

Special Funding Quarterly Report

Eastern Municipal Water District (EMWD) is responsible for 7 Assessment Districts (ADs) and 58 Community Facilities Districts (CFDs) that are currently formed including 103 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 third quarter are as follows:

- Most of the team's effort was utilized calculating and enrolling the Fiscal Year 2019-20 special assessment and special tax levies. In total, 21,153 parcels within six ADs and 73 CFDs were levied for a total of \$19.97 million.
- The program management team is also working on simultaneous bond issuances for CFDs 2002-07 IA C and 2014-66 which are scheduled to close in November.
- 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 Third 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 third quarter, Webb received 31 calls from professionals and property owners. For

comparison, over the same quarter last year 26 calls were received, an increase of 5 calls or 19%.

Exhibit E – Comprehensive Delinquency Summary Report provides Fiscal Year 2018-19 delinquency information. As of July 30, 2019, \$173,779.22 or 0.92% of the aggregate EMWD AD special assessments and CFD special taxes remain delinquent.

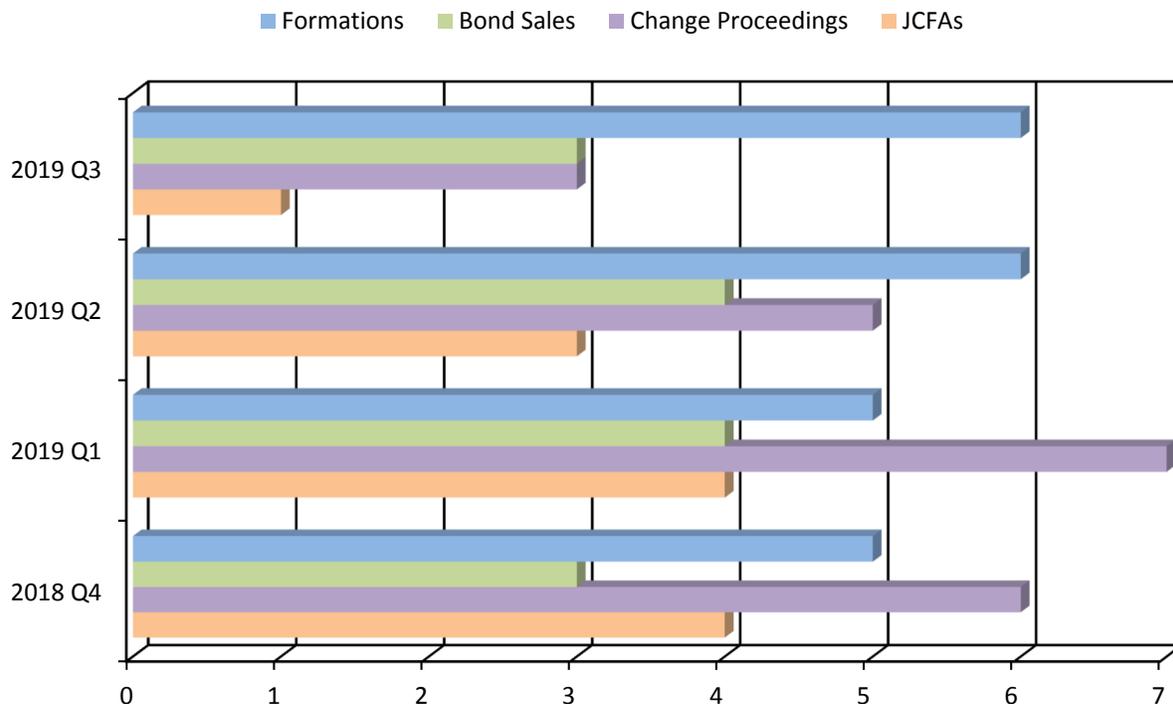
Exhibit F – Location Maps shows the locations of the current active items pertaining to EMWD CFDs. The location map for CFD 2019-87 has been added for this report.

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 62 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 Third 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 six CFD formations under evaluation or in progress during the third quarter.

CFD No. 2017-79 (Eagle Crest)
Developer: FVS Partners, LLC
No. Units: 303
In Progress

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

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

CFD No. 2019-87 (Copper Skye)
Developer: Copper Skye LLC
No. Units: 276
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. EMWD had three CFD bond sales in progress or under evaluation during the third quarter.

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

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

CFD No. 2014-66 (Meadow Creek)
Developer: Lennar Homes
No. Units: 161
In Progress

Change Proceedings

In the third quarter two change proceedings were under evaluation and one preliminary request received. 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
Preliminary Request Received

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

Joint Community Facilities Agreements

During the third quarter, the JCFA with the City of Menifee CFD 2019-1 was 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 Municipal Finance, LLC provides a Quarterly Call Log, presenting calls received from property owners, bond holders, and others. Please see Exhibit D.

FY 2019-20 Annual Levy Enrollment

During the third quarter the team completed the calculation and submittal of the annual AD special assessment and CFD special tax enrollments for FY 2019-20 by completing a series of tasks required to meet the August 12, 2019, submittal deadline.

Included in the Fiscal Year 2019-20 Special Tax levies are three CFDs which will experience their inaugural levy. Although bonds have not been issued for CFDs 2004-35 IA D, 2016-74 IA C, and 2016-76, each CFD's Rate and Method of Apportionment permits special taxes to be levied prior to bond issuance.

Finally, for Fiscal Year 2019-20 EMWD Program Management team and staff were able to review and analyze available surplus funds and apply sustainable surplus reductions to various CFD special tax requirements, reducing the amount collected from property owners while ensuring debt service and administrative requirements were met.

Future Discussion Items

Reporting Obligations

Following the Fiscal Year 2019-20 special tax and assessment enrollments, the team has begun the preparation of CDIAC, SB 1029, AB 2109, SB 165, and Annual Continuing Disclosure Reports required to be disseminated to bondholders in accordance with each bond issuance's continuing disclosure certificate.