Bond Fund to pay any past due Debt Service on the Bonds; second, without preference or priority, for transfer to the 2018 Reserve Fund to the extent needed to increase the amount then on deposit in the 2018 Reserve Fund up to the then 2018 Reserve Requirement and for transfer to the reserve account for any Parity Bonds that are not Related Parity Bonds to the extent needed to increase the

amount then on deposit therein to the required level; and third, to be held in the Special Tax Fund for use as described in Section 4.05(B) below; and

(iii) any proceeds of Special Tax Prepayments shall be separately identified by the Finance Director and shall be deposited by the Fiscal Agent as follows (as directed in writing by the Finance Director): (a) that portion of any Special Tax Prepayment constituting a prepayment of construction costs (which otherwise could have been included in the proceeds of Parity Bonds) shall be deposited by the Fiscal Agent to the Bond Proceeds Account of the Improvement Fund and (b) the remaining Special Tax Prepayment shall be deposited by the Fiscal Agent in the Special Tax Prepayments Account established pursuant to Section 4.04(A).

**(B) Disbursements.** At least 7 Business Days prior to each Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority:

(i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the 2018 Reserve Fund and any reserve account for Parity Bonds that are not Related Parity Bonds, the Capitalized Interest Account and the Special Tax Prepayments Account to the Bond Fund such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date and any past due principal or interest on the Bonds not theretofore paid from a transfer described in subparagraph (ii) of the second paragraph of Section 4.05(A),

(ii) without preference or priority (a) to the 2018 Reserve Fund an amount, taking into account amounts then on deposit in the 2018 Reserve Fund, such that the amount in the 2018 Reserve Fund is equal to the 2018 Reserve Requirement, and (b) to the reserve account for any Parity Bonds that are not Related Parity Bonds, taking into account amounts then on deposit in the such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the Special Tax Fund are not sufficient for the purposes of this paragraph, such amounts shall be applied to the 2018 Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds), and

(iii) (A) on each October 1, beginning on October 1, 2019, and continuing through the Remainder Taxes Period, all of the moneys remaining in the Special Tax Fund shall be transferred to the Remainder Taxes Account and (B) on each subsequent October 1 after the end of the Remainder Taxes Period, all or a portion of the moneys remaining in the Special Tax Fund shall be transferred to the Remainder Taxes Account as directed by the Finance Director.

Within 15 days after the end of each Bond Year, and after the foregoing transfers have been made, the Fiscal Agent shall transfer all amounts remaining on deposit in the Special Tax Fund to the Administrative Expense Fund, to be used as set forth in Section 4.06 below.

**(C) Investment.** Moneys in the Special Tax Fund shall be invested and deposited by the Fiscal Agent under Section 6.01. Interest earnings and profits resulting from such investment and deposit shall be retained in the Special Tax Fund to be used for the purposes thereof.

#### **Section 4.06. Administrative Expense Fund.**

**(A) Establishment of Administrative Expense Fund.** The Administrative Expense Fund is hereby established as a separate fund to be held by the Fiscal Agent, to the credit of which deposits shall be made as required by Section 4.05(A). Moneys in the Administrative Expense Fund shall be held by the Fiscal Agent for the benefit of the City, and shall be disbursed as provided below.

**(B) Disbursement.** Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer's Certificate, in substantially the form of Exhibit D hereto, stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense or a Cost of Issuance and the nature of such Administrative Expense or such Cost of Issuance.

Annually, on the last day of each Fiscal Year, the Fiscal Agent shall withdraw from the Administrative Expense Fund and transfer to the Special Tax Fund any amount in excess of that which is needed to pay any Administrative Expenses incurred but not yet paid, and which are not otherwise encumbered, as identified by the Finance Director in an Officer's Certificate.

**(C) Investment.** Moneys in the Administrative Expense Fund shall be invested by the Fiscal Agent under Section 6.01. Interest earnings and profits resulting from such investment shall be retained by the Fiscal Agent in the Administrative Expense Fund to be used for the purposes of such fund.

#### **Section 4.07. Improvement Fund.**

**(A) Establishment of Improvement Fund.** The Improvement Fund is hereby established as a separate fund to be held by the Fiscal Agent and to the credit of which fund deposits shall be made as required by Sections 4.01, 4.02(D) and 4.05(A). The Remainder Taxes Account and the Bond Proceeds Account are hereby established as separate accounts within the Improvement Fund to be held by the Fiscal Agent.

Moneys in the Improvement Fund shall be disbursed, except as otherwise provided in subsections (B) and (D) of this Section, for the payment or reimbursement of costs of the Project.



**(B) Procedure for Disbursement.** Disbursements from the Improvement Fund shall be made by the Fiscal Agent upon receipt of an Officer's Certificate substantially in the form of Exhibit B attached hereto which shall:

(i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made (which shall be for payment of a Project cost or to reimburse expenditures of the City or any other party for Project costs previously paid), and the person to which the disbursement is to be paid; and

(ii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement.

Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

Disbursements for the payment or reimbursement of costs of the Project shall be made from the Bond Proceeds Account and the Remainder Taxes Account in the following order:

First: payments or reimbursements shall be made from the Bond Proceeds Account so long as there are moneys available therein and such costs can be paid from Bond proceeds without violating the covenants set forth in Sections 5.09-5.14 and

Second: payments or reimbursements shall be made from the Remainder Taxes Account (1) even if Bond proceeds remain in the Bond Proceeds Account, if such payment or reimbursement would violate the covenants set forth in Sections 5.09-5.14 and (2) when no Bond proceeds remain in the Bond Proceeds Account.

At the direction of the Finance Director, and so long as such amounts have not been previously approved for payment of a Project cost, the Fiscal Agent shall transfer amounts from the Remainder Taxes Account to the Bond Fund to pay Debt Service on the Bonds, Administrative Expense Fund to pay Administrative Expenses and 2018 Reserve Fund to increase the amount therein to the 2018 Reserve Requirement.

**(C) Investment.** Moneys in the Improvement Fund shall be invested in accordance with Section 6.01. Interest earnings and profits from such investment shall be retained in the Improvement Fund to be used for the purpose of such fund.

**(D) Closing of Fund.** When the City believes that the Project has been completed, it shall provide a written notice to the Developer that the City believes the Project has been completed and that the Improvement Fund, Bond Proceeds Account and Remainder Taxes Account should be closed. The Developer shall have 30 days after receipt of such notice to dispute the City's finding or to concur that the Project is complete. If the Developer concurs that the Project is complete, or fails to respond to the notice by the end of the 30-day

period, the City may file an Officer's Certificate directing the Fiscal Agent to close the Improvement Fund, Bond Proceeds Account and Remainder Taxes Account.

Upon the filing of an Officer's Certificate stating that the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the Improvement Fund, Bond Proceeds Account and Remainder Taxes Account, the Fiscal Agent shall transfer the amount, if any, remaining in the Improvement Fund, Bond Proceeds Account and Remainder Taxes Account to the Bond Fund for application to Debt Service payments due on the next succeeding Interest Payment Date and the Improvement Fund, Bond Proceeds Account and Remainder Taxes Account shall be closed. Moneys transferred from the Improvement Fund to the Bond Fund shall be used to pay Debt Service on the Bonds in the manner specified by the City in an Officer's Certificate.

**ARTICLE V**  
**COVENANTS**

**Section 5.01. Collection of Special Tax Revenues.** The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

**(A) Processing.** On or within five (5) Business Days of each June 1, the Fiscal Agent shall provide the Finance Director with a notice stating (i) the amount then on deposit in the Bond Fund, the 2018 Reserve Fund and any reserve account for Parity Bonds that are not Related Parity Bonds that is held by the Fiscal Agent, and (ii) if the amount in the 2018 Reserve Fund is less than the 2018 Reserve Requirement or the amount in such other reserve account held by the Fiscal Agent is less than its required amount, informing the City that replenishment of the 2018 Reserve Fund or reserve account is necessary. The receipt of or failure to receive such notice by the Finance Director shall in no way affect the obligations of the Finance Director under the following two paragraphs and the Fiscal Agent shall not be liable for failure to provide such notices to the Finance Director. Upon receipt of such notice, the Finance Director shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits or combinations during the preceding and then current year.

**(B) Levy.** The Finance Director shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 1 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which Auditor will accept the transmission of the Special Tax amounts for the parcels within Improvement Area No. 1 for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Finance Director shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

**(C) Computation.** The Finance Director shall fix and levy the amount of Special Taxes within Improvement Area No. 1 required to pay the following amounts, taking into account the balances in the applicable funds established under this Agreement: (i) the principal of and interest on any outstanding Bonds of the CFD with respect to Improvement Area No. 1 becoming due and payable during the ensuing calendar year, (ii) any necessary replenishment or expenditure of the 2018 Reserve Fund and any other reserve account for Parity Bonds that are not Related Parity Bonds to the extent such replenishment has not been included in the computation of the Special Taxes in a previous Fiscal Year, (iii) the Administrative Expenses, including amounts necessary to discharge any rebate obligation, during such year, (iv) an amount to cure delinquencies in the payment of principal or interest on Bonds that occurred in the previous Fiscal Year, and (v) any Project costs to be paid from Special Taxes to the extent that paying for such costs does not increase the Special Taxes levied on Undeveloped Property (as defined in the Rate and Method). During the

Remainder Taxes Period, the Finance Director shall fix and levy the Special Taxes at the Maximum Special Tax rate on Developed Property before considering any Capitalized Interest (as those terms are defined in the Rate and Method). The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings under the Resolution of Formation.

**(D) Collection.** Except as set forth in the Ordinance, Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

**Section 5.02. Covenant to Foreclose.** Under the Act, the City hereby covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as hereinafter provided, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

On or about June 30 of each Fiscal Year, the Finance Director shall compare the amount of Special Taxes theretofore levied in Improvement Area No. 1 to the amount of Special Tax Revenues theretofore received by the City, and:

**(A) Individual Delinquencies.** If the Finance Director determines that any single parcel subject to the Special Tax in Improvement Area No. 1 is delinquent in the payment of Special Taxes in the aggregate amount of \$5,000 or more, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 90 days of such determination. Notwithstanding the foregoing, the Finance Director may defer any such actions with respect to a delinquent parcel if (1) Improvement Area No. 1 is then participating in the Alternative Method of Distribution of Tax Levies and Collections described in Revenue & Taxation Code Section 4701 et seq., or an equivalent procedure, (2) the amount in the 2018 Reserve Fund is at least equal to the 2018 Reserve Requirement and (3) the amount in the reserve account for any Parity Bonds that are not Related Parity Bonds is at least equal to the required amount.

**(B) Aggregate Delinquencies.** If the Finance Director determines that (i) the total amount of delinquent Special Tax for the prior Fiscal Year for the entire Improvement Area No. 1 (including the total of delinquencies under subsection (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, determined by reference to the latest available secured property tax roll of the County, the Finance Director shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 90 days

of such determination against each parcel of land in Improvement Area No. 1 with a Special Tax delinquency.

The Finance Director and the City Attorney, as applicable, are hereby authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for City staff time) in conducting foreclosure proceedings shall be an Administrative Expense hereunder.

**Section 5.03. Punctual Payment.** The City will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of this Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions covenants and requirements of this Agreement and all Supplemental Agreements and of the Bonds.

**Section 5.04. Extension of Time for Payment.** In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

**Section 5.05. Against Encumbrances.** The City will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, or their Owners, except as permitted by this Agreement.

**Section 5.06. Books and Records.**

**(A) City.** The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Special Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

**(B) Fiscal Agent.** The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions made by it relating to the expenditure of amounts disbursed from the funds, and, if any, accounts in such funds held by the Fiscal Agent hereunder. Such books of record and accounts shall at all times during business hours be subject to the inspection of the City and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing upon reasonable prior notice.

**Section 5.07. Protection of Security and Rights of Owners.** The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

**Section 5.08. Further Assurances.** The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Agreement.

**Section 5.09. Private Activity Bond Limitations.** The City shall assure that the proceeds of the 2018 Bonds are not so used as to cause the 2018 Bonds to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Code.

**Section 5.10. Federal Guarantee Prohibition.** The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2018 Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

**Section 5.11. Rebate Requirement.** The City shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2018 Bonds. The Finance Director shall take note of any investment of monies hereunder in excess of the yield on the 2018 Bonds, and shall take such actions as are necessary to ensure compliance with this Section 5.11, such as increasing the portion of the Special Tax levy for Administrative Expenses as appropriate to have funds available in the Administrative Expense Fund to satisfy any rebate liability under this Section. If necessary to satisfy its obligations under this Section 5.11, the City may use:

- (A) Amounts in the 2018 Reserve Fund if the amount on deposit in the 2018 Reserve Fund, following the proposed transfer, is at least equal to the 2018 Reserve Requirement, and amounts in any other reserve account for Parity Bonds that are not Related Parity Bonds to the extent permitted by the Supplemental Agreement;
- (B) Amounts on deposit in the Administrative Expense Fund; and
- (C) Any other funds available to the City, including amounts advanced by the City, in its sole discretion, to be repaid as soon as practicable from amounts described in the preceding clauses (A) and (B).

**Section 5.12. No Arbitrage.** The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the 2018 Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2018 Bonds would have caused the 2018 Bonds to be “arbitrage bonds” within the meaning of section 148 of the Tax Code.

**Section 5.13. Yield of the 2018 Bonds.** In determining the yield of the 2018 Bonds to comply with Sections 5.11 and 5.12, the City will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the City, as of

the Closing Date, regarding prepayments of Special Taxes and use of prepayments for redemption of the 2018 Bonds, without regard to whether or not prepayments are received or 2018 Bonds redeemed.

**Section 5.14. Maintenance of Tax-Exemption.** The City shall take all actions necessary to assure the exclusion of interest on the 2018 Bonds from the gross income of the Owners of the 2018 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the date of issuance of the 2018 Bonds.

**Section 5.15. Continuing Disclosure.** The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an event of default for the purposes of this Agreement. However, any Owner or Beneficial Owner of the 2018 Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

One or more owners of the real property in Improvement Area No. 1 as of the Closing Date may also have executed a continuing disclosure agreement for the benefit of the holders and Beneficial Owners of the 2018 Bonds. Any Participating Underwriter or Holder or Beneficial Owner may take such actions as may be necessary and appropriate directly against any such landowner to compel performance by it of its obligations thereunder, including seeking mandate or specific performance by court order; however the City shall have no obligation whatsoever to enforce any obligations under any such agreement.

**Section 5.16. Limits on Special Tax Waivers and Bond Tenders.** The City covenants not to exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare a Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the Owners of the Bonds and further covenants not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the City having insufficient Special Tax Revenues to pay the principal of and interest on the Bonds and any Parity Bonds remaining Outstanding following such tender.

**Section 5.17. City Bid at Foreclosure Sale.** The City will not bid at a foreclosure sale of property in respect of delinquent Special Taxes, unless it expressly agrees to take the property subject to the lien for Special Taxes imposed by the City and that the Special Taxes levied on the property are payable while the City owns the property.

**Section 5.18. Amendment of Rate and Method.**

**(A) General.** The City shall not initiate proceedings under the Act to modify the Rate and Method if such modification would adversely affect the security for the Bonds. If an initiative is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the Bonds, the City shall, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Bonds.

**(B) Exception.** Notwithstanding clause (A) of this section, the City may initiate proceedings to reduce the maximum Special Tax rates under the Rate and Method, if, in connection therewith: (i) the City receives a certificate from one or more Independent Financial

Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the CFD as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then-existing Taxable Property (as such term is defined in the Rate and Method) in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least the sum of the estimated Administrative Expenses and 110% of Debt Service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved; (ii) the reduction does not adversely affect the financing of the Project and (iii) the City is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultants will compute the Administrative Expenses for the current Fiscal Year and escalate such amounts by 2% in each subsequent Fiscal Year.



## ARTICLE VI

### INVESTMENTS; LIABILITY OF THE CITY

#### Section 6.01. Deposit and Investment of Moneys in Funds.

**(A) General.** Moneys in any fund or account created or established by this Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out hereunder, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall hold such funds uninvested. The Finance Director shall make note of any investment of funds hereunder in excess of the yield on the Bonds so that appropriate actions can be taken to assure compliance with Section 5.11.

**(B) Moneys in Funds.** Moneys in any fund or account created or established by this Agreement and held by the Finance Director shall be invested by the Finance Director in any Permitted Investment or in any other lawful investment for City funds, which in any event by its terms matures prior to the date on which such moneys are required to be paid out hereunder. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of this Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in this Agreement any moneys are required to be transferred by the City to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

**(C) Actions of Officials.** The Fiscal Agent and its affiliates or the Finance Director may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. Neither the Fiscal Agent nor the Finance Director shall incur any liability for losses arising from any investments made pursuant to this Section. The Fiscal Agent shall not be required to determine the legality of any investments.

**(D) Valuation of Investments.** Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to this Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Tax Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Agreement or the Tax Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Tax Code and (unless valuation is undertaken at least annually) investments in the subaccounts within the 2018 Reserve Fund shall be valued at their present value (within the meaning of section 148 of the Tax Code). The Fiscal Agent shall not be liable for verification of the application of such sections of the Tax Code or for any determination of Fair Market Value or present value and may conclusively rely upon an Officer's Certificate as to such valuations.

**(E) Commingled Money.** Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Finance

Director hereunder, provided that the Fiscal Agent or the Finance Director, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in this Agreement.

**(F) Confirmations Waiver.** The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the City periodic cash transaction statements which include detail for all investment transactions made by the Fiscal Agent hereunder.

**(G) Sale of Investments.** The Fiscal Agent or the Finance Director, as applicable, shall sell at Fair Market Value, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Finance Director shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

#### **Section 6.02. Liability of City.**

**(A) General.** The City shall not incur any responsibility or liability in respect of the Bonds or this Agreement other than in connection with the duties or obligations explicitly herein or in the Bonds assigned to or imposed upon it. The City shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent herein or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

**(B) Reliance.** In the absence of bad faith, the City, including the Finance Director, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the City by the Fiscal Agent or an Independent Financial Consultant and conforming to the requirements of this Agreement. The City, including the Finance Director, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts. The City may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The City may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

**(C) No General Liability.** No provision of this Agreement shall require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Special Tax Revenues) in the performance of any of its obligations hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

**(D) Owner of Bonds.** The City shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

**Section 6.03. Employment of Agents by City.** In order to perform its duties and obligations hereunder, the City may employ such persons or entities as it deems necessary or advisable. The City shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

## ARTICLE VII

### THE FISCAL AGENT

#### Section 7.01. The Fiscal Agent.

**(A) Appointment.** The Fiscal Agent is hereby appointed as the fiscal, authentication, paying and transfer agent hereunder for the Bonds. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Fiscal Agent.

**(B) Merger.** Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph of this Section 7.01 shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding. The Fiscal Agent shall give the Finance Director written notice of any such succession hereunder.

**(C) Removal.** Upon 30 days written notice, the City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 7.01, combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

**(D) Resignation.** The Fiscal Agent may at any time resign by giving written notice to the City by certified mail return receipt requested, and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

**(E) No Successor.** If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this Section 7.01 within 45 days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent, at the expense of the City, or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

**(F) Court Order.** If, by reason of the judgment of any court, the Fiscal Agent is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Fiscal Agent hereunder shall be assumed by and vest in the Finance Director of the City in trust for the benefit of the Owners. The City covenants for the direct benefit of the Owners

that its Finance Director in such case shall be vested with all of the rights and powers of the Fiscal Agent hereunder, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent hereunder, in trust for the benefit of the Owners of the Bonds.

#### **Section 7.02. Liability of Fiscal Agent.**

**(A) General.** The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the City, and the Fiscal Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Agreement or of the Bonds, nor shall the Fiscal Agent incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds. All indemnifications and releases from liability granted to the Fiscal Agent hereunder shall extend to the directors, officers and employees of the Fiscal Agent.

The Fiscal Agent shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay (“unavoidable delay”) in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Fiscal Agent.

**(B) Reliance.** The Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates, documents, written instructions or opinions furnished to the Fiscal Agent and conforming to the requirements of this Agreement; but in the case of any such certificates, documents, written instructions or opinions by which any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement. Except as provided above in this paragraph, the Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in accordance with the terms of this Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, facsimile transmission, electronic mail, or other paper or document which it shall reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of this Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

**(C) No Duty to Inquire.** The Fiscal Agent shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements

of the City or the CFD herein or of any of the documents executed by the City or the CFD in connection with the Bonds, or as to the existence of a default or event of default thereunder.

**(D) Errors in Judgment.** The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer of the Fiscal Agent unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

**(E) No Expenditures.** No provision of this Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

**(F) No Action.** The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Owners under this Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity satisfactory to the Fiscal Agent against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

**(G) Owner of Bonds.** The Fiscal Agent may become the owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

**Section 7.03. Information; Books and Accounts.** The Fiscal Agent shall provide to the City such information relating to the Bonds and the funds and accounts maintained by the Fiscal Agent hereunder as the City shall reasonably request, including but not limited to monthly statements reporting funds held and transactions by the Fiscal Agent, including the value of any investments held by the Fiscal Agent. The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Bond Fund, the Special Tax Fund, the 2018 Reserve Fund, the Improvement Fund and the Cost of Issuance Fund. Such books of record and accounts shall, upon reasonable notice, during business hours be subject to the inspection of the City and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

**Section 7.04. Notice to Fiscal Agent.** The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, facsimile transmission, electronic mail, written instructions, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in accordance therewith.

The Fiscal Agent shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under this Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent,

be deemed to be conclusively proved and established by an Officer's Certificate of the City, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Fiscal Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Fiscal Agent, or another method or system specified by the Fiscal Agent as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Fiscal Agent an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Fiscal Agent Instructions using Electronic Means and the Fiscal Agent in its discretion elects to act upon such Instructions, the Fiscal Agent's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Fiscal Agent cannot determine the identity of the actual sender of such Instructions and that the Fiscal Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Fiscal Agent have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Fiscal Agent and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Fiscal Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Fiscal Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Fiscal Agent, including without limitation the risk of the Fiscal Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Fiscal Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Fiscal Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

The Fiscal Agent shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

The Fiscal Agent may execute any of the trusts or powers hereof and perform the duties required of it hereunder either directly or by or through attorneys or agents, and shall be entitled to rely on advice of counsel concerning all matters of trust and its duty hereunder.

The permissive right of the Fiscal Agent to do things enumerated in this Agreement shall not be construed as a duty and it shall not be answerable for such actions other than as a result of its negligence or willful misconduct.

**Section 7.05. Compensation, Indemnification.** The City shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under this Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys (including the allocated costs of in-house attorneys), agents and employees, incurred in and about the performance of their powers and duties under this Agreement, but the Fiscal Agent shall not have a lien therefor on any funds at any time held by it under this Agreement. The City further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless against any liabilities, costs, claims or expenses, including fees and expenses of its attorneys, which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Fiscal Agent under this Agreement, and payment of the Bonds and discharge of this Agreement, but any monetary obligation of the City arising under this Section shall be limited solely to amounts on deposit in the Administrative Expense Fund.



## ARTICLE VIII

### MODIFICATION OR AMENDMENT

#### Section 8.01. Amendments Permitted.

**(A) With Consent.** This Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.04. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or this Agreement), or reduce the percentage of Bonds required for the amendment hereof.

**(B) Without Consent.** This Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the City herein, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the City;

(ii) to make modifications not adversely affecting any Outstanding Bonds in any material respect;

(iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Agreement, or in regard to questions arising under this Agreement, as the City and the Fiscal Agent may deem necessary or desirable and not inconsistent with this Agreement, and which shall not adversely affect the rights of the Owners of the Bonds;

(iv) to make such additions, deletions or modifications as may be necessary or desirable to assure exclusion from gross income for federal income tax purposes of interest on the Bonds;

(v) in connection with the issuance of any Parity Bonds under and pursuant to Section 3.06.

**(C) Fiscal Agent's Consent.** Any amendment of this Agreement may not modify any of the rights or obligations of the Fiscal Agent without its written consent. The Fiscal Agent shall be furnished an opinion of counsel that any such Supplemental Agreement entered into by the City and the Fiscal Agent complies with the provisions of this Section 8.01 and the Fiscal Agent may conclusively rely on such opinion and shall be absolutely protected in so relying.

**Section 8.02. Owners' Meetings.** The City may at any time call a meeting of the Owners. In such event the City is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof and to fix and adopt rules and regulations for the conduct of said meeting.

**Section 8.03. Procedure for Amendment with Written Consent of Owners.** The City and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds or of this Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Section 8.01(A), to take effect when and as provided in this Section 8.03. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Fiscal Agent, at the expense of the City, to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section 8.03 provided.

Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 8.04) and a notice shall have been mailed as hereinafter in this Section 8.03 provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 9.04. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter in this Section 8.03 provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner hereinbefore provided in this Section 8.03 for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section 8.03 (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by this Section 8.03 to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the City and the Owners of all Bonds at the expiration of 60 days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such 60-day period.

**Section 8.04. Disqualified Bonds.** Bonds owned or held for the account of the City, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article VIII, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article VIII. Upon request of the Fiscal Agent, the City shall specify in a certificate to the Fiscal Agent those Bonds disqualified pursuant to this Section and the Fiscal Agent may conclusively rely on such certificate.

**Section 8.05. Effect of Supplemental Agreement.** From and after the time any Supplemental Agreement becomes effective under this Article VIII, this Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under this Agreement of the City, the Fiscal Agent and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

**Section 8.06. Endorsement or Replacement of Bonds Issued After Amendments.** The City may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article VIII shall bear a notation, by endorsement or otherwise, in form approved by the City, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and upon presentation of his Bond for that purpose at the Principal Office of the Fiscal Agent or at such other office as the City may select and designate for that purpose, a suitable notation shall be made on such Bond. The City may determine that new Bonds, so modified as in the opinion of the City is necessary to conform to such Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Principal Office of the Fiscal Agent without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

**Section 8.07. Amendatory Endorsement of Bonds.** The provisions of this Article VIII shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

## ARTICLE IX

### MISCELLANEOUS

**Section 9.01. Benefits of Agreement Limited to Parties.** Nothing in this Agreement, expressed or implied, is intended to give to any person other than the City, the Fiscal Agent and the Owners, any right, remedy, claim under or by reason of this Agreement. Any covenants, stipulations, promises or agreements in this Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the Owners and the Fiscal Agent.

**Section 9.02. Successor and Predecessor.** Whenever in this Agreement or any Supplemental Agreement either the City or the Fiscal Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the City or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

**Section 9.03. Discharge of Agreement.** The City may pay and discharge the entire indebtedness on all Bonds Outstanding in any one or more of the following ways:

(A) by paying or causing to be paid the principal of, and interest and any premium on, all Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in the Bond Fund and the 2018 Reserve Fund hereof, is fully sufficient to pay all Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash and/or Federal Securities in such amount as the City shall determine, as confirmed by an independent certified public accountant, will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in the Bond Fund and the 2018 Reserve Fund (to the extent invested in Federal Securities), be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If the City shall have taken any of the actions specified in (A), (B) or (C) above, and if such Bonds are to be redeemed prior to the maturity thereof and notice of such redemption shall have been given as in this Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in this Agreement and all other obligations of the City under this Agreement with respect to such Bonds Outstanding shall cease and terminate. Notice of such election shall be filed with the Fiscal Agent.

Notwithstanding the foregoing, the following obligations and pledges of the City shall continue in any event: (i) the obligation of the City to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, (ii) the obligation of the City to pay amounts owing to the Fiscal Agent pursuant to Section 7.05, and (iii) the obligation of the City to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Upon compliance by the City with the foregoing with respect to all Bonds Outstanding, any funds held by the Fiscal Agent after payment of all fees and expenses of the Fiscal Agent, which are not required for the purposes of the preceding paragraph, shall be paid over to the City and any Special Taxes thereafter received by the City shall not be remitted to the Fiscal Agent but shall be retained by the City to be used for any purpose permitted under the Act and the Resolution of Formation.

**Section 9.04. Execution of Documents and Proof of Ownership by Owners.** Any request, declaration, consent or other instrument which this Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration, consent or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registration books maintained by the Fiscal Agent under Section 2.07.

Any request, declaration, consent or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Fiscal Agent in good faith and in accordance therewith.

**Section 9.05. Waiver of Personal Liability.** No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of or interest or any premium on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

**Section 9.06. Notices to and Demands on City and Fiscal Agent.** Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Fiscal Agent to or on the City may be given or served by facsimile transmission receipt of which has been confirmed or by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the City with the Fiscal Agent) as follows:

City of Tracy  
333 Civic Center Plaza  
Tracy, CA 95376  
Fax: (209) 835-1113  
Attention: Finance Director

Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the City to or on the Fiscal Agent may be given or served by facsimile transmission receipt of which has been confirmed or by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the Fiscal Agent with the City) as follows:

U.S. Bank National Association  
[to come]  
Attn: Corporate Trust Administration

**Section 9.07. Partial Invalidity.** If any Section, paragraph, sentence, clause or phrase of this Agreement shall for any reason be held by a court of competent jurisdiction to be illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Agreement.

**Section 9.08. Unclaimed Moneys.** Anything contained herein to the contrary notwithstanding, any moneys held by the Fiscal Agent in trust for the payment and discharge of the principal of, and the interest and any premium on, the Bonds which remains unclaimed for two (2) years after the date when the payment of such principal, interest and premium have become payable, if such moneys were held by the Fiscal Agent at such date, shall be repaid by the Fiscal Agent to the City as its absolute property free from any trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the City for the payment of the principal of, and interest and any premium on, such Bonds. Any right of any Owner to look to the City for such payment shall survive only so long as required under applicable law.

**Section 9.09. Applicable Law.** This Agreement shall be governed by and enforced in accordance with the laws of the State applicable to contracts made and performed in the State.

**Section 9.10. Conflict with Act.** In the event of a conflict between any provision of this Agreement with any provision of the Act as in effect on the Closing Date, the provision of the Act shall prevail over the conflicting provision of this Agreement.

**Section 9.11. Conclusive Evidence of Regularity.** Bonds issued under this Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

**Section 9.12. Payment on Business Day.** In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds, or the date fixed for redemption of

any Bonds, or the date any action is to be taken under this Agreement, is other than a Business Day, the payment of interest or principal (and premium, if any) or the action shall be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period from and after such date.

**Section 9.13. State Reporting Requirements.** In addition to Section 5.15, the following requirements shall apply to the Bonds:

**(A) Annual Reporting.** Not later than October 30 of each calendar year, beginning with the October 30 first succeeding the date of the 2018 Bonds, and in each calendar year thereafter until the October 30 following the final maturity of the Bonds, the Finance Director shall cause the information required by California Government Code Section 53359.5(b) to be supplied to CDIAC. The annual reporting shall be made using such form or forms as may be prescribed by CDIAC.

**(B) Other Reporting.** If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds due to insufficiency of funds on deposit in the Bond Fund, or if funds are withdrawn from the 2018 Reserve Fund to pay principal and interest on the Bonds so as to reduce the amount in the 2018 Reserve Fund to less than the 2018 Reserve Requirement, the Fiscal Agent shall notify the Finance Director of such failure or withdrawal in writing. The Finance Director shall notify CDIAC and the Original Purchasers of such failure or withdrawal within 10 days of such failure or withdrawal.

**(C) Special Tax Reporting.** The Finance Director shall file a report with the City no later than January 1, 2019, and at least once a year thereafter, which annual report shall contain: (i) the amount of Special Taxes collected and expended with respect to the CFD, (ii) the amount of Bond proceeds collected and expended with respect to the CFD, and (iii) the status of the Project. It is acknowledged that the Special Tax Fund and the Special Tax Prepayments Account are the accounts into which Special Taxes collected on the City will be deposited for purposes of Section 50075.1(c) of the California Government Code, and the funds and accounts listed in Section 4.01 are the funds and accounts into which Bond proceeds will be deposited for purposes of Section 53410(c) of the California Government Code, and the annual report described in the preceding sentence is intended to satisfy the requirements of Sections 50075.1(d), 50075.3(d) and 53411 of the California Government Code.

**(D) Compliance with Section 53343.2.** The City shall comply with the provisions of California Government Code Section 53343.2, which require the City, within seven months after the last day of each fiscal year of the CFD, to display prominently on its Internet Web site all of the following information:

(a) A copy of an annual report for that fiscal year if requested pursuant to Section 53343.1.

(b) A copy of the report provided to the California Debt and Investment Advisory Commission pursuant to Section 53359.5.

(c) A copy of the report provided to the Controller's office pursuant to Section 12463.2.

**(E) Amendment.** The reporting requirements of this Section 9.13 shall be amended from time to time, without action by the City or the Fiscal Agent (i) with respect to

subparagraphs (A) and (B) above, to reflect any amendments to Section 53359.5(b) or Section 53359.5(c) of the Act, (ii) with respect to subparagraph (C) above, to reflect any amendments to Section 50075.1, 50075.3, 53410 or 53411 of the California Government Code and (iii) with respect to subparagraph (D) above, to reflect any amendments to Section 53343.2. Notwithstanding the foregoing, any such amendment shall not, in itself, affect the City's obligations under the Continuing Disclosure Certificate. The City shall notify the Fiscal Agent in writing of any such amendments which affect the reporting obligations of the Fiscal Agent under this Agreement.

**(E) No Liability.** None of the City and its officers, agents and employees, the Finance Director or the Fiscal Agent shall be liable for any inadvertent error in reporting the information required by this Section 9.13.

The Finance Director shall provide copies of any such reports to any Bondowner upon the written request of a Bondowner and payment by the person requesting the information of the cost of the City to photocopy and pay any postage or other delivery cost to provide the same, as determined by the Finance Director. The term "Bondowner" for purposes of this Section 9.13 shall include any Beneficial Owner of the Bonds as described in Section 2.10.

**Section 9.14. Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original.

\* \* \* \* \*



**IN WITNESS WHEREOF**, the City and the Fiscal Agent have caused this Agreement to be executed as of the date first written above.

CITY OF TRACY,  
for and on behalf of  
CITY OF TRACY COMMUNITY FACILITIES  
DISTRICT NO. 2016-1 (TRACY HILLS)

By: \_\_\_\_\_  
Finance Director

U.S. BANK NATIONAL ASSOCIATION,  
*as Fiscal Agent*

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**  
**FORM OF 2018 BOND**

No. \_\_\_\_

\*\*\*\$\_\_\_\_\_\*\*\*

**UNITED STATES OF AMERICA**  
**STATE OF CALIFORNIA**  
**COUNTY OF SAN JOAQUIN**

**IMPROVEMENT AREA NO. 1 OF THE**  
**CITY OF TRACY**  
**Community Facilities District No. 2016-1**  
**(Tracy Hills)**  
**Special Tax Bond, Series 2018**

**INTEREST RATE**

**MATURITY DATE**

**DATED DATE**

\_\_\_\_\_%

September 1, \_\_\_\_\_

\_\_\_\_\_, 2018

REGISTERED OWNER:

PRINCIPAL AMOUNT:

\*\*\*\*\*DOLLARS

The City of Tracy (the "City") for and on behalf of the "City of Tracy Community Facilities District No. 2016-1 (Tracy Hills)" (the "CFD") with respect to its "Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills)" ("Improvement Area No. 1"), for value received, hereby promises to pay solely from the Special Tax Revenues (as defined in the hereinafter defined Agreement) to be collected in Improvement Area No. 1 or amounts in certain funds and accounts held under the Agreement (as hereinafter defined), to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from the Dated Date set forth above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for (unless this Bond is authenticated on or before an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to February 15, 2019, in which event it shall bear interest from the Dated Date identified above, payable semiannually on each September 1 and March 1, commencing March 1, 2019 (each an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

Principal of and interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent (defined below) mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by

wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent or such other place as designated by the Fiscal Agent.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$\_\_\_\_\_ approved by resolutions of the City Council of the City on July 19, 2016 and July 17, 2018 (together, the "Resolution"), under the Mello-Roos Community Facilities Act of 1982, as amended, sections 53311, *et seq.*, of the California Government Code (the "Act") for the purpose of funding certain facilities for the City, and is one of the series of bonds designated "Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) Special Tax Bonds, Series 2018" (the "Bonds"). The issuance of the Bonds and the terms and conditions thereof are provided for by a Fiscal Agent Agreement, dated as of \_\_\_\_\_ 1, 2018 (the "Agreement"), between the City and U.S. Bank National Association (the "Fiscal Agent") and this reference incorporates the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The Agreement is authorized under, this Bond is issued under and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act, the Resolution and the Agreement, the principal of and interest on this Bond are payable solely from the annual special tax authorized under the Act to be collected within Improvement Area No. 1 (the "Special Tax") and certain funds held under the Agreement. Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the City, as may be permitted by law. The Bonds do not constitute obligations of the City for which the City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Agreement) or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Optional Redemption. The Bonds are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Special Taxes, prior to their stated maturity on any date, as a whole or in part, at a redemption price (expressed as a percentage of the principal amount of the 2018 Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any date on or before August 31, ____	____%
September 1, ____ through August 31, ____	____
September 1, ____ through August 31, ____	____
September 1, ____ and any date thereafter	____

Mandatory Sinking Fund Redemption. The Term Bond maturing on September 1, \_\_\_\_\_, is subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

Sinking Fund  
Redemption Date  
(September 1)

Sinking Fund  
Payments

The Term Bond maturing on September 1, \_\_\_\_, is subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

Sinking Fund  
Redemption Date  
(September 1)

Sinking Fund  
Payments

Provided, however, if some but not all of the Term Bonds of a given maturity have been redeemed as a result of an optional redemption or a redemption from Special Tax Prepayments, the total amount of all future Sinking Fund Payments relating to such maturity shall be reduced by the aggregate principal amount of Term Bonds of such maturity so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of \$5,000 as determined by the Fiscal Agent, notice of which determination shall be given by the Fiscal Agent to the City.

Redemption From Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the 2018 Reserve Fund shall be used to redeem Bonds on the next Interest Payment Date for which notice of redemption can timely be given under the Fiscal Agent Agreement, among maturities so as to maintain substantially the same Debt Service profile for the Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any Interest Payment Date on or before March 1, ____	____%
September 1, ____ and March 1, ____	____
September 1, ____ and March 1, ____	____
September 1, ____ and any Interest Payment Date thereafter	____

Notice of redemption with respect to the Bonds to be redeemed shall be given to the registered owners thereof, in the manner, to the extent and subject to the provisions of the Agreement.

This Bond shall be registered in the name of the owner hereof, as to both principal and interest. Each registration and transfer of registration of this Bond shall be entered by the Fiscal Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

No transfer or exchange hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment endorsed hereon, and authenticated as herein provided, and the principal hereof, interest hereon and any redemption premium shall be payable only to the registered owner or to such owner's order. The Fiscal Agent shall require the registered owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. No transfer or exchange hereof shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

The Agreement and the rights and obligations of the City thereunder may be modified or amended as set forth therein. The principal of the Bonds is not subject to acceleration upon a default under the Agreement or any other document.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Fiscal Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED by the City that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Fiscal Agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, City of Tracy has caused this Bond to be to be signed by the facsimile signature of its Finance Director and countersigned by the facsimile signature of the Clerk with the seal of the City imprinted hereon.

[S E A L]

\_\_\_\_\_  
Clerk

\_\_\_\_\_  
Finance Director

[FORM OF FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION]

This is one of the Bonds described in the Agreement which has been authenticated on \_\_\_\_\_, 2018.

U.S. BANK NATIONAL ASSOCIATION,  
*as Fiscal Agent*

By: \_\_\_\_\_  
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

\_\_\_\_\_  
\_\_\_\_\_

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint \_\_\_\_\_  
\_\_\_\_\_, attorney, to transfer the same on the registration books of the Fiscal Agent, with  
full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_  
NOTICE: Signature(s) must be guaranteed  
by an eligible guarantor.

NOTICE: Signature guarantee shall be  
made by a guarantor institution participating  
in the Securities Transfer Agents Medallion  
Program or in such other guarantee  
program acceptable to the Fiscal Agent

**EXHIBIT B**

**IMPROVEMENT AREA NO. 1 OF THE  
CITY OF TRACY  
Community Facilities District No. 2016-1  
(Tracy Hills)  
Special Tax Bonds, Series 2018**

**OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT FROM IMPROVEMENT  
FUND**

**REQUISITION NO. \_\_\_\_\_**

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Finance Director of the City of Tracy, a general law city duly organized and existing under the laws of the State of California (the "City") and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) I am an "Authorized Officer," as such term is defined in that certain Fiscal Agent Agreement, dated as of August 1, 2018 (the "Fiscal Agent Agreement"), by and between the City and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent");

(iii) under Section 4.07(B) of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the Bond Proceeds Account established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of a Project cost (as Project is defined in the Fiscal Agent Agreement) as described on attached Schedule A;

(iv) under Section 4.07(B) of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the Remainder Taxes Account established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of a Project cost (as Project is defined in the Fiscal Agent Agreement) as described on attached Schedule A;

(v) under Section 4.07(B) of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to transfer \$\_\_\_\_\_ from the Remainder Taxes Account established under the Fiscal Agent Agreement to [the Bond Fund] [the Administrative Expense Fund] [the 2018 Reserve Fund];

(vi) the disbursements described on the attached Schedule A are properly chargeable to the Improvement Fund; and



(vii) no portion of the amount herein requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement.

Dated: \_\_\_\_\_

CITY OF TRACY

By: \_\_\_\_\_  
Finance Director

**SCHEDULE A**

<b>Payee Name and Address</b>	<b>Purpose of Obligation</b>	<b>Amount</b>	<b>Account from which Amounts should be paid</b>

**EXHIBIT C**

**IMPROVEMENT AREA NO. 1 OF THE  
CITY OF TRACY  
Community Facilities District No. 2016-1 (Tracy Hills)  
Special Tax Bonds, Series 2018**

**OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT  
FROM COSTS OF ISSUANCE FUND**

**REQUISITION NO. \_\_\_\_\_**

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Finance Director of the City of Tracy, a general law city duly organized and existing under the laws of the State of California (the "City") and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) I am an "Authorized Officer," as such term is defined in that certain Fiscal Agent Agreement, dated as of August 1, 2018 (the "Fiscal Agent Agreement"), by and between the City and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent");

(iii) under Section 4.02(B) of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the Costs of Issuance Fund established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of Costs of Issuance (as that term is defined in the Fiscal Agent Agreement) as described on attached Schedule A; and

(iv) the disbursements described on the attached Schedule A constitute Costs of Issuance, and are properly chargeable to the Costs of Issuance Fund.

Dated: \_\_\_\_\_

CITY OF TRACY

By: \_\_\_\_\_  
Finance Director

**SCHEDULE A**

Payee Name and Address

Purpose of Obligation

Amount

**EXHIBIT D**

**IMPROVEMENT AREA NO. 1 OF THE  
CITY OF TRACY  
Community Facilities District No. 2016-1 (Tracy Hills)  
Special Tax Bonds, Series 2018**

**OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT  
FROM ADMINISTRATIVE EXPENSE FUND**

**REQUISITION NO. \_\_\_\_\_**

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Finance Director of the City of Tracy, a general law city duly organized and existing under the laws of the State of California (the "City") and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) I am an "Authorized Officer," as such term is defined in that certain Fiscal Agent Agreement, dated as of August 1, 2018 (the "Fiscal Agent Agreement"), by and between the City and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent");

(iii) under Section 4.06(B) of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the Administrative Expense Fund established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of an Administrative Expense or Costs of Issuance (as those terms are defined in the Fiscal Agent Agreement) as described on attached Schedule A; and

(iv) the disbursements described on the attached Schedule A constitute Administrative Expenses or Costs of Issuance, and are properly chargeable to the Administrative Expense Fund.

Dated: \_\_\_\_\_

CITY OF TRACY

By: \_\_\_\_\_  
Finance Director

**SCHEDULE A**

Payee Name and Address

Purpose of Obligation

Amount

§ \_\_\_\_\_  
**IMPROVEMENT AREA NO. 1 OF THE CITY OF TRACY  
COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TRACY HILLS)  
SPECIAL TAX BONDS, SERIES 2018**

**BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 2018

City of Tracy  
333 Civic Center Plaza  
Tracy, California 95376

Ladies and Gentlemen:

Piper Jaffray & Co., as underwriter (the “Underwriter”), acting not as a fiduciary or agent for you, but on behalf of itself, offers to enter into this Bond Purchase Agreement (this “Purchase Agreement”) with the City of Tracy (the “City”), which upon acceptance will be binding upon the Underwriter and the City. This offer is made subject to the City’s acceptance by the execution of this Purchase Agreement and its delivery to the Underwriter at or before 8:00 P.M., local time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the City at any time prior to the acceptance hereof by the City. All capitalized terms used herein, which are not otherwise defined, shall have the meaning provided for such terms in the Fiscal Agent Agreement, dated as of August 1, 2018 (the “Fiscal Agent Agreement”), by and between the City and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”).

**1. Purchase, Sale and Delivery of the Bonds.**

A. Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the City and the City hereby agrees to sell to the Underwriter all (but not less than all) of the \$\_\_\_\_\_ aggregate principal amount of the Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) Special Tax Bonds, Series 2018 (the “Bonds”), dated the Closing Date (as hereinafter defined), bearing interest at the rates and maturing on the dates and in the principal amounts set forth in Exhibit A hereto. The purchase price for the Bonds shall be \$\_\_\_\_\_ (being 100% of the aggregate principal amount thereof plus a net original issue premium of \$\_\_\_\_\_ and less an Underwriter’s discount of \$\_\_\_\_\_).

The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable from the Special Tax Revenues as provided in the Fiscal Agent Agreement, the Preliminary Official Statement (as hereinafter defined), and the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with Section 53311) of the Government Code of the State of California (the “Act”). The issuance of the Bonds has been duly authorized by the City pursuant to Resolution No. 2016-161, adopted on July 19, 2016, as supplemented by Resolution No. 2018-\_\_\_\_, adopted on [July 17, 2018] (collectively, the “Approving Resolution”).

The net proceeds of the Bonds will be used, as indicated in the Fiscal Agent Agreement, for the following purposes: (1) paying costs of issuance of the Bonds; (2) funding the 2018 Reserve Fund; (3) providing funds for the acquisition of certain public facilities; and (4) providing funds to pay interest on the Bonds to \_\_\_\_\_, 20\_\_.

Prior to the acceptance of this Purchase Agreement by the City, the City shall have caused to be delivered to the Underwriter (i) a Letter of Representations duly executed by Tracy Phase I, LLC, a Delaware limited liability company (the "Developer") in substantially the form set forth in Exhibit B-1 hereto, with only such changes thereto as shall have been accepted by the Underwriter, and (ii) Letters of Representations duly executed by each of Lennar Homes of California, Inc., Meritage Homes of California, Inc., and Shea Homes Limited Partnership (each, a "Builder" and, collectively, the "Builders"), each in substantially the form set forth in Exhibit B-2 hereto, with only such changes thereto as shall have been accepted by the Underwriter.

B. The City acknowledges that the Underwriter is entering into this Purchase Agreement in reliance on the representations and agreements made by the City herein, and the City shall take all action necessary to enforce its rights hereunder for the benefit of the Underwriter and shall immediately notify the Underwriter if it becomes aware that any representation or agreement made by the City herein is incorrect in any material respect.

The City acknowledges and agrees that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm's-length commercial transaction between the City and the Underwriter; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended); (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the City on other matters); and (iv) the City has consulted its own legal, financial and other advisors to the extent that the City has deemed appropriate.

C. Pursuant to the authorization of the City, the Underwriter has distributed copies of the Preliminary Official Statement dated \_\_\_\_\_, 2018, relating to the Bonds, which, together with the cover page, inside cover page and appendices thereto is herein called the "Preliminary Official Statement." By its acceptance of this Purchase Agreement, the City hereby ratifies the use by the Underwriter of the Preliminary Official Statement, and the City agrees to execute a final official statement relating to the Bonds (the "Official Statement") which will consist of the Preliminary Official Statement with such changes as may be made thereto, with the approval of Jones Hall, A Professional Law Corporation, the City's Bond Counsel ("Bond Counsel") and Disclosure Counsel ("Disclosure Counsel"), and the Underwriter, and to provide a copy thereof to the Underwriter as set forth in Section 5.E.1. hereof. The City hereby authorizes and requires the Underwriter to use and promptly distribute, in connection with the offer and sale of the Bonds, the Preliminary Official Statement, the Official Statement and any supplement or amendment thereto. The City further authorizes the Underwriter to use and distribute, in connection with the offer and sale of the Bonds, the Fiscal Agent Agreement, this Purchase Agreement and all information contained herein, and all other documents, certificates and statements furnished by or on behalf of the City to the Underwriter in connection with the transactions contemplated by this Purchase Agreement.



D. To assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”), the City will undertake pursuant to the Continuing Disclosure Certificate, in the form attached to the Official Statement as Appendix G (the “Continuing Disclosure Certificate”), to provide annual reports and notices of certain enumerated events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

E. Except as the Underwriter and the City may otherwise agree, the City will deliver to the Underwriter, at the offices of Bond Counsel in San Francisco, California, or at such other location as may be mutually agreed upon by the Underwriter and the City, the documents hereinafter mentioned; and the City will deliver to the Underwriter through the facilities of The Depository Trust Company (“DTC”) in New York, New York, the Bonds, in definitive form (all Bonds bearing CUSIP numbers), duly executed by the City and authenticated by the Fiscal Agent in the manner provided for in the Fiscal Agent Agreement and the Act at 8:00 a.m. California time, on \_\_\_\_\_, 2018 (the “Closing Date”), and the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in paragraph (A) of this Section by wire transfer, payable in federal or other immediately available funds (such delivery and payment being herein referred to as the “Closing”). The Bonds shall be in fully registered book-entry form (which may be typewritten) and shall be registered in the name of Cede & Co., as nominee of DTC.

## **2. Public Offering and Establishment of Issue Price.**

A. The Underwriter agrees to make a bona fide public offering of all of the Bonds initially at the public offering prices (or yields) set forth in Exhibit A attached hereto and incorporated herein by reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates set forth in Exhibit A. The Bonds will be offered and sold to certain dealers at prices lower than such initial offering prices.

B. The Underwriter agrees to assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit F, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the City and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the Public of the Bonds. All actions to be taken by the City under this section to establish the issue price of the Bonds may be taken on behalf of the City by the City’s municipal advisor, CSG Advisors Incorporated (the “Municipal Advisor”) and any notice or report to be provided to the City may be provided to the City’s Municipal Advisor.

C. The City will treat the first price at which 10% of each maturity of the Bonds (the “10% test”), identified under the column “10% Test Used” in Exhibit A, is sold to the Public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Purchase Agreement, the Underwriter shall report to the City the price or prices at which it has sold to the Public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the City the prices at which it sells the unsold Bonds of that maturity to the Public. That reporting obligation

shall continue, whether or not the Closing Date (as defined below) has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold to the Public.

D. The Underwriter confirms that any selling group agreement and any retail distribution agreement relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter. The City acknowledges that, in making the representation set forth in this subsection, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the Public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a retail distribution agreement was employed in connection with the initial sale of the Bonds to the Public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

E. The Underwriter acknowledges that sales of any Bonds to any person that is a Related Party to the Underwriter shall not constitute sales to the Public for purposes of this section. Further, for purposes of this section:

1. “Public” means any person other than an underwriter or a related party;
2. “Underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public);
3. a purchaser of any of the Bonds is a “Related Party” to an Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

4. “Sale Date” means the date of execution of this Purchase Agreement by all parties.

3. **Representations and Covenants of the City.** The City represents and covenants to the Underwriter that:

A. The City is duly organized and validly existing as a municipal corporation under the Constitution and laws of the State of California, and has duly authorized the formation of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) (the “Community Facilities District”) and an Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) (“Improvement Area No. 1”) pursuant to resolutions and an ordinance duly adopted by the City Council (collectively, the “Community Facilities District Formation Resolution” and, together with the Approving Resolution authorizing the issuance and sale of the Bonds, the “City Resolutions”) and the Act. The City Council, as the legislative body of the City and the Community Facilities District, (i) has duly adopted the City Resolutions, (ii) has duly adopted Ordinance No. 1224 of the City on August 16, 2016, levying special taxes within the Community Facilities District (the “Original Ordinance”), and (iii) has caused to be recorded in the real property records of San Joaquin County a notice of special tax lien (the “Original Notice of Special Tax Lien”) (the Community Facilities District Formation Resolution, the Ordinance, the rate and method of apportionment of special taxes for Improvement Area No. 1 approved by the City Council and the qualified electors in Improvement Area No. 1 (the “Rate and Method”) and the Notice of Special Tax Lien are collectively referred to herein as the “Formation Documents”). Each of the Formation Documents remains in full force and effect as of the date hereof and has not been amended. The Community Facilities District is duly organized and validly existing as a Community Facilities District under the laws of the State of California. The City has, and at the Closing Date will have, as the case may be, full legal right, power and authority: (i) to execute, deliver and perform its obligations under the Fiscal Agent Agreement and this Purchase Agreement, and to carry out all transactions contemplated by each of such agreements; (ii) to issue, sell and deliver its Bonds to the Underwriter; (iii) to enter into the Continuing Disclosure Certificate; and (iv) to carry out, give effect to and consummate the transactions contemplated by the Formation Documents, the Fiscal Agent Agreement, the Continuing Disclosure Certificate, this Purchase Agreement, the Bonds and the Official Statement.

On July 17, 2018, the City Council, as the legislative body of the City and the Community Facilities District, duly adopted Resolution No. \_\_\_\_ (the “Resolution of Consideration”), pursuant to which the City Council declared its intention to make certain changes to the proceedings related to the Community Facilities District and Improvement Area No. 1, including changes in the boundaries of Improvement Area No. 1 and an amendment and restatement of the Rate and Method. Prior to the Closing Date, the City Council will hold a public hearing, adopt a resolution calling an election of the qualified electors in Improvement Area No. 1, hold the election, adopt a resolution declaring the results of the election, and, if two-thirds cast at the election are in favor of the proposed changes, adopt a resolution declaring the effectiveness of the changes described in the Resolution of Consideration (if the election was in favor of the proposed changes), direct recordation of an amendment to the Original Notice of Special Tax Lien and adopt an ordinance amending the Original Ordinance. Together with the Resolution of Consideration, these proceedings are referred to herein as the “Change Proceedings.” If such Change Proceedings are completed as described in the previous sentence, then the procedures for issuance of the Bonds shall include the following:

(i) the representations of the City in the certificate required by Section 5.E.8 shall be revised to reflect the Change Proceedings,

(ii) the opinion of the City Attorney required by Section 5.E.9 shall be revised to reflect the Change Proceedings,

(iii) the City will at the Closing Date be in compliance in all material respects, with the Formation Documents, as revised by the Change Proceedings, and the City Documents, and any immaterial noncompliance by the City, if any, will not impair the ability of the City to carry out, give effect to or consummate the transactions contemplated by the foregoing,

(iv) the City Resolutions to be delivered at Closing shall include the resolutions and ordinance that were part of the Change Proceedings,

(v) the Formation Documents to be delivered at Closing shall include the resolutions and ordinance that were part of the Change Proceedings, the amendment to the Original Notice of Special Tax Lien and the amendment and restatement of the Rate and Method, and

(vi) the Certificate of Goodwin Consulting Group required by Section 5.E.11 shall be revised to reflect the Change Proceedings,

This Purchase Agreement, the Fiscal Agent Agreement, the Bonds and the Continuing Disclosure Certificate are collectively referred to herein as the “City Documents.”

B. The City has complied, and will at the Closing Date be in compliance in all material respects, with the Formation Documents and the City Documents, and any immaterial noncompliance by the City, if any, will not impair the ability of the City to carry out, give effect to or consummate the transactions contemplated by the foregoing. From and after the date of issuance of its Bonds, the City will continue to comply with the covenants of the City contained in the City Documents.

C. Except as described in the Preliminary Official Statement, the City is not, in any respect material to the transactions referred to herein or contemplated hereby, in breach of or in default under, any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City is a party or is otherwise subject or bound, and the performance of its obligations under the City Documents and compliance with the provisions of each thereof, or the performance of the conditions precedent to be performed by the City pursuant to the City Documents, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City is a party or is otherwise subject or bound, in any manner that would materially and adversely affect the performance by the City of its obligations under the City Documents or the performance of the conditions precedent to be performed by the City pursuant to the City Documents.

D. Except as may be required under the “blue sky” or other securities laws of any jurisdiction, all approvals, consents, authorizations, elections and orders of, or filings or registrations with, any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the City of its obligations under the City Documents, have been or will be obtained at the Closing Date and are or will be in full force and effect at the Closing Date.

E. The City Documents conform as to form and tenor to the descriptions thereof contained in the Official Statement.

F. The Bonds are payable from the Special Tax Revenues generated by the levy of special taxes in Improvement Area No. 1 (the “Special Taxes”), as set forth in the Fiscal Agent Agreement, the levy of the Special Taxes has been duly and validly authorized pursuant to the Act and, subject to the maximum rate of Special Taxes in the Rate and Method and the application of the Special Tax Revenues as set forth in the Fiscal Agent Agreement, the levy of the Special Taxes within Improvement Area No. 1 will be fixed and levied in an amount which, together with other available funds, is required for the payment of the principal of, and interest on, the applicable Bonds when due and payable, all as provided in the Fiscal Agent Agreement. The City has covenanted to cause the Special Taxes to be levied and collected at the same time and in the same manner as ordinary *ad valorem* property taxes.

G. The Fiscal Agent Agreement creates a valid pledge of, first lien upon and security interest in, the Special Tax Revenues, and in the moneys in the Special Tax Fund established pursuant to the Fiscal Agent Agreement, on the terms and conditions set forth in the Fiscal Agent Agreement.

H. Except as disclosed in the Preliminary Official Statement, there are, to the best of the City’s knowledge, no entities with outstanding assessment liens against any of the properties within the Community Facilities District or which are senior to or on a parity with the Special Taxes referred to in paragraph (G) hereof.

I. The information contained in the Preliminary Official Statement and in the Official Statement (other than statements therein pertaining to DTC and its book-entry system and under the captions “PROPERTY OWNERSHIP AND THE DEVELOPMENT” and “VALUE OF LAND IN IMPROVEMENT AREA NO. 1,” as to which no view is expressed) does not and shall not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and, upon delivery and up to and including 25 days after the End of the Underwriting Period (as defined in paragraph (J) below), the Official Statement will be amended and supplemented so as to contain no misstatement of any material fact or omission of any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading.

J. Up to and including 25 days after the End of the Underwriting Period, the City will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The City will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise materially affecting the use of the Official Statement in connection with the

offering, sale or distribution of the Bonds. As used herein, the term “End of the Underwriting Period” means the later of such time as: (i) the Bonds are delivered to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the End of the Underwriting Period shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be a written notice delivered to the City at or prior to the Closing Date, and shall specify a date (other than the Closing Date) to be deemed the “End of the Underwriting Period.”

K. At the time of acceptance hereof there is and as of the Closing there will be no action pending (notice of which has been served on the City) or to the best knowledge of the City threatened, in which any such action: (i) in any way questions the existence of the Community Facilities District or the titles of the officers of the City to their respective offices; (ii) affects, contests or seeks to prohibit, restrain or enjoin the issuance or delivery of the Bonds or the Bonds or the payment or collection of Special Tax Revenues or any amounts pledged or to be pledged to pay the principal of and interest on the Bonds or the Bonds, or in any way contests or affects the validity of the City Documents or the consummation of the transactions on the part of the City contemplated thereby; (iii) contests the exemption of interest on the Bonds from federal or State income taxation or contests the powers of the City or the Community Facilities District which may result in any material adverse change relating to the financial condition of the Community Facilities District; or (iv) contests the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserts that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and as of the time of acceptance hereof there is and, as of the Closing Date, there will be no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this sentence.

L. Any certificate signed on behalf of the City by any officer or employee of the City authorized to do so shall be deemed a representation by the City to the Underwriter as to the statements made therein.

M. At or prior to the Closing, the City will have duly authorized, executed and delivered the Continuing Disclosure Certificate in substantially the form attached as Appendix G to the Official Statement. Except as disclosed in the Preliminary Official Statement, the City has not failed to comply in all respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events in the last five years.

N. The City will apply the proceeds of its Bonds in accordance with the Fiscal Agent Agreement.

O. Between the date of the Purchase Agreement and the date of Closing, the City will not offer or issue any bonds, notes or other obligations for borrowed money payable or secured by Special Taxes, except as previously disclosed to the Underwriter.

The City hereby approves the preparation and distribution of the Official Statement, consisting of the Preliminary Official Statement with such changes as are noted thereon and as may be made thereto, with the approval of Bond Counsel, Disclosure Counsel and the Underwriter, from time to time prior to the Closing Date.

The City hereby ratifies any prior use of and authorizes the future use by the Underwriter, in connection with the offering and sale of the Bonds, of the Preliminary Official Statement, the Official Statement, this Purchase Agreement and all information contained herein, and all other documents, certificates and written statements furnished by the City to the Underwriter in connection with the transactions contemplated by this Purchase Agreement.

The execution and delivery of this Purchase Agreement by the City shall constitute a representation to the Underwriter that the representations contained in this Section 3 are true as of the date hereof.

4. **[Reserved]**.

5. **Conditions to the Obligations of the Underwriter.** The obligation of the Underwriter to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations on the part of the City contained herein, to the accuracy in all material respects of the statements of the officers and other officials of the City made in any certificates or other documents furnished pursuant to the provisions hereof, to the performance by the City of its obligations to be performed hereunder at or prior to the Closing Date and, to the following additional conditions:

A. At the Closing Date, the City Resolutions, the Formation Documents, and the City Documents shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter or as a result of the completion of the Change Proceedings, and there shall have been taken in connection therewith, with the issuance of the Bonds, and with the transactions contemplated thereby, and by this Purchase Agreement, all such actions as, in the opinion of Bond Counsel, shall be necessary and appropriate.

B. At the Closing Date, except as was described in the Preliminary Official Statement, the City shall not be, in any respect material to the transactions referred to herein or contemplated hereby, in breach of or in default under, any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City is a party or is otherwise subject or bound, and the performance by the City of its obligations under the City Documents, the City Resolutions and any other instruments contemplated by any of such documents, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City is a party or is otherwise subject or bound, in any manner that would materially and adversely affect the performance by the City of its obligations under the City Documents or the City Resolutions.

C. The information contained in the Official Statement is, as of the Closing Date and as of the date of any supplement or amendment thereto pursuant hereto, true and correct in all material respects and does not, as of the Closing Date or as of the date of any supplement or amendment thereto, contain any untrue statement of a material fact or omit to state a material fact

required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

D. Between the date hereof and the Closing Date, the market price or marketability, at the initial offering prices set forth on the cover page of the Official Statement, of the Bonds shall not have been materially adversely affected, in the judgment of the Underwriter (evidenced by a written notice to the City terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds), by reason of any of the following:

1. Legislation introduced in or enacted (or resolution passed) by the Congress of the United States of America or recommended to the Congress by the President of the United States, the Department of the Treasury, the Internal Revenue Service, or any member of Congress, or favorably reported for passage to either House of Congress by any committee of such House to which such legislation had been referred for consideration, or a decision rendered by a court established under Article III of the Constitution of the United States of America or by the Tax Court of the United States of America, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Treasury Department of the United States of America or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon such interest as would be received by any owners of the Bonds beyond the extent to which such interest is subject to taxation as of the date hereof;

2. Legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Fiscal Agent Agreement are not exempt from qualification under or other requirements of the Fiscal Agent Agreement Act of 1939, as amended, or that the issuance, offering or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise is or would be in violation of the federal securities laws as amended and then in effect;

3. A general suspension of trading in securities on the New York Stock Exchange, or a general banking moratorium declared by Federal, State of New York or State of California officials authorized to do so;

4. The introduction, proposal or enactment of any amendment to the Federal or California Constitutions or any action by any Federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the City, its property, income, securities (or interest thereon), or the validity or enforceability of Special Taxes as contemplated by the Official Statement;

5. Any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement or in the Official Statement, or has the effect that the Preliminary Official Statement or the Official Statement contains any untrue statement of a material



fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

6. Any national securities exchange, the Comptroller of the Currency, or any other governmental authority, shall impose as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

7. There shall have occurred any material outbreak or escalation of hostilities or other calamity or crisis the effect of which on the financial markets of the United States is such as to make it impracticable, in the judgment of the Underwriter, following consultation with the City, to sell the Bonds;

8. The filing or threat of an Action described Section 3.K hereof; or

9. Any proceeding shall have been commenced or be threatened in writing by the Securities and Exchange Commission against the City.

E. At or prior to the Closing Date, the Underwriter shall have received a counterpart original or certified copy of the following documents, in each case satisfactory in form and substance to the Underwriter:

1. The Official Statement, executed on behalf of the City by its Finance Director or other authorized officer;

2. The City Documents, duly executed and delivered by all parties thereto;

3. The City Resolutions, together with a certificate dated as of the Closing Date of the City Clerk to the effect that the City Resolutions are true, correct and complete copies of the City Resolutions duly adopted by the City Council;

4. The Formation Documents, together with a certificate dated as of the Closing Date of the City Clerk to the effect that the Formation Documents are true, correct and complete copies of the Formation Documents duly adopted by the City Council;

5. An unqualified approving opinion for the Bonds, dated the Closing Date and addressed to the City, of Bond Counsel, in substantially the form included as Appendix F to the Official Statement;

6. A supplemental opinion or opinions, dated the Closing Date and addressed to the Underwriter, of Bond Counsel, in substantially the form attached hereto as Exhibit D;

7. A letter from Holland & Knight LLP, counsel to the Developer, dated the Closing Date and addressed to the Underwriter and the City, substantially in the form attached hereto as Exhibit E-1,

8. A certificate dated the Closing Date and signed by an authorized representative of the City or an authorized designee, on behalf of the City to the effect that: (i) the representations made by the City contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date, provided that any references as to the Preliminary Official Statement shall be deemed to be to the Official Statement; (ii) to the best knowledge of such officer, no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and (iii) the City has complied with all the agreements and satisfied all the conditions on its part to be satisfied under the City Documents prior to the Closing Date;

9. An opinion of the City Attorney of the City, dated the date of Closing and addressed to the Underwriter and the City, to the effect that:

(i) The City is a municipal corporation, corporate and politic, duly organized and existing under the Constitution and laws of the State of California;

(ii) The City Resolutions and the Formation Documents have been duly adopted at a meeting of the City Council, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the City Resolutions and the Formation Documents are in full force and effect and have not been modified, amended, rescinded or repealed since the date of their adoption;

(iii) The City Documents and the Official Statement have been duly authorized, executed and delivered by the City and constitute the legal, valid and binding obligations of the City enforceable against the City in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles where equitable remedies are sought and to the exercise of judicial discretion in appropriate cases;

(iv) To the best knowledge of such counsel, the execution and delivery of the City Documents and the Official Statement and compliance with the provisions thereof under the circumstances contemplated thereby: (a) do not in any material respect conflict with or constitute on the part of the City a breach of or default under any agreement or other instrument to which the City is a party or by which it is bound; and (b) do not and will not in any material respect or constitute on the part of the City a violation, breach of or default under any court order or consent decree to which the City is subject;

(v) Except as may be stated in the Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body pending (notice of which has been served on the City) or, to such counsel's knowledge, threatened wherein an unfavorable decision, ruling or finding would: (a) affect the creation, organization, existence or powers of the City or the Community Facilities District, or the titles of its members and officers to their respective offices; or (b) affect the validity of the City Documents, the City Resolutions or the Formation Documents, or restrain or enjoin the repayment of the Bonds or in any way contest or affect the validity of the City Documents, the City Resolutions or the Formation Documents, or contest the authority of the City to enter into or perform its obligations under any of the City Documents, the City Resolutions or the Formation Documents, or under which a

determination adverse to the City would have a material adverse effect upon the financial condition or the revenues of the City or the Community Facilities District, questions the right of the City to use Special Tax Revenues for the repayment of the Bonds or affects in any manner the right or ability of the City to collect or pledge the Special Taxes levied within Improvement Area No. 1 for the repayment of the Bonds;

10. A transcript of all proceedings relating to the authorization, issuance, sale and delivery of the Bonds, including certified copies of the Fiscal Agent Agreement and all resolutions of the City relating thereto;

11. A certificate dated the Closing Date from Goodwin Consulting Group addressed to the City and the Underwriter to the effect that: (i) the Special Taxes (after payment of estimated Administrative Expenses) if collected in the maximum amounts permitted pursuant to the Rate and Method as of the Closing Date would generate at least 110% of the annual debt service payable with respect to the related issue of Bonds in each year, based on such assumptions and qualifications as shall be acceptable to the Underwriter; and (ii) the statements in the Official Statement provided by Goodwin Consulting Group concerning the Special Taxes and the Rate and Method and all information supplied by it for use in the Official Statement as of the date of the Official Statement and as of the Closing Date did not and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

12. Certified copies of the general resolution of the Fiscal Agent authorizing the execution and delivery of certain documents by certain officers of the Fiscal Agent, which resolution authorizes the execution of the Fiscal Agent Agreement and the authentication of the Bonds;

13. A certificate of the Fiscal Agent, addressed to the Underwriter and the City dated the Closing Date, to the effect that: (i) the Fiscal Agent is authorized to carry out corporate trust powers, and have full power and authority to perform its duties under the Fiscal Agent Agreement; (ii) the Fiscal Agent is duly authorized to execute and deliver the Fiscal Agent Agreement, to accept the obligations created by the Fiscal Agent Agreement and to authenticate the Bonds pursuant to the terms of the Fiscal Agent Agreement; (iii) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Fiscal Agent that has not been obtained is or will be required for the authentication of the Bonds or the consummation by the Fiscal Agent of the other transactions contemplated to be performed by the Fiscal Agent in connection with the authentication of the Bonds and the acceptance and performance of the obligations created by the Fiscal Agent Agreement; and (iv) to the best of its knowledge, compliance with the terms of the Fiscal Agent Agreement will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, trust agreement, bond, note, resolution or any other agreement or instrument to which the Fiscal Agent is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Fiscal Agent or any of its activities or properties;

14. An opinion of counsel to the Fiscal Agent, dated the Closing Date, addressed to the Underwriter and the City to the effect that the Fiscal Agent is a national banking association duly organized and validly existing under the laws of the United States having full power and being qualified to enter into, accept and agree to the provisions of the Fiscal Agent Agreement, and that the Fiscal Agent Agreement has been duly authorized, executed and delivered by the Fiscal

Agent and, assuming due execution and delivery by the other parties thereto, constitutes the legal, valid and binding obligation of the Fiscal Agent enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by the application of equitable principles if equitable remedies are sought;

15. A certificate of the City dated the Closing Date, in a form acceptable to Bond Counsel and the Underwriter, that the Bonds are not arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended;

16. An opinion of Stradling Yocca Carlson & Rauth, counsel to the Underwriter ("Underwriter's Counsel"), dated the date of Closing and addressed to the Underwriter in form and substance acceptable to the Underwriter;

17. A certificate of the Developer dated the Closing Date, substantially in the form attached as Exhibit C-1 hereto;

18. Certificates of each of the Builders dated the Closing Date, substantially in the form attached as Exhibit C-2 hereto;

19. A Certificate of the Appraiser, substantially in the form attached hereto as Exhibit G;

20. A Certificate of the Market Absorption Consultant, substantially in the form attached hereto as Exhibit H; and

21. Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the material representations of the City contained herein, and of the statements and information contained in the Official Statement and the due performance or satisfaction by the City at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by the City in connection with the transactions contemplated hereby and by the Fiscal Agent Agreement and the Official Statement.

If the City shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds contained in this Purchase Agreement, or if the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the City nor the Underwriter shall be under any further obligation hereunder, except that the respective obligations of the Underwriter and the City set forth in Section 7 hereof shall continue in full force and effect.

6. **Conditions to the Obligations of the City.** The obligations of the City shall be subject to the satisfaction of the conditions contained in Section 5 of this Purchase Agreement.

7. **Expenses.** Whether or not the transactions contemplated by this Purchase Agreement are consummated, the Underwriter shall be under no obligation to pay, and the City shall pay only from the proceeds of the Bonds or any other legally available funds of the City or the Community Facilities District, but only as the City and such other party providing such services may agree, all

expenses and costs of the City incident to the performance of its obligations in connection with the authorization, execution, sale and delivery of the Bonds to the Underwriter, including, without limitation, printing costs, initial fees of the Fiscal Agent, including fees and disbursements of their counsel, if any, fees and disbursements of Bond Counsel, Disclosure Counsel and other professional advisors employed by the City, costs of preparation, printing, signing, transportation, delivery and safekeeping of the Bonds and for expenses (included in the expense component of the spread) incurred by the Underwriter on behalf of the City's employees which are incidental to implementing this Purchase Agreement, including, but not limited to, meals, transportation and lodging of those employees. The Underwriter shall pay all out-of-pocket expenses of the Underwriter, including, without limitation, advertising expenses, the California Debt and Investment Advisory Commission fee, CUSIP Services Bureau charges, regulatory fees imposed on new securities issuers and any and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds, including fees of its counsel.

8. **Notices.** Any notice of other communication to be given to the City under this Purchase Agreement may be given by delivering the same in writing to the City of Tracy, 333 Civic Center Plaza, Tracy, California 95376, Attention: Finance Director; any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Piper Jaffray & Co, 8880 Cal Center Drive, Suite 400, Sacramento, CA 95826, Attention: Dennis McGuire.

9. **Parties In Interest.** This Purchase Agreement is made solely for the benefit of the City and the Underwriter (including any successors or assignees of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof.

10. **Survival of Representations.** The representations of the City under this Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the City and regardless of delivery of and payment for the Bonds.

11. **Execution in Counterparts.** This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

12. **Effective.** This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the City and shall be valid and enforceable as of the time of such acceptance.

13. **No Prior Agreements.** This Purchase Agreement supersedes and replaces all prior negotiations, agreements and understanding among the parties hereto in relation to the sale of the Bonds by the City.

14. **Governing Law.** This Purchase Agreement shall be governed by the laws of the State of California.

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15. **Effective Date.** This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the City and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

PIPER JAFFRAY & CO.

By: \_\_\_\_\_  
Its: Authorized Officer

Time of Execution: \_\_\_\_\_

CITY OF TRACY

By: \_\_\_\_\_  
Karin Schnaider, Finance Director

**EXHIBIT A**

\$ \_\_\_\_\_  
**IMPROVEMENT AREA NO. 1 OF THE CITY OF TRACY  
COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TRACY HILLS)  
SPECIAL TAX BONDS, SERIES 2018**

**Schedule of Bond Maturities, Principal Amounts, Interest Rates and Initial Offering Prices**

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Initial Offering Price</i>	<i>10% Test Used</i>	<i>Hold the Price Offering Rule Used</i>
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† Priced to first optional call date of September 1, 20\_\_, at \_\_%.  
(c) Priced to optional call date of September 1, 20\_\_, at par.  
\* Term Bonds.

**[INSERT REDEMPTION PROVISIONS]**

**EXHIBIT B-1**

**IMPROVEMENT AREA NO. 1 OF THE CITY OF TRACY  
COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TRACY HILLS)  
SPECIAL TAX BONDS, SERIES 2018**

**LETTER OF REPRESENTATIONS OF  
TRACY PHASE I, LLC**

\_\_\_\_\_, 2018

City of Tracy  
333 Civic Center Plaza  
Tracy, California 95376

Piper Jaffray & Co.  
8880 Cal Center Drive, Suite 400  
Sacramento, California 95826

Ladies and Gentlemen:

Reference is made to the Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) Special Tax Bonds, Series 2018 (the “Bonds”) and to the Bond Purchase Agreement to be entered into in connection therewith (the “Purchase Agreement”). This Letter of Representations of Tracy Phase I, LLC (the “Letter of Representations”) is delivered pursuant to the Purchase Agreement. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Purchase Agreement.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of Tracy Phase I, LLC, a Delaware limited liability company (the “Developer”), and the undersigned, on behalf of the Developer, further certifies as follows:

1. The Developer is a limited liability company validly existing and in good standing as a limited liability company under the laws of the State of Delaware and is duly registered to transact intrastate business in the State of California as a foreign limited liability company and is in good standing in the State of California and has all requisite limited liability company right, power and authority: (i) to execute and deliver this Letter of Representations; and (ii) to undertake all of the transactions on its part described in the Preliminary Official Statement.

2. As set forth in the Preliminary Official Statement, certain property within Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) (the “Improvement Area”) is held in the name of the Developer (herein the “Property”). The undersigned, on behalf of the Developer, makes the representations herein with respect to all such Property.



3. Except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned (defined below), (a) the Developer and its Affiliates are not in breach of or in default under any applicable judgment or decree or any loan agreement, option agreement, development agreement, indenture, fiscal agent agreement, bond or note (collectively, the “Material Agreements”) to which the Developer or its Affiliates are a party or otherwise subject, which breach or default could reasonably be expected to materially and adversely affect the Developer’s ability to complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Developer) prior to delinquency, and (b) no event has occurred and is continuing that with the passage of time or giving of notice, or both, would constitute such a breach or default.

4. To the Actual Knowledge of the Undersigned, neither the Developer, nor any of its Affiliates is in default on any obligation to repay borrowed money, which default is reasonably likely to materially and adversely affect the Developer’s ability to complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Developer) prior to delinquency.

5. Except as set forth in the Preliminary Official Statement, no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body is pending against the Developer (with proper service of process to the Developer having been accomplished) or, to the Actual Knowledge of the Undersigned, is pending against any current Affiliate (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Undersigned is threatened in writing against the Developer or any such Affiliate which if successful, is reasonably likely to materially and adversely affect the Developer’s ability to complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Developer) prior to delinquency.

6. As of the date thereof, the Preliminary Official Statement, solely with respect to information contained therein with respect to the Developer, its Affiliates, ownership of the Property, the Developer’s development plan, the Developer’s financing plan, the Developer’s lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer’s development plan or the Developer’s financing plan, other loans of such Affiliates) as set forth under the caption “PROPERTY OWNERSHIP AND THE DEVELOPMENT” (but specifically excluding any information under the captions “—The Merchant Builders,” “Lennar Homes,” “—Meritage,” and “—Shea” for which no certification is made) and “CONTINUING DISCLOSURE—Developer Continuing Disclosure” (but excluding any information cited as coming from a source other than the Developer) is true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

7. The Developer covenants that, while the Bonds or any refunding obligations related thereto are outstanding, the Developer and its Affiliates which it controls will not bring any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body, that in any way seeks to challenge or overturn the formation of the Community Facilities District, to challenge the adoption of ordinance(s) of the City levying Special Taxes within the Improvement Area, to invalidate the Community Facilities District or the Improvement Area or any of the Bonds or any refunding bonds related thereto, or to invalidate the special tax liens imposed under Section 3115.5 of the Streets and Highways Code based on recordation of the amended notice

of special tax lien relating thereto. The foregoing covenant shall not prevent the Developer in any way from bringing any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body including, without limitation, (a) an action or suit contending that the Special Taxes have not been levied in accordance with the methodologies contained in the Community Facilities District's Amended and Restated Rate and Method of Apportionment of Special Tax Revenues pursuant to which the Special Taxes are levied, (b) an action or suit with respect to the application or use of the Special Taxes levied and collected, (c) the enforcement of the obligations of the Community Facilities District under the Fiscal Agent Agreement or any agreements between the Developer and the City or the Community Facilities District or under which the Developer is a beneficiary.

8. Except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned, the Developer is not aware that any other public debt secured by a tax or assessment on the Property exists or is in the process of being authorized or any assessment districts or community facilities districts have been or are in the process of being formed that include any portion of the Property.

9. To the Actual Knowledge of the Undersigned, neither the Developer nor any Affiliate has been delinquent to any material extent in the payment of any *ad valorem* property tax, special assessment or special tax on property owned by the Developer or any Affiliate within the boundaries of a community facilities district or an assessment district within California that (a) would have caused a draw on a reserve fund relating to such assessment district or community facilities district financing or (b) resulted in a foreclosure action being commenced in a court of law against the Developer or any such Affiliate.

10. The Developer intends to comply with the provision of the Mello-Roos Act of 1982, as amended, relating to the Notice of Special Tax described in Government Code Section 53341.5 in connection with the sale of the Property, or portions thereof.

11. To the Actual Knowledge of the Undersigned, the Developer is able to pay its bills as they become due and no legal proceedings are pending against the Developer (with proper service of process to the Developer having been accomplished) or, to the Actual Knowledge of the Undersigned, threatened in writing in which the Developer may be adjudicated as bankrupt or discharged from any and all of its debts or obligations, or granted an extension of time to pay its debts or obligations, or be allowed to reorganize or readjust its debts, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

12. To the Actual Knowledge of the Undersigned, Affiliates of the Developer are able to pay their bills as they become due and no legal proceedings are pending against any Affiliates of the Developer (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Undersigned, threatened in writing in which the Affiliates of the Developer may be adjudicated as bankrupt or discharged from any or all of their debts or obligations, or granted an extension of time to pay their debts or obligations, or be allowed to reorganize or readjust their debts or obligations, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

13. If between the date hereof and the Closing Date any event relating to or affecting the Developer, its Affiliates, ownership of the Property, the Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the

Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) shall occur of which the undersigned has actual knowledge and which the undersigned believes would cause the information under the sections of the Preliminary Official Statement indicated in Paragraph 6 hereof, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the undersigned shall notify the City and the Underwriter and if in the opinion of counsel to the City or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Preliminary Official Statement, the Developer shall reasonably cooperate with the City in the preparation of an amendment or supplement to the Preliminary Official Statement in form and substance reasonably satisfactory to counsel to the City and to the Underwriter.

14. The Developer agrees to deliver a Closing Certificate dated the date of issuance of the Bonds at the time of issuance of the Bonds in substantially the form attached to the Purchase Agreement as Exhibit C-1.

15. As used in this Letter of Representations, the term "Actual Knowledge of the Undersigned" means the knowledge that the undersigned currently has or has obtained through (i) interviews with such current officers and responsible employees of the Developer as the undersigned has reasonably determined are likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in this Letter of Representations including the chief financial officer of the Developer or, if the Developer does not have a chief financial officer, the person who performs the functions usually associated with such officer (unless the undersigned is the chief financial officer or such person), and (ii) reviews of documents reasonably available to the undersigned and which the undersigned reasonably deemed necessary for the undersigned to execute this Letter of Representations. The undersigned has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of the Developer's current business and operations. The undersigned has not contacted any individuals who are no longer employed by, or associated with, the Developer.

16. As used in this Letter of Representations, the term "Affiliate" of the Developer means any person directly (or indirectly through one or more intermediaries) that exercises managerial control over the Developer or that is under managerial control of the Developer, and about whom information could be material to potential investors in their investment decision regarding the Bonds, but excludes the Builders.

17. On behalf of the Developer, I have reviewed the contents of this Letter of Representations and have met with counsel to the Developer for the purpose of discussing the meaning of its contents.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; EXECUTION PAGE FOLLOWS]

The undersigned has executed this Letter of Representations solely in his or her capacity as an authorized officer or representative of Developer and he or she will have no personal liability arising from or relating to this Letter of Representations. Any liability arising from or relating to this Letter of Representations may only be asserted against the Developer.

**Tracy Phase I, LLC**  
a Delaware limited liability company

By: \_\_\_\_\_  
Authorized Representative

**EXHIBIT B-2**

**IMPROVEMENT AREA NO. 1 OF THE CITY OF TRACY  
COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TRACY HILLS)  
SPECIAL TAX BONDS, SERIES 2018**

**LETTER OF REPRESENTATIONS OF  
[NAME OF BUILDER]**

\_\_\_\_\_, 2018

City of Tracy  
333 Civic Center Plaza  
Tracy, California 95376

Piper Jaffray & Co.  
8880 Cal Center Drive, Suite 400  
Sacramento, California 95826

Ladies and Gentlemen:

Reference is made to the Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) Special Tax Bonds, Series 2018 (the “Bonds”) and to the Bond Purchase Agreement to be entered into in connection therewith (the “Purchase Agreement”). This Letter of Representations of [NAME OF BUILDER] (the “Letter of Representations”) is delivered pursuant to the Purchase Agreement. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Purchase Agreement.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of [Name of Builder], a \_\_\_\_\_ (the “Builder”), and the undersigned, on behalf of the Builder, further certifies as follows:

1. The Builder is a [limited liability company/limited partnership] validly existing and in good standing as a [limited liability company/limited partnership] under the laws of the State of [California] and is duly registered to transact intrastate business in the State of California as a [foreign] limited liability company and is in good standing in the State of California and has all requisite right, power and authority: (i) to execute and deliver this Letter of Representations; and (ii) to undertake all of the transactions on its part described in the Preliminary Official Statement.

2. As set forth in the Preliminary Official Statement, the Builder has entered into a contract with Tracy Phase I, LLC or an Affiliate of Tracy Phase I, LLC, to purchase certain property within Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) (herein the “Property”). The undersigned, on behalf of the Builder, makes the representations herein with respect to all such Property.

3. Except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned (defined below), (a) the Builder and its Affiliates are not in breach of or in default under any applicable judgment or decree or any loan agreement, option agreement, development agreement, indenture, fiscal agent agreement, bond or note (collectively, the “Material Agreements”) to which the Builder its Affiliates are a party or otherwise subject, which breach or default could reasonably be expected to materially and adversely affect the Builder’s ability to acquire the Property and complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Developer) prior to delinquency, and (b) no event has occurred and is continuing that with the passage of time or giving of notice, or both, would constitute such a breach or default.

4. To the Actual Knowledge of the Undersigned, neither the Builder nor any of its Affiliates is in default on any obligation to repay borrowed money, which default is reasonably likely to materially and adversely affect the Builder’s ability to acquire the Property and complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Developer) prior to delinquency.

5. Except as set forth in the Preliminary Official Statement, no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body is pending against the Builder (with proper service of process to the Builder having been accomplished) or, to the Actual Knowledge of the Undersigned, is pending against any current Affiliate (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Undersigned is threatened in writing against the Builder or any such Affiliate which if successful, is reasonably likely to materially and adversely affect the Builder’s ability to acquire the Property and complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Developer) prior to delinquency.

6. As of the date thereof, information set forth in the Preliminary Official Statement under the captions “PROPERTY OWNERSHIP AND THE DEVELOPMENT—The Merchant Builders” and “[Name of Builder]” but, in each caption, solely as such information pertains to Builder, its Affiliates (defined below), the Property to be acquired by Builder and/or its Affiliates, Builder’s projected development of the Property and Builder’s contractual arrangements with respect thereto contained or contain any untrue statement of a material fact or omitted or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7. The Builder covenants that, while the Bonds or any refunding obligations related thereto are outstanding, the Builder and its Affiliates which it controls will not bring any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body, that in any way seeks to challenge or overturn the formation of the Community Facilities District or Improvement Area No. 1, to challenge the adoption of the ordinance(s) of the City levying Special Taxes within the Community Facilities District, to invalidate the Community Facilities District or any of the Bonds or any refunding bonds related thereto, or to invalidate the special tax liens imposed under Section 3115.5 of the Streets and Highways Code based on recordation of the amended notice of special tax lien relating thereto. The foregoing covenant shall not prevent the Builder in any way from bringing any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body including, without limitation, (a) an action or suit contending that the Special Taxes have not been levied in

accordance with the methodologies contained in the Community Facilities District's Amended and Restated Rate and Method of Apportionment of Special Tax Revenues pursuant to which the Special Taxes are levied, (b) an action or suit with respect to the application or use of the Special Taxes levied and collected, or (c) the enforcement of the obligations of the Community Facilities District under the Fiscal Agent Agreement or any agreements between the Builder and the City or the Community Facilities District or under which the Builder is a beneficiary.

8. To the Actual Knowledge of the Undersigned, neither the Builder nor any Affiliate has been delinquent to any material extent in the payment of any *ad valorem* property tax, special assessment or special tax on property owned by the Builder or any Affiliate within the boundaries of a community facilities district or an assessment district within California that (a) would have caused a draw on a reserve fund relating to such assessment district or community facilities district financing or (b) resulted in a foreclosure action being commenced in a court of law against the Builder or any such Affiliate.

9. To the Actual Knowledge of the Undersigned, the Builder is able to pay its bills as they become due and no legal proceedings are pending against the Builder (with proper service of process to the Builder having been accomplished) or, to the Actual Knowledge of the Undersigned, threatened in writing in which the Builder may be adjudicated as bankrupt or discharged from any and all of its debts or obligations, or granted an extension of time to pay its debts or obligations, or be allowed to reorganize or readjust its debts, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

10. To the Actual Knowledge of the Undersigned, Affiliates of the Builder are able to pay their bills as they become due and no legal proceedings are pending against any Affiliates of the Builder (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Undersigned, threatened in writing in which the Affiliates of the Builder may be adjudicated as bankrupt or discharged from any or all of their debts or obligations, or granted an extension of time to pay their debts or obligations, or be allowed to reorganize or readjust their debts or obligations, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

11. If between the date hereof and the Closing Date any event relating to or affecting the Builder, its Affiliates, ownership of the Property, the Builder's development plan, the Builder's financing plan, the Builder's lenders, if any, and contractual arrangements of the Builder or any Affiliates (including, if material to the Builder's development plan or the Builder's financing plan, other loans of such Affiliates) shall occur of which the undersigned has actual knowledge and which the undersigned believes would cause the information under the sections of the Preliminary Official Statement indicated in Paragraph 6 hereof, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the undersigned shall notify the City and the Underwriter and if in the opinion of counsel to the City or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Preliminary Official Statement, the Builder shall reasonably cooperate with the City in the preparation of an amendment or supplement to the Preliminary Official Statement in form and substance reasonably satisfactory to counsel to the City and to the Underwriter.

12. The Builder agrees to deliver a Closing Certificate dated the date of issuance of the Bonds at the time of issuance of the Bonds in substantially the form attached to the Purchase Agreement as Exhibit C-2.

13. As used in this Letter of Representations, the term “Actual Knowledge of the Undersigned” means the knowledge that the undersigned currently has or has obtained through (i) interviews with such current officers and responsible employees of the Builder as the undersigned has reasonably determined are likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in this Letter of Representations including the chief financial officer of the Builder or, if the Builder does not have a chief financial officer, the person who performs the functions usually associated with such officer (unless the undersigned is the chief financial officer or such person), and (ii) reviews of documents reasonably available to the undersigned and which the undersigned reasonably deemed necessary for the undersigned to execute this Letter of Representations. The undersigned has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of the Builder’s current business and operations. The undersigned has not contacted any individuals who are no longer employed by, or associated with, the Builder.

14. As used in this Letter of Representations, the term “Affiliate” of Builder means any person directly (or indirectly through one or more intermediaries) under managerial control of Builder, and about whom information could be material to potential investors in their investment decision regarding the Bonds (including, without limitation, information relevant to the proposed development of the Property, or to Builder’s ability to pay the Special Taxes on the Property (to the extent the responsibility of the Builder) prior to delinquency).

15. On behalf of the Builder, I have reviewed the contents of this Letter of Representations and have met with counsel to the Builder for the purpose of discussing the meaning of its contents.

The undersigned has executed this Letter of Representations solely in his or her capacity as an authorized officer or representative of Builder and he or she will have no personal liability arising from or relating to this Letter of Representations. Any liability arising from or relating to this Letter of Representations may only be asserted against the Builder.

[Name of Builder]  
a \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Representative



**EXHIBIT C-1**

**§ \_\_\_\_\_  
IMPROVEMENT AREA NO. 1 OF THE CITY OF TRACY  
COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TRACY HILLS)  
SPECIAL TAX BONDS, SERIES 2018**

**CLOSING CERTIFICATE OF TRACY PHASE I, LLC**

\_\_\_\_\_, 2018

City of Tracy  
333 Civic Center Plaza  
Tracy, California 95376

Piper Jaffray & Co.  
8880 Cal Center Drive, Suite 400  
Sacramento, California 95826

Ladies and Gentlemen:

Reference is made to the Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) Special Tax Bonds, Series 2018 (the "Bonds") and to the Bond Purchase Agreement, dated \_\_\_\_\_, 2018 (the "Purchase Agreement"), entered into in connection therewith. This Closing Certificate of Tracy Phase I, LLC (the "Closing Certificate") is delivered by Tracy Phase I, LLC, a Delaware limited liability company (the "Developer") pursuant to the Purchase Agreement. Capitalized terms used herein or in the Letter of Representations (defined below) and not otherwise defined have the meanings ascribed to them in the Purchase Agreement. A copy of a Letter of Representations of Tracy Phase I, LLC (the "Letter of Representations"), dated \_\_\_\_\_, 2018, delivered by the Developer, is attached hereto as Exhibit A.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of the Developer, and the undersigned, on behalf of the Developer, further certifies as follows:

1. The Developer has received the final Official Statement relating to the Bonds. Each statement, representation and warranty made in the Letter of Representations is true and correct in all material respects on and as of the date hereof with the same effect as if made on the date hereof, except that all references therein to the Preliminary Official Statement shall be deemed to be references to the final Official Statement.

2. To the Actual Knowledge of the Undersigned, no event has occurred since the date of the Preliminary Official Statement affecting the statements and information described in Paragraph 6 of the Letter of Representations relating to the Developer, its Affiliates, ownership of the Property, the Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) which should be disclosed in the Official Statement for the purposes for which it is to be used in

order to make such statements and information contained in the Official Statement not misleading in any material respect.

3. For the period through 25 days after the “End of the Underwriter Period” as defined in the Purchase Agreement to mean the Closing Date unless otherwise notified in writing by the Underwriter, if any event relating to or affecting the Developer, its Affiliates, ownership of the Property, the Developer’s development plan, the Developer’s financing plan, the Developer’s lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer’s development plan or the Developer’s financing plan, other loans of such Affiliates) shall occur as a result of which it is necessary, in the opinion of the Underwriter or counsel to the City, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the Developer shall reasonably cooperate with the City and the Underwriter in the preparation of an amendment or supplement to the Official Statement in form and substance reasonably satisfactory to the Underwriter and Disclosure Counsel which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

4. The undersigned has executed this Certificate solely in his or her capacity as an officer of Developer and he or she will have no personal liability arising from or relating to this Certificate. Any liability arising from or relating to this Certificate may only be asserted against the Developer.

**Tracy Phase I, LLC**  
a Delaware limited liability company

By: \_\_\_\_\_  
Authorized Representative

**EXHIBIT C-2**

**§ \_\_\_\_\_  
IMPROVEMENT AREA NO. 1 OF THE CITY OF TRACY  
COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TRACY HILLS)  
SPECIAL TAX BONDS, SERIES 2018**

**CLOSING CERTIFICATE OF [NAME OF BUILDER]**

\_\_\_\_\_, 2018

City of Tracy  
333 Civic Center Plaza  
Tracy, California 95376

Piper Jaffray & Co.  
8880 Cal Center Drive, Suite 400  
Sacramento, California 95826

Ladies and Gentlemen:

Reference is made to the Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) Special Tax Bonds, Series 2018 (the "Bonds") and to the Bond Purchase Agreement, dated \_\_\_\_\_, 2018 (the "Purchase Agreement"), entered into in connection therewith. This Closing Certificate of [NAME OF BUILDER] is delivered by [Name of Builder], a \_\_\_\_\_ (the "Builder") pursuant to the Purchase Agreement. Capitalized terms used herein or in the Letter of Representations (defined below) and not otherwise defined have the meanings ascribed to them in the Purchase Agreement. A copy of a Letter of Representations of [NAME OF BUILDER] (the "Letter of Representations"), dated \_\_\_\_\_, 2018, delivered by the Builder, is attached hereto as Exhibit A.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of the Builder, and the undersigned, on behalf of the Builder, further certifies as follows:

1. The Builder has received the final Official Statement relating to the Bonds. Each statement, representation and warranty made in the Letter of Representations is true and correct in all material respects on and as of the date hereof with the same effect as if made on the date hereof, except that all references therein to the Preliminary Official Statement shall be deemed to be references to the final Official Statement.

2. To the Actual Knowledge of the Undersigned, no event has occurred since the date of the Preliminary Official Statement affecting the statements and information described in Paragraph 6 of the Letter of Representations relating to the Builder, its Affiliates, ownership of the Property, the Builder's development plan, the Builder's financing plan, the Builder's lenders, if any, and contractual arrangements of the Builder or any Affiliates (including, if material to the Builder's development plan or the Builder's financing plan, other loans of such Affiliates) which should be disclosed in the Official Statement for the purposes for which it is to be used in order to make such

statements and information contained in the Official Statement not misleading in any material respect.

3. For the period through 25 days after the “End of the Underwriter Period” as defined in the Purchase Agreement to mean the Closing Date unless otherwise notified in writing by the Underwriter, if any event relating to or affecting the Builder, its Affiliates, ownership of the Property, the Builder’s development plan, the Builder’s financing plan, the Builder’s lenders, if any, and contractual arrangements of the Builder or any Affiliates (including, if material to the Builder’s development plan or the Builder’s financing plan, other loans of such Affiliates) shall occur as a result of which it is necessary, in the opinion of the Underwriter or counsel to the City, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the Builder shall reasonably cooperate with the City and the Underwriter in the preparation of an amendment or supplement to the Official Statement in form and substance reasonably satisfactory to the Underwriter and Disclosure Counsel which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

4. The undersigned has executed this Certificate solely in his or her capacity as an officer of Builder and he or she will have no personal liability arising from or relating to this Certificate. Any liability arising from or relating to this Certificate may only be asserted against the Builder.

**[Name of Builder]**

a \_\_\_\_\_

By: \_\_\_\_\_

Authorized Representative

**EXHIBIT D**

**SUPPLEMENTAL OPINION OF BOND COUNSEL**

[Date of Issuance]

Piper Jaffray & Co., as Underwriter  
Sacramento, California

§ \_\_\_\_\_  
Improvement Area No. 1 of the City of Tracy  
Community Facilities District No. 2016-1 (Tracy Hills)  
Special Tax Bonds, Series 2018

(Supplemental Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Tracy (the “City”) of the above-referenced bonds (the “Bonds”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 et seq. of the California Government Code (the “Law”), resolutions of the City adopted on July 19, 2016 and July 17, 2018 (together, the “Resolution”) and a Fiscal Agent Agreement, dated as of August 1, 2018 (the “Fiscal Agent Agreement”), by and between the City for and on behalf of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) (the “District”), and U.S. Bank National Association, as fiscal agent. Capitalized terms used herein but not defined have the meaning given them in the Bond Purchase Agreement, dated \_\_\_\_\_, 2018 (the “Purchase Agreement”), by and between Piper Jaffray & Co., as underwriter, and the City, acting for and on behalf of the District.

We have examined the Fiscal Agent Agreement, the Purchase Agreement, and the Continuing Disclosure Certificate, dated December 6, 2017 (the “Continuing Disclosure Certificate”), by the City and NHA Advisors, LLC, as dissemination agent, (collectively, the “City Documents”), the Law and such certified proceedings and other papers as we deem necessary to render this opinion.

This letter is being delivered in our capacity as bond counsel to the City and not as counsel to any other addressee hereof.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Resolution, the Fiscal Agent Agreement and the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

(i) the Purchase Agreement has been duly authorized, executed and delivered by the City, and, assuming that the Purchase Agreement constitutes valid and binding obligations of the other parties thereto, constitutes the legally valid and binding obligations of the City enforceable in

accordance with its terms, except as enforcement may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditors' rights or remedies and general principles of equity (regardless of whether such enforceability is considered in equity or at law);

(ii) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Fiscal Agent Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(iii) the information contained in the Official Statement on the cover and under the captions "INTRODUCTION," "THE 2018 BONDS," "SECURITY FOR THE 2018 BONDS," "TAX MATTERS" and Appendices E and F thereof (except that no opinion or belief is expressed as to any financial or statistical data contained therein), insofar as it purports to summarize certain provisions of the Law, the Bonds, the Fiscal Agent Agreement and the exclusion from gross income for federal income tax purposes and exemption from State personal income taxes of interest on the Bonds, presents a fair and accurate summary of such provisions; and

(iv) We are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, dated as of \_\_\_\_\_, 2018 (the "Official Statement"), and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements; however, in connection with the Official Statement, we have reviewed certain documents and have participated in conferences in which the contents of the Official Statement and related matters were discussed. During the course of our work on this matter, no facts have come to our attention that have caused us to believe that the Official Statement (except for the following items, which we expressly exclude from the scope of this sentence: any financial, statistical and demographic data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, the appraisal, and information regarding DTC and its book-entry only system, that is contained or incorporated by reference in the Official Statement and the appendices to the Official Statement) as of the date of the Official Statement or the date hereof contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The preceding paragraph is not an opinion but constitutes negative observations based on certain limited activities performed by specific lawyers in our firm in our role as special disclosure counsel to the City. The scope of the activities we performed for purposes of delivering this letter was inherently limited and does not purport to encompass all activities necessary for compliance with applicable securities laws. In addition, in performing those activities, we relied on third party representations, warranties, certifications and opinions, including and primarily, representations, warranties and certifications made by the City. The preceding paragraph is otherwise subject to the conditions set forth herein.

This opinion letter is solely for your benefit in connection with the transaction covered by the first paragraph of this letter and may not be relied upon, used, circulated, quoted or referred to, nor any copies hereof be delivered to, any other person without our prior written approval.

Very truly yours,

JONES HALL, a Professional Law Corporation

**EXHIBIT E-1**

**NEGATIVE ASSURANCE LETTER FOR TRACY PHASE I, LLC**

\_\_\_\_\_, 2018

City of Tracy  
333 Civic Center Plaza  
Tracy, California 95376

Piper Jaffray & Co.  
8880 Cal Center Drive, Suite 400  
Sacramento, California 95826

**Re: \$\_\_\_\_\_ Improvement Area No. 1 of the City of Tracy Community  
Facilities District No. 2016-1 (Tracy Hills) Special Tax Bonds, Series 2018**

Ladies and Gentlemen:

We have acted as special counsel to Tracy Phase I, LLC, a Delaware limited liability company (the “Developer”) in connection with the development of certain property owned by the Developer (the “Property”) located within the boundaries of Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) (the “Improvement Area”) and in connection with the issuance and sale by the City of Tracy (the “City”) of \$\_\_\_\_\_ Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) Special Tax Bonds, Series 2018 (the “Bonds”). The Bonds are described in that certain Official Statement dated \_\_\_\_\_, 2018 (the “Official Statement”).

The Bonds are being sold to Piper Jaffray & Co., as underwriter (the “Underwriter”), pursuant to that certain Bond Purchase Agreement, dated \_\_\_\_\_, 2018 (the “Bond Purchase Agreement”), by and between the City and the Underwriter. This letter is provided for the benefit of the City, the Community Facilities District, and the Underwriter pursuant to Section 5.E.7. of the Bond Purchase Agreement.

We advise you that we are not general counsel to the Developer and do not represent the Developer on a continuing basis. Rather, we represent the Developer as requested from time to time on specific matters.

The primary purpose of our professional engagement was not to establish or confirm factual matters or quantitative information. We are not passing upon and do not assume any responsibility for the accuracy, completeness, or fairness of any of the statements contained in the Official Statement and make no representation that we have independently verified the accuracy, completeness, or fairness of any such statements. However, in our capacity as special counsel to the Developer, we reviewed the Official Statement and we met in conferences with representatives of the Developer, the Underwriter and its counsel, Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel, and others, during which conferences the contents of the Official Statement and related matters were discussed. We have reviewed only the electronic version of the Official Statement delivered to Robert M. Haight, Jr. (robert.haight@hkllaw.com) on \_\_\_\_\_, 2018,

from \_\_\_\_\_ (the “Official Electronic Version”), and we assume that any printed version and all other electronic versions of the Official Statement are identical in all respects to such Official Electronic Version. Our statements herein with respect to the Official Statement do not pertain to any printed or electronic version of the Official Statement that is not identical in all respects to the Official Electronic Version. We also reviewed certain written statements of officers and other representatives of the Developer and others as to the existence and consequence of certain factual and other matters.

Based on our participation, review, and reliance as described above, we advise you that no information came to the attention of the lawyers in our firm rendering legal services in connection with such representation that caused us to believe that, as of the date of the Official Statement and as of the date hereof, the statements in the Official Statement relating to the Developer and its Affiliates, the Property and the Developer’s improvement and sale of the Property under the caption “PROPERTY OWNERSHIP AND THE DEVELOPMENT” (but specifically excluding any information under the captions “—The Merchant Builders,” “—Lennar Homes,” “—Meritage” and “—Shea” for which no representation is made) and “CONTINUING DISCLOSURE—Developer Continuing Disclosure” contained or contain any untrue statement of a material fact or omitted or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no belief or view is expressed as to (a) any financial statements and other financial, statistical, economic, demographic, or engineering data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions, or expressions of opinion, or (b) any information about valuation, appraisals, market absorption, archaeological, or environmental matters). For purposes of this paragraph, “attention” refers to the conscious awareness of each of the lawyers in our firm who actively participated in rendering legal services in connection with such representation and “believe” refers to the actual, subjective, good faith belief of each of those lawyers. Please be advised that only Robert M. Haight, Jr. has rendered such legal services in connection with such representation.

We express no opinion or belief as to the applicability or effect on the subject transaction of the securities laws of the State of California or of the United States of America, including but not limited to the Securities Act of 1933, as amended.

No attorney-client relationship has existed or exists between our firm and the City, the Community Facilities District or the Underwriter in connection with the Bonds or by virtue of this letter. This letter is delivered as of the date hereof and is furnished solely for your benefit in connection with the subject transaction, and may not be relied upon for any other purpose or furnished to, used, circulated, quoted, or referred to by any other person without our prior written consent. This letter is not intended to, and may not, be relied upon by any owners of the Bonds.



Our engagement with respect to this matter has terminated as of the date hereof, and we do not undertake to advise you of any matters that may come to our attention subsequent to the date hereof that may affect the statements set forth herein.

This letter is limited to the matters expressly set forth herein, and no belief or assurance is implied or may be inferred beyond the matters expressly stated herein.

Respectfully submitted,

HOLLAND & KNIGHT LLP

**EXHIBIT F**

\$ \_\_\_\_\_  
**IMPROVEMENT AREA NO. 1 OF THE CITY OF TRACY  
COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TRACY HILLS)  
SPECIAL TAX BONDS, SERIES 2018**

**FORM OF ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of Piper Jaffray & Co. (“PJC”) hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “Bonds”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) ***Issuer*** means the City of Tracy.

(c) ***Maturity*** means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(d) ***Public*** means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents PJC’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Jones Hall, a Professional Law Corporation in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

PIPER JAFFRAY & CO.

By: \_\_\_\_\_  
Name: \_\_\_\_\_

Dated: \_\_\_\_\_, 2018

**SCHEDULE A**

**SALE PRICES OF THE GENERAL RULE MATURITIES**

*(Attached)*

**EXHIBIT G**

**§ \_\_\_\_\_  
IMPROVEMENT AREA NO. 1 OF THE CITY OF TRACY  
COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TRACY HILLS)  
SPECIAL TAX BONDS, SERIES 2018**

**CERTIFICATE OF APPRAISER**

\_\_\_\_\_, 2018

City of Tracy  
333 Civic Center Plaza  
Tracy, California 95376

Piper Jaffray & Co.  
8880 Cal Center Drive, Suite 400  
Sacramento, California 95826

The undersigned hereby states and certifies:

1. That he is an authorized principal of Integra Realty Resources (the “Appraiser”) and as such is familiar with the facts herein certified and is authorized and qualified to certify the same.

2. That the Appraiser has prepared an appraisal report, dated \_\_\_\_\_, 2018 (the “Appraisal Report”), on behalf of the City of Tracy (the “City”) in connection with the Preliminary Official Statement, dated \_\_\_\_\_, 2018 (the “Preliminary Official Statement”) and the Official Statement dated \_\_\_\_\_, 2018 (“Official Statement”), for the Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) Special Tax Bonds, Series 2018 (the “Bonds”).

3. That the Appraiser hereby consents to the reproduction and use of the Appraisal Report appended to the Preliminary Official Statement and the Official Statement. The Appraiser also consents to the references to the Appraiser and the Appraisal Report made in the Preliminary Official Statement and the Official Statement.

4. In the opinion of the Appraiser the assumptions made in the Appraisal Report are reasonable. Since the date of value of the Appraisal Report, the Appraiser is not aware of any facts that would cause its opinion of value of the taxable property in the Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) (the “Improvement Area”) to be lower than the value in the Appraisal.

5. Each of the parcels appraised by the Appraiser is encompassed within the Improvement Area as set forth in the boundary map of the Improvement Area.

6. That, as of the date of the Official Statement and as of the date hereof, the Appraisal Report appended to the Official Statement, to the best of my knowledge and belief, and subject to all

of the Assumptions and Limiting Conditions set forth in the Appraisal Report, does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and no events or occurrences have been ascertained by us or have come to our attention that would substantially change the estimated values stated in the Appraisal Report. However, we have not performed any procedures since the date of the Appraisal Report to obtain knowledge of such events or occurrences nor are we obligated to do so in the future.

7. The City and the Underwriter, Piper Jaffray & Co., are entitled to rely on the Certificate.

Dated: \_\_\_\_\_, 2018

INTEGRA REALTY RESOURCES

By: \_\_\_\_\_  
Authorized Representative

**EXHIBIT H**

**§ \_\_\_\_\_  
IMPROVEMENT AREA NO. 1 OF THE CITY OF TRACY  
COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TRACY HILLS)  
SPECIAL TAX BONDS, SERIES 2018**

**CERTIFICATE OF MARKET ABSORPTION CONSULTANT**

\_\_\_\_\_, 2018

City of Tracy  
333 Civic Center Plaza  
Tracy, California 95376

Piper Jaffray & Co.  
8880 Cal Center Drive, Suite 400  
Sacramento, California 95826

The undersigned hereby states and certifies:

1. That he is an authorized principal of Empire Economics (the “Market Absorption Consultant”) and as such is familiar with the facts herein certified and is authorized and qualified to certify the same.

2. That the Market Absorption Consultant has prepared an Market report, dated \_\_\_\_\_, 2018 (the “Market Report”), on behalf of the City of Tracy (the “City”) in connection with the Preliminary Official Statement, dated \_\_\_\_\_, 2018 (the “Preliminary Official Statement”) and the Official Statement dated \_\_\_\_\_, 2018 (“Official Statement”), for the Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) Special Tax Bonds, Series 2018 (the “Bonds”).

3. That the Market Absorption Consultant hereby consents to the reproduction and use of the Market Report appended to the Preliminary Official Statement and the Official Statement. The Market Absorption Consultant also consents to the references to the Market Absorption Consultant and the Market Report made in the Preliminary Official Statement and the Official Statement.

4. In the opinion of the Market Absorption Consultant the assumptions made in the Market Report are reasonable. Since the date of the Market Report, the Market Absorption Consultant is not aware of any facts that would cause its opinion as to the timing of home sales in Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) to be different than the Market Report.

5. That, as of the date of the Official Statement and as of the date hereof, the Market Report appended to the Official Statement, to the best of my knowledge and belief, and subject to all of the limiting conditions and major assumptions set forth in the Market Report, does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the

statements contained therein, in the light of the circumstances under which they were made, not misleading, and no events or occurrences have been ascertained by us or have come to our attention that would substantially change the estimated values stated in the Market Report. However, we have not performed any procedures since the date of the Market Report to obtain knowledge of such events or occurrences nor are we obligated to do so in the future.

6. The City and the Underwriter, Piper Jaffray & Co., are entitled to rely on the Certificate.

Dated: \_\_\_\_\_, 2018

EMPIRE ECONOMICS

By: \_\_\_\_\_  
Authorized Representative

**RESOLUTION NO. \_\_\_\_**

**A RESOLUTION SUPPLEMENTING RESOLUTION NO. 2016-161 TO AUTHORIZE THE ISSUANCE AND SALE OF SPECIAL TAX BONDS FOR THE PURPOSE OF FINANCING AUTHORIZED FACILITIES, AND APPROVING AND AUTHORIZING RELATED DOCUMENTS AND ACTIONS**

**Improvement Area No. 1 of the  
City of Tracy  
Community Facilities District No. 2016-1  
(Tracy Hills)**

RESOLVED, by this City Council (the "Council") of the City of Tracy (the "City"), County of San Joaquin, State of California, that:

WHEREAS, this Council previously conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with Section 53311) of the California Government Code (the "Act"), to form "City of Tracy Community Facilities District No. 2016-1 (Tracy Hills)" (the "CFD") and "Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills)" ("Improvement Area No. 1"), to authorize the levy of special taxes upon the land within Improvement Area No. 1 and issue bonds secured by those special taxes for financing certain public improvements (the "Authorized Facilities") in the aggregate principal amount of \$70,000,000, all as described in those proceedings; and

WHEREAS, pursuant to Resolution No. 2016-161, which was adopted on July 19, 2016 (the "Original Resolution of Issuance"), this Council authorized the issuance of up to \$70,000,000 of bonded indebtedness and other debt on behalf of the CFD with respect to Improvement Area No. 1, directed staff to prepare documentation for such bonded indebtedness and other debt and return to this Council for approval of such documentation, and appointed U.S. Bank National Association as fiscal agent for such bonded indebtedness and other debt (the "Fiscal Agent"); and

WHEREAS, this Council has initiated proceedings to increase the maximum amount of bonded indebtedness and other debt that may be issued on behalf of the CFD with respect to Improvement Area No. 1 to \$80,000,000 pursuant to its Resolution No. \_\_\_\_ adopted on July 17, 2018 (the "Resolution of Consideration"); and

WHEREAS, this Council now wishes to supplement the Original Resolution of Issuance to (i) subject to completion of the change proceedings for the CFD and Improvement No. 1 initiated by the Resolution of Consideration, authorize the issuance of up to \$80,000,000 of bonded indebtedness and other debt on behalf of the CFD with respect to Improvement Area No. 1 and (ii) provide for the issuance of its Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) Special Tax Bonds, Series 2018 (the "2018 Bonds"), pursuant to a Fiscal Agent Agreement (the "Fiscal Agent Agreement") by and between



the City, for and on behalf of the CFD, and the Fiscal Agent, and there have been submitted to this Council certain documents described below providing for the issuance of the 2018 Bonds for the CFD with respect to Improvement Area No. 1 and the use of the proceeds of those 2018 Bonds, and this Council with the aid of its staff, has reviewed the documents and found them to be in proper order; and

WHEREAS, there has also been submitted to this Council a form of preliminary Official Statement in connection with the marketing of the 2018 Bonds, and this Council, with the aid of its staff, has reviewed the preliminary Official Statement (the "Preliminary Official Statement"); and

WHEREAS, in accordance with Government Code Section 5852.1, the Council has obtained and disclosed the information set forth in Appendix A hereto; and

WHEREAS, all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of the 2018 Bonds and the levy of the special taxes as contemplated by this resolution and the documents referred to herein exist, have happened and have been performed in due time, form and manner as required by the laws of the State of California, including the Act;

NOW THEREFORE BE IT RESOLVED, as follows:

1. Recitals. The foregoing recitals are all true and correct.
2. Bonds Authorized. Subject to completion of the change proceedings for the CFD and Improvement No. 1 initiated by the Resolution of Consideration, this Council hereby supplements the Original Resolution of Issuance to authorize up to \$80,000,000 of bonded indebtedness and other debt on behalf of the CFD with respect to Improvement Area No. 1.

Pursuant to the Act, the Original Resolution of Issuance, this Resolution and the Fiscal Agent Agreement, and regardless of whether the change proceedings are completed, the 2018 Bonds are hereby authorized to be issued in the principal amount not to exceed Thirty-Six Million dollars (\$36,000,000).

The 2018 Bonds shall be dated, bear interest at the rates, mature on the dates, be issued in the form, be subject to redemption, and otherwise be issued on the terms and conditions, all as set forth in the Fiscal Agent Agreement and in accordance with this Resolution; provided, however, that the true interest cost shall not exceed six percent (6%). The Fiscal Agent, an Authorized Officer (as defined in Section 4 of this Resolution) and other responsible officers of the City are hereby authorized and directed to take such actions as are required to cause the delivery of the 2018 Bonds upon receipt of the purchase price thereof.

3. Findings. This Council hereby finds the following:

(a) The issuance of the 2018 Bonds is in compliance with the Act, the Original Resolution of Issuance, the Fiscal Agent Agreement and the City's "Amended Local Goals and Policies for Community Facilities Districts (CFDs)" adopted by this Council on February 4, 2014, by Resolution No. 2014-019 ("Goals and Policies"), except that the provision requiring property owners to provide continuing disclosure as long as they own property that is responsible for at least 10% of the special taxes in Improvement Area No. 1 is hereby waived so that the threshold can be established for the 2018 Bonds at a level acceptable to the Underwriter (as defined in Section 8).

(b) The appraisal described in the Preliminary Official Statement has been prepared consistent with the Goals and Policies.

(c) The current draft of the appraisal described in the draft Preliminary Official Statement (the "Appraisal") concludes that the taxable property in Improvement Area No. 1 has a market value (subject to the various assumptions and conditions set forth in the appraisal) that would be at least three times the maximum authorized principal amount of the 2018 Bonds approved pursuant to Section 2 and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act on property within Improvement Area No. 1 or a special assessment levied on property within the Improvement Area No. 1.

4. Authorities Granted. The Mayor, City Manager, Assistant City Manager, Finance Director, or such other official of the City as may be designated by such officer pursuant to Section 8 hereof (each, an "Authorized Officer") is hereby authorized and directed to execute and deliver the documents approved herein in substantially the form on file with the City Clerk, together with such additions or changes as are approved by such Authorized Officer, including such additions or changes as are necessary or advisable to permit the timely issuance, sale and delivery of the 2018 Bonds. The approval of such additions or changes shall be conclusively evidenced by the execution and delivery by an Authorized Officer of the documents herein specified.

5. Fiscal Agent Agreement. This Council hereby approves the Fiscal Agent Agreement, in substantially the form on file with the City Clerk. The terms and provisions of the Fiscal Agent Agreement, as executed, are incorporated herein by this reference as if fully set forth herein. An Authorized Officer is hereby authorized and directed to execute the Fiscal Agent Agreement on behalf of the City, with such changes, additions or deletions as may be approved by the Authorized Officer, and the City Clerk is hereby authorized and directed to attest thereto.

6. Official Statement. This Council hereby approves the Preliminary Official Statement prepared in connection with the 2018 Bonds in substantially the form on file with the Clerk of this Council, together with any changes therein or additions thereto deemed advisable by an Authorized Officer. This Council hereby approves and authorizes the distribution by the underwriter of the 2018 Bonds of the Preliminary Official Statement to prospective purchasers of the 2018 Bonds, and authorizes and directs an Authorized Officer on behalf of the City to deem the Preliminary Official Statement "final" pursuant to Rule 15c2-12 under the Securities

Exchange Act of 1934 (the "Rule") prior to its distribution to prospective purchasers of the 2018 Bonds. The execution of the final Official Statement, which shall include 2018 Bond pricing information, such other changes and additions thereto deemed advisable by an Authorized Officer, and such information permitted to be excluded from the Preliminary Official Statement pursuant to the Rule, shall be conclusive evidence of the approval of the Official Statement by the City.

7. Continuing Disclosure. This Council hereby approves the form of the Continuing Disclosure Certificate with respect to the 2018 Bonds in substantially the form thereof attached to the Official Statement on file with the City Clerk. An Authorized Officer is hereby authorized and directed to complete and execute the Continuing Disclosure Certificate on behalf of the City (for and on behalf of the CFD) with such changes, additions or deletions as may be approved by the Authorized Officer.

8. Sale of the 2018 Bonds; Bond Purchase Agreement. The Bond Purchase Agreement, between the City, for and on behalf of the CFD with respect to Improvement Area No. 1, and Piper Jaffray & Co. (the "Underwriter"), in substantially the form on file with the City Clerk and made a part hereof as though set forth in full herein, is hereby approved by the Council. An Authorized Officer is hereby authorized and directed to execute and deliver the Bond Purchase Agreement in such form, together with such changes, insertions and omissions that are approved by an Authorized Officer and that are in accordance with the provisions of this Resolution, such execution to be conclusive evidence of such approval; subject to the requirement that the Underwriter's discount on the purchase of the 2018 Bonds may not exceed 1.25% of the par amount of the 2018 Bonds and the interest rate may not exceed the rate specified in Section 1 hereof. In addition, and pursuant to Section 53345.8 of the Act, this Council hereby finds and determines that an Authorized Officer may not execute and deliver the Bond Purchase Agreement unless the Appraisal concludes that the taxable property in Improvement Area No. 1 has a market value (subject to the various assumptions and conditions set forth in the Appraisal) at least three times the principal amount of the 2018 Bonds to be sold and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act on property within Improvement Area No. 1 or a special assessment levied on property within the Improvement Area No. 1. The Council hereby approves the negotiated sale of the 2018 Bonds to the Underwriter pursuant to such Bond Purchase Agreement; the negotiated sale may be on a forward basis, as determined by an Authorized Officer.

This Council hereby finds that sale of the 2018 Bonds to the Underwriter at a negotiated sale pursuant to the Bond Purchase Agreement will result in a lower overall cost than would be achieved by selling the 2018 Bonds at a public sale utilizing competitive bidding.

9. Actions Authorized. All actions heretofore taken by the officers and agents of the City with respect to the establishment of the CFD and Improvement Area No. 1 and the sale and issuance of the 2018 Bonds are hereby approved, confirmed and ratified, and the appropriate officers of the City are hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the

lawful issuance and delivery of the 2018 Bonds in accordance with this resolution, including but not limited to any actions required in connection with issuance of ratings or a municipal bond insurance policy with respect to the 2018 Bonds, and any certificate, agreement, and other document described in the documents herein approved. All actions to be taken by an Authorized Officer, as defined herein, may be taken by such Authorized Officer or any designee, with the same force and effect as if taken by the Authorized Officer.

10. Effectiveness. This resolution shall take effect from and after its adoption. The provisions of any previous resolutions in any way inconsistent with the provisions hereof in and for the issuance of the 2018 Bonds as herein described are hereby repealed.

The foregoing Resolution \_\_\_\_\_ was adopted by the Tracy City Council the \_\_\_\_\_ day of \_\_\_\_\_, 2018, by the following vote:

AYES: COUNCILMEMBERS:

NOES: COUNCILMEMBERS:

ABSTAIN: COUNCILMEMBERS:

ABSENT: COUNCILMEMBERS:

By: \_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

## APPENDIX A

### Government Code Section 5852.1 Disclosure

The good faith estimates set forth herein are provided with respect to the 2018 Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the City by CSG Advisors Incorporated, the City's Municipal Advisor in consultation with Piper Jaffray & Co., Underwriter of the 2018 Bonds.

*Principal Amount.* The Municipal Advisor has informed the City that, based on the CFD financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the 2018 Bonds to be sold is **\$34,005,000** (the "Estimated Principal Amount"), which excludes approximately **\$1,564,000** of net premium estimated to be generated from current market pricing. Net premium is generated when, on a net aggregate basis for a single issuance, the prices paid for the bonds are higher than the face values of such bonds.

*True Interest Cost of the Bonds.* The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amount of the 2018 Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate plus one half of one percentage point, its good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is **4.74%**.

*Finance Charge of the Bonds.* The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amount of the 2018 Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the 2018 Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the 2018 Bonds), is **\$869,000**. Such fees and charges include fees for bond and disclosure counsel, municipal advisor, appraiser, market absorption consultant, special tax consultant, fiscal agent, city attorney and staff time related to bond issuance, set-aside for Fiscal Year 2018-19 CFD administrative expenses, printing, and underwriting.

*Amount of Proceeds to be Received.* The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amount of the 2018 Bonds is sold plus net premium, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received on behalf of the CFD and Improvement Area No. 1 for sale of the 2018 Bonds, less the finance charge of the Bonds, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the 2018 Bonds, is **\$30,000,000**.

*Total Payment Amount.* The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amount of the 2018 Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments that the Improvement Area No. 1

property owners will make to pay debt service on the 2018 Bonds, plus the finance charge for the 2018 Bonds, as described above, not paid with the proceeds of the 2018 Bonds, calculated to the final maturity of the 2018 Bonds, is **\$71,300,000**.

The foregoing estimates constitute good faith estimates only. The actual principal amount of the 2018 Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the 2018 Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of 2018 Bonds sold being different from the Estimated Principal Amount, (c) the actual amortization of the 2018 Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the 2018 Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the CFD financing plan, delays in the financing, or a combination of such factors. The actual date of sale of the 2018 Bonds and the actual principal amount of 2018 Bonds sold will be determined by the City based on the timing of the need for proceeds of the 2018 Bonds and other factors. The actual interest rates borne by the 2018 Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the 2018 Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the City.

AGENDA ITEM 6

REQUEST

**ADOPT THE RESOLUTION OF CONSIDERATION TO AMEND AND RESTATE THE RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX, INCREASE THE AUTHORIZED PRINCIPAL AMOUNTS OF INDEBTEDNESS FOR THE CFD AND IMPROVEMENT AREA NO. 1, INCREASE THE ANNUAL APPROPRIATIONS LIMIT FOR IMPROVEMENT AREA NO. 1 AND AMEND THE EXISTING BOUNDARIES OF THE CFD, IMPROVEMENT AREA NO. 1 AND FUTURE ANNEXATION AREA AND TO SET A PUBLIC HEARING FOR AUGUST 21, 2018 FOR THIS MATTER**

EXECUTIVE SUMMARY

For the purpose of financing public facilities and public services for development in the Tracy Hills Specific Plan, the City Council previously acted under the Mello-Roos Community Facilities Act of 1982 (the "Mello-Roos Act") to establish the following:

- City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) (the "CFD"),
- Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) ("Improvement Area No. 1"), and
- City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) (Future Annexation Area) (the "Future Annexation Area").

All of the property that is currently in the CFD is located in Improvement Area No. 1.

To facilitate the issuance of special tax bonds for Improvement Area No. 1, the property owners in Improvement Area No. 1 have submitted written petitions to the City Council asking the City Council to make changes to the CFD, Improvement Area No. 1 and the Future Annexation Area, as described in detail below.

Staff recommends that the City Council take the initial legislative action in the change proceedings, which is to adopt a resolution declaring its intent to make the proposed changes and calling a public hearing on the proposed changes.

DISCUSSION

**CFD FORMATION PROCESS**

Under the Mello-Roos Act, the City previously formed the CFD and Improvement Area No. 1 for the purpose of financing the public facilities and services described in the City Council's Resolution No. 2016-157 adopted on July 19, 2016 (the "Resolution of Formation"). All of the property that is currently in the CFD is located in Improvement Area No. 1.

In the Resolution of Formation, for the purpose of providing for a streamlined process for annexing future phases of the Tracy Hills project into the CFD when they are ready for

development, the City Council established the Future Annexation Area and declared that parcels within the Future Annexation Area may be annexed to the CFD only with the unanimous approval of the owner or owners of each parcel at the time that parcel is annexed, without any requirement for further public hearings or additional proceedings.

In the Resolution of Formation, the City Council also provided for the levy of special taxes upon the land within the CFD and approved a rate and method of apportionment of special taxes for Improvement Area No. 1 (the "Improvement Area No. 1 Rate and Method") and approved an appropriations limit of \$70,000,000 for Improvement Area No. 1 (the "Improvement Area No. 1 Appropriations Limit").

Pursuant to Resolution No. 2016-158, adopted by the City Council on July 19, 2016, the City Council:

- declared the necessity to incur bonded indebtedness and other debt on behalf of the CFD with respect to Improvement Area No. 1 in an aggregate amount not to exceed \$70,000,000 (the "Improvement Area No. 1 Indebtedness Limit"),
- declared the necessity for the City to incur bonded indebtedness and other debt in one or more series on behalf of the CFD with respect to those portions of the CFD that are not included in Improvement Area No. 1 in an aggregate amount not to exceed \$215,000,000 (the "Non-Improvement Area No. 1 Indebtedness Limit"), and
- directed that in the event that all or a portion of the Future Annexation Area is annexed as one or more Future Improvement Areas, the maximum indebtedness of each Future Improvement Area could be identified in the Unanimous Approval of the property owners of the property to be annexed at the time of the annexation and the amount of the maximum indebtedness for the Future Improvement Area(s) would be subtracted from the Non-Improvement Area No. 1 Indebtedness Limit.

At an election of the qualified electors in Improvement Area No. 1 held on July 19, 2016, the qualified electors approved the levy of special taxes according to the Improvement Area No. 1 Rate and Method, the Improvement Area No. 1 Bonded Indebtedness Limit and the Improvement Area No. 1 Appropriations Limit.

### **REQUESTED CHANGES**

To facilitate the issuance of special tax bonds for Improvement Area No. 1, the property owners in Improvement Area No. 1 have asked the City to make the following changes to the CFD under procedures established by the Mello-Roos Act, and staff recommends that the City Council approve the changes for the following reasons:

- Increase the Improvement Area No. 1 Indebtedness Limit to \$80,000,000: Staff believes that the increase will allow the City to capture the full bonding capacity of Improvement Area No. 1 based on the special taxes that can be levied.
- Increase the Non-Improvement Area No. 1 Indebtedness Limit to \$305,000,000: Staff believes that this increase is likely to allow the City to capture the full



bonding capacity of the portion of the CFD that is not in Improvement Area No. 1 based on the anticipated special taxes in Future Improvement Areas.

- Increase the Improvement Area No. 1 Appropriations Limit to \$80,000,000: Staff believes that this change will ensure that the appropriations limit for the CFD will be sufficient for anticipated expenditures of special tax revenues and bond proceeds generated by Improvement Area No. 1.
- Amend the boundaries of the CFD, Improvement Area No. 1 and Future Annexation Area: All of the property in Improvement Area No. 1 is planned for residential development except for Parcel Number 253-360-15 (the “Transferred Parcel”), which is planned for commercial development. The Tracy Hills developer has asked the City to remove the Transferred Parcel from Improvement Area No. 1 and add it to the Future Annexation Area to bolster the credit quality of Improvement Area No. 1 and preserve the flexibility to add the Transferred Parcel to Future Improvement Areas, when appropriate. Staff is in favor of this request.
- Amend the Improvement Area No. 1 Rate and Method to reflect the transfer of the Transferred Parcel to the Future Annexation Area: The Improvement Area No. 1 Rate and Method assigned a special tax rate and projected special tax revenues to the Transferred Parcel, and staff recommends that the Improvement Area No. 1 Rate and Method be amended to reflect the move of the Transferred Parcel out of Improvement Area No. 1.

Staff recommends that the City Council take the initial legislative action in the change proceedings, which is to adopt a resolution expressing its intent to make the proposed changes and calling a public hearing on the proposed changes (the “Resolution of Consideration”).

### **SUMMARY OF PROCESS TO MAKE THE REQUESTED CHANGES**

As described above, the property owners in Improvement Area No. 1 have submitted written petitions asking the City Council to make the changes described above. If the City Council adopts the Resolution of Consideration, the following steps are required by the Mello-Roos Act:

On August 21, 2018:

- The City Council will hold a public hearing on the proposed changes
- The City Council will consider a resolution calling a special mail-ballot election of the qualified electors in Improvement Area No. 1 on the matters raised in the Resolution of Consideration. Because Improvement Area No. 1 contains no registered voters, the qualified electors are the two property owners in Improvement Area No. 1, with each owner having one vote for each acre or portion of acre owned. Because the petitions submitted by the property owners waived the 90-day waiting period otherwise required by the Mello-Roos Act between the resolution calling the election and the election, the

election can be held immediately after the City Council adopts the resolution calling election.

- The City Clerk will open the mail ballots submitted by the property owners.
- Following the election, the City Council will adopt a resolution declaring the outcome of the election based on the City Clerk's canvass of the votes.
- If two-thirds of the votes cast at the election are in favor of the proposed changes, the City Council adopts a resolution determining that the proposed changes are lawfully authorized.
- Finally, the City Council introduces an ordinance levying special taxes in Improvement Area No. 1 as set forth in the amended and restated Improvement Area No. 1 Rate and Method.

Following adoption of the Resolution of Change, the following actions must take place:

- The City Council must adopt the ordinance at a subsequent City Council meeting.
- The City Clerk must publish the ordinance in the manner required by California law.
- The City Clerk must record an amended boundary map that reflects the move of the Transferred Parcel from Improvement Area No. 1 to the Future Annexation Area.
- The City Clerk must record a notice of the authorized changes in the real property records.

### STRATEGIC PLAN

The actions to form and to make the requested changes to the CFD, Improvement Area No. 1 and the Future Annexation Area relates to the City Council's Governance Strategic Plan, Goal 2 ("Ensure continued fiscal sustainability through financial and budgetary stewardship") and Objective No. 3("Identify new revenue opportunities").

By approving the changes, the City will be able to better maintain and operate those project-related infrastructure improvements (such as for street, sewer, and water renovation and repair) in the future when sources of revenue have historically been deficient.

### FISCAL IMPACT

Bond Counsel/Disclosure Counsel, Underwriter, Tax Consultant/CFD Administrator, and Project Manager expenses are paid from bond proceeds or paid through an existing Cost Recovery Agreement with the developer.

RECOMMENDATION

That Council adopt the Resolution of Consideration.

Prepared by: Karin Schnaider, Finance Director  
Christopher Lynch, Jones Hall

Reviewed and Approved by: Midori Lichtwardt, Interim Assistant City Manager

ATTACHMENTS

- A: Petition of Tracy BPS, LLC
- B: Petition of Tracy Phase I, LLC
- C: Amended and Restated Rate and Method of Apportionment of Special Tax

**CITY OF TRACY**  
**Community Facilities District No. 2016-1**  
**(Tracy Hills)**

**PETITION FOR CHANGE PROCEEDINGS**  
**(With Waivers)**

City Council of the  
City of Tracy  
333 Civic Center Plaza  
Tracy, CA 95376

Members of the Council:

This is a petition for change proceedings under the Mello-Roos Community Facilities Act of 1982, Section 53311 and following of the California Government Code (the "**Act**"), related to (i) "City of Tracy Community Facilities District No. 2016-1 (Tracy Hills)" (the "**CFD**"), (ii) "Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills)" ("**Improvement Area No. 1**"), and (iii) "City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) (Future Annexation Area)" (the "**Future Annexation Area**"). Capitalized terms used in this Petition for Change Proceedings but not defined herein have the meaning given them in City Council Resolution No. 2016-157 adopted on July 19, 2016 (the "**Resolution of Formation**").

The Petition states the following:

**1. Petitioner; Ownership.** This Petition is submitted pursuant to Section 53332 of the Act to the City of Tracy (the "**City**") by the owner (the "**Property Owner**") of 100% of the fee simple interest in the parcels of land identified by Assessor Parcel Numbers shown below (the "**Property**"). The Property is located in Improvement Area No. 1. The Property Owner warrants to the City with respect to the Property that the signatories are authorized to execute this Petition and that the submission of this Petition and participation in the City's proceedings under the Act will not constitute a violation or event of default under any existing financing arrangement in any way affecting the Property Owner and such Property, including any "due-on-encumbrance" clauses under any existing deeds of trust secured by the Property.

**2. Change Proceedings Requested.** The City is hereby requested to initiate and conduct legal proceedings pursuant to Article 3 of the Act, beginning with Section 53330 thereof ("**Article 3**"), to (i) increase the Improvement Area No. 1 Indebtedness Limit to \$80,000,000, (ii) increase the Non-Improvement Area No. 1 Indebtedness Limit to \$305,000,000, (iii) increase the appropriations limit for Improvement Area No. 1 to \$80,000,000, (iv) amend the boundaries of the CFD, Improvement Area No. 1 and Future Annexation Area by removing San Joaquin County Assessor's Parcel Number 253-360-15 from Improvement Area No. 1 (the "**Transferred Parcel**") and adding it to the Future Annexation Area, as shown on the map attached hereto as Exhibit B (the "**Amended Boundary Map**"), and (v) amend the rate and method of apportionment of special taxes for Improvement Area No. 1 (the "**Improvement Area No. 1 Rate and Method**") to reflect the fact that none of the parcels in Improvement Area No. 1 as of the date hereof is Business Park Property (as defined in the Improvement Area No. 1 Rate and Method).

**3. Elections.** The City is hereby requested to conduct a special election of the qualified electors in Improvement Area No. 1 in accordance with the Act to obtain authorization to (i) increase the Improvement Area No. 1 Indebtedness Limit to \$80,000,000, (ii) increase the appropriations limit for Improvement Area No. 1 to \$80,000,000, (iii) amend the boundaries of the CFD, Improvement Area No. 1 and Future Annexation Area as shown on the Amended Boundary Map, and (iv) amend and restate the Improvement Area No. 1 Rate and Method, as shown in the redline attached hereto as Exhibit B, all as shall be more fully established during the course of the requested Change Proceedings. The Property Owner hereby asks that the special election to be held under the Act be consolidated into a single election and that the election be conducted by the City and its officials, using mailed or hand-delivered ballots, and that such ballots be opened and canvassed and the results certified at the same meeting of the City Council as the public hearings under the Act or as soon thereafter as possible.

**4. Waivers.** To expedite the completion of the Change Proceedings, all notices of hearings and all notices of election, applicable waiting periods under the Act for the election and all ballot analyses and arguments for the election are hereby waived. The Property Owner also waives any requirement as to the specific form of the ballot to be used for the election, whether under the Act, the California Elections Code or otherwise.

**5. Deposits.** Compliance with the provisions of subsection (b) of Section 53332 of the Act has been accomplished by a deposit of funds by The Tracy Hills Project Owner, LLC (“THPO”), an affiliate of the Property Owner, with the City, made not later than the date of submission of this Petition for Change Proceedings to the City Clerk, pursuant to a Cost Recovery Agreement, between the City and THPO, to pay the estimated costs to be incurred by the City in conducting the Change Proceedings.

**6. Counterparts.** This Petition may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

By executing this Petition, the persons below agree to all of the above.

The property that is the subject of  
this Petition is identified as  
Assessor Parcel Nos. 253-360-15.  
(66.3 acres)

The name of the owner of record of such property  
and the petitioner and its mailing address is:

TRACY BPS, LLC,  
A Delaware limited liability company

By: 

Name: JAIME CHAINE

Title: Authorized Signator

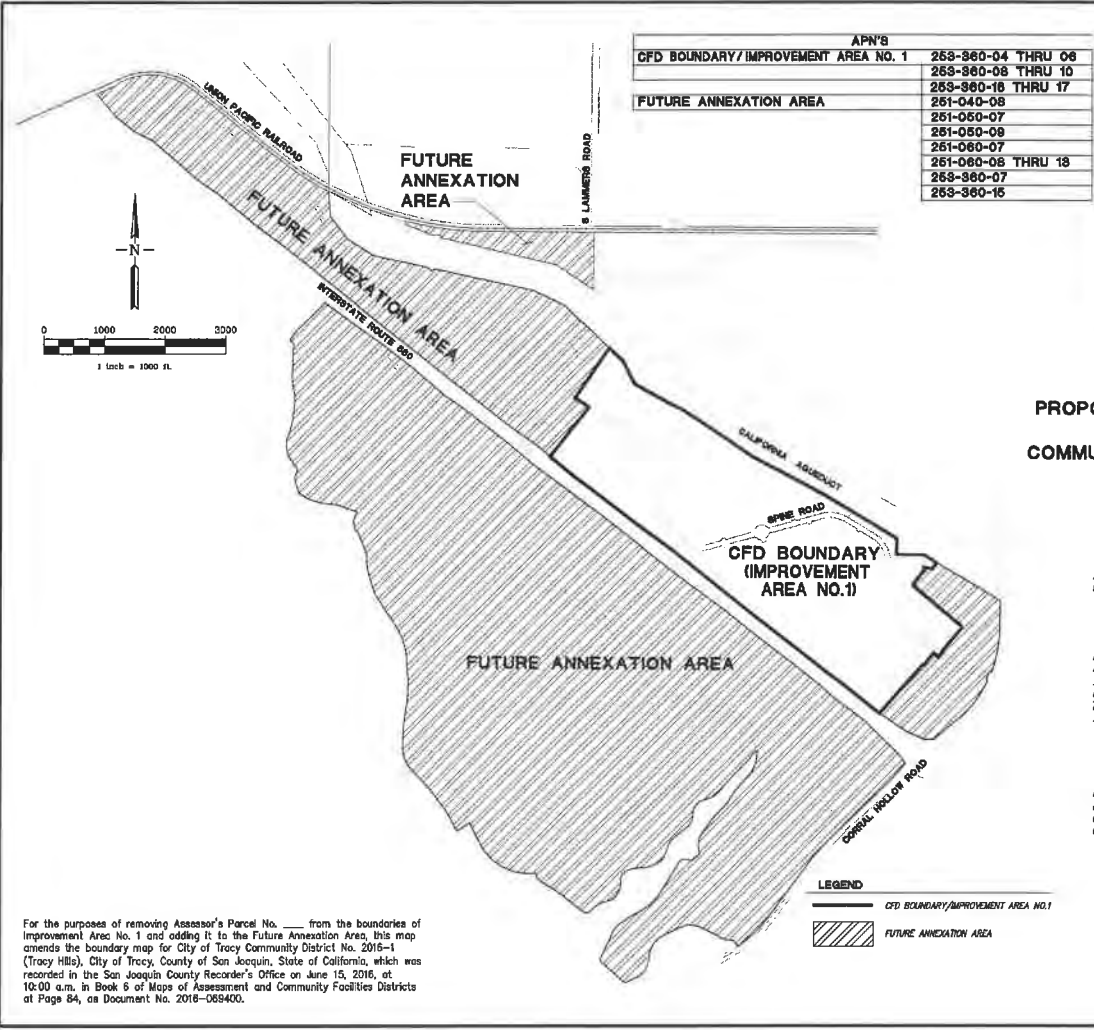
Dated: July 12, 2018

Mailing Address:

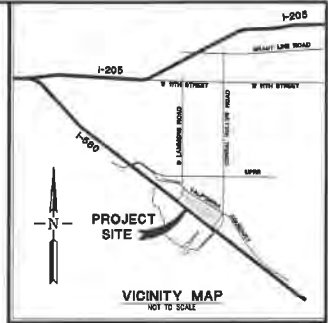
Tracy BPS, LLC  
888 San Clemente, Suite 100  
Newport Beach, CA 92660  
Attn: Tracy Hills Project Manager

**EXHIBIT A**

**PROPOSED BOUNDARY MAP**



APN'S	
CFD BOUNDARY/IMPROVEMENT AREA NO. 1	253-360-04 THRU 06 253-360-08 THRU 10 253-360-18 THRU 17
FUTURE ANNEXATION AREA	251-040-08 251-050-07 251-050-09 251-060-07 251-060-08 THRU 18 253-360-07 253-360-16



**PROPOSED AMENDED BOUNDARIES OF  
CITY OF TRACY  
COMMUNITY FACILITIES DISTRICT 2016-1  
(TRACY HILLS)  
CITY OF TRACY  
COUNTY OF SAN JOAQUIN  
STATE OF CALIFORNIA**

Filed in the office of the City Clerk of the City of Tracy  
this \_\_\_\_\_ day of \_\_\_\_\_ 2016.

City Clerk

I hereby certify that the within map showing proposed amended boundaries of City of Tracy Community Facilities District No. 2016-1 (Tracy Hills), City of Tracy, County of San Joaquin, State of California, was approved by the City Council of the City of Tracy, at a meeting thereof, held on the \_\_\_\_\_ day of \_\_\_\_\_ 2016, by its Resolution No. \_\_\_\_\_

City Clerk

Filed this \_\_\_\_\_ day of \_\_\_\_\_ 2016, at the hour of \_\_\_\_\_ o'clock \_\_\_\_\_ m. in Book \_\_\_\_\_ of Maps of Assessment and Community Facilities Districts of Page \_\_\_\_\_ in the office of the County Recorder in the County of San Joaquin, State of California.

County Recorder, County of San Joaquin



**RUGGERI-JENSEN-AZAR**  
ENGINEERS • PLANNERS • SURVEYORS  
2541 WARREN DRIVE, SUITE 100, ROCKLIN, CA 95677  
PHONE: (916) 832-8500 FAX: (916) 832-8869

For the purposes of removing Assessor's Parcel No. \_\_\_\_\_ from the boundaries of Improvement Area No. 1 and adding it to the Future Annexation Area, this map amends the boundary map for City of Tracy Community District No. 2016-1 (Tracy Hills), City of Tracy, County of San Joaquin, State of California, which was recorded in the San Joaquin County Recorder's Office on June 15, 2016, at 10:00 a.m. in Book 6 of Maps of Assessment and Community Facilities Districts at Page 84, as Document No. 2016-059400.

**LEGEND**  
 CFD BOUNDARY/IMPROVEMENT AREA NO.1  
 FUTURE ANNEXATION AREA



**EXHIBIT B**

**PROPOSED AMENDED AND RESTATED IMPROVEMENT AREA NO. 1**

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX  
(Redlined)**

**IMPROVEMENT AREA NO. 1 OF THE  
CITY OF TRACY  
COMMUNITY FACILITIES DISTRICT NO. 2016-1  
(TRACY HILLS)**

**AMENDED AND RESTATED  
RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES**

---

Special Taxes applicable to each Assessor's Parcel in Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) shall be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in Improvement Area No. 1, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**A. DEFINITIONS**

The terms hereinafter set forth have the following meanings:

**“Accessory Unit”** means a second residential unit of limited size (e.g., granny cottage, second unit) that shares a Parcel with a single-family detached unit.

**“Acre”** or **“Acreage”** means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded at the County Recorder's Office.

**“Act”** means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the Government Code of the State of California.

**“Administrative Expenses”** means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to the CFD and the Bonds, including, but not limited to, the levy and collection of Special Taxes, the fees and expenses of its legal counsel, charges levied by the County in connection with the levy and collection of Special Taxes, costs related to property owner inquiries regarding the Special Taxes, costs associated with appeals or requests for interpretation associated with the Special Taxes and this RMA, costs of the dissemination agent, whether for the City or another party that has undertaken to provide continuing disclosure, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with any continuing disclosure requirements with respect to the Bonds and the Special Taxes, costs associated with foreclosure and collection of delinquent Special Taxes and all other costs and expenses of the City and County in any way related to the establishment or administration of the CFD.

**“Administrator”** means the person or firm designated by the City to administer the Special Taxes according to this RMA.

**“Assessor’s Parcel”** or **“Parcel”** means a lot or parcel shown on an Assessor’s Parcel Map with an assigned Assessor’s parcel number.

**“Assessor’s Parcel Map”** means an official map of the County Assessor designating Parcels by Assessor’s Parcel number.

**“Authorized Facilities”** means the public facilities authorized to be financed, in whole or in part, by the CFD.

**“Authorized Services”** means the public services authorized to be funded, in whole or in part, by the CFD.

**“Bonds”** means bonds or other debt (as defined in the Act), whether in one or more series, issued or assumed by Improvement Area No. 1 to fund Authorized Facilities.

**“Building Permit”** means a single permit or set of permits required to construct a residential or non-residential structure. If a permit is issued for a foundation, parking, landscaping or other related facility or amenity, but a building permit has not yet been issued for the structure served by these facilities or amenities, such permit shall not be considered a “Building Permit” for purposes of application of the Special Taxes herein.

**“Business Park Property”** all Parcels of Developed Property within the specific geographic area in Improvement Area No. 1 that (i) was expected at the time of the CFD Update to be developed for business park uses, and (ii) is identified as BP1 and BP2 on the Tentative Map and Attachment 2 of this RMA. Notwithstanding the foregoing, if in any Fiscal Year, property that had been designated as Business Park Property is proposed for a use other than industrial or business park, the Administrator shall: (i) determine whether the property is expected to be Single Family Residential Property or Other Property, (ii) update Attachment 2 to reflect the new Expected Land Uses and Expected Maximum Facilities Special Tax Revenues for the property, and (iii) in the next Fiscal Year and all following Fiscal Years, levy Special Taxes on the property based on the new land use.

**“Capitalized Interest”** means funds in any capitalized interest account available to pay interest on Bonds.

**“CFD”** means the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills).

**“CFD Update”** means the date on which the Resolution of Change was adopted by the City Council.

**“City”** means the City of Tracy.

**“City Council”** means the City Council of the City of Tracy.

**“City Services CFD”** means a community facilities district formed under the Act (separate from the CFD) over the property that is also included in the CFD that authorizes the levy of a special tax, all or a component of which is an amount up to \$325 per Residential Unit in Fiscal Year 2016-17 dollars that will be levied to mitigate fiscal deficits by funding police protection, fire protection, and/or public works maintenance services.

**“County”** means the County of San Joaquin.

**“Development Class”** means, individually, Developed Property and Undeveloped Property.

**“Developed Property”** means, in any Fiscal Year, all Parcels of Taxable Property for which a Building Permit was issued prior to June 30 of the preceding Fiscal Year.

**“Expected Land Uses”** means the number of Residential Units and acres of Business Park Property expected within Improvement Area No. 1 as of the CFD Update, as identified in Attachment 1 and as amended from time to time as set forth in this RMA.

**“Expected Maximum Facilities Special Tax Revenues”** means the amount of annual revenue that would be available in Improvement Area No. 1 if the Maximum Facilities Special Tax was levied on the Expected Land Uses. The Expected Maximum Facilities Special Tax Revenues are shown in Attachment 1 of this RMA and may be reduced due to prepayments in future Fiscal Years and/or pursuant to Section D below.

**“Facilities Special Tax”** means a special tax levied in any Fiscal Year to pay the Facilities Special Tax Requirement.

**“Facilities Special Tax Requirement”** means the amount necessary in any Fiscal Year (i) to pay principal and interest on Bonds which are due in the calendar year which begins in such Fiscal Year, (ii) to create or replenish reserve funds to the extent such replenishment has not been included in a computation of Special Tax Requirement in a previous Fiscal Year, (iii) to cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year, (iv) to pay Administrative Expenses, and (v) to pay the costs of Authorized Facilities to be funded directly from Facilities Special Tax proceeds to the extent that paying directly for such costs does not increase the Special Taxes levied on Undeveloped Property. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by (i) interest earnings on or surplus balances in funds and accounts for Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture, (ii) proceeds from the collection of penalties associated with delinquent Facilities Special Taxes, and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

**“Final Bond Sale”** means, at any point in time, the last series of Bonds issued for Improvement Area No. 1, which issuance uses up virtually all of the remaining capacity available from the Maximum Facilities Special Tax revenues that can be generated within Improvement Area No. 1, as determined by the City. If additional Bonds are expected to be issued after outstanding Bonds retire, the “Final Bond Sale” may not be the last series of Bonds ever issued for Improvement Area No. 1, but instead the last sale of Bonds that can be issued before some or all of the outstanding Bonds retire.

**“Final Map”** means a final map, or portion thereof, recorded by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates lots that do not need to be further subdivided prior to issuance of a Building Permit for a residential structure. The term “Final Map” shall not include any Assessor’s Parcel map or subdivision map, or portion thereof, that does not create lots that are in their final configuration, including Assessor’s Parcels that are designated as remainder parcels.

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

**“Homeowners Association”** or **“HOA”** means the homeowners association that provides services to, and collects dues, fees, or charges from, property within Improvement Area No. 1.

**“HOA Property”** means any property within the boundaries of Improvement Area No. 1 that is owned in fee or by easement by the Homeowners Association, not including any such property that is located directly under a residential structure.

**“Improvement Area No. 1”** means Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills).

**“Improvement Fund”** means the account (regardless of its name) identified in the Indenture to hold funds which are available to acquire or construct Authorized Facilities.

**“Indenture”** means the bond indenture, fiscal agent agreement, trust 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.

**“Land Use Change”** means a proposed or approved change to the Expected Land Uses within Improvement Area No. 1 after the CFD Update.

**“Maximum Facilities Special Tax”** means the greatest amount of Facilities Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year as determined in accordance with Sections C and D below.

**“Maximum Services Special Tax”** means the greatest amount of Services Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year as determined in accordance with Section C.2 below.

**“Maximum Special Taxes”** means, collectively, the Maximum Facilities Special Tax and Maximum Services Special Tax.

**“Other Property”** means, in any Fiscal Year, all Parcels of Developed Property within Improvement Area No. 1 that are not Single Family Residential Property, Business Park Property, Taxable HOA Property, or Taxable Public Property.

**“Proportionately”** means, for Developed Property that is not Taxable HOA Property or Taxable Public Property, that the ratio of the actual Special Taxes levied in any Fiscal Year to the Maximum Special Taxes authorized to be levied in that Fiscal Year is equal for all Parcels of

Developed Property that are not Taxable HOA Property or Taxable Public Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Taxes levied to the Maximum Special Taxes is equal for all Parcels of Undeveloped Property. For Taxable Public Property, “Proportionately” means that the ratio of the actual Special Taxes levied to the Maximum Special Taxes is equal for all Parcels of Taxable Public Property. For Taxable HOA Property, “Proportionately” means that the ratio of the actual Special Taxes levied to the Maximum Special Taxes is equal for all Parcels of Taxable HOA Property.

**“Public Property”** means any property within the boundaries of Improvement Area No. 1 that is owned by the federal government, State of California or other local governments or public agencies.

**“Recycled Water Facilities Cost”** means the total cost, as determined by the City, of funding the design, engineering, construction, and/or acquisition of recycled water facilities that will serve development within the CFD. If, in the future, the City determines that there is a preferred alternative to the recycled water facilities that were expected at the time of the CFD Update, the cost of such facilities shall qualify as Recycled Water Facilities Costs for purposes of this RMA.

**“Remainder Taxes”** means, after September 1<sup>st</sup> and before December 31<sup>st</sup> of any Fiscal Year, any Facilities Special Tax revenues that were levied and collected in the prior Fiscal Year and were not needed to (i) pay debt service on the Bonds that was due in the calendar year in which the Remainder Taxes are being calculated, (ii) replenish Bond reserves, or (iii) pay Administrative Expenses that have been incurred, or are expected to be incurred, by the City prior to the receipt of additional Facilities Special Tax proceeds.

**“Required Coverage”** means the amount by which the Maximum Facilities Special Tax Revenues must exceed the Bond debt service and required Administrative Expenses, as set forth in the Indenture, Certificate of Special Tax Consultant, or other formation or bond document that sets forth the minimum required debt service coverage.

**“Residential Unit”** means an individual single-family unit that does not share a common wall with another residential unit, or an individual residential unit within a duplex, halfplex, triplex, fourplex, townhome, live/work or condominium structure. An Accessory Unit shall not be considered a Residential Unit for purposes of this RMA.

**“RMA”** means this Amended and Restated Rate and Method of Apportionment of Special Tax.

**“Services Special Tax”** means a special tax levied in any Fiscal Year to pay the Services Special Tax Requirement.

**“Services Special Tax Requirement”** means the amount of revenue needed in any Fiscal Year after the Trigger Event to pay for: (i) Authorized Services, (ii) Administrative Expenses, and (iii) amounts needed to cure any delinquencies in the payment of Services Special Taxes which have occurred in the prior Fiscal Year. In any Fiscal Year, the Services Special Tax Requirement shall be reduced by surplus amounts available (as determined by the City) from the levy of the Services Special Tax in prior Fiscal Years, including revenues from the collection of delinquent Services Special Taxes and associated penalties and interest.

**“Single Family Residential Property”** means, in any Fiscal Year, all Parcels of Developed Property for which a Building Permit was issued for construction of one or more Residential Units.

**“Special Taxes”** means, collectively, the Facilities Special Tax and the Services Special Tax.

**“Taxable HOA Property”** means, in any Fiscal Year, all Parcels of HOA Property that are not exempt pursuant to Section G below.

**“Taxable Property”** means all Parcels within the boundaries of Improvement Area No. 1 which are not exempt from the Special Tax pursuant to law or Section G below.

**“Taxable Public Property”** means, in any Fiscal Year after the first series of Bonds is issued, any Parcel of Public Property that satisfies all three of the following conditions: (i) the Parcel had not been Public Property on the date of issuance of the first series of Bonds, (ii) based on reference to Attachments 1 and 2 (as may be updated pursuant to Section D.1 below), the Parcel was not anticipated to be Public Property based on the Expected Land Uses, as determined by the Administrator, and (iii) if the Parcel were to be exempt from the Facilities Special Tax because it has become Public Property, the Expected Maximum Facilities Special Tax Revenues would be reduced to a point at which Required Coverage could not be maintained.

**“Tentative Map”** means Vesting Tentative Tract Map—Tract 3788 for Tracy Hills Phase 1A, as approved by the City Council on April 5, 2016 and as shown in Attachment 2 of this RMA.

**“Trigger Event”** means, in any Fiscal Year, that, on or before June 30 of the prior Fiscal Year, the Administrator made a finding that (i) all Bonds secured by the levy and collection of Facilities Special Taxes in the CFD have been fully repaid, (ii) all Administrative Expenses from prior Fiscal Years have been paid or reimbursed to the City, (iii) the Recycled Water Facilities Costs have been fully funded, and (iv) there are no other Authorized Facilities that the City intends to fund with Facilities Special Taxes. In the first Fiscal Year in which the Administrator determines that the Trigger Event occurred in the prior Fiscal Year, and in each Fiscal Year thereafter, the Facilities Special Tax shall cease to be levied, and the Maximum Services Special Tax for each Parcel shall be adjusted pursuant to Section C.2 below.

**“Undeveloped Business Park Property”** means, in any Fiscal Year, all Parcels that otherwise meet the definition of Business Park Property but are not yet Developed Property.

**“Undeveloped Property”** means, in any Fiscal Year, all Parcels of Taxable Property that are not Developed Property or Undeveloped Business Park Property.

**“Village”** means a specific geographic area within Improvement Area No. 1 that (i) is identified by an assigned number on the Tentative Map, (ii) is expected to have single family lots that are all of a similar size, and (iii) is assigned Expected Maximum Facilities Special Tax Revenues in Attachment 1 based on the Expected Land Uses for that Village.

## **B. DATA FOR ADMINISTRATION OF SPECIAL TAX**

Each Fiscal Year, the Administrator shall (i) categorize each Parcel of Taxable Property as Developed Property, Undeveloped Business Park Property, Undeveloped Property, Taxable Public Property, or Taxable HOA Property, (ii) for Single Family Residential Property, determine within which Village each Parcel of Developed Property is located and the number of Residential Units on the Parcel, and (iii) determine the Facilities Special Tax Requirement and Services Special Tax Requirement for the Fiscal Year. In addition, the Administrator shall, *on an ongoing basis*, monitor Final Maps and condominium plans to determine if there are any proposed changes to the Expected Land Uses that would reduce the Expected Maximum Facilities Special Tax Revenues for a Village. If the Expected Maximum Facilities Special Tax Revenues will be reduced pursuant to a proposed Land Use Change, the Administrator shall apply the steps set forth in Section D.1 below.

In any Fiscal Year, if it is determined that: (i) a parcel map for property in Improvement Area No. 1 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created Parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new Parcels created by the parcel map, and (iii) one or more of the newly-created Parcels is in a different Development Class than other Parcels created by the subdivision, the Administrator shall calculate the Special Taxes for the property affected by recordation of the parcel map by determining the Special Taxes that apply separately to the property within each Development Class, then applying the sum of the individual Special Taxes to the Parcel that was subdivided by recordation of the parcel map.

## **C. MAXIMUM SPECIAL TAX**

### *1. Facilities Special Tax*

Table 1 below identifies the Maximum Facilities Special Tax, before and after the Trigger Event, for Taxable Property in Improvement Area No. 1, subject to potential adjustments that may occur pursuant to Section D below.



**TABLE 1  
IMPROVEMENT AREA NO. 1  
MAXIMUM FACILITIES SPECIAL TAX**

<b>Land Use</b>	<b>Maximum Facilities Special Tax Prior to Trigger Event Fiscal Year 2015-16*</b>	<b>Maximum Facilities Special Tax After Trigger Event</b>
<u>Single Family Residential Property</u> Village 1 Village 2 Village 3 Village 4 Village 5 Village 6 Village 7 Village 8	\$2,514 per Residential Unit \$2,839 per Residential Unit \$2,837 per Residential Unit \$2,638 per Residential Unit \$3,487 per Residential Unit \$3,828 per Residential Unit \$2,270 per Residential Unit \$3,658 per Residential Unit	\$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit
Business Park Property/ Undeveloped Business Park Property	\$2,500 per Acre	\$0 per Acre
Other Property	\$30,000 per Acre	\$0 per Acre
Taxable Public Property and Taxable HOA Property	\$30,000 per Acre	\$0 per Acre
Undeveloped Property	\$30,000 per Acre	\$0 per Acre

**\* On July 1, 2016 and on each July 1 thereafter, all figures shown in Table 1 above shall be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.**

2. *Services Special Tax*

Table 2 below identifies the Maximum Services Special Tax, before and after the Trigger Event, for Taxable Property in Improvement Area No. 1.

**TABLE 2  
IMPROVEMENT AREA NO. 1  
MAXIMUM SERVICES SPECIAL TAX**

<b>Type of Property</b>	<b>Maximum Services Special Tax Prior to Trigger Event</b>	<b>Maximum Services Special Tax After Trigger Event Fiscal Year 2015-16*</b>
<u>Single Family Residential Property</u> Village 1 Village 2 Village 3 Village 4 Village 5 Village 6 Village 7 Village 8	\$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit	\$503 per Residential Unit \$568 per Residential Unit \$567 per Residential Unit \$528 per Residential Unit \$697 per Residential Unit \$766 per Residential Unit \$454 per Residential Unit \$732 per Residential Unit
Business Park Property/ Undeveloped Business Park Property	\$0 per Acre	\$500 per Acre
Taxable Public Property and Taxable HOA Property	\$0 per Acre	\$1,000 per Acre
Undeveloped Property	\$0 per Acre	\$1,000 per Acre

**\* On July 1, 2016 and on each July 1 thereafter, all figures shown in Table 2 above shall be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.**

Once Special Taxes have been levied on a Parcel of Developed Property, the Maximum Special Taxes applicable to that Parcel shall not be reduced in future Fiscal Years regardless of changes in land use on the Parcel, except (i) in the event of a partial prepayment pursuant to Section H, and (ii) pursuant to Section D. Notwithstanding the foregoing: (i) if Bonds have yet to be issued for Improvement Area No. 1, the Parcels can be assigned to the appropriate Special Tax category based on the Land Use Change, and the Administrator shall recalculate the Expected Maximum Facilities Special Tax Revenues based on the corresponding change in revenues, and (ii) the actual Special Taxes levied on a Parcel of Developed Property in any Fiscal Year may be less than the Maximum Special Taxes if lower Special Taxes are calculated pursuant to Step 1 in Sections E.1 and E.2 below.

**D. CHANGES TO MAXIMUM SPECIAL TAXES**

The Expected Maximum Facilities Special Tax Revenues were calculated based on the Expected Land Uses at the CFD Update. The Administrator shall review Final Maps, Tentative Map revisions, and other changes to land uses proposed within Improvement Area No. 1 and compare the revised land uses to the Expected Land Uses to evaluate the impact on the Expected Maximum Facilities Special Tax Revenues.

1. *Changes in Expected Land Uses*

If, prior to the issuance of the first series of Bonds, a Land Use Change is proposed that will result in a reduction in the Expected Maximum Facilities Special Tax Revenues, no action will be needed pursuant to this Section D.1. Upon approval of the Land Use Change, the Administrator shall update Attachment 1 to show the reduced Expected Maximum Facilities Special Tax Revenues.

If, prior to the Final Bond Sale, a Land Use Change is proposed that will result in a reduction in the Expected Maximum Facilities Special Tax Revenues, no action will be needed pursuant to this Section D.1 as long as the reduction does not reduce debt service coverage on outstanding Bonds below the Required Coverage. Upon approval of the Land Use Change, the Administrator shall update Attachment 1 to show the reduced Expected Maximum Facilities Special Tax Revenues, which amount shall be used to size the Final Bond Sale.

If a Land Use Change is proposed after the Final Bond Sale, the following steps shall be applied:

- Step 1:** By reference to Attachment 1 (which will be updated by the Administrator each time a Land Use Change has been processed according to this Section D.1 and or pursuant to Section D.2), the Administrator shall identify the Expected Maximum Facilities Special Tax Revenues for Improvement Area No. 1.
- Step 2:** The Administrator shall calculate the Maximum Facilities Special Tax Revenues that could be collected from property in Improvement Area No. 1 if the Land Use Change is approved.
- Step 3:** If the amount calculated in Step 2 is higher than that determined in Step 1, no further action is needed. If the revenues calculated in Step 2 are less than those calculated in Step 1, and if the landowner requesting the Land Use Change does not prepay the portion of the Expected Maximum Facilities Special Tax Revenues in an amount that corresponds to the lost revenue, then the Maximum Facilities Special Tax for each Parcel of Taxable Property in the area affected by the Land Use Change shall be increased proportionately until the aggregate Maximum Facilities Special Tax Revenues that can be generated from the area affected by the Land Use Change is the same as it was prior to the Land Use Change.

If multiple Land Use Changes are proposed simultaneously by a single land owner (which may include approval of multiple Final Maps at one time), the Administrator may consider the combined effect of all the Land Use Changes to determine if there is a reduction in Expected Maximum Facilities Special Tax Revenues. If there is a reduction, the Administrator shall increase the Maximum Facilities Special Tax proportionately in all of the Final Maps being proposed by the landowner until the aggregate amount that can be levied within the Final Maps is equal to the amount that could have been levied prior to the proposed Land Use Changes. If Land Use Changes are proposed simultaneously by multiple landowners, the Administrator shall consider the proposed Land Use Changes individually.

2. *Formation of City Services CFD*

If a City Services CFD is formed and Bonds have not yet been sold for Improvement Area No. 1, the Maximum Facilities Special Taxes set forth in Table 1 for Single Family Property in Fiscal Year 2015-16 shall be reduced by \$325 per Residential Unit (or such lower amount that is adopted as the maximum special tax or component thereof that will be used to mitigate fiscal impacts on the City by paying for fire protection, police protection, and/or public works maintenance services), and the Maximum Facilities Special Taxes, as reduced by this Section D.2, shall, on July 1, 2016 and on each July 1 thereafter, be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.

In addition, upon formation of the City Services CFD, the Maximum Services Special Taxes after the Trigger Event set forth in Table 2 for Fiscal Year 2015-16 shall be reduced to twenty percent (20%) of the reduced Maximum Facilities Special Taxes calculated pursuant to the sentence above. Such reduced Maximum Services Special Taxes shall, on July 1, 2016 and on each July 1 thereafter, be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year, as set forth in Section C. After the City Services CFD is formed, the Administrator shall also do the following: (i) record an Amended Notice of Special Tax Lien to reflect the reduced Maximum Facilities Special Taxes and Maximum Services Special Taxes, and (ii) update Attachment 1 to reflect the new Maximum Facilities Special Taxes and corresponding Expected Maximum Facilities Special Tax Revenues.

3. *Transfer of Expected Maximum Facilities Special Tax Revenues from One Village to Another*

The Expected Maximum Facilities Special Tax Revenues were determined for each Village based on the Expected Land Uses within that Village. If the expected number of Residential Units is transferred from one Village to another, the City may, in its sole discretion, allow for a corresponding transfer of Expected Maximum Facilities Special Tax Revenues between the Villages. Such a transfer shall only be allowed if (i) all adjustments are agreed to in writing by the affected property owners and the City, and (ii) there is no reduction in the total Expected Maximum Facilities Special Tax Revenues as a result of the transfer.

4. *Conversion of a Parcel of Public Property to Private Use*

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, such Parcel shall be subject to the levy of Special Taxes. The Maximum Special Taxes for each such Parcel shall be determined based on the average Maximum Special Taxes for Parcels with similar land use designations, as determined by the Administrator.

**E. METHOD OF LEVY OF THE SPECIAL TAXES**

1. *Facilities Special Tax*

Each Fiscal Year, the Administrator shall determine the Facilities Special Tax Requirement and levy the Facilities Special Tax on all Parcels of Taxable Property as follows:

**Step 1:** In the first twenty (20) Fiscal Years in which a Facilities Special Tax is levied within Improvement Area No. 1, the Maximum Facilities Special Tax shall be levied on all Parcels of Developed Property. Any Facilities Special Tax proceeds collected that are determined by the Administrator to be Remainder Taxes shall be deposited into the Improvement Fund to pay any costs associated with the acquisition of Authorized Facilities that were not paid with Bond proceeds or Facilities Special Taxes levied in prior Fiscal Years.

Beginning in the twenty-first (21<sup>st</sup>) Fiscal Year in which a Facilities Special Tax is levied within Improvement Area No. 1 and continuing until the Trigger Event, the Facilities Special Tax shall be levied Proportionately on each Parcel of Developed Property up to 100% of the Maximum Facilities Special Tax for each Parcel of Developed Property until the amount levied is equal to the Facilities Special Tax Requirement, the calculation of which will include funding for Recycled Water Facilities Costs and/or other Authorized Facilities designated for funding, as determined in the sole discretion of the City.

After the Trigger Event, the Facilities Special Tax shall no longer be levied.

**Step 2:** If additional revenue is needed after Step 1 and after applying Capitalized Interest to the Special Tax Requirement, the Facilities Special Tax shall be levied Proportionately on (i) each Parcel of Undeveloped Property up to 100% of the Maximum Facilities Special Tax for each Parcel of Undeveloped Property, and (ii) each Parcel of Undeveloped Business Park Property up to 100% of the Maximum Facilities Special Tax for each Parcel of Undeveloped Business Park Property.

**Step 3:** If additional revenue is needed after Step 2, the Facilities Special Tax shall be levied Proportionately on each Parcel of Taxable HOA Property, up to 100% of the Maximum Facilities Special Tax for each Parcel of Taxable HOA Property.

**Step 4:** If additional revenue is needed after Step 3, the Facilities Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property, up to 100% of the Maximum Facilities Special Tax for each Parcel of Taxable Public Property.

## 2. *Services Special Tax*

Each Fiscal Year after the Trigger Event, the Administrator shall determine the Services Special Tax Requirement and levy the Services Special Tax on all Parcels of Taxable Property as follows:

**Step 1:** The Services Special Tax shall be levied Proportionately on each Parcel of Developed Property up to 100% of the Maximum Services Special Tax for each Parcel of Developed Property until the amount levied is equal to the Services Special Tax Requirement.

- Step 2:** If additional revenue is needed after Step 1, the Services Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property, up to 100% of the Maximum Services Special Tax for each Parcel of Undeveloped Property and Undeveloped Business Park Property.
- Step 3:** If additional revenue is needed after Step 2, the Services Special Tax shall be levied Proportionately on each Parcel of Taxable HOA Property, up to 100% of the Maximum Services Special Tax for each Parcel of Taxable HOA Property.
- Step 4:** If additional revenue is needed after Step 3, the Services Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property, up to 100% of the Maximum Services Special Tax for each Parcel of Taxable Public Property.

**F. MANNER OF COLLECTION OF SPECIAL TAXES**

The Special Taxes for Improvement Area No. 1 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that partial prepayments are permitted as set forth in Section H below and provided further that the City may directly bill the Special Taxes, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods.

The Facilities Special Tax shall be levied and collected until principal and interest on Bonds have been repaid, costs of constructing or acquiring Authorized Facilities from Facilities Special Tax proceeds have been paid, and all Administrative Expenses have been paid or reimbursed. However, in no event shall Facilities Special Taxes be levied for more than eighty (80) Fiscal Years. Under no circumstances may the Facilities Special Tax on a Parcel in residential use be increased in any Fiscal Year as a consequence of delinquency or default in payment of the Facilities Special Tax levied on another Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults. After the Trigger Event, the Services Special Tax may be levied and collected in perpetuity.

**G. EXEMPTIONS**

Any Parcel that becomes Public Property prior to the first series of Bonds being issued for Improvement Area No. 1 shall be exempt from both the Services Special Tax and the Facilities Special Tax; the Administrator shall reduce the Expected Maximum Facilities Special Tax Revenues to reflect any such exemption, and the first series of Bonds shall be sized based on the reduced Expected Maximum Facilities Special Tax Revenues. Any Parcel that becomes Public Property after the first series of Bonds are issued for Improvement Area No. 1 shall be exempt from both the Services Special Tax and the Facilities Special Tax provided such Parcel is not Taxable Public Property.

In addition, no Special Taxes shall be levied on (i) up to 61.45 Acres of HOA Property, with tax-exempt status assigned in chronological order based on the date on which Parcels were transferred to the Homeowners Association, (ii) Parcels that are designated as permanent open space or common space on which no structure is permitted to be constructed, (iii) Parcels owned by a public utility for an unmanned facility, and (iv) Parcels subject to an easement that precludes any use on the Parcel other than that permitted by the easement. Notwithstanding the foregoing, if a Facilities Special Tax has been levied on a Parcel in any Fiscal Year, and the entire Parcel subsequently meets the criteria in (ii), (iii) or (iv) above, the Parcel shall remain subject to the Facilities Special Tax levy, unless the first series of Bonds have yet to be issued for Improvement Area No. 1, in which case such property shall be categorized as Public Property, and the Administrator shall recalculate the Expected Maximum Facilities Special Tax Revenues based on the corresponding loss in revenues.

## **H. PARTIAL PREPAYMENT OF FACILITIES SPECIAL TAX**

The following definitions apply to this Section H:

**“Outstanding Bonds”** means all Previously Issued Bonds which remain outstanding, with the following exception: if a Facilities Special Tax has been levied against, or already paid by, an Assessor’s Parcel making a prepayment, and a portion of the Facilities Special Tax will be used to pay a portion of the next principal payment on the Bonds that remain outstanding (as determined by the Administrator), that next principal payment shall be subtracted from the total Bond principal that remains outstanding, and the difference shall be used as the amount of Outstanding Bonds for purposes of this prepayment formula.

**“Previously Issued Bonds”** means all Bonds that have been issued prior to the date of prepayment.

**“Public Facilities Requirements”** means: (i) \$45,765,000 in fiscal year 2015-16 dollars, which amount shall, on July 1, 2016 and on each July 1 thereafter, be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year, or (ii) such other number as shall be determined by the City to be an appropriate estimate of the net construction proceeds that will be generated from all Bonds that have been or are expected to be issued on behalf of Improvement Area No. 1.

**“Remaining Facilities Costs”** means the Public Facilities Requirements (as defined above), minus public facility costs funded by Previously Issued Bonds (as defined above), Remainder Taxes, or prepayments.

A property owner may prepay up to 80% of the Facilities Special Tax obligation applicable to a Parcel in Improvement Area No. 1, thereby reducing the Maximum Facilities Special Tax applicable to the Parcel, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay a portion of the Facilities Special Tax obligation shall provide the City with written notice of intent to prepay, which shall identify the percentage of the Maximum Facilities

Special Tax that is to be prepaid. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Parcel. Prepayment must be made not less than 50 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Facilities Special Taxes.

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

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

As of the proposed date of prepayment, the Prepayment Amount for a Parcel shall be determined by application of the following steps:

- Step 1.** Determine the Maximum Facilities Special Tax that could be levied on the Parcel based on the Expected Land Uses for the Parcel at the time the prepayment is calculated.
- Step 2.** Divide the Maximum Facilities Special Tax computed pursuant to Step 1 by the Expected Maximum Facilities Special Tax Revenues in that Fiscal Year.
- Step 3.** Multiply the quotient computed in Step 2 by the percentage of the Maximum Facilities Special Tax that the property owner wants to prepay, which percentage shall not exceed 80%.
- Step 4.** Multiply the quotient computed pursuant to Step 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the “Bond Redemption Amount”*).
- Step 5.** Compute the current Remaining Facilities Costs (if any).
- Step 6.** Multiply the quotient computed pursuant to Step 3 by the amount determined pursuant to Step 5 to compute the amount of Remaining Facilities Costs to be prepaid (*the “Remaining Facilities Amount”*).
- Step 7.** 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 8.** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the last Bond interest payment date on which interest has been or will be paid by Facilities Special Taxes already levied until the earliest redemption date for the Outstanding Bonds.



- Step 9:** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 10:** Take the amount computed pursuant to Step 8 and subtract the amount computed pursuant to Step 9 (the “*Defeasance Requirement*”).
- Step 11.** Determine the costs of computing the prepayment amount, redeeming Bonds, and recording any notices to evidence the prepayment and redemption (the “*Administrative Fees and Expenses*”).
- Step 12.** If and to the extent so provided in the Indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “*Reserve Fund Credit*”).
- Step 13.** The Facilities Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 4, 6, 7, 10, and 11, less the amount computed pursuant to Step 12 (the “*Prepayment Amount*”).
- Step 14.** From the Prepayment Amount, the amounts computed pursuant to Steps 4, 7, and 10 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to Step 6 shall be deposited into the Improvement Fund. The amount computed pursuant to Step 11 shall be retained in the account or fund that is established to pay Administrative Expenses.

Once a partial prepayment of a Facilities Special Tax has been received, an Amendment to Special Tax Lien shall be recorded against the Parcel to reflect the reduced Facilities Special Tax lien for the Parcel, which shall be equal to the portion of the Maximum Facilities Special Tax that was not prepaid. However, an Amendment to Special Tax Lien shall not be recorded until all Facilities Special Taxes levied on the Parcel in the current or prior Fiscal Years have been collected. The prepayment of a portion of the Facilities Special Tax shall not affect the perpetual obligation to pay the Services Special Tax.

## **I. INTERPRETATION OF SPECIAL TAX FORMULA**

The City may interpret, clarify, and revise this RMA to correct any inconsistency, vagueness, or ambiguity, by resolution and/or ordinance, that does not create a material adverse effect on the levy and collection of the Special Taxes and any security for any Bonds.

**ATTACHMENT 1**

**Improvement Area No. 1 of the  
City of Tracy  
Community Facilities District No. 2016-1  
(Tracy Hills)**

**Expected Land Uses and Expected Maximum Facilities Special Tax Revenues**

<b>Village</b>	<b>Expected Land Uses</b>	<b>Estimated Facilities Special Tax per Unit FY 2015-16 /1</b>	<b>Expected Maximum Facilities Special Tax Revenues FY 2015-16 /1</b>
Village 1	160 Residential Units	\$2,514 per Residential Unit	\$402,240
Village 2	74 Residential Units	\$2,839 per Residential Unit	\$210,086
Village 3	103 Residential Units	\$2,837 per Residential Unit	\$292,211
Village 4	149 Residential Units	\$2,638 per Residential Unit	\$393,062
Village 5	196 Residential Units	\$3,487 per Residential Unit	\$683,452
Village 6	136 Residential Units /2	\$3,828 per Residential Unit	\$520,608
Village 7	182 Residential Units	\$2,270 per Residential Unit	\$413,140
Village 8	139 Residential Units	\$3,658 per Residential Unit	\$508,462
N/A	0 Acres of Business Park Property	\$2,500 per Acre	\$0
<b>Total</b>	1,139 Residential Units and 0 Acres of Business Park Property	N/A	\$3,423,261

1. On July 1, 2016 and each July 1 thereafter, the Estimated Facilities Special Tax per Unit and the Expected Maximum Facilities Special Tax Revenues shall be increased by two percent (2%) of the amount in effect in the prior Fiscal Year.
2. Does not include 6 units in Village 6A, the timing of development of which is uncertain.

**CITY OF TRACY**  
**Community Facilities District No. 2016-1**  
**(Tracy Hills)**

**PETITION FOR CHANGE PROCEEDINGS**  
**(With Waivers)**

City Council of the  
City of Tracy  
333 Civic Center Plaza  
Tracy, CA 95376

Members of the Council:

This is a petition for change proceedings under the Mello-Roos Community Facilities Act of 1982, Section 53311 and following of the California Government Code (the "**Act**"), related to (i) "City of Tracy Community Facilities District No. 2016-1 (Tracy Hills)" (the "**CFD**"), (ii) "Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills)" ("**Improvement Area No. 1**"), and (iii) "City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) (Future Annexation Area)" (the "**Future Annexation Area**"). Capitalized terms used in this Petition for Change Proceedings but not defined herein have the meaning given them in City Council Resolution No. 2016-157 adopted on July 19, 2016 (the "**Resolution of Formation**").

The Petition states the following:

**1. Petitioner; Ownership.** This Petition is submitted pursuant to Section 53332 of the Act to the City of Tracy (the "**City**") by the owner (the "**Property Owner**") of 100% of the fee simple interest in the parcels of land identified by Assessor Parcel Numbers shown below (the "**Property**"). The Property is located in Improvement Area No. 1. The Property Owner warrants to the City with respect to the Property that the signatories are authorized to execute this Petition and that the submission of this Petition and participation in the City's proceedings under the Act will not constitute a violation or event of default under any existing financing arrangement in any way affecting the Property Owner and such Property, including any "due-on-encumbrance" clauses under any existing deeds of trust secured by the Property.

**2. Change Proceedings Requested.** The City is hereby requested to initiate and conduct legal proceedings pursuant to Article 3 of the Act, beginning with Section 53330 thereof ("**Article 3**"), to (i) increase the Improvement Area No. 1 Indebtedness Limit to \$80,000,000, (ii) increase the Non-Improvement Area No. 1 Indebtedness Limit to \$305,000,000, (iii) increase the appropriations limit for Improvement Area No. 1 to \$80,000,000, (iv) amend the boundaries of the CFD, Improvement Area No. 1 and Future Annexation Area by removing San Joaquin County Assessor's Parcel Number 253-360-15 from Improvement Area No. 1 (the "**Transferred Parcel**") and adding it to the Future Annexation Area, as shown on the map attached hereto as Exhibit B (the "**Amended Boundary Map**"), and (v) amend the rate and method of apportionment of special taxes for Improvement Area No. 1 (the "**Improvement Area No. 1 Rate and Method**") to reflect the fact that none of the parcels in Improvement Area No. 1 as of the date hereof is Business Park Property (as defined in the Improvement Area No. 1 Rate and Method).

**3. Elections.** The City is hereby requested to conduct a special election of the qualified electors in Improvement Area No. 1 in accordance with the Act to obtain authorization to (i) increase the Improvement Area No. 1 Indebtedness Limit to \$80,000,000, (ii) increase the appropriations limit for Improvement Area No. 1 to \$80,000,000, (iii) amend the boundaries of the CFD, Improvement Area No. 1 and Future Annexation Area as shown on the Amended Boundary Map, and (iv) amend and restate the Improvement Area No. 1 Rate and Method, as shown in the redline attached hereto as Exhibit B, all as shall be more fully established during the course of the requested Change Proceedings. The Property Owner hereby asks that the special election to be held under the Act be consolidated into a single election and that the election be conducted by the City and its officials, using mailed or hand-delivered ballots, and that such ballots be opened and canvassed and the results certified at the same meeting of the City Council as the public hearings under the Act or as soon thereafter as possible.

**4. Waivers.** To expedite the completion of the Change Proceedings, all notices of hearings and all notices of election, applicable waiting periods under the Act for the election and all ballot analyses and arguments for the election are hereby waived. The Property Owner also waives any requirement as to the specific form of the ballot to be used for the election, whether under the Act, the California Elections Code or otherwise.

**5. Deposits.** Compliance with the provisions of subsection (b) of Section 53332 of the Act has been accomplished by a deposit of funds by The Tracy Hills Project Owner, LLC ("THPO"), an affiliate of the Property Owner, with the City, made not later than the date of submission of this Petition for Change Proceedings to the City Clerk, pursuant to a Cost Recovery Agreement, between the City and THPO, to pay the estimated costs to be incurred by the City in conducting the Change Proceedings.

**6. Counterparts.** This Petition may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

By executing this Petition, the persons below agree to all of the above.

The property that is the subject of this Petition is identified as Assessor Parcel Nos. 253-360-04 through 253-360-06, 253-360-08 through 253-360-10, and 253-360-16 through 253-360-17.  
(351.30 acres)

The name of the owner of record of such property and the petitioner and its mailing address is:

TRACY PHASE I, LLC,  
A Delaware limited liability company

By: Jaime Chalm

Name: JAIME CHALME

Title: Authorized Signator

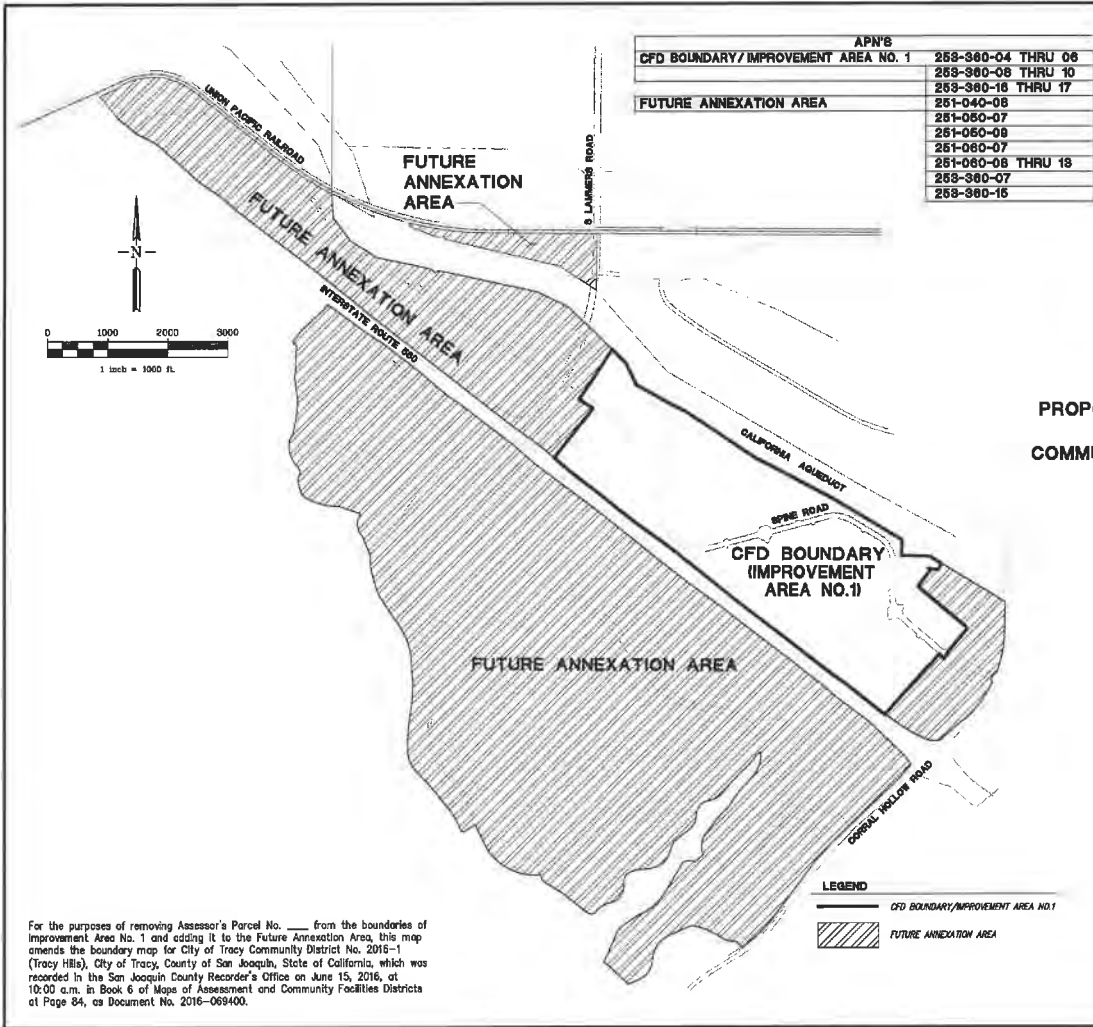
Dated: July 12, 2018

Mailing Address:

Tracy Phase I, LLC  
888 San Clemente, Suite 100  
Newport Beach, CA 92660  
Attn: Tracy Hills Project Manager

**EXHIBIT A**

**PROPOSED BOUNDARY MAP**



APN'S	
CFD BOUNDARY/IMPROVEMENT AREA NO. 1	253-360-04 THRU 06 253-360-08 THRU 10 253-360-18 THRU 17
FUTURE ANNEXATION AREA	251-040-08 251-050-07 251-050-09 251-060-07 251-060-08 THRU 18 253-360-07 253-360-16



**PROPOSED AMENDED BOUNDARIES OF  
CITY OF TRACY  
COMMUNITY FACILITIES DISTRICT 2016-1  
(TRACY HILLS)  
CITY OF TRACY  
COUNTY OF SAN JOAQUIN  
STATE OF CALIFORNIA**

Filed in the office of the City Clerk of the City of Tracy  
this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

City Clerk

I hereby certify that the within map showing proposed amended boundaries of City of Tracy Community Facilities District No. 2016-1 (Tracy Hills), City of Tracy, County of San Joaquin, State of California, was approved by the City Council of the City of Tracy, at a meeting thereof, held on the \_\_\_\_\_ day of \_\_\_\_\_, 2016, by its Resolution No. \_\_\_\_\_.

City Clerk

Filed this \_\_\_\_\_ day of \_\_\_\_\_, 2016, at the hour of \_\_\_\_\_ o'clock \_\_\_\_\_ m., in Book \_\_\_\_\_ of Maps of Assessment and Community Facilities Districts at Page \_\_\_\_\_ in the office of the County Recorder in the County of San Joaquin, State of California.

County Recorder, County of San Joaquin



**RUGGERI-JENSEN-AZAR**  
ENGINEERS • PLANNERS • SURVEYORS  
2541 WARREN DRIVE, SUITE 100, ROCKLIN, CA 95977  
PHONE: (916) 530-9800 FAX: (916) 530-9809

For the purposes of removing Assessor's Parcel No. \_\_\_\_\_ from the boundaries of Improvement Area No. 1 and adding it to the Future Annexation Area, this map amends the boundary map for City of Tracy Community District No. 2016-1 (Tracy Hills), City of Tracy, County of San Joaquin, State of California, which was recorded in the San Joaquin County Recorder's Office on June 15, 2016, at 10:00 a.m. in Book 6 of Maps of Assessment and Community Facilities Districts at Page 84, as Document No. 2016-069400.

**EXHIBIT B**

**PROPOSED AMENDED AND RESTATED IMPROVEMENT AREA NO. 1**

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX  
(Redlined)**



**IMPROVEMENT AREA NO. 1 OF THE  
CITY OF TRACY  
COMMUNITY FACILITIES DISTRICT NO. 2016-1  
(TRACY HILLS)**

**AMENDED AND RESTATED  
RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES**

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Special Taxes applicable to each Assessor's Parcel in Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) shall be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in Improvement Area No. 1, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**A. DEFINITIONS**

The terms hereinafter set forth have the following meanings:

**“Accessory Unit”** means a second residential unit of limited size (e.g., granny cottage, second unit) that shares a Parcel with a single-family detached unit.

**“Acre”** or **“Acreage”** means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded at the County Recorder's Office.

**“Act”** means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the Government Code of the State of California.

**“Administrative Expenses”** means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to the CFD and the Bonds, including, but not limited to, the levy and collection of Special Taxes, the fees and expenses of its legal counsel, charges levied by the County in connection with the levy and collection of Special Taxes, costs related to property owner inquiries regarding the Special Taxes, costs associated with appeals or requests for interpretation associated with the Special Taxes and this RMA, costs of the dissemination agent, whether for the City or another party that has undertaken to provide continuing disclosure, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with any continuing disclosure requirements with respect to the Bonds and the Special Taxes, costs associated with foreclosure and collection of delinquent Special Taxes and all other costs and expenses of the City and County in any way related to the establishment or administration of the CFD.

**“Administrator”** means the person or firm designated by the City to administer the Special Taxes according to this RMA.

**“Assessor’s Parcel”** or **“Parcel”** means a lot or parcel shown on an Assessor’s Parcel Map with an assigned Assessor’s parcel number.

**“Assessor’s Parcel Map”** means an official map of the County Assessor designating Parcels by Assessor’s Parcel number.

**“Authorized Facilities”** means the public facilities authorized to be financed, in whole or in part, by the CFD.

**“Authorized Services”** means the public services authorized to be funded, in whole or in part, by the CFD.

**“Bonds”** means bonds or other debt (as defined in the Act), whether in one or more series, issued or assumed by Improvement Area No. 1 to fund Authorized Facilities.

**“Building Permit”** means a single permit or set of permits required to construct a residential or non-residential structure. If a permit is issued for a foundation, parking, landscaping or other related facility or amenity, but a building permit has not yet been issued for the structure served by these facilities or amenities, such permit shall not be considered a “Building Permit” for purposes of application of the Special Taxes herein.

**“Business Park Property”** all Parcels of Developed Property within the specific geographic area in Improvement Area No. 1 that (i) was expected at the time of the CFD Update to be developed for business park uses, and (ii) is identified as BP1 and BP2 on the Tentative Map and Attachment 2 of this RMA. Notwithstanding the foregoing, if in any Fiscal Year, property that had been designated as Business Park Property is proposed for a use other than industrial or business park, the Administrator shall: (i) determine whether the property is expected to be Single Family Residential Property or Other Property, (ii) update Attachment 2 to reflect the new Expected Land Uses and Expected Maximum Facilities Special Tax Revenues for the property, and (iii) in the next Fiscal Year and all following Fiscal Years, levy Special Taxes on the property based on the new land use.

**“Capitalized Interest”** means funds in any capitalized interest account available to pay interest on Bonds.

**“CFD”** means the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills).

**“CFD Update”** means the date on which the Resolution of Change was adopted by the City Council.

**“City”** means the City of Tracy.

**“City Council”** means the City Council of the City of Tracy.

**“City Services CFD”** means a community facilities district formed under the Act (separate from the CFD) over the property that is also included in the CFD that authorizes the levy of a special tax, all or a component of which is an amount up to \$325 per Residential Unit in Fiscal Year 2016-17 dollars that will be levied to mitigate fiscal deficits by funding police protection, fire protection, and/or public works maintenance services.

**“County”** means the County of San Joaquin.

**“Development Class”** means, individually, Developed Property and Undeveloped Property.

**“Developed Property”** means, in any Fiscal Year, all Parcels of Taxable Property for which a Building Permit was issued prior to June 30 of the preceding Fiscal Year.

**“Expected Land Uses”** means the number of Residential Units and acres of Business Park Property expected within Improvement Area No. 1 as of the CFD Update, as identified in Attachment 1 and as amended from time to time as set forth in this RMA.

**“Expected Maximum Facilities Special Tax Revenues”** means the amount of annual revenue that would be available in Improvement Area No. 1 if the Maximum Facilities Special Tax was levied on the Expected Land Uses. The Expected Maximum Facilities Special Tax Revenues are shown in Attachment 1 of this RMA and may be reduced due to prepayments in future Fiscal Years and/or pursuant to Section D below.

**“Facilities Special Tax”** means a special tax levied in any Fiscal Year to pay the Facilities Special Tax Requirement.

**“Facilities Special Tax Requirement”** means the amount necessary in any Fiscal Year (i) to pay principal and interest on Bonds which are due in the calendar year which begins in such Fiscal Year, (ii) to create or replenish reserve funds to the extent such replenishment has not been included in a computation of Special Tax Requirement in a previous Fiscal Year, (iii) to cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year, (iv) to pay Administrative Expenses, and (v) to pay the costs of Authorized Facilities to be funded directly from Facilities Special Tax proceeds to the extent that paying directly for such costs does not increase the Special Taxes levied on Undeveloped Property. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by (i) interest earnings on or surplus balances in funds and accounts for Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture, (ii) proceeds from the collection of penalties associated with delinquent Facilities Special Taxes, and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

**“Final Bond Sale”** means, at any point in time, the last series of Bonds issued for Improvement Area No. 1, which issuance uses up virtually all of the remaining capacity available from the Maximum Facilities Special Tax revenues that can be generated within Improvement Area No. 1, as determined by the City. If additional Bonds are expected to be issued after outstanding Bonds retire, the “Final Bond Sale” may not be the last series of Bonds ever issued for Improvement Area No. 1, but instead the last sale of Bonds that can be issued before some or all of the outstanding Bonds retire.

**“Final Map”** means a final map, or portion thereof, recorded by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates lots that do not need to be further subdivided prior to issuance of a Building Permit for a residential structure. The term “Final Map” shall not include any Assessor’s Parcel map or subdivision map, or portion thereof, that does not create lots that are in their final configuration, including Assessor’s Parcels that are designated as remainder parcels.

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

**“Homeowners Association”** or **“HOA”** means the homeowners association that provides services to, and collects dues, fees, or charges from, property within Improvement Area No. 1.

**“HOA Property”** means any property within the boundaries of Improvement Area No. 1 that is owned in fee or by easement by the Homeowners Association, not including any such property that is located directly under a residential structure.

**“Improvement Area No. 1”** means Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills).

**“Improvement Fund”** means the account (regardless of its name) identified in the Indenture to hold funds which are available to acquire or construct Authorized Facilities.

**“Indenture”** means the bond indenture, fiscal agent agreement, trust 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.

**“Land Use Change”** means a proposed or approved change to the Expected Land Uses within Improvement Area No. 1 after the CFD Update.

**“Maximum Facilities Special Tax”** means the greatest amount of Facilities Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year as determined in accordance with Sections C and D below.

**“Maximum Services Special Tax”** means the greatest amount of Services Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year as determined in accordance with Section C.2 below.

**“Maximum Special Taxes”** means, collectively, the Maximum Facilities Special Tax and Maximum Services Special Tax.

**“Other Property”** means, in any Fiscal Year, all Parcels of Developed Property within Improvement Area No. 1 that are not Single Family Residential Property, Business Park Property, Taxable HOA Property, or Taxable Public Property.

**“Proportionately”** means, for Developed Property that is not Taxable HOA Property or Taxable Public Property, that the ratio of the actual Special Taxes levied in any Fiscal Year to the Maximum Special Taxes authorized to be levied in that Fiscal Year is equal for all Parcels of

Developed Property that are not Taxable HOA Property or Taxable Public Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Taxes levied to the Maximum Special Taxes is equal for all Parcels of Undeveloped Property. For Taxable Public Property, “Proportionately” means that the ratio of the actual Special Taxes levied to the Maximum Special Taxes is equal for all Parcels of Taxable Public Property. For Taxable HOA Property, “Proportionately” means that the ratio of the actual Special Taxes levied to the Maximum Special Taxes is equal for all Parcels of Taxable HOA Property.

**“Public Property”** means any property within the boundaries of Improvement Area No. 1 that is owned by the federal government, State of California or other local governments or public agencies.

**“Recycled Water Facilities Cost”** means the total cost, as determined by the City, of funding the design, engineering, construction, and/or acquisition of recycled water facilities that will serve development within the CFD. If, in the future, the City determines that there is a preferred alternative to the recycled water facilities that were expected at the time of the CFD Update, the cost of such facilities shall qualify as Recycled Water Facilities Costs for purposes of this RMA.

**“Remainder Taxes”** means, after September 1<sup>st</sup> and before December 31<sup>st</sup> of any Fiscal Year, any Facilities Special Tax revenues that were levied and collected in the prior Fiscal Year and were not needed to (i) pay debt service on the Bonds that was due in the calendar year in which the Remainder Taxes are being calculated, (ii) replenish Bond reserves, or (iii) pay Administrative Expenses that have been incurred, or are expected to be incurred, by the City prior to the receipt of additional Facilities Special Tax proceeds.

**“Required Coverage”** means the amount by which the Maximum Facilities Special Tax Revenues must exceed the Bond debt service and required Administrative Expenses, as set forth in the Indenture, Certificate of Special Tax Consultant, or other formation or bond document that sets forth the minimum required debt service coverage.

**“Residential Unit”** means an individual single-family unit that does not share a common wall with another residential unit, or an individual residential unit within a duplex, halfplex, triplex, fourplex, townhome, live/work or condominium structure. An Accessory Unit shall not be considered a Residential Unit for purposes of this RMA.

**“RMA”** means this Amended and Restated Rate and Method of Apportionment of Special Tax.

**“Services Special Tax”** means a special tax levied in any Fiscal Year to pay the Services Special Tax Requirement.

**“Services Special Tax Requirement”** means the amount of revenue needed in any Fiscal Year after the Trigger Event to pay for: (i) Authorized Services, (ii) Administrative Expenses, and (iii) amounts needed to cure any delinquencies in the payment of Services Special Taxes which have occurred in the prior Fiscal Year. In any Fiscal Year, the Services Special Tax Requirement shall be reduced by surplus amounts available (as determined by the City) from the levy of the Services Special Tax in prior Fiscal Years, including revenues from the collection of delinquent Services Special Taxes and associated penalties and interest.

**“Single Family Residential Property”** means, in any Fiscal Year, all Parcels of Developed Property for which a Building Permit was issued for construction of one or more Residential Units.

**“Special Taxes”** means, collectively, the Facilities Special Tax and the Services Special Tax.

**“Taxable HOA Property”** means, in any Fiscal Year, all Parcels of HOA Property that are not exempt pursuant to Section G below.

**“Taxable Property”** means all Parcels within the boundaries of Improvement Area No. 1 which are not exempt from the Special Tax pursuant to law or Section G below.

**“Taxable Public Property”** means, in any Fiscal Year after the first series of Bonds is issued, any Parcel of Public Property that satisfies all three of the following conditions: (i) the Parcel had not been Public Property on the date of issuance of the first series of Bonds, (ii) based on reference to Attachments 1 and 2 (as may be updated pursuant to Section D.1 below), the Parcel was not anticipated to be Public Property based on the Expected Land Uses, as determined by the Administrator, and (iii) if the Parcel were to be exempt from the Facilities Special Tax because it has become Public Property, the Expected Maximum Facilities Special Tax Revenues would be reduced to a point at which Required Coverage could not be maintained.

**“Tentative Map”** means Vesting Tentative Tract Map–Tract 3788 for Tracy Hills Phase 1A, as approved by the City Council on April 5, 2016 and as shown in Attachment 2 of this RMA.

**“Trigger Event”** means, in any Fiscal Year, that, on or before June 30 of the prior Fiscal Year, the Administrator made a finding that (i) all Bonds secured by the levy and collection of Facilities Special Taxes in the CFD have been fully repaid, (ii) all Administrative Expenses from prior Fiscal Years have been paid or reimbursed to the City, (iii) the Recycled Water Facilities Costs have been fully funded, and (iv) there are no other Authorized Facilities that the City intends to fund with Facilities Special Taxes. In the first Fiscal Year in which the Administrator determines that the Trigger Event occurred in the prior Fiscal Year, and in each Fiscal Year thereafter, the Facilities Special Tax shall cease to be levied, and the Maximum Services Special Tax for each Parcel shall be adjusted pursuant to Section C.2 below.

**“Undeveloped Business Park Property”** means, in any Fiscal Year, all Parcels that otherwise meet the definition of Business Park Property but are not yet Developed Property.

**“Undeveloped Property”** means, in any Fiscal Year, all Parcels of Taxable Property that are not Developed Property or Undeveloped Business Park Property.

**“Village”** means a specific geographic area within Improvement Area No. 1 that (i) is identified by an assigned number on the Tentative Map, (ii) is expected to have single family lots that are all of a similar size, and (iii) is assigned Expected Maximum Facilities Special Tax Revenues in Attachment 1 based on the Expected Land Uses for that Village.

## **B. DATA FOR ADMINISTRATION OF SPECIAL TAX**

Each Fiscal Year, the Administrator shall (i) categorize each Parcel of Taxable Property as Developed Property, Undeveloped Business Park Property, Undeveloped Property, Taxable Public Property, or Taxable HOA Property, (ii) for Single Family Residential Property, determine within which Village each Parcel of Developed Property is located and the number of Residential Units on the Parcel, and (iii) determine the Facilities Special Tax Requirement and Services Special Tax Requirement for the Fiscal Year. In addition, the Administrator shall, *on an ongoing basis*, monitor Final Maps and condominium plans to determine if there are any proposed changes to the Expected Land Uses that would reduce the Expected Maximum Facilities Special Tax Revenues for a Village. If the Expected Maximum Facilities Special Tax Revenues will be reduced pursuant to a proposed Land Use Change, the Administrator shall apply the steps set forth in Section D.1 below.

In any Fiscal Year, if it is determined that: (i) a parcel map for property in Improvement Area No. 1 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created Parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new Parcels created by the parcel map, and (iii) one or more of the newly-created Parcels is in a different Development Class than other Parcels created by the subdivision, the Administrator shall calculate the Special Taxes for the property affected by recordation of the parcel map by determining the Special Taxes that apply separately to the property within each Development Class, then applying the sum of the individual Special Taxes to the Parcel that was subdivided by recordation of the parcel map.

## **C. MAXIMUM SPECIAL TAX**

### *1. Facilities Special Tax*

Table 1 below identifies the Maximum Facilities Special Tax, before and after the Trigger Event, for Taxable Property in Improvement Area No. 1, subject to potential adjustments that may occur pursuant to Section D below.

**TABLE 1  
IMPROVEMENT AREA NO. 1  
MAXIMUM FACILITIES SPECIAL TAX**

<b>Land Use</b>	<b>Maximum Facilities Special Tax Prior to Trigger Event Fiscal Year 2015-16*</b>	<b>Maximum Facilities Special Tax After Trigger Event</b>
<u>Single Family Residential Property</u> Village 1 Village 2 Village 3 Village 4 Village 5 Village 6 Village 7 Village 8	\$2,514 per Residential Unit \$2,839 per Residential Unit \$2,837 per Residential Unit \$2,638 per Residential Unit \$3,487 per Residential Unit \$3,828 per Residential Unit \$2,270 per Residential Unit \$3,658 per Residential Unit	\$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit
Business Park Property/ Undeveloped Business Park Property	\$2,500 per Acre	\$0 per Acre
Other Property	\$30,000 per Acre	\$0 per Acre
Taxable Public Property and Taxable HOA Property	\$30,000 per Acre	\$0 per Acre
Undeveloped Property	\$30,000 per Acre	\$0 per Acre

**\* On July 1, 2016 and on each July 1 thereafter, all figures shown in Table 1 above shall be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.**

2. *Services Special Tax*

Table 2 below identifies the Maximum Services Special Tax, before and after the Trigger Event, for Taxable Property in Improvement Area No. 1.



**TABLE 2  
IMPROVEMENT AREA NO. 1  
MAXIMUM SERVICES SPECIAL TAX**

<b>Type of Property</b>	<b>Maximum Services Special Tax Prior to Trigger Event</b>	<b>Maximum Services Special Tax After Trigger Event Fiscal Year 2015-16*</b>
<u>Single Family Residential Property</u> Village 1 Village 2 Village 3 Village 4 Village 5 Village 6 Village 7 Village 8	\$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit	\$503 per Residential Unit \$568 per Residential Unit \$567 per Residential Unit \$528 per Residential Unit \$697 per Residential Unit \$766 per Residential Unit \$454 per Residential Unit \$732 per Residential Unit
Business Park Property/ Undeveloped Business Park Property	\$0 per Acre	\$500 per Acre
Taxable Public Property and Taxable HOA Property	\$0 per Acre	\$1,000 per Acre
Undeveloped Property	\$0 per Acre	\$1,000 per Acre

**\* On July 1, 2016 and on each July 1 thereafter, all figures shown in Table 2 above shall be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.**

Once Special Taxes have been levied on a Parcel of Developed Property, the Maximum Special Taxes applicable to that Parcel shall not be reduced in future Fiscal Years regardless of changes in land use on the Parcel, except (i) in the event of a partial prepayment pursuant to Section H, and (ii) pursuant to Section D. Notwithstanding the foregoing: (i) if Bonds have yet to be issued for Improvement Area No. 1, the Parcels can be assigned to the appropriate Special Tax category based on the Land Use Change, and the Administrator shall recalculate the Expected Maximum Facilities Special Tax Revenues based on the corresponding change in revenues, and (ii) the actual Special Taxes levied on a Parcel of Developed Property in any Fiscal Year may be less than the Maximum Special Taxes if lower Special Taxes are calculated pursuant to Step 1 in Sections E.1 and E.2 below.

**D. CHANGES TO MAXIMUM SPECIAL TAXES**

The Expected Maximum Facilities Special Tax Revenues were calculated based on the Expected Land Uses at the CFD Update. The Administrator shall review Final Maps, Tentative Map revisions, and other changes to land uses proposed within Improvement Area No. 1 and compare the revised land uses to the Expected Land Uses to evaluate the impact on the Expected Maximum Facilities Special Tax Revenues.

1. *Changes in Expected Land Uses*

If, prior to the issuance of the first series of Bonds, a Land Use Change is proposed that will result in a reduction in the Expected Maximum Facilities Special Tax Revenues, no action will be needed pursuant to this Section D.1. Upon approval of the Land Use Change, the Administrator shall update Attachment 1 to show the reduced Expected Maximum Facilities Special Tax Revenues.

If, prior to the Final Bond Sale, a Land Use Change is proposed that will result in a reduction in the Expected Maximum Facilities Special Tax Revenues, no action will be needed pursuant to this Section D.1 as long as the reduction does not reduce debt service coverage on outstanding Bonds below the Required Coverage. Upon approval of the Land Use Change, the Administrator shall update Attachment 1 to show the reduced Expected Maximum Facilities Special Tax Revenues, which amount shall be used to size the Final Bond Sale.

If a Land Use Change is proposed after the Final Bond Sale, the following steps shall be applied:

- Step 1:** By reference to Attachment 1 (which will be updated by the Administrator each time a Land Use Change has been processed according to this Section D.1 and or pursuant to Section D.2), the Administrator shall identify the Expected Maximum Facilities Special Tax Revenues for Improvement Area No. 1.
- Step 2:** The Administrator shall calculate the Maximum Facilities Special Tax Revenues that could be collected from property in Improvement Area No. 1 if the Land Use Change is approved.
- Step 3:** If the amount calculated in Step 2 is higher than that determined in Step 1, no further action is needed. If the revenues calculated in Step 2 are less than those calculated in Step 1, and if the landowner requesting the Land Use Change does not prepay the portion of the Expected Maximum Facilities Special Tax Revenues in an amount that corresponds to the lost revenue, then the Maximum Facilities Special Tax for each Parcel of Taxable Property in the area affected by the Land Use Change shall be increased proportionately until the aggregate Maximum Facilities Special Tax Revenues that can be generated from the area affected by the Land Use Change is the same as it was prior to the Land Use Change.

If multiple Land Use Changes are proposed simultaneously by a single land owner (which may include approval of multiple Final Maps at one time), the Administrator may consider the combined effect of all the Land Use Changes to determine if there is a reduction in Expected Maximum Facilities Special Tax Revenues. If there is a reduction, the Administrator shall increase the Maximum Facilities Special Tax proportionately in all of the Final Maps being proposed by the landowner until the aggregate amount that can be levied within the Final Maps is equal to the amount that could have been levied prior to the proposed Land Use Changes. If Land Use Changes are proposed simultaneously by multiple landowners, the Administrator shall consider the proposed Land Use Changes individually.

2. *Formation of City Services CFD*

If a City Services CFD is formed and Bonds have not yet been sold for Improvement Area No. 1, the Maximum Facilities Special Taxes set forth in Table 1 for Single Family Property in Fiscal Year 2015-16 shall be reduced by \$325 per Residential Unit (or such lower amount that is adopted as the maximum special tax or component thereof that will be used to mitigate fiscal impacts on the City by paying for fire protection, police protection, and/or public works maintenance services), and the Maximum Facilities Special Taxes, as reduced by this Section D.2, shall, on July 1, 2016 and on each July 1 thereafter, be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.

In addition, upon formation of the City Services CFD, the Maximum Services Special Taxes after the Trigger Event set forth in Table 2 for Fiscal Year 2015-16 shall be reduced to twenty percent (20%) of the reduced Maximum Facilities Special Taxes calculated pursuant to the sentence above. Such reduced Maximum Services Special Taxes shall, on July 1, 2016 and on each July 1 thereafter, be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year, as set forth in Section C. After the City Services CFD is formed, the Administrator shall also do the following: (i) record an Amended Notice of Special Tax Lien to reflect the reduced Maximum Facilities Special Taxes and Maximum Services Special Taxes, and (ii) update Attachment 1 to reflect the new Maximum Facilities Special Taxes and corresponding Expected Maximum Facilities Special Tax Revenues.

3. *Transfer of Expected Maximum Facilities Special Tax Revenues from One Village to Another*

The Expected Maximum Facilities Special Tax Revenues were determined for each Village based on the Expected Land Uses within that Village. If the expected number of Residential Units is transferred from one Village to another, the City may, in its sole discretion, allow for a corresponding transfer of Expected Maximum Facilities Special Tax Revenues between the Villages. Such a transfer shall only be allowed if (i) all adjustments are agreed to in writing by the affected property owners and the City, and (ii) there is no reduction in the total Expected Maximum Facilities Special Tax Revenues as a result of the transfer.

4. *Conversion of a Parcel of Public Property to Private Use*

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, such Parcel shall be subject to the levy of Special Taxes. The Maximum Special Taxes for each such Parcel shall be determined based on the average Maximum Special Taxes for Parcels with similar land use designations, as determined by the Administrator.

**E. METHOD OF LEVY OF THE SPECIAL TAXES**

1. *Facilities Special Tax*

Each Fiscal Year, the Administrator shall determine the Facilities Special Tax Requirement and levy the Facilities Special Tax on all Parcels of Taxable Property as follows:

**Step 1:** In the first twenty (20) Fiscal Years in which a Facilities Special Tax is levied within Improvement Area No. 1, the Maximum Facilities Special Tax shall be levied on all Parcels of Developed Property. Any Facilities Special Tax proceeds collected that are determined by the Administrator to be Remainder Taxes shall be deposited into the Improvement Fund to pay any costs associated with the acquisition of Authorized Facilities that were not paid with Bond proceeds or Facilities Special Taxes levied in prior Fiscal Years.

Beginning in the twenty-first (21<sup>st</sup>) Fiscal Year in which a Facilities Special Tax is levied within Improvement Area No. 1 and continuing until the Trigger Event, the Facilities Special Tax shall be levied Proportionately on each Parcel of Developed Property up to 100% of the Maximum Facilities Special Tax for each Parcel of Developed Property until the amount levied is equal to the Facilities Special Tax Requirement, the calculation of which will include funding for Recycled Water Facilities Costs and/or other Authorized Facilities designated for funding, as determined in the sole discretion of the City.

After the Trigger Event, the Facilities Special Tax shall no longer be levied.

**Step 2:** If additional revenue is needed after Step 1 and after applying Capitalized Interest to the Special Tax Requirement, the Facilities Special Tax shall be levied Proportionately on (i) each Parcel of Undeveloped Property up to 100% of the Maximum Facilities Special Tax for each Parcel of Undeveloped Property, and (ii) each Parcel of Undeveloped Business Park Property up to 100% of the Maximum Facilities Special Tax for each Parcel of Undeveloped Business Park Property.

**Step 3:** If additional revenue is needed after Step 2, the Facilities Special Tax shall be levied Proportionately on each Parcel of Taxable HOA Property, up to 100% of the Maximum Facilities Special Tax for each Parcel of Taxable HOA Property.

**Step 4:** If additional revenue is needed after Step 3, the Facilities Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property, up to 100% of the Maximum Facilities Special Tax for each Parcel of Taxable Public Property.

## 2. *Services Special Tax*

Each Fiscal Year after the Trigger Event, the Administrator shall determine the Services Special Tax Requirement and levy the Services Special Tax on all Parcels of Taxable Property as follows:

**Step 1:** The Services Special Tax shall be levied Proportionately on each Parcel of Developed Property up to 100% of the Maximum Services Special Tax for each Parcel of Developed Property until the amount levied is equal to the Services Special Tax Requirement.

- Step 2:** If additional revenue is needed after Step 1, the Services Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property, up to 100% of the Maximum Services Special Tax for each Parcel of Undeveloped Property and Undeveloped Business Park Property.
- Step 3:** If additional revenue is needed after Step 2, the Services Special Tax shall be levied Proportionately on each Parcel of Taxable HOA Property, up to 100% of the Maximum Services Special Tax for each Parcel of Taxable HOA Property.
- Step 4:** If additional revenue is needed after Step 3, the Services Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property, up to 100% of the Maximum Services Special Tax for each Parcel of Taxable Public Property.

**F. MANNER OF COLLECTION OF SPECIAL TAXES**

The Special Taxes for Improvement Area No. 1 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that partial prepayments are permitted as set forth in Section H below and provided further that the City may directly bill the Special Taxes, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods.

The Facilities Special Tax shall be levied and collected until principal and interest on Bonds have been repaid, costs of constructing or acquiring Authorized Facilities from Facilities Special Tax proceeds have been paid, and all Administrative Expenses have been paid or reimbursed. However, in no event shall Facilities Special Taxes be levied for more than eighty (80) Fiscal Years. Under no circumstances may the Facilities Special Tax on a Parcel in residential use be increased in any Fiscal Year as a consequence of delinquency or default in payment of the Facilities Special Tax levied on another Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults. After the Trigger Event, the Services Special Tax may be levied and collected in perpetuity.

**G. EXEMPTIONS**

Any Parcel that becomes Public Property prior to the first series of Bonds being issued for Improvement Area No. 1 shall be exempt from both the Services Special Tax and the Facilities Special Tax; the Administrator shall reduce the Expected Maximum Facilities Special Tax Revenues to reflect any such exemption, and the first series of Bonds shall be sized based on the reduced Expected Maximum Facilities Special Tax Revenues. Any Parcel that becomes Public Property after the first series of Bonds are issued for Improvement Area No. 1 shall be exempt from both the Services Special Tax and the Facilities Special Tax provided such Parcel is not Taxable Public Property.

In addition, no Special Taxes shall be levied on (i) up to 61.45 Acres of HOA Property, with tax-exempt status assigned in chronological order based on the date on which Parcels were transferred to the Homeowners Association, (ii) Parcels that are designated as permanent open space or common space on which no structure is permitted to be constructed, (iii) Parcels owned by a public utility for an unmanned facility, and (iv) Parcels subject to an easement that precludes any use on the Parcel other than that permitted by the easement. Notwithstanding the foregoing, if a Facilities Special Tax has been levied on a Parcel in any Fiscal Year, and the entire Parcel subsequently meets the criteria in (ii), (iii) or (iv) above, the Parcel shall remain subject to the Facilities Special Tax levy, unless the first series of Bonds have yet to be issued for Improvement Area No. 1, in which case such property shall be categorized as Public Property, and the Administrator shall recalculate the Expected Maximum Facilities Special Tax Revenues based on the corresponding loss in revenues.

## **H. PARTIAL PREPAYMENT OF FACILITIES SPECIAL TAX**

The following definitions apply to this Section H:

**“Outstanding Bonds”** means all Previously Issued Bonds which remain outstanding, with the following exception: if a Facilities Special Tax has been levied against, or already paid by, an Assessor’s Parcel making a prepayment, and a portion of the Facilities Special Tax will be used to pay a portion of the next principal payment on the Bonds that remain outstanding (as determined by the Administrator), that next principal payment shall be subtracted from the total Bond principal that remains outstanding, and the difference shall be used as the amount of Outstanding Bonds for purposes of this prepayment formula.

**“Previously Issued Bonds”** means all Bonds that have been issued prior to the date of prepayment.

**“Public Facilities Requirements”** means: (i) \$45,765,000 in fiscal year 2015-16 dollars, which amount shall, on July 1, 2016 and on each July 1 thereafter, be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year, or (ii) such other number as shall be determined by the City to be an appropriate estimate of the net construction proceeds that will be generated from all Bonds that have been or are expected to be issued on behalf of Improvement Area No. 1.

**“Remaining Facilities Costs”** means the Public Facilities Requirements (as defined above), minus public facility costs funded by Previously Issued Bonds (as defined above), Remainder Taxes, or prepayments.

A property owner may prepay up to 80% of the Facilities Special Tax obligation applicable to a Parcel in Improvement Area No. 1, thereby reducing the Maximum Facilities Special Tax applicable to the Parcel, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay a portion of the Facilities Special Tax obligation shall provide the City with written notice of intent to prepay, which shall identify the percentage of the Maximum Facilities

Special Tax that is to be prepaid. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Parcel. Prepayment must be made not less than 50 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Facilities Special Taxes.

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

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

As of the proposed date of prepayment, the Prepayment Amount for a Parcel shall be determined by application of the following steps:

- Step 1.** Determine the Maximum Facilities Special Tax that could be levied on the Parcel based on the Expected Land Uses for the Parcel at the time the prepayment is calculated.
- Step 2.** Divide the Maximum Facilities Special Tax computed pursuant to Step 1 by the Expected Maximum Facilities Special Tax Revenues in that Fiscal Year.
- Step 3.** Multiply the quotient computed in Step 2 by the percentage of the Maximum Facilities Special Tax that the property owner wants to prepay, which percentage shall not exceed 80%.
- Step 4.** Multiply the quotient computed pursuant to Step 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the “Bond Redemption Amount”*).
- Step 5.** Compute the current Remaining Facilities Costs (if any).
- Step 6.** Multiply the quotient computed pursuant to Step 3 by the amount determined pursuant to Step 5 to compute the amount of Remaining Facilities Costs to be prepaid (*the “Remaining Facilities Amount”*).
- Step 7.** 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 8.** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the last Bond interest payment date on which interest has been or will be paid by Facilities Special Taxes already levied until the earliest redemption date for the Outstanding Bonds.

- Step 9:** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 10:** Take the amount computed pursuant to Step 8 and subtract the amount computed pursuant to Step 9 (the “*Defeasance Requirement*”).
- Step 11.** Determine the costs of computing the prepayment amount, redeeming Bonds, and recording any notices to evidence the prepayment and redemption (the “*Administrative Fees and Expenses*”).
- Step 12.** If and to the extent so provided in the Indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “*Reserve Fund Credit*”).
- Step 13.** The Facilities Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 4, 6, 7, 10, and 11, less the amount computed pursuant to Step 12 (the “*Prepayment Amount*”).
- Step 14.** From the Prepayment Amount, the amounts computed pursuant to Steps 4, 7, and 10 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to Step 6 shall be deposited into the Improvement Fund. The amount computed pursuant to Step 11 shall be retained in the account or fund that is established to pay Administrative Expenses.

Once a partial prepayment of a Facilities Special Tax has been received, an Amendment to Special Tax Lien shall be recorded against the Parcel to reflect the reduced Facilities Special Tax lien for the Parcel, which shall be equal to the portion of the Maximum Facilities Special Tax that was not prepaid. However, an Amendment to Special Tax Lien shall not be recorded until all Facilities Special Taxes levied on the Parcel in the current or prior Fiscal Years have been collected. The prepayment of a portion of the Facilities Special Tax shall not affect the perpetual obligation to pay the Services Special Tax.

## **I. INTERPRETATION OF SPECIAL TAX FORMULA**

The City may interpret, clarify, and revise this RMA to correct any inconsistency, vagueness, or ambiguity, by resolution and/or ordinance, that does not create a material adverse effect on the levy and collection of the Special Taxes and any security for any Bonds.



**ATTACHMENT 1**

**Improvement Area No. 1 of the  
City of Tracy  
Community Facilities District No. 2016-1  
(Tracy Hills)**

**Expected Land Uses and Expected Maximum Facilities Special Tax Revenues**

<b>Village</b>	<b>Expected Land Uses</b>	<b>Estimated Facilities Special Tax per Unit FY 2015-16 /1</b>	<b>Expected Maximum Facilities Special Tax Revenues FY 2015-16 /1</b>
Village 1	160 Residential Units	\$2,514 per Residential Unit	\$402,240
Village 2	74 Residential Units	\$2,839 per Residential Unit	\$210,086
Village 3	103 Residential Units	\$2,837 per Residential Unit	\$292,211
Village 4	149 Residential Units	\$2,638 per Residential Unit	\$393,062
Village 5	196 Residential Units	\$3,487 per Residential Unit	\$683,452
Village 6	136 Residential Units /2	\$3,828 per Residential Unit	\$520,608
Village 7	182 Residential Units	\$2,270 per Residential Unit	\$413,140
Village 8	139 Residential Units	\$3,658 per Residential Unit	\$508,462
N/A	0 Acres of Business Park Property	\$2,500 per Acre	\$0
<b>Total</b>	1,139 Residential Units and 0 Acres of Business Park Property	N/A	\$3,423,261

1. On July 1, 2016 and each July 1 thereafter, the Estimated Facilities Special Tax per Unit and the Expected Maximum Facilities Special Tax Revenues shall be increased by two percent (2%) of the amount in effect in the prior Fiscal Year.
2. Does not include 6 units in Village 6A, the timing of development of which is uncertain.

**IMPROVEMENT AREA NO. 1 OF THE  
CITY OF TRACY  
COMMUNITY FACILITIES DISTRICT NO. 2016-1  
(TRACY HILLS)**

**AMENDED AND RESTATED  
RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES**

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Special Taxes applicable to each Assessor’s Parcel in Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) shall be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in Improvement Area No. 1, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**A. DEFINITIONS**

The terms hereinafter set forth have the following meanings:

“**Accessory Unit**” means a second residential unit of limited size (e.g., granny cottage, second unit) that shares a Parcel with a single-family detached unit.

“**Acre**” or “**Acreage**” means the land area of an Assessor’s Parcel as shown on an Assessor’s Parcel Map, or if the land area is not shown on an Assessor’s Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded at the County Recorder’s Office.

“**Act**” means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the Government Code of the State of California.

“**Administrative Expenses**” means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to the CFD and the Bonds, including, but not limited to, the levy and collection of Special Taxes, the fees and expenses of its legal counsel, charges levied by the County in connection with the levy and collection of Special Taxes, costs related to property owner inquiries regarding the Special Taxes, costs associated with appeals or requests for interpretation associated with the Special Taxes and this RMA, costs of the dissemination agent, whether for the City or another party that has undertaken to provide continuing disclosure, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with any continuing disclosure requirements with respect to the Bonds and the Special Taxes, costs associated with foreclosure and collection of delinquent Special Taxes and all other costs and expenses of the City and County in any way related to the establishment or administration of the CFD.

**“Administrator”** means the person or firm designated by the City to administer the Special Taxes according to this RMA.

**“Assessor’s Parcel”** or **“Parcel”** means a lot or parcel shown on an Assessor’s Parcel Map with an assigned Assessor’s parcel number.

**“Assessor’s Parcel Map”** means an official map of the County Assessor designating Parcels by Assessor’s Parcel number.

**“Authorized Facilities”** means the public facilities authorized to be financed, in whole or in part, by the CFD.

**“Authorized Services”** means the public services authorized to be funded, in whole or in part, by the CFD.

**“Bonds”** means bonds or other debt (as defined in the Act), whether in one or more series, issued or assumed by Improvement Area No. 1 to fund Authorized Facilities.

**“Building Permit”** means a single permit or set of permits required to construct a residential or non-residential structure. If a permit is issued for a foundation, parking, landscaping or other related facility or amenity, but a building permit has not yet been issued for the structure served by these facilities or amenities, such permit shall not be considered a “Building Permit” for purposes of application of the Special Taxes herein.

**“Business Park Property”** all Parcels of Developed Property within the specific geographic area in Improvement Area No. 1 that (i) was expected at the time of the CFD Update to be developed for business park uses, and (ii) is identified as BP1 and BP2 on the Tentative Map and Attachment 2 of this RMA. Notwithstanding the foregoing, if in any Fiscal Year, property that had been designated as Business Park Property is proposed for a use other than industrial or business park, the Administrator shall: (i) determine whether the property is expected to be Single Family Residential Property or Other Property, (ii) update Attachment 2 to reflect the new Expected Land Uses and Expected Maximum Facilities Special Tax Revenues for the property, and (iii) in the next Fiscal Year and all following Fiscal Years, levy Special Taxes on the property based on the new land use.

**“Capitalized Interest”** means funds in any capitalized interest account available to pay interest on Bonds.

**“CFD”** means the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills).

**“CFD Update”** means the date on which the Resolution of Change was adopted by the City Council.

**“City”** means the City of Tracy.

**“City Council”** means the City Council of the City of Tracy.

**“City Services CFD”** means a community facilities district formed under the Act (separate from the CFD) over the property that is also included in the CFD that authorizes the levy of a special tax, all or a component of which is an amount up to \$325 per Residential Unit in Fiscal Year 2016-17 dollars that will be levied to mitigate fiscal deficits by funding police protection, fire protection, and/or public works maintenance services.

**“County”** means the County of San Joaquin.

**“Development Class”** means, individually, Developed Property and Undeveloped Property.

**“Developed Property”** means, in any Fiscal Year, all Parcels of Taxable Property for which a Building Permit was issued prior to June 30 of the preceding Fiscal Year.

**“Expected Land Uses”** means the number of Residential Units and acres of Business Park Property expected within Improvement Area No. 1 as of the CFD Update, as identified in Attachment 1 and as amended from time to time as set forth in this RMA.

**“Expected Maximum Facilities Special Tax Revenues”** means the amount of annual revenue that would be available in Improvement Area No. 1 if the Maximum Facilities Special Tax was levied on the Expected Land Uses. The Expected Maximum Facilities Special Tax Revenues are shown in Attachment 1 of this RMA and may be reduced due to prepayments in future Fiscal Years and/or pursuant to Section D below.

**“Facilities Special Tax”** means a special tax levied in any Fiscal Year to pay the Facilities Special Tax Requirement.

**“Facilities Special Tax Requirement”** means the amount necessary in any Fiscal Year (i) to pay principal and interest on Bonds which are due in the calendar year which begins in such Fiscal Year, (ii) to create or replenish reserve funds to the extent such replenishment has not been included in a computation of Special Tax Requirement in a previous Fiscal Year, (iii) to cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year, (iv) to pay Administrative Expenses, and (v) to pay the costs of Authorized Facilities to be funded directly from Facilities Special Tax proceeds to the extent that paying directly for such costs does not increase the Special Taxes levied on Undeveloped Property. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by (i) interest earnings on or surplus balances in funds and accounts for Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture, (ii) proceeds from the collection of penalties associated with delinquent Facilities Special Taxes, and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

**“Final Bond Sale”** means, at any point in time, the last series of Bonds issued for Improvement Area No. 1, which issuance uses up virtually all of the remaining capacity available from the Maximum Facilities Special Tax revenues that can be generated within Improvement Area No. 1, as determined by the City. If additional Bonds are expected to be issued after outstanding Bonds retire, the “Final Bond Sale” may not be the last series of Bonds ever issued for Improvement Area No. 1, but instead the last sale of Bonds that can be issued before some or all of the outstanding Bonds retire.

**“Final Map”** means a final map, or portion thereof, recorded by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates lots that do not need to be further subdivided prior to issuance of a Building Permit for a residential structure. The term “Final Map” shall not include any Assessor’s Parcel map or subdivision map, or portion thereof, that does not create lots that are in their final configuration, including Assessor’s Parcels that are designated as remainder parcels.

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

**“Homeowners Association”** or **“HOA”** means the homeowners association that provides services to, and collects dues, fees, or charges from, property within Improvement Area No. 1.

**“HOA Property”** means any property within the boundaries of Improvement Area No. 1 that is owned in fee or by easement by the Homeowners Association, not including any such property that is located directly under a residential structure.

**“Improvement Area No. 1”** means Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills).

**“Improvement Fund”** means the account (regardless of its name) identified in the Indenture to hold funds which are available to acquire or construct Authorized Facilities.

**“Indenture”** means the bond indenture, fiscal agent agreement, trust 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.

**“Land Use Change”** means a proposed or approved change to the Expected Land Uses within Improvement Area No. 1 after the CFD Update.

**“Maximum Facilities Special Tax”** means the greatest amount of Facilities Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year as determined in accordance with Sections C and D below.

**“Maximum Services Special Tax”** means the greatest amount of Services Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year as determined in accordance with Section C.2 below.

**“Maximum Special Taxes”** means, collectively, the Maximum Facilities Special Tax and Maximum Services Special Tax.

**“Other Property”** means, in any Fiscal Year, all Parcels of Developed Property within Improvement Area No. 1 that are not Single Family Residential Property, Business Park Property, Taxable HOA Property, or Taxable Public Property.

**“Proportionately”** means, for Developed Property that is not Taxable HOA Property or Taxable Public Property, that the ratio of the actual Special Taxes levied in any Fiscal Year to the Maximum Special Taxes authorized to be levied in that Fiscal Year is equal for all Parcels of

Developed Property that are not Taxable HOA Property or Taxable Public Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Taxes levied to the Maximum Special Taxes is equal for all Parcels of Undeveloped Property. For Taxable Public Property, “Proportionately” means that the ratio of the actual Special Taxes levied to the Maximum Special Taxes is equal for all Parcels of Taxable Public Property. For Taxable HOA Property, “Proportionately” means that the ratio of the actual Special Taxes levied to the Maximum Special Taxes is equal for all Parcels of Taxable HOA Property.

**“Public Property”** means any property within the boundaries of Improvement Area No. 1 that is owned by the federal government, State of California or other local governments or public agencies.

**“Recycled Water Facilities Cost”** means the total cost, as determined by the City, of funding the design, engineering, construction, and/or acquisition of recycled water facilities that will serve development within the CFD. If, in the future, the City determines that there is a preferred alternative to the recycled water facilities that were expected at the time of the CFD Update, the cost of such facilities shall qualify as Recycled Water Facilities Costs for purposes of this RMA.

**“Remainder Taxes”** means, after September 1<sup>st</sup> and before December 31<sup>st</sup> of any Fiscal Year, any Facilities Special Tax revenues that were levied and collected in the prior Fiscal Year and were not needed to (i) pay debt service on the Bonds that was due in the calendar year in which the Remainder Taxes are being calculated, (ii) replenish Bond reserves, or (iii) pay Administrative Expenses that have been incurred, or are expected to be incurred, by the City prior to the receipt of additional Facilities Special Tax proceeds.

**“Required Coverage”** means the amount by which the Maximum Facilities Special Tax Revenues must exceed the Bond debt service and required Administrative Expenses, as set forth in the Indenture, Certificate of Special Tax Consultant, or other formation or bond document that sets forth the minimum required debt service coverage.

**“Residential Unit”** means an individual single-family unit that does not share a common wall with another residential unit, or an individual residential unit within a duplex, halfplex, triplex, fourplex, townhome, live/work or condominium structure. An Accessory Unit shall not be considered a Residential Unit for purposes of this RMA.

**“RMA”** means this Amended and Restated Rate and Method of Apportionment of Special Tax.

**“Services Special Tax”** means a special tax levied in any Fiscal Year to pay the Services Special Tax Requirement.

**“Services Special Tax Requirement”** means the amount of revenue needed in any Fiscal Year after the Trigger Event to pay for: (i) Authorized Services, (ii) Administrative Expenses, and (iii) amounts needed to cure any delinquencies in the payment of Services Special Taxes which have occurred in the prior Fiscal Year. In any Fiscal Year, the Services Special Tax Requirement shall be reduced by surplus amounts available (as determined by the City) from the levy of the Services Special Tax in prior Fiscal Years, including revenues from the collection of delinquent Services Special Taxes and associated penalties and interest.

**“Single Family Residential Property”** means, in any Fiscal Year, all Parcels of Developed Property for which a Building Permit was issued for construction of one or more Residential Units.

**“Special Taxes”** means, collectively, the Facilities Special Tax and the Services Special Tax.

**“Taxable HOA Property”** means, in any Fiscal Year, all Parcels of HOA Property that are not exempt pursuant to Section G below.

**“Taxable Property”** means all Parcels within the boundaries of Improvement Area No. 1 which are not exempt from the Special Tax pursuant to law or Section G below.

**“Taxable Public Property”** means, in any Fiscal Year after the first series of Bonds is issued, any Parcel of Public Property that satisfies all three of the following conditions: (i) the Parcel had not been Public Property on the date of issuance of the first series of Bonds, (ii) based on reference to Attachments 1 and 2 (as may be updated pursuant to Section D.1 below), the Parcel was not anticipated to be Public Property based on the Expected Land Uses, as determined by the Administrator, and (iii) if the Parcel were to be exempt from the Facilities Special Tax because it has become Public Property, the Expected Maximum Facilities Special Tax Revenues would be reduced to a point at which Required Coverage could not be maintained.

**“Tentative Map”** means Vesting Tentative Tract Map–Tract 3788 for Tracy Hills Phase 1A, as approved by the City Council on April 5, 2016 and as shown in Attachment 2 of this RMA.

**“Trigger Event”** means, in any Fiscal Year, that, on or before June 30 of the prior Fiscal Year, the Administrator made a finding that (i) all Bonds secured by the levy and collection of Facilities Special Taxes in the CFD have been fully repaid, (ii) all Administrative Expenses from prior Fiscal Years have been paid or reimbursed to the City, (iii) the Recycled Water Facilities Costs have been fully funded, and (iv) there are no other Authorized Facilities that the City intends to fund with Facilities Special Taxes. In the first Fiscal Year in which the Administrator determines that the Trigger Event occurred in the prior Fiscal Year, and in each Fiscal Year thereafter, the Facilities Special Tax shall cease to be levied, and the Maximum Services Special Tax for each Parcel shall be adjusted pursuant to Section C.2 below.

**“Undeveloped Business Park Property”** means, in any Fiscal Year, all Parcels that otherwise meet the definition of Business Park Property but are not yet Developed Property.

**“Undeveloped Property”** means, in any Fiscal Year, all Parcels of Taxable Property that are not Developed Property or Undeveloped Business Park Property.

**“Village”** means a specific geographic area within Improvement Area No. 1 that (i) is identified by an assigned number on the Tentative Map, (ii) is expected to have single family lots that are all of a similar size, and (iii) is assigned Expected Maximum Facilities Special Tax Revenues in Attachment 1 based on the Expected Land Uses for that Village.

## **B. DATA FOR ADMINISTRATION OF SPECIAL TAX**

Each Fiscal Year, the Administrator shall (i) categorize each Parcel of Taxable Property as Developed Property, Undeveloped Business Park Property, Undeveloped Property, Taxable Public Property, or Taxable HOA Property, (ii) for Single Family Residential Property, determine within which Village each Parcel of Developed Property is located and the number of Residential Units on the Parcel, and (iii) determine the Facilities Special Tax Requirement and Services Special Tax Requirement for the Fiscal Year. In addition, the Administrator shall, *on an ongoing basis*, monitor Final Maps and condominium plans to determine if there are any proposed changes to the Expected Land Uses that would reduce the Expected Maximum Facilities Special Tax Revenues for a Village. If the Expected Maximum Facilities Special Tax Revenues will be reduced pursuant to a proposed Land Use Change, the Administrator shall apply the steps set forth in Section D.1 below.

In any Fiscal Year, if it is determined that: (i) a parcel map for property in Improvement Area No. 1 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created Parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new Parcels created by the parcel map, and (iii) one or more of the newly-created Parcels is in a different Development Class than other Parcels created by the subdivision, the Administrator shall calculate the Special Taxes for the property affected by recordation of the parcel map by determining the Special Taxes that apply separately to the property within each Development Class, then applying the sum of the individual Special Taxes to the Parcel that was subdivided by recordation of the parcel map.

## **C. MAXIMUM SPECIAL TAX**

### *1. Facilities Special Tax*

Table 1 below identifies the Maximum Facilities Special Tax, before and after the Trigger Event, for Taxable Property in Improvement Area No. 1, subject to potential adjustments that may occur pursuant to Section D below.



**TABLE 1  
IMPROVEMENT AREA NO. 1  
MAXIMUM FACILITIES SPECIAL TAX**

<b>Land Use</b>	<b>Maximum Facilities Special Tax Prior to Trigger Event Fiscal Year 2015-16*</b>	<b>Maximum Facilities Special Tax After Trigger Event</b>
<u>Single Family Residential Property</u> Village 1 Village 2 Village 3 Village 4 Village 5 Village 6 Village 7 Village 8	\$2,514 per Residential Unit \$2,839 per Residential Unit \$2,837 per Residential Unit \$2,638 per Residential Unit \$3,487 per Residential Unit \$3,828 per Residential Unit \$2,270 per Residential Unit \$3,658 per Residential Unit	\$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit
Business Park Property/ Undeveloped Business Park Property	\$2,500 per Acre	\$0 per Acre
Other Property	\$30,000 per Acre	\$0 per Acre
Taxable Public Property and Taxable HOA Property	\$30,000 per Acre	\$0 per Acre
Undeveloped Property	\$30,000 per Acre	\$0 per Acre

**\* On July 1, 2016 and on each July 1 thereafter, all figures shown in Table 1 above shall be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.**

2. *Services Special Tax*

Table 2 below identifies the Maximum Services Special Tax, before and after the Trigger Event, for Taxable Property in Improvement Area No. 1.

**TABLE 2  
IMPROVEMENT AREA NO. 1  
MAXIMUM SERVICES SPECIAL TAX**

<b>Type of Property</b>	<b>Maximum Services Special Tax Prior to Trigger Event</b>	<b>Maximum Services Special Tax After Trigger Event Fiscal Year 2015-16*</b>
<u>Single Family Residential Property</u> Village 1 Village 2 Village 3 Village 4 Village 5 Village 6 Village 7 Village 8	\$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit	\$503 per Residential Unit \$568 per Residential Unit \$567 per Residential Unit \$528 per Residential Unit \$697 per Residential Unit \$766 per Residential Unit \$454 per Residential Unit \$732 per Residential Unit
Business Park Property/ Undeveloped Business Park Property	\$0 per Acre	\$500 per Acre
Taxable Public Property and Taxable HOA Property	\$0 per Acre	\$1,000 per Acre
Undeveloped Property	\$0 per Acre	\$1,000 per Acre

**\* On July 1, 2016 and on each July 1 thereafter, all figures shown in Table 2 above shall be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.**

Once Special Taxes have been levied on a Parcel of Developed Property, the Maximum Special Taxes applicable to that Parcel shall not be reduced in future Fiscal Years regardless of changes in land use on the Parcel, except (i) in the event of a partial prepayment pursuant to Section H, and (ii) pursuant to Section D. Notwithstanding the foregoing: (i) if Bonds have yet to be issued for Improvement Area No. 1, the Parcels can be assigned to the appropriate Special Tax category based on the Land Use Change, and the Administrator shall recalculate the Expected Maximum Facilities Special Tax Revenues based on the corresponding change in revenues, and (ii) the actual Special Taxes levied on a Parcel of Developed Property in any Fiscal Year may be less than the Maximum Special Taxes if lower Special Taxes are calculated pursuant to Step 1 in Sections E.1 and E.2 below.

**D. CHANGES TO MAXIMUM SPECIAL TAXES**

The Expected Maximum Facilities Special Tax Revenues were calculated based on the Expected Land Uses at the CFD Update. The Administrator shall review Final Maps, Tentative Map revisions, and other changes to land uses proposed within Improvement Area No. 1 and compare the revised land uses to the Expected Land Uses to evaluate the impact on the Expected Maximum Facilities Special Tax Revenues.

1. *Changes in Expected Land Uses*

If, prior to the issuance of the first series of Bonds, a Land Use Change is proposed that will result in a reduction in the Expected Maximum Facilities Special Tax Revenues, no action will be needed pursuant to this Section D.1. Upon approval of the Land Use Change, the Administrator shall update Attachment 1 to show the reduced Expected Maximum Facilities Special Tax Revenues.

If, prior to the Final Bond Sale, a Land Use Change is proposed that will result in a reduction in the Expected Maximum Facilities Special Tax Revenues, no action will be needed pursuant to this Section D.1 as long as the reduction does not reduce debt service coverage on outstanding Bonds below the Required Coverage. Upon approval of the Land Use Change, the Administrator shall update Attachment 1 to show the reduced Expected Maximum Facilities Special Tax Revenues, which amount shall be used to size the Final Bond Sale.

If a Land Use Change is proposed after the Final Bond Sale, the following steps shall be applied:

- Step 1:** By reference to Attachment 1 (which will be updated by the Administrator each time a Land Use Change has been processed according to this Section D.1 and or pursuant to Section D.2), the Administrator shall identify the Expected Maximum Facilities Special Tax Revenues for Improvement Area No. 1.
- Step 2:** The Administrator shall calculate the Maximum Facilities Special Tax Revenues that could be collected from property in Improvement Area No. 1 if the Land Use Change is approved.
- Step 3:** If the amount calculated in Step 2 is higher than that determined in Step 1, no further action is needed. If the revenues calculated in Step 2 are less than those calculated in Step 1, and if the landowner requesting the Land Use Change does not prepay the portion of the Expected Maximum Facilities Special Tax Revenues in an amount that corresponds to the lost revenue, then the Maximum Facilities Special Tax for each Parcel of Taxable Property in the area affected by the Land Use Change shall be increased proportionately until the aggregate Maximum Facilities Special Tax Revenues that can be generated from the area affected by the Land Use Change is the same as it was prior to the Land Use Change.

If multiple Land Use Changes are proposed simultaneously by a single land owner (which may include approval of multiple Final Maps at one time), the Administrator may consider the combined effect of all the Land Use Changes to determine if there is a reduction in Expected Maximum Facilities Special Tax Revenues. If there is a reduction, the Administrator shall increase the Maximum Facilities Special Tax proportionately in all of the Final Maps being proposed by the landowner until the aggregate amount that can be levied within the Final Maps is equal to the amount that could have been levied prior to the proposed Land Use Changes. If Land Use Changes are proposed simultaneously by multiple landowners, the Administrator shall consider the proposed Land Use Changes individually.

2. *Formation of City Services CFD*

If a City Services CFD is formed and Bonds have not yet been sold for Improvement Area No. 1, the Maximum Facilities Special Taxes set forth in Table 1 for Single Family Property in Fiscal Year 2015-16 shall be reduced by \$325 per Residential Unit (or such lower amount that is adopted as the maximum special tax or component thereof that will be used to mitigate fiscal impacts on the City by paying for fire protection, police protection, and/or public works maintenance services), and the Maximum Facilities Special Taxes, as reduced by this Section D.2, shall, on July 1, 2016 and on each July 1 thereafter, be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.

In addition, upon formation of the City Services CFD, the Maximum Services Special Taxes after the Trigger Event set forth in Table 2 for Fiscal Year 2015-16 shall be reduced to twenty percent (20%) of the reduced Maximum Facilities Special Taxes calculated pursuant to the sentence above. Such reduced Maximum Services Special Taxes shall, on July 1, 2016 and on each July 1 thereafter, be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year, as set forth in Section C. After the City Services CFD is formed, the Administrator shall also do the following: (i) record an Amended Notice of Special Tax Lien to reflect the reduced Maximum Facilities Special Taxes and Maximum Services Special Taxes, and (ii) update Attachment 1 to reflect the new Maximum Facilities Special Taxes and corresponding Expected Maximum Facilities Special Tax Revenues.

3. *Transfer of Expected Maximum Facilities Special Tax Revenues from One Village to Another*

The Expected Maximum Facilities Special Tax Revenues were determined for each Village based on the Expected Land Uses within that Village. If the expected number of Residential Units is transferred from one Village to another, the City may, in its sole discretion, allow for a corresponding transfer of Expected Maximum Facilities Special Tax Revenues between the Villages. Such a transfer shall only be allowed if (i) all adjustments are agreed to in writing by the affected property owners and the City, and (ii) there is no reduction in the total Expected Maximum Facilities Special Tax Revenues as a result of the transfer.

4. *Conversion of a Parcel of Public Property to Private Use*

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, such Parcel shall be subject to the levy of Special Taxes. The Maximum Special Taxes for each such Parcel shall be determined based on the average Maximum Special Taxes for Parcels with similar land use designations, as determined by the Administrator.

**E. METHOD OF LEVY OF THE SPECIAL TAXES**

1. *Facilities Special Tax*

Each Fiscal Year, the Administrator shall determine the Facilities Special Tax Requirement and levy the Facilities Special Tax on all Parcels of Taxable Property as follows:

**Step 1:** In the first twenty (20) Fiscal Years in which a Facilities Special Tax is levied within Improvement Area No. 1, the Maximum Facilities Special Tax shall be levied on all Parcels of Developed Property. Any Facilities Special Tax proceeds collected that are determined by the Administrator to be Remainder Taxes shall be deposited into the Improvement Fund to pay any costs associated with the acquisition of Authorized Facilities that were not paid with Bond proceeds or Facilities Special Taxes levied in prior Fiscal Years.

Beginning in the twenty-first (21<sup>st</sup>) Fiscal Year in which a Facilities Special Tax is levied within Improvement Area No. 1 and continuing until the Trigger Event, the Facilities Special Tax shall be levied Proportionately on each Parcel of Developed Property up to 100% of the Maximum Facilities Special Tax for each Parcel of Developed Property until the amount levied is equal to the Facilities Special Tax Requirement, the calculation of which will include funding for Recycled Water Facilities Costs and/or other Authorized Facilities designated for funding, as determined in the sole discretion of the City.

After the Trigger Event, the Facilities Special Tax shall no longer be levied.

**Step 2:** If additional revenue is needed after Step 1 and after applying Capitalized Interest to the Special Tax Requirement, the Facilities Special Tax shall be levied Proportionately on (i) each Parcel of Undeveloped Property up to 100% of the Maximum Facilities Special Tax for each Parcel of Undeveloped Property, and (ii) each Parcel of Undeveloped Business Park Property up to 100% of the Maximum Facilities Special Tax for each Parcel of Undeveloped Business Park Property.

**Step 3:** If additional revenue is needed after Step 2, the Facilities Special Tax shall be levied Proportionately on each Parcel of Taxable HOA Property, up to 100% of the Maximum Facilities Special Tax for each Parcel of Taxable HOA Property.

**Step 4:** If additional revenue is needed after Step 3, the Facilities Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property, up to 100% of the Maximum Facilities Special Tax for each Parcel of Taxable Public Property.

## 2. *Services Special Tax*

Each Fiscal Year after the Trigger Event, the Administrator shall determine the Services Special Tax Requirement and levy the Services Special Tax on all Parcels of Taxable Property as follows:

**Step 1:** The Services Special Tax shall be levied Proportionately on each Parcel of Developed Property up to 100% of the Maximum Services Special Tax for each Parcel of Developed Property until the amount levied is equal to the Services Special Tax Requirement.

- Step 2:** If additional revenue is needed after Step 1, the Services Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property, up to 100% of the Maximum Services Special Tax for each Parcel of Undeveloped Property and Undeveloped Business Park Property.
- Step 3:** If additional revenue is needed after Step 2, the Services Special Tax shall be levied Proportionately on each Parcel of Taxable HOA Property, up to 100% of the Maximum Services Special Tax for each Parcel of Taxable HOA Property.
- Step 4:** If additional revenue is needed after Step 3, the Services Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property, up to 100% of the Maximum Services Special Tax for each Parcel of Taxable Public Property.

**F. MANNER OF COLLECTION OF SPECIAL TAXES**

The Special Taxes for Improvement Area No. 1 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that partial prepayments are permitted as set forth in Section H below and provided further that the City may directly bill the Special Taxes, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods.

The Facilities Special Tax shall be levied and collected until principal and interest on Bonds have been repaid, costs of constructing or acquiring Authorized Facilities from Facilities Special Tax proceeds have been paid, and all Administrative Expenses have been paid or reimbursed. However, in no event shall Facilities Special Taxes be levied for more than eighty (80) Fiscal Years. Under no circumstances may the Facilities Special Tax on a Parcel in residential use be increased in any Fiscal Year as a consequence of delinquency or default in payment of the Facilities Special Tax levied on another Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults. After the Trigger Event, the Services Special Tax may be levied and collected in perpetuity.

**G. EXEMPTIONS**

Any Parcel that becomes Public Property prior to the first series of Bonds being issued for Improvement Area No. 1 shall be exempt from both the Services Special Tax and the Facilities Special Tax; the Administrator shall reduce the Expected Maximum Facilities Special Tax Revenues to reflect any such exemption, and the first series of Bonds shall be sized based on the reduced Expected Maximum Facilities Special Tax Revenues. Any Parcel that becomes Public Property after the first series of Bonds are issued for Improvement Area No. 1 shall be exempt from both the Services Special Tax and the Facilities Special Tax provided such Parcel is not Taxable Public Property.

In addition, no Special Taxes shall be levied on (i) up to 61.45 Acres of HOA Property, with tax-exempt status assigned in chronological order based on the date on which Parcels were transferred to the Homeowners Association, (ii) Parcels that are designated as permanent open space or common space on which no structure is permitted to be constructed, (iii) Parcels owned by a public utility for an unmanned facility, and (iv) Parcels subject to an easement that precludes any use on the Parcel other than that permitted by the easement. Notwithstanding the foregoing, if a Facilities Special Tax has been levied on a Parcel in any Fiscal Year, and the entire Parcel subsequently meets the criteria in (ii), (iii) or (iv) above, the Parcel shall remain subject to the Facilities Special Tax levy, unless the first series of Bonds have yet to be issued for Improvement Area No. 1, in which case such property shall be categorized as Public Property, and the Administrator shall recalculate the Expected Maximum Facilities Special Tax Revenues based on the corresponding loss in revenues.

## **H. PARTIAL PREPAYMENT OF FACILITIES SPECIAL TAX**

The following definitions apply to this Section H:

**“Outstanding Bonds”** means all Previously Issued Bonds which remain outstanding, with the following exception: if a Facilities Special Tax has been levied against, or already paid by, an Assessor’s Parcel making a prepayment, and a portion of the Facilities Special Tax will be used to pay a portion of the next principal payment on the Bonds that remain outstanding (as determined by the Administrator), that next principal payment shall be subtracted from the total Bond principal that remains outstanding, and the difference shall be used as the amount of Outstanding Bonds for purposes of this prepayment formula.

**“Previously Issued Bonds”** means all Bonds that have been issued prior to the date of prepayment.

**“Public Facilities Requirements”** means: (i) \$45,765,000 in fiscal year 2015-16 dollars, which amount shall, on July 1, 2016 and on each July 1 thereafter, be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year, or (ii) such other number as shall be determined by the City to be an appropriate estimate of the net construction proceeds that will be generated from all Bonds that have been or are expected to be issued on behalf of Improvement Area No. 1.

**“Remaining Facilities Costs”** means the Public Facilities Requirements (as defined above), minus public facility costs funded by Previously Issued Bonds (as defined above), Remainder Taxes, or prepayments.

A property owner may prepay up to 80% of the Facilities Special Tax obligation applicable to a Parcel in Improvement Area No. 1, thereby reducing the Maximum Facilities Special Tax applicable to the Parcel, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay a portion of the Facilities Special Tax obligation shall provide the City with written notice of intent to prepay, which shall identify the percentage of the Maximum Facilities

Special Tax that is to be prepaid. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Parcel. Prepayment must be made not less than 50 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Facilities Special Taxes.

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

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

As of the proposed date of prepayment, the Prepayment Amount for a Parcel shall be determined by application of the following steps:

- Step 1.** Determine the Maximum Facilities Special Tax that could be levied on the Parcel based on the Expected Land Uses for the Parcel at the time the prepayment is calculated.
- Step 2.** Divide the Maximum Facilities Special Tax computed pursuant to Step 1 by the Expected Maximum Facilities Special Tax Revenues in that Fiscal Year.
- Step 3.** Multiply the quotient computed in Step 2 by the percentage of the Maximum Facilities Special Tax that the property owner wants to prepay, which percentage shall not exceed 80%.
- Step 4.** Multiply the quotient computed pursuant to Step 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the “Bond Redemption Amount”*).
- Step 5.** Compute the current Remaining Facilities Costs (if any).
- Step 6.** Multiply the quotient computed pursuant to Step 3 by the amount determined pursuant to Step 5 to compute the amount of Remaining Facilities Costs to be prepaid (*the “Remaining Facilities Amount”*).
- Step 7.** 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 8.** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the last Bond interest payment date on which interest has been or will be paid by Facilities Special Taxes already levied until the earliest redemption date for the Outstanding Bonds.



- Step 9:** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 10:** Take the amount computed pursuant to Step 8 and subtract the amount computed pursuant to Step 9 (the “*Defeasance Requirement*”).
- Step 11.** Determine the costs of computing the prepayment amount, redeeming Bonds, and recording any notices to evidence the prepayment and redemption (the “*Administrative Fees and Expenses*”).
- Step 12.** If and to the extent so provided in the Indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “*Reserve Fund Credit*”).
- Step 13.** The Facilities Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 4, 6, 7, 10, and 11, less the amount computed pursuant to Step 12 (the “*Prepayment Amount*”).
- Step 14.** From the Prepayment Amount, the amounts computed pursuant to Steps 4, 7, and 10 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to Step 6 shall be deposited into the Improvement Fund. The amount computed pursuant to Step 11 shall be retained in the account or fund that is established to pay Administrative Expenses.

Once a partial prepayment of a Facilities Special Tax has been received, an Amendment to Special Tax Lien shall be recorded against the Parcel to reflect the reduced Facilities Special Tax lien for the Parcel, which shall be equal to the portion of the Maximum Facilities Special Tax that was not prepaid. However, an Amendment to Special Tax Lien shall not be recorded until all Facilities Special Taxes levied on the Parcel in the current or prior Fiscal Years have been collected. The prepayment of a portion of the Facilities Special Tax shall not affect the perpetual obligation to pay the Services Special Tax.

## **I. INTERPRETATION OF SPECIAL TAX FORMULA**

The City may interpret, clarify, and revise this RMA to correct any inconsistency, vagueness, or ambiguity, by resolution and/or ordinance, that does not create a material adverse effect on the levy and collection of the Special Taxes and any security for any Bonds.

**ATTACHMENT 1**

**Improvement Area No. 1 of the  
City of Tracy  
Community Facilities District No. 2016-1  
(Tracy Hills)**

**Expected Land Uses and Expected Maximum Facilities Special Tax Revenues**

<b>Village</b>	<b>Expected Land Uses</b>	<b>Estimated Facilities Special Tax per Unit FY 2015-16 /1</b>	<b>Expected Maximum Facilities Special Tax Revenues FY 2015-16 /1</b>
Village 1	160 Residential Units	\$2,514 per Residential Unit	\$402,240
Village 2	74 Residential Units	\$2,839 per Residential Unit	\$210,086
Village 3	103 Residential Units	\$2,837 per Residential Unit	\$292,211
Village 4	149 Residential Units	\$2,638 per Residential Unit	\$393,062
Village 5	196 Residential Units	\$3,487 per Residential Unit	\$683,452
Village 6	136 Residential Units /2	\$3,828 per Residential Unit	\$520,608
Village 7	182 Residential Units	\$2,270 per Residential Unit	\$413,140
Village 8	139 Residential Units	\$3,658 per Residential Unit	\$508,462
N/A	0 Acres of Business Park Property	\$2,500 per Acre	\$0
<b>Total</b>	1,139 Residential Units and 0 Acres of Business Park Property	N/A	\$3,423,261

1. On July 1, 2016 and each July 1 thereafter, the Estimated Facilities Special Tax per Unit and the Expected Maximum Facilities Special Tax Revenues shall be increased by two percent (2%) of the amount in effect in the prior Fiscal Year.
2. Does not include 6 units in Village 6A, the timing of development of which is uncertain.

**ATTACHMENT 2**

**Improvement Area No. 1 of the  
City of Tracy  
Community Facilities District No. 2016-1  
(Tracy Hills)**

**Vesting Tentative Tract Map—Tract 3788**



**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION OF CONSIDERATION TO AMEND AND RESTATE THE RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX, INCREASE THE AUTHORIZED PRINCIPAL AMOUNTS OF INDEBTEDNESS FOR THE CFD AND IMPROVEMENT AREA NO. 1, INCREASE THE ANNUAL APPROPRIATIONS LIMIT FOR IMPROVEMENT AREA NO. 1 AND AMEND THE EXISTING BOUNDARIES OF THE CFD, IMPROVEMENT AREA NO. 1 AND FUTURE ANNEXATION AREA**

**CITY OF TRACY  
Community Facilities District No. 2016-1  
(Tracy Hills)**

RESOLVED by the City Council (the "City Council") of the City of Tracy (the "City"), County of San Joaquin, State of California, that:

WHEREAS, the City Council conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with Section 53311) of the California Government Code (the "Act"), to form (i) "City of Tracy Community Facilities District No. 2016-1 (Tracy Hills)" (the "CFD"), (ii) "Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills)" ("Improvement Area No. 1"), and (iii) "City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) (Future Annexation Area)" (the "Future Annexation Area"); and

WHEREAS, all of the territory in the CFD as of the date hereof is located in Improvement Area No. 1;

WHEREAS, in the City Council's Resolution No. 2016-157 adopted on July 19, 2016 (the "Resolution of Formation"), the City approved the boundaries of the CFD, Improvement Area No. 1 and the Future Annexation Area, as set forth in the map recorded in the San Joaquin County Recorder's Office on June 15, 2016, at 10:00 a.m. in Book 6 of Maps of Assessment and Community Facilities Districts at Page 84, as Document No. 2016-069400 (the "Original Boundary Map"); and

WHEREAS, in the Resolution of Formation, the City Council declared that parcels within the Future Annexation Area shall be annexed to the CFD only with the unanimous approval (each, a "Unanimous Approval") of the owner or owners of each parcel or parcels at the time that parcel or those parcels are annexed, without any requirement for further public hearings or additional proceedings; and

WHEREAS, in the Resolution of Formation, the City Council also provided for the levy of special taxes upon the land within the CFD and the improvement areas therein to finance certain public facilities and services described in Exhibit A to the Resolution of Formation, approved a rate and method of apportionment of special taxes for Improvement Area No. 1 (the "Improvement Area No. 1 Rate and Method"), approved an appropriations limit of \$70,000,000 for Improvement Area No. 1 (the "Improvement Area No. 1 Appropriations Limit") and declared that the appropriations limit for any future improvement area (each, a "Future Improvement Area") would be identified and approved in the Unanimous Approval executed by property owners in connection with their annexation to the CFD; and

WHEREAS, pursuant to Resolution No. 2016-158, adopted by the City Council on July 19, 2016, the City Council declared the necessity for the City to incur bonded indebtedness and other debt (as defined in the Act) in one or more series on behalf of the CFD with respect to Improvement Area No. 1 in an aggregate amount not to exceed \$70,000,000 (the "Improvement Area No. 1 Indebtedness Limit"), declared the necessity for the City to incur bonded indebtedness and other debt in one or more series on behalf of the CFD with respect to those portions of the CFD that are not included in Improvement Area No. 1 in an aggregate amount not to exceed \$215,000,000 (the "Non-Improvement Area No. 1 Indebtedness Limit"), and directed that in the event that all or a portion of the Future Annexation Area is annexed as one or more Future Improvement Areas, the maximum indebtedness of each such Future Improvement Area shall be identified in the Unanimous Approval of the property owners of the property to be annexed at the time of the annexation, as set forth in the Resolution of Formation, and the amount of the maximum indebtedness for the Future Improvement Area(s) shall be subtracted from the Non-Improvement Area No. 1 Indebtedness Limit; and

WHEREAS, at an election of the qualified electors in Improvement Area No. 1 held on July 19, 2016, the qualified electors approved the levy of special taxes according to the Improvement Area No. 1 Rate and Method, the Improvement Area No. 1 Bonded Indebtedness Limit and the Improvement Area No. 1 Appropriations Limit; and

WHEREAS, pursuant to petitions received by the City, the City has been asked by the owners of the property in Improvement Area No. 1 and the CFD to (i) increase the Improvement Area No. 1 Indebtedness Limit to \$80,000,000, (ii) increase the Non-Improvement Area No. 1 Indebtedness Limit to \$\_\_\_\_\_, (iii) increase the Improvement Area No. 1 Appropriations Limit to \$80,000,000, (iv) amend the boundaries of the CFD, Improvement Area No. 1 and Future Annexation Area by removing San Joaquin County Assessor's Parcel Number 253-360-15 from Improvement Area No. 1 (the "Transferred Parcel") and adding it to the Future Annexation Area, and (v) amend the Improvement Area No. 1 Rate and Method to reflect the fact that none of the parcels in Improvement Area No. 1 as of the date hereof is Business Park Property (as defined in the Improvement Area No. 1 Rate and Method); and

WHEREAS, although, following a public hearing, the City Council may change the Non-Improvement Area No. 1 Indebtedness Limit and add the Transferred Parcel to the Future Annexation Area without any further hearings or proceedings, the following changes must occur following a public hearing and must be approved by two-thirds of the votes cast on the proposition at an election of the qualified electors in Improvement Area No. 1: (i) the proposed changes to the Improvement Area No. 1 Indebtedness Limit, (ii) the proposed changes to the Improvement Area No. 1 Appropriations Limit, (iii) the removal of the Transferred Parcel from Improvement Area No. 1 and (iv) amend the Improvement Area No. 1 Rate and Method.

NOW THEREFORE BE IT RESOLVED as follows:

1. Recitals Correct. The foregoing recitals are true and correct.
2. Name and Description of the Affected Area. This Resolution relates to the property in the CFD, Improvement Area No. 1 and the Future Annexation Area, as described in the Original Boundary Map.
3. Approval of Amended Boundary Map. Subject to approval by two-thirds of the votes cast on the proposition, the City hereby approves the proposed amended boundaries of

the CFD, Improvement Area No. 1 and Future Annexation Area as shown on the map of them (the "Amended Boundary Map") on file with the City Clerk, to which Amended Boundary Map reference is hereby made for further particulars. Pursuant to Section 53338 of the Act, the Amended Boundary Map will be recorded in the office of the Recorder of San Joaquin County following an election of the qualified electors in Improvement Area No. 1 and within 15 days of the date of adoption of the resolution of change by this City Council.

4. Amendment and Restatement of the Improvement Area No. 1 Rate and Method. The proposed amended and restated Improvement Area No. 1 Rate and Method (the "Amended and Restated Improvement Area No. 1 Rate and Method") in the form attached hereto as Exhibit A and incorporated herein by reference is hereby approved by this City Council, subject to approval by two-thirds of the votes cast on the proposition of amending and restating the Improvement Area No. 1 Rate and Method at an election of the qualified electors in Improvement Area No. 1.

5. Maximum Authorized Indebtedness Limits. It is the intent of this City Council to authorize the City, for and on behalf of the CFD, to incur bonded indebtedness and other debt (as defined in the Act) in the following amended amounts:

(i) For Improvement Area No. 1, subject to approval by two-thirds of the votes cast on the proposition at an election of the qualified electors in Improvement Area No. 1, an aggregate amount not to exceed \$80,000,000 (the "Amended Improvement Area No. 1 Indebtedness Limit").

(ii) For the portion of the CFD that is not in Improvement Area No. 1, an amount not to exceed \$\_\_\_\_,000,000 (the "Amended Non-Improvement Area No. 1 Indebtedness Limit").

As provided in the Resolution of Formation, in the event that all or a portion of the Future Annexation Area is annexed as one or more Future Improvement Areas, the maximum indebtedness of each such Future Improvement Area shall be identified in the Unanimous Approval of the property owners of the property to be annexed at the time of the annexation, subject to review and approval by the City Engineer, and the amount of the maximum indebtedness for the Future Improvement Area(s) shall be subtracted from the Amended Non-Improvement Area No. 1 Indebtedness Limit.

6. Improvement Area No. 1 Appropriations Limit. Subject to approval by two-thirds of the votes cast on the proposition at an election of the qualified electors in Improvement Area No. 1, the City Council hereby approves an amended Improvement Area No. 1 Appropriations Limit, as defined by subdivision (h) of Section 8 of Article XIII B of the California Constitution, of the CFD in the amount of \$80,000,000 (the "Amended Improvement Area No. 1 Appropriations Limit").

As provided in the Resolution of Formation, the appropriations limit for any Future Improvement Area would be identified and approved in the Unanimous Approval executed by property owners in connection with their annexation to the CFD.

7. Public Hearing. The City Council hereby sets August 21, 2018 at 7:00 p.m. (which date is at least 30 days and not more than 60 days after the date of this Resolution) or as soon thereafter as possible in the City Council Chambers located at 333 Civic Center Plaza, Tracy, California, as the date and time for the public hearing on the question of (i) the proposed amended boundaries of the CFD, Improvement Area No. 1 and Future Annexation Area, (ii) the

proposed Amended Improvement Area No. 1 Indebtedness Limit, (iii) the proposed Amended Non-Improvement Area No. 1 Indebtedness Limit, (iv) the proposed Amended Improvement Area No. 1 Appropriations Limit and (v) the proposed Amended and Restated Improvement Area No. 1 Rate and Method.

The City Clerk is hereby directed to cause notice of the public hearing to be given by publication one time in a newspaper published in the area of the CFD. The publication shall be completed at least 7 days before the date of the public hearing specified above. The notice shall comply with the provisions of Section 53335 of the Act.

8. Effective Date. This Resolution shall take effect upon its adoption.

\* \* \* \* \*

The foregoing Resolution was adopted by the City Council of the City of Tracy on the the 17<sup>th</sup> day of July, 2018, on the following vote:

AYES: COUNCILMEMBERS:

NOES: COUNCILMEMBERS:

ABSENT: COUNCILMEMBERS:

ABSTAIN: COUNCILMEMBERS:

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk



**EXHIBIT A**  
**IMPROVEMENT AREA NO. 1 OF THE**  
**CITY OF TRACY**  
**COMMUNITY FACILITIES DISTRICT NO. 2016-1**  
**(TRACY HILLS)**

**AMENDED AND RESTATED**  
**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES**

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Special Taxes applicable to each Assessor’s Parcel in Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills) shall be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in Improvement Area No. 1, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**A. DEFINITIONS**

The terms hereinafter set forth have the following meanings:

“**Accessory Unit**” means a second residential unit of limited size (e.g., granny cottage, second unit) that shares a Parcel with a single-family detached unit.

“**Acre**” or “**Acreage**” means the land area of an Assessor’s Parcel as shown on an Assessor’s Parcel Map, or if the land area is not shown on an Assessor’s Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded at the County Recorder’s Office.

“**Act**” means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the Government Code of the State of California.

“**Administrative Expenses**” means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to the CFD and the Bonds, including, but not limited to, the levy and collection of Special Taxes, the fees and expenses of its legal counsel, charges levied by the County in connection with the levy and collection of Special Taxes, costs related to property owner inquiries regarding the Special Taxes, costs associated with appeals or requests for interpretation associated with the Special Taxes and this RMA, costs of the dissemination agent, whether for the City or another party that has undertaken to provide continuing disclosure, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with any continuing disclosure requirements with respect to the Bonds and the Special Taxes, costs associated with foreclosure and collection of delinquent Special Taxes and all other costs and expenses of the City and County in any way related to the establishment or administration of the CFD.

**“Administrator”** means the person or firm designated by the City to administer the Special Taxes according to this RMA.

**“Assessor’s Parcel”** or **“Parcel”** means a lot or parcel shown on an Assessor’s Parcel Map with an assigned Assessor’s parcel number.

**“Assessor’s Parcel Map”** means an official map of the County Assessor designating Parcels by Assessor’s Parcel number.

**“Authorized Facilities”** means the public facilities authorized to be financed, in whole or in part, by the CFD.

**“Authorized Services”** means the public services authorized to be funded, in whole or in part, by the CFD.

**“Bonds”** means bonds or other debt (as defined in the Act), whether in one or more series, issued or assumed by Improvement Area No. 1 to fund Authorized Facilities.

**“Building Permit”** means a single permit or set of permits required to construct a residential or non-residential structure. If a permit is issued for a foundation, parking, landscaping or other related facility or amenity, but a building permit has not yet been issued for the structure served by these facilities or amenities, such permit shall not be considered a “Building Permit” for purposes of application of the Special Taxes herein.

**“Business Park Property”** all Parcels of Developed Property within the specific geographic area in Improvement Area No. 1 that (i) was expected at the time of the CFD Update to be developed for business park uses, and (ii) is identified as BP1 and BP2 on the Tentative Map and Attachment 2 of this RMA. Notwithstanding the foregoing, if in any Fiscal Year, property that had been designated as Business Park Property is proposed for a use other than industrial or business park, the Administrator shall: (i) determine whether the property is expected to be Single Family Residential Property or Other Property, (ii) update Attachment 2 to reflect the new Expected Land Uses and Expected Maximum Facilities Special Tax Revenues for the property, and (iii) in the next Fiscal Year and all following Fiscal Years, levy Special Taxes on the property based on the new land use.

**“Capitalized Interest”** means funds in any capitalized interest account available to pay interest on Bonds.

**“CFD”** means the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills).

**“CFD Update”** means the date on which the Resolution of Change was adopted by the City Council.

**“City”** means the City of Tracy.

**“City Council”** means the City Council of the City of Tracy.

**“City Services CFD”** means a community facilities district formed under the Act (separate from the CFD) over the property that is also included in the CFD that authorizes the levy of a special tax, all or a component of which is an amount up to \$325 per Residential Unit in Fiscal Year 2016-17 dollars that will be levied to mitigate fiscal deficits by funding police protection, fire protection, and/or public works maintenance services.

**“County”** means the County of San Joaquin.

**“Development Class”** means, individually, Developed Property and Undeveloped Property.

**“Developed Property”** means, in any Fiscal Year, all Parcels of Taxable Property for which a Building Permit was issued prior to June 30 of the preceding Fiscal Year.

**“Expected Land Uses”** means the number of Residential Units and acres of Business Park Property expected within Improvement Area No. 1 as of the CFD Update, as identified in Attachment 1 and as amended from time to time as set forth in this RMA.

**“Expected Maximum Facilities Special Tax Revenues”** means the amount of annual revenue that would be available in Improvement Area No. 1 if the Maximum Facilities Special Tax was levied on the Expected Land Uses. The Expected Maximum Facilities Special Tax Revenues are shown in Attachment 1 of this RMA and may be reduced due to prepayments in future Fiscal Years and/or pursuant to Section D below.

**“Facilities Special Tax”** means a special tax levied in any Fiscal Year to pay the Facilities Special Tax Requirement.

**“Facilities Special Tax Requirement”** means the amount necessary in any Fiscal Year (i) to pay principal and interest on Bonds which are due in the calendar year which begins in such Fiscal Year, (ii) to create or replenish reserve funds to the extent such replenishment has not been included in a computation of Special Tax Requirement in a previous Fiscal Year, (iii) to cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year, (iv) to pay Administrative Expenses, and (v) to pay the costs of Authorized Facilities to be funded directly from Facilities Special Tax proceeds to the extent that paying directly for such costs does not increase the Special Taxes levied on Undeveloped Property. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by (i) interest earnings on or surplus balances in funds and accounts for Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture, (ii) proceeds from the collection of penalties associated with delinquent Facilities Special Taxes, and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

**“Final Bond Sale”** means, at any point in time, the last series of Bonds issued for Improvement Area No. 1, which issuance uses up virtually all of the remaining capacity available from the Maximum Facilities Special Tax revenues that can be generated within Improvement Area No. 1, as determined by the City. If additional Bonds are expected to be issued after outstanding Bonds retire, the “Final Bond Sale” may not be the last series of Bonds ever issued for Improvement Area No. 1, but instead the last sale of Bonds that can be issued before some or all of the outstanding Bonds retire.

**“Final Map”** means a final map, or portion thereof, recorded by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates lots that do not need to be further subdivided prior to issuance of a Building Permit for a residential structure. The term “Final Map” shall not include any Assessor’s Parcel map or subdivision map, or portion thereof, that does not create lots that are in their final configuration, including Assessor’s Parcels that are designated as remainder parcels.

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

**“Homeowners Association”** or **“HOA”** means the homeowners association that provides services to, and collects dues, fees, or charges from, property within Improvement Area No. 1.

**“HOA Property”** means any property within the boundaries of Improvement Area No. 1 that is owned in fee or by easement by the Homeowners Association, not including any such property that is located directly under a residential structure.

**“Improvement Area No. 1”** means Improvement Area No. 1 of the City of Tracy Community Facilities District No. 2016-1 (Tracy Hills).

**“Improvement Fund”** means the account (regardless of its name) identified in the Indenture to hold funds which are available to acquire or construct Authorized Facilities.

**“Indenture”** means the bond indenture, fiscal agent agreement, trust 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.

**“Land Use Change”** means a proposed or approved change to the Expected Land Uses within Improvement Area No. 1 after the CFD Update.

**“Maximum Facilities Special Tax”** means the greatest amount of Facilities Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year as determined in accordance with Sections C and D below.

**“Maximum Services Special Tax”** means the greatest amount of Services Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year as determined in accordance with Section C.2 below.

**“Maximum Special Taxes”** means, collectively, the Maximum Facilities Special Tax and Maximum Services Special Tax.

**“Other Property”** means, in any Fiscal Year, all Parcels of Developed Property within Improvement Area No. 1 that are not Single Family Residential Property, Business Park Property, Taxable HOA Property, or Taxable Public Property.

**“Proportionately”** means, for Developed Property that is not Taxable HOA Property or Taxable Public Property, that the ratio of the actual Special Taxes levied in any Fiscal Year to the Maximum Special Taxes authorized to be levied in that Fiscal Year is equal for all Parcels of

Developed Property that are not Taxable HOA Property or Taxable Public Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Taxes levied to the Maximum Special Taxes is equal for all Parcels of Undeveloped Property. For Taxable Public Property, “Proportionately” means that the ratio of the actual Special Taxes levied to the Maximum Special Taxes is equal for all Parcels of Taxable Public Property. For Taxable HOA Property, “Proportionately” means that the ratio of the actual Special Taxes levied to the Maximum Special Taxes is equal for all Parcels of Taxable HOA Property.

**“Public Property”** means any property within the boundaries of Improvement Area No. 1 that is owned by the federal government, State of California or other local governments or public agencies.

**“Recycled Water Facilities Cost”** means the total cost, as determined by the City, of funding the design, engineering, construction, and/or acquisition of recycled water facilities that will serve development within the CFD. If, in the future, the City determines that there is a preferred alternative to the recycled water facilities that were expected at the time of the CFD Update, the cost of such facilities shall qualify as Recycled Water Facilities Costs for purposes of this RMA.

**“Remainder Taxes”** means, after September 1<sup>st</sup> and before December 31<sup>st</sup> of any Fiscal Year, any Facilities Special Tax revenues that were levied and collected in the prior Fiscal Year and were not needed to (i) pay debt service on the Bonds that was due in the calendar year in which the Remainder Taxes are being calculated, (ii) replenish Bond reserves, or (iii) pay Administrative Expenses that have been incurred, or are expected to be incurred, by the City prior to the receipt of additional Facilities Special Tax proceeds.

**“Required Coverage”** means the amount by which the Maximum Facilities Special Tax Revenues must exceed the Bond debt service and required Administrative Expenses, as set forth in the Indenture, Certificate of Special Tax Consultant, or other formation or bond document that sets forth the minimum required debt service coverage.

**“Residential Unit”** means an individual single-family unit that does not share a common wall with another residential unit, or an individual residential unit within a duplex, halfplex, triplex, fourplex, townhome, live/work or condominium structure. An Accessory Unit shall not be considered a Residential Unit for purposes of this RMA.

**“RMA”** means this Amended and Restated Rate and Method of Apportionment of Special Tax.

**“Services Special Tax”** means a special tax levied in any Fiscal Year to pay the Services Special Tax Requirement.

**“Services Special Tax Requirement”** means the amount of revenue needed in any Fiscal Year after the Trigger Event to pay for: (i) Authorized Services, (ii) Administrative Expenses, and (iii) amounts needed to cure any delinquencies in the payment of Services Special Taxes which have occurred in the prior Fiscal Year. In any Fiscal Year, the Services Special Tax Requirement shall be reduced by surplus amounts available (as determined by the City) from the levy of the Services Special Tax in prior Fiscal Years, including revenues from the collection of delinquent Services Special Taxes and associated penalties and interest.

**“Single Family Residential Property”** means, in any Fiscal Year, all Parcels of Developed Property for which a Building Permit was issued for construction of one or more Residential Units.

**“Special Taxes”** means, collectively, the Facilities Special Tax and the Services Special Tax.

**“Taxable HOA Property”** means, in any Fiscal Year, all Parcels of HOA Property that are not exempt pursuant to Section G below.

**“Taxable Property”** means all Parcels within the boundaries of Improvement Area No. 1 which are not exempt from the Special Tax pursuant to law or Section G below.

**“Taxable Public Property”** means, in any Fiscal Year after the first series of Bonds is issued, any Parcel of Public Property that satisfies all three of the following conditions: (i) the Parcel had not been Public Property on the date of issuance of the first series of Bonds, (ii) based on reference to Attachments 1 and 2 (as may be updated pursuant to Section D.1 below), the Parcel was not anticipated to be Public Property based on the Expected Land Uses, as determined by the Administrator, and (iii) if the Parcel were to be exempt from the Facilities Special Tax because it has become Public Property, the Expected Maximum Facilities Special Tax Revenues would be reduced to a point at which Required Coverage could not be maintained.

**“Tentative Map”** means Vesting Tentative Tract Map–Tract 3788 for Tracy Hills Phase 1A, as approved by the City Council on April 5, 2016 and as shown in Attachment 2 of this RMA.

**“Trigger Event”** means, in any Fiscal Year, that, on or before June 30 of the prior Fiscal Year, the Administrator made a finding that (i) all Bonds secured by the levy and collection of Facilities Special Taxes in the CFD have been fully repaid, (ii) all Administrative Expenses from prior Fiscal Years have been paid or reimbursed to the City, (iii) the Recycled Water Facilities Costs have been fully funded, and (iv) there are no other Authorized Facilities that the City intends to fund with Facilities Special Taxes. In the first Fiscal Year in which the Administrator determines that the Trigger Event occurred in the prior Fiscal Year, and in each Fiscal Year thereafter, the Facilities Special Tax shall cease to be levied, and the Maximum Services Special Tax for each Parcel shall be adjusted pursuant to Section C.2 below.

**“Undeveloped Business Park Property”** means, in any Fiscal Year, all Parcels that otherwise meet the definition of Business Park Property but are not yet Developed Property.

**“Undeveloped Property”** means, in any Fiscal Year, all Parcels of Taxable Property that are not Developed Property or Undeveloped Business Park Property.

**“Village”** means a specific geographic area within Improvement Area No. 1 that (i) is identified by an assigned number on the Tentative Map, (ii) is expected to have single family lots that are all of a similar size, and (iii) is assigned Expected Maximum Facilities Special Tax Revenues in Attachment 1 based on the Expected Land Uses for that Village.

## **B. DATA FOR ADMINISTRATION OF SPECIAL TAX**

Each Fiscal Year, the Administrator shall (i) categorize each Parcel of Taxable Property as Developed Property, Undeveloped Business Park Property, Undeveloped Property, Taxable Public Property, or Taxable HOA Property, (ii) for Single Family Residential Property, determine within which Village each Parcel of Developed Property is located and the number of Residential Units on the Parcel, and (iii) determine the Facilities Special Tax Requirement and Services Special Tax Requirement for the Fiscal Year. In addition, the Administrator shall, *on an ongoing basis*, monitor Final Maps and condominium plans to determine if there are any proposed changes to the Expected Land Uses that would reduce the Expected Maximum Facilities Special Tax Revenues for a Village. If the Expected Maximum Facilities Special Tax Revenues will be reduced pursuant to a proposed Land Use Change, the Administrator shall apply the steps set forth in Section D.1 below.

In any Fiscal Year, if it is determined that: (i) a parcel map for property in Improvement Area No. 1 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created Parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new Parcels created by the parcel map, and (iii) one or more of the newly-created Parcels is in a different Development Class than other Parcels created by the subdivision, the Administrator shall calculate the Special Taxes for the property affected by recordation of the parcel map by determining the Special Taxes that apply separately to the property within each Development Class, then applying the sum of the individual Special Taxes to the Parcel that was subdivided by recordation of the parcel map.

## **C. MAXIMUM SPECIAL TAX**

### *1. Facilities Special Tax*

Table 1 below identifies the Maximum Facilities Special Tax, before and after the Trigger Event, for Taxable Property in Improvement Area No. 1, subject to potential adjustments that may occur pursuant to Section D below.

**TABLE 1  
IMPROVEMENT AREA NO. 1  
MAXIMUM FACILITIES SPECIAL TAX**

<b>Land Use</b>	<b>Maximum Facilities Special Tax Prior to Trigger Event Fiscal Year 2015-16*</b>	<b>Maximum Facilities Special Tax After Trigger Event</b>
<u>Single Family Residential Property</u> Village 1 Village 2 Village 3 Village 4 Village 5 Village 6 Village 7 Village 8	\$2,514 per Residential Unit \$2,839 per Residential Unit \$2,837 per Residential Unit \$2,638 per Residential Unit \$3,487 per Residential Unit \$3,828 per Residential Unit \$2,270 per Residential Unit \$3,658 per Residential Unit	\$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit
Business Park Property/ Undeveloped Business Park Property	\$2,500 per Acre	\$0 per Acre
Other Property	\$30,000 per Acre	\$0 per Acre
Taxable Public Property and Taxable HOA Property	\$30,000 per Acre	\$0 per Acre
Undeveloped Property	\$30,000 per Acre	\$0 per Acre

**\* On July 1, 2016 and on each July 1 thereafter, all figures shown in Table 1 above shall be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.**

2. *Services Special Tax*

Table 2 below identifies the Maximum Services Special Tax, before and after the Trigger Event, for Taxable Property in Improvement Area No. 1.



**TABLE 2  
IMPROVEMENT AREA NO. 1  
MAXIMUM SERVICES SPECIAL TAX**

<b>Type of Property</b>	<b>Maximum Services Special Tax Prior to Trigger Event</b>	<b>Maximum Services Special Tax After Trigger Event Fiscal Year 2015-16*</b>
<u>Single Family Residential Property</u> Village 1 Village 2 Village 3 Village 4 Village 5 Village 6 Village 7 Village 8	\$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit \$0 per Residential Unit	\$503 per Residential Unit \$568 per Residential Unit \$567 per Residential Unit \$528 per Residential Unit \$697 per Residential Unit \$766 per Residential Unit \$454 per Residential Unit \$732 per Residential Unit
Business Park Property/ Undeveloped Business Park Property	\$0 per Acre	\$500 per Acre
Taxable Public Property and Taxable HOA Property	\$0 per Acre	\$1,000 per Acre
Undeveloped Property	\$0 per Acre	\$1,000 per Acre

**\* On July 1, 2016 and on each July 1 thereafter, all figures shown in Table 2 above shall be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.**

Once Special Taxes have been levied on a Parcel of Developed Property, the Maximum Special Taxes applicable to that Parcel shall not be reduced in future Fiscal Years regardless of changes in land use on the Parcel, except (i) in the event of a partial prepayment pursuant to Section H, and (ii) pursuant to Section D. Notwithstanding the foregoing: (i) if Bonds have yet to be issued for Improvement Area No. 1, the Parcels can be assigned to the appropriate Special Tax category based on the Land Use Change, and the Administrator shall recalculate the Expected Maximum Facilities Special Tax Revenues based on the corresponding change in revenues, and (ii) the actual Special Taxes levied on a Parcel of Developed Property in any Fiscal Year may be less than the Maximum Special Taxes if lower Special Taxes are calculated pursuant to Step 1 in Sections E.1 and E.2 below.

**D. CHANGES TO MAXIMUM SPECIAL TAXES**

The Expected Maximum Facilities Special Tax Revenues were calculated based on the Expected Land Uses at the CFD Update. The Administrator shall review Final Maps, Tentative Map revisions, and other changes to land uses proposed within Improvement Area No. 1 and compare the revised land uses to the Expected Land Uses to evaluate the impact on the Expected Maximum Facilities Special Tax Revenues.

1. *Changes in Expected Land Uses*

If, prior to the issuance of the first series of Bonds, a Land Use Change is proposed that will result in a reduction in the Expected Maximum Facilities Special Tax Revenues, no action will be needed pursuant to this Section D.1. Upon approval of the Land Use Change, the Administrator shall update Attachment 1 to show the reduced Expected Maximum Facilities Special Tax Revenues.

If, prior to the Final Bond Sale, a Land Use Change is proposed that will result in a reduction in the Expected Maximum Facilities Special Tax Revenues, no action will be needed pursuant to this Section D.1 as long as the reduction does not reduce debt service coverage on outstanding Bonds below the Required Coverage. Upon approval of the Land Use Change, the Administrator shall update Attachment 1 to show the reduced Expected Maximum Facilities Special Tax Revenues, which amount shall be used to size the Final Bond Sale.

If a Land Use Change is proposed after the Final Bond Sale, the following steps shall be applied:

- Step 1:** By reference to Attachment 1 (which will be updated by the Administrator each time a Land Use Change has been processed according to this Section D.1 and or pursuant to Section D.2), the Administrator shall identify the Expected Maximum Facilities Special Tax Revenues for Improvement Area No. 1.
- Step 2:** The Administrator shall calculate the Maximum Facilities Special Tax Revenues that could be collected from property in Improvement Area No. 1 if the Land Use Change is approved.
- Step 3:** If the amount calculated in Step 2 is higher than that determined in Step 1, no further action is needed. If the revenues calculated in Step 2 are less than those calculated in Step 1, and if the landowner requesting the Land Use Change does not prepay the portion of the Expected Maximum Facilities Special Tax Revenues in an amount that corresponds to the lost revenue, then the Maximum Facilities Special Tax for each Parcel of Taxable Property in the area affected by the Land Use Change shall be increased proportionately until the aggregate Maximum Facilities Special Tax Revenues that can be generated from the area affected by the Land Use Change is the same as it was prior to the Land Use Change.

If multiple Land Use Changes are proposed simultaneously by a single land owner (which may include approval of multiple Final Maps at one time), the Administrator may consider the combined effect of all the Land Use Changes to determine if there is a reduction in Expected Maximum Facilities Special Tax Revenues. If there is a reduction, the Administrator shall increase the Maximum Facilities Special Tax proportionately in all of the Final Maps being proposed by the landowner until the aggregate amount that can be levied within the Final Maps is equal to the amount that could have been levied prior to the proposed Land Use Changes. If Land Use Changes are proposed simultaneously by multiple landowners, the Administrator shall consider the proposed Land Use Changes individually.

2. *Formation of City Services CFD*

If a City Services CFD is formed and Bonds have not yet been sold for Improvement Area No. 1, the Maximum Facilities Special Taxes set forth in Table 1 for Single Family Property in Fiscal Year 2015-16 shall be reduced by \$325 per Residential Unit (or such lower amount that is adopted as the maximum special tax or component thereof that will be used to mitigate fiscal impacts on the City by paying for fire protection, police protection, and/or public works maintenance services), and the Maximum Facilities Special Taxes, as reduced by this Section D.2, shall, on July 1, 2016 and on each July 1 thereafter, be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year.

In addition, upon formation of the City Services CFD, the Maximum Services Special Taxes after the Trigger Event set forth in Table 2 for Fiscal Year 2015-16 shall be reduced to twenty percent (20%) of the reduced Maximum Facilities Special Taxes calculated pursuant to the sentence above. Such reduced Maximum Services Special Taxes shall, on July 1, 2016 and on each July 1 thereafter, be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year, as set forth in Section C. After the City Services CFD is formed, the Administrator shall also do the following: (i) record an Amended Notice of Special Tax Lien to reflect the reduced Maximum Facilities Special Taxes and Maximum Services Special Taxes, and (ii) update Attachment 1 to reflect the new Maximum Facilities Special Taxes and corresponding Expected Maximum Facilities Special Tax Revenues.

3. *Transfer of Expected Maximum Facilities Special Tax Revenues from One Village to Another*

The Expected Maximum Facilities Special Tax Revenues were determined for each Village based on the Expected Land Uses within that Village. If the expected number of Residential Units is transferred from one Village to another, the City may, in its sole discretion, allow for a corresponding transfer of Expected Maximum Facilities Special Tax Revenues between the Villages. Such a transfer shall only be allowed if (i) all adjustments are agreed to in writing by the affected property owners and the City, and (ii) there is no reduction in the total Expected Maximum Facilities Special Tax Revenues as a result of the transfer.

4. *Conversion of a Parcel of Public Property to Private Use*

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, such Parcel shall be subject to the levy of Special Taxes. The Maximum Special Taxes for each such Parcel shall be determined based on the average Maximum Special Taxes for Parcels with similar land use designations, as determined by the Administrator.

**E. METHOD OF LEVY OF THE SPECIAL TAXES**

1. *Facilities Special Tax*

Each Fiscal Year, the Administrator shall determine the Facilities Special Tax Requirement and levy the Facilities Special Tax on all Parcels of Taxable Property as follows:

**Step 1:** In the first twenty (20) Fiscal Years in which a Facilities Special Tax is levied within Improvement Area No. 1, the Maximum Facilities Special Tax shall be levied on all Parcels of Developed Property. Any Facilities Special Tax proceeds collected that are determined by the Administrator to be Remainder Taxes shall be deposited into the Improvement Fund to pay any costs associated with the acquisition of Authorized Facilities that were not paid with Bond proceeds or Facilities Special Taxes levied in prior Fiscal Years.

Beginning in the twenty-first (21<sup>st</sup>) Fiscal Year in which a Facilities Special Tax is levied within Improvement Area No. 1 and continuing until the Trigger Event, the Facilities Special Tax shall be levied Proportionately on each Parcel of Developed Property up to 100% of the Maximum Facilities Special Tax for each Parcel of Developed Property until the amount levied is equal to the Facilities Special Tax Requirement, the calculation of which will include funding for Recycled Water Facilities Costs and/or other Authorized Facilities designated for funding, as determined in the sole discretion of the City.

After the Trigger Event, the Facilities Special Tax shall no longer be levied.

**Step 2:** If additional revenue is needed after Step 1 and after applying Capitalized Interest to the Special Tax Requirement, the Facilities Special Tax shall be levied Proportionately on (i) each Parcel of Undeveloped Property up to 100% of the Maximum Facilities Special Tax for each Parcel of Undeveloped Property, and (ii) each Parcel of Undeveloped Business Park Property up to 100% of the Maximum Facilities Special Tax for each Parcel of Undeveloped Business Park Property.

**Step 3:** If additional revenue is needed after Step 2, the Facilities Special Tax shall be levied Proportionately on each Parcel of Taxable HOA Property, up to 100% of the Maximum Facilities Special Tax for each Parcel of Taxable HOA Property.

**Step 4:** If additional revenue is needed after Step 3, the Facilities Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property, up to 100% of the Maximum Facilities Special Tax for each Parcel of Taxable Public Property.

## 2. *Services Special Tax*

Each Fiscal Year after the Trigger Event, the Administrator shall determine the Services Special Tax Requirement and levy the Services Special Tax on all Parcels of Taxable Property as follows:

**Step 1:** The Services Special Tax shall be levied Proportionately on each Parcel of Developed Property up to 100% of the Maximum Services Special Tax for each Parcel of Developed Property until the amount levied is equal to the Services Special Tax Requirement.

- Step 2:** If additional revenue is needed after Step 1, the Services Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property, up to 100% of the Maximum Services Special Tax for each Parcel of Undeveloped Property and Undeveloped Business Park Property.
- Step 3:** If additional revenue is needed after Step 2, the Services Special Tax shall be levied Proportionately on each Parcel of Taxable HOA Property, up to 100% of the Maximum Services Special Tax for each Parcel of Taxable HOA Property.
- Step 4:** If additional revenue is needed after Step 3, the Services Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property, up to 100% of the Maximum Services Special Tax for each Parcel of Taxable Public Property.

**F. MANNER OF COLLECTION OF SPECIAL TAXES**

The Special Taxes for Improvement Area No. 1 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that partial prepayments are permitted as set forth in Section H below and provided further that the City may directly bill the Special Taxes, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods.

The Facilities Special Tax shall be levied and collected until principal and interest on Bonds have been repaid, costs of constructing or acquiring Authorized Facilities from Facilities Special Tax proceeds have been paid, and all Administrative Expenses have been paid or reimbursed. However, in no event shall Facilities Special Taxes be levied for more than eighty (80) Fiscal Years. Under no circumstances may the Facilities Special Tax on a Parcel in residential use be increased in any Fiscal Year as a consequence of delinquency or default in payment of the Facilities Special Tax levied on another Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults. After the Trigger Event, the Services Special Tax may be levied and collected in perpetuity.

**G. EXEMPTIONS**

Any Parcel that becomes Public Property prior to the first series of Bonds being issued for Improvement Area No. 1 shall be exempt from both the Services Special Tax and the Facilities Special Tax; the Administrator shall reduce the Expected Maximum Facilities Special Tax Revenues to reflect any such exemption, and the first series of Bonds shall be sized based on the reduced Expected Maximum Facilities Special Tax Revenues. Any Parcel that becomes Public Property after the first series of Bonds are issued for Improvement Area No. 1 shall be exempt from both the Services Special Tax and the Facilities Special Tax provided such Parcel is not Taxable Public Property.

In addition, no Special Taxes shall be levied on (i) up to 61.45 Acres of HOA Property, with tax-exempt status assigned in chronological order based on the date on which Parcels were transferred to the Homeowners Association, (ii) Parcels that are designated as permanent open space or common space on which no structure is permitted to be constructed, (iii) Parcels owned by a public utility for an unmanned facility, and (iv) Parcels subject to an easement that precludes any use on the Parcel other than that permitted by the easement. Notwithstanding the foregoing, if a Facilities Special Tax has been levied on a Parcel in any Fiscal Year, and the entire Parcel subsequently meets the criteria in (ii), (iii) or (iv) above, the Parcel shall remain subject to the Facilities Special Tax levy, unless the first series of Bonds have yet to be issued for Improvement Area No. 1, in which case such property shall be categorized as Public Property, and the Administrator shall recalculate the Expected Maximum Facilities Special Tax Revenues based on the corresponding loss in revenues.

## **H. PARTIAL PREPAYMENT OF FACILITIES SPECIAL TAX**

The following definitions apply to this Section H:

**“Outstanding Bonds”** means all Previously Issued Bonds which remain outstanding, with the following exception: if a Facilities Special Tax has been levied against, or already paid by, an Assessor’s Parcel making a prepayment, and a portion of the Facilities Special Tax will be used to pay a portion of the next principal payment on the Bonds that remain outstanding (as determined by the Administrator), that next principal payment shall be subtracted from the total Bond principal that remains outstanding, and the difference shall be used as the amount of Outstanding Bonds for purposes of this prepayment formula.

**“Previously Issued Bonds”** means all Bonds that have been issued prior to the date of prepayment.

**“Public Facilities Requirements”** means: (i) \$45,765,000 in fiscal year 2015-16 dollars, which amount shall, on July 1, 2016 and on each July 1 thereafter, be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year, or (ii) such other number as shall be determined by the City to be an appropriate estimate of the net construction proceeds that will be generated from all Bonds that have been or are expected to be issued on behalf of Improvement Area No. 1.

**“Remaining Facilities Costs”** means the Public Facilities Requirements (as defined above), minus public facility costs funded by Previously Issued Bonds (as defined above), Remainder Taxes, or prepayments.

A property owner may prepay up to 80% of the Facilities Special Tax obligation applicable to a Parcel in Improvement Area No. 1, thereby reducing the Maximum Facilities Special Tax applicable to the Parcel, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay a portion of the Facilities Special Tax obligation shall provide the City with written notice of intent to prepay, which shall identify the percentage of the Maximum Facilities

Special Tax that is to be prepaid. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Parcel. Prepayment must be made not less than 50 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Facilities Special Taxes.

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

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

As of the proposed date of prepayment, the Prepayment Amount for a Parcel shall be determined by application of the following steps:

- Step 1.** Determine the Maximum Facilities Special Tax that could be levied on the Parcel based on the Expected Land Uses for the Parcel at the time the prepayment is calculated.
- Step 2.** Divide the Maximum Facilities Special Tax computed pursuant to Step 1 by the Expected Maximum Facilities Special Tax Revenues in that Fiscal Year.
- Step 3.** Multiply the quotient computed in Step 2 by the percentage of the Maximum Facilities Special Tax that the property owner wants to prepay, which percentage shall not exceed 80%.
- Step 4.** Multiply the quotient computed pursuant to Step 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the “Bond Redemption Amount”*).
- Step 5.** Compute the current Remaining Facilities Costs (if any).
- Step 6.** Multiply the quotient computed pursuant to Step 3 by the amount determined pursuant to Step 5 to compute the amount of Remaining Facilities Costs to be prepaid (*the “Remaining Facilities Amount”*).
- Step 7.** 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 8.** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the last Bond interest payment date on which interest has been or will be paid by Facilities Special Taxes already levied until the earliest redemption date for the Outstanding Bonds.

- Step 9:** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 10:** Take the amount computed pursuant to Step 8 and subtract the amount computed pursuant to Step 9 (the “*Defeasance Requirement*”).
- Step 11.** Determine the costs of computing the prepayment amount, redeeming Bonds, and recording any notices to evidence the prepayment and redemption (the “*Administrative Fees and Expenses*”).
- Step 12.** If and to the extent so provided in the Indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “*Reserve Fund Credit*”).
- Step 13.** The Facilities Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 4, 6, 7, 10, and 11, less the amount computed pursuant to Step 12 (the “*Prepayment Amount*”).
- Step 14.** From the Prepayment Amount, the amounts computed pursuant to Steps 4, 7, and 10 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to Step 6 shall be deposited into the Improvement Fund. The amount computed pursuant to Step 11 shall be retained in the account or fund that is established to pay Administrative Expenses.

Once a partial prepayment of a Facilities Special Tax has been received, an Amendment to Special Tax Lien shall be recorded against the Parcel to reflect the reduced Facilities Special Tax lien for the Parcel, which shall be equal to the portion of the Maximum Facilities Special Tax that was not prepaid. However, an Amendment to Special Tax Lien shall not be recorded until all Facilities Special Taxes levied on the Parcel in the current or prior Fiscal Years have been collected. The prepayment of a portion of the Facilities Special Tax shall not affect the perpetual obligation to pay the Services Special Tax.

## **I. INTERPRETATION OF SPECIAL TAX FORMULA**

The City may interpret, clarify, and revise this RMA to correct any inconsistency, vagueness, or ambiguity, by resolution and/or ordinance, that does not create a material adverse effect on the levy and collection of the Special Taxes and any security for any Bonds.



**ATTACHMENT 1**

**Improvement Area No. 1 of the  
City of Tracy  
Community Facilities District No. 2016-1  
(Tracy Hills)**

**Expected Land Uses and Expected Maximum Facilities Special Tax Revenues**

<b>Village</b>	<b>Expected Land Uses</b>	<b>Estimated Facilities Special Tax per Unit FY 2015-16 /1</b>	<b>Expected Maximum Facilities Special Tax Revenues FY 2015-16 /1</b>
Village 1	160 Residential Units	\$2,514 per Residential Unit	\$402,240
Village 2	74 Residential Units	\$2,839 per Residential Unit	\$210,086
Village 3	105 Residential Units	\$2,837 per Residential Unit	\$297,885
Village 4	150 Residential Units	\$2,638 per Residential Unit	\$395,700
Village 5	198 Residential Units	\$3,487 per Residential Unit	\$690,426
Village 6	146 Residential Units /2	\$3,828 per Residential Unit	\$558,888
Village 7	182 Residential Units	\$2,270 per Residential Unit	\$413,140
Village 8	139 Residential Units	\$3,658 per Residential Unit	\$508,462
N/A	0 Acres of Business Park Property	\$2,500 per Acre	\$0
<b>Total</b>	1,160 Residential Units and 0 Acres of Business Park Property	N/A	\$3,349,827

1. On July 1, 2016 and each July 1 thereafter, the Estimated Facilities Special Tax per Unit and the Expected Maximum Facilities Special Tax Revenues shall be increased by two percent (2%) of the amount in effect in the prior Fiscal Year.
2. Does not include 6 units in Village 6A, the timing of development of which is uncertain.

AGENDA ITEM 7

REQUEST

**INTRODUCE AN ORDINANCE FORMING THE TRACY INDUSTRIAL DEVELOPMENT AUTHORITY**

EXECUTIVE SUMMARY

The City of Tracy (the “City”) and the South County Fire Authority (the “Fire Authority”) previously entered into a Joint Exercise of Powers Agreement dated as of April 16, 2013 (the “JPA Agreement”) forming the Tracy Public Financing Authority (the “JPA”) as a separate public agency under the laws of the State of California. The primary purpose of the JPA is to assist the City with its financings.

The Fire Authority was a joint exercise of powers authority established by the City and the Tracy Rural Fire Protection District (the “Fire Protection District”) under a Joint Exercise of Powers Agreement for the South County Fire Authority dated September 7, 1999. The City and the Fire Protection District have formed a new joint exercise of powers authority and agreed to dissolve the Fire Authority under a South County Fire Authority Dissolution Agreement Between City of Tracy and Tracy Rural Fire District dated February 20, 2018 (the “Dissolution Agreement”). The City Council adopted Resolution No. 2018-024 on February 6, 2018 and approved the dissolution of the Fire Authority effective as of July 1, 2018.

Staff believes it is important to maintain the JPA to provide ongoing assistance to the City with its financings, and believes that the best entity to add to the JPA Agreement to replace the Fire Authority is the newly created Tracy Industrial Development Authority (Authority), a new entity that would be governed by the City Council. This item seeks Council approval to introduce an ordinance to form this new Authority.

DISCUSSION

**JOINT POWERS AUTHORITIES**

Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Joint Powers Law”) authorizes two or more public agencies by agreement to jointly exercise any power common to the contracting parties and to provide for the creation of an agency or entity that is separate from the parties to the agreement and is responsible for the administration of the agreement.

**TRACY PUBLIC FINANCING AUTHORITY**

The City and the Fire Authority executed the JPA Agreement under the Joint Powers Law to establish the JPA for the purpose of assisting the City with the acquisition, construction and improvement of public capital improvements and other programs.

However, the Fire Authority dissolved as of July 1, 2018 and is no longer a member of the JPA. In order to ensure that the JPA will remain available to assist the City with its financings after dissolution of the Fire Authority, the City wish to acknowledge the termination of the Fire Authority's membership under the JPA Agreement and add a new member. Staff believes that the best entity to add to the JPA Agreement to replace the Fire Authority is the Tracy Industrial Development Authority, a new entity that would be governed by the City Council. T

### **TRACY INDUSTRIAL DEVELOPMENT AUTHORITY**

The statutory purpose of the Tracy Industrial Development Authority is to increase opportunities for useful employment or otherwise contribute to economic development. Staff believes that the Tracy Industrial Development Authority will advance this purpose by forming a joint powers authority with the City.

### **STRATEGIC PLAN**

This item is not related to any of the Council's Strategic Priorities.

### **FISCAL IMPACT**

There is no increased cost to the General Fund from this action. The City already pays the modest expenses associated with the JPA and does not expect the cost of operating the Industrial Development Authority to be significant.

### **RECOMMENDATION**

That Council introduce and waive the full reading of the Ordinance forming the Industrial Development Authority.

Prepared by: Karin Schnaider, Finance Director  
Christopher Lynch, Jones Hall

Reviewed & Approved by: Midori Lichtwardt, Interim Assistant City Manager

### **ATTACHMENTS**

A: City Council Ordinance

**ORDINANCE NO. \_\_\_\_\_**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF TRACY FORMING THE TRACY INDUSTRIAL DEVELOPMENT AUTHORITY**

**WHEREAS**, the City of Tracy (the “City”) has determined that there is a need in the City for an industrial development authority to be formed under the California Industrial Development Financing Act, Title 10 (commencing with Section 91500) of the California Government Code (the “Act”).

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF TRACY DOES ORDAIN AS FOLLOWS:**

**Section 1.** There is within the City a corporate instrumentality of the State of California known as the Tracy Industrial Development Authority.

**Section 2.** Pursuant to the Act, the City Council hereby declares that there is a need within the City for the Tracy Industrial Development Authority.

**Section 3.** The Tracy Industrial Development Authority shall function pursuant to this Ordinance and the Act.

**Section 4.** The City Council of the City of Tracy hereby declares itself to be the governing board of the Tracy Industrial Development Authority.

**Section 5.** This Ordinance shall take effect 30 days from the date of its final passage.

**Section 6.** The City Council hereby directs the City Clerk to publish this ordinance in accordance with state law.

\* \* \* \* \*

The foregoing Ordinance \_\_\_\_\_ had its first reading and was introduced during the public meeting of the City Council on the \_\_\_th day of \_\_\_\_\_, 2018, and had its second reading and was adopted and passed during the public meeting of the City Council on the \_\_\_\_ day of \_\_\_\_\_, 2018, by the following vote:

AYES:                    COUNCIL MEMBERS:

NOES:                    COUNCIL MEMBERS:

ABSENT:                COUNCIL MEMBERS:

ABSTAIN:              COUNCIL MEMBERS

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

July 17, 2018

## AGENDA ITEM 8

### REQUEST

#### **PUBLIC HEARING TO INTRODUCE AN ORDINANCE AND APPROVE AN AMENDMENT TO THE TRACY MUNICIPAL CODE TO AMEND SECTIONS 9.40.030 (STREET NAMES) AND 9.40.040 (RENAMING STREETS) IN CHAPTER 9.40 (STREET NAMES AND NUMBERING) OF TITLE 9 (BUILDING REGULATIONS) OF THE TRACY MUNICIPAL CODE**

### EXECUTIVE SUMMARY

Chapter 9.40 "Street Names and Numbering" of the Tracy Municipal Code (TMC) governs the rules for naming and numbering of streets within the City of Tracy. This chapter outlines the process for the City to consider requests to name City streets, which includes renaming streets. Staff proposes to incorporate a policy for naming streets after deceased public safety officers.

Staff also proposes to incorporate a policy to correct any misspelling or clerical oversight of a street name through City Council resolution, following some public outreach. Other minor updates are proposed in this amendment; such as updating the list of departments to provide written comments for any proposed street.

Staff is requesting Council approve an amendment to Chapter 9.40 of the TMC.

### DISCUSSION

Chapter 9.40 of the Tracy Municipal Code outlines the street naming and numbering policy within the City of Tracy. This chapter includes rules regarding naming the streets after Tracy residents killed in military service. With the increase in development activity, Engineering Division staff receives frequent requests for naming new streets. Staff proposes an amendment to the ordinance to include a policy that allows streets to be named after public safety officers. Staff will maintain a list of police officers and firefighters who died in the line of duty and who were either employed by the City of Tracy or resided in the City at the time of their death. For each new subdivision that has four or more streets, the ordinance amendment will require at least one street (not a court) to be named after a Tracy resident killed while in the service and one street (not a court) after a public safety officer who died in the line of duty, unless there are no names currently on the list.

Staff also proposes to incorporate a policy to correct any misspelling or clerical oversight of a street name through City Council resolution, following some public outreach. In a recent case, staff learned about a misspelled street name in an older subdivision. After further analysis, staff may recommend correcting that spelling. Even though the chance of this occurrence is very rare, this amendment will enable the staff to correct the spelling of a street name after being recorded. Staff is proposing that any corrections to street names only take place after a public hearing and Council resolution.

Staff also proposes modifying the list of departments to provide written comments for any proposed street renaming to include the Finance Department and eliminating the Administrative Services Department from the list.

Staff has circulated the proposed ordinance to the affected City departments, including the Police Department, Fire Department, and Building Division of Development Services.

The proposed changes to the Tracy Municipal Code Chapter 9.40, is set forth in Attachment A. The proposed ordinance is set forth in Attachment B.

### STRATEGIC PLAN

This agenda item is a routine operational item and is not related to the Council's Strategic Plans.

### FISCAL IMPACT

The costs of this ordinance amendment was included in the Development Services operation budget.

### RECOMMENDATION

Staff recommends that City Council, introduce and waive the full reading of an ordinance amending Chapter 9.40 of the Tracy Municipal Code to a) establish a Policy to Name Streets After Public Safety Officers who died in the line of duty and who were either employed by the City of Tracy or resided in the City at the time of their death; b) allow for the correction of misspellings of a street name through City Council resolution; and c) other minor amendments.

Prepared by: Anju Pillai, PE, Associate Civil Engineer  
Zabih Zaca, PE, Senior Civil Engineer

Reviewed by: Robert Armijo, PE, City Engineer / Assistant Development Services Director  
Andrew Malik, Development Services Director  
Karin Schnaider, Finance Director

Approved by: Midori Lichtwardt , Interim Assistant, City Manager

### ATTACHMENTS

Attachment A – Proposed Changes to Tracy Municipal Code Chapter 9.40  
Attachment B – Ordinance

## Attachment A - Proposed Changes to Chapter 9.40

### Chapter 9.40 - STREET NAMES AND NUMBERING

#### Sections:

9.40.010 - Purpose.

9.40.020 - Definitions.

9.40.030 - Street names.\*

9.40.050 - Street numbering.

9.40.040 - Renaming streets.

9.40.030 - Street names.

(a) *General.* For clarity, to accommodate City street sign size, to accommodate Emergency 911 databases and calls, and for safety for police and fire responses:

- (1) A street may have only one (1) official street name.
- (2) All streets on the same alignment shall bear the same name where practical.
- (3) Suffix designations shall match the context of land use and street design. (See subsection (b) below, and shall be spelled out in full on the final map.
- (4) A new street may have a prefix compass designation (N, S, E, W) only if the streets cross the east-west axis (South Street) or the north-south axis (Central Avenue-Holly Drive).
- (5) A new street name may not exceed 15 letters, excluding prefix and suffix designation.
- (6) A new street name may not have more than two words, excluding prefix and suffix.
- (7) Abbreviations, symbols and numeric characters may not be used.
- (8) Conjunctions may not be used as part of a street name. (Example: "Diamonds and Roses" or "Brick or Tile").
- (9) Each name shall be of the commonly accepted spelling, according to a standard dictionary.
- (10) A street name must be appropriate, easy to read, and easy to pronounce (so that a child could use the name in an emergency situation).
- (11) Use of names with historic significance and in recognition of cultural diversity are encouraged.
- (12) Use of names of fallen officers is encouraged and may be required under subsection (c) below..
- (13) Street segments:
  - (i) Where a through street makes a distinguishable change in direction and cannot be considered curvilinear, a separate name for each direction must be assigned.
  - (ii) Where there is more than one access point from different streets to a circular loop street, only one access point may be designated as circle. It is preferable to separately name each directional segment of a circular or loop road.
  - (iii) No street name may connect into any other street so as to create more than one intersection of the same named street.
- (14) The following are not permitted:
  - (i) Names of similar pronunciation and/or spelling (Example: Foxglove Avenue and Foxclove Lane, or Briar Lane and Brier Drive).
  - (ii) Duplication of an existing street name (or a very similar name), unless the new street is a continuation of the existing street. (Street segments are considered continuous only where there is less than a 250 foot centerline alignment offset.)



**Attachment A - Proposed Changes to Chapter 9.40**

(iii) Variation of the same name with a different suffix (Example: Alder Avenue, Alder Lane, Alder Diver). An exception to this is a court off of the same street (Example: Pine Avenue, Pine Court).

(iv) Names that sound similar to nearby communities: Mountain House, Manteca, Lathrop.

(b) *Street suffix designations.* Each new street should have one (1) of the following acceptable street suffix (or type) designations:

Suffix Designation	Comments, when applicable
Alley	A narrow street for serving rear of lots
Avenue	North—South direction street
Boulevard	North—South direction, an arterial street.
Circle	Loop, looping, a circular Street
Court	Cul-de-sac
Drive	A meandering street
Lane	A meandering street
Loop	A circumferential way, a street that returns into itself.
Parkway	An arterial street or an expressway.
Place	A short connecting street.
Plaza	A short street with plaza.
Road	An arterial or collector street
Street	East - West direction street
Terrace	Private street in a condominium complex
Trail	A pedestrian or bikeway path
Way	A short connecting street

(c) *Naming streets after residents killed in service.* City staff will maintain a list of Tracy residents killed while in service of the United States. The listed service member must have been a Tracy resident, killed while serving in one of the branches of the armed forces, whether in wartime or peacetime.

(d) *Naming streets after deceased Public Safety Officers.* City staff will maintain a list of police officers and firefighters who died in the line of duty and who were either employed by the City of Tracy or resided in the City at the time of their death.

Each new subdivision that has four (4) or more streets must name at least one street (not a court) for a Tracy resident killed while in the service and one street (not a court) after a public safety officer who died while on active duty, unless there are no names currently on the list.

(Ord. No. 1216, § 2(Exh. A), 5-17-2016)

9.40.040 - Renaming streets.

(a) *Purpose.* This section establishes a process for considering a request to rename a public or private street within the city limits from a member of the public. The City may, in its discretion, change the

## Attachment A - Proposed Changes to Chapter 9.40

name of a street by Council resolution following some public outreach, such as a public hearing or public notice in order to correct a misspelling or clerical oversights.

- (b) *Standards.* In addition to the standards set forth in section 9.40.020 (a) and (b) above, the following factors will be considered:
- (1) the number of businesses and/or residents directly affected. The fewer properties the better.
  - (2) the number of businesses and/or residents indirectly affected, including those whose address is on a street accessed or served by the street under consideration.
  - (3) compatibility with existing street names.
  - (4) recognition of cultural diversity.
  - (5) the costs of change to the City and the other affected properties.
  - (6) whether an action to approve the renaming might establish a desirable or undesirable precedent.
  - (7) the effect of a rename request on the public's general connection with existing name
  - (8) the alternative of renaming sections of the proposed street and how the length of the street sections may affect the continuity of the street.
- (c) *Procedure: Renaming the street.* This subsection (b) applies when the base name of the street may change.
- (1) *Request.* A person or entity requesting a street name change must file an application with the department, on a form provided by the city. The request must state the reason for the change being proposed, the street proposed for consideration of a name change, the proposed new name(s), and include a map showing the street location. The director will schedule the request for City Council consideration at a public hearing, with a brief analysis of the request. Following the hearing, the City Council may decide whether to proceed with rename study.
  - (2) *Study and Report.* If the Council approves a study, the applicant is then required to enter into a cost recovery agreement with the City, and pay a deposit to cover the renaming expenses. The department will:
    - (i) determine on a case by case basis the appropriate scope of public outreach, public notice and neighborhood workshop;
    - (ii) seek written comments from, at minimum, the City's Police Department, Fire Department, Finance Department, San Joaquin County Public Safety and United States Postal Service.
    - (iii) prepare a staff report for the City Council providing a detailed analysis of the request and including alternatives if available.
  - (3) *Decision.* At a public hearing, Council will consider the requested street renaming. The City Council may approve the name change, by resolution, if it finds that the change is in the public interest.
- (d) *Procedure: Minor change.* This subsection (d) applies when: only the street suffix may change; the base name of the street requires a minor correction to meet commonly accepted spelling; or the street is not a public street.
- (1) *Request.* A person or entity requesting a street name change must file an application with the department, on a form provided by the City. The request must state the reason for the change being proposed, the street proposed for consideration of a minor name change, the proposed new name(s), and include a map showing the street location.

The applicant must provide the signatures from at least seventy (70%) percent of property owners (or by a homeowners association or similar common ownership organization) whose property is addressed on the street under consideration, indicating that they agree with the proposal.

## Attachment A - Proposed Changes to Chapter 9.40

The director will determine whether to proceed with the renaming process.

- (2) *Study and Report.* If the director determines to proceed with the renaming process, the director:
  - (i) may conduct one public meeting before making recommendation to the City Council.
  - (ii) mail out notices to all property owners and tenants within the affected area and within a 100 foot radius of the street
  - (iii) prepare a staff report for the City Council providing a detailed analysis of the request and including alternatives if available.
- (3) *Decision.* At a public hearing, Council will consider the requested street renaming. The City Council may approve the name change, by resolution, if it finds that the change is in the public interest.

ORDINANCE \_\_\_\_\_

AN ORDINANCE OF THE CITY OF TRACY AMENDING SECTIONS 9.40.030 (STREET NAMES) AND 9.40.040 (RENAMING STREETS) IN CHAPTER 9.40 (STREET NAMES AND NUMBERING) OF TITLE 9 (BUILDING REGULATIONS) OF THE TRACY MUNICIPAL CODE

WHEREAS, Chapter 9.40 of the Tracy Municipal Code (TMC) outlines the rules regarding numbering and naming streets in the City, including the process for the City to consider requests to rename streets, and

WHEREAS, The City’s Engineering Division within the Development Services Department is responsible for overseeing the naming and numbering of City streets, and

WHEREAS, The City has received requests from the public to name streets after police officers and firefighters who died in the line of duty and who were either employed by the City of Tracy or resided in the City at the time of death, and

WHEREAS, The proposed ordinance will amend the TMC to require that any new subdivision with four or more streets name at least one street after a police officer or firefighter who dies in the line duty that is either employed by the City or resides in the City of Tracy at the time of death, and

WHEREAS, The proposed ordinance also provides that the City, in its discretion, may amend street names to correct a misspelling or clerical oversight by Council resolution following public outreach.

The City Council of the City of Tracy does ordain as follows:

**SECTION 1:** Sections 9.40.030 and 9.40.040 of Chapter 9.40, Street Names and Numbering, of the Tracy Municipal Code are hereby amended to read as set forth in Attachment A and incorporated by reference herein.

**SECTION 2:** This Ordinance shall take effect thirty (30) days after its final passage and adoption.

**SECTION 3:** This Ordinance shall either (1) be published once in a newspaper of general circulation, within 15 days after its final adoption, or (2) be published in summary form and posted in the City Clerk’s office at least five days before the Ordinance is adopted and within 15 days after adoption, with the names of the Council Members voting for and against the Ordinance. (Gov’t. Code §36933.)

\* \* \* \* \*

Ordinance \_\_\_\_\_  
Page 2

The foregoing Ordinance \_\_\_\_\_ was introduced at a regular meeting of the Tracy City Council on the \_\_\_\_\_ day of \_\_\_\_\_, 2018, and finally adopted on the \_\_\_\_\_ day of \_\_\_\_\_, 2018, by the following vote:

AYES:            COUNCIL MEMBERS:

NOES:            COUNCIL MEMBERS:

ABSENT:        COUNCIL MEMBERS:

ABSTAIN:       COUNCIL MEMBERS:

\_\_\_\_\_

Mayor

ATTEST:

\_\_\_\_\_

City Clerk

AGENDA ITEM 9

REQUEST

**PUBLIC HEARING TO CONSIDER APPROVAL OF A DEVELOPMENT REVIEW PERMIT TO CONSTRUCT THE TRACY HILLS COMMUNITY GATEWAY ICON, LOCATED AT THE NORTHWEST CORNER OF I-580 AND THE INTERCHANGE WITH CORRAL HOLLOW ROAD**

EXECUTIVE SUMMARY

This agenda item involves consideration of a Development Review Permit to construct the Tracy Hills Community Gateway Icon located at the northwest corner of I-580 and the interchange with Corral Hollow Road.

DISCUSSION

The Tracy Hills Specific Plan was originally approved and annexed to the City in 1998. A comprehensive update to the Tracy Hills Specific Plan was approved by City Council on April 5, 2016. The Tracy Hills Specific Plan is the detailed plan and regulatory document for the development of the entire Tracy Hills Specific Plan area, which includes approximately 2,732 acres located in the vicinity of Interstate 580, Corral Hollow Road, and Lammers Road. The Tracy Hills Specific Plan envisions up to 5,499 residential units in primarily low-density neighborhoods with areas identified for medium and high density. The Specific Plan also envisions over five million square feet of non-residential land uses, including office, retail, and light industrial uses, in addition to parks, schools, and open space.

The Tracy Hills Specific Plan includes a conceptual design for a Community Gateway Icon (Attachment A – Conceptual Design for the Community Gateway Icon in the Tracy Hills Specific Plan). The Tracy Hills Specific Plan states that, “The Community Gateway Icon will be the landmark of the new community and establish a unifying community identity while providing a strong statement of community, commitment, and quality.” The conceptual design shown in the Specific Plan for the Community Gateway Icon is that of a windmill structure with a maximum height of 50 feet, although the Specific Plan states that the windmill is a conceptual idea and any final concept shall be subject to Development Review approval by City Council (Page 5-1 of the Tracy Hills Specific Plan).

Pursuant to the requirements of the Tracy Hills Specific Plan, on March 22, 2018, an application was submitted for a Development Review Permit to construct the Community Gateway Icon. The Community Gateway Icon would be located at the northwest corner of I-580 and the interchange with Corral Hollow Road, as shown in the Tracy Hills Specific Plan. The proposed Community Gateway Icon has been revised from the conceptual windmill design shown in the Specific Plan to a new design that consists of a 40-foot high landscape feature with stacked stone veneer, corten steel panels with laser-cut lettering, and Tracy Hills branding (Attachment B – Proposed Community Gateway Icon). The Community Gateway Icon would be placed atop an approximately 5-foot high

man-made mound and be setback approximately 25 feet from the right-of-way line of the westbound on-ramp to I-580. The Community Gateway Icon would be surrounded by landscaping, including a backdrop of trees and other plants, and would be 13 feet wide at the base and angle to a narrow point at the top.

#### Planning Commission Discussion

The Planning Commission held a public hearing to consider the project on June 13, 2018 and recommended that the City Council approve the project.

#### Environmental Document

An Environmental Impact Report (EIR) was certified by the City Council on April 5, 2016 for the Tracy Hills Specific Plan project, including the Community Gateway Icon.

### STRATEGIC PLAN

This agenda item is not related to the City Council's Strategic Plans.

### FISCAL IMPACT

This is a routine development application and is budgeted in the operations budget for Development Services. There are sufficient funds for this request.

### RECOMMENDATION

Staff and Planning Commission recommend that City Council, by resolution, approve a Development Review Permit to construct the Tracy Hills Community Gateway Icon, located at the northwest corner of I-580 and the interchange with Corral Hollow Road, Assessor's Parcel Number 253-360-15, Application Number D18-0004, subject to the conditions and based on the findings contained in the City Council Resolution dated July 17, 2018.

Prepared by: Scott Claar, Senior Planner

Reviewed by: Bill Dean, Assistant Development Services Director  
Andrew Malik, Development Services Director  
Karin Schnaider, Finance Director

Approved by: Midori Lichtwardt, Interim Assistant City Manager

### ATTACHMENTS

Attachment A – Conceptual Design for the Community Gateway Icon in the Tracy Hills Specific Plan

Attachment B – Proposed Community Gateway Icon

Tracy Hills Specific Plan  
**3. DESIGN GUIDELINES**



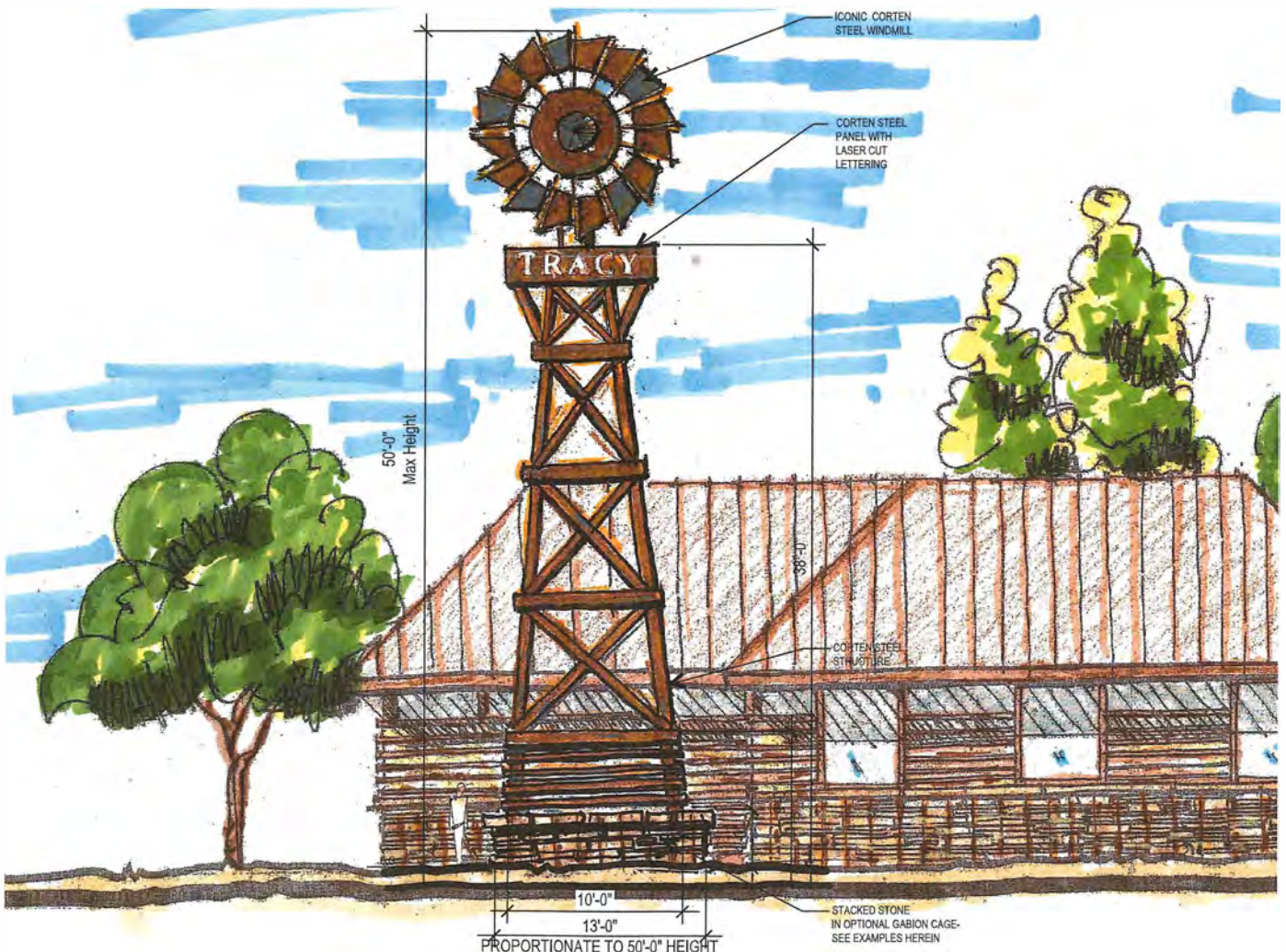
**3.4.5 Community Monumentation**

**1. Community Gateway Icon**

The Community Gateway Icon will be the landmark of the new community and establish a unifying community identity while providing a strong statement of community, commitment, and quality. A potential idea is proposed for a modern barn-like building coupled with an updated windmill sculpture that will comprise the Community Gateway Icon, conveying the agricultural heritage of the project site and serve as a “Welcome Home” center. Following use by the developer for marketing purposes, this building can serve as a potential neighborhood market and mail center for the community, or be used for any other community use that is permitted by this Specific Plan. The Community Gateway Icon shall be privately maintained. The Community Gateway Icon shall be subject to Development Review approval by City Council, as specified in Section 5.1.2 of this Tracy Hills Specific Plan.

*All public right-of-way landscaping and other improvements, such as monumentation, walls and fences, furniture and accessories, and lighting, shall be reviewed by the City through the Improvement Plans.*

*All landscaping and other improvements which are located on private property shall be subject to Development Review, as specified in the Tracy Municipal Code.*



*\*Conceptual Windmill design provided for thematic purposes. Dimensions provided for proportion scale only.*



# Tracy Hills Community Gateway Icon

Owner:

Tracy BPS, LLC  
888 San Clemente Drive, Suite 100  
Newport Beach, CA 92660  
(949) 720-3612

Landscape Architect:

FORMA Design, Inc.  
3050 Pullman Street  
Costa Mesa, CA 92626  
(714) 673-6200

Sheet Index:

CS	Cover Sheet
L1	Site Plan
L2	Business Park Parcel C Site Plan
L3	Business Park Parcel C Enlargement
L4	Illustrative Site Plan
L5	Community Icon Elevation
L6	Community Icon Detail
L7	Materials Examples
L8	Landscape Plant Palette
L9	Landscape Plant Palette



Project Description:

The Tracy Hills Community Gateway Icon is a landscape feature that identifies and serves as a landmark for the project. The Community Gateway Icon shall be located adjacent to Corral Hollow Road, just north of Interstate 580, in the area designated Mixed Use Business Park in the approved Specific Plan. The Community Gateway Icon will establish unifying community identification while providing a strong statement of community, commitment, and quality. The Community Gateway Icon will incorporate natural stone wall elements with corten steel panels and shall be privately maintained. Construction of the Community Gateway Icon shall be completed prior to the issuance of the Certificate of Occupancy for the five hundredth (500th) residential dwelling unit in the project.

RECEIVED

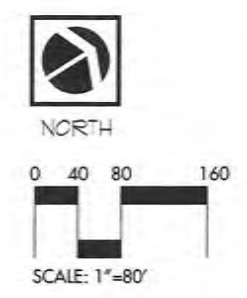
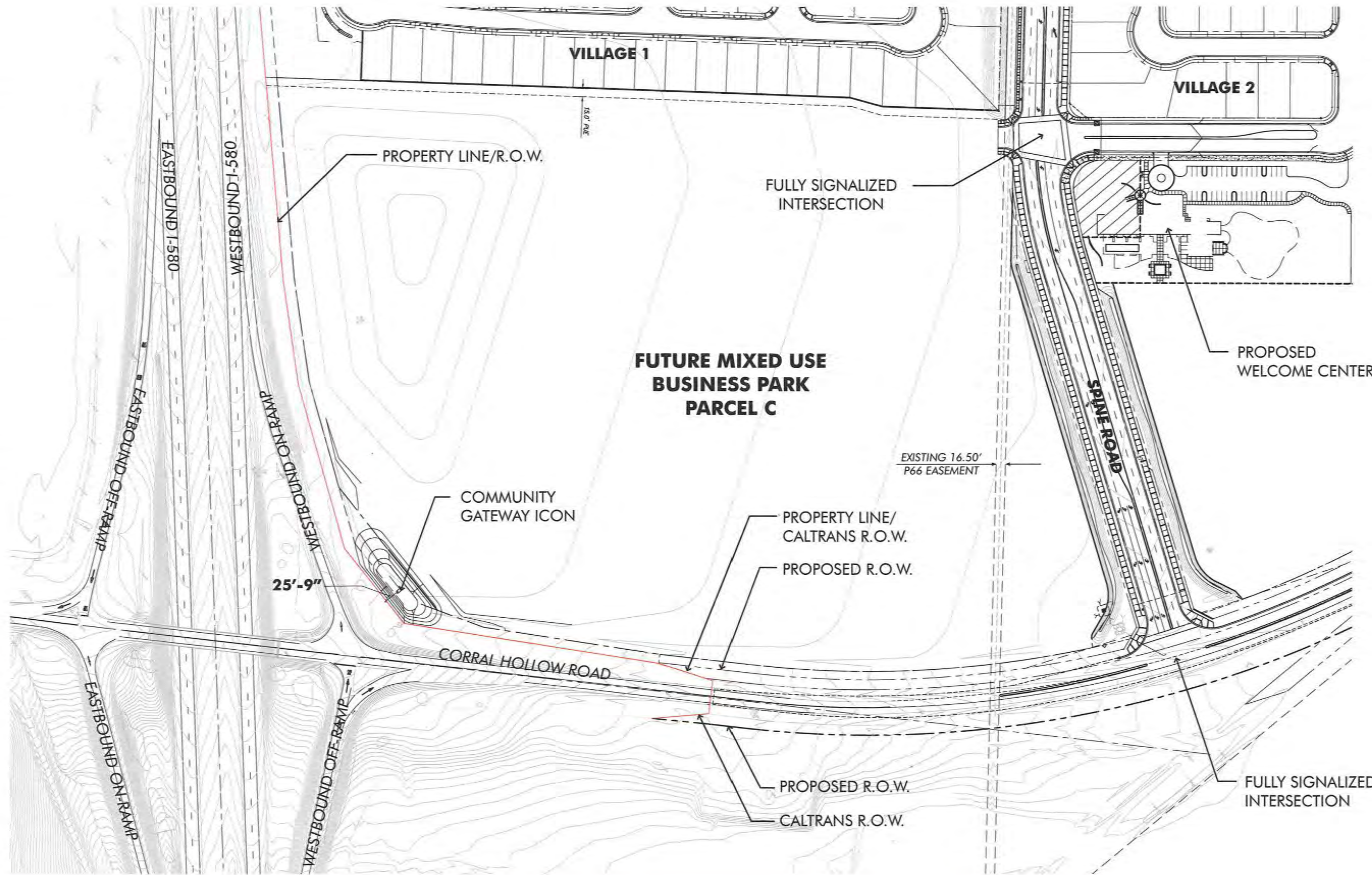
MAY 29 2018

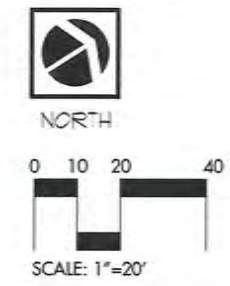
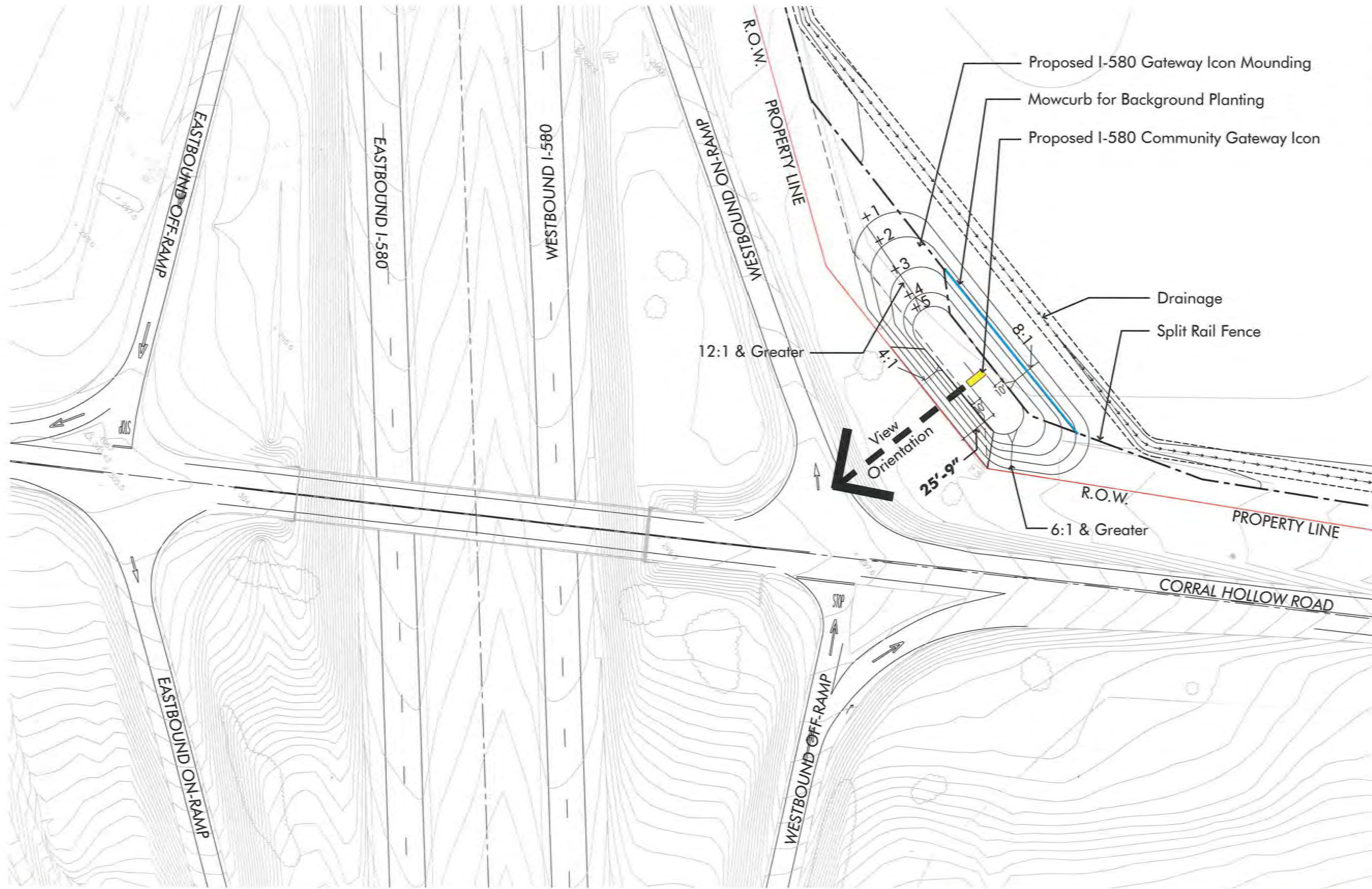
CITY DEVELOPMENT

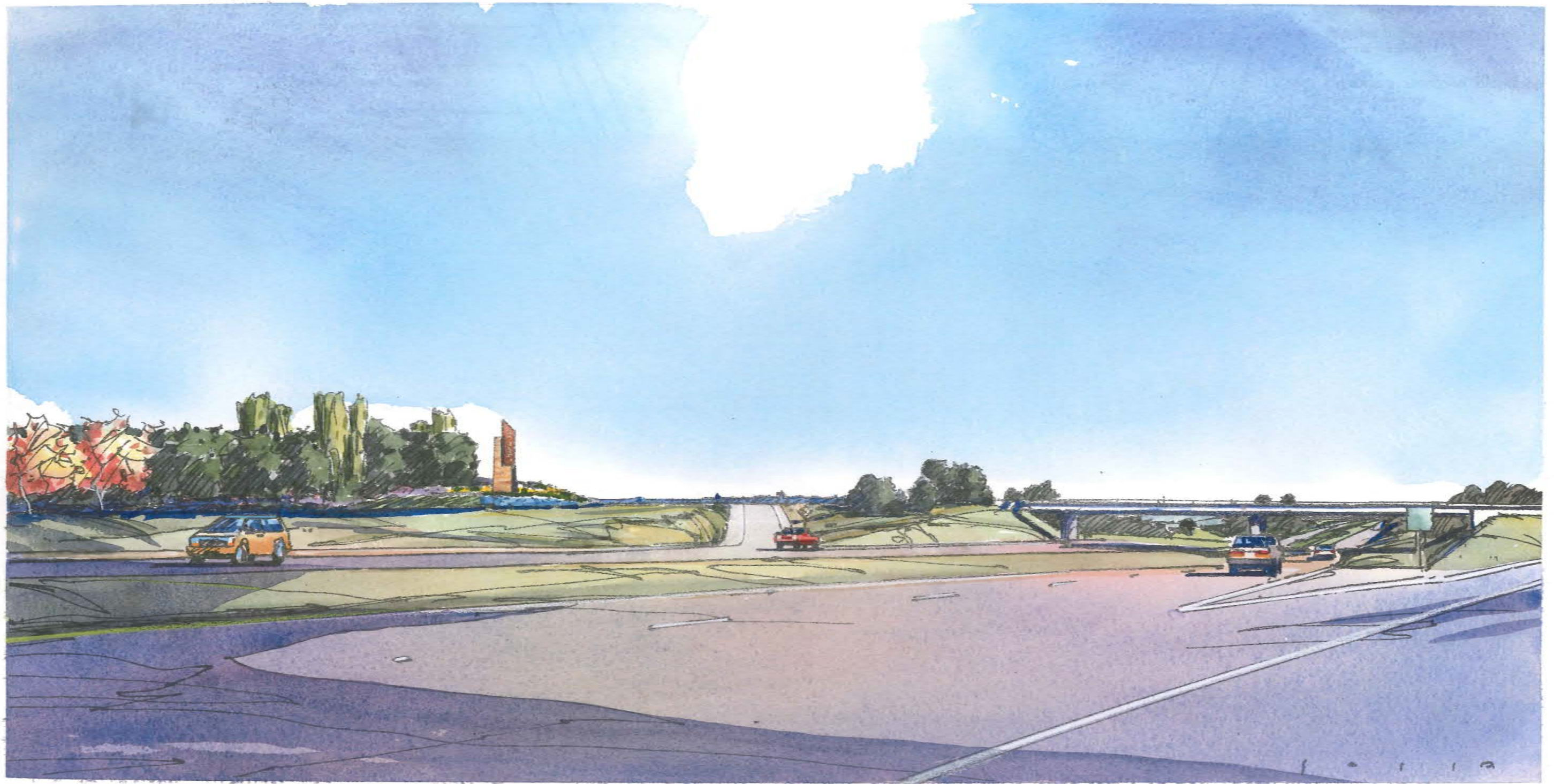


**Legend**

Symbol	Description/Location
	Community Gateway Icon - Develop a vertical icon to create a unifying community identity and statement of community commitment and quality that is visible from the I-580.







Proposed 5' grade differential Gateway Icon mounding

*Pinus eldarica*,  
informal groupings flanking both sides of monument

*Lantana montevidensis* yellow variety,  
for color

*Phormium tenax* 'Atropurpureum',  
architecturally planted for texture

*Agave parryi*,  
architecturally planted for texture

*Yucca filamentosa*,  
architecturally planted

Proposed I-580  
Community Gateway Icon

Split Rail Fence

*Populus nigra* 'Italica',  
informal groupings

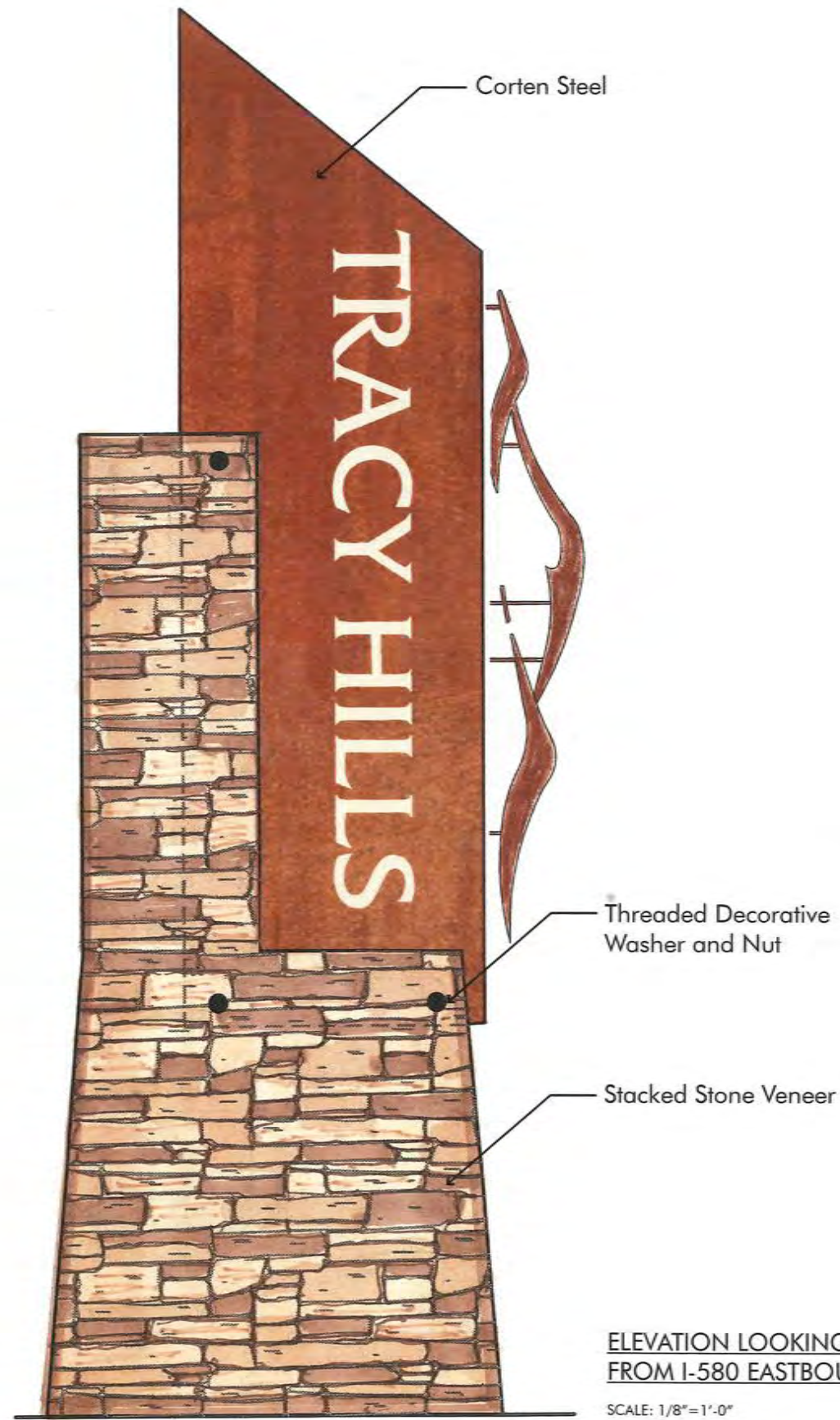
*Platanus x acerifolia* 'Bloodgood',  
informal groupings





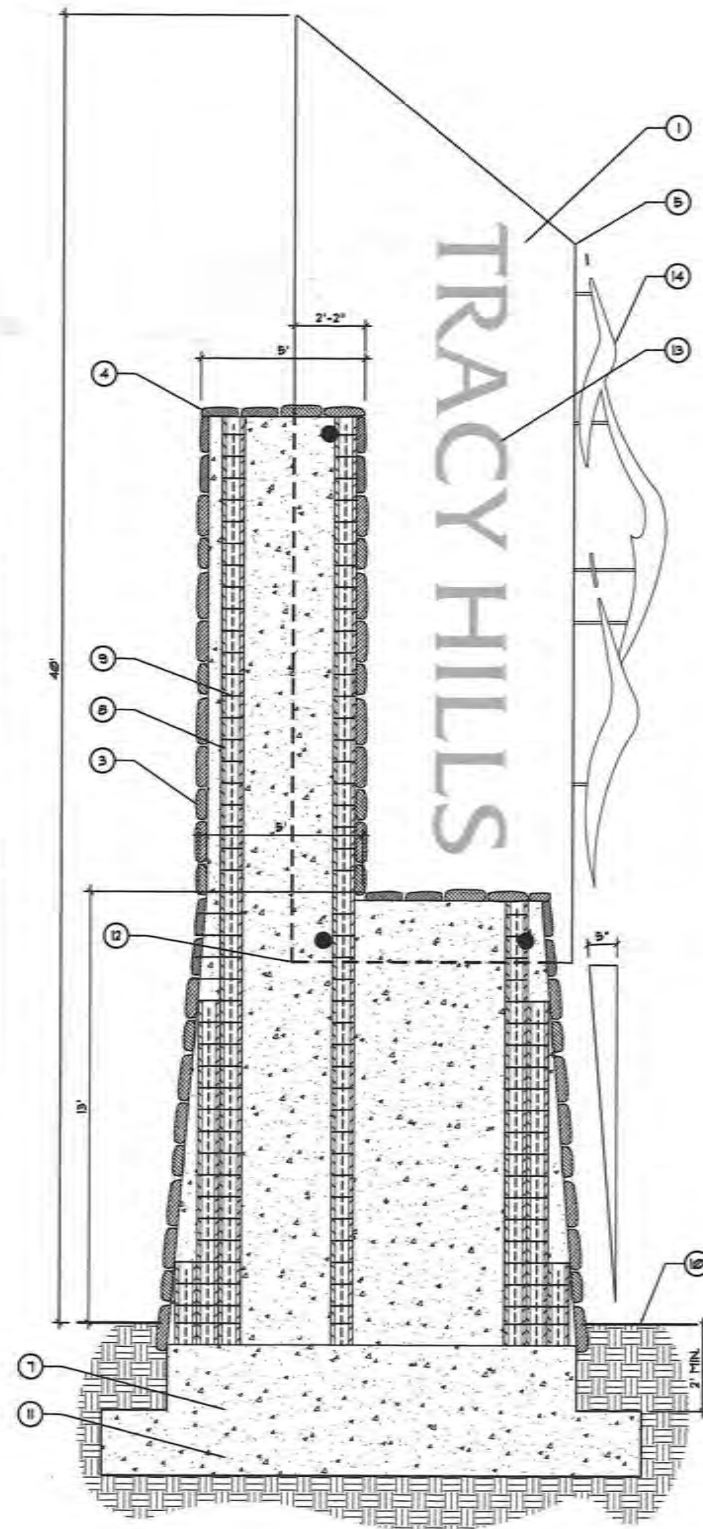
ELEVATION LOOKING  
FROM I-580 WESTBOUND

SCALE: 1/8" = 1'-0"



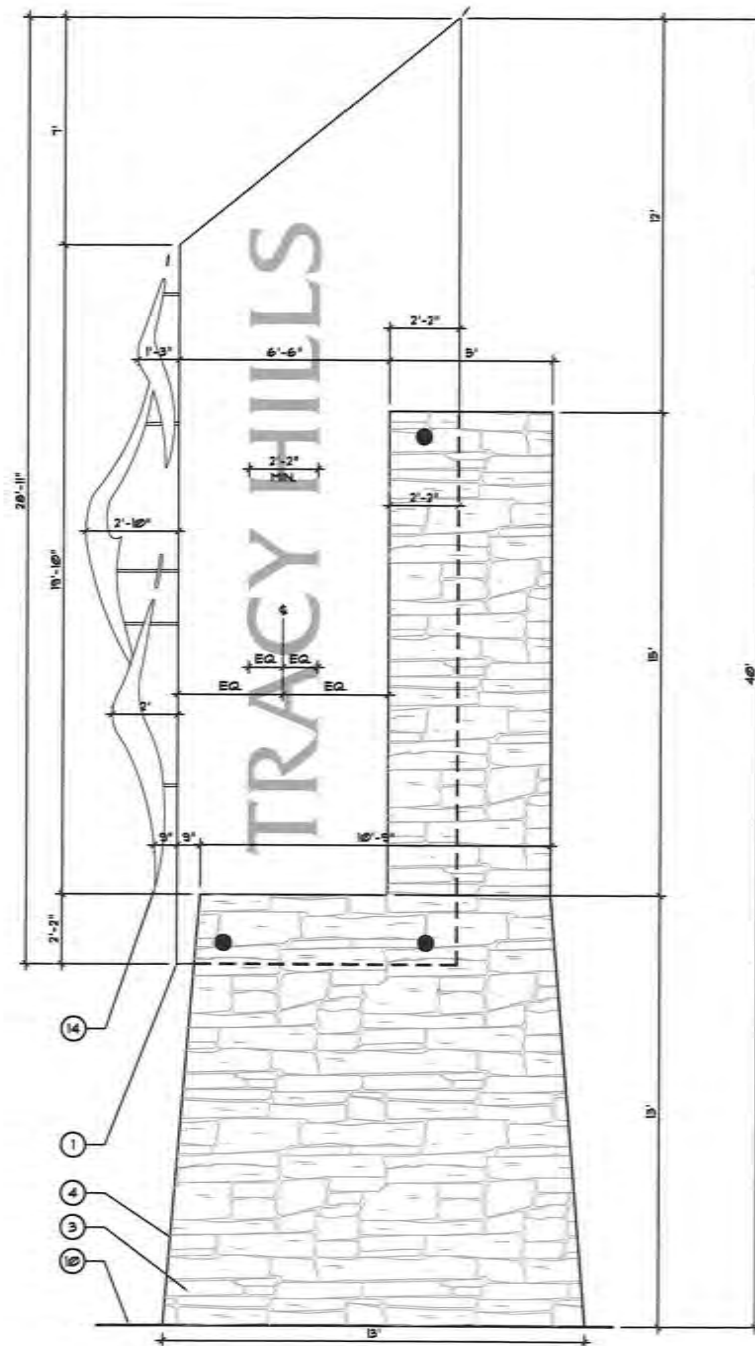
ELEVATION LOOKING  
FROM I-580 EASTBOUND

SCALE: 1/8" = 1'-0"

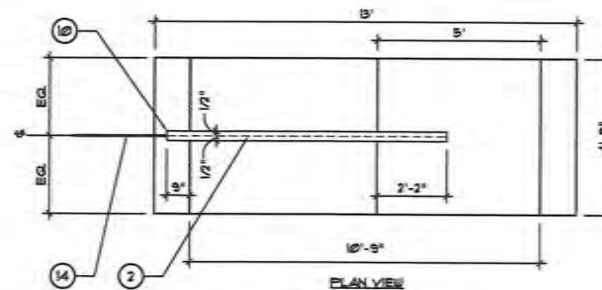


Section Looking From I-580 Eastbound

d3560m



Elevation Looking From I-580 Westbound



PLAN VIEW

- ① TWO (2) 1/2" THICK CORTEN STEEL PANELS WITH LASER-CUT/ WATER-CUT LETTERING TO READ FROM BOTH DIRECTIONS. ATTACH TO CMU BLOCK BASE PER STRUCTURAL ENGINEER'S DETAILS. REFER TO LC-0 FOR FINISH.
- ② 1/16" THICK ALUMINUM SKIN PANEL EXTEND TO ALL EDGES-POWDERCOAT BOTH SIDES, SANDWICH AND BOLT BETWEEN (2) CORTEN STEEL PANELS. SEAL ALL EDGES WITH CLEAR WATERPROOF CAULKING OR OTHER AS RECOMMENDED BY SIGNAGE CONTRACTOR. REFER TO SHEET LC-0 FOR COLOR.
- ③ STACKED STONE VENEER, MORTAR INTO PLACE. EXTEND 6" BELOW FINISH GRADE.
- ④ MITER CORNERS OR STAGGER AND ALTERNATE STONE AT CORNERS FOR NATURAL LOOK.
- ⑤ 1/8" RADIUS AT CORTEN PANEL CORNERS
- ⑥ NOT USED
- ⑦ CONCRETE FOOTING AND REINFORCING PER STRUCTURAL ENGINEER'S DETAILS AND CALCS.
- ⑧ CMU BLOCK. GROUT SOLID ALL CELLS.
- ⑨ REINFORCING PER STRUCTURAL DETAILS AND CALCS.
- ⑩ FINISH GRADE
- ⑪ COMPACTED SUBGRADE PER GEOTECHNICAL REPORT.
- ⑫ EPOXY BED
- ⑬ COMMUNITY LOGO BY CLIENT'S MARKETING/BRANDING CONSULTANT. TYPEFACE/ FONT STYLE SHALL BE DESIGNED BY MARKETING/BRANDING CONSULTANT AND SUBMITTED VIA SHOP DRAWING FOR APPROVAL PRIOR TO CONSTRUCTION. BASED ON BRANDING CONSULTANT'S LOGO DESIGN, MONUMENTATION CONFIGURATION MAY BE ALTERED TO ACCEPT LOGO.
- ⑭ TRACY HILLS LOGO GRAPHIC PER CLIENT'S MARKETING/BRANDING CONSULTANT. ATTACH LASER CUT/ WATER CUT 1/2" THICK CORTEN PANEL OF HILLS GRAPHIC TO 'FLOAT' ABOVE CORTEN 'BLADE'. SEE NOTE B.
- ⑮ LOGO/GRAPHIC PINS TO ATTACH CORTEN SIGNAGE. SIGNAGE CONTRACTOR TO SUBMIT SHOP DRAWINGS TO LANDSCAPE ARCHITECT FOR REVIEW AND APPROVAL PRIOR TO MANUFACTURING.

CONTRACTOR TO SUBMIT SHOP DRAWINGS TO OWNER AND LANDSCAPE ARCHITECT FOR REVIEW PRIOR TO FABRICATION.

NOTES:  
 1. REINFORCING, CONNECTION AND FOOTING DESIGN PER STRUCTURAL ENGINEER.  
 2. REFER TO PRODUCT AND MATERIAL SCHEDULE ON SHEET LC-0 FOR ALL MATERIALS, COLORS AND FINISHES.





Stone Specification:  
Creative Mines Manufacturer  
60% Barley  
Quarry Chisel Ledge  
40% Nutmeg  
Quarry Stack Ledge



Corten Steel Examples



Community Plant Theming



Agave parryi



Lantana 'New Gold'



Community Plant Theming



Pennisetum spathiolatum



Westringia fruticosa



Lantana montevidensis 'Lavender Swirl'



Festuca mairei



Xylosma congestum



*Platanus x acerifolia* 'Bloodgood'



*Populus nigra* 'Italica'



*Pinus eldarica*



*Yucca filamentosa* 'Color Guard'



*Phormium tenax* 'Atropurpureum'



*Grevillea Noellii*

RESOLUTION 2018-\_\_\_\_\_

APPROVING A DEVELOPMENT REVIEW PERMIT TO CONSTRUCT THE TRACY HILLS  
COMMUNITY GATEWAY ICON, LOCATED AT THE NORTHWEST CORNER OF I-580 AND  
THE INTERCHANGE WITH CORRAL HOLLOW ROAD

WHEREAS, The Tracy Hills Specific Plan was originally approved and annexed to the City in 1998, and

WHEREAS, A comprehensive update to the Tracy Hills Specific Plan was approved by City Council on April 5, 2016, and

WHEREAS, The Tracy Hills Specific Plan includes a conceptual design for a Community Gateway Icon, and

WHEREAS, The Tracy Hills Specific Plan states, "The Community Gateway Icon will be the landmark of the new community and establish a unifying community identity while providing a strong statement of community, commitment, and quality," and

WHEREAS, The Tracy Hills Specific Plan states that the Community Gateway Icon shall be subject to Development Review approval by City Council, and

WHEREAS, On March 22, 2018, an application was submitted for a Development Review permit to construct the Community Gateway Icon, and

WHEREAS, The Community Gateway Icon would be located at the northwest corner of I-580 and the interchange with Corral Hollow Road, as shown in the Tracy Hills Specific Plan, and

WHEREAS, The proposed Community Gateway Icon consists of a 40-foot high landscape feature with stacked stone veneer, corten steel panels with laser-cut lettering, and Tracy Hills branding, and

WHEREAS, The subject property is zoned Tracy Hills Specific Plan Zone and designated Mixed Use Business Park (MUBP) by the Tracy Hills Specific Plan and Commercial by the General Plan, and

WHEREAS, An Environmental Impact Report (EIR) was certified by the City Council on April 5, 2016 for the Tracy Hills Specific Plan project, including the Community Gateway Icon, and

WHEREAS, The Planning Commission conducted a public hearing to review and consider the application on June 13, 2018 and recommended that the City Council approve the project, and

WHEREAS, The City Council conducted a public hearing to review and consider the application on July 17, 2018;

NOW, THEREFORE BE IT RESOLVED, That the City Council of the City of Tracy hereby approves a Development Review permit to construct the Tracy Hills Community Gateway Icon, located at the northwest corner of I-580 and the interchange with Corral Hollow Road, Assessor's

Parcel Number 253-360-15, Application Number D18-0004, subject to the conditions as stated in Exhibit 1 attached and made part hereof and based on the following findings:

1. The proposal increases the quality of the project site and enhances the property in a manner that therefore improves the property in relation to the surrounding area and the citizens of Tracy because the Tracy Hills Community Gateway Icon includes an attractive design that consists of a 40-foot high landscape feature with stacked stone veneer, corten steel panels with laser-cut lettering, and Tracy Hills branding. The Community Gateway Icon would be placed atop an approximately 5-foot high man-made mound and be setback approximately 25 feet from the right-of-way line of the westbound on-ramp to I-580. The Community Gateway Icon would be surrounded by landscaping, including a backdrop of trees and other plants, and would be 13 feet wide at the base and angle to a narrow point at the top.
2. The proposal conforms to Chapter 10.08, Zoning Regulations, of the Tracy Municipal Code, the Tracy Hills Specific Plan, the City of Tracy General Plan, the Citywide Design Goals and Standards, applicable Infrastructure Master Plans, and other City regulations.

\* \* \* \* \*

The foregoing Resolution 2018-\_\_\_\_\_ was adopted by the City Council on the 17<sup>th</sup> day of July 2018, by the following vote:

AYES:	COUNCIL MEMBERS:
NOES:	COUNCIL MEMBERS:
ABSENT:	COUNCIL MEMBERS:
ABSTAIN:	COUNCIL MEMBERS:

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

**City of Tracy  
Development Review  
Conditions of Approval**

Tracy Hills Community Gateway Icon  
Northwest Corner of I-580 and the Interchange with Corral Hollow Road  
Assessor's Parcel Number 253-360-15  
Application Number D18-0004  
July 17, 2018

These Conditions of Approval shall apply to the Development Review permit to construct the Tracy Hills Community Gateway Icon, located at the northwest corner of I-580 and the interchange with Corral Hollow Road, Assessor's Parcel Number 253-360-15, Application Number D18-0004 (hereinafter "Project"), proposed by John Palmer (hereinafter "Applicant").

**A. Definitions.**

The following definitions shall apply to these Conditions of Approval:

1. "Applicant" means any person, or other legal entity, defined as a "Developer".
2. "Developer" means any person, or other legal entity, who applies to the City to divide or cause to be divided real property within the Project boundaries, or who applies to the City to develop or improve any portion of the real property within the Project boundaries. The term "Developer" shall include all successors in interest.
3. "City Engineer" means the City Engineer of the City of Tracy, or any other duly licensed engineer designated by the City Manager, the Development Services Director, or the City Engineer, to perform the duties set forth herein.
4. "Development Services Director" means the Development Services Director of the City of Tracy, or any other person designated by the City Manager or the Development Services Director, to perform the duties set forth herein.
5. "City Regulations" means all written laws, rules, and policies established by the City, including those set forth in the City of Tracy General Plan, the Tracy Hills Specific Plan, the Tracy Municipal Code, ordinances, resolutions, policies, procedures, and the City's Design Documents (including the Standard Plans, Standard Specifications, Design Standards, and relevant Public Facility Master Plans).
6. "Conditions of Approval" means these conditions of approval applicable to the Development Review permit to construct the Tracy Hills Community Gateway Icon, located at the northwest corner of I-580 and the interchange with Corral Hollow Road, Assessor's Parcel Number 253-360-15, Application Number D18-0004.
7. "Property" means the subject property of the Development Review permit to construct the Tracy Hills Community Gateway Icon, located at the northwest corner of I-580 and

the interchange with Corral Hollow Road, Assessor's Parcel Number 253-360-15, Application Number D18-0004.

**B. Planning Division Conditions of Approval**

1. The Developer shall comply with all laws (federal, state, and local) related to the development of real property within the Project boundaries, including, but not limited to: the Planning and Zoning Law (Government Code sections 65000, et seq.), the Subdivision Map Act (Government Code sections 66410, et seq.), the California Environmental Quality Act (Public Resources Code sections 21000, et seq., "CEQA"), and the Guidelines for the California Environmental Quality Act (California Administrative Code, title 14, sections 15000, et seq., "CEQA Guidelines").
2. Unless specifically modified by these Conditions of Approval, the Developer shall comply with all City Regulations.
3. Pursuant to Government Code Section 66020, including Section 66020 (d)(1), the City HEREBY NOTIFIES the Developer that the 90-day approval period (in which the Developer may protest the imposition of any fees, dedications, reservations, or other exactions that are within the purview of the Mitigation Fee Act [Government Code section 66000 et seq.] ("Exactions") and imposed on this Project by these Conditions of Approval) shall commence on the date of the conditional approval of this Project. If the Developer fails to file a protest of the Exactions within this 90-day period, complying with all of the requirements of Government Code Section 66020, the Developer will be legally barred from later challenging any of the Exactions. The terms of this paragraph shall not affect any other deadlines or statutes of limitations set forth in the Mitigation Fee Act or other applicable law, or constitute a waiver of any affirmative defenses available to the City.
4. The project shall be developed in substantial compliance with the plans received by the Development Services Department on May 29, 2018, to the satisfaction of the Development Services Director.
5. Prior to the issuance of a building permit, the developer shall submit a detailed landscape and irrigation plan consistent with City landscape and irrigation standards, including, but not limited to Tracy Municipal Code Section 10.08.3560, Tracy Hills Specific Plan, City's Design Goals and Standards, City's Water Efficient Landscape Ordinance, and all other applicable City regulations, to the satisfaction of the Development Services Director.
6. Prior to the issuance of a building permit, an Agreement for the Maintenance of Landscape and Irrigation Improvements, installed in compliance with the plans referenced in Condition of Approval Number B.5., above, shall be executed and financial security submitted to the Development Services Department. The Agreement shall ensure maintenance of the landscape and irrigation improvements for a period of two years. Said security shall be equal to the actual material and labor

costs for installation of the landscape and irrigation improvements, or \$2.50 per square foot of landscape area.

7. Prior to issuance of a building permit, the construction documents shall comply with California Building Standards Commission (Cal Green Code Emergency Standards; Title 24, Part 11) regarding landscaping and irrigation water efficiency to the satisfaction of the Utilities Director.
8. Prior to issuance of a building permit, the Developer shall comply with all applicable requirements of the San Joaquin Valley Air Pollution Control District (APCD), to the satisfaction of the APCD.

### C. Engineering Division Conditions of Approval

#### C.1. General Conditions

Developer shall comply with the applicable sections of approved documents and/or recommendations of the technical analyses/reports prepared for the Project listed as follows:

1. Tracy Hills Specific Plan approved by City Council during the April 5, 2016 Council Meeting by Resolution 2016-063 dated April 5, 2016 and any amendments thereto (**THSP**).
2. Final Environmental Impact Report certified by City Council during the February 1, 2011 Council Meeting by Resolution 2011-028 (**EIR**).
3. Tracy Hills Project Traffic Impact Study in the City of Tracy, prepared by Kimley-Horn Associates, dated April 27, 2015 (**Traffic Analysis**).
4. Tracy Hills Phase 1A and 1B Sanitary Sewer Study Technical Memorandum prepared by Rugerri-Jensen-Azar, dated December 12, 2013 (**Sanitary Sewer Study**)
5. Tracy Hills Water Study Technical Memorandum prepared by Rugerri-Jensen-Azar, dated December 5, 2014 (**Water Study**)
6. Tracy Hills Storm Drainage Master Plan prepared by Rugerri-Jensen-Azar, dated October 2014 (**Storm Drainage Master Plan**)
7. Tier 2 Storm Drainage Study for Tracy Hills Phase 1A, prepared by Rugerri-Jensen-Azar, dated December 2014 (**Tier 2 Storm Drainage Study**)

#### C.2. Grading Permit

All grading work (on-site and off-site, if applicable) shall require a Grading Permit. All grading work shall be performed and completed in accordance with the recommendation(s) of the Project's Registered Geotechnical Engineer. The City will not



accept a Grading Permit application for the Project until the Developer provides all documents related to said Grading Permit required by the applicable City Regulations and these Conditions of Approval, to the satisfaction of the City Engineer, including, but not limited to, the following:

- C.2.1. The Developer has completed all requirements set forth in this section.
- C.2.2. The Developer has obtained the approval (i.e. recorded easements for slopes, drainage, utilities, access, parking, temporary construction etc.) of all other public agencies and/or private entities with jurisdiction over the required public and/or private facilities and/or property.
- C.2.3. The Improvement Plans for all improvements to serve the Project (in-tract and off-site) including the Grading and Drainage Plans shall be prepared in accordance with the City's Subdivision Ordinance (Tracy Municipal Code (TMC) Chapter 12.36) and City Design Documents, and these Conditions of Approval.
- C.2.4. On-site/In-tract Grading and Drainage Plans (Grading Plans) prepared on a 24-inch x 36-inch size 4-millimeter thick polyester film (mylar) using the City's title block. Improvement Plans shall be prepared under the supervision of, stamped and signed by a Registered Civil Engineer and Registered Geotechnical Engineer. The Developer shall obtain all applicable signatures by City departments and outside agencies (where applicable) on the mylars including signatures by Chief Building Official and Fire Code Official prior to submitting the mylars to Engineering Division for City Engineer's signature. Erosion control measures shall be implemented in accordance with the Improvement Plans approved by the City Engineer for all grading work not completed before October 15. Improvement Plans shall specify all proposed erosion control methods and construction details to be employed and specify materials to be used during and after the construction. Project's design professionals shall adhere to the review comments
- C.2.5. Payment of the applicable Grading Permit fees which include grading plan checking and inspection fees, and other applicable fees as required by these Conditions of Approval.
- C.2.6. Prior to the issuance of the Grading Permit, the Developer shall submit a copy of the Storm Water Pollution Prevention Plan (SWPPP) for the Project with a copy of the Notice of Intent (NOI) submitted to the State Water Quality Control Board (SWQCB) and any relevant documentation or written approvals from the SWQCB, including the Wastewater Discharge Identification Number (WDID#).
  - 1. After the completion of the Project, the Developer is responsible for filing the Notice of Termination (NOT) required by SWQCB. The Developer shall provide the City with a copy of the completed Notice of Termination.

2. The cost of preparing the SWPPP, NOI and NOT, including the filing fee of the NOI and NOT, shall be paid by the Developer.
  3. The Developer shall comply with all the requirements of the SWPPP and applicable Best Management Practices (BMPs) and the applicable provisions of the City's Storm Water Management Program.
- C.2.7. A copy of the Project's Geotechnical Report signed and stamped by a licensed Geotechnical Engineer licensed to practice in the State of California. The technical report must include relevant information related to soil types and characteristics, soil bearing capacity, percolation rate, and elevation of the highest observed groundwater level.
- C.2.8. Provide documentation or letter from the San Joaquin Valley Air Pollution Control District (SJVAPCD) stating that this Project meets their requirements related to dust control and a copy of the approved Air Impact Assessment/Indirect Source Review from SJVAPCD.
- C.2.9. Provide a copy of Hydrologic and Storm Drainage Calculations for the design of the on-site and off-site storm drainage.
- C.2.10. If required, Construction Easements or agreements with the owners of the adjacent properties shall be obtained prior to the start of any construction encroaching onto the adjacent properties.
- C.2.11 Site Grading
1. Include all proposed erosion control methods and construction details to be employed and specify materials to be used. All grading work shall be performed and completed in accordance with the recommendation(s) of the Project's Geotechnical Engineer. A copy of the Project's Geotechnical Report must be submitted with the Grading and Storm Drainage Plans.
  2. Grading for the site shall be designed such that the Project's storm water can overland release to a public street that has a functional storm drainage system with adequate capacity to drain storm water from the Project Site, in the event that the on-site storm drainage system fails or it is clogged. The storm drainage release point is recommended to be at least 0.70 foot lower than the building finish floor elevation and shall be improved to the satisfaction of the City Engineer.
  3. When the grade differential between the Project Site and adjacent property(s) exceeds 12-inches, a reinforced concrete or masonry block, or engineered retaining wall is required for retaining soil. The Grading Plan shall show construction detail(s) of the retaining wall or masonry wall. The entire retaining wall and footing shall be constructed within the Project Site. Structural calculations shall be submitted with the Grading and Storm Drainage Plans.

4. The Developer shall be responsible for obtaining permission from owner(s) of the adjacent and affected property(s) for grading beyond the property boundaries. If required, slope easement must be recorded prior to the issuance of the final building certificate of occupancy.

#### C.2.12 Site Storm Drainage

1. The Developer shall design and install storm drain lines and connection to existing storm drains per City Regulations.
2. The project site will need to include storm water quality treatment provisions that conform to the City's *Manual of Stormwater Quality Control* ("SWQC") Standards for New Development and Redevelopment. Calculations related to the design and sizing of on-site storm water treatment facilities must be submitted with the Grading and Storm Drainage Plans, and approved by City's Stormwater Coordinator prior to issuance of the Grading Permit for the Project.
3. Prior to the issuance of the building certificate of occupancy, the Developer shall submit a signed and notarized Stormwater Treatment Facilities Maintenance Agreement (STFMA) as a guarantee for the performance of Developer's responsibility towards the repair and maintenance of on-site storm water treatment facilities.

#### C.2.13 Water System

1. Developer shall comply with the recommendations of the *Water Analysis*.
2. During the construction of the Project, the Developer is responsible for providing water infrastructure (temporary or permanent) capable of delivering adequate fire flows and pressure appropriate to the various stages of construction and as approved by the City of Tracy Fire Code Official.
3. Interruption to the water supply to the existing businesses and other users will not be allowed to facilitate construction of improvements related to the Project. The Developer shall be responsible for notifying business owner(s) and users, regarding construction work. The written notice, as approved by the City Engineer, shall be delivered to the affected residents or business owner(s) at least 72 hours before start of work. Prior to starting the work described in this section, the Developer shall submit a Work Plan acceptable to the City that demonstrates no interruptions to the water supply, and Traffic Control Plan to be used during the installation of the offsite water mains and connections.
4. Irrigation Water Services – The Developer shall design and install domestic and irrigation water service connection, including a remote-read water meter (the water meter to be located within City's right-of-

way) and a Reduced Pressure Type back-flow protection device in accordance with City Regulations. The domestic and irrigation water service connection(s) must be completed before the final inspection of the building. The City shall maintain water lines from the water meter to the point of connection with the water distribution main (inclusive) only. Repair and maintenance of all on-site water lines, laterals, valves, fittings, fire hydrant and appurtenances shall be the responsibility of the Developer.

5. All costs associated with the installation of the Project's water connection(s) including the cost of removing and replacing asphalt concrete pavement, pavement marking and striping such as crosswalk lines and lane line markings on existing street or parking area(s) that may be disturbed with the installation of the permanent water connection(s), or domestic water service, and other improvements shall be paid by the Developer.

#### C.2.14 Stormwater Treatment

1. Storm water treatment is required for the interim condition with Temporary Retention Basin(s). However, the Permanent Drainage System when the SDMP Storm Drain Line is connected to master plan facilities (build-out condition), shall meet City Regulations and shall comply with the applicable requirements of the *Multi-Agency Post-Construction Stormwater Standards Manual* and storm water regulations that were adopted by the City Council in July 2015 and any subsequent amendments. Developer shall complete design and construction of the modifications needed to the onsite Temporary Retention Basin(s) to provide required treatment capacity within the basins when connection to master plan facilities is made per the Deferred Improvement Agreement.
2. Prior to the issuance of the building certificate of occupancy, the Developer shall submit a signed and notarized Stormwater Treatment Facilities Maintenance Agreement (STFMA) as a guarantee for the performance of Developer's responsibility towards the repair and maintenance of on-site storm water treatment facilities.

#### C.3. Encroachment Permit

The irrigation water connection for the community monument is on the Spine Road landscape plans. Therefore any encroachment, as defined in Title 7 of the Tracy Municipal Code, on Corral Hollow Road is prohibited. If differing site conditions warrant a design change that requires an encroachment from Corral Hollow Road, then the Developer is required to submit an application for an encroachment permit. However, no application for an encroachment permit will be accepted by the City as complete until the Developer provides all relevant documents related to said encroachment permit required by the applicable City Regulations and these

Conditions of Approval, to the satisfaction of the City Engineer, including, but not limited to, the following:

- C.3.1. Off-site/Public Infrastructure Improvement Plans prepared on a 24-inch x 36-inch size 4-millimeter thick mylar that incorporate all requirements described in the documents described in Section C.1, C.2, the City's title block, and these Conditions of Approval. The Developer shall use the latest title block and, if necessary, contain a signature block for the Chief Building Official and Fire Code Official. Improvement Plans shall be prepared under the supervision of, and stamped and signed by a Registered Civil, Traffic, Electrical, Mechanical Engineer, and Registered Landscape Architect for the relevant work. The Developer shall obtain all applicable signatures by City departments and outside agencies (where applicable) on the mylars including signatures by Building Official and Fire Code Official prior to submitting the mylars to Engineering Division for City Engineer's signature. The improvement plans shall be prepared to specifically include, but not be limited to, the following items:
  - C.3.2. Signed and stamped Engineer's Estimate that summarizes the cost of constructing all the public improvements shown on the Improvement Plans.
  - C.3.3. Signed and notarized Offsite Improvement Agreement (OIA) and Improvement Security, to guarantee completion of the identified public improvements that are necessary to serve the Project as required by these Conditions of Approval. The form and amount of Improvement Security shall be in accordance with Section 12.36.080 of the Tracy Municipal Code (TMC), and the OIA. The Developer's obligations in the OIA shall be deemed to be satisfied upon City Council's acceptance of the public improvements and release of the Improvement Security.
  - C.3.4. If required, signed and notarized Deferred Improvement Agreement (DIA) and Improvement Security, to allow deferment of completion of improvements as required by these Conditions of Approval. The form and amount of Improvement Security shall be in accordance with the DIA and Section 12.36.080 of the TMC. The Developer's obligations in the DIA shall be deemed to be satisfied upon the release of the Improvement Security.
  - C.3.5. Check payment for the applicable engineering review fees which include plan checking, permit and agreement processing, testing, construction inspection, and other applicable fees as required by these Conditions of Approval. The engineering review fees will be calculated based on the fee rate adopted by the City Council on May 16, 2017, per Resolution 2017-098.
  - C.3.6. Traffic Control Plan signed and stamped by a Registered Civil Engineer or Traffic Engineer licensed in the State of California.

### C.3.7 Off-Site Improvement Plans

The irrigation water connection for the community monument is on the Spine Road landscape plans. Therefore any construction on Corral Hollow Road is prohibited. If differing site conditions warrant a design change that requires any construction from Corral Hollow Road, then the Developer is required to submit Off-Site Improvement Plans and shall contain design, construction details, and specifications of all improvements necessary to serve the Project. The Improvement Plans shall be drawn on a 24-inch x 36-inch size 4-mil thick polyester film (mylar) and shall be prepared under the supervision of, and stamped and signed by a Registered Civil, Traffic, and Registered Landscape Architect for the relevant work. The Improvement Plans shall be completed to comply with City Regulations, these Conditions of Approval, and the following requirements:

1. The Improvement Plans, including the Grading and Drainage Plans, shall be prepared in accordance with the City's Subdivision Ordinance and Design Standards. The improvement plans shall be prepared to specifically include, but not be limited to, the following items:
2. All existing and proposed utilities such as domestic water line, irrigation service, fire service line, storm drain, and sanitary sewer, including the size and location of the pipes.
3. All supporting engineering calculations, materials information or technical specifications, cost estimate, and technical reports.
4. Three (3) copies of the Project's Geotechnical /Soils Report, prepared or signed and stamped by a Geotechnical Engineer.
5. The Project's on-site drainage connections to City's storm drainage system and on-site storm water treatment as approved by the City Engineer. Improvement Plans to be submitted with the hydrology and storm drainage calculations for the sizing of the on-site storm drainage system.

### C.3.8. Traffic Control Plan

Prior to starting the work for any work within City's right-of-way, the Developer shall submit a Traffic Control Plan for each phase of work, to show the method and type of construction signs to be used for regulating traffic at the work areas within these streets. The Traffic Control Plan shall be prepared by a Civil Engineer or Traffic Engineer licensed to practice in the State of California.

### C.3.9 Joint Utility Trench Plans

The Developer shall submit Joint Utility Trench plans for the installation of electric, gas, telephone and TV cable main and service lines that are necessary to be installed to serve the Project. These utilities shall be installed within the PUE.

1. Overhead utilities along the frontage of the project (with the exception of the high-voltage transmission lines with voltages greater than 34.5 KV) shall be placed in an underground facility in accordance with Tracy Municipal Code Chapter 11.08.
2. The Developer shall submit Joint Trench Utility improvement plans for the installation of new electric, gas, telephone and TV cable lines to serve the Project. These utilities shall be installed within the 10-foot wide Public Utility Easement (PUE) that will be offered for dedication to the City.
3. The Developer will be required to pay 50% of the cost of undergrounding overhead utilities located along the north side of Grant line Road into an underground facility (In-Lieu Fee). The limits of the undergrounding work, for the purpose of determining the In-Lieu Fee, shall be the length of the Project's frontage on Grant Line Road. The In-Lieu Fee shall be paid by the Developer at the time of issuance of the Building Permit.

#### C.3.10 Street Cut(s)

The irrigation water connection for the community monument is on the Spine Road landscape plans. Therefore any street cut on Corral Hollow Road is prohibited. If differing site conditions warrant a design change that requires a utility connection from Corral Hollow Road, then the Developer is required to install 2-inch thick asphalt concrete overlay with reinforcing fabric at least 25 feet from all sides and for the entire length of the utility trench. A 2-inch deep grind on the existing asphalt concrete pavement will be required where the asphalt concrete overlay will be applied and shall be uniform thickness in order to maintain current pavement grades, cross and longitudinal slopes. The limits of the 2-inch asphalt concrete overlay shall conform to Section 3.14 of the 2008 Design Standards.

#### C.3.11 Street Repairs:

The Developer shall be responsible for any repairs or reconstruction of street pavement, curb, gutter and sidewalk and other public improvements along the frontage of the Project along Grant Line Road, if determined by the City Engineer to be in poor condition or damaged by construction activities related to the Project.

#### C.4. Building Permit:

No building permit within the Project boundaries will be approved by the City until the Developer demonstrates, to the satisfaction of the City Engineer, compliance with all required Conditions of Approval, including, but not limited to, the following:

C.4.1. Payment of the Development Impact Fees.

C.5. Building Permit Final:

No Temporary or Final Building Certificate of Occupancy will be issued by the City until the Developer provides reasonable documentation which demonstrates, to the satisfaction of the City Engineer, that:

C.5.1. The Developer has satisfied all the requirements set forth in Condition C.4, above.

C.5.2. Prior to issuance of the Certificate of Occupancy for the project, the Developer shall grant access rights to the City for the use, operation, repair, and maintenance of traffic detecting loops, wires, conduits, and pull boxes that will be located within the Property. The Developer shall submit a signed and notarized Grant of Easement and provide legal description and plat map that describes the easement area. The Developer shall pay for the cost of dedicating easement and preparing the legal description and plat map.

C.5.3. The Developer has completed construction of all required public facilities for the building for which a certificate of occupancy is requested and all the improvements required in these Conditions of Approval. Unless specifically provided in these Conditions of Approval, or some other applicable City Regulations, the Developer shall use diligent and good faith efforts in taking all actions necessary to construct all public facilities required to serve the Project, and the Developer shall bear all costs related to construction of the public facilities (including all costs of design, construction, construction management, plan check, inspection, and contingency).

C.6. Special Conditions

C.6.1. All streets and utilities improvements within City's right-of-way shall be designed and constructed in accordance with City Regulations, and City's Design documents including the City's Facilities Master Plan for storm drainage, roadway, wastewater and water adopted by the City, or as otherwise specifically approved by the City.

C.6.2. All existing on-site wells, if any, shall be abandoned or removed in accordance with the City and San Joaquin County requirements. The Developer shall be responsible for all costs associated with the abandonment or removal of the existing well(s) including the cost of permit(s) and inspection. The Developer shall submit a copy of written approval(s) or permit(s) obtained from San Joaquin County regarding the removal and abandonment of any existing well(s), prior to the issuance of the Grading Permit.



- C.6.3. If tile drain system (irrigation system installed decades ago by farmers or irrigation districts) exists within the Project that also runs to the adjacent properties, the Developer shall coordinate with the owners of the neighboring properties for the relocation of affected tile drains, installation of interceptors and reconnecting to the outfall system. The Developer is fully responsible for any damage, repair and maintenance from the Project's activities including but not limited to all type of construction, the weight of the building and vehicular movements to existing tile drain system within the Project. The Developer shall indemnify, defend, and hold harmless the City (including its elected officials, officers, agents, and employees) from and against any and all claims, demands, damages, liabilities, costs, and expenses (including court costs and attorney's fees) resulting from or arising out of merely the existence of the tile drain system and interceptors or from damaged or undamaged existing underground tile drain system issues by Developer or Developer's agents, representatives, contractors, subcontractors, or employees, adjacent property owner or adjacent property owner's agents, representatives, contractors, subcontractors, or employees.
- C.6.4. All improvement plans shall contain a note stating that the Developer (or Contractor) will be responsible to preserve and protect all existing survey monuments and other survey markers. Any damaged, displaced, obliterated or lost monuments or survey markers shall be re-established or replaced by a licensed Land Surveyor at the Developer's (or Contractor's) sole expense. A corner record must be filed in accordance with the State law for any reset monuments (California Business and Professions Code Section 8871).
- C.6.5. Nothing contained herein shall be construed to permit any violation of relevant ordinances and regulations of the City of Tracy, or other public agency having jurisdiction. This Condition of Approval does not preclude the City from requiring pertinent revisions and additional requirements to the Grading Permit, Encroachment Permit, Building Permit, Improvement Plans, OIA, and DIA, if the City Engineer finds it necessary due to public health and safety reasons, and it is in the best interest of the City. The Developer shall bear all the cost for the inclusion, design, and implementations of such additions and requirements, without reimbursement or any payment from the City.

AGENDA ITEM 10

REQUEST

**RECEIVE A STAFF PRESENTATION ON THE STATUS OF A PROPOSAL TO PROVIDE LAW ENFORCEMENT SERVICES BY THE CITY OF TRACY TO THE CITY OF LATHROP**

EXECUTIVE SUMMARY

The City of Tracy was approached by the City of Lathrop to explore the potential of the City of Tracy to provide police services to the City of Lathrop. The City of Lathrop had already engaged a consultant, Municipal Resources Group (MRG), to evaluate the feasibility of such an arrangement. The City of Tracy in turn retained Management Partners to conduct a limited peer review to verify the costs and methodologies produced by the City of Lathrop's consultants.

Management Partners has reviewed the costs and methodologies produced by MRG and the findings are that there are no fatal flaws to MRG's costs and methodologies.

DISCUSSION

The City of Lathrop had contracted with San Joaquin County for Law Enforcement Services since its incorporation in 1989. In 2017, Lathrop's Council contracted with Management Resource Group (MRG) to evaluate Lathrop's law enforcement contract and to provide options to control escalating service costs.

In MRG's report, the City of Tracy was identified as a viable option to provide quality law enforcement services to the City of Lathrop. The City of Lathrop approached the City of Tracy and began discussions regarding the feasibility of Tracy providing these services to Lathrop. Staff from both Tracy and Lathrop along with MRG, began a series of meetings to discuss potential plans that would allow the City of Tracy to provide law enforcement services to the City of Lathrop.

On April 3, 2018 the Tracy City Council authorized staff to move forward with developing a service contract with the City of Lathrop. Lathrop's consultants had already completed substantial work on evaluating the costs of Tracy providing the services to Lathrop including impacts on the City of Tracy, additional facilities' needs, and staff required to implement contract services.

The City of Tracy engaged Management Partners to conduct a peer review of MRG's costing and assumptions with respect to the City of Tracy providing law enforcement services to the City of Lathrop. Management Partner's review of MRG's findings indicated that most assumptions were reasonable in that reasonable inflators were applied to all cost categories and salary costs were budgeted at "top step" with maximum cost for benefits. Non personnel and start-up cost appeared to be complete as well as out-year projections for FY 2019-20 and beyond included full pension cost estimates including unfunded liability expense.

In addition to the financial feasibility of the City of Tracy providing law enforcement services to the City of Lathrop, Tracy wanted to ensure that all service levels to Tracy residents were not negatively impacted by such an agreement.

The service plan that has been developed includes the expansion of the Tracy Police Department with the addition of 26 sworn officers and two non-sworn staff to serve as a dedicated force to the City of Lathrop. The City of Lathrop will pay all costs associated with Tracy's provision of law enforcement services to the City of Lathrop. The expansion will occur with no reduction in police presence in Tracy. Lathrop will also pay for an expansion of Tracy's communications (dispatch) center. While an expansion of the communications center would have occurred regardless of Tracy providing services to the City of Lathrop, providing law enforcement services to the City of Lathrop will speed up the timeline for the expansion.

Recruitment for staffing to provide police services to the City of Lathrop will be ramped up by hiring a mix of Police Academy recruits (Trainees), academy graduates, and experienced lateral officers from other jurisdictions. The City of Lathrop will pay for an advertising consultant to assist the City of Tracy in recruiting for the additional staffing. Providing police services to Lathrop will also result in several internal promotions at all levels including, Captain (1), Lieutenant (1), Sergeants (4), Corporals (2) and potentially 8 special assignments. The two non-sworn staff will be recruited as Community Services Officers. The City of Lathrop is also paying for the additional cost of conducting appropriate testing for the resulting promotions/recruitments.

Moving forward with a services contract with Lathrop will allow Tracy to grow its police department by hiring more officers, reduce expenditures by sharing some costs between the two cities, and expand Tracy's dispatch center sooner than originally planned. A larger police department would also enable Tracy to apply for regional grants and potentially receive better pricing for equipment and supplies.

Staff will return to City Council on August 21, 2018 to request approval of a service contract with the City of Lathrop, which is currently being finalized. If a contract is approved on August 21, 2018, the anticipated start date for providing police services to the City of Lathrop will be approximately September 1, 2019

### STRATEGIC PLAN

This item is congruent with the City's current Strategic Plan by providing the community with enhanced law enforcement services.

### FISCAL IMPACT

This report is to update the City Council on the proposal to provide law enforcement services by the City of Tracy to the City of Lathrop. There is no fiscal impact associated with this item.

RECOMMENDATION

Staff recommends the City Council receive this report.

Prepared by: Randall Bradley, City Manager

Approved by: Randall Bradley, City Manager

ATTACHMENTS

Attachment A – Lathrop Police Services Contract

**MUNICIPAL LAW ENFORCEMENT SERVICES AGREEMENT BETWEEN  
THE CITY OF TRACY AND THE CITY OF LATHROP  
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**EXHIBITS**

1. First Year Service Plan
2. First Year Staffing Plan
3. Start-up Cost Budget
4. Annual Cost Budget

**MUNICIPAL LAW ENFORCEMENT SERVICES AGREEMENT BETWEEN  
THE CITY OF TRACY AND THE CITY OF LATHROP**

This **MUNICIPAL LAW ENFORCEMENT SERVICES AGREEMENT** (“**AGREEMENT**”), dated for purposes of reference only, \_\_\_\_\_ 2018, is made by and between the CITY OF TRACY, a general law city, hereinafter referred to as “**TRACY**”, and the CITY OF LATHROP, a general law city, hereinafter referred to as “**LATHROP**”. TRACY and LATHROP are collectively referred to as “Parties.”

**RECITALS**

**WHEREAS** LATHROP is desirous of contracting with TRACY for the performance of the general law enforcement functions described herein by the TRACY Police Department, and

**WHEREAS** TRACY is agreeable to rendering such services on the terms and conditions set forth in this Agreement, and

**WHEREAS** This Agreement is entered into pursuant to California Government Code Sections 55631-55634 and Section 54980 et seq.

**THEREFORE, THE PARTIES MUTUALLY AGREE AS FOLLOWS:**

**1.0 CONTRACT AUTHORIZATION**

**1.1** TRACY agrees to provide general law enforcement services, through the TRACY Police Department, within the incorporated limits of LATHROP to the extent and in the manner hereinafter set forth (“Lathrop Police Services”). The Lathrop Police Services are described in the First Year Service Exhibit attached as Exhibit 1.

**1.2** Except as otherwise specifically set forth in this Agreement, such services shall only encompass duties and functions of the type coming within the jurisdiction of and customarily rendered by a city police department under the municipal code of LATHROP and the statutes of the State of California.

**2.0 ADMINISTRATION OF PERSONNEL**

**2.1** During the term of this Agreement, the Chief of Police for the TRACY Police Department (“the Tracy Chief”) shall serve as the administrative head for all services rendered by TRACY pursuant to this Agreement and their designee shall serve as Chief of Police of LATHROP (“the Lathrop Chief”) and shall perform the functions of the Chief of Police for LATHROP as defined in section 3.5.1. LATHROP City Manager and the Tracy Chief will mutually agree on the appointment of a City of Lathrop Police Chief of which will be selected from the

Tracy Police Department command staff level personnel, subject to compliance with the TRACY Personnel Rules and existing Tracy Police Managers Association Memoranda of Understanding. The Lathrop Chief shall report to the LATHROP City Manager as any other designated Department Head employed by LATHROP regarding day to day business and operational issues related to Lathrop Police Services.

Additionally, it is understood that LATHROP will expect the Lathrop Chief or their designee to attend LATHROP City Council or other LATHROP directed meetings taking place during or after regular business and/or scheduled work times. In such an event, it is understood that the Lathrop Chief and/or their designee will adjust their work schedules accordingly. The Lathrop Chief shall report to the Tracy Chief on all employment and personnel related matters.

- 2.2** During the term of this Agreement, the LATHROP City Manager shall maintain a working knowledge of the Peace Officer's Bill of Rights (POBR) and TRACY's Memoranda of Understandings (MOUs) for the various represented labor groups assigned to perform the Lathrop Police Services. The LATHROP City Manager shall defer to TRACY on any issue of concern regarding the POBR or TRACY MOUs.
- 2.3** No officer, employee, or department of TRACY shall perform for LATHROP, services or functions which are outside the scope of their duties for TRACY as specifically related to the terms and conditions of this Agreement.
- 2.4** The services performed by the TRACY Police Department for LATHROP under this Agreement shall include the planning, organization, scheduling, direction, supervision, development and adherence to standards of performance relating to municipal law enforcement services. The discipline of officers and other matters incidental to the performance of such services and the control of personnel so employed shall remain with TRACY. The Tracy Chief shall retain exclusive authority over the activities of TRACY personnel assigned to LATHROP.
- 2.5** In the event of a dispute between the Parties regarding the extent and scope of the duties and functions to be rendered hereunder, or the minimum level or manner of performance of such service, LATHROP and TRACY agree to meet and confer prior to any final determination by TRACY.

LATHROP may request a review of performance of any TRACY personnel performing Lathrop Police Services. The Lathrop Chief, in consultation with the Tracy Chief or their designee and the LATHROP City Manager or designated representative, will conduct such review consistent with the applicable MOU and Police Officers Bill of Rights. Upon completion of the review, direction, additional training, and/or transfer of TRACY personnel will be implemented as deemed necessary by the Tracy Chief.

The management, direction, supervision and discipline of TRACY personnel, the standards of performance, and all other matters incidental to the performance of services, shall be performed by, and be the responsibility of, TRACY through the Tracy Chief in Tracy Chief's sole but reasonable judgment and in accordance with the provisions of applicable MOUs. The Tracy Chief shall be the appointing authority for all personnel provided to LATHROP and shall have complete discretion as to the assignment of all individual TRACY personnel under this Agreement. Should LATHROP have an issue with any individual TRACY personnel assigned to LATHROP, the Tracy Chief and LATHROP City Manager shall meet and confer regarding any such issue.

Should the Lathrop Chief be the subject of a review of their job performance, the Tracy Chief or their designee will consult with the LATHROP City Manager or designated representative and LATHROP will be afforded the opportunity to provide input. The Tracy Chief will, at all times, endeavor to provide personnel agreeable to LATHROP; however the Tracy Chief retains final authority regarding selection and retention of TRACY personnel assigned to LATHROP.

- 2.6** All LATHROP employees who work in conjunction with the TRACY Police Department pursuant to this Agreement shall remain employees of LATHROP and shall not have any claim or right to employment, civil service protection, salary, or benefits or claims of any kind from TRACY based on this Agreement.
- 2.7** LATHROP shall not be called upon to assume any liability for the direct payment of any Police Department salaries, wages, or other compensation to any TRACY personnel performing services pursuant to this Agreement. Except as herein otherwise specified, LATHROP shall not be liable for compensation or indemnity to any TRACY employee or agent of TRACY for injury or sickness arising out of their employment as a contract employee of LATHROP, unless specifically caused by negligence on the part of LATHROP.
- 2.8** As part of its compliance with all applicable laws and regulations relating to employee hiring, TRACY agrees that TRACY Personnel Rules and Regulations, including those prohibiting discrimination on the basis of race, gender, sex, age or any other prohibited basis shall remain in effect. The Parties agree that TRACY and its employee associations have in existence MOUs that may change from time to time over the life of this Agreement. Both parties will endeavor to comply with all contractual obligations in said MOUs, to the extent they are impacted by the services and requirements of this Agreement. TRACY will inform LATHROP of executed changes to MOUs that will affect LATHROP services.
- 2.9** TRACY shall negotiate and administer all labor relations and personnel rules and procedures between TRACY and its employees rendering services under this Agreement.
- 2.10** If TRACY's provision of services is interrupted by strikes, boycotts or forces beyond TRACY's control, payment demand shall be prorated, TRACY will exert



reasonable effort to continue the provision of services. LATHROP may contract for law enforcement services from another agency during any such interruption. All employees employed by TRACY to perform services pursuant to the Agreement shall be and remain TRACY employees.

### **3.0 DEPLOYMENT OF PERSONNEL**

- 3.1** General law enforcement services performed hereunder may include, if requested by LATHROP in writing, supplemental security support, supplemental sworn officer support, and supplemental professional civilian support staff upon approval of the Tracy Chief or their designee.
- 3.2** All persons employed in the performance of such services and functions for general law enforcement, including, but not limited to, sworn personnel, supplemental security support, supplemental sworn officer support, and supplemental professional civilian support staff shall be employees of TRACY, and not be employed by LATHROP, unless mutually agreed upon.
- 3.3** Services performed hereunder and specifically requested by LATHROP shall be developed in conjunction with the Tracy Chief. The Subsequent Year Staffing Plan is attached as Exhibit 2.
- 3.4** The amount and grade of staff assigned to LATHROP by TRACY for the provision of services under this Agreement will be determined by the Tracy Chief and subject to approval by the LATHROP City Manager. Any increase to minimum staffing level or budget increases will be subject to approval by LATHROP City Council. The Tracy Chief shall approve all staff selections, including assignments. The Tracy Chief will, at all times, endeavor to provide personnel agreeable to LATHROP as detailed in sections 2.5.
- 3.5** The method of selection, number of candidates for consideration, and management and supervision of TRACY personnel assigned to LATHROP shall be solely at the discretion of the Tracy Chief, subject to section 2.5 and the following:
  - 3.5.1** LATHROP POLICE CHIEF: Personnel with rank of Captain may serve in the role of “Lathrop Chief”. The title of “Lathrop Chief” shall be ceremonial in nature as all lawful duties of a duly authorized law enforcement executive rest with the Tracy Chief. The “Lathrop Chief” carries only the level of authority and responsibilities of a Tracy Captain as defined in the TRACY Police Captain job description.

The Tracy Chief will endeavor to provide a list of at least three (3) qualified internal candidates for the Lathrop Chief position to the LATHROP City Manager for consideration. The Tracy Chief, one LATHROP elected official and LATHROP City Manager will meet and

interview the candidates then mutually agree on the selection of the LATHROP Chief.

**3.5.2** LIEUTENANT: A Lieutenant shall be appointed by the TRACY Chief to serve LATHROP. The Lieutenant may serve the role as Administrative Lieutenant or Watch Commander, consistent with the duties associated with those roles within the Tracy Police Department. The Tracy Chief will, at all times, endeavor to provide personnel agreeable to LATHROP.

**3.5.3** SERGEANT: Sergeants shall be selected and retained for this assignment, consistent with the duties associated with those roles within the TRACY Police Department and the Shift Selection policy within the Tracy Police Officers Association MOU.

**3.5.4** Special Assignments (e.g. School Resource Officer, Community Service Officer, Investigator, Canine Officer, Motor Unit Officer, etc.): Special Assignments shall be appointed to serve LATHROP when requested by LATHROP. Special Assignments shall be selected and retained for this assignment consistent with the duties associated with those roles within the TRACY Police Department. Personnel assigned to LATHROP for special assignments shall remain in said assignment for a duration consistent with the MOU for the assigned personnel. This provision shall not limit the ability of the Tracy Chief to transfer personnel due to normal attrition or the application of Tracy Personnel Rules, Regulations and MOUs. This provision shall not limit the number of personnel transferred to and from LATHROP. Normal attrition is defined as promotion, termination, retirement, or those transfers that are mutually agreeable to both the TRACY Police Department and LATHROP. The method of selection and number of candidates to be considered for these assignments shall be solely at the discretion of the Tracy Chief.

**3.6** Should LATHROP request a change in the Service Plan or Staffing Level, an amendment to this Agreement shall be signed and authorized by LATHROP and approved by the TRACY City Manager or his designee (which authority is delegated to the TRACY City Manager by the City Council of TRACY as a signatory to this Agreement) as an amendment to the level of service subject to the following:

**3.6.1** Increases in staffing may occur within a reasonable time period following a request by LATHROP for such increase. The Parties agree that any increase in staffing must be accommodated by a commensurate increase in payment to TRACY. Staffing increases will be made at a time agreeable to the Tracy Chief and LATHROP. It is recognized this increase may be extended for purposes of adding and training applicable staff, including recruits enrolled in police academies.

**3.6.2** Decreases in staffing may occur when LATHROP requests such decrease, subject to the approval of TRACY. Staffing decreases will be made at a time agreeable to the Tracy Chief and LATHROP and shall be implemented in a manner consistent with all applicable TRACY personnel rules and regulations, policies and procedures and MOU's. Minimum staffing levels to be maintained in the event of decreases in workforce shall be mutually agreed upon. In the event of a recession or significant reduction in operating revenue, the Parties agree to meet and confer regarding decreases in staffing, but at no time will minimum staffing be fixed at a level below that which the TRACY Chief determines to be unsafe for either the public or staff.

**3.6.3** Unless otherwise mutually agreeable between TRACY and LATHROP, increases/decreases in staffing will not be effective prior to 180 days after a written agreement to said effect is fully executed by both parties.

**3.7** LATHROP is not limited to the foregoing services, but may also request any other service in the field of police services or related fields within the legal power of the Tracy Chief to provide upon written approval of the LATHROP City Manager and approval of the Tracy Chief or his designee.

**3.8** LATHROP shall have the right to request alternate work schedules including but not limited to 12 or more hour work shifts for Patrol Officers. LATHROP understands changes in the work schedule are subject to negotiation between TRACY and the affected TRACY employee associations.

**3.9** No code enforcement or animal control services shall be performed under this Agreement, with the exception of citations issued incidental to a police contact.

During the initial startup period scheduled for September 1, 2019 the minimum staffing levels shall be at least 20 officers for the Lathrop Division, if the desired minimum staffing level of 26 officers is not obtained at that time. This short term staffing level will account for street patrol positions, including field supervisors, K9 officers, community service officers, and does not include detectives or other agreed upon positions.

Minimum staffing levels shall result in the scheduling of at least 26 officers and two non-sworn community service officers for the Lathrop Division. The minimum positions include: 1/2 Deputy Chief (starting FY 2020/21), 1 Captain, 1 Lieutenant, 4 Sergeants, 2 Corporals, 2 K9 Officers, 2 Motor Officers, 2 Detectives, 2 School Resource Officers, 2 Community Service Officers and 10 Officers.

**3.10** In the event an officer is unable to perform all the duties of a peace officer due to workplace injury incurred as a result of work performed as staff of the Lathrop Division, LATHROP shall pay all 4850 time, overtime and/or replacement officer time for that injured officer.

## **4.0 PERFORMANCE OF CONTRACT**

- 4.1** For the purpose of performing said functions, TRACY shall furnish and supply all necessary labor, supervision, communication facilities, and supplies necessary to maintain the agreed upon level of service to be rendered.
- 4.2** Notwithstanding the foregoing, LATHROP at its discretion may provide additional resources for TRACY to utilize in performance of the services as requested by TRACY.
- 4.3** LATHROP shall supply TRACY with a local office for maintaining a law enforcement headquarters, or Police Department substation, within the LATHROP City boundaries. LATHROP shall furnish, at its own cost and expense, all necessary office space, furniture, furnishings, office supplies, administrative support, janitorial service, telephone, internet, light, water, sewer and other utilities. It is understood that personnel supplied by LATHROP to provide administrative support and janitorial support shall be required to pass a background check conducted by or approved by TRACY. LATHROP shall provide TRACY police personnel with work space suitable for twenty-four hours per day seven day per week operations. LATHROP shall seek input from TRACY on the design and construction of such work space. LATHROP shall have final discretion on the design and construction of the work space.
- 4.4** Notwithstanding the foregoing, LATHROP shall provide all fixed assets as set forth in Exhibit 3, which is incorporated herein by this reference. LATHROP shall directly lease and/or purchase any and all additional fixed assets, which are necessary for the performance of the law enforcement services under this Agreement. Fixed assets are defined as items with a purchase cost of five thousand dollars (\$5,000.00) or more and a service life of greater than one year.
- 4.4.1** Vehicles utilized by TRACY in connection with the performance of services under this Agreement shall be marked so as to designate such as LATHROP vehicles with LATHROP logos. TRACY insignia and logos may also be displayed on LATHROP vehicles. LATHROP logos shall be approved in advance by LATHROP City Manager and the Tracy Chief.
- 4.5** Notwithstanding the foregoing, it is mutually agreed that in all instances where special supplies, stationery, notices, logos, forms, and the like must be issued in the name of the said LATHROP, the same shall be supplied by the LATHROP at its own cost and expense.
- 4.6** Start-up costs consisting of pre-employment costs, salaries and benefits of trainees and field training officers, peace officer training academy costs, and on the job training costs incurred by the hiring of officers or replacement officers for the staff assigned to LATHROP, equipment purchases or leases, facility modifications and other costs identified in the Start-up Cost Budget (Exhibit 3)

shall be payable by LATHROP to TRACY. The Start-up Cost Budget shall only include direct costs incurred by TRACY and are currently budgeted at Five Million Five Hundred Thousand Dollars (\$5,500,000.00). A deposit of Seven Hundred and Fifty Thousand Dollars (\$750,000.00) shall be provided by LATHROP to TRACY within 15 days of the execution of this Agreement toward start-up costs. Start-up costs shall not be amortized. Monthly invoices shall be submitted by TRACY to LATHROP for costs incurred during the start-up period.

**4.7** LATHROP shall pay for Information Technologies (IT) support provided by and directed by TRACY for desktop, printers/copiers, phone system, file server and networking equipment up to the LATHROP owned firewall as well as all computers and equipment for these functions.

**4.7.1** TRACY will be responsible for networking between TRACY and the office housing the Lathrop Police Services including the equipment up to the TRACY network point of presence.

**4.7.2** TRACY will provide e-mail, internet services, cellular phone service and access to Police Department law enforcement specific applications as deemed appropriate by the Tracy Chief. TRACY will work with LATHROP to ensure that all required applications are installed and working properly on LATHROP owned desktops and other communication devices.

**4.7.3** Access to law enforcement data, data residing on TRACY Police Department systems and related data residing on TRACY servers is confidential. All LATHROP employees who may have access to confidential law enforcement data shall maintain the Criminal Offender Record Information system and the California Law Enforcement Telecommunication System certification. Any release of data to any entity outside of the TRACY Police Department or Lathrop Police Services must be pre-authorized by the Tracy Chief or their designee.

LATHROP shall provide a server that TRACY staff will use for storing law enforcement data. All data that resides on the LATHROP provided server will be considered, to the degree allowable by applicable law, confidential information of the TRACY Police Department. When a LATHROP employee working with TRACY on Lathrop Police Services separates from employment, LATHROP will notify, by e-mail LATHROP and TRACY Information Technologies departments. LATHROP and TRACY shall suspend the account as indicated by the date of separation. Any data related to the separated employee that is housed on LATHROP owned servers as well as LATHROP file server will be archived within 30 days to DVD.

**4.7.4** Data center access at the Lathrop Police Services facility shall be controlled via an automated system. Access to the data center shall be

permitted on a twenty-four hour seven day basis to designated LATHROP IT Staff, designated TRACY Police Department IT staff and/or designated TRACY network staff. Access to the data center shall be logged and maintained via an automated system for a minimum of 12 months. Requests for access to the security logs shall be in writing to the designated LATHROP contact and are explicitly authorized for the LATHROP Chief or their designee and the Tracy Chief or their designee. The requests shall be fulfilled within 5 business days. In the event that the LATHROP City Manager or their designee requests security logs related to TRACY employees, the Tracy Chief or their designee shall be notified of the request and provided a copy of the logs.

- 4.7.5** No unauthorized hardware or software shall be used on any of the Lathrop Police Services facility computer systems or networking equipment. Authorization shall be provided by the TRACY Chief or their designee.
- 4.7.6** LATHROP IT staff shall work with TRACY IT staff on any required new or updated software or hardware installations.
- 4.7.7** LATHROP shall provide other services as may be required (e.g. access to fuel filling, maintenance of LATHROP owned real estate facilities) that may be necessary to ensure safe and efficient operations.
- 4.7.8** TRACY will maintain custody reports and records it creates while performing services under this Agreement. LATHROP may review these records upon request, unless prohibited by law. LATHROP shall pay for the cost of producing the records and/or reports. Upon reasonable notice, either party will have the right to inspect all public records maintained by the other party relevant to this Agreement, to the extent permitted by law.

## **5.0 INDEMNIFICATION**

- 5.1** LATHROP, its officers and employees, by this Agreement, shall not assume any liability for the direct payment of any claims, settlements or judgments resulting or arising solely from any negligent or wrongful act or omission of TRACY, its officers and employees in performing the services or functions provided for in this Agreement. TRACY shall hold LATHROP, its officers and employees harmless, and indemnify and defend LATHROP, its officers and employees, against the direct payment of any and all costs, expenses, claims, suits and liability for bodily or personal injury to or death of any person and for injury to or loss of any property resulting from or arising out of any negligent or wrongful acts or omissions of TRACY, its officers and employees, in performing or in failing to perform any work, services or functions provided for, referred to in or in any way connected with services or functions to be performed under this Agreement.

**5.2** TRACY, its officers and employees, by this Agreement, shall not assume any liability for the direct payment of any claims, settlements or judgments resulting or arising solely from any negligent or wrongful act or omission of LATHROP, its officers and employees, nor for any dangerous condition of the streets or property of LATHROP, and LATHROP shall hold TRACY, its officers and employees, harmless, and indemnify and defend TRACY, its officers and employees, against any and all costs, expenses, claims, suits and liability for bodily and personal injury to or death of any person and for injury to or loss of any property resulting therefrom or arising out of with any negligent or wrongful acts or omissions of LATHROP, its officers and employees, in performing or authorizing the performance of or in failing to perform or authorize the performance of any work, services or functions provided for, referred to in or in any way connected with services or functions to be performed under this Agreement.

**5.3** The Parties agree to provide one another prompt notice of any claims or lawsuits arising out the performance of services under this Agreement. All notices required to be given pursuant to this Agreement shall be in writing and shall be delivered by hand or certified mail, postage prepaid, return receipt requested, to the following addresses:

To LATHROP at:  
OFFICE of the CITY MANAGER  
Lathrop City Hall  
390 Towne Centre Drive  
Lathrop, CA 95330

To TRACY at:  
OFFICE of the CITY MANAGER  
Tracy City Hall  
333 Civic Center Plaza  
Tracy, CA 95376

**5.4** DEFENSE OF ORDINANCES.

To the extent that the Lathrop Police Services are required to enforce ordinances of the LATHROP, LATHROP agrees to defend and/or indemnify TRACY against any action contesting the Constitutionality, conflict with state law, legality or procedural propriety of said ordinances and/or codes of LATHROP.

## **6.0 TERM OF CONTRACT**

**6.1** Unless sooner terminated as provided for herein, this Agreement shall be effective September 1, 2018 and shall remain in effect until June 30, 2028. This term includes a twelve (12) month start-up period prior to the commencement of services. The Service Commencement Date shall be 210 calendar days from the date that written notice is provided by TRACY to LATHROP. The Service Commencement Date shall be no later than January 1, 2020.

**6.2** At the option of LATHROP and with the consent of TRACY, this Agreement may be renewed for successive periods of two (2) years at a time extending beyond the June 30, 2028 termination date noted in 6.1. The Party seeking to extend the Agreement shall provide the other Party with written notice of its intent to renew at least twenty-four (24) months before expiration of Agreement.

## **7.0 RIGHT TO TERMINATION**

**7.1** Parties agree this Agreement may not be terminated during the first five (5) years following the Service Commencement Date. After the initial three (3) years, either party may, with or without cause, give written notice to the other of its intent to terminate the Agreement. Said written notice shall be given at least twenty four (24) months prior to the date specified for such termination.

**7.2** In the event of a termination, each party shall fully discharge all obligations owed to the other party accruing prior to the date of such termination, and each party shall be released from all obligations that would otherwise accrue subsequent to the date of termination; provided, however, that all rights and obligations pursuant to sections 5.1-5.3 shall survive termination and expiration of this Agreement until such time as applicable statutes of limitation have expired on all potential claims for services rendered under this Agreement.

## **8.0 COMPENSATION**

**8.1** LATHROP shall pay monthly for the services provided by TRACY under the terms of this Agreement. The annual cost categories are described in Exhibit 4 which provides an estimated Annual Budget. Charges include:

- a) Police personnel expenses as allocated in the approved annual budget as reported by the Finance Director of TRACY monthly in the Tracy Chief-Lathrop Police Services budget in support of Lathrop Police Services;
- b) Support Service costs incurred by other divisions of the TRACY Police Department in support of Lathrop Police Services as detailed in section 8.1.3 below;
- c) Direct non-TRACY Police Department costs attributable to Lathrop Police Services as calculated by the TRACY Finance Director.
- d) All other annual costs incorporated into this Agreement for services as set forth in Exhibit4.

**8.1.1** Personnel Billing Rate. Personnel billing rates are calculated annually by TRACY and shall be used to determine costs for services provided by TRACY employees assigned to Lathrop Police Services. The billing rate shall include salary and fringe benefits consistent with TRACY costs for non-Lathrop Police Services.



- 8.1.2** Pension Rate Charges. Pension obligations of staff performing Lathrop Police Services shall be fully captured in the Personnel Billing Rates. Personnel Billing Rates for start-up cost expenses and in the first year of service beginning on the Service Commencement Date shall include only the Normal Cost as defined by Bartel Associates or another actuarial firm acceptable to the TRACY City Manager and the LATHROP City Manager. Personnel costs in second year of service and all subsequent years shall be determined by Bartel Associates or another actuarial firm acceptable to the TRACY City Manager and the LATHROP City Manager. Any differential existing between the actuarial pension obligations, which includes funded and unfunded obligations, and actual paid shall be paid or reimbursed at the termination of this Agreement.
- 8.1.3** Personnel. TRACY will provide the agreed number of personnel allocated to the Lathrop Police Services budget during the annual budget cycle. LATHROP shall pay for the cost of said personnel on a monthly basis by paying actual payroll cost as invoiced by TRACY in accordance with the Section 9 Payment Procedures. The agreed number of personnel shall be set forth in the Subsequent Year Staffing Plan (Exhibit 2).
- 8.1.4** Support Services. TRACY will provide necessary support services for staff assigned to LATHROP, including communications, records, case management, and evidence room services. The cost of Communication Center Services shall be allocated based upon the proportional calls for service for LATHROP. LATHROP shall pay for the proportional cost of service on a monthly basis by paying actual payroll cost as invoiced by TRACY.
- 8.1.5** Extra Staff. Extra personnel may be needed from time to time. For example, unusual crimes, investigation circumstances, emergencies, urgent situations, planned LATHROP sponsored functions and/or special events, may require extra staffing. During these situations, the assignment of extra staff shall be determined by the Tracy Chief in order to preserve staff and public safety. The costs for these services will be billed based upon hours performed for LATHROP. LATHROP shall pay for the cost of said personnel on a monthly basis by paying actual payroll cost as invoiced by TRACY.
- 8.1.6** Non-Staff support. The costs of other services, equipment, vehicles, or other fixed assets are set forth in the Annual Cost Budget (Exhibit4). LATHROP shall pay for the cost of said personnel on a monthly basis by paying actual payroll cost as invoiced by TRACY.

- 8.2** TRACY agrees that relevant financial records shall be made available to LATHROP to audit and examine if LATHROP requests such audit and examination, in writing, to the Tracy Chief or their representative. Said records shall be made available for audit and inspection not later than thirty (30) calendar

days after receiving the request. Any such audit performed by LATHROP shall be performed by a firm mutually agreed upon by both TRACY Finance Director and the LATHROP Finance Director. If such audit or examination is performed by LATHROP staff, all methodology of review shall be mutually agreed upon by TRACY Finance Director and the LATHROP Finance Director.

- 8.3** TRACY agrees to provide LATHROP with a Proposed Service Plan and Annual Cost Budget for Lathrop Police Services no later than January 1<sup>st</sup> of each year. The Service Plan shall include:
- a. Staffing Level
  - b. Dispatch / Communications service provided
  - c. Training Requirements
  - d. Vehicle Requirements
  - e. Equipment and Technology Requirements
  - f. Other services necessary to execute the Lathrop Police Services

The Annual Cost Budget shall be in a format consistent with Exhibit 4 or in an alternate format acceptable to the TRACY Finance Director and the LATHROP Finance Director.

Between January 1<sup>st</sup> and February 15<sup>th</sup> of each year LATHROP and TRACY staff shall meet to finalize the subsequent fiscal year Service Plan and Annual Cost Budget. LATHROP and TRACY shall present the proposed budget to their respective City Councils for consideration by April 1<sup>st</sup> of each year.

- 8.4** In the event of any delay in the adoption of an annual Service Plan and estimated cost pursuant to this provision, TRACY is authorized to continue providing services in accordance with the previously adopted Service Plan and LATHROP agrees to pay all expenses incurred.
- 8.5** Any required changes to the level of service during the budget year shall require the mutual agreement of the parties and written approval by the LATHROP City Manager.
- 8.6** Any increases to any of the above staff and non-staff costs shall be paid by LATHROP.
- 8.7** With respect to maintenance and provisioning of vehicles, LATHROP shall be responsible for the repair and/or maintenance of LATHROP vehicles. LATHROP shall maintain all vehicles according to the standards mutually agreed upon between the Parties. TRACY will require an annual inspection of maintenance and repair records for all vehicles utilized by TRACY personnel for LATHROP. Said records inspection will be performed by TRACY Fleet Services Division personnel. Vehicles not passing said a reasonable records inspection shall be repaired and/or replaced as necessary and updated records provided for further review. All vehicles must be reasonably maintained and/or repaired to the satisfaction of TRACY. If deemed necessary by TRACY, any physical

inspections of vehicles by TRACY Fleet Services staff shall be performed at additional cost to LATHROP at the applicable rates (including salary and benefits) for said TRACY staff.

## **9.0 PAYMENT PROCEDURES**

- 9.1** TRACY shall submit to LATHROP within thirty (30) days after the close of each calendar month a summarized invoice which includes actual staff costs incurred and actual costs for capital outlay items for said month, and LATHROP shall pay TRACY for all amounts within thirty (30) days after date of said invoice.
- 9.2** If such payment is not delivered to the TRACY office that is described on said invoice within fifteen (15) days after the date of the said invoice, TRACY is entitled to recover interest thereon. For all disputed amounts, LATHROP shall provide TRACY with written notice of the dispute including the invoice date, amount, and reasons for the dispute within fourteen (14) days after receipt of the said invoice. The parties shall memorialize the resolution of the dispute in writing. For any disputed amounts, interest shall accrue if payment is not received within thirty (30) days after the dispute resolution is memorialized. In the event that invoices remain outstanding for over one hundred and twenty (120) days, TRACY may, in its sole discretion, require a deposit from LATHROP in the amount of three (3) months estimated payments. Failure to make said deposit shall be a breach of this Agreement.
- 9.3** Costs to be paid by LATHROP to TRACY shall be adjusted annually based upon increases in salary and benefits and the level of service agreed to in the annual budget process.
- 9.4** Any reimbursement received by TRACY from any non-TRACY funding source for services charged to LATHROP (e.g. parking citation revenue) shall be credited to LATHROP, subject to a reasonable processing fee agreed upon between the Parties.
- 9.5** All net asset forfeiture monies generated within LATHROP, excluding Federal, will be dispersed to LATHROP by TRACY. LATHROP agrees to keep the funds in a separate asset forfeiture account and to utilize the asset forfeiture money only for law enforcement purposes and within the guidelines established for the expenditure of asset forfeiture money. Federal asset forfeiture monies generated within LATHROP shall be held by TRACY in the established fund and TRACY shall provide statements upon request as to any expenditures and the ending balance of the Federal asset forfeiture fund.

## **10.0 ENTIRE AGREEMENT**

This Agreement shall constitute the complete and exclusive statement of the parties that supersedes all previous agreements, written or oral, and all communications between the parties

relating to the subject matter hereof. All changes or amendments to this Agreement must be in writing and mutually executed by authorized personnel on behalf of LATHROP and TRACY.

## **11.0 DISPUTE RESOLUTION**

The Parties agree that that they will endeavor to resolve any and all disputes informally and in good faith. In the event that the parties are unable to resolve a dispute informally, the parties agree that the dispute must be submitted to mediation before a neutral mediator agreed upon by both parties. In the event that mediation is unable to resolve the dispute, the aggrieved party may initiate litigation only in the San Joaquin Superior Court. Both parties agree that any dispute shall only be heard by the Court without a jury.

## **12.0 AMENDMENTS**

This Agreement may only be amended in writing by an amendment authorized by TRACY City Council and LATHROP City Council.

## **13.0 GENERAL PROVISIONS**

- 13.1** There shall be no assignment of this Agreement by either party.
- 13.2** The Parties understand, agree and acknowledge that (i) this Agreement has been freely negotiated by both Parties; and (ii) in any controversy, dispute or contest over the meaning, interpretation, validity, or enforceability of this Agreement or any of its terms or conditions, there shall not be any inference, presumption, or conclusion drawn whatsoever against either party by virtue of that party having drafted this Agreement or any portion thereof.
- 13.3** The Parties agree to cooperate in the execution of additional documents or agreements necessary to carry out this Agreement. The Tracy City Manager, or their designee, and Lathrop City Manager, or their designee, are authorized to execute any such additional documents or agreements.
- 13.4** The Parties shall comply with Federal, state and local laws in regards to nondiscrimination in employment. All nondiscrimination rules and regulations required by law are deemed incorporated by reference. The Parties shall comply with all Federal and state equal opportunity laws.
- 13.5** The Parties agree to abide by the State of California Law Enforcement Mutual Aid Plan.
- 13.6** Waiver of a breach or default under this Agreement shall not constitute a continuing waiver or a waiver of a subsequent breach of the same or any other provision of this Agreement.
- 13.7** If any term of this Agreement (including any phrase, provision, covenant, or condition) is held by a court of competent jurisdiction to be invalid or

unenforceable, the Agreement shall be construed as not containing that term, and the remainder of this Agreement shall remain in full force and effect; provided, however, this paragraph shall not be applied to the extent that it would result in a frustration of the parties' intent under this Agreement.

- 13.8** Paragraph headings as used herein are for convenience only and shall not be deemed to be a part of such paragraphs and shall not be construed to change the meaning thereof.
- 13.9** All exhibits referred to herein are attached hereto and are by this reference incorporated herein.
- 13.10** The Parties agree that the provisions of this Agreement are not intended to directly benefit, and shall not be enforceable by, any person or entity not a party to this Agreement.
- 13.11** This Agreement shall be binding upon and all inure to the benefit of the successors of the Parties. The Parties may not assign any right or obligation hereunder without written consent of both Parties.
- 13.12** Whenever in this Agreement any consent or approval is required, the same shall not be unreasonably withheld.
- 13.13** This Agreement is made under the Constitution and laws of the State of California.
- 13.14** In the event any provision of this Agreement is determined to be illegal or invalid for any reason, all other provisions and sections of this Agreement shall remain in full force and effect unless and until otherwise determined. The illegality of any provision of this Agreement shall in no way affect the legality and enforceability of any other provisions of this Agreement.

**MUNICIPAL LAW ENFORCEMENT SERVICES AGREEMENT BETWEEN  
THE CITY OF TRACY AND THE CITY OF LATHROP**

WITNESS WHEREOF, the parties have caused this AGREEMENT to be subscribed on its behalf by its respective authorized officers.

Dated at Tracy, California, this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

**City of TRACY**

By: \_\_\_\_\_  
Mayor Robert Rickman

**ATTEST:**

By: \_\_\_\_\_  
Adrienne Richardson, City Clerk

**APPROVED AS TO FORM:**

By: \_\_\_\_\_  
Thomas Watson, City Attorney

**City of LATHROP**

By: \_\_\_\_\_  
Mayor Sonny Dhaliwal

**ATTEST:**

By: \_\_\_\_\_  
Teresa Vargas, City Clerk

**APPROVED AS TO FORM:**

By: \_\_\_\_\_  
Salvador Navarrete, City Attorney

## Lathrop-Tracy Police Services Description

The City of Tracy will provide full service municipal police services to the City of Lathrop. The services will encompass general law enforcement and public safety functions normally provided in cities within California. The services include the enforcement of State statutes and City codes and ordinances. The Lathrop Police Department's principal responsibility will be protecting life and property while preserving the public peace. The Community Policing philosophy, which encompasses partnerships and problem solving, will be one of the primary values of the Department.

Officers will respond to calls for service, investigate crimes, make necessary and appropriate arrests, seek prosecution of criminal acts, and engage in crime prevention strategies with community stakeholders. Traffic safety, which includes education and enforcement, will be a high priority. Community outreach will focus on youth, cultural, and neighborhood groups.

These services consist of, but are not limited to:

- Patrol, including Canine Officers and Field Training Officers
- Traffic Safety, including Motor Officers
- Investigations including on-site detectives and supplemental detectives for major or specialized cases
- Crime Scene Investigation
- School Resource Officers
- Community Services Officers (Non-sworn)
- Community Policing: partnering with community groups to address issues
- Specialized Services, such as SWAT, Critical Incident management and negotiations
- Crime Prevention
- Crime Analysis
- Police Administrative functions

In addition, the City Tracy will provide all typical law enforcement support services including:

- Dispatch: 911 and non-emergency calls
- Police Records: processing reports and citations, and public information
- Property and Evidence services
  
- Provision and maintenance of officer related equipment

## Lathrop-Tracy Police Services Description

The City of Tracy will provide full service municipal police services to the City of Lathrop. The services will encompass general law enforcement and public safety functions normally provided in cities within California. The services include the enforcement of State statutes and City codes and ordinances. The Lathrop Police Department's principal responsibility will be protecting life and property while preserving the public peace. The Community Policing philosophy, which encompasses partnerships and problem solving, will be one of the primary values of the Department.

Officers will respond to calls for service, investigate crimes, make necessary and appropriate arrests, seek prosecution of criminal acts, and engage in crime prevention strategies with community stakeholders. Traffic safety, which includes education and enforcement, will be a high priority. Community outreach will focus on youth, cultural, and neighborhood groups.

These services consist of, but are not limited to:

- Patrol, including Canine Officers and Field Training Officers
- Traffic Safety, including Motor Officers
- Investigations including on-site detectives and supplemental detectives for major or specialized cases
- Crime Scene Investigation
- School Resource Officers
- Community Services Officers (Non-sworn)
- Community Policing: partnering with community groups to address issues
- Specialized Services, such as SWAT, Critical Incident management and negotiations
- Crime Prevention
- Crime Analysis
- Police Administrative functions

In addition, the City Tracy will provide all typical law enforcement support services including:

- Dispatch: 911 and non-emergency calls
- Police Records: processing reports and citations, and public information
- Property and Evidence services
  
- Provision and maintenance of officer related equipment



To provide the service levels described above requires approximately twenty-six (26) Peace Officer positions, two Community Services Officers, and other support and specialized positions. It is anticipated that the majority of the new staff would be lateral hires from other departments. The new contract services will be branded as the Lathrop Police Department with unique uniform patches, business cards, and vehicle markings.

There will be extensive emphasis on community engagement prior to the initiation of service and during the first year that will continue into future years. The activities will cultivate positive relationships among community members and police staff. One of the primary areas of focus will be with youth both at school and in community based activities. Other areas of focus will be with neighborhood and business groups and the faith-based community. There are a number of strategies that will be utilized including:

- Chiefs Community Advisory Board
- Town Hall Meetings
- Neighborhood & Business Watch
- Coffee with a Cop
- School Resource Officers
- Participation in youth sports activities
- Partnering with community, fraternal, and faith based groups
- Police Department open house and Safety Fair
- Traffic safety events
- Holiday Season community event; i.e., shop with a cop or food drive
- Police volunteer program

*Law enforcement services provided to the City of Lathrop will be closely coordinated with the Lathrop City Manager and his staff. Specific issue areas will be identified for concentrated attention as needed. The Lathrop Police Chief will attend City Council meetings representing his or her Department and respond to community inquiries as needed. The Department will also coordinate with other community serving agencies including the Lathrop Manteca Fire District and the Manteca Unified School District. The Chief will meet with community leaders, special task forces and other ad hoc committees and groups as needed. These activities will insure a congruent and responsive relationship with the community and its leaders.*

The Police Department will emphasize that each officer and staff member recognize that daily activities and contacts with community members are essential to establishing an atmosphere of trust and transparency with the community they serve. Each contact is an opportunity to create a positive impression, enhance community relations, and gain a partner in public safety. These actions support the Lathrop-Tracy Police Department's mission of being; *A Professional Organization Entrusted by Our Community to Ensure a Safe and Prosperous Environment While Enhancing The Quality of Life.*

**Staff Positions and Annual Cost (with FY 2017-18 salary/benefit rates) - Tracy / Lathrop Police Services**  
**Exhibit 2**

**Permanent Staff Positions**

<u>Tracy Police Department Sworn</u>	<u># of Positions</u>
Captain	1.0
Lieutenant	1.0
Sergeant	4.0
Corporal (FTO)	2.0
K9 Officer	2.0
Officer	10.0
Motors	2.0
Detectives	2.0
School Resource Officer	2.0
Professional Standards Officer (portion of 1 position)	0.23
<b>Total PD Sworn costs</b>	<b>26.2</b>

<u>Tracy Police Department Non-Sworn</u>	<u># of Positions</u>
Community Services Officer	2.0
Training Officer (portion of 1 position)	0.23
Rangemaster (portion of 1 position)	0.23
Dispatcher	4.0
Records Assistant	1.00
Information Systems Technician II	1.0
<b>Total PD Non-Sworn Costs</b>	<b>8.46</b>

**Total Tracy Annual Labor Costs paid by Lathrop**

(a) Includes salary (Step E), PERS Normal Cost only, Workers Comp., Social Security, Medicare and health Insurance (max. contribution).

<u>Lathrop staffing</u>	<u># of Positions</u>
Police Office Manager	1.0
Sr. Administrative Assistant	1.0
Management Analyst	1.0
	3.0

**Labor Charges only when Services are Provided**

SWAT
Crime Scene Investigations
Supplemental Detectives
Hostage Negotiations
Special Investigations (large narcotics)
Directed enforcement unit (gangs)
Traffic fatalities
Animal services support

Startup Cost Budget (with FY 2017-18 salary/benefit rates) - Tracy / Lathrop Police Services  
Exhibit 3

Cost Category	# of Positions	Annual Salary		# of months	% of year	Estimated Startup Cost
		+ Benefit Cost	of Position			

**STAFF COSTS (Budgeted Positions)**

**Tracy Police Department Sworn**

Captain	1	\$ 221,362	8	67%	\$ 147,575
Lieutenant	1	\$ 203,234	3	25%	\$ 50,808
Sergeant	4	\$ 167,956	1	8%	\$ 55,985
Corporal (FTO)	2	\$ 155,327	10	83%	\$ 258,879
K9 Officer	2	\$ 151,032	3	25%	\$ 75,516
Officers (6 Recruits Academy)	6	\$ 143,257	12	100%	\$ 779,543
Officers (4 Recruits Post Academy)	4	\$ 143,257	6	50%	\$ 286,514
Officers (8 Recruits Lateral Transfer)	8	\$ 143,257	9	75%	\$ 859,543
Officers (8 Recruits Lateral Transfer)	8	\$ 143,257	6	50%	\$ 573,029
Motors	2	\$ 147,580	0	0%	\$ -
Detectives	2	\$ 148,287	0	0%	\$ -
School Resource Officer	2	\$ 148,287	0	0%	\$ -
Professional Standards Officer (portion)	0.23	\$ 154,799	0	0%	\$ -
Training Officer (portion)	0.23	\$ 140,689	0	0%	\$ -
Rangemaster (portion)	0.23	\$ 138,955	0	0%	\$ -
<b>Total PD Sworn costs</b>					<b>\$ 3,087,392</b>

**Tracy Police Department Non-Sworn**

Community Services Officer	2	\$ 97,378	3	25%	\$ 48,689
Dispatcher	4	\$ 117,558	4	33%	\$ 156,744
Records Assistant	1	\$ 98,875	3	25%	\$ 24,719
Information Systems Technician II	1	\$ 119,070	1	8%	\$ 9,923
<b>Total PD Non-Sworn Costs</b>					<b>\$ 240,074</b>

**Staff On-boarding Costs**

	# of Exams	One time cost	
Police Academy Tuition			\$ 30,000
Trainee ammunition costs			\$ 9,000
Incentive program			\$ 75,000
Referral program			\$ 24,000
Background, Psyche and Medical	40	\$ 3,200	\$ 128,000
<b>Total Other Department Costs</b>			<b>\$ 266,000</b>

**Total City of Tracy Startup Staff Cost Estimate**

**\$ 3,593,466**

**NON-STAFF STARTUP COSTS**

**Services and Supplies / Maintenance**

Vehicle maintenance / gas	\$ 15,000
Maintenance of vehicles	\$ 31,000
Services and Supplies	\$ 25,000

**Officer Gear**

New Officer gear (26 x \$8,798.51)	\$ 228,761
New CSO gear (2 x \$3,998.14)	\$ 7,996
New Motor Officer gear (2 x \$16,259.00 equipment only)	\$ 32,518
K9 Officer gear (Includes one Tahoe)	\$ 46,000

Cost Category	# of Positions	Annual Salary		% of year	Estimated Startup Cost
		+ Benefit Cost	# of months		

**Training**

Promotional training Corporal (2 x \$2,400)		\$	4,800		
Promotional training Sergeant (4 x \$2,400)		\$	9,600		
Promotional training Lieutenant (1 x \$3,600)		\$	3,600		
Spec Assign. Training Detective		\$	4,800		
Spec Assign. Training SRO		\$	1,200		
Spec Assign. Training Traffic		\$	2,400		
Spec Assign. Training Accident recon.		\$	2,400		
Spec Assign. Training Vehicle Insp.		\$	1,200		

**CAPITAL / EQUIPMENT COSTS**

**Field / Car retrofit costs**

In Unit and Portable Radio purchase (\$4,500 for 29 radios)		\$	130,500		
Predictive Policing software		\$	16,725		
Vehicle retrofit costs (\$8,500 for 18 vehicles)		\$	153,000		

**IT Equipment for Lathrop Facility**

Building IT related equipment		\$	250,000		
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**Dispatch**

911 Viper Call Taking Positions		\$	50,000		
Dispatch Workstation Furniture		\$	30,000		
Antenna, repeater and line kit Install		\$	70,000		
Radio Dispatch Consoles and Air Phone		\$	130,000		
CAD System Install, training, software		\$	76,107		
Dispatch Center Expansion		\$	223,000		

**Records**

Work station		\$	15,000		
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**TRACY PUBLIC WORKS FACILITIES IMPROVEMENTS**

PD Building Improvements if temp. staffing location (e.g. lockers)		\$	25,000		
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**Other**

Bodycam docking stations		\$	7,500		
4850 Allocation		\$	200,000		

**CONSULTANT COSTS**

CPS - marketing and outreach		\$	22,500		
Promotional exams (3 x \$13,000)		\$	39,000		

**REIMBURSEMENTS / GRANTS**

State 911 reimbursement		\$	(50,000)		
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Total Non-Staff Startup Cost Estimate **\$ 1,804,607**

Total Staff + Non-Staff Startup Cost Estimate **\$ 5,398,073**

Annual Cost Budget (with FY 2017-18 salary/benefit rates) - Tracy / Lathrop Police Services  
Exhibit 4

<u>Cost Category</u>	<u>Estimated Cost</u>
<b>STAFF COSTS (Budgeted Positions)</b>	
Total Staff Costs from Staff Positions Worksheet	\$ 4,542,638

**NON-STAFF COSTS**

**Services and Supplies**

PO service and supplies (26 x \$2000)	\$ 52,000
Cell phone service (26 x \$540)	\$ 14,040
Vehicle gasoline	\$ 60,000
On-line reporting service (COPLOGIC)	\$ 11,520

**Non-Admin. Departments Allocated Charges**

Evidence Handling	\$ 92,821
Dispatch Operations	\$ 600,000
IT maintenance	\$ 90,000

**Training**

Post and Non-Post training (sworn and non-sworn)	\$ 50,000
Overtime	\$ 200,000

**As-Needed Services**

SWAT	\$ -
Crime Scene Investigations	\$ -
Supplemental Detectives	\$ -
Hostage Negotiations	\$ -
Special Investigations (large narcotics)	\$ -
Directed enforcement unit (gangs)	\$ -
Traffic fatalities	\$ -
Animal services support	\$ -

**Administrative Departments Direct Charges**

City Manager's Office Direct Charge	\$ 50,000
City Attorney's Office Direct Charge	\$ 50,000
Human Resources Department Direct Charge	\$ 50,000
Finance Department Direct Charge	\$ 75,000

**Insurance costs**

SIR Insurance Cost	
Premium Increase	\$ 98,668

**Revenue Estimates**

Asset Seizure	N/A
COPS grant	N/A

**Total Annual Cost Estimate** **\$ 6,036,687**



**TRACY POLICE DEPARTMENT**

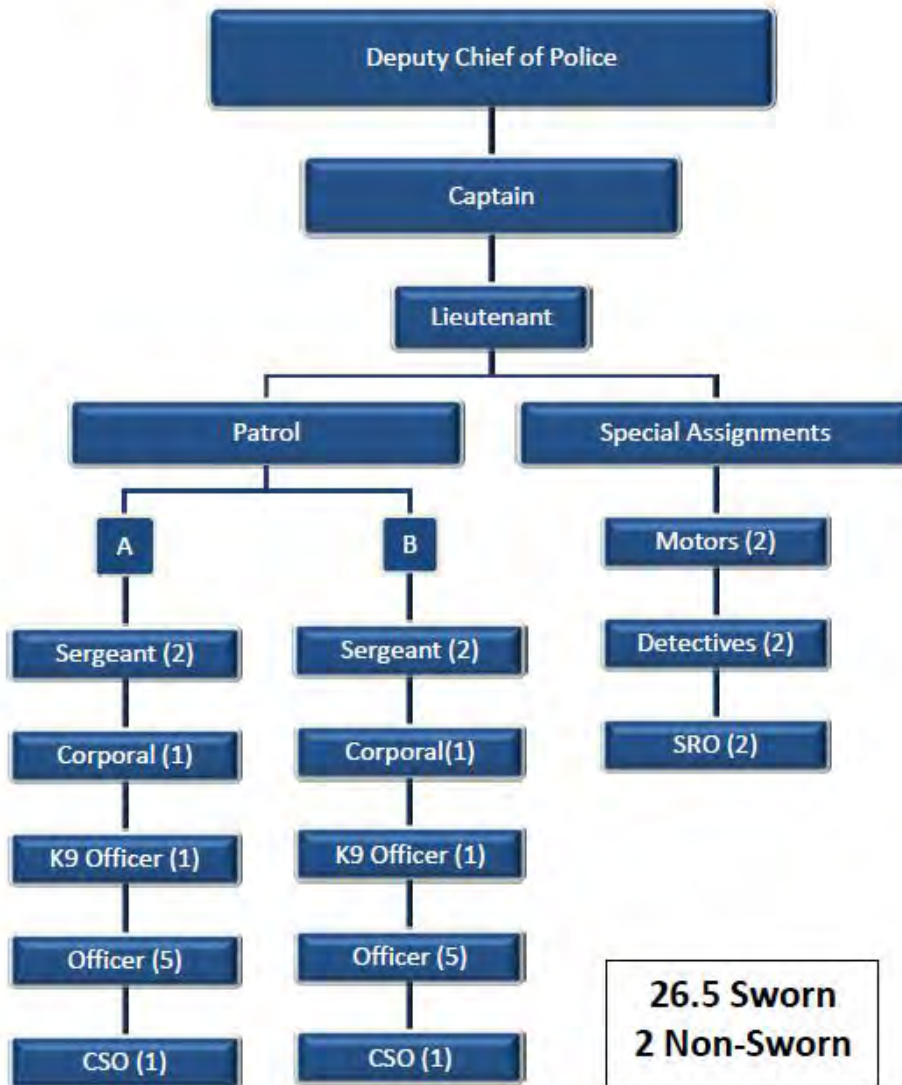
# LATHROP POLICE SERVICES

**SERVICE ♦ INTEGRITY ♦ EXCELLENCE**



# TRACY POLICE DEPARTMENT

## LATHROP





# **Benefits to the City of Tracy**

Contracting police service will allow Tracy to grow and provide promotional opportunities in the police department in addition to;

- Expanding the Tracy dispatch center
- Multiple officer promotions
- Additional special assignment opportunities
- Reduced expenditures by sharing cost with Lathrop
- No reduction in police presence in Tracy
- Enhanced grant opportunities by having a larger police force
- Creation of head of household jobs





# Staffing Breakdown

- 6 Academy Recruits
- 4 Academy Graduates
- 16 Lateral Transfers
- 2 CSO's

## Promotions

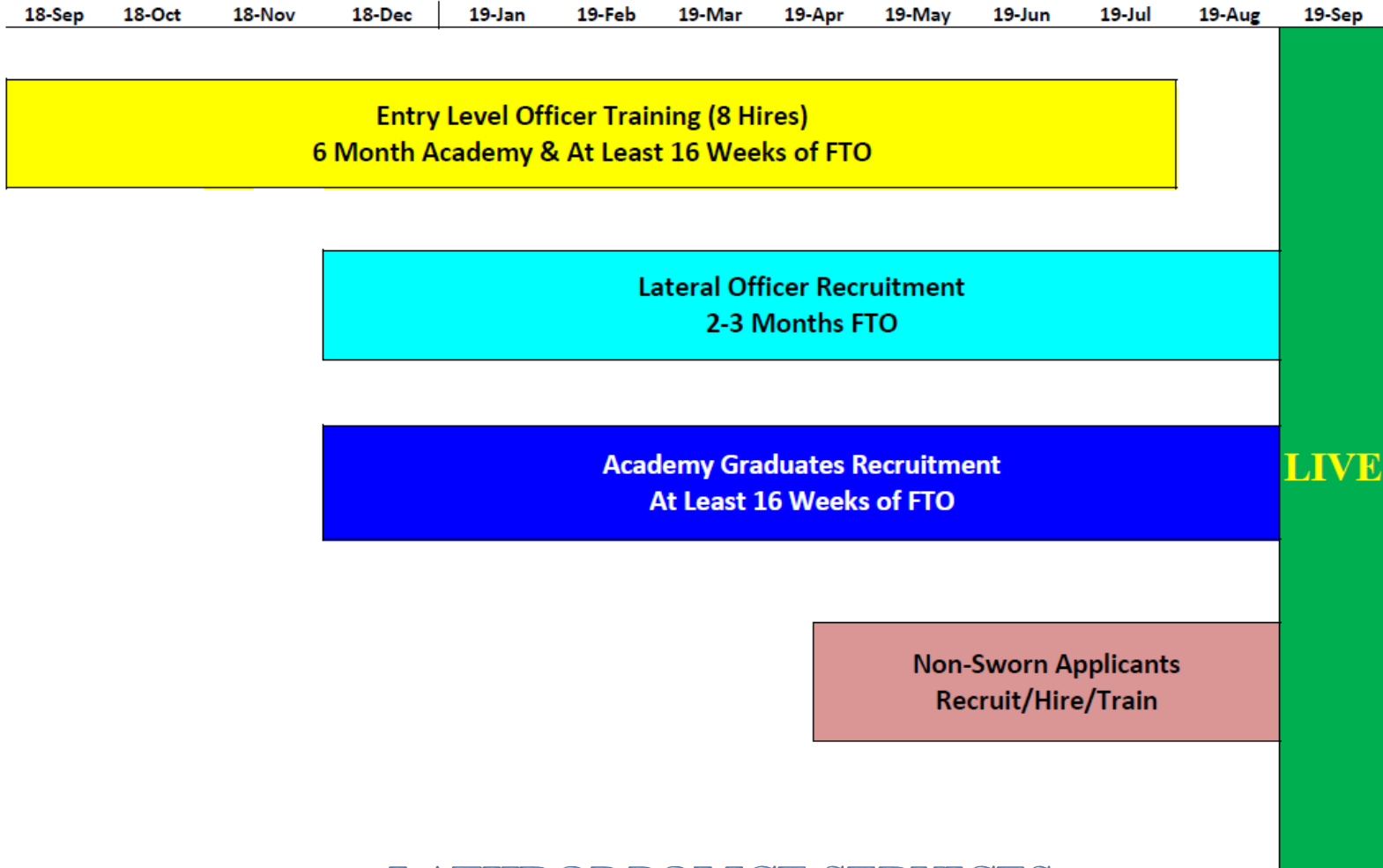
- 1 Deputy Chief
- 1 Captain
- 1 Lieutenant
- 4 Sergeants
- 2 Corporals

## Special Assignments

- 2 K9 Officers
- 2 Motor Officers
- 2 Detectives
- 2 SRO's



## LATHROP IMPLEMENTATION TIMELINE -- STAFFING



AGENDA ITEM 11

REQUEST

**INTRODUCE AN ORDINANCE ADDING SECTION 2.04.050 TO THE TRACY MUNICIPAL CODE TO PROHIBIT CERTAIN CONTRACTS BETWEEN THE CITY AND COUNCIL MEMBERS, CITY TREASURER, COMMISSIONERS AND APPOINTED EMPLOYEES**

EXECUTIVE SUMMARY

The City Council requested the City Attorney to prepare, for Council's consideration, an ordinance prohibiting contracts between the City and Council Members, Commissioners and Appointed Employees. While state law does prohibit, in certain situations, contracting between the City and Council Members (see Government Code Section 1090 et seq.), Council expressed a desire to enact more restrictive regulations.

DISCUSSION

The City Council has had several discussions regarding the need to have clear and bright ethical prohibitions, as well as clear roles and responsibilities outlined. At the March 20, 2018 City Council meeting, Council held a discussion regarding proposed ethical codes of conduct, but did not come to a consensus on what should be included therein. At the June 5, 2018, Council directed staff to prepare this Ordinance.

Since that time, the San Joaquin Grand Jury reviewed Codes of Conduct of all of the cities in the County, as well as the County itself, and recommended that by October 31, 2018, the City of Tracy adopt a Code of Conduct. The proposed ordinance would be incorporated into a future Code of Conduct.

State law allows a City from enacting a more restrictive ethical code and the attached is based upon the San Francisco Government Ethics Ordinance Section 3.222.

FISCAL IMPACT

The prohibition of contracts should have no direct or indirect costs to the City.

RECOMMENDATION

That the City Council introduce and waive the full reading of an ordinance adding Section 2.04.050 to the Tracy Municipal Code to provide that the City shall not contract with City Council Members, City Treasurer, Commissioners and Appointed Employees, unless the contract is exempted from the prohibition.

Prepared by: Thomas Watson, City Attorney

Reviewed by: Karin Schnaider, Finance Director

Approved by: Midori Lichtwardt, Interim Assistant City Manager

ORDINANCE \_\_\_\_\_

AN ORDINANCE OF THE CITY OF TRACY ADDING SECTION 2.04.050 TO THE TRACY MUNICIPAL CODE TO PROHIBIT CONTRACTS BETWEEN THE CITY AND COUNCIL MEMBERS, CITY TREASURER, COMMISSIONERS, AND APPOINTED EMPLOYEES

WHEREAS, The City of Tracy ("City") has some established policies and procedures to govern the conduct of City Council Members, City Treasurer, Commissioners and Appointed Employees, and

WHEREAS, Council Members have raised concerns regarding contracts and/or grants being provided to organizations affiliated with City Council Members and/or Commissioners, and

WHEREAS, Council Members have expressed a concern that contracts between the City and City Council Members and/or Commissioners which are lawful under state law, have the appearance of impropriety and should not be authorized, and

WHEREAS, The City may provide by ordinance prohibitions that are more stringent than state law in the area of ethics relating to conduct of City Council Members, Appointed Employees, and/or Commissioners;

NOW THEREFORE, the City Council of the City of Tracy does ordain as follows:

SECTION 1: Section 2.04.050 of the Tracy Municipal Code is hereby added to read as follows:

2.04.050 - PROHIBITING MEMBERS OF THE CITY COUNCIL, BOARDS AND COMMISSIONS, AND APPOINTED EMPLOYEES FROM CONTRACTING WITH THE CITY.

(a) Definitions. For purposes of this Section, the following definitions shall apply:

(1) Board or Commission. The term "board or commission" means an appointed board or commission created by the City and specifically does include advisory boards or commissions.

(2) Business. The term "business" means any corporation, partnership, sole proprietorship, firm, enterprise, franchise, association, organization or any other legal entity, whether for profit or non-profit.

(3) City. The term "City" includes any commission, board, department, agency, committee, or other organizational unit of the City of Tracy.

(4) Contract. The term "contract" means any agreement or permit to which the City is a party, including grants or other funds provided by the City to any Business. Contracts shall not include exercise by the City of police or taxing powers, specifically the granting of business licenses and/or approvals of land use or building permits. For purposes of this Ordinance, "contracts" shall explicitly exclude utilities accounts and purchase and sale agreements for real property.

(5) Subcontract. The term "subcontract" means a contract to perform any work that a primary contractor has an agreement with the City to perform.

(6) Appointed Employees means City Manager and City Attorney.

(b) Prohibition. No member of the Council, Appointed Employees, City Treasurer or a member of any board or commission of the City shall, during his or her term of office, contract or subcontract with the City unless an exception applies.

(c) Exceptions. This Section shall not apply to any contracts or subcontracts:

(1) If the member of the Council, Appointed Employees, City Treasurer or a member of any board or commission of the City is an employee of the business and does not exercise management and control over the business. A person exercises management and control if he or she (or his or her spouse) is:

(A) An officer or director of a corporation;

(B) A majority shareholder of a closely held corporation;

(C) A shareholder with more than five percent beneficial interest in a publicly traded corporation;

(D) A limited partner with more than 20 percent beneficial interest in the partnership; or

(E) A general partner regardless of percentage of beneficial interest.

(2) A contract or subcontract with the City was entered into before a member of the Council, a board or commission, commenced his or her service as a Councilmember, Appointed Employee, City Treasurer, or Commissioner.

(3) A settlement agreement resolving a claim or other legal dispute.

(4) The Appointed Employees shall be allowed to contract with the City the terms and conditions of their employment.

(5) Contracts entered into before the effective date of this Ordinance.

SECTION 2: This Ordinance shall take effect 30 days after its final passage and adoption.

SECTION 3: If any section, subsection, sentence, clause or phrase of this ordinance is for any reason held to be invalid, such decision shall not affect the validity of the remaining portions of this ordinance. The City Council hereby declares that it would have passed this ordinance and each section, subsection, sentence, clause and phrase thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses, or phrases be declared invalid.

SECTION 4: This Ordinance shall either (1) be published once in a newspaper of general circulation, within 15 days after its final adoption, or (2) be published in summary form and posted in the City Clerk's office at least five days before the ordinance is adopted and within 15 days after adoption, with the names of the Council Members voting for and against the ordinance. (Gov't. Code §36933.)\*\*\*\*\*

The foregoing Ordinance \_\_\_\_\_ was introduced at a regular meeting of the City Council of the City of Tracy on the 17th day of July, 2018, and finally adopted on the \_\_\_\_\_ day of August, 2018 by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

AGENDA ITEM 14.A

REQUEST

**APPOINT AN APPLICANT TO SERVE ON THE SAN JOAQUIN COUNTY COMMISSION ON AGING**

EXECUTIVE SUMMARY

On June 30, 2018, the term expired for the City of Tracy representative on the San Joaquin County Commission on Aging. A recruitment was conducted and an appointment needs to be made.

DISCUSSION

The City of Tracy's seat on the San Joaquin County Commission on Aging is currently vacant due to the term of the City of Tracy representative expiring on June 30, 2018. To fill the vacancy, the City Clerk's office conducted a recruitment beginning on April 23, 2018, and ending on May 14, 2018, during which time one application was received. As stated in Resolution 2004-152, in the event there are not two or more applicants than vacancies, the filing deadline will be extended. The recruitment was extended twice beginning on May 16, 2018, and ending on July 2, 2018. The City Clerk's office received one additional application during the extended recruitment period.

On July 9, 2018, a Council subcommittee consisting of Council Member Young and Mayor Pro Tem Vargas interviewed the applicants. In accordance with Resolution 2004-152, the Council subcommittee will recommend the appointment to the San Joaquin County Commission on Aging to serve a four year term, which will begin on July 18, 2018, and end on June 30, 2022.

STRATEGIC PLAN

This item is a routine operational item and does not relate to any of the Council's Strategic Plans.

FISCAL IMPACT

None.

RECOMMENDATION

That Council approves the subcommittee's recommendation and appoint Leroy Johnson to the San Joaquin County Commission on Aging to serve a four year term beginning on July 18, 2018 and ending on June 30, 2022.

Prepared by: Adrienne Richardson, City Clerk

Reviewed by: Midori Lichtwardt, Interim Assistant City Manager

Approved by: Randall Bradley, City Manager