

Special Funding Quarterly Report

Eastern Municipal Water District (EMWD) is responsible for 7 Assessment Districts (ADs) and 62 Community Facilities Districts (CFDs) that are currently formed including 109 separate financing areas (i.e. Improvement Areas [IAs] or Tax Zones) within these ADs and CFDs. EMWD receives various requests from developers and/or their consultants to form new CFDs, amend the structure of an existing CFD, enter into Joint Community Facilities Agreements (JCFAs), or issue CFD bonds.

Executive Summary

The primary objective for AD and CFD Program Management is to keep the Board apprised of ongoing projects and activities regarding areas of administration, formation, consulting, change proceedings, and bond sales. Activity highlights for the fourth quarter are as follows:

- Most of the team's time was spent preparing and filing all required CDIAAC reports, due October 30, preparing the annual Senate Bill 165 report, due January 1, and preparing Senate Bill 1029 and Assembly Bill 2109 parcel tax reports, due January 31.
- Additionally, the program management team completed and disseminated all required continuing disclosure reports due December 31 and continues to prepare the remaining continuing disclosure reports due in February and March of 2020.
- During the fourth quarter, the team also completed work on two new money bond issuances for CFD Nos 2016-72 and 2012-61 and began working on a new money issuance for CFD No. 2016-75. These new money issuances will result in savings for the property owners beginning with the FY 2021-22 enrollment.
- After receiving competitive bids from EMWD's pool of underwriters, the team also commenced a pooled refunding effort to provide savings to 4,161 property owners within twelve different CFD's.
- The program management team also completed work on the change proceedings for CFD No. 2016-74 IA D (Menifee Town Center).
- In line with EMWD's minimum unit guideline, the team commenced the formation of CFD No. 2020-90 by working with multiple developers (with developments of less than 100 parcels) to combine efforts towards the formation of a single CFD.
- EMWD staff and team are currently reviewing multiple formation and bond issuance requests from developers and their consultants to ensure they are in accordance with the EMWD Comprehensive Debt Policy adopted by the Board in January 2017.

The following Quarterly Report summarizes the activities for the previous quarter and provides information that will be presented in the next quarter and beyond. This Report includes various

attachments which provide greater detail for the numerous activities taking place within the EMWD AD and CFD Program including the following:

Exhibit B – EMWD Administrative Committee Action Item Schedule provides a calendar reflecting each district that requires specific considerations and actions to be taken by the Administrative Committee and/or the Board of Directors within the coming months. There are currently four actions anticipated to be taken by the Board during the next quarter.

Exhibit C – Quarterly Administrative Committee Detailed AD and CFD Status Report for the Fourth Quarter 2020 is intended to provide the Administrative Committee and the Board a status of proposed formations, existing CFD amendments, bond sale requests, and relevant annual administration items.

Exhibit D – Call Log is a report of the types of calls received by AD and CFD for previous months. During the Fourth quarter, Webb received 15 calls from professionals and property owners. For comparison, over the same quarter last year 41 calls were received.

Exhibit E – Comprehensive Delinquency Summary Report provides Fiscal Year 2019-20 delinquency information. As of December 10, 2020, \$101,126.01 or 0.51% of the aggregate EMWD AD special assessments and CFD special taxes remain delinquent. Given the sensitivity and anticipation of this data due to COVID, the Summary Report also includes FY 2020-21 delinquency information for the first installment (December 10, 2020). As of December 10, 2020, \$255,564.36 or 2.44% of the aggregate EMWD AD special assessments and CFD special taxes for FY 2020-21 are considered delinquent.

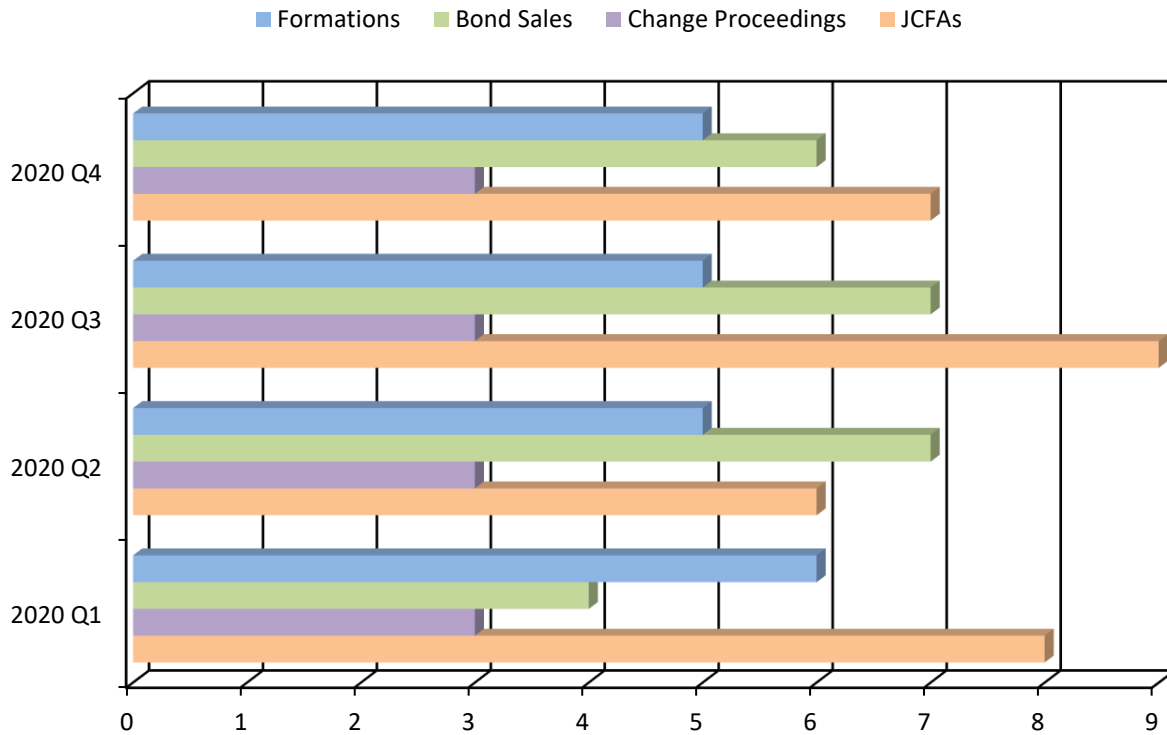
Exhibit F – Location Maps shows the locations of the current active items pertaining to EMWD CFDs. CFD 2020-90 Location Map is pending receipt of needed information.

AD and CFD Overview

EMWD has been forming ADs since the 1980s and CFDs since 2001. Since then, there have been a total of 11 ADs and 66 CFDs formed and four CFDs dissolved. The majority of the CFDs were formed prior to the Great Recession of 2007 through 2009, caused largely by the crash in the residential market. EMWD worked with its finance team to review and update the Special District Policy Principals, adopted by the Board in April 2013 and amended by the Comprehensive Debt Policy adopted in January 2017. The goal was to add certain provisions in these policies to protect the special tax ratepayer, investor, and the District's customer. Henceforth, any AD or CFD proposed to be formed or amended is evaluated based on the guidelines set forth in the Comprehensive Debt Policy.

2020 Fourth Quarter Update

Over the past 12 months EMWD has continued to receive requests by the development community to i) form new Special Districts, ii) issue new bonds and levy special taxes on existing Special Districts, and iii) to amend previously formed Special Districts. Below is a summary of the EMWD AD and CFD Consulting Items completed, in progress, or under evaluation during the past four quarters of 2020:



Formations

All new Special District Formations are being structured in line with the EMWD Comprehensive Debt Policy adopted by the Board in January 2017 to ensure fair tax rates and cost-effective municipal financings. EMWD had five CFD formations in progress or under evaluation during the Fourth quarter.

CFD No. 2019-86 (Benton)
 Developer: MLC Holdings, Inc.
 No. Units: 145
 In Progress

CFD No. 2019-87 (Copper Skye)
 Developer: Copper Skye LLC
 No. Units: 276
 Under Evaluation

CFD No. 2020-88 (French Valley 154)
 Developer: Lennar Homes
 No. Units: 154
 Under Evaluation

CFD No. 2020-89 (Saddle Point)
 Developer: Lennar Homes
 No. Units: 294
 Under Evaluation

CFD No. 2020-90 (Sageview/MV Ranch/Los Olivos)
Developer: Pulte/Watermark Homes/Newbridge Homes
No. Units: 204
Under Evaluation

Bond Sales

All refunding and new money issuances must substantially comply with the Comprehensive Debt Policy set forth including having a current effective tax rate below 2%, a value-to-lien greater than 4:1, a delinquency rate below 5% and a lot count greater than 150. Two CFD bond sales were completed, two were in progress (including a twelve CFD Refinancing effort), and two were under evaluation during the fourth quarter.

CFD Refinancing (CFD No. 2001-01 IA A, CFD No. 2002-05, CFD No. 2002-06 IA C, CFD No. 2002-07 IA A, CFD No. 2003-20 IA D, CFD No. 2003-25 IA C, CFD No. 2004-34, CFD No. 2005-44, CFD No. 2005-47 IA A, CFD No. 2006-52, CFD No. 2006-56, CFD No. 2006-58)
Individual Homeowners
No. Units: 4,161
In Progress

CFD No. 2004-35 IA D (Mountain Gate)
Developer: DR Horton
No. Units: 150
Under Evaluation

CFD No. 2012-61 (Autumn Winds)
Developer: KB Home
No. Units: 141
Completed

CFD No. 2016-72 (Hidden Hills)
Developer: KB Homes
No. Units: 397
Completed

CFD No. 2016-75 (Camberly Place)
Developer: KB Home
No. Units: 132
In Progress

CFD No. 2018-82 (Aspen Pointe)
Developer: DR Horton
No. Units: 123
Under Evaluation

Change Proceedings

In the Fourth quarter one change proceedings was completed and two were under evaluation. All change proceedings will comply with the current Comprehensive Debt Policy for Special District financings.

CFD No. 2006-51 (Nuevo Meadows)
Developer: Nuevo Meadows Land Co., LLC
No. Units: 275
Under Evaluation

CFD No. 2013-62 (Eucalyptus Grove/McLaughlin South)
Developer: Lansing Stone Star, LLC
No. Units: 257
Under Evaluation

CFD No. 2016-74 IA D (Menifee Town Center)
Developer: Lennar Homes
No. Units: 155
Completed

Joint Community Facilities Agreements

During the fourth quarter, the JCFA's with the following CFDs were completed: Hemet USD CFD 2020-4 and Moreno Valley USD CFD 2020-1. The JCFA with Hemet USD CFD 2020-1 was in progress. The proposed JCFA's with City of Menifee 2020-3, Hemet USD 2021-1, Hemet USD CFD 2020-2 and San Jacinto USD CFD 2020-1 were under evaluation. JCFA's are required to include the reference to EMWD Policies and parties' acceptance of these policies. Additionally, each public agency forming the CFD is now required to covenant in the JCFA that they will not place EMWD's name on the property tax bills referencing the CFD.

Annual Administration

The annual administration for the ADs and CFDs includes budget preparation, annual levy calculation and submittal, delinquency monitoring, bond call preparation, disclosure reporting, and property owner services. Each month EMWD and the finance team coordinate meetings to discuss AD and CFD related administration activities including the Call Log, delinquency management, Continuing Disclosure/CDIAC reporting, and annual levy administration. On at least a quarterly basis, EMWD and its finance team will have an all-hands meeting to discuss the current schedule, deadlines, any issues and potential resolution.

Quarterly Call Log

As part of the Program Management function, Webb Municipal Finance, LLC provides a Quarterly Call Log, presenting calls received from property owners, bond holders, and others. Please see Exhibit D.

CDIAC

During the fourth quarter, the team completed the required CDIAC filings for each CFD and pooled issuance. All reports were filed prior to the October 30, 2020, deadline.

[Disclosure Reporting](#)

During the fourth quarter, the team completed and filed all Disclosure Reports due by December 31, 2020. The team continues to prepare the remaining reports due in February and March of 2021.

[Senate Bill 165 Report](#)

To increase transparency and accountability of Special Districts, the California State Legislature enacted the Local Agency Special Tax and Bond Accountability Act (the “Act”) with the passage of Senate Bill 165. Pursuant to sections 50075 and 50075.3 of the Act, the team prepared and filed the required 2020 calendar year annual reports with the Board Secretary, prior to the January 1, 2021 deadline. Each report contains information regarding the CFD’s revenues, expenses, and improvement fund balance and status.

[Assembly Bill 2109 Reports](#)

Assembly Bill 2109 is an act which amended Section 12463 to add Section 12463.2 to the California Government Code to require additional, more specific reporting as it relates to parcel taxes. Pursuant to the bill, the team prepared the required parcel tax reports, which contain for each CFD, information including type and rate of tax, number of parcels subject to and exempt from the tax, sunset date, revenue received, and manner in which revenue is being used.

[Senate Bill 1029](#)

The team has begun compiling all information necessary to be reported in the Senate Bill 1029 reports. The reports are due January 31, 2021, and cover debt issued on or after January 21, 2017. The Annual Debt Transparency Report requires issuers to report debt authorized, debt outstanding, and the use of proceeds of debt issued during the reporting period.

[Delinquencies](#)

The team continues to proactively monitor delinquencies to ensure the security of payment to bond holders and maintain compliance with covenants.

[Budgets for Fiscal Year 2021-2022 Special Tax Levy](#)

Beginning in the first quarter of 2021, the team will commence preparing the Fiscal Year 2021-22 levy by beginning work on the budgets for each CFD anticipated to be levied for the upcoming Fiscal Year. To ensure all eligible CFDs are levied, the team will research developing CFDs, building permits, and parcel changes.