

Special Funding Quarterly Report

Eastern Municipal Water District (EMWD) is responsible for 7 Assessment Districts (ADs) and 57 Community Facilities Districts (CFDs) that are currently formed including 102 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 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 first quarter are as follows:

- The team prepared and disseminated all required continuing disclosure reports for Fiscal Year ending June 30, 2018 due for each of EMWD's bonded CFDs and ADs.
- The team also completed and filed the Assembly Bill 2109 parcel tax reports, due January 31, 2019.
- The program management team began preparation of the upcoming Fiscal Year 2019-20 special assessment and special tax levy by performing parcel and building permit research and compiling budgets.
- The team completed work on a parity bond issuance for CFD 2014-67 IA A as well as a new money bond issuance for CFD 2013-64.
- EMWD staff and the team are currently reviewing multiple formation requests from developers, landowners, 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 seven actions anticipated to be taken by the Board during the second quarter.

Exhibit C – Quarterly Administrative Committee Detailed AD and CFD Status Report for the first Quarter 2019 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 first quarter, Webb received 24 calls from professionals and property owners. For comparison, over the same time period last year 36 calls were received, a decrease of 12 calls or 33.3%.

Exhibit E – Comprehensive Delinquency Summary Report provides first installment Fiscal Year 2018-19 delinquency information. As of February 24, 2019, \$154,980.59 or 1.64% of the aggregate EMWD AD special assessments and CFD special taxes remain delinquent.

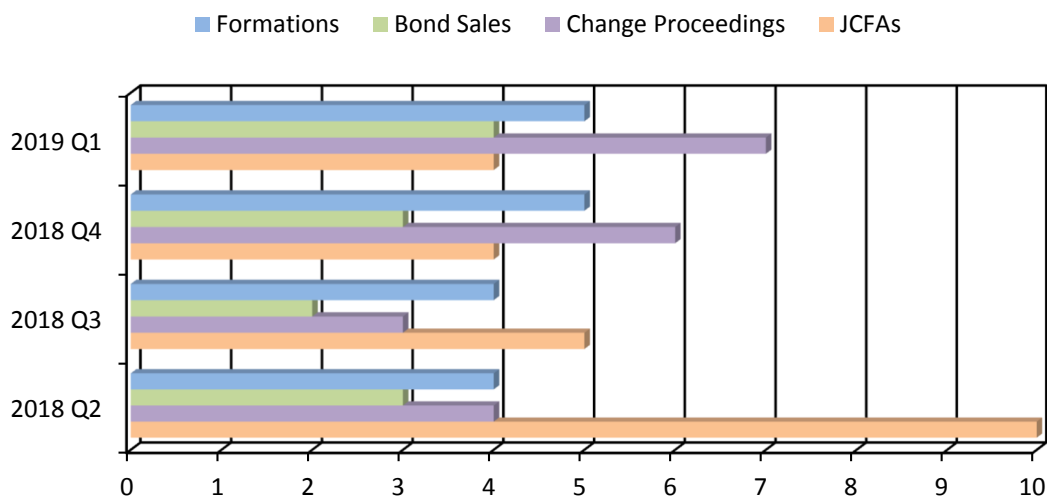
Exhibit F – Location Maps shows the locations of the current active items pertaining to EMWD CFDs. The location maps for CFDs 2002-07 IA C and 2019-85 have been added for this report.

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 61 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.

2019 First 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 2018 and 2019:



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 under evaluation or in progress during the first quarter.

CFD No. 2017-79 (French Valley South)
Developer: FVS Partners, LLC
No. Units: 303
Under Evaluation

CFD No. 2018-81 (Cimarron Ridge)
Developer: Cimarron Ridge LLC
No. Units: 756
In Progress

CFD No. 2018-82 (Aspen Pointe)
Developer: Rancon Group
No. Units: 123
In Progress

CFD No. 2019-83 (Winchester Ridge)
Developer: D.R. Horton
No. Units: 377
Under Evaluation

CFD No. 2019-85 (Winchester Meadows)
Developer: Winchester Meadows, LLC
No. Units: 228
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. Recently, the program management team completed a parity bond sale for CFD 2014-67 IA A. The CFD 2013-64 new money bond issuance is ongoing and is expected to close on April 17, 2019. Additionally, the program management team is currently evaluating two bond sale requests for CFDs 2002-07 IA C and 2013-63 IA A.

CFD No. 2002-07 IA C (Pacific Mayfield)
Developer: Pacific Communities
No. Units: 298
Under Evaluation

CFD No. 2013-63 IA A (Belle Terre)
Developer: Lennar Homes
No. Units: 83
Under Evaluation

CFD No. 2013-64 (Atherton and Terracina)
Developer: Lennar Homes
No. Units: 318
In Progress

CFD No. 2014-67 IA A (TR 30422-3 & TR 36437)
Developer: Lennar Homes
No. Units: 252
Completed

Change Proceedings

In the first quarter two change proceedings were in progress, two under evaluation, two completed, and one preliminary request received. All change proceedings will comply with the current Comprehensive Debt Policy for Special District financings.

CFD No. 2002-07 IA C (Pacific Mayfield)
Developer: Griffin Residential
No. Units: 29
In Progress

CFD No. 2003-25 IA C (Pacific Communities)
Developer: Pacific Communities
No. Units: 38
Completed

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

CFD No. 2012-61 (Autumn Winds)
Developer: KB Home Coastal Inc.
No. Units: 141
In Progress

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

CFD No. 2013-63 IAs B, C, & D (Belle Terre)
Developer: Regent French Valley, LLC
No. Units: 527
Under Evaluation

CFD No. 2017-77 (La Ventana)
Developer: GID
No. Units: 511
Completed

Joint Community Facilities Agreements

During the first quarter, the JCFA with Moreno Valley USD CFD 2015-3 was completed. Additionally, the proposed JCFAs with Moreno Valley USD CFD 2019-1, Moreno Valley USD CFD 2018-1, and EMWD CFD 2002-07 IA C were in progress. JCFAs 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 provides a Quarterly Call Log, presenting calls received from Property Owners, Bond Holders, and others. Please see Exhibit D.

Disclosure Reporting

During the first quarter, the team completed and filed all Disclosure Reports due by April 1, 2019, and each report has been filed on Electronic Municipal Market Access (EMMA).

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 the manner in which revenue is being used. These reports were filed along with EMWD's State Controller's Report in January 2019.

Senate Bill 1029

The team prepared and filed all Senate Bill 1029 reports. The reports were due January 31, 2019, and cover debt issued between January 1, 2017, and June 30, 2018. 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.

Budgets for Fiscal Year 2019-20 Special Tax Levy

In the first quarter of 2019, the team commenced preparing the Fiscal Year 2019-20 levy by beginning work on the budgets for each AD and 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.