

PRELIMINARY OFFICIAL STATEMENT DATED [\_\_\_\_], 2024

NEW ISSUE—FULL BOOK-ENTRY ONLY

NOT RATED

*In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, subject, however to certain qualifications described herein, under existing statutes, regulations, rules and court decisions and assuming validity of certain representations and compliance with certain covenants and requirements, the interest on the Series 2024 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 imposed on individuals and corporations, however, for tax year beginning after December 31, 2022, interest of the Series 2024 Bonds is taken into account in determining the annual adjusted financing stated income of certain corporation for purposes of computing the estimate minimum tax imposed on certain corporations. In the further opinion of Bond Counsel, interest on the Series 2024 Bonds is exempt from California personal income taxes. See "TAX MATTERS" herein.*

**\$5,130,000\***

**COMMUNITY FACILITIES DISTRICT NO. 2020-1  
(PARK CIRCLE EAST/WEST)  
OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT  
SERIES 2024 SPECIAL TAX BONDS**

**Dated: Date of Delivery**

**Due: September 1, as shown below**

The \$5,130,000\* Community Facilities District No. 2020-1 (Park Circle East/West) Series 2024 Special Tax Bonds (the "Series 2024 Bonds") are being issued by the Valley Center Municipal Water District (the "Water District") for its Community Facilities District No. 2020-1 (the "District"). The Series 2024 Bonds are special tax obligations of the District, authorized pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being California Government Code Section 53311, *et seq.* (the "Act"), and are issued pursuant to the Resolution of Issuance (as defined herein) and that certain Fiscal Agent Agreement, dated as of [\_\_\_\_] 1, 2024 (the "Fiscal Agent Agreement"), by and between the Water District and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent"). The Series 2024 Bonds are being issued to (i) pay for the acquisition or construction of certain public improvements of the Water District, (ii) fund a reserve fund, and (iii) to pay the costs of formation of the District and the issuance of the Series 2024 Bonds. Interest on the Series 2024 Bonds is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2025. The Series 2024 Bonds represent the first series of special tax bonds issued for the District, and the issuance of additional parity bonds in the future is contemplated, with issuance subject to the conditions set forth in the Fiscal Agent Agreement. See "THE BONDS – Authority for Issuance" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Future Parity Bonds."

The Series 2024 Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Series 2024 Bonds are secured by and payable from a pledge of Net Special Tax Revenues (as defined herein) derived from Special Taxes (as defined herein) to be levied by the Water District on taxable real property within the boundaries of the District, from certain proceeds of any foreclosure actions brought following a delinquency in the payment of the Special Taxes, and from amounts held in certain funds under the Fiscal Agent Agreement, less certain annual administrative expenses and the District's share of outstanding assessment debt, all as more fully described herein. Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District. In the event of delinquency, proceedings may be conducted only against the parcel of real property securing the delinquent Special Tax. There is no assurance the owners will be able to pay the Special Tax or that they will pay a Special Tax even though financially able to do so. To provide a limited amount for payment of the Series 2024 Bonds and the interest thereon as a result of delinquent Special Taxes, the Water District will establish a debt service reserve fund for the Series 2024 Bonds from proceeds of the Series 2024 Bonds, as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

In 2012, the Water District entered into that certain Assessment Indebtedness, a portion of which is payable from the Special Tax Revenues on a parity basis with the Series 2024 Bonds. The Water District may not issue debt senior to the Series 2024 Bonds. See "INTRODUCTION – Parity Debt." The Water District may issue additional indebtedness that will be secured by a lien on the Special Tax Revenues and by funds pledged under the Fiscal Agent Agreement for the payment of the Series 2024 Bonds on a parity with the Series 2024 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Future Parity Bonds."

**The Series 2024 Bonds are subject to optional redemption, extraordinary mandatory redemption, and mandatory sinking fund redemption prior to maturity as described herein. See "THE BONDS — Redemption."**

NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE WATER DISTRICT, THE COUNTY OF SAN DIEGO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE SERIES 2024 BONDS. THE SERIES 2024 BONDS DO NOT CONSTITUTE A DEBT OF THE WATER DISTRICT WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL DEBT LIMITATION. THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING INFORMATION UNDER THE HEADING "SPECIAL RISK FACTORS," SHOULD BE READ IN ITS ENTIRETY.

This cover page contains certain information for general reference only. It is not a summary of all of the provisions of the Series 2024 Bonds. Prospective investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "SPECIAL RISK FACTORS" herein for a discussion of the special risk factors that should be considered, in addition to the other matters and risk factors set forth herein, in evaluating the investment quality of the Series 2024 Bonds.

*The Series 2024 Bonds are offered, and if issued, subject to approval as to their legality by Best Best & Krieger, LLP, Riverside, California, Bond Counsel. Certain legal matters will also be passed on by Best Best & Krieger LLP, as Disclosure Counsel and Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as counsel to the Underwriter. Certain legal matters will be passed upon for the Water District by the Water District Attorney. It is anticipated that the Series 2024 Bonds will be available for delivery to DTC on or about [\_\_\_\_], 2024.*

[INSERT LOGO]

Dated: [\_\_\_\_], 2024]

\* Preliminary, subject to change.

## MATURITY SCHEDULE

**\$5,130,000\***

**COMMUNITY FACILITIES DISTRICT NO. 2020-1  
(PARK CIRCLE EAST/WEST)  
OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT  
SERIES 2024 SPECIAL TAX BONDS**

**BASE CUSIP®† [\_\_\_\_\_]**

<b>Maturity Date (<u>September 1</u>)</b>	<b><u>Principal</u> <u>Amount</u></b>	<b><u>Interest</u> <u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>	<b>CUSIP† No. (_____)</b>
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\$ _____	% Term Bonds due September 1, 20__	Yield: _____	% Price: _____	CUSIP† No. _____
\$ _____	% Term Bonds due September 1, 2054	Yield: _____	% Price: _____	CUSIP† No. _____

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\* *Preliminary, subject to change.*

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is owned by FactSet Research Systems Inc. ("FactSet"). FactSet will manage the CUSIP system on behalf of the American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Water District, the District or the Underwriter and are included solely for the convenience of the registered owners of the applicable Series 2024 Bonds. None of the Water District, the District or the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Series 2024 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2024 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2024 Bonds.

**VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**(San Diego, California)**

**BOARD OF DIRECTORS**  
**OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT**

Enrico Ferro, *Board President*  
Daniel Holtz, *Vice President*  
Alysha Stehly, *Director*  
Cooper Ness, *Director*  
Oliver Smith, *Director*

**WATER DISTRICT OFFICIALS**

Gary Arant, *General Manager*  
James V. Pugh, *Director of Finance*  
Vanessa Velasquez, *Manager of Accounting*  
Wally Grabbe, *District Engineer/Deputy General Manager*  
Paula de Sousa, *Water District Attorney*

**MUNICIPAL ADVISOR**

Fieldman, Rolapp & Associates, Inc.  
Irvine, California

**BOND COUNSEL AND DISCLOSURE COUNSEL**

Best Best & Krieger LLP  
Riverside, California

**SPECIAL TAX CONSULTANT**

Koppel & Gruber Public Finance  
San Marcos, California

**FISCAL AGENT**

Zions Bancorporation, National Association.  
Los Angeles, California

## 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 Series 2024 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 Series 2024 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Water District, the District, or any other matters described in this Official Statement, or in the condition of the security for the Series 2024 Bonds since the date of this Official Statement.

*Use of this Official Statement.* This Official Statement is submitted in connection with the sale of the Series 2024 Bonds referred to in this Official Statement 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 Series 2024 Bonds. Prospective investors should not construe the contents of this Official Statement as legal, tax or investment advice.

*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.

*Involvement of Underwriter.* The Underwriter has submitted the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a 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.

*Bonds are Exempt from Securities Laws Registration.* The Series 2024 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.

*Forward-Looking Statements.* Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “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. No assurance is given that actual results will meet the forecasts of the Water District in any way, regardless of the level of optimism communicated in the information. The Water District is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

*Website.* The references to internet websites in this Official Statement are shown for reference and convenience only; unless explicitly stated to the contrary, the information contained within the websites and any links contained within those websites are not incorporated herein by reference and does not constitute part of this Official Statement.

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[INSERT VICINITY MAP]

**\$5,130,000\***  
**COMMUNITY FACILITIES DISTRICT NO. 2020-1**  
**(PARK CIRCLE EAST/WEST)**  
**OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**SERIES 2024 SPECIAL TAX BONDS**

This Official Statement, including the cover page and all appendices hereto, is provided to furnish certain information in connection with the issuance of the \$5,130,000\* Community Facilities District No. 2020-1 (Park Circle East/West) of the Valley Center Municipal Water District Series 2024 Special Tax Bonds (the “Series 2024 Bonds”) being issued by the Valley Center Municipal Water District (the “Water District”) for its Community Facilities District No. 2020-1 (the “District”).

*Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Definitions of certain terms used herein and not defined herein have the meaning set forth in the Fiscal Agent Agreement. See “APPENDIX E - SUMMARY OF CERTAIN PROVISIONS OF FISCAL AGENT AGREEMENT.”*

## **INTRODUCTION**

*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 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 Series 2024 Bonds to potential investors is made only by means of the entire Official Statement.*

### **The Water District**

On June 21, 1954, the electorate of the census designated place of Valley Center, California (“Valley Center”) voted to form the Water District. California’s Secretary of State certified the organization of the Water District and filed the official records of its formation on July 12, 1954. The Water District is located in the County of San Diego (the “County”). Valley Center encompasses approximately 100 square miles and is located approximately 40 miles northeast of San Diego and 112 miles southeast of Los Angeles, and is 25 miles from the coastline of the Pacific Ocean. To meet the water needs of its customers throughout its 100 square mile service area (64,253 acres), the Water District has constructed a water system that consists of 40 enclosed reservoirs, 431 acre-feet of enclosed water storage capacity, 335 water lines, 29 pump stations, 105 electric pumps, eight (8) natural gas engine pumps, seven (7) aqueduct connections, 1,612 acre-feet of emergency water storage, and nine (9) solar power generation sites. Sixty-three percent (63%) of the Water District’s water is used for agriculture purposes, 30% is used for residential purposes, and 7% is used for commercial purposes. For economic and demographic information regarding the Water District, Valley Center, and the County, see “APPENDIX B – VALLEY CENTER AND SAN DIEGO COUNTY.”

### **The District**

On December 16, 2019, the Board of Directors of the Water District (the “Board of Directors”), as legislative body of the District, adopted Resolution No. 2019-35, as amended by Resolution No. 2020-04

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\* Preliminary, subject to change.

adopted on January 21, 2020 (“Resolution of Intention”), to form the District under the Mello-Roos Community Facilities Act of 1982, as amended (the “Act”), to levy a special tax and to incur bonded indebtedness for the purpose of financing the acquisition or construction of certain water and wastewater system facilities, the payment of the CFD Portion of the Assessment Indebtedness (defined below), and certain additional indebtedness of the Assessment District as set forth in the CFD Financing Agreement. On January 21, 2020, the rate and method of apportionment of special tax was amended to allow for the levy of the special tax on undeveloped property in order to accumulate funds to pay directly for the authorized facilities. After conducting a noticed public hearing on May 18, 2020, the Board of Directors adopted Resolution No. 2020-14 (the “Resolution of Formation”), which established the District, set forth the rate and method of apportionment of the special tax, and set forth the necessity to incur bonded indebtedness. On the same day, an election was held within the District in which the qualified electors at the time, VTL Valley Center Ranch, LLC (“VTL”) and VTC Orchard Run, LLC (“VTC,”), the owners of the property within the District, approved the proposed bonded indebtedness and the levy of the special tax within the District. The bonded indebtedness limit for the District is \$20,000,000. In accordance with State law, the Board of Directors adopted the ordinance levying the Special Tax (the “Ordinance”) on May 18, 2020.

The land within the District is part of a master-planned community locally known as “Park Circle East/West” (individually referred to as “Park Circle (East)” and “Park Circle (West),” and together referred to as the “Park Circle Development”), which is located at the northwest corner of Valley Center Road and Mirar De Valle Road in Valley Center. Land uses in the Park Circle Development include attached and detached single-family residential (with market rate and affordable components), proposed retail use, two recreation centers, and multiple community parks. The Park Circle Development is comprised of seven (7) residential neighborhoods, consisting of 632 residential lots and two (2) commercial lots. Touchstone Communities, LLC (the “Developer”) has a small interest in each of VTL and VTC and manages the development of the Park Circle Development on behalf of each of them. Ownership of the parcels within the District, as of June 13, 2024, is shown in the chart below.

<b><u>Owners</u></b>	<b><u>Number of Parcels</u></b>
Individual Property Owners	595
KB HOME Coastal Inc.	1
Park Circle Valley Center, LLC	36
Park Circle Commons LLC	1
Min Lyn Investment, LLC	1
<b>Total</b>	<b>634</b>

As of June 13, 2024, 595 of the 632 residential lots were owned by individual property owners, one (1) lot was owned by KB HOME Coastal Inc., and 36 lots were owned by Park Circle Valley Center, LLC (“PCVC”). Of the 36 residential lots owned by PCVC, building permits had been issued for 16 lots which are under construction. Building permits had not yet been issued for the remaining lots. The Park Circle Development includes one commercial lot owned by Min Lyn Investment, LLC, which has been developed with an operating McDonald’s restaurant, and a second commercial lot owned by Park Circle Commons LLC, for which a building permit has not been issued. The Assessed Value of property within the boundary of the District for Fiscal Year 2024-25 as determined by the San Diego County Assessor is \$459,755,794. See “OWNERSHIP OF PROPERTY WITHIN THE DISTRICT” for additional details.



## **Authority for Issuance of the Series 2024 Bonds**

The Series 2024 Bonds are issued pursuant to the Act, a resolution adopted by the Board of Directors on [August 5, 2024] (the “Resolution of Issuance”), and that certain Fiscal Agent Agreement, dated as of [\_\_\_\_\_] 1, 2024 (the “Fiscal Agent Agreement”), by and between the Water District and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”).

## **Bond Terms**

The Series 2024 Bonds will be dated as of and bear interest from the date of delivery thereof at the rate or rates set forth on the inside cover page of this Official Statement. Interest on the Series 2024 Bonds is payable on March 1 and September 1 of each year (each an “Interest Payment Date”), commencing March 1, 2025. The Series 2024 Bonds will be registered with DTC (as defined below) in denominations of \$5,000 or any integral multiple thereof.

## **Registration of Ownership of Series 2024 Bonds**

The Series 2024 Bonds will be issued as fully registered bonds in book-entry only form, and registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Ultimate purchasers of the Series 2024 Bonds will not receive physical certificates representing their interest in the Series 2024 Bonds. So long as the Series 2024 Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the “Owners” will mean Cede & Co., and will not mean the ultimate purchasers of the Series 2024 Bonds. Payments of the principal of, premium, if any, and interest on the Series 2024 Bonds will be made directly to DTC, or its nominee, Cede & Co. so long as DTC or Cede & Co. is the registered owner of the Series 2024 Bonds. Disbursements of such payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants, as more fully described herein. See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

## **Use of Proceeds**

The Series 2024 Bonds are being issued to (i) pay for the acquisition or construction of certain public improvements of the Water District (the “Project”) as set forth in that certain CFD Financing Agreement, made and entered into May 4, 2021, by and between the Water District, acting for itself and on behalf of the District, and VTL and VTC, as such agreement may be amended from time to time (the “CFD Financing Agreement”), (ii) fund a reserve fund, (iii) fund certain administrative expenses of the Water District, and (iv) pay the costs of formation of the District and the issuance of the Series 2024 Bonds.

## **Security and Source of Payment of the Series 2024 Bonds**

As security for the payment of the Series 2024 Bonds, a Special Tax (defined below) applicable to each taxable parcel in the District will be levied and collected according to the tax liability determined by the Board of Directors through the application of the Rate and Method of Apportionment for the District (the “Special Tax RMA”). The Special Tax RMA is set forth in its entirety in “APPENDIX A – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto. See “SECURITY AND SOURCES OF PAYMENT OF THE BONDS – Special Tax Methodology” for a description of the Special Tax RMA.

The Series 2024 Bonds are payable from the Net Special Tax Revenues (defined below), consisting of (a) the proceeds of the Special Tax levied by the District pursuant to the Special Tax RMA and received by the Water District and (b) the Delinquency Proceeds amounts applied annually to fund the Administrative Expense Requirement. “Delinquency Proceeds” means the amounts collected from the

redemption of delinquent Special Taxes including the penalties and interest thereon and from the sale of property sold as a result of the foreclosure of the lien of the Special Tax resulting from the delinquency in the payment of Special Taxes due and payable on such property. “Special Taxes” means the Special Tax to be levied in the District pursuant to the Act and the Special Tax RMA.

The “Administrative Expense Requirement” means an amount equal to \$[25,500] for Fiscal Year 2024-25, which will escalate annually at a rate of 2% or such lesser amount as determined by an Authorized Representative, to be allocated as the first priority of Special Taxes received each Fiscal Year for the payment of Administrative Expenses. The Series 2024 Bonds are also payable from amounts held in certain funds and accounts pursuant to the Fiscal Agent Agreement, including a Reserve Fund (defined below), all as more fully described herein. See “– Reserve Fund,” below.

The Special Taxes represent liens on the parcels of land subject to a Special Tax, and failure to pay the Special Taxes could result in proceedings to foreclose the delinquent property. The Special Taxes do not constitute the personal indebtedness of the owners of taxed parcels. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “APPENDIX A – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

### **Reserve Fund**

In connection with the issuance of the Series 2024 Bonds, a debt service reserve fund (the “Reserve Fund”) is being established under the Fiscal Agent Agreement for the benefit of the owners of the Series 2024 Bonds and any Parity Bonds (defined below). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund.”

### **Parity Bonds**

The maximum authorized indebtedness for the District is \$20,000,000. The Series 2024 Bonds represent the first series of special tax bonds issued under such authorization and the Water District expects to issue additional bonds secured by Special Tax Revenues on parity with the Series 2024 Bonds in the future. Following the issuance of the Series 2024 Bonds in the amount of \$5,130,000\*, the remaining authorized amount of indebtedness to be issued will be \$14,870,000\*. So long as the Series 2024 Bonds are outstanding, any future bonds issued for the District and secured on parity with the Series 2024 Bonds (the “Parity Bonds,” and collectively with the Series 2024 Bonds, but excluding the CFD Portion of the Assessment Indebtedness, the “Bonds”) are required to meet certain conditions of issuance as set forth in the Fiscal Agent Agreement, and no bonds having a lien senior to the lien of the Series 2024 Bonds are allowed. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Future Parity Bonds.”

Additionally, the Special Tax Revenues have been pledged towards the repayment of the CFD Portion of the Assessment Indebtedness (as defined below) on a parity basis with the Bonds. The Water District previously entered into three installment sale agreements with the California State Water Resources Control Board (“SWRCB”). The pledge under the original installment sales agreements identified as ISA 110, ISA 120 and ISA 130 (each defined below) included assessments levied within the Valley Center Municipal Water District Assessment District No. 2012-1, County of San Diego, State of California (the “Assessment District”) and net revenues of the Water District’s wastewater system (together, the “Other Pledged Sources”). The Assessment District originally included the properties included within the District. Following the formation of the District, the properties within the District were removed from the Assessment District. The Special Taxes were authorized by the qualified electors within the District at the time of formation of the District to be used to pay the portion of the Assessment Indebtedness attributable

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\* Preliminary, subject to change.

to the properties located within the District. It was subsequently determined by the SWRCB that the Water District and SWRCB must enter into amendments to the original installment sale agreements to allow for a lien to be created on the Special Taxes for the CFD Portion of the Assessment Indebtedness (together, the “ISA Amendments”). The ISA Amendments create a lien in favor of the SWRCB on the Net Special Tax Revenues on a parity basis with the Series 2024 Bonds up to the CFD Portion of the Assessment Indebtedness. The lien in favor of the SWRCB is limited to the CFD Portion of the Assessment Indebtedness. Any amounts required to pay the Assessment Indebtedness in excess of the CFD Portion of Assessment Indebtedness are required to be paid by the Water District from the Other Pledged Sources. Pursuant to the provisions of the CFD Financing Agreement, the Water District and the Developer agreed that a portion of the Special Taxes will replace a portion of such assessments for the purpose of repayment of debt service on the Assessment Indebtedness.

“Assessment Indebtedness” means ISA 110, ISA 120 and ISA 130, which are payable from Net Special Taxes up to the CFD Portion of Assessment Indebtedness and certain other funds of the Water District.

“CFD Portion of Assessment Indebtedness” means the District’s share of the Assessment Indebtedness which is equal to \$252,181 for ISA 110, \$3,971,211 for ISA 120 and \$1,126,181 for ISA 130.

“ISA 110” means that certain Installment Sale Agreement, dated May 23, 2013, by and between the Water District and the SWRCB for State Revolving Fund Project No. C-06-7454-110, as amended by that certain First Amendment to Installment Sale Agreement, dated March 4, 2016, and the Second Amendment to the Installment Sale Agreement dated [\_\_\_\_], each by and between the Water District and the SWRCB.

“ISA 120” means that certain Installment Sale Agreement, dated November 18, 2015, by and between the Water District and the SWRCB for State Revolving Fund Project No. C-06-7454-120, as amended by that certain First Amendment to Installment Sale Agreement, dated January 19, 2016 and the Second Amendment to the Installment Sale Agreement dated [\_\_\_\_], each by and between the Water District and the SWRCB.

“ISA 130” means that certain Installment Sale Agreement, dated May 23, 2013, by and between the Water District and the SWRCB for State Revolving Fund Project No. C-06-7454-130, as amended by that certain First Amendment to Installment Sale Agreement, dated February 16, 2016 and the Second Amendment to the Installment Sale Agreement dated [\_\_\_\_], each by and between the Water District and the SWRCB.

See “DEBT SERVICE SCHEDULES” for a schedule of payments required to satisfy the CFD Portion of Assessment Indebtedness.

While under the CFD Financing Agreement and formation proceedings for the District Special Taxes levied within the District are authorized to pay a portion of the Assessment District’s \$4,035,000 Limited Obligation Improvement Bonds, Series 2018 and its \$700,000 Limited Obligation Improvement Bonds, Series 2022, such debt is secured solely by assessments levied within the Assessment District and are not considered Parity Obligations hereunder as such debt is not secured by a pledge of Special Taxes.

#### **Assessed Value of Property and Overall Value to Lien Ratio**

The taxable property in the District is the security for the Special Tax. The assessed value of all of the taxable property in the District, as established by the County Assessor for Fiscal Year 2024-25, was \$459,755,794. See “VALUE OF PROPERTY WITHIN THE DISTRICT – Assessed Value.”

The overall assessed value to lien ratio of taxable property within the District is 89.62:1\*. See “VALUE OF PROPERTY WITHIN THE DISTRICT– Value to Special Tax Burden Ratios.”

### **Risks of Investment**

See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of special factors that should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Series 2024 Bonds.

### **Limited Obligation of the Water District**

The general fund of the Water District is not liable and the full faith and credit of the Water District is not pledged for the payment of the principal of, redemption premiums, if any, or interest on the Series 2024 Bonds. The Series 2024 Bonds are not secured by a legal or equitable pledge of or charge, lien, or encumbrance upon any property of the Water District or any of its income or receipts, except the Special Tax Revenues and moneys in the funds established and pledged to the Series 2024 Bonds under the Fiscal Agent Agreement. Neither the payment of the principal of, redemption premiums, if any, or interest on the Series 2024 Bonds is a general debt, liability, or obligation of the Water District. The Series 2024 Bonds do not constitute an indebtedness of the Water District within the meaning of any constitutional or statutory debt limitation or restrictions, and neither the Board of Directors, the Water District, nor any officer or employee thereof are liable for the payment of the principal of, redemption premiums, if any, or interest on the Series 2024 Bonds other than from the Special Tax Revenues and money in the funds established and pledged to the Series 2024 Bonds, as provided in the Fiscal Agent Agreement.

### **Summary of Information**

Brief descriptions of certain provisions of the Fiscal Agent Agreement, the Bonds, and certain other documents are included herein. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all its respective terms and conditions, copies of which are available for inspection at the office of the Director of Finance of the Water District. All statements herein with respect to certain rights and remedies are qualified by reference to laws and principles of equity relating to or affecting creditors’ rights generally. Capitalized terms used in this Official Statement and not otherwise defined herein have the meanings ascribed to such terms in the Fiscal Agent Agreement. The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement, any sale made hereunder, nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Water District or the District since the date hereof.

*Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.*

## **THE FINANCING PLAN**

Proceeds of the Series 2024 Bonds will finance (a) a portion of the costs of acquiring, designing and constructing the Orchard Run lift station (the “Orchard Run Project”) in accordance with the CFD Financing Agreement, (b) land acquisition for the Orchard Run Project and future District seasonal storage improvements, (c) funding a reserve fund and (d) costs of formation the District and the issuance of the

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\* Preliminary; subject to change.

Series 2024 Bonds. The Orchard Run lift station service area includes the District, which consists of the Park Circle Development and portions of Assessment District No. 2012-1. The Orchard Run Project had an approximate cost of \$4,550,000. The District financed a portion of the Orchard Run Project through approximately \$705,000 in proceeds of bonds issued by the Assessment District No. 2012-01, and the remainder will be funded with the proceeds of the Series 2024 Bonds. The costs of land acquisition for the Orchard Run Project and future District seasonal storage improvements were \$200,000. Construction of the Orchard Run Project was completed on June 12, 2023.

The CFD Financing Agreement provides, amongst other things, for the payment of the Water District's costs of design, project management, inspection and construction of the Orchard Run Project, which shall be funded with the proceeds of Special Taxes of the District and/or proceeds of bonds to be issued by the District and assessments of Assessment District No. 2012-01.

Under the CFD Financing Agreement, VTL and VTC are required to deposit with the District a cash deposit or surety bond in the amount of \$3,000,000 within ten (10) business days of the signing of the CFD Financing Agreement as security for funding the costs of the Orchard Run Project. VTL and VTC have provided a surety bond in compliance with such requirement. Additionally, VTL and VTC are required to advance \$650,000 to finance the Orchard Run Project, subject to reimbursement from special taxes and bonds of the District, within ten business days following the award of the construction contract and additional monthly advance deposits until the proceeds of the Series 2024 Bonds are available. To date, VTL and VTC have advanced a total of \$3,340,000. VTL and VTC were also required to deposit with the District, a letter of credit or cash deposit in an amount sufficient to secure the costs of construction of the "Phase 3 Facilities," which include (a) water reclamation facility improvements; (b) additional seasonal storage facilities; (c) recycled water transmission line to the proposed seasonal storage site; and (d) any other water or wastewater treatment, transmission, storage or water reclamation facilities required to serve the development within the District. Such letter of credit or cash deposit must be deposited following the issuance by the District of clearance letters for 360 equivalent dwelling units. On March 11, 2022, the District and VTL and VTC entered into a letter agreement whereby the District agreed that it would release additional clearance letters for the remainder of the project upon the deposit with the District of \$3,770,000 in cash; provided, however, that it may (i) be moved to an escrow account to be held by Chicago Title upon approval by the District, (ii) be released by the District upon the deposit with the District of a letter of credit, or other security acceptable to the District, in an amount equal to \$3,770,000; or (iii) be reduced or released at the sole direction and approval of the District after re-evaluation of the required facilities ("re-rating") providing additional capacity needed for the water reclamation facility.

VTL and VTC have deposited cash in the required amount of \$3,770,000 with the District. Any letter of credit provided to replace the cash deposit must be renewed annually by the issuing bank or a substitute bank, until such time as it is determined by the District that the remaining funds for the facilities required to be constructed to serve the property equals zero. The cash deposit or letter of credit may also be released or reduced pursuant to the terms of the CFD Financing Agreement.

## ESTIMATED SOURCES AND USES OF FUNDS

A summary of the estimated sources and uses of funds associated with the sale of the Series 2024 Bonds follows:

### Series 2024 Bonds

#### **Estimated Sources of Funds:**

Principal Amount of Series 2024 Bonds	\$
Plus Original Issue Premium	
<b>Total</b>	<hr/> \$

#### **Estimated Uses of Funds:**

Deposit to Project Fund	\$
Deposit to Reserve Fund <sup>(1)</sup>	
Deposit to Costs of Issuance Fund <sup>(2)</sup>	
Deposit to Administrative Expense Fund	
<b>Total</b>	<hr/> \$

<sup>(1)</sup> Equal to the Reserve Requirement as of the date of issuance of the Series 2024 Bonds.

<sup>(2)</sup> Includes Bond and Disclosure Counsel fees, expenses and charges of the Fiscal Agent, printing costs, fees of the special tax administrator and Municipal Advisor, Underwriter's discount, and other costs of issuance.

## THE BONDS

### **Authority for Issuance**

The Series 2024 Bonds are issued pursuant to the Fiscal Agent Agreement, the Resolution of Issuance, and the Act.

On December 16, 2019, the Board of Directors, as legislative body of the District, adopted the Resolution of Intention to form the District under the Act, to levy a special tax, and to incur bonded indebtedness for the purpose of financing certain public improvements. On January 21, 2020, the Special Tax RMA was amended to allow for the levy of the special tax on undeveloped property in order to accumulate funds to pay directly for the authorized facilities. After conducting a noticed public hearing, on May 18, 2020, the Board of Directors adopted the Resolution of Formation which established the District, set forth the rate and method of apportionment of the special tax for the District, and set forth the necessity to incur bonded indebtedness. On the same day, an election was held within the District in which the qualified electors within the District approved the proposed bonded indebtedness and the levy of the special tax within the District.

The bonded indebtedness limit for the District is \$20,000,000. The Series 2024 Bonds are the first series of special tax bonds issued for the District. Parity Bonds are expected to be issued in the future. Following the issuance of the Series 2024 Bonds, the District will have \$14,870,000\* in remaining bond authorization.

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\* Preliminary, subject to change.

## Description of the Bonds

**Bond Terms.** The Series 2024 Bonds will be dated as of and bear interest from the date of delivery thereof at the rates and mature in the amounts and years, as set forth on the inside cover page hereof. The Series 2024 Bonds are being issued in the denomination of \$5,000 or any integral multiple thereof.

Interest on the Series 2024 Bonds will be payable semiannually on March 1 and September 1 of each year, commencing March 1, 2025 (each an “Interest Payment Date”). The principal of the Series 2024 Bonds and premiums due upon the redemption thereof, if any, will be payable in lawful money of the United States of America at the principal corporate trust office of the Fiscal Agent in Los Angeles, California, or such other place as designated by the Fiscal Agent, upon presentation and surrender of the Series 2024 Bonds; provided that so long as any Series 2024 Bonds are in book-entry form, payments with respect to such Series 2024 Bonds will be made by wire transfer, or such other method acceptable to the Fiscal Agent, to DTC.

**Book-Entry Only System.** The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co., as nominee of DTC, and will be available to ultimate purchasers under the book-entry only system maintained by DTC. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the “Owners” will mean Cede & Co., and will not mean the ultimate purchasers of the Bonds. The Fiscal Agent will make payments of the principal, premium, if any, and interest on the Bonds directly to DTC, or its nominee, Cede & Co., so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC’s Participants are the responsibility of DTC and disbursements of such payments to the Beneficial Owners are the responsibility of DTC’s Participants and Indirect Participants, as more fully described herein. See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

**Calculation and Payment of Interest.** Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed on each Interest Payment Date by first class mail to the registered Bond Owner thereof at such registered Bond Owner’s address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the 15th day of the month preceding the month in which the Interest Payment Date occurs whether or not such day is a Business Day (the “Record Date”) preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions received by the Fiscal Agent on or before the Record Date preceding the Interest Payment Date, of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds; provided that so long as any Bonds are in book-entry form, payments with respect to such Bonds will be made by wire transfer, or such other method acceptable to the Fiscal Agent and to DTC. See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (a) it is authenticated on an Interest Payment Date, in which event it will bear interest from such date of authentication, or (b) 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 will bear interest from such Interest Payment Date, or (c) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it will bear interest from the date of the Bonds; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, payments of the principal, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co. Disbursements of such payments to DTC’s Participants are the responsibility of DTC

and disbursements of such payments to the Beneficial Owners are the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

## Redemption\*

**Optional Redemption.** The Series 2024 Bonds may be redeemed at the option of the District prior to maturity as a whole, or in part, on any Interest Payment Date on and after September 1, 20\_\_, from such maturities as are selected by the District, and by lot within a maturity, from any source of funds, at the following redemption prices (expressed as percentages of the principal amount of the Series 2024 Bonds to be redeemed), together with accrued interest to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
March 1, 20__ and September 1, 20__	103%
March 1, 20__ and September 1, 20__	102
March 1, 20__ and September 1, 20__	101
March 1, 20__ and any Interest Payment Date thereafter	100

**Extraordinary Mandatory Redemption.** The Bonds shall be subject to extraordinary mandatory redemption on any Interest Payment Date, prior to maturity, as a whole, or in part, from such maturities as are selected by the District, and by lot within a maturity, from amounts deposited to the Redemption Fund in connection with a prepayment of Special Taxes pursuant to the Special Tax RMA. An Authorized Representative shall deliver written instructions to the Fiscal Agent not less than sixty (60) days prior to the redemption date, or such lesser number of days as is acceptable to the Fiscal Agent, directing the Fiscal Agent to utilize the Special Tax Revenues transferred to the Redemption Fund pursuant to the Fiscal Agent Agreement to redeem Bonds. Such extraordinary mandatory redemption of the Series 2024 Bonds shall be at the following redemption prices (expressed as percentages of the principal amount of the Series 2024 Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
March 1, 20__ and September 1, 20__	103%
March 1, 20__ and September 1, 20__	102
March 1, 20__ and September 1, 20__	101
March 1, 20__ and any Interest Payment Date thereafter	100

See "SPECIAL RISK FACTORS – Potential Early Redemption of Bonds from Prepayments" for a discussion of the potential for the Series 2024 Bonds to be priced with original issue premium and then be redeemed from Special Tax prepayments prior to maturity.

**Mandatory Sinking Fund Redemption.** The Term Bonds maturing September 1, 20\_\_ and September 1, 20\_\_, are subject to mandatory sinking payment redemption in part on September 1, 20\_\_ and September 1, 20\_\_, respectively, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount of the Term Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amount and in the years shown on the following tables:

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\* Preliminary, subject to change.



**Term Bonds Due September 1, 20\_\_**

<b>Mandatory Redemption Date (September 1)</b>	<b>Sinking Fund Payment</b>
	\$

φ

φ Maturity

**Term Bonds Due September 1, 20\_\_**

<b>Mandatory Redemption Date (September 1)</b>	<b>Sinking Fund Payment</b>
	\$

φ

φ Maturity

In the event of a partial optional redemption or extraordinary mandatory redemption of the Term Bonds maturing on September 1, 20\_\_ or September 1, 20\_\_ each of the remaining mandatory sinking fund payments for the applicable maturity of the Term Bonds so redeemed will be reduced, as nearly as practicable, on a *pro rata* basis in integral multiples of \$5,000.

***Purchase In Lieu of Redemption.*** In lieu of redemption, the District may elect to purchase such Bonds at public or private sale at such prices as the District may in its discretion determine; provided, unless otherwise authorized by law, the purchase price (including brokerage and other charges) thereof shall not exceed the principal amount thereof, plus the applicable premium, if any, stated above, plus accrued interest to the purchase date.

***Redemption Procedure by Fiscal Agent.*** The Fiscal Agent will cause notice of any redemption to be mailed by first class mail, postage prepaid, at least thirty (30) days but not more than forty-five (45) days prior to the date fixed for redemption, to the Depository, the original purchaser of the Bonds, and to the respective registered Owners of any Bonds designated for redemption at their addresses appearing on the registration books in the Principal Office of the Fiscal Agent; but such mailing is not 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 Bonds.

Such notice will state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, will designate the CUSIP numbers, dates of maturity, and bond registration numbers of the Bonds to be redeemed by giving the individual CUSIP number and bond registration number of each Bond to be redeemed or will state that all Bonds between two stated bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption. The notice will also state as to any Bond called in part the principal amount thereof to be redeemed and will require that such Bonds be then surrendered at the Principal Office of the Fiscal

Agent for redemption at the said redemption price, and will state that further interest on such Bonds will not accrue from and after the redemption date. The notice will also state the date of the issue of the Bonds as originally issued and the rate of interest borne by each Bond being redeemed.

The District has the right to rescind any notice of the optional redemption of Bonds and such notice may be cancelled and annulled for any reason on any date prior to the date fixed for redemption by causing written notice of rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof will be rescinded if for any reason on the date fixed for redemption moneys are not available in the Debt Service Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date, the principal of, interest, and any premium due on the Series 2024 Bonds called for redemption. Notice of rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Series 2024 Bond of notice of such rescission will be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Upon surrender of Bonds redeemed in part, a new Bond or Bonds of the same maturity shall be registered, authenticated and delivered to the registered Owner at the expense of the District, in the aggregate principal amount of the unredeemed portion. All unpaid interest payable at or prior to the date fixed for redemption shall continue to be payable to the respective registered owners of such Bonds or their order, but without interest thereon.

***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 are deposited in the Debt Service Fund or the Redemption Fund, such Bonds so called will cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

### **Transfer or Exchange of Bonds**

So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of Bonds will be made in accordance with DTC procedures. See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM." Any Bond may, in accordance with its terms, be transferred or exchanged by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. Whenever any Bond or Bonds are surrendered for transfer or exchange, the District will execute and the Fiscal Agent will authenticate and deliver a new Bond or Bonds, 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 will be paid by the District. The Fiscal Agent will collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer or exchange. No transfers or exchanges of Bonds will be required to be made (a) within fifteen (15) days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (b) with respect to a Bond after such Bond has been selected for redemption.

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

### **Formation of the District**

As described above, on December 16, 2019, the Board of Directors, as legislative body of the District, adopted the Resolution of Intention to form the District under the Act, to levy a special tax, and to incur bonded indebtedness for the purpose of financing the acquisition or construction of certain water and wastewater system facilities. On January 21, 2020, the Special Tax RMA was amended to allow for the levy of the special tax on undeveloped property in order to accumulate funds to pay directly for the authorized facilities. After conducting a noticed public hearing, on May 18, 2020, the Board of Directors adopted the Resolution of Formation which established the District, set forth the rate and method of apportionment of the special tax, and set forth the necessity to incur bonded indebtedness. On the same day, an election was held within the District in which the qualified electors approved the proposed bonded indebtedness and the levy of the special tax within the District. The bonded indebtedness limit for the District is \$20,000,000.

### **Special Taxes**

The Bonds (consisting of the Series 2024 Bonds and any Parity Bonds that may be issued in the future) are payable from and secured by the “Net Special Tax Revenues,” which is equivalent to all Special Tax Revenues less amounts applied annually to fund the Administrative Expense Requirement. “Special Tax Revenues” means (i) the proceeds of the Special Tax levied by the District pursuant to the Special Tax RMA and received by the District and (ii) the Delinquency Proceeds. The Series 2024 Bonds and any Parity Bonds are on parity with the payment by the District of CFD Portion of the Assessment Indebtedness. See “DEBT SERVICE SCHEDULES.”

All of the Net Special Tax Revenues and all moneys deposited in the Debt Service Fund, Redemption Fund, and the Special Tax Fund are pledged to secure the repayment of the Bonds. In addition, moneys in the Reserve Fund are pledged to secure the repayment of the Bonds. The Net 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, including any mandatory sinking fund payments, 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 defeased in accordance with the Fiscal Agent Agreement.

A Special Tax applicable to each taxable parcel in District will be levied and collected according to the tax amount determined by the Board of Directors through the application of the Special Tax RMA as set forth in “APPENDIX A – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto for all taxable properties in the District. Prior to remittance of the Special Tax collections to the District, the County deducts and retains a County administration fee, as noted above. Principal of and interest on the Bonds is payable from the annual Special Tax Revenues to be paid to the District from (i) Special Tax collections on taxable property within the District, (ii) amounts held in certain funds and accounts established under the Fiscal Agent Agreement, as identified above, and (iii) the proceeds, if any, from the sale of such property for delinquency of such Special Taxes.

The Special Taxes are exempt from the property tax limitation of Article XIII A of the California Constitution, pursuant to Section 4 thereof, as a “special tax” authorized by a two-thirds vote of the qualified electors. The levy of the Special Taxes was authorized by the Water District pursuant to the Act in an amount determined according to the Special Tax RMA approved by the Water District. See “– Special Tax Methodology” below and “APPENDIX A – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The amount of Special Taxes that may be levied in the District in any year, and from which principal of and interest on the Bonds is to be paid, is strictly limited by the maximum rates approved by the qualified electors within the District, which is set forth in the Special Tax RMA. Under the Special Tax RMA, Special Taxes for the purpose of making payments on the Bonds will be levied annually in an amount not in excess of the maximum approved amount. The Special Taxes and any interest earned thereon constitute a trust fund for the principal of and interest on the Bonds pursuant to the Fiscal Agent Agreement and, so long as the principal of and interest on these obligations remains unpaid, the Special Taxes and investment earnings thereon will not be used for any other purpose, except as permitted by the Fiscal Agent Agreement, and will be held in trust for the benefit of the owners thereof and will be applied pursuant to the Fiscal Agent Agreement. The Special Tax RMA apportions the Special Tax Requirement (as defined in the Special Tax RMA and described below) among the taxable parcels of real property within the District according to the rate and methodology set forth in the Special Tax RMA. See “– Special Tax Methodology” below. See also “APPENDIX A – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The District may levy the Special Tax up to the amount of the “Maximum Special Tax” set forth in the Special Tax RMA, if conditions so require. The District has covenanted to annually levy the Special Taxes in an amount at least sufficient to pay the Special Tax Requirement. Notwithstanding the aforementioned, 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 ten percent (10%) above the amount that would have been levied in such Fiscal Year had there not been any such delinquencies or defaults. See “SPECIAL RISK FACTORS – Tax Delinquencies” herein. Because each Special Tax levy is limited to the Maximum Special Tax, as well as by the Act, as described, no assurance can be given that, in the event of delinquencies, the amount of the Special Tax collected will be sufficient to pay debt service on the Bonds. The Special Taxes are collected for the District by the County in the same manner and at the same time as *ad valorem* property taxes.

### **Special Tax Methodology**

The Special Tax RMA sets forth the rate and method of apportionment of the Special Taxes securing the Bonds. Capitalized terms used but not defined in this section are defined in the Special Tax RMA. See “APPENDIX A - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

***Land Use Classification.*** Each Fiscal Year, beginning with Fiscal Year 2020-21, each Assessor’s Parcel within the boundaries of the District shall be classified to either Zone 1A, Zone 1B, Zone 2, Zone 3A, Zone 3B or Zone 4 and further classified as Taxable Property or Exempt Property. In addition, all Taxable Property within the District shall be classified as Developed Property or Undeveloped Property or Provisional Undeveloped Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with the Special Tax RMA. Furthermore, each Assessor’s Parcel of Developed Property that is a Residential Unit or Affordable Unit shall be classified to a Land Use Class based on its Building Square Footage.

Once classified as Developed Property, an Assessor’s Parcel may not be subsequently re-classified as Undeveloped Property or changed to Exempt Property without the Special Tax being paid off.

***Maximum Special Tax Rates.*** Pursuant to the Special Tax RMA, each Fiscal Year, each Assessor’s Parcel of Developed Property within the District shall be subject to an “Assigned Special Tax Rate.” The Assigned Special Taxes applicable to each Land Use Type of Developed Property for Fiscal Year 2024-25 are set forth in the following tables:

**Zone 1A -Assigned Special Tax Rates  
Fiscal Year 2024-25**

<u>Land Use Class</u>	<u>Building Square Footage</u>	<u>Assigned Special Tax</u>
1	1,800 Sq. Ft. or less	\$976.35 per Residential Unit
2	1,801 to 2,200 Sq. Ft.	\$1,107.33 per Residential Unit
3	2,201 to 2,600 Sq. Ft.	\$1,325.16 per Residential Unit
4	Greater than 2,600 Sq. Ft.	\$1,454.79 per Residential Unit

**Zone 1B -Assigned Special Tax Rates  
Fiscal Year 2024-25**

<u>Land Use Class</u>	<u>Building Square Footage</u>	<u>Assigned Special Tax</u>
1	1,399 Sq. Ft. or less	\$310.66 per Affordable or Residential Unit
2	1,400 to 1,700 Sq. Ft.	\$544.46 per Affordable or Residential Unit
3	Greater than 1,700 Sq. Ft.	\$935.22 per Affordable or Residential Unit

Maximum Special Tax for Developed Property in Zone 1A and Zone 1B. The Maximum Special Tax applicable to an Assessor's Parcel classified as Developed Property in Zone 1A and Zone 1B for Fiscal Year 2024-25 shall be the greater of (a) the Assigned Special Tax or (b) the amount derived by application of the Backup Special Tax.

Backup Special Tax and Undeveloped Property Maximum Special Tax for Zone 1A and Zone 1B. The Backup Special Tax applicable to an Assessor's Parcel classified as Developed Property or the Maximum Special Tax applicable to an Assessor's Parcel of Undeveloped Property for Fiscal Year 2024-25 shall be \$11,681.61 per Acre for Zone 1A and \$5,811.58 per Acre for Zone 1B.

Each July 1, commencing July 1, 2025, the Backup Special Tax for Developed Property and the Maximum Special Tax for Undeveloped Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

Provisional Undeveloped Property in Zone 1A and Zone 1B. The Maximum Special Tax for Provisional Undeveloped Property for Fiscal Year 2024-25 shall be \$11,681.61 per Acre for Zone 1A and \$5,811.58 per Acre for Zone 1B. Each July 1, commencing July 1, 2025, the Maximum Special Tax for Provisional Undeveloped Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

Developed Property in Zone 2. The Maximum Special Tax applicable to an Assessor's Parcel classified as Developed Property in Zone 2 for Fiscal Year 2024-25 shall be the greater of (a) the Assigned Special Tax determined pursuant to table below or (b) the amount derived by application of the Backup Special Tax. Each July 1, commencing July 1, 2025, the Zone 2 Assigned Special Tax for Developed Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

**Zone 2 -Assigned Special Tax Rates  
Fiscal Year 2024-25**

<u>Land Use Class</u>	<u>Building Square Footage</u>	<u>Assigned Special Tax</u>
1	2,300 or less Sq. Ft.	\$1,578.19 per Residential Unit
2	2,301 to 2,600 Sq. Ft.	\$1,828.23 per Residential Unit
3	Greater than 2,600 Sq. Ft.	\$2,036.03 per Residential Unit

Backup Special Tax and Undeveloped Property Maximum Special Tax for Zone 2. The Backup Special Tax applicable to an Assessor's Parcel classified as Developed Property or the Maximum Special Tax applicable to an Assessor's Parcel of Undeveloped Property for Fiscal Year 2024-25 shall be \$6,993.59 per Acre. Each July 1, commencing July 1, 2025, the Backup Special Tax for Developed Property and the Maximum Special Tax for Undeveloped Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

Provisional Undeveloped Property in Zone 2. The Maximum Special Tax for Provisional Undeveloped Property for Fiscal Year 2024-25 shall be \$6,993.59 per Acre. Each July 1, commencing July 1, 2024, the Maximum Special Tax for Provisional Undeveloped Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

Developed Property in Zone 3A and Zone 3B. The Maximum Special Tax applicable to an Assessor's Parcel classified as Developed Property in Zone 3A and Zone 3B for Fiscal Year 2024-25 shall be the greater of (a) the Assigned Special Tax determined pursuant to tables below or (b) the amount derived by application of the Backup Special Tax.

**Zone 3A -Assigned Special Tax Rates  
Fiscal Year 2024-25**

<u>Land Use Class</u>	<u>Building Square Footage</u>	<u>Assigned Special Tax</u>
1	2,000 or less Sq. Ft.	\$769.61 per Residential Unit
2	2,001 to 2,200 Sq. Ft.	\$1,015.32 Residential Unit
3	2,201 to 2,400 Sq. Ft.	\$1,182.02 Residential Unit
4	2,401 to 2,600 Sq. Ft.	\$1,376.85 per Residential Unit
5	Greater than 2,600	\$1,607.41 per Residential Unit

**Zone 3B -Assigned Special Tax Rates  
Fiscal Year 2024-25**

<u>Land Use Class</u>	<u>Building Square Footage</u>	<u>Assigned Special Tax</u>
1	2,950 or less Sq. Ft.	\$1,966.78 per Residential Unit
2	Greater than 2,950 Sq. Ft.	\$2,109.66 per Residential Unit

Each July 1, commencing July 1, 2025, the Zone 3A and Zone 3B Assigned Special Tax for Developed Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

Backup Special Tax and Undeveloped Property Maximum Special Tax for Zone 3A and Zone 3B. The Backup Special Tax applicable to an Assessor's Parcel classified as Developed Property or the Maximum Special Tax applicable to an Assessor's Parcel of Undeveloped Property for Fiscal Year 2024-25 shall be \$14,712.42 per Acre for Zone 3A and \$16,925.99 per Acre for Zone 3B.

Each July 1, commencing July 1, 2025, the Backup Special Tax for Developed Property and the Maximum Special Tax for Undeveloped Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

Provisional Undeveloped Property in Zone 3A and Zone 3B. The Maximum Special Tax for Provisional Undeveloped Property for Fiscal Year 2024-25 shall be \$14,712.42 per Acre for Zone 3A and \$16,925.99 per Acre for Zone 3B.

Each July 1, commencing July 1, 2025, the Maximum Special Tax for Provisional Undeveloped Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

Developed Property, Undeveloped Property or Provisional Undeveloped Property in Zone 4. The Maximum Special Tax applicable to an Assessor's Parcel classified as Developed Property, Undeveloped Property or Provisional Undeveloped Property in Zone 4 for Fiscal Year 2024-25 shall be \$4,299.42 per Acre. Such amount shall increase each July 1, commencing with July 1, 2025, by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

Determination of Special Tax Requirement for Facilities. Each year, the Water District will determine the Special Tax Requirement for Facilities for the upcoming Fiscal Year. The "Special Tax Requirement for Facilities" means that amount required in any Fiscal Year to: (a) pay the annual share of the District indebtedness; (b) pay Debt Service on all Outstanding Bonds; (c) pay the Capacity Charges as the same shall become due or reimburse the entity that paid such charges upon the availability; (d) pay periodic costs on the Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on the Outstanding Bonds; (e) pay Administrative Expenses; (f) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds to the extent such replenishment has not been included in the computation of the Special Tax Requirement in a previous Fiscal Year; (g) pay the costs associated with the release of funds from an escrow account established in association with the Bonds; (i) accumulate funds to pay directly for acquisition or construction of Facilities, and (j) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (k) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

***Method of Apportionment.*** For each Fiscal Year, commencing Fiscal Year 2023-24, the CFD Administrator shall calculate the Annual Special Tax on all Taxable Property in accordance with the following steps:

Step 1: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property up to 100% of the applicable Assigned Special Tax in Zones 1, 2 and 3 and the Maximum Special Tax in Zone 4 as necessary to satisfy the Special Tax Requirement;

Step 2: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for Undeveloped Property;

Step 3: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to 100% of the Maximum Special Tax for each such Assessor's Parcel; and

Step 4: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Provisional Undeveloped Property at up to 100% of the Maximum Special Tax for Provisional Undeveloped Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Developed Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the District.

***Prepayment of the Special Tax.*** The Special Tax RMA provides that landowners may prepay some or all of the Special Tax Obligation by a cash settlement with the Water District. The amount of the prepayment required is to be calculated according to a formula described in Section 6 of the Special Tax RMA set forth in “APPENDIX A – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” Prepayment is only allowed if the Water District determines that the prepayment requirements described in Section 6 of the Special Tax RMA are met.

***Term of Special Tax.*** The Annual Special Tax shall be levied for a period of thirty-five (35) Fiscal Years after the last series of Series 2024 Bonds has been issued, but in any event shall not be levied after Fiscal Year 2069-70. The foregoing summary of the Special Tax RMA is qualified in its entirety by reference to the complete text of the Special Tax RMA, which is attached to this Official Statement as “APPENDIX A – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

### **Levy of Annual Special Tax; Maximum Special Tax**

The annual Special Tax will be calculated by the Water District and levied to provide money for debt service on the Bonds, any Parity Bonds and the Assessment Indebtedness, replenishment of the Reserve Fund, certain delinquencies, administration of the District, and for payment of pay-as-you-go expenditures (to the extent permitted by the Water District) of the authorized District-funded facilities not funded from Bond proceeds. In no event may the District levy a Special Tax in any year above the maximum amount identified for each parcel in the Special Tax RMA.

The District covenants in the Fiscal Agent Agreement to fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any outstanding Bonds, Parity Bonds and the Assessment Indebtedness of the District becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the Special Tax RMA. The Special Tax is authorized to be levied in an amount not to exceed the maximum special tax levy as described in the Special Tax RMA notwithstanding that a lower amount is sufficient to pay debt service on the Bonds. The Special Tax RMA provides a mechanism whereby the District may utilize the pay-as-you-go component to pay for and/or reimburse the Developer for a portion of the cost of the Project not funded by proceeds of the bonds issued for the District, and the District anticipates using such mechanism.

### **Special Tax Fund**

After the District has received Special Tax Revenues in an amount equal to the Administrative Expense Requirement and deposited such Special Tax Revenues in the Administrative Expense Fund, the District shall, no later than the tenth (10th) Business Day after which Special Tax Revenues have been received by the District, and in any event not later than February 15th and August 15th of each year concurrently deposit Net Special Tax Revenues in an amount equal to the payment of debt service on each Outstanding Parity Bond payable in such fiscal year, except as set forth in the below, as follows: (a) for the Series 2024 Bonds to the Fiscal Agent for deposit in the Special Tax Fund, (b) for the Assessment Indebtedness the CFD Portion of the Assessment Indebtedness shall be transferred to the Assessment Fund and (c) for any additional Parity Bonds to the applicable fund or account as established in the Parity Bond instrument. Should Net Special Tax Revenues be insufficient to fund the payment of debt service payable in such fiscal year on all Outstanding Parity Bonds, the District shall allocate Net Special Tax Revenues on the dates listed above to each Outstanding Parity Bond in an amount equal to the proportion of the debt service due in such fiscal year for the Outstanding Parity Bond over the total amount of debt service of all Outstanding Parity Bonds due in such fiscal year.



Net Special Tax Revenues representing Prepayments shall be deposited into the Redemption Fund as set forth in written instructions from an Authorized Representative.

The Net Special Tax Revenues deposited in the Special Tax Fund shall be held in trust and deposited in the following accounts of the Special Tax Fund or transferred to the following other funds and accounts on the dates and in the amounts set forth in the following paragraphs and in the following order of priority:

(1) The Fiscal Agent shall transfer to the Interest Account of the Debt Service Fund, on each Interest Payment Date, an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest due or becoming due and payable on such Interest Payment Date on all Outstanding Bonds or to be paid on the Bonds being redeemed on such date.

(2) The Fiscal Agent shall transfer to the Principal Account of the Debt Service Fund, on each September 1, an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on the Bonds coming due and payable on such September 1, whether at maturity or by mandatory sinking fund payments on the Term Bonds.

(3) On or after September 2 of each year after making the deposits and transfers required under 1. through 2. above, the Fiscal Agent shall transfer the amount, if any, necessary to replenish the amount then on deposit in the Reserve Fund to an amount equal to the Reserve Requirement.

(4) On or after September 2 of each year after making the deposits and transfers required under (1) through (3) above, upon receipt of written instructions from an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund to the Rebate Fund the amount specified in such request.

(5) On or after September 2 of each year after making the deposits and transfers required under (1) through (4) above, upon receipt of a written request of an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund to the District for deposit in the Administrative Expense Fund the amounts specified in such request to pay those Administrative Expenses which the District reasonably expects will become due and payable during such Fiscal Year or the cost of which Administrative Expenses have previously been incurred and paid by the District from funds other than the Administrative Expense Fund in excess of the Administrative Expense Requirement for such Fiscal Year. In the absence of a written request of an Authorized Officer, the Fiscal Agent shall not make any transfers.

(6) If, on or after September 2 of each year, after making the deposits and transfers required under (1) through (5) above, monies remain in the Special Tax Fund, such monies shall be transferred to the District to be utilized to finance the Authorized Facilities in accordance with the priorities set forth in the CFD Financing Agreement.

The Fiscal Agent shall, upon receipt of Special Tax Revenues representing Prepayments, immediately transfer Prepayments to the Redemption Fund and utilize such funds to redeem Series 2024 Bonds as set forth in written instructions to be delivered to the Fiscal Agent by an Authorized Representative; provided, however, that any portion of a Prepayment constituting Administrative Expenses shall be transferred to the District and deposited into the Administrative Expense Fund. When there are no longer any Series 2024 Bonds Outstanding, any amounts then remaining on deposit in the Special Tax Fund shall be transferred to the District and used for any lawful purpose under the Act.

## **Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure**

The Special Tax will be collected in the same manner and the same time as *ad valorem* property taxes, except at the District's option, the Special Taxes may be billed directly to property owners or collected at a different time to meet the District's financial obligations. In the event of a delinquency in the payment of any installment of Special Taxes the District is authorized by the Act to order institution of an action in superior court to foreclose the lien therefor.

The District has covenanted in the Fiscal Agent Agreement with and for the benefit of the Owners of the Bonds that it will review the public records of the County, in connection with the collection of the Special Taxes not later than July 1 of each year to determine the amount of the Special Tax collected in the prior Fiscal Year and will commence and diligently pursue to completion, judicial foreclosure proceedings against (a) any parcel with either (i) at least three (3) consecutive installments of delinquent Special Taxes or (ii) delinquent Special Taxes in excess of \$5,000 on any one parcel, in each instance by the December 1 following the close of each Fiscal Year in which such Special Taxes were due; and (b) against all parcels with delinquent Special Taxes by the December 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied for such Fiscal Year; provided, however, that the District may elect to defer foreclosure proceedings on any parcel so long as the amount on deposit in the Reserve Fund is at least equal to the Reserve Requirement, and such delinquencies will not cause moneys in the Reserve Fund to be withdrawn on the next succeeding Interest Payment Date.

In the event of the delinquency in payment of Special Taxes levied on any parcel of taxable property in the District, and action is initiated by or on behalf of the Water District to collect such delinquency, the Water District, the District, and the Owners of the Series 2024 Bonds by their acceptance of the Series 2024 Bonds, expressly agree to subordinate the obligation of any such parcel to pay Special Taxes to any obligation of such parcel in respect the Special Taxes levied with the purpose and effect as follows:

To the extent required to effect a foreclosure sale of any parcel with delinquent Special Taxes, first the delinquent Special Taxes allocable to the Series 2024 Bonds and any Parity Bonds shall be reduced and forgiven as necessary to effect sale, and if a sale of the parcel subject to the delinquent Special Taxes allocable to the Series 2024 Bonds cannot be sold if all such delinquent Special Taxes have been reduced and forgiven, the future Special Tax levy on such parcel shall be permanently reduced and discharged (such reduction and discharge to be deemed to be a prepayment of Special Taxes for such parcel under the Special Tax RMA) to the extent, and only to the extent, necessary to allow such sale to occur, and the parcel shall remain subject to the remaining special taxes of the District not yet due and payable.

The Fiscal Agent Agreement provides that, to the extent necessary to collect delinquent special taxes levied by the District on a parcel, delinquent Special Taxes on such parcel allocable to the Bonds shall be reduced and discharged.

In connection with the foregoing, the Fiscal Agent Agreement provides that (i) delinquencies shall include all statutory penalties associated therewith, and (ii) the foregoing shall not in any way prohibit the reduction of special tax delinquencies or encumbrances on a parcel by or on behalf of the District if necessary (in the judgement of the administrator of the District or otherwise by proceedings in accordance with applicable law), following the reduction and discharge of all delinquent and future Special Taxes in respect of such parcel, to collect as much as possible of the delinquent and future special taxes on such parcel by the District.

Under the Act, foreclosure proceedings are instituted by the bringing of an action in the superior court of the county in which the parcel lies, naming the owner and other interested persons as defendants. The action is prosecuted in the same manner as other civil actions. In such action, the real property subject to the special taxes may be sold at a judicial foreclosure sale for a minimum price that will be sufficient to pay or reimburse the delinquent special taxes.

The owners of the Series 2024 Bonds benefit from the Reserve Fund established pursuant to the Fiscal Agent Agreement; however, if delinquencies in the payment of the Special Taxes, with respect to the Bonds are significant enough to completely deplete the Reserve Fund, there could be a default or a delay in payments of principal and interest to the owners of the Bonds, pending prosecution of foreclosure proceedings and receipt by the District of the proceeds of foreclosure sales. Provided that it is not levying the Special Tax at the maximum rates set forth in the Special Tax RMA, the District may adjust the Special Taxes levied on all property within the District subject to the Special Tax to provide an amount required to pay debt service on the Bonds and to replenish the Reserve Fund. Such adjustment, however, is subject to the maximum special tax rates and to the limitation described under the caption “– Special Tax Methodology” above.

Under current law, a judgment debtor (property owner) has at least one hundred twenty (120) days from the date of service of the notice of levy to redeem the property to be sold. If a judgment debtor fails to redeem and the property is sold, his or her only remedy is an action to set aside the sale, which must be brought within ninety (90) days of the date of sale. If, as a result of such an action a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made (California Code of Civil Procedure Section 701.680).

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent upon the nature of the defense, if any, put forth by the debtor and the condition of the calendar of the superior court of the county. Such foreclosure actions can be stayed by the superior court on generally accepted equitable grounds or as the result of the debtor’s filing for relief under the Federal bankruptcy laws. The Act provides that, upon foreclosure, the Special Tax lien will have the same lien priority as is provided for *ad valorem* property taxes and special assessments. See “VALUE OF PROPERTY WITHIN THE DISTRICT – Overlapping Liens and Priority of Lien.”

The Series 2024 Bonds contain a provision to the effect that the owners of the Series 2024 Bonds, by accepting the Series 2024 Bonds, agree to the provisions of the Fiscal Agent Agreement, including those described above.

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 District 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. Under Section 53356.5 of the Act, however, the District, as judgment creditor, is entitled to purchase any property sold at foreclosure using a “credit bid,” where the District could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Tax. If the District becomes the purchaser under a credit bid, the District must pay the amount of its credit bid into the redemption fund established for the Bonds, but this payment may be made up to twenty-four (24) months after the date of the foreclosure sale.

## **Reserve Fund**

In connection with the issuance of the Series 2024 Bonds, a Reserve Fund is being established under the Fiscal Agent Agreement for the benefit of the Bonds.

Moneys on deposit in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds as such amounts shall become due and payable in the event that the moneys in the Special Tax Fund and the Debt Service Fund for such purpose are insufficient therefor for redeeming the Bonds. The Fiscal Agent shall, when and to the extent necessary, withdraw money from the Reserve Fund and transfer such money to the Debt Service Fund or the Redemption Fund for such purpose.

All Permitted Investments (as defined in the Fiscal Agent Agreement) in the Reserve Fund shall be valued at their fair market value semi-annually on March 1 and September 1 and on any other date as requested in writing by an Authorized Representative. On any date after the transfers to the Interest Account and Principal Account of the Debt Service Fund have been made for any Bond Year, if the amount on deposit in the Reserve Fund is less than the Reserve Requirement, which is an amount initially equal to \$[\_\_\_\_\_], which amount shall, as of any date of calculation, be equal to the least of (a) Maximum Annual Debt Service for the Bonds, (b) one hundred twenty-five percent (125%) of Average Annual Debt Service for the Bonds, or (c) ten percent (10%) of the original par amount (the "Reserve Requirement"), the Fiscal Agent shall transfer to the Reserve Fund from the first available moneys in the Special Tax Fund an amount necessary to increase the balance therein to the Reserve Requirement. If on September 1 of each year following the payment of scheduled debt service on the Bonds due and payable on such date, or the first Business Day thereafter if September 1 is not a Business Day, the amount on deposit in the Reserve Fund is in excess of the Reserve Requirement, the Fiscal Agent shall transfer such excess to the Special Tax Fund. In connection with any optional or extraordinary mandatory redemption of Bonds from Prepayments or a partial defeasance of Bonds, amounts in the Reserve Fund may be applied to such redemption or partial defeasance so long as the amount on deposit in the Reserve Fund following such redemption or partial defeasance equals the Reserve Requirement. The District shall set forth in a written request of an Authorized Representative the amount in the Reserve Fund to be transferred to the Redemption Fund on a redemption date or to be transferred pursuant to the Fiscal Agent Agreement to partially defease Bonds, and the Fiscal Agent shall make such transfer on the applicable redemption or defeasance date, subject to the limitation in the preceding sentence.

Upon receipt of written instructions from an Authorized Representative instructing the Fiscal Agent to transfer certain moneys representing a Reserve Fund credit for the prepayment of a Special Tax obligation, the Fiscal Agent shall transfer the amount specified in such instructions from the Reserve Fund to the Redemption Fund for the purpose of redeeming the Bonds pursuant to such instructions.

Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Series 2024 Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall transfer the amount in the Reserve Fund to the Redemption Fund to be applied, on the next succeeding Interest Payment Date, to the payment and redemption of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Redemption Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the District to be used for any lawful purpose of the District as set forth in the Act.

## **Project Fund**

Under the Fiscal Agent Agreement, there is established a "Project Fund," which is to be held in trust by the Fiscal Agent. The Fiscal Agent will, from time to time, disburse monies from the Project Fund

to pay Project Costs. Upon receipt of a payment request by an Authorized Representative (which payment request shall not exceed the corresponding payment request provided to the District under the CFD Financing Agreement), the Fiscal Agent shall pay the applicable expenses of and incidental to the construction, acquisition, or both of the project (the "Project Costs") from amounts in the Project Fund directly to the contractor(s) or such other person(s), corporation(s) or entity(ies) specified in the payment request (including reimbursements, if any, to the District). The Fiscal Agent may rely on an executed payment request as complete authorization for said payments.

After the final payment or reimbursement of all Project Costs, as certified by delivery of a written notice from an Authorized Representative to the Fiscal Agent, the Fiscal Agent shall transfer excess moneys, if any, on deposit in, or subsequently deposited in, the Project Fund to the Special Tax Fund. Upon such transfer the Project Fund shall be closed.

If on the date which is three (3) years from the Delivery Date of the Series 2024 Bonds any funds derived from the Series 2024 Bonds remain on deposit in the Project Fund, the Fiscal Agent shall, upon the receipt of written instructions from an Authorized Representative, immediately restrict the yield on such amounts so that the yield earned on the investment of such amounts is not in excess of the yield on the Series 2024 Bonds, unless in the written opinion of nationally recognized bond counsel delivered to the Fiscal Agent such restriction is not necessary to prevent an impairment of the exclusion of interest on the Series 2024 Bonds from gross income for federal income tax purposes.

### **Future Parity Bonds**

District may at any time after the issuance and delivery of the Series 2024 Bonds issue Parity Bonds payable from Net Special Tax Revenues and other amounts deposited in the funds and accounts created under the Supplemental Agreement (other than in the Rebate Fund and the Administrative Expense Fund) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Fiscal Agent Agreement or under any Supplemental Agreement. The District may not hereinafter issue debt which is senior to the Series 2024 Bonds.

The aggregate principal amount of the Series 2024 Bonds and all Parity Bonds issued may not exceed \$20,000,000; provided, however, that, notwithstanding the foregoing, Parity Bonds may be issued at any time to refund Outstanding Bonds where the issuance of such Parity Bonds results in a reduction of Annual Debt Service on all Outstanding Bonds.

The District expects that it will, by a Supplemental Agreement, authorize the issuance of one or more additional series of Bonds (previously defined as the "Parity Bonds") payable from Special Taxes and secured by the Special Tax Revenues on a parity with the Series 2024 Bonds, as development progresses in the District and upon compliance by the District with the conditions set forth in the Fiscal Agent Agreement, which includes the following:

- (a) The purpose for which such Parity Bonds are to be issued and the fund or funds and accounts therein, if any, into which the proceeds thereof are to be deposited;
- (b) The authorized principal amount of such Parity Bonds;
- (c) The date and the maturity date or dates of such Parity Bonds; provided that (i) each maturity date shall fall on a September 1, (ii) all such Parity Bonds of like maturity shall be identical in all respects, except as to number, and (iii) fixed serial maturities or mandatory sinking fund payments, or any

combination thereof, shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;

(d) The description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;

(e) The denominations and method of numbering of such Parity Bonds;

(f) The amount and due date of each mandatory sinking fund payment, if any, for such Parity Bonds;

(g) The amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Fund to increase the amount therein to the Reserve Requirement;

(h) The form of such Parity Bonds; and

(i) Such other provisions as are necessary or appropriate and not inconsistent with the Fiscal Agent Agreement.

Additionally, there shall have been received by the Fiscal Agent the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Fiscal Agent (unless the Fiscal Agent shall accept any of such documents bearing a prior date):

1. A certified copy of the Supplemental Agreement authorizing the issuance of such Parity Bonds;

2. A written request of the District as to the delivery of such Parity Bonds;

3. An opinion of Bond Counsel to the effect that (a) the District has the right and power under the Act to adopt the Supplemental Agreement relating to such Parity Bonds, and the Agreement and all such Supplemental Agreements have been duly and lawfully adopted by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) the Supplemental Agreement creates the valid pledge which it purports to create of the Net Special Tax Revenues and other amounts as provided in the Supplemental Agreement, subject to the application thereof to the purposes and on the conditions permitted by the Supplemental Agreement; and (c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Agreement and all Supplemental Agreements thereto and entitled to the benefits of the Agreement and all such Supplemental Agreements, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Agreement and all such Supplemental Agreements; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2024 Bonds and any Parity Bonds theretofore issued on a tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds, the Bonds and Parity Bonds theretofore issued;

4. A certificate of an Authorized Representative containing such statements as may be reasonably necessary to show compliance with the requirements of the Agreement;

5. A certificate of an Authorized Representative certifying that:

a. The District has received a certificate from one or more Special Tax Consultants which, when taken together, certify that (1) the amount of the maximum Special Taxes that may be levied pursuant to the Special Tax RMA in each remaining Bond Year based only on the Taxable Property (as such term is defined in the Special Tax RMA) existing as of the date of such certificate is at least 1.10 times Annual Debt Service for each remaining Bond Year on all Outstanding Bonds theretofore provided, however, that shall be excluded from such calculation the Special Taxes on any parcel then delinquent in the payment of Special Taxes; and provided further that, for purposes of making the certifications required by the Fiscal Agent Agreement, the Special Tax Consultant may rely on reports or certificates of such other persons as may be acceptable to the District, Bond Counsel and the underwriter of the proposed Parity Bonds;

b. Except in the case of the issuance of Parity Bonds to refund Outstanding Bonds or Parity Bonds, (a) the assessed value of all Taxable Property (as such term is defined in the Special Tax RMA) is not less than twelve (12) times the aggregate amount of Land Secured Debt (as defined in the Fiscal Agent Agreement) allocable to such Taxable Property or the District has received an appraisal indicating that the aggregate assessed value of all Taxable Property (as such term is defined in the Special Tax RMA) within the District is not less than twelve (12) times the aggregate amount of Land Secured Debt allocable to such Taxable Property and (b) the assessed value or aggregate assessed value for all Undeveloped Property (as such term is defined in the Special Tax RMA) within the District is not less than six (6) times the aggregate amount of Land Secured Debt allocable to such Undeveloped Property; and

6. Such further documents, money and securities as are required by the provisions of the Fiscal Agent Agreement and the Supplemental Agreement providing for the issuance of such Parity Bonds.

## DEBT SERVICE SCHEDULES

The annual debt service on the Series 2024 Bonds, based on the interest rates and maturity schedule set forth on the inside cover of this Official Statement and assuming no early redemptions, is set forth below.

**COMMUNITY FACILITIES DISTRICT NO. 2020-1  
(PARK CIRCLE EAST/WEST)  
OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT  
SERIES 2024 SPECIAL TAX BONDS  
Debt Service Schedule**

<b><u>Year Ending (September 1)</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
2055			
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

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Source: Underwriter.



## Projected Debt Service Coverage

Set forth in Table 1 below is the projected Debt Service coverage for the Series 2024 Bonds.

**TABLE 1**  
**COMMUNITY FACILITIES DISTRICT NO. 2020-1**  
**(PARK CIRCLE EAST/WEST)**  
**OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**SERIES 2024 SPECIAL TAX BONDS**  
**Projected Debt Service Coverage**

<b>Bond Year Ending (September 1)</b>	<b>Gross Projected Special Tax Revenues<sup>(1)(2)</sup></b>	<b>Administrative Expenses</b>	<b>Net Projected Special Tax Revenues<sup>(3)</sup></b>	<b>Series 2024 Bonds Debt Service<sup>(4)</sup></b>	<b>CFD Portion of 110 Debt Service (August 15)<sup>(5)</sup></b>	<b>CFD Portion of ISA 120 Debt Service (December 15)<sup>(5)</sup></b>	<b>CFD Portion of ISA 130 Debt Service (October 20)<sup>(5)</sup></b>	<b>Surplus Revenue</b>	<b>Projected Debt Service Coverage on the Bonds<sup>(6)</sup></b>
2025	\$ 888,832	\$26,530	\$ 862,301	\$ 267,900	\$ 22,559	\$ 354,566	\$ 100,550	\$ 116,726	116%
2026	906,608	27,061	879,547	256,500	22,559	354,566	100,550	145,372	120
2027	924,740	27,602	897,138	256,500	22,559	354,566	100,550	162,963	122
2028	943,235	28,154	915,081	256,500	22,559	354,566	100,550	180,906	125
2029	962,100	28,717	933,383	256,500	22,559	354,566	100,550	199,208	127
2030	981,342	29,291	952,050	256,500	22,559	354,566	100,550	217,875	130
2031	1,000,969	29,877	971,091	256,500	22,559	354,566	100,550	236,916	132
2032	1,020,988	30,475	990,513	256,500	22,559	354,566	100,550	256,338	135
2033	1,041,408	31,084	1,010,324	256,500	22,559	354,566	100,550	276,149	138
2034	1,062,236	31,706	1,030,530	256,500	22,559	354,566	100,550	296,355	140
2035	1,083,481	32,340	1,051,141	256,500	22,559	354,566	100,550	316,966	143
2036	1,105,150	32,987	1,072,163	256,500	21,920	354,566	100,550	338,627	146
2037	1,127,253	33,647	1,093,607	376,500	0	0	0	717,107	290
2038	1,149,798	34,320	1,115,479	385,500	0	0	0	729,979	289
2039	1,172,794	35,006	1,137,788	393,750	0	0	0	744,038	289
2040	1,196,250	35,706	1,160,544	401,250	0	0	0	759,294	289
2041	1,220,175	36,420	1,183,755	408,000	0	0	0	775,755	290
2042	1,244,579	37,149	1,207,430	419,000	0	0	0	788,430	288
2043	1,269,470	37,892	1,231,579	429,000	0	0	0	802,579	287
2044	1,294,860	38,649	1,256,210	433,000	0	0	0	823,210	290
2045	1,320,757	39,422	1,281,335	446,250	0	0	0	835,085	287
2046	1,347,172	40,211	1,306,961	453,250	0	0	0	853,711	288
2047	1,374,116	41,015	1,333,100	464,250	0	0	0	868,850	287
2048	1,401,598	41,835	1,359,762	469,000	0	0	0	890,762	290
2049	1,429,630	42,672	1,386,958	477,750	0	0	0	909,208	290
2050	1,458,222	43,526	1,414,697	490,250	0	0	0	924,447	289
2051	1,487,387	44,396	1,442,991	501,250	0	0	0	941,741	288
2052	1,517,135	45,284	1,471,851	510,750	0	0	0	961,101	288
2053	1,547,477	46,190	1,501,288	518,750	0	0	0	982,538	289
2054	1,578,427	47,113	1,531,313	530,250	0	0	0	1,001,063	289
<b>TOTALS</b>	<b>\$36,058,190</b>		<b>\$34,981,911</b>	<b>\$11,197,150</b>	<b>\$270,069</b>	<b>\$4,254,792</b>	<b>\$1,206,600.00</b>	<b>\$18,053,300</b>	

(1) Gross Projected Special Tax Revenues is calculated based on the Assigned Special Tax applied to parcels classified as Developed Property and the Maximum Special Tax applied to Undeveloped Property increased 2% annually. Special Taxes will be levied for thirty (30) years after the issuance of the last series of Bonds, provided that the Annual Special Tax shall not be levied later than Fiscal Year 2069-70. If the Series 2024 Special Tax Bonds are the only series issued, the Special Tax will terminate in Fiscal Year 2053-54.

(2) The Gross Special Tax Levies were calculated based on the 2024 levy amount with permits issued through May 1, 2024 multiplied by 2%.

(3) Preliminary, subject to change. "Net Projected Special Tax Revenues" is calculated based on the Gross Projected Special Tax Revenues, less the Administrative Expense Requirement.

(4) Preliminary, subject to change. Based on pro forma prepared by Stifel, Nicolaus & Company, dated July 11, 2024.

(5) Represents CFD Portion of Assessment Indebtedness broken down by ISA 110, ISA 120, and ISA 130, respectively. Based on figures prepared by Fieldman, Rolapp & Associates, Inc., as of July 16, 2024. Debt service payments are payable annual on ISA 110 on August 15<sup>th</sup>, ISA 120 on December 15<sup>th</sup> and ISA 130 on October 20<sup>th</sup>.

(6) Preliminary, subject to change. Net Projected Special Tax Revenues divided by the Series 2024 Bonds Debt Service and the Assessment Indebtedness.

Source: Koppel & Gruber Public Finance.

## OWNERSHIP OF PROPERTY WITHIN THE DISTRICT

*Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District. There is no assurance that the present property owners or any subsequent owners will have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay the Special Taxes. An owner may elect to not pay the Special Taxes when due and cannot be legally compelled to do so. Neither the Water District nor any Bond Owner will have the ability at any time to seek payment of the Special Tax directly from the owners of property within the District, or the ability to control who becomes a subsequent owner of any property within the District.*

*No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. The Special Taxes are not personal obligations of any landowners. The Bonds are secured only by the Special Taxes and moneys available under the Fiscal Agent Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “SPECIAL RISK FACTORS” herein.*

The Park Circle Development is located at the northwest corner of Valley Center Road and Mirar De Valle Road in the census-designated place of Valley Center in northern San Diego County, and is entitled for 580 single-family residential lots, 52 affordable housing units, 33,700 square feet of commercial space, a public park, two (2) private recreation centers and various private parks.

### Owners of Record

Table 2 below summarizes ownership as of June 1, 2024.

**TABLE 2**  
**COMMUNITY FACILITIES DISTRICT NO. 2020-1**  
**(PARK CIRCLE EAST/WEST)**  
**OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**SERIES 2024 SPECIAL TAX BONDS**  
**Ownership by Property Type**  
**(As of June 1, 2024)**

<u>Owner</u>	<u>Number of Parcels</u>
Individual Property Owners	595
KB HOME Coastal Inc.	1
Park Circle Valley Center LLC	36
Min Lyn Investment, LLC	1
Park Circle Commons LLC	1
<b>Total</b>	<b>634</b>

Source: Koppel & Gruber Public Finance.

See “– The Development Plan” below for additional details.

## **THE PARK CIRCLE DEVELOPMENT**

*The Developer and the PCVC have provided the information set forth in this section entitled “THE PARK CIRCLE DEVELOPMENT.” The Water District has not independently verified this information and assumes no responsibility for its accuracy or completeness. No assurance can be given that all information is complete. Further, there may be material adverse changes in this information after the date of this Official Statement.*

*No assurance can be given that the proposed development of the property within the District will occur as described below. As the proposed land development progresses and parcels are sold, it is expected that the ownership of the land within the District will become more diversified. No assurance can be given that development of the land within the District will occur in a timely manner or in the configuration or intensity described herein, or that any landowner described herein will obtain or retain ownership of any of the land within the District. The Bonds and the Special Taxes are not personal obligations of any landowners and, in the event that a landowner defaults in the payment of the Special Taxes, the District may proceed with judicial foreclosure but has no direct recourse to the assets of any landowner. As a result, other than as provided herein, no financial statements or information is, or will be, provided about the Developers, PCVC or any other landowners. The Bonds are secured solely by the Special Tax revenues and other amounts pledged under the Fiscal Agent Agreement. See “SPECIAL RISK FACTORS” herein.*

### **Background**

The Park Circle Development is a mixed-use, master-planned community in the heart of Valley Center, California. Located in North San Diego County, it is comprised of 192 developable acres, and is planned for 580 single-family homes, 52 affordable housing units, and 33,700 square feet of retail space. The planned amenities include a retail town center featuring restaurants, shops, and community space; a large central park with an events stage, sports courts, tot lots, and gathering places; a clubhouse and recreation centers with pools, fitness room, and event spaces; a community garden; over 8 miles of trails; and neighborhood parks.

Within the Park Circle Development are 7 neighborhoods: “Trailside,” “The Porches,” “Seasons,” “Kyra,” “Sundance,” “Summer” and “Wildflower.” All but the Wildflower neighborhood have been fully constructed. The Wildflower neighborhood is being developed by PCVC.

As of the June 13, 2024, 595 of the 632 residential lots are owned by individual property owners, one (1) is owned by KB HOME Coastal Inc., and 36 were owned by PCVC. The Park Circle Development includes one commercial lot owned by Min Lyn Investment, LLC, which has been developed with an operating McDonald’s restaurant, and a second commercial lot owned by Park Circle Commons LLC. A building permit has not been issued for the second commercial lot.

### **Status of Entitlement Approvals**

Other than building and other permits required in the normal course of home construction, the Developer believes all discretionary approvals required for the development of the Park Circle Development have been obtained.

### **Environmental Review**

The Park Circle Development as currently planned has undergone all required environmental and biological review, and the necessary environmental approvals for the development of the entire property have been obtained. These include all applicable wetland permits from the U.S. Army Corps of Engineers

and California Department of Fish and Wildlife and a water quality certification from the Regional Water Quality Control Board. The Developer has planted riparian vegetation and the impacted areas are subject to a five-year mitigation program. The Park Circle Development homeowners association is responsible for monitoring the program. An annual study will report on the progress of the program and the Developer has deposited a cash deposit with the California Department of Fish and Wildlife, for the five-year period. The Environmental Impact Report for Park Circle (West) was adopted by the County of San Diego Board of Supervisors on June 17, 1998, and a CEQA 15813 Exemption was approved for Park Circle (East) by the County of San Diego Board of Supervisors on October 25, 2017.

### Required Infrastructure

The Developer was required to construct and install rough grading, walls and fencing for construction for the Park Circle Development; construct private and public parks and the private recreation center; install wet utilities (such as sewer, water, and storm drain systems) and dry utilities installations (such as cable, electric, and gas); construct street improvements, such as asphalt paving, curbs and gutters; and installation of landscaping of common lots and open space areas. All such improvements have been completed. The only infrastructure remaining to be completed are a water tank serving the entire Park Circle Development, which is expected to be completed by the end of September 2024, and a traffic signal, which is expected to be completed by the end of August 2024.

### The Development Plan

A more detailed description of each of the neighborhoods within the District is set forth below, as provided by the Developer. See “SPECIAL RISK FACTORS - Property Values and Property Development.”

### Kyra Neighborhood

The Kyra neighborhood was developed into 120 single-family detached residential homes by Meritage Homes of California, Inc. Home sizes range from approximately 1,910 square feet to approximately 2,948 square feet. All homes in the Kyra neighborhood have closed to individual property owners. The following chart shows the number of lots by approximate square footage in the Kyra neighborhood.

**Kyra Neighborhood  
Number of Lots By Square Footage  
(As of June 1, 2024)**

<u>Neighborhood</u>	<u>Plan</u>	<u>Approximate Square Feet</u>	<u>No. of Lots<sup>(1)</sup></u>
<b>Kyra</b>	1	1,910	20
	2	2,058	9
	2 - Affordable	2,058	3
	3	2,300	20
	3 - Affordable	2,300	1
	4	2,541	19
	5	2,771	23
	6	2,948	25
<b>Total</b>			<b>120</b>

<sup>(1)</sup> All lots owned by individual homeowners.  
Source: The Developer

## The Porches Neighborhood

The Porches neighborhood was developed with 64 single-family detached residential homes by Beazer Homes Holdings, LLC (“Beazer”). Home sizes range from 2,421 square feet to 2,731 square feet. All homes have closed to individual property owners. The following chart shows the number of lots by approximate square footage in The Porches neighborhood.

**The Porches Neighborhood  
Number of Lots By Square Footage  
(As of June 1, 2024)**

<u>Neighborhood</u>	<u>Plan</u>	<u>Square Feet</u>	<u>No. of Lots</u> <sup>(1)</sup>
The Porches	1	2,421	18
	2	2,494	23
	3	2,731	23
<b>Total</b>			<b>64</b>

<sup>(1)</sup> All lots owned by individual homeowners.

Source: The Developer.

## Trailside Neighborhood

The Trailside neighborhood was developed with 79 single-family detached residential homes by Beazer. Home sizes range from 2,038 square feet to 2,541 square feet. All homes have closed to individual property owners. The following chart shows the number of lots by approximate square footage in the Trailside neighborhood.

**Trailside Neighborhood  
Number of Lots By Square Footage  
(As of June 1, 2024)**

<u>Neighborhood</u>	<u>Plan</u>	<u>Square Feet</u>	<u>No. of Lots</u> <sup>(1)</sup>
Trailside	1	2,038	15
	2	2,163	30
	3	2,262	19
	4	2,541	15
<b>Total</b>			<b>79</b>

<sup>(1)</sup> All lots owned by individual homeowners.

Source: The Developer.

## Sundance Neighborhood

The Sundance neighborhood was developed by KB Home with 128 single-family detached residential homes. Home sizes range from 2,061 square feet to 2,620 square feet. All but one of the homes have been conveyed to individual property owners. The following chart shows the number of lots by approximate square footage in the Sundance Neighborhood.

**Sundance Neighborhood  
Number of Lots By Square Footage  
(As of June 1, 2024)**

<u>Neighborhood</u>	<u>Plan</u>	<u>Square Feet</u>	<u>No. of Lots</u> <sup>(1)</sup>
<b>Sundance</b>	1	2,061	44
	2	2,384	45
	3	2,620	39
<b>Total</b>			<u>128</u>

<sup>(1)</sup> All lots owned by individual homeowners.

Source: The Developer.

## Wildflower Neighborhood

The Wildflower neighborhood is being developed by PCVC and is made up of 52 condominium units. PCVC acquired all 52 lots from the Developer on January 7, 2021. Forty-eight of the condominium units are affordable housing and 4 units are market rate. The property consists of 4.17 gross acres. Home sizes range from 1,411 square feet to 1,452 square feet. As of [DATE], sale prices for homes are projected to range from \$424,122 to \$502,109. Development of the Wildflower neighborhood is planned to occur in three phases. The following chart shows the number of lots by projected square footage in the Wildflower neighborhood.

**Wildflower Neighborhood  
Number of Lots By Square Feet  
(June 1, 2024)**

<u>Neighborhood</u>	<u>Plan</u>	<u>Square Feet</u>	<u>No. of Lots</u>
<b>Wildflower</b>	1	1,411	20
	2	1,452	32
<b>Total</b>			<u>52</u>

Source: The Developer.

As of June 13, 2024, 16 residential units had been constructed and sold to individual homeowners and 16 residential units were under construction. Building permits had not been issued for the remaining 20 residential lots. PCVC anticipates that it will close escrow on all remaining homes by the end of the first quarter of 2025.

## Summer Neighborhood

The Summer neighborhood was developed by Shea Homes with 88 single-family detached residential homes. Home sizes range from approximately 1,733 square feet to 2,046 square feet. All homes have closed to individual property owners. The following chart shows the number of lots by projected square footage in the Summer neighborhood.

**Summer Neighborhood  
Number of Lots By Square Feet  
(As of June 1, 2024)**

<u>Neighborhood</u>	<u>Plan</u>	<u>Minimum Square Feet</u>	<u>No. of Lots<sup>(1)</sup></u>
Summer	1	1,733	33
	2	1,895	31
	3	2,046	24
<b>Total</b>			<b>88</b>

<sup>(1)</sup> All lots owned by individual homeowners.

Source: The Developer.

## Seasons Neighborhood

The Seasons neighborhood was developed by Richmond American Homes of Maryland, Inc. with 101 single-family detached residential homes. Home sizes range from approximately 2,082 square feet to approximately 3,044 square feet. All homes have closed to individual property owners. The following chart shows the number of lots by projected square footage in the Seasons Neighborhood.

**Seasons Neighborhood  
Number of Lots By Square Footage  
(As of June 1, 2024)**

<u>Neighborhood</u>	<u>Plan</u>	<u>Approximate Square Feet</u>	<u>No. of Lots<sup>(1)</sup></u>
Seasons	1	2,082	34
	2	2,664	33
	3	3,044	34
<b>Total</b>			<b>101</b>

<sup>(1)</sup> All lots are owned by individual property owners.

Source: The Developer.

## Commercial Property

The commercial property known as Park Circle Commons, comprises two parcels totaling 4.28 acres. As shown below, one parcel, consisting of 1.36 acres, is fully developed with a McDonald's restaurant. The other parcel, consisting of 2.92 acres, is currently being planned by its owner, Park Circle Commons, LLC. No tenants or building plans have been secured. The following chart shows the ownership and size of both parcels.

### Commercial Property Park Circle Commons (As of June 1, 2024)

<u>Parcel</u>	<u>Status</u>	<u>Acreage</u>	<u>Owner</u>
1	Developed	1.36	Min Lyn Investments, LLC
2	Undeveloped	2.92	Park Circle Commons LLC

Source: The Developer.

## VALUE OF PROPERTY WITHIN THE DISTRICT

### General

**Development Status.** As of June 13, 2024, individual property owners owned 595 residential lots, KB HOME Coastal Inc. owned one completed, unsold home, PCVC owned 36 residential lots, and the two commercial lots were owned by two separate entities described above. Table 3 below identifies the assessed value of the property for Fiscal Year 2023-24 by property owner.

**TABLE 3  
COMMUNITY FACILITIES DISTRICT NO. 2020-1  
(PARK CIRCLE EAST/WEST)  
OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT  
SERIES 2024 SPECIAL TAX BONDS  
Value Conclusions by Ownership  
Fiscal Year 2023-24**

<u>Ownership Equity</u> <sup>(1)(2)</sup>	<u>Interest</u>	<u>Assessed Value</u> <sup>(3)</sup>
Individual	Fee Simple	\$452,404,793
KB HOME Coastal Inc.	Fee Simple	224,464
Park Circle Valley Center LLC	Fee Simple	5,473,895
Min Lyn Investments, LLC	Fee Simple	4,940,000
Park Circle Commons LLC	Fee Simple	1,300,000
<b>TOTAL</b>		<b>\$459,775,794</b>

<sup>(1)</sup> Ownership is based on sale data as of June 13, 2024

<sup>(2)</sup> Several previous merchant builders have sold all properties to individual homeowners, this includes Beazer Homes Holdings, LLC, Richmond American Homes of Maryland, Inc., and Meritage Homes of California, Inc.

<sup>(3)</sup> Value based on the County Secured Roll for the 2024-25 Fiscal Year.

Source: Koppel & Gruber Public Finance.



### **Value to Special Tax Burden Ratios**

In comparing the value of the real property within the District and the principal amount of the Series 2024 Bonds, it should be noted that only the real property upon which there is a delinquent Special Tax can be foreclosed upon, and the real property within the District cannot be foreclosed upon as a whole to pay delinquent Special Taxes of the owners of such parcels within the District unless all of the property is subject to a delinquent Special Tax. In any event, individual parcels may be foreclosed upon separately to pay delinquent Special Taxes levied against such parcels.

Other public agencies whose boundaries overlap those of the District could, without the consent of the Water District and in certain cases without the consent of the owners of the land within the District, impose additional taxes or assessment liens on the land within the District. Property owners can also voluntarily add Property Assessed Clean Energy (PACE) assessment liens on their property to finance energy efficiency improvements. The lien created on the land within the District through the levy of such additional taxes or assessments may be on a parity with the lien of the Special Tax. In addition, construction loans may be obtained by merchant builders, or home loans may be obtained by ultimate homeowners. The deeds of trust securing such debt on property within the District, however, will be subordinate to the lien of the Special Tax.

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***Assessed Value to Lien Ratios by Development Status.*** The following Table 4 sets forth assessed value, estimated Fiscal Year 2024-25 special tax, allocable amount of Series 2024 Bonds, and average value-to-lien ratios by land use classification as set forth in the Special Tax RMA, based on the status of development in the District as of May 1, 2024, and on assumptions detailed therein.

**TABLE 4**  
**COMMUNITY FACILITIES DISTRICT NO. 2020-1**  
**(PARK CIRCLE EAST/WEST)**  
**OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**SERIES 2024 SPECIAL TAX BONDS**  
**Value-to-Lien Ratios – By Development Status as of May 1, 2024**

<u>Status</u>	<u>Buildout Units/Acres</u>	<u>Assessed Property Value<sup>(1)</sup></u>	<u>Fiscal Year 2024-25 Special Tax Levy</u>	<u>Series 2024 Bonds Principal<sup>(2)*</sup></u>	<u>Value-to-Lien Ratio<sup>*</sup></u>
Developed Residential <sup>(3)</sup>	612	\$452,404,793	\$864,023	\$4,986,815	90.72: 1
Undeveloped Residential <sup>(4)</sup>	20	1,224,464	7,719	44,552	27.48: 1
Developed Commercial <sup>(5)</sup>	1 Lot / 1.36 Acres	5,473,895	5,847	33,748	162.20: 1
Undeveloped Commercial <sup>(5)</sup>	1 Lot / 2.92 Acres	652,642	11,242	64,885	10.06: 1
<b>Totals</b>	632 Residential Lots 1.36 Developed Commercial Acres 2.92 Undeveloped Commercial Acres	\$459,755,794	\$888,832	\$5,130,000	89.62: 1

\*Preliminary, subject to change.

(1) Value based on the County Secured Roll for the 2024-25 Fiscal Year.

(2) Allocated based on the Proposed Fiscal Year 2024-25 special tax levy.

(3) Developed Residential Property means a property that has a building permit issued prior to May 1, 2024.

(4) Undeveloped Residential Property means a property that does not have a building permit issued prior to May 1, 2024. The 20 parcels comprise approximately 1.48 acres.

Source: Koppel & Gruber Public Finance.

**Value to Lien Ratios by Category.** The following Table 5 sets forth the assessed values, projected Fiscal Year 2024-25 special tax levy, allocable amount of Series 2024 Bonds, and corresponding value-to-lien ratios by ranges based on building permits issued as of May 1, 2024.

**TABLE 5**  
**COMMUNITY FACILITIES DISTRICT NO. 2020-1**  
**(PARK CIRCLE EAST/WEST)**  
**OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**SERIES 2024 SPECIAL TAX BONDS**  
**Value-to-Lien Stratification Based Upon Development Status as of May 1, 2024**

<b>Value-to-Lien Category</b>	<b>Taxable Parcels<sup>(1)</sup></b>	<b>Fiscal Year 2024-25 Secured Roll Value<sup>(2)</sup></b>	<b>Fiscal Year 2024-25 Special Tax Levy<sup>(3)</sup></b>	<b>Percentage of Fiscal Year 2024-25 Special Tax Levy<sup>(4)</sup></b>	<b>Series 2024 Bonds Principal<sup>(4)*</sup></b>	<b>Value-to-Lien Ratio<sup>*</sup></b>
Less than 20.00 : 1	18	\$ 1,153,109	\$ 10,835	1%	\$ 62,534	18.44 : 1
20.00 : 1 to 29.99 : 1	19	1,595,862	10,458	1	60,360	26.44 : 1
Greater than 30.00 : 1	595	450,880,286	850,450	96	4,908,473	91.86 : 1
Non-Residential	2	6,126,537	17,089	2	98,633	62.11 : 1
<b>Totals</b>	634	\$459,755,794	\$888,832	100%	\$5,130,000	89.62 : 1

\* Preliminary, subject to change.

(1) Fiscal Year 2023-24 Assessor's Parcels included in the CFD 2020-1 and not exempt from Special Taxes.

(2) Value based on the County Secured Roll for the 2024-25 Fiscal Year.

(3) Represents the projected Fiscal Year 2024-25 Special Tax levy amount.

(4) Allocated based on the proposed Fiscal Year 2024-25 levy.

Source: Koppel & Gruber Public Finance.

**Value to Lien Ratios by Owner.** The following Table 6 sets forth the assessed values, projected Fiscal Year 2024-25 special tax levy, allocable amount of Series 2024 Bonds, and corresponding value-to-lien ratios by ownership entity.

**TABLE 6**  
**COMMUNITY FACILITIES DISTRICT NO. 2020-1**  
**(PARK CIRCLE EAST/WEST)**  
**OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**SERIES 2024 SPECIAL TAX BONDS**  
**Value to Lien Ratios by Owner**

<b><u>Owner</u></b> <sup>(1)</sup>	<b><u>Taxable Parcels</u></b>	<b><u>Assessed Property Value</u></b> <sup>(2)</sup>	<b><u>Fiscal Year 2024-25 Special Tax Levy</u></b>	<b><u>Principal Amount of Series 2024 Bonds</u></b> <sup>(3)*</sup>	<b><u>Value-to- Lien Ratio</u></b> *
Individual	595	\$450,685,765	\$853,484	\$4,925,985	91.49 : 1
KB Home Coastal Inc.	1	739,460	1,828	10,552	70.08 : 1
Park Circle Valley Center LLC	36	2,204,032	16,430	94,830	23.24 : 1
Park Circle Commons LLC	1	652,642	11,242	64,885	10.06 : 1
Min Lyn Investment, LLC and Park Circle Commons LLC	1	5,473,895	5,847	33,748	162.20 : 1
<b>Totals</b>	634	\$459,755,794	\$888,832	\$5,130,000	89.62 : 1

\* Preliminary, subject to change.

<sup>(1)</sup> Ownership is based on sale data as of June 13, 2024.

<sup>(2)</sup> Value based on sale price and County Secured Roll for the Fiscal Year 2024-25.

<sup>(3)</sup> Allocated based on the proposed Fiscal Year 2024-25 levy.

Source: Koppel & Gruber Public Finance.

**Value to Lien Ratios by Special Tax RMA Zone.** The following Table 7 sets forth the assessed values, projected Fiscal Year 2024-25 special tax levy, allocable amount of Series 2024 Bonds, and corresponding value-to-lien ratios by Special Tax RMA zone.

**TABLE 7**  
**COMMUNITY FACILITIES DISTRICT NO. 2020-1**  
**(PARK CIRCLE EAST/WEST)**  
**OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**SERIES 2024 SPECIAL TAX BONDS**  
**Value-to-Lien by Zone**

<u>Zone</u>	<u>Property Owner</u> <sup>(1)</sup>	<u>Total Number of Units</u>	<u>Assessed Valuation</u> <sup>(2)</sup>	<u>Fiscal Year 2024-25 Special Tax Levy</u>	<u>% of Special Tax Levy</u>	<u>Principal Amount of Series 2024 Bonds</u> <sup>(3)*</sup>	<u>Value-to- Burden Ratio</u> <sup>(4)*</sup>
1A	INDIVIDUAL	116	\$89,540,713	\$152,398	17%	\$879,586	101.80:1
	<i>Sub Total</i>	<i>116</i>	<i>\$89,540,713</i>	<i>\$152,398</i>	<i>17%</i>	<i>\$879,586</i>	<i>101.80:1</i>
1B	INDIVIDUAL	20	\$8,930,481	\$12,452	1%	\$71,870	124.26:1
	PARK CIRCLE VALLEY CENTER LLC	36	2,204,032	16,430	2%	94,830	23.24:1
	<i>Sub Total</i>	<i>56</i>	<i>\$11,134,513</i>	<i>\$28,883</i>	<i>3%</i>	<i>\$166,700</i>	<i>66.79:1</i>
2	INDIVIDUAL	127	\$110,583,149	\$229,287	26%	\$1,323,359	83.56:1
	KB HOME COASTAL INC.	1	739,460	1,828	0%	10,552	70.08:1
	<i>Sub Total</i>	<i>128</i>	<i>\$111,322,609</i>	<i>\$231,115</i>	<i>26%</i>	<i>\$1,333,911</i>	<i>83.46:1</i>
3A	INDIVIDUAL	231	\$162,434,006	\$255,843	29%	\$1,476,630	110.00:1
	<i>Sub Total</i>	<i>231</i>	<i>\$162,434,006</i>	<i>\$255,843</i>	<i>29%</i>	<i>\$1,476,630</i>	<i>110.00:1</i>
3B	INDIVIDUAL	101	\$79,197,416	\$203,503	23%	\$1,174,541	67.43:1
	<i>Sub Total</i>	<i>101</i>	<i>\$79,197,416</i>	<i>\$203,503</i>	<i>23%</i>	<i>\$1,174,541</i>	<i>67.43:1</i>
4	PARK CIRCLE COMMONS, LLC	1	\$ 652,642	\$11,242	1%	\$64,885	10.06:1
	MIN LYN INVESTMENT, LLC	1	5,473,895	5,847	1%	33,748	162.20:1
	<i>Sub Total</i>	<i>2</i>	<i>\$6,126,537</i>	<i>\$17,089</i>	<i>2%</i>	<i>\$98,633</i>	<i>62.11:1</i>
	<b>Grand Total</b>	<b>634</b>	<b>\$459,755,794</b>	<b>\$888,832</b>	<b>100%</b>	<b>\$5,130,000</b>	<b>89.62:1</b>

\* Preliminary, subject to change.

<sup>(1)</sup> Ownership is based on sale data as of June 13, 2024.

<sup>(2)</sup> Value based on the County Secured Roll for the Fiscal Year 2024-25.

<sup>(3)</sup> Allocated based on the Proposed Fiscal Year 2024-25 levy.

<sup>(4)</sup> Actual value-to-burden ratio per lot may vary.

Source: Koppel & Gruber Public Finance.

## Value-to-Lien by Ownership and Development Status

The following Table 8 sets forth the status of construction of the neighborhoods, the total number of units, the assessed valuation, the Fiscal Year 2024-25 special tax levy, the percentage of the special tax levy allocated by property owner, the allocable amount of Series 2024 Bonds, and corresponding value-to-lien ratios by ownership and status of development.

**TABLE 8**  
**COMMUNITY FACILITIES DISTRICT NO. 2020-1**  
**(PARK CIRCLE EAST/WEST)**  
**OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**SERIES 2024 SPECIAL TAX BONDS**  
**Value-to-Lien by Ownership & Development Status**

<b>Property Owner<sup>(1)</sup></b>	<b>Status<sup>(2)</sup></b>	<b>Total Number of Units</b>	<b>Assessed Valuation<sup>(3)</sup></b>	<b>2024-25 Special Tax Levy</b>	<b>% of Special Tax Levy</b>	<b>Principal Amount of 2024 Bonds<sup>(4)</sup></b>	<b>Value-to- Burden Ratio<sup>(5)</sup></b>
INDIVIDUAL	Finished Home	595	\$460,062,146	\$853,484	96%	\$4,719,383	97.48:1
	<i>Sub Total</i>	595	<i>\$460,062,146</i>	<i>\$853,484</i>	<i>96%</i>	<i>\$4,719,383</i>	<i>97.48:1</i>
KB HOME COASTAL INC.	Finished Home	1	\$224,961	\$1,828	0%	\$10,322	21.80:1
	<i>Sub Total</i>	1	<i>\$224,961</i>	<i>\$1,828</i>	<i>0%</i>	<i>\$10,322</i>	<i>21.80:1</i>
PARK CIRCLE VALLEY CENTER LLC	Under Construction	16	\$2,132,062	\$8,711	1%	\$48,167	44.26:1
	Condominium Lot	20	2,665,077	7,719	1%	42,761	62.33:1
	<i>Sub Total</i>	36	<i>\$4,797,139</i>	<i>\$16,430</i>	<i>2%</i>	<i>\$90,928</i>	<i>52.76:1</i>
MIN LYN INVESTMENT, LLC	Developed Commercial	1	\$4,940,000	\$5,847	1%	\$32,439	152.29:1
PARK CIRCLE COMMONS LLC	Undeveloped Commercial	1	1,300,000	11,242	1%	61,929	20.99:1
	<i>Sub Total</i>	2	<i>\$6,240,000</i>	<i>\$17,089</i>	<i>2%</i>	<i>\$94,368</i>	<i>66.12:1</i>
	<b>Grand Total</b>	<b>634</b>	<b>\$471,324,246</b>	<b>\$888,832</b>	<b>100%</b>	<b>\$4,915,000</b>	<b>95.90:1</b>

\* Preliminary, subject to change.

(1) Ownership is based on sale data as of June 13, 2024.

(2) Based on the Development Status estimated by Koppel & Gruber Public Finance based upon permitting.

(3) Value based on the County Secured Roll for the Fiscal Year 2024-25.

(4) Allocated based on the projected Fiscal Year 2024-25 levy.

(5) Actual value-to-burden ratio per lot may vary.

Source: Koppel & Gruber Public Finance.

## Special Tax Collections and Delinquencies

The following Table 9 shows a history of special tax collections and delinquencies in the District as of June 30, 2024.

**TABLE 9**  
**COMMUNITY FACILITIES DISTRICT NO. 2020-1**  
**(PARK CIRCLE EAST/WEST)**  
**OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**SERIES 2024 SPECIAL TAX BONDS**  
**Special Tax Collections and Delinquencies**

<u>Fiscal Year</u>	<u>Parcels</u> <u>Levied</u>	<u>Amount</u> <u>Levied</u>	<u>Delinquencies as of</u> <u>June 30</u>			<u>Delinquencies as of</u> <u>June 30, 2024</u>		
			<u>Parcels</u> <u>Delinquent</u>	<u>Amount</u> <u>Delinquent</u>	<u>Percent</u> <u>Delinquent</u>	<u>Parcels</u> <u>Delinquent</u>	<u>Amount</u> <u>Delinquent</u>	<u>Percent</u> <u>Delinquent</u>
2020-21 <sup>(1)</sup>	483	\$821,138.04	6	\$2,180.69	0.27%	0	\$0.00	0.00%
2021-22	583	\$837,566.19	2	\$9,071.03	1.08%	0	\$0.00	0.00%
2022-23	583	\$854,317.18	1	\$23,765.56	2.78%	0	\$0.00	0.00%
2023-24	583	\$871,403.52	4	\$3,798.05	0.44%	4	\$3,798.05	0.44%

<sup>(1)</sup> No levy prior to Fiscal Year 2020-21.

Source: San Diego County Auditor-Controller's Office; compiled by Koppel & Gruber Public Finance.

## No Teeter Plan

Collection of the Special Taxes is not subject to the “Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds,” as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code (known as the “Teeter Plan”). Accordingly, collections of Special Taxes will reflect actual delinquencies, if any. See “Special Risk Factors – Property Tax Delinquencies.”

## Overlapping Liens and Priority of Lien

The principal of and interest on the Series 2024 Bonds are payable from the Special Tax authorized to be collected within the District, and payment of the Special Tax is secured by a lien on certain real property within the District. 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 the District. 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. The Water District, 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 the District.

Set forth in Table 10 below is an overlapping debt table showing the existing direct and overlapping bonded debt payable with respect to property within the District. This table has been prepared by California Municipal Statistics Inc. as of the date indicated below, and is included for general information purposes only. The Water District has not reviewed the data for completeness or accuracy and makes no representations in connection therewith. In addition to bonded debt, property in the District is also subject to the following additional community facilities district charges for services within the District established to pay certain services provided by the County.

**TABLE 10**  
**COMMUNITY FACILITIES DISTRICT NO. 2020-1**  
**(PARK CIRCLE EAST/WEST)**  
**OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**SERIES 2024 SPECIAL TAX BONDS**

**Summary of Overlapping Debt**  
**[TO BE UPDATED]**

2022-23 Assessed Valuation: \$171,050,427 Land and Improvements

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/23</u>
Metropolitan Water District	0.005%	\$ 902
Palomar Community College District	0.113	733,268
Palomar Health District	0.166	662,302
<b>Valley Center Municipal Water District Community Facilities District No. 2020-1</b>	<b>100.</b>	<b><u>0</u></b>
	(1)	
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$1,396,472</b>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Diego County General Fund Obligations	0.026%	\$ 59,648
San Diego County Pension Obligation Bonds	0.026	72,194
San Diego County Superintendent of Schools Certificates of Participation	0.026	1,801
Palomar Community College District Certificates of Participation	0.113	<u>1,482</u>
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>		<b>\$135,125</b>
 <b>COMBINED TOTAL DEBT</b>		<b>\$1,531,597</b>
	(2)	

(1) Excludes Mello-Roos Act Bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2022-23 Assessed Valuation:

<b>Direct Debt (\$0)</b> .....	<b>0.00%</b>
Total Direct and Overlapping Tax and Assessment Debt .....	0.82%
Combined Total Debt .....	0.90%

Source: California Municipal Statistics, Inc., as compiled by Koppel & Gruber Public Finance.

There can be no assurance property owners will not petition for the formation of other community facilities districts and improvement areas or for a special assessment district or districts and that parity special taxes or special assessments will not be levied by the County or some other public agency to finance additional public facilities.

Private liens, such as deeds of trust securing loans obtained by PCVC, may be placed upon property in the District at any time. Under California law, the Special Taxes have priority over all existing and future private liens imposed on property subject to the lien of the Special Taxes.



## Estimated Tax Burden on Single-Family Home

The following Table 11 sets forth estimated tax burdens for residential plans within the District.

**TABLE 11**  
**COMMUNITY FACILITIES DISTRICT NO. 2020-1**  
**(PARK CIRCLE EAST/WEST)**  
**OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**2024 SPECIAL TAX BONDS**  
**Estimated Sample Tax Bill for a Developed Property**  
**Fiscal Year 2024-2025**

CFD Tax Class Building Square Footage Classification Average Square Footage <sup>(2)</sup>		1A			1B		2		
		2	3	4	2 <sup>(1)</sup>	3	1	2	3
		1,801-2,200 1,967	2,201-2,600 2,414	> 2,600 2,865	1,401-1,700 1,452	> 1,700 2,600	< 2,300 2,061	2,301-2,600 2,384	> 2,600 2,620
<b>Estimated Value</b>									
Average Close of Escrow Valuation <sup>(3)</sup>		\$703,447.00	\$779,987.38	\$811,874.69	\$353,586.38	\$818,274.75	\$820,511.45	\$860,957.59	\$938,423.36
Homeowner's Exemption		(7,000.00)	(7,000.00)	(7,000.00)	(7,000.00)	(7,000.00)	(7,000.00)	(7,000.00)	(7,000.00)
<b>Estimated Net Value<sup>(4)</sup></b>		<b>\$696,447.00</b>	<b>\$772,987.38</b>	<b>\$804,874.69</b>	<b>\$346,586.38</b>	<b>\$811,274.75</b>	<b>\$813,511.45</b>	<b>\$853,957.59</b>	<b>\$931,423.36</b>
<b>Ad Valorem Property Taxes<sup>(5)</sup></b>	<b>Rate</b>								
Basic Levy	1.00000%	\$ 6,964.47	\$ 7,729.87	\$ 8,048.75	\$ 3,465.86	\$ 8,112.75	\$ 8,135.11	\$ 8,539.58	\$ 9,314.23
Palomar Community Coll Prop M 11/07/06, 2021 Ref	0.00197%	13.72	15.23	15.86	6.83	15.98	16.03	16.82	18.35
Palomar Community Coll Prop M 11/07/06, 2020 Ref	0.00357%	24.86	27.60	28.73	12.37	28.96	29.04	30.49	33.25
Palomar Community Coll Prop M 11/07/06, 2015 Ref	0.00354%	24.65	27.36	28.49	12.27	28.72	28.80	30.23	32.97
Palomar Community Coll Prop M 11/07/06, Ser 2006B	0.00254%	17.69	19.63	20.44	8.80	20.61	20.66	21.69	23.66
Palomar Community Coll Prop M 11/07/06, 2017 Ref	0.00207%	14.42	16.00	16.66	7.17	16.79	16.84	17.68	19.28
Palomar Community Coll Prop M 11/07/06, Ser 2006C	0.00068%	4.74	5.26	5.47	2.36	5.52	5.53	5.81	6.33
Palomar Community Coll Prop M 11/07/06, Ser 2017D	0.00352%	24.51	27.21	28.33	12.20	28.56	28.64	30.06	32.79
Palomar Health 2005A - Debt Service	0.03300%	229.83	255.09	265.61	114.37	267.72	268.46	281.81	307.37
Mwd D/S Remainder Of Sdcwa 15019999	0.00350%	24.38	27.05	28.17	12.13	28.39	28.47	29.89	32.60
<b>Subtotal Ad Valorem Property Taxes</b>	<b>1.05955%</b>	<b>\$ 7,343.27</b>	<b>\$ 8,150.30</b>	<b>\$ 8,486.51</b>	<b>\$ 3,654.36</b>	<b>\$ 8,554.00</b>	<b>\$ 8,577.58</b>	<b>\$ 9,004.06</b>	<b>\$ 9,820.83</b>
<b>Assessments, Special taxes and Parcel Charges</b>									
Valley Center MWD CFD 2020-1	Varies	\$ 1,085.62	\$ 1,289.36	\$ 1,426.26	\$ 533.78	\$ 916.88	\$ 1,547.24	\$ 1,792.38	\$ 1,996.12
Valley Center-Pauma Unified CFD 2019-1	Varies	1,011.84	1,011.84	1,481.76	0.00	1,011.84	1,011.84	1,011.84	1,011.84
Mosquito Surveillance	\$2.28	2.28	2.28	2.28	2.28	2.28	2.28	2.28	2.28
Valley Center Water Avail	\$10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Wood Valley Sewer Service	\$1,183.20	1,183.20	1,183.20	1,183.20	1,183.20	1,183.20	1,183.20	1,183.20	1,183.20
Vector Disease Control	\$9.10	9.10	9.10	9.10	9.10	9.10	9.10	9.10	9.10
Valley Center Fire CFD 2008-1	\$780.76	780.76	780.76	780.76	780.76	780.76	780.76	780.76	780.76
CWA Water Avail	\$10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Fire Standby & Avail	\$261.34	261.34	261.34	261.34	261.34	261.34	261.34	261.34	261.34
Valley Center Fire CFD 2000-1	\$46.20	46.20	46.20	46.20	46.20	46.20	46.20	46.20	46.20
MWD Water Standby Charge	\$11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50
County of SD Park Maint CFD	\$910.16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Subtotal Assessments, Charges and Special Taxes</b>		<b>\$ 4,411.84</b>	<b>\$ 4,615.58</b>	<b>\$ 5,222.40</b>	<b>\$2,848.16</b>	<b>\$ 4,243.10</b>	\$ 4,873.46	\$ 5,118.60	\$ 5,322.34
<b>Total Estimated Property Taxes</b>		<b>\$11,755.11</b>	<b>\$12,765.88</b>	<b>\$13,708.91</b>	<b>\$6,502.52</b>	<b>\$ 12,797.10</b>	<b>\$13,451.04</b>	<b>\$14,122.66</b>	<b>\$15,143.17</b>
<b>Estimated Effective Tax Rate</b>		<b>1.69%</b>	<b>1.65%</b>	<b>1.70%</b>	<b>1.88%</b>	<b>1.58%</b>	<b>1.65%</b>	<b>1.65%</b>	<b>1.63%</b>

<sup>(1)</sup> Represents affordable housing units.

<sup>(2)</sup> Based on the average square footage of permitted within each tax class.

<sup>(3)</sup> Value based on the County Secured Roll for Fiscal Year 2024-25.

<sup>(4)</sup> Estimated Net Value reflects appraised value for a parcel net of homeowner's exemption. Not all residences qualify for homeowner's exemption.

<sup>(5)</sup> Based on Fiscal Year 2023-24 rates for Tax Rate Area 094075, which represents the *ad valorem* rate for the parcels within the District. *Ad valorem* rates are subject to change in future years.

Source: Koppel & Gruber Public Finance

**TABLE 11 (continued)**  
**COMMUNITY FACILITIES DISTRICT NO. 2020-1**  
**(PARK CIRCLE EAST/WEST)**  
**OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT**  
**2024 SPECIAL TAX BONDS**  
**Estimated Sample Tax Bill for a Developed Property**  
**Fiscal Year 2024-2025**

		3A					3B	
CFD Tax Class		1	2	3	4	5	1	2
Building Square Footage Classification		< 2,000	2,001-2,200	2,201-2,400	2,401-2,600	> 2,600	< 2,950	> 2,950
Average Square Footage <sup>(1)</sup>		1,815	2,101	2,262	2,482	2,731	2,372	3,047
<b>Estimated Value</b>								
Average Close of Escrow Valuation <sup>(2)</sup>		\$602,677.86	\$692,548.65	\$754,666.26	\$767,313.48	\$816,024.00	\$757,693.75	\$836,233.38
Homeowner's Exemption		(7,000.00)	(7,000.00)	(7,000.00)	(7,000.00)	(7,000.00)	(7,000.00)	(7,000.00)
<b>Estimated Net Value<sup>(3)</sup></b>		<b>\$595,677.86</b>	<b>\$685,548.65</b>	<b>\$747,666.26</b>	<b>\$760,313.48</b>	<b>\$809,024.00</b>	<b>\$750,693.75</b>	<b>\$829,233.38</b>
<b>Ad Valorem Property Taxes<sup>(4)</sup></b>	<b>Rate</b>							
Basic Levy	1.00000%	\$ 5,956.78	\$ 6,855.49	\$ 7,476.66	\$ 7,603.13	\$ 8,090.24	\$ 7,506.94	\$ 8,292.33
Palomar Community Coll Prop M 11/07/06, 2021 Ref	0.00197%	11.73	13.51	14.73	14.98	15.94	14.79	16.34
Palomar Community Coll Prop M 11/07/06, 2020 Ref	0.00357%	21.27	24.47	26.69	27.14	28.88	26.80	29.60
Palomar Community Coll Prop M 11/07/06, 2015 Ref	0.00354%	21.09	24.27	26.47	26.92	28.64	26.57	29.35
Palomar Community Coll Prop M 11/07/06, Ser 2006B	0.00254%	15.13	17.41	18.99	19.31	20.55	19.07	21.06
Palomar Community Coll Prop M 11/07/06, 2017 Ref	0.00207%	12.33	14.19	15.48	15.74	16.75	15.54	17.17
Palomar Community Coll Prop M 11/07/06, Ser 2006C	0.00068%	4.05	4.66	5.08	5.17	5.50	5.10	5.64
Palomar Community Coll Prop M 11/07/06, Ser 2017D	0.00352%	20.97	24.13	26.32	26.76	28.48	26.42	29.19
Palomar Health 2005A - Debt Service	0.03300%	196.57	226.23	246.73	250.90	266.98	247.73	273.65
Mwd D/S Remainder Of Sdewa 15019999	0.00350%	20.85	23.99	26.17	26.61	28.32	26.27	29.02
<b>Subtotal Ad Valorem Property Taxes</b>	<b>1.05955%</b>	<b>\$ 6,280.77</b>	<b>\$ 7,228.35</b>	<b>\$ 7,883.32</b>	<b>\$ 8,016.66</b>	<b>\$ 8,530.28</b>	<b>\$ 7,915.23</b>	<b>\$ 8,743.35</b>
<b>Assessments, Special taxes and Parcel Charges</b>								
Valley Center MWD CFD 2020-1	Varies							
Valley Center-Pauma Unified CFD 2019-1	Varies	\$ 754.52	\$ 995.40	\$ 1,158.84	\$ 1,349.86	\$ 1,575.88	\$ 1,928.20	\$ 2,068.28
Mosquito Surveillance	\$2.28	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Valley Center Water Avail	\$10.00	\$2.28	\$2.28	\$2.28	\$2.28	\$2.28	\$2.28	\$2.28
Wood Valley Sewer Service	\$1,183.20	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Vector Disease Control	\$9.10	1,183.20	1,183.20	1,183.20	1,183.20	1,183.20	1,183.20	1,183.20
Valley Center Fire CFD 2008-1	\$780.76	9.10	9.10	9.10	9.10	9.10	9.10	9.10
CWA Water Avail	\$10.00	780.76	780.76	780.76	780.76	780.76	780.76	780.76
Fire Standby & Avail	\$261.34	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Valley Center Fire CFD 2000-1	\$46.20	261.34	261.34	261.34	261.34	261.34	261.34	261.34
MWD Water Standby Charge	\$11.50	46.20	46.20	46.20	46.20	46.20	46.20	46.20
County of SD Park Maint CFD	\$910.16	11.50	11.50	11.50	11.50	11.50	11.50	11.50
<b>Subtotal Assessments, Charges and Special Taxes</b>		910.16	910.16	910.16	910.16	910.16	910.16	910.16
<b>Total Estimated Property Taxes</b>		<b>\$ 3,979.06</b>	<b>\$ 4,219.94</b>	<b>\$ 4,383.38</b>	<b>\$ 4,574.40</b>	<b>\$ 4,800.42</b>	<b>\$ 5,152.74</b>	<b>\$ 5,292.82</b>
<b>Estimated Effective Tax Rate</b>								
<b>CFD Tax Class</b>		<b>\$ 10,259.83</b>	<b>\$ 11,448.29</b>	<b>\$ 12,266.70</b>	<b>\$ 12,591.06</b>	<b>\$ 13,330.70</b>	<b>\$ 13,067.97</b>	<b>\$ 14,036.17</b>
<b>Building Square Footage Classification</b>		<b>1.72%</b>	<b>1.67%</b>	<b>1.64%</b>	<b>1.66%</b>	<b>1.65%</b>	<b>1.74%</b>	<b>1.69%</b>

<sup>(1)</sup> Based on the average square footage of permitted within each tax class.

<sup>(2)</sup> Value based on the County Secured Roll for Fiscal Year 2024-25.

<sup>(3)</sup> Estimated Net Value reflects appraised value for a parcel net of homeowner's exemption. Not all residences qualify for homeowner's exemption.

<sup>(4)</sup> Based on Fiscal Year 2023-24 rates for Tax Rate Area 094075, which represents the *ad valorem* rate for the parcels within the District. *Ad valorem* rates are subject to change in future years.

Source: Koppel & Gruber Public Finance

## **SPECIAL RISK FACTORS**

*The Bonds have not been rated by a rating agency and the purchase of the Series 2024 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 that 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 Bonds. The occurrence of one or more of these events discussed herein could adversely affect the ability or willingness of property owners in the District to pay Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District.*

### **Limited Obligation of the District to Pay Debt Service**

The Water District has no obligation to pay principal of and interest on the Series 2024 Bonds in the event Special Tax collections are delinquent, other than from amounts, if any, on deposit in the Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Tax are delinquent, nor is the Water District obligated to advance funds to pay such debt service on the Series 2024 Bonds. The Series 2024 Bonds are not general obligations of the District, but are instead limited obligations of the District payable solely from the proceeds of the Net Special Tax Revenues and certain funds held under the Fiscal Agent Agreement, including amounts deposited in the Reserve Fund and investment income thereon, and the proceeds, if any, from the sale of property in the event of a foreclosure. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.” Any tax for the payment of the Series 2024 Bonds will be limited to the Net Special Tax Revenues to be collected within the District. Administrative Expenses in the Administrative Expense Requirement are payable from gross Special Tax Revenues prior to the payment of debt service on the Bonds.

### **Extraordinary Mandatory Redemption from Prepayments**

Redemption of the Series 2024 Bonds from prepayments of Special Taxes could be made by any of the owners of any of the property within the District; and they could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. The resulting redemption of the Series 2024 Bonds that were purchased at a greater than the applicable redemption price could reduce the otherwise expected yield on such Series 2024 Bonds.

### **Property Values and Property Development**

The value of Taxable Parcels within the District is a critical factor in determining the investment quality of the Series 2024 Bonds. If a property owner defaults in the payment of the Special Tax, the District’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 development and land values could be adversely affected by economic and other factors beyond the Water District’s control, such as: a general economic downturn; adverse judgments in future litigation that could affect the scope, timing or viability of development; relocation of employers out of the area; stricter land use regulations; shortages of water, electricity, natural gas or other utilities; destruction of property caused by earthquake, flood or other natural disasters; environmental pollution or contamination.

*None of the Water District, District, nor the Underwriter has evaluated development risks. Since these are largely business risks of the type that property owners customarily evaluate individually, and inasmuch as changes in land ownership may well mean changes in the evaluation with respect to any*

*particular parcel, the Water District is issuing the Series 2024 Bonds without regard to any such evaluation. Thus, the issuance of the Series 2024 Bonds in no way implies that the Water District or the Underwriter has evaluated these risks or the reasonableness of these risks.*

The following is a discussion of specific risk factors that could affect the timing or scope of property development in the District or the value of property in the District.

## **Land Development**

Land values are influenced by the level of development in the area in many respects.

First, undeveloped or partially developed land is generally less valuable than developed land and provides less security to the owners of the Series 2024 Bonds should it be necessary for the Water District to foreclose on undeveloped or partially developed property due to the nonpayment of Special Taxes.

Second, development of property may be subject to unexpected delays, disruptions, and changes which may affect the willingness and ability of any property owner to pay the Special Taxes when due. Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements could adversely affect planned land development. Development of land in the District is also subject to the availability of water and is subject to economic considerations.

Furthermore, there can be no assurance that land development operations within the District will not be adversely affected by future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, an increase in mortgage interest rates, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process and absorption rate could adversely affect land values and reduce the ability or desire of the property owners to pay the annual Special Taxes. In that event, there could be a default in the payment of principal of, and interest on, the Series 2024 Bonds when due.

Failure to complete development on a timely basis could adversely affect the land values of those parcels that have been completed. Lower land values would result in less security for the payment of principal of and interest on the Series 2024 Bonds and lower proceeds from any foreclosure sale necessitated by delinquencies in the payment of the Special Tax. See “VALUE OF PROPERTY WITHIN THE DISTRICT – Value to Special Tax Burden Ratios.” No assurance can be given that the proposed development within the District will be completed, and in assessing the investment quality of the Series 2024 Bonds, prospective purchasers should evaluate the risks of non-completion.

None of PCVC, Min Lyn Investments, LLC, or Park Circle Commons LLC can provide assurances to the Water District that the remainder of the Project will be developed or that sources of financing that will actually be available will be sufficient to complete the currently projected development. The property owners do not have an obligation to the Water District or to owners of the Series 2024 Bonds to complete the Project.

## **Risks of Real Estate Investment Generally**

Continuing development of land within the District may be adversely affected by changes in general or local economic conditions, fluctuations in the real estate market, changes in real estate tax rates

and other operating expenses, increased construction costs, development, financing and marketing capabilities of individual property owners, water or electricity shortages, increased delinquencies due to rising mortgage costs and other similar factors. Development in the District may also be affected by development in surrounding areas, which may compete with development in the District. In addition, land development operations are subject to comprehensive federal, state and local regulations, including environmental, land use, zoning and building requirements. There can be no assurance that proposed land development operations within the District will not be adversely affected by future government policies, including, but not limited to, governmental policies to restrict or control development, or future growth control initiatives. There can be no assurance that land development operations within the District will not be adversely affected by these risks.

## **Natural Disasters**

The value of the parcels in the District 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 parcels in the District and the continued habitability and enjoyment of such private improvements including, but not limited to, the below.

***Earthquakes.*** Several major active faults exist in the County, including the Rose Canyon, La Nacion, Elsinore, San Jacinto, Coronado Bank and San Clemente Fault Zones. The Rose Canyon Fault Zone is part of the Newport-Inglewood fault zone, which originates to the north in Los Angeles, and the Vallecitos and San Miguel Fault Systems to the south in Baja California. The Rose Canyon Fault extends inland from La Jolla Cove, south through Rose Canyon, along the east side of Mission Bay, and out into San Diego Bay. The Rose Canyon Fault is considered to be the greatest potential threat to San Diego as a region, due to its proximity to areas of high population. The La Nacion Fault Zone is located near National City and Chula Vista. The Elsinore Fault Zone is a branch of the San Andreas Fault System. It originates near downtown Los Angeles, and enters the County through the communities of Rainbow and Pala; it then travels in a southeasterly direction through Lake Henshaw, Santa Ysabel, Julian; then down into Anza-Borrego Desert State Park at Agua Caliente Springs, ending at Ocotillo, approximately 40 miles east of downtown. The San Jacinto Fault is also a branch of the San Andreas Fault System. This fault branches off from the major fault as it passes through the San Bernardino Mountains. Traveling southeasterly, the fault passes through Clark Valley, Borrego Springs, Ocotillo Wells, and then east toward El Centro in Imperial County. This fault is the most active large fault within the County. The Coronado Bank fault is located about 10 miles offshore. The San Clemente Fault lies about 40 miles off La Jolla and is the largest offshore fault at 110 miles or more in length. The potential for an earthquake in the San Diego region is considered somewhat likely.

***Wildfires.*** The District is located within an area which the Department of Forestry and Fire Protection of the State of California (“CalFire”) has designated as a very high fire hazard severity zone. In recent years portions of California have experienced outbreaks of wildfires that have burned thousands of acres at a time and destroyed thousands of homes and structures. The County experiences wildfires on a regular basis. In May of 2021, the Southern Fire burned 5,366 acres in the County and the Sierra Fire burned 1,000 acres in June of 2021. There can be no assurance that the structures within the District will not be impacted by wildfires in the future. A Fire Safety Concerns and Project Design Measures report was conducted for the Park Circle (West) project in 2005 and a Fire Protection Plan for Park Circle (East) was approved by the Valley Center Fire Protection District in 2016 and later updated and approved in 2018. The reports describe the project design measures that will provide an adequate level of safety from wildfire hazard for the residents of the Project and such measures have been implemented.

***Drought.*** From time to time, areas of the State have experienced significant drought conditions that resulted in severe impacts to water supplies and restriction on water use. Although San Diego County is

not currently experiencing severe drought conditions, the State may in future years experience an increase in drought conditions. Such increase in drought conditions could result in increased wildfires which may cause damage within the District. See “-Wildfires” above.

***Flood.*** The Federal Emergency Management Agency has determined that portions of the District are located in Special Flood Hazard Areas subject to inundation by the 1% annual chance of flood. The 1% annual chance flood (100-year flood), also known as the base flood, is the flood that has a 1% chance of being equaled or exceeded in any given year. The “Special Flood Hazard Area” is the area subject to flooding by the 1% annual chance of flood. There are no development plans for the portions of the District that are located in the Special Flood Hazard Area.

***Climate Change.*** The change in the Earth’s average atmospheric temperature, generally referred to as “climate change,” is expected to, among other things, increase the frequency and severity of extreme weather events. In 2018, the State published its California’s Fourth Climate Change Assessment for the San Diego region which encompasses the District. Such assessment states that temperature is projected to increase substantially by 5-10 degrees Fahrenheit by the end of the 21<sup>st</sup> century. Precipitation is estimated to remain highly variable but will change in character, with wetter winters, drier springs, more frequent and severe droughts, and more intense individual precipitation events. Sea level along the County coast is expected to rise approximately 1 foot by mid-21<sup>st</sup> century. The District cannot predict the timing, extent, or severity of climate change and its impact on property values, to what extent it may affect the homeowners or others in the District or to what extent climate change could cause disruptions to economic activity within the boundaries of the District.

## **Legal Requirements**

Other events that may affect the value of a parcel 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. Development in the District may also be adversely affected by the application of laws protecting endangered or threatened species.

## **Hazardous Substances**

Any discovery of a hazardous substance detected on property within the District would affect the marketability and the value of some or all of the property in the District. In that event, the owners and operators of a parcel within the District 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. California laws with regard to hazardous substances are also applicable to property within the District and are as stringent as the federal laws. 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 parcels be contaminated 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 values set forth in the Appraisal do not take into account the possible reduction in marketability and value of any of the parcels within the District by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition on a parcel. Although the Water District is not aware that the owner (or operator) of any of the property within the District has a current liability for a

hazardous substance with respect to any of the parcels, it is possible that such liabilities do currently exist and that the Water District is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels within the District resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which 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 which 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 a parcel within the District that is realizable upon a foreclosure sale.

### **Endangered and Threatened Species**

It is illegal to harm or disturb any plants or animals in their habitat that have been listed as endangered species by the United States Fish & Wildlife Service under the Federal Endangered Species Act or by the California Fish & Game Commission under the California Endangered Species Act without a permit. Although the Developer, PCVC and Park Circle Commons LLC believe that no federally listed endangered or threatened species would be affected by the proposed development within the District, other than any that are permitted by the entitlements already received (which allow for the impact of development and specify the mitigation required), the discovery of an endangered plant or animal could delay development of vacant property in the District or reduce the value of undeveloped property.

### **Impact of Economic Conditions on the Development in the District**

Certain events and factors which negatively affect the regional, State, and national economies. Such events and factors could include rising inflation and interest rates, persistent supply chain issues, further impacts of the COVID-19 pandemic and global market instability caused by the war in Ukraine. Any adverse impact of the foregoing and other economic factors on the District and the real estate market in general cannot be predicted.

### **Levy and Collection of Special Taxes**

**General.** The principal source of payment of principal of and interest on the Series 2024 Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the District following payment of the Administrative Expense Requirement and the District's share of Assessment Indebtedness. See also "– Property Values and Property Development" directly above.

**Limitation on Maximum Special Tax Rate.** The annual levy of the Special Tax is subject to the maximum special tax rate authorized in the Special Tax RMA. 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 Bonds.

In addition to the maximum special tax rate limitation in the Special Tax RMA, 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 ten percent (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 Bonds.

***No Relationship Between Property Value and Special Tax Levy.*** Because the Special Tax RMA 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 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.

***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 “– Tax Delinquencies” below.

***Delays Following Special Tax Delinquencies and Foreclosure Sales.*** The Fiscal Agent Agreement 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 AND SOURCES OF PAYMENT FOR THE BONDS – Subordination of Special Taxes to Assessment Indebtedness; Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure” 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 (5) 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 Series 2024 Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the Water District of the proceeds of sale if the Reserve Fund is depleted. Additionally, amounts due to the payment of the Assessment Indebtedness are payable prior to the payment to owners of the Series 2024 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Subordination of Special Taxes to Assessment Indebtedness; Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure.”

The ability of the Water District 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 the Federal Deposit Insurance Corporation (the “FDIC”) has or obtains an interest. The FDIC would obtain such an interest by taking over a financial institution that has made a loan that is secured by property within the District. 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 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.

### **FDIC/Federal Government Interests in Properties**

The ability of the Water District to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the FDIC, 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 within the District 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 Water District 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 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.

### **Exempt Properties**

Certain properties are exempt from the Special Tax in accordance with the Rate and Method. In addition, the Act provides that properties or entities of the State, federal or local government are exempt from the Special Tax; provided, however, that property in the District 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. In addition, 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.

In particular, insofar as the Act requires payment of the Special Tax by a federal entity acquiring property in the District, it may be unconstitutional. If for any reason property in the District becomes exempt from taxation by reason of ownership by a nontaxable entity such as the federal government or another public agency, subject to the limitation of the maximum authorized rates, the Special Tax will be reallocated to the remaining Taxable Properties in the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the timely

payment of the Special Tax. Moreover, if a substantial portion of property in the District becomes exempt from the Special Tax because of public ownership, or otherwise, the Maximum Annual Special Tax which could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the Series 2024 Bonds when due and a default would occur with respect to the payment of such principal and interest.

### **No Teeter Plan**

Collection of the Special Taxes is not subject to the “Teeter Plan” provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Consequently, the District may not draw on the County Tax Loss Reserve Fund in the event of delinquencies in Special Tax payments and collections of Special Taxes will reflect actual delinquencies, if any. See “Special Risk Factors – Levy and Collection of Special Taxes” above.

### **Bankruptcy and Foreclosure Delays**

The payment of the Special Tax and the ability of the Water District to foreclose the lien of a delinquent unpaid tax, as discussed in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure,” 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 Series 2024 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 could result in a delay in prosecuting superior court foreclosure proceedings and could result in the possibility of delinquent Special Tax installments not being paid in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Series 2024 Bonds. To the extent that property in the District continues to be owned by a limited number of property owners, the chances are increased that the Reserve Fund 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 Reserve Fund for transfer to the Debt Service Fund or the Redemption Fund to make up shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the Series 2024 Bonds on a timely basis.

To the extent that bankruptcy or similar proceedings were to involve a large property owner, the chances would increase the likelihood that the Reserve Fund could be fully depleted during any resulting delay in receiving payment of delinquent Special Taxes. As a result, sufficient monies would not be available in the Reserve Fund for transfer to the Redemption Fund to make up any shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the Series 2024 Bonds on a timely basis.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glaspoly Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on that property. The court upheld the priority of unpaid *ad valorem* property taxes imposed before the bankruptcy petition (the “pre-petition taxes”), but unpaid taxes imposed after the filing of the bankruptcy petition (“post-petition taxes”) were declared to be unsecured “administrative expenses” of the bankruptcy

estate, and were therefore held to be payable from the bankruptcy estate only after payment of all secured creditors. As a result, the secured creditor of the property was able to foreclose on the property and retain all of the proceeds of the sale except for the amount of the pre-petition taxes.

According to the court's ruling, as administrative expenses, post-petition taxes would have to be paid, but only if the debtor had sufficient assets not subject to other perfected security interests to do so. In certain circumstances, payment of such administrative expenses may also be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise) it would at that time again become subject to and would secure liens for then current and future *ad valorem* property taxes.

*Glasply* was controlling precedent on bankruptcy courts in the State of California for several years subsequent to the date of the Ninth Circuit's holding. Pursuant to state law, the lien date for general *ad valorem* property taxes levied in the State of California is the January 1 preceding the Fiscal Year for which the taxes are levied. Under the *Glasply* holding, a bankruptcy petition filing would have prevented the lien for general *ad valorem* property taxes levied in Fiscal Years subsequent to the filing of a bankruptcy petition from attaching and becoming a lien so long as the property was a part of the estate in bankruptcy. However, the *Glasply* holding was for the most part subsequently rendered inoperative with respect to the imposition of a lien for and the collection of *ad valorem* property taxes by amendments to the federal Bankruptcy Code (Title 11 U.S.C.) which were part of the Bankruptcy Reform Act of 1994 (the "Bankruptcy Reform Act") passed by Congress during the latter part of 1994. The Bankruptcy Reform Act added a provision to the automatic stay section of the Bankruptcy Code which, pursuant to Section 362(b)(18) thereof, excepts from the Bankruptcy Code's automatic stay provisions, "the creation of a statutory lien for an *ad valorem* property tax imposed by . . . a political subdivision of a state, if such tax comes due after the filing of the petition" by a debtor in bankruptcy court. The effect of this provision is to continue the secured interest of *ad valorem* taxes on real property (i.e., post-petition taxes) in effect during the period following the filing of a bankruptcy petition, including during the period bankruptcy proceedings are pending.

Without further clarification by the courts or Congress, the original rationale of the *Glasply* holding could, however, still result in the treatment of post-petition special taxes as "administrative expenses," rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings. This treatment might result from the fact that, although the lien of special taxes is of record from the date of the filing of a Notice of Special Tax Lien, the actual special tax is levied annually. As noted above, special taxes have a different lien date than the lien date for general *ad valorem* property taxes in the State of California noted above. The lien of a Mello-Roos special tax attaches upon recordation of the notice of the special tax lien, as provided for in Section 53328.3 of the Act, as opposed to the annual January 1 lien date for general *ad valorem* property taxes. Thus, in deciding whether the original *Glasply* ruling is applicable to a bankruptcy proceeding involving special taxes rather than general *ad valorem* property taxes, a court might consider the differences in the statutory provisions for creation of the applicable tax lien (general *ad valorem* or special tax) in determining whether there is a basis for post-petition special taxes to be entitled to a lien on the property during pending bankruptcy proceedings. If a court were to apply *Glasply* to eliminate the priority of the special tax lien as a secured claim against property with respect to post-petition levies of the Special Taxes made against property owners within the District who file for bankruptcy, collections of the Special Taxes from such property owners could be reduced as the result of being treated as "administrative expenses" of the bankruptcy estate. Also, and most importantly, is the fact that the original holding in *Glasply* and the mitigation of that holding by the Bankruptcy Reform Act of 1994 both appear to be applicable only to general *ad valorem* property taxes, and, therefore, the exemption from the automatic stay in Section 362(b)(18) discussed above may not be applicable to special taxes since they were not expressly mentioned or provided for in this section, nor defined to be included within the term "*ad valorem* property taxes."

## **Parity Debt**

The Series 2024 Bonds have been issued on a parity basis with the Assessment Indebtedness. Additionally, the Water District may issue additional indebtedness which may have a lien upon the Net Special Tax Revenues on a parity basis to the lien which secures the Series 2024 Bonds, if certain coverage tests are met (see “THE BONDS – Issuance of Parity Obligations” herein). Delinquencies in the collection of Special Taxes could result in insufficient monies to make debt service payments on all such parity obligations. See “- Tax Delinquencies” below.

## **Parity Taxes and Special Assessments; Private Debt**

The Water District, 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 the District.

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 Series 2024 Bonds. The principal of and interest on the Series 2024 Bonds are payable from the Special Tax authorized to be collected within the District, and payment of the Special Tax is secured by a lien on certain real property within the District. 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 the District. 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 Water District, 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 the District. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of taxable property, 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 “– Bankruptcy and Foreclosure Delays” above.

There can be no assurance that property owners within the District will not petition for the formation of other community facilities districts and improvement areas or for a special assessment district or districts and that parity special taxes or special assessments will not be levied by the County or some other public agency to finance additional public facilities. In addition to liens for special taxes or assessments to finance public improvements of benefit to land within the District, owners of property may obtain loans from banks or other private sources which loans may be secured by a lien on the parcels in the District. Such loans would increase amounts owed by the owner of such parcel with respect to development of its property in the District. The lien of such loans, however, would be subordinate to the lien of the Special Taxes.

## **Tax Delinquencies**

Under provisions of the Act, the Special Taxes will be billed to the properties within the District on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for nonpayment, as do regular property tax installments. Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced

by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax payments in the future.

The annual Special Tax will be billed and collected in two (2) installments payable without penalty by December 10 and April 10. In the event such Special Taxes are not timely paid, moneys available to pay debt service on the Series 2024 Bonds becoming due on the subsequent respective March 1 and September 1 may be insufficient, except to the extent moneys are available in the Reserve Fund.

In the event of non-payment of Special Taxes, funds in the Reserve Fund, if available, may be used to pay principal of and interest on the Series 2024 Bonds. If funds in the Reserve Fund are depleted, the funds can be replenished from the proceeds of the levy and collection of the Special Tax that are in excess of the amount required to pay all amounts to be paid to the 2024 Bond holders pursuant to the Fiscal Agent Agreement. No replenishment from the proceeds of a Special Tax levy, however, can occur as long as the proceeds that are collected from the levy of the Special Tax against property within the District at the maximum Special Tax rates, together with other available funds, remains insufficient to pay all such amounts. Thus it is possible that the Reserve Fund will be depleted and not be replenished by the levy of the Special Tax.

See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure” for a discussion of the provisions which apply, and procedures which the Water District is obligated to follow, in the event of delinquency in the payment of Special Taxes. See also “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Tax Methodology” for a discussion of a limitation imposed by the Act applicable to Special Tax increases on residential property.

### **No Acceleration Provisions**

The Series 2024 Bonds do not contain a provision allowing for the acceleration of the Series 2024 Bonds in the event of a payment default or other default under the terms of the Series 2024 Bonds or the Fiscal Agent Agreement. Under the Fiscal Agent Agreement, a 2024 Bond holder is given the right for the equal benefit and protection of all 2022 Bond holders similarly situated to pursue certain remedies. So long as the Series 2024 Bonds are in book-entry form, DTC will be the sole 2024 Bond holder and will be entitled to exercise all rights and remedies of 2024 Bond holders.

### **Ballot Initiatives**

From time to time, initiative measures qualify for the State ballot pursuant to the State’s constitutional initiative process, and those measures could be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the County or other local districts to increase revenues or to increase appropriations or on the ability of the landowners to complete the development of land in the District. See “–Property Values and Property Development; – Land Development” above. See also “–Voter Initiatives” and “–Taxpayer Protection and Government Accountability Act Initiative” below.

### **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 Water District. 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 Series 2024 Bonds.

Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment, added Articles XIII C and XIII D 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 XIII A and XIII C of the State Constitution. The amendments to Article XIII A 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 XIII C 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 issuance of special tax bonds of the Water District for the District were each authorized by not less than a two-thirds vote of the landowners within the District who constituted the qualified electors at the time of such voted authorization. The Water District believes, therefore, that issuance of the Series 2024 Bonds does not require the conduct of further proceedings under the Mello-Roos 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 Water District and the District 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.

***Taxpayer Protection and Government Accountability Act.*** On February 1, 2023, the California Secretary of State announced that a citizen ballot initiative, designated as Initiative 1935 and known as the “Taxpayer Protection and Government Accountability Act,” had received the required number of signatures to appear on the November 5, 2024 ballot.

In September 2023, the California Governor filed an Emergency Petition for Writ of Mandate with the California Supreme Court arguing that Initiative 1935 is an unlawful attempt to revise the California Constitution and would impede the government’s ability to provide the essential functions of government. The Writ sought the removal of Initiative 1935 from the November 2024 Statewide general election. On June 20, 2024, the California Supreme Court issued a peremptory writ of mandate directing the California Secretary of State to refrain from placing Initiative 1935 on the November 5, 2024 election ballot or to include the measure in the voter information guide, ruling in part that the changes amounted to a revision of the California Constitution which exceeds the scope of power to make such amendments via citizen initiative. Said opinion and judgement became final five days after it was filed.

On June 24, 2024, ACA 23 was introduced in the California State Assembly in an attempt to amend the California Constitution to implement changes mirroring Initiative 1935. If enacted into law, ACA 23 would make numerous significant changes to Articles XIII, XIII A, XIII C and XIII D of the California Constitution to further limit the authority of local governments to adopt and impose taxes and fees,

including fees related to wastewater services. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES.”

The Authority cannot predict whether ACA 23 will be enacted into law by the California state legislature. If ACA 23 is enacted, the Authority cannot provide any assurances as to the effect of the implementation or judicial interpretations of ACA 23 on the finances of the State, the Member Agencies, or the Authority.

### **Recent Case Law Related to the Mello-Roos Act**

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997). The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego. The CCFD is a financing district established under its City of San Diego charter (the “Charter”) and was intended to function much like a community facilities district established under the Mello-Roos Act. The CCFD was comprised of all of the real property in the entire City of San Diego. However, the CCFD special tax was to be levied only on properties in the CCFD that were improved with a hotel.

At the election to authorize the CCFD special tax, the CCFD proceedings limited the electorate to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel was located. Registered voters in the City of San Diego were not permitted to vote. This definition of the qualified electors of the CCFD was based on Section 53326(c) of the Mello-Roos Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed community facilities district whose property would be subject to the special tax.

The San Diego Court held that the CCFD special tax election did not comply with the City of San Diego’s Charter and with applicable provisions of the California Constitution -- specifically Article XIII A, section 4 (“Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district....”) and Article XIII C, section 2(d) (“No local government may impose, extend, or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote.”) -- because the electors in the CCFD election should have been the registered voters residing within the CCFD (the boundaries of which were coterminous with the boundaries of the City of San Diego).

As to the District, there were no registered voters within the District at the time of the election to authorize the Special Taxes. Significantly, the San Diego Court expressly stated that it was not addressing the validity of a landowner election to impose special taxes on residential property pursuant to the Mello-Roos Act in situations where there are fewer than 12 registered voters. Therefore, by its terms, the San Diego Court’s holding does not apply to the special tax election in the District.

Moreover, Sections 53341 and 53359 of the Act establish a limited period of time in which special taxes levied under the Mello-Roos Act may be challenged by a third party:

53341. Any action or proceeding to attack, review, set aside, void, or annul the levy of a special tax or an increase in a special tax pursuant to [the Mello-Roos Act] shall be commenced within 30 days after the special tax is approved by the voters....

53359. An action to determine the validity of bonds issued pursuant to [the Mello-Roos Act] or the validity of any special taxes levied pursuant to [the Mello-Roos Act] ... shall .... be commenced within 30 days after the voters approve the issuance of the bonds or the special tax ...

Section 53326(b) of the Mello-Roos Act defines the authorized voters for an election in which the special taxes will be levied on residential property: “Except as otherwise provided in subdivision (c), if at least 12 persons, who need not necessarily be the same 12 persons, have been registered to vote within the territory of the proposed community facilities district for each of the 90 days preceding the close of the protest hearing, the vote shall be by the registered voters of the proposed district, with each voter having one vote. Otherwise, the vote shall be by the landowners of the proposed district and each person who is the owner of land at the close of the protest hearing, or the authorized representative thereof, shall have one vote for each acre or portion of an acre of land that he or she owns within the proposed community facilities district not exempt from the special tax....”

Landowner voters approved the Special Taxes and the issuance of bonds for the District in compliance with all applicable requirements of the Mello-Roos Act in 2020. Therefore, pursuant to Sections 53341 and 53359 of the Mello-Roos Act, the statute of limitations period to challenge the validity of the special tax has expired. Because the San Diego Court expressly stated that it did not consider the facts presented by the District and because the period for challenging the Special Taxes has passed, the Water District believes the Special Taxes are valid and cannot be challenged.

### **Changes in Tax Law**

Future changes to federal tax law could make significant changes to aspects of the Internal Revenue Code of 1986 (the “Code”) that could have an impact on future property development. For example, H.R. 1 of the 115th U.S. Congress, known as the “Tax Cuts and Jobs Act” (the “Tax Act”) was enacted into law on December 22, 2017 and made significant changes to the Code. The Tax Act reduced 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 the District and could adversely affect the sale of homes by the PCVC. Many provisions of the Tax Act, however, are set to expire in 2025. Neither the Water District nor the PCVC can predict the effect that the Tax Act or any future changes in tax law may have on the cost of home ownership or the price of homes in the District, the rate at which homes in the District are sold to individual homeowners, or the ability or willingness of homeowners to pay special taxes or property taxes on Taxable Property within the District. The assessed values do not take into account any of the potential impacts of the Tax Act or any future changes in tax law on home values or home sales in the District.

### **Loss of Tax Exemption**

As discussed under the heading “TAX MATTERS,” interest on the Series 2024 Bonds could cease to be excluded from gross income for purposes of federal income taxation, retroactive to the date the Series 2024 Bonds were issued, as a result of future acts or omissions of the Water District, on behalf of the District. In addition, it is possible that future changes in applicable federal tax laws could cause interest on the Series 2024 Bonds to be included in gross income for federal income taxation or could otherwise reduce the equivalent taxable yield of such interest and thereby reduce the value of the Series 2024 Bonds.

### **No Ratings – Limited Secondary Market**

The District has not applied to have the Series 2024 Bonds rated by any nationally recognized bond rating company, and it does not expect to do so in the future.

There can be no guarantee that there will be a secondary market for the Series 2024 Bonds or, if a secondary market exists, that such Series 2024 Bonds can be sold for any particular price. Although the District has committed to provide certain financial and operating information, there can be no assurance that such information will be available to Series 2024 Bond owners on a timely basis. The failure to provide



the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because general market conditions, lack of current information, the absence of a credit rating for the Series 2024 Bonds or because of adverse history or economic prospects connected with a particular issue, a secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original price.

### **Cyber Security**

The Water District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private, or other sensitive electronic information, the Water District is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that the Water District's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the Water District or District, or the administration of the Series 2024 Bonds. The Water District is also reliant on other entities and service providers in connection with the administration of the Series 2024 Bonds, including without limitation the County Tax Collector for the levy and collection of Special Taxes, the Fiscal Agent, and the dissemination agent. No assurance can be given that the Water District and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond Owners.

### **Limitations on Remedies**

Remedies are available to the Owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Owners.

### **Potential Early Redemption of Bonds from Prepayments**

Property owners within the Water District are permitted to prepay their Special Tax obligation at any time. Such prepayments could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. Such prepayments will result in a redemption of the Bonds on the interest payment date for which timely notice may be given under the Fiscal Agent Agreement following the receipt of the prepayment. The resulting redemption of Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such Bonds.

### **Bonds Are Limited Obligations**

Neither the full faith and credit nor the taxing power of the District (except to the limited extent set forth in the Fiscal Agent Agreement), the Water District, the State, or any political subdivision thereof, is pledged to the payment of the Series 2024 Bonds. The Series 2024 Bonds are limited obligations of the District; and, except as provided in the Fiscal Agent Agreement, they are payable solely from Net Special Taxes and the other assets pledged therefor under the Fiscal Agent Agreement. Net Special Taxes could be insufficient to pay debt service on the Series 2024 Bonds as a result of delinquencies in the payment of the Special Tax or the insufficiency of proceeds derived from the sale of land within the District following

a delinquency in the payment of the applicable Special Tax. Neither the Water District nor the District has any obligation to pay debt service on the Series 2024 Bonds in the event of insufficient Net Special Taxes, except to the extent that money is available for such purpose in the Reserve Fund. The District's only obligation with respect to delinquent Special Tax is to pursue judicial foreclosure proceedings under the circumstances described in the Fiscal Agent Agreement. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2024 BONDS."

### **Increasing Mortgage Interest Rates**

Thirty-year fixed mortgage interest rates have increased substantially within the past two years. Increases in mortgage interest rates could have a negative impact on the estimated absorption rates of the planned for-sale residential units in the District described herein. With respect to entry-level households, increased mortgage interest rates may adversely impact the affordability of homes and may increase mortgage payment levels for owning a lower-priced home relative to renting a residence, thereby making purchasing less attractive. With respect to move-up households, higher mortgage interest rates may impact the desire of current homeowners to move from their present home due to the fact that their present home likely has a relatively low mortgage interest rate. In addition, the new home would likely have a higher interest rate on a new mortgage loan as well as higher purchase price and property taxes. Such considerations may decrease the desire for move-up households to purchase a new home.

### **CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS**

*Articles XIII A and XIII B of the California Constitution.* Article XIII A of the California Constitution, commonly known as "Proposition 13," provides that each county will levy the maximum *ad valorem* property tax permitted by Proposition 13 and will distribute the proceeds to local agencies in accordance with an allocation formula based in part on pre-Proposition 13 *ad valorem* property tax rates levied by local agencies.

Article XIII A limits the maximum *ad valorem* tax on real property to 1% of "full cash value," which is defined as the San Diego County Assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or, thereafter, the assessed value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. The full cash value may be adjusted annually to reflect increases of no more than 2% per year or decreases in the consumer price index or comparable local data, or declining property value caused by damage, destruction or other factors.

Article XIII A exempts from the 1% tax limitation any taxes to repay indebtedness approved by the voters prior to July 1, 1978, and requires a vote of two-thirds of the qualified electorate to impose Special Taxes or any additional *ad valorem*, sales, or transaction taxes on real property. In addition, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any State laws resulting in increased tax revenues. On June 3, 1986, California voters approved an amendment to Article XIII A of the California Constitution to allow local governments and school districts to raise their property tax rates above the constitutionally mandated 1% ceiling for the purpose of paying off certain new general obligation debt issued for the acquisition or improvement of real property and approved by two-thirds of the votes cast by the qualified electorate.

If any such voter-approved debt is issued, it may be on a parity with the lien of the Special Tax on the parcels within the District.

State and local government agencies in the State, and the State itself are subject to annual appropriation limits, imposed by Article XIII B of the State Constitution. Article XIII B prohibits government agencies and the State from spending "appropriations subject to limitation" in excess of the

appropriations limits imposed. “Appropriations subject to limitation” are authorizations to spend “proceeds of taxes,” which consist of tax revenues, certain state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed the cost reasonably borne by such entity in providing the regulation, product or service. No limit is imposed on appropriations of funds which are not “proceeds of taxes” such as debt service on indebtedness existing or authorized before January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, reasonable user charges or fees and certain other non-tax funds.

The Water District cannot predict whether any other pending or future challenges to the State’s present system of property tax assessment will be successful, when the ultimate resolution of any challenge will occur, or the ultimate effect any decision regarding the State’s present system of property tax assessment will have on the Water District’s revenues or on the State’s financial obligations to local governments.

***Articles XIII C and XIII D of the California Constitution.*** Proposition 218, a state ballot initiative known as the “Right to Vote on Taxes Act,” was approved by California voters on November 6, 1996. Proposition 218 added Articles XIII C and XIII D to the State Constitution, and, with the exception of certain provisions, Articles XIII C and XIII D became effective on November 6, 1996.

Among other things, Proposition 218 imposed certain voting requirements and other limitations on the imposition of new or increased taxes, assessments, and property-related fees and charges. Under Proposition 218 (i) all taxes imposed by local governments are deemed to be either general taxes, or special taxes, (ii) no local government may impose, extend, or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote, and (iii) no local government may impose, extend, or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote. Special purpose districts, including community facilities districts and assessment districts, have no power to levy general taxes. The Water District believes that the issuance of the Series 2024 Bonds does not require the conduct of further proceedings under the Mello-Roos Act, or Proposition 218, as applicable, other than as described herein.

Proposition 218 provides that the initiative power shall “not be prohibited or otherwise limited in matters reducing or repealing any local tax, assessment, fee or charge...” Thus, Proposition 218 removes limitations on the initiative power in matters of, among other things, the Special Tax. Consequently, it is conceivable that the voters of the Water District or the District could, by future initiative, repeal, reduce, or prohibit the future imposition or increase of any Special Tax, subject to overriding federal constitutional principles relating to impairment of contracts.

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 XIII A and XIII C of the State Constitution. The amendments to Article XIII A 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 XIII C requires that all new local taxes be submitted to the electorate before they become effective. Special Taxes for general governmental purposes require a majority vote and taxes for specific purposes require a two-thirds vote.

Although the applicable provisions of Article XIII C have not been interpreted by the courts, the Water District believes that the initiative power cannot be used to reduce or repeal the unpaid Special Tax that are pledged as security for payment of the Series 2024 Bonds or to otherwise interfere with the

mandatory, statutory duty of the Water District and the County Auditor with respect to the unpaid Special Tax that are pledged as security for payment of the Series 2024 Bonds.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

## **CONTINUING DISCLOSURE**

### **The Water District**

The Water District has covenanted for the benefit of owners of the Series 2024 Bonds to provide certain financial information and operating data relating to the District by not later than April 1 after the end of the Water District's Fiscal Year (presently March 1) in each year (the "Water District Annual Report") commencing with its report for the Fiscal Year 2023-24 (due April 1, 2025) and to provide notices of the occurrence of certain enumerated events.

The covenants of the Water District will be made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"). A default under the Continuing Disclosure Certificate will not, by itself, constitute an Event of Default under the Fiscal Agent Agreement, and the sole remedy in the event of any failure of the Water District to comply will be an action to compel specific performance.

The Water District has not entered into any continuing disclosure undertakings under the Rule for past five (5) years.

The specific nature of the information to be contained in the report or the notices of listed events by the Water District is shown in "APPENDIX D — FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS." To assist the Water District in complying with its continuing disclosure undertaking related to the Series 2024 Bonds, the Water District anticipates engaging Koppel & Gruber Public Finance to serve as dissemination agent.

## **UNDERWRITING**

The Series 2024 Bonds were purchased by Stifel, Nicolaus & Company, Incorporated, as underwriter (the "Underwriter"). The Underwriter agreed to purchase the Series 2024 Bonds at a price of \$\_\_\_\_\_ (which is equal to the par amount of the Series 2024 Bonds, [plus/less/ a [net] original issue [premium/discount] of \$\_\_\_\_\_ and less the Underwriter's discount of \$\_\_\_\_\_). The initial public offering prices set forth on the cover page hereof may be changed by the Underwriter.

## **MUNICIPAL ADVISOR**

Fieldman, Rolapp & Associates, Inc., Irvine, California, has acted as Municipal Advisor to the Water District in conjunction with the issuance of the Series 2024 Bonds. The Municipal Advisor has assisted in matters related to the planning, structuring, execution, and delivery of the Series 2024 Bonds. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Series 2024 Bonds. The Municipal Advisor has not audited, authenticated, or otherwise independently verified the information set forth in this Official Statement, or any other related information available, with respect to accuracy and completeness of disclosure of such information. Because of this limited participation, the Municipal Advisor makes no guaranty, warranty, or other representation with respect to the accuracy or completeness of this Official Statement, or any other matter related to this Official Statement.

## **LEGAL OPINION**

The validity of the Series 2024 Bonds and certain other legal matters are subject to the approving opinion of Best Best & Krieger LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in “APPENDIX C- FORM OF OPINION OF BOND COUNSEL” to this Official Statement, and the final opinion will be made available to registered owners of the Series 2024 Bonds at the time of delivery. The fees of Bond Counsel are contingent upon the sale and delivery of the Series 2024 Bonds.

## **TAX MATTERS**

### **Series 2024 Bonds**

In the opinion of Best Best & Krieger LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series 2024 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2024 Bonds is not a specific preference item for purposes of federal alternative minimum tax imposed on individuals and corporations, however, interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on certain corporations.

Bond Counsel’s opinion as to the exclusion from gross income for federal income tax purposes of interest on the Series 2024 Bonds is based upon certain representations of fact and certifications made by the Water District, on behalf of the District, the Underwriter and others and is subject to the condition that the Water District complies with all requirements of the Code and the regulations adopted pursuant to the Code (the “Treasury Regulations”) that must be satisfied subsequent to the issuance of the Series 2024 Bonds to assure that interest on the Series 2024 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code and the Treasury Regulations might cause interest on the Series 2024 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2024 Bonds. The District will covenant in the Fiscal Agent Agreement and the tax certificate to be delivered in connection with the issuance of the Series 2024 Bonds to comply with all such requirements.

Should the interest on the Series 2024 Bonds become includable in gross income for federal income tax purposes, the Series 2024 Bonds are not subject to early redemption as a result of such occurrence and will remain outstanding until maturity or until otherwise redeemed in accordance with the Fiscal Agent Agreement.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2024 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 Bond Owners from realizing the full current benefit of the tax status of such interest. For example, legislative proposals are announced from time to time which generally would limit the exclusion from gross income of interest on obligations like the Series 2024 Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Series 2024 Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2024 Bonds. Prospective purchasers of the Series 2024 Bonds should consult their own tax advisors

regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Bond Counsel's opinion may be affected by action taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2024 Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such action or events are taken or do occur, or whether such actions or events may adversely affect the value or tax treatment of a Bond, and Bond Counsel expresses no opinion with respect thereto. Certain requirements and procedures contained or referred to in the Fiscal Agent Agreement, the tax certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2024 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to the exclusion from gross income of interest on any Series 2024 Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Best Best & Krieger LLP.

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 Notes will be selected for audit by the IRS. It is also possible that the market value of the Notes might be affected as a result of such an audit of the Notes (or by an audit of other similar bonds).

Although Bond Counsel will render an opinion that interest on the Series 2024 Bonds is excluded from gross income for federal income tax purposes provided the District continues to comply with certain requirements of the Code, the accrual or receipt of interest on the Series 2024 Bonds may otherwise affect the tax liability of the recipient.

The extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the Series 2024 Bonds.

#### **NO RATINGS**

The Water District has not applied to a rating agency for the assignment of a rating to the Series 2024 Bonds and does not contemplate applying for a rating.

#### **NO LITIGATION**

At the time of delivery of and payment for the Series 2024 Bonds, the Water District Attorney will deliver his or her opinion that to the best of its knowledge there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or regulatory agency pending against the Water District, except as described under "SPECIAL RISK FACTORS –Proposition 218 Litigation," affecting its existence or the titles of its officers to office or seeking to restrain or to enjoin the issuance, sale or delivery of the Series 2024 Bonds, the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, or the collection or application of the Special Tax to pay the principal of and interest on the Series 2024 Bonds, or in any way contesting or affecting the validity or enforceability of the Series 2024 Bonds, the Fiscal Agent Agreement or any action of the Water District contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Water District or its authority with respect to the Series 2024 Bonds or any action of the Water District contemplated by any of said documents.

## **EXECUTION**

The execution and delivery of this Official Statement by the Water District has been duly authorized by the Board of Directors, as the legislative body of the District.

**VALLEY CENTER MUNICIPAL WATER  
DISTRICT acting on behalf of COMMUNITY  
FACILITIES DISTRICT NO. 2020-1 OF THE  
VALLEY CENTER MUNICIPAL WATER  
DISTRICT**

By: \_\_\_\_\_  
General Manager,  
Valley Center Municipal Water District

## **APPENDIX A**

### **RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX**



## APPENDIX B

### VALLEY CENTER AND SAN DIEGO COUNTY

*The Community Facilities District No. 2020-1 (Park Circle East/West) of the Valley Center Municipal Water District (the “District”) and the Valley Center Municipal Water District (the “Water District”) are located in the census-designated place of Valley Center (the “Valley Center”), which is located in San Diego County (the “County”), California (the “State”). Certain financial and economic data for the Valley Center, the County, and State are presented in this appendix for information purposes only. The Series 2024 Bonds are not a debt or obligation of the Water District, County, or State, but are a limited obligation of the Water District, secured solely by the Special Tax Revenues and other amounts pledged under the Fiscal Agent Agreement, all as described in more detail in this Official Statement.*

#### General Description and Location

Valley Center is an unincorporated rural community in northern San Diego County with a population of approximately 3.2 million, as of January 1, 2024. Valley Center encompasses approximately 100 square miles is located approximately 40 miles northeast of San Diego and 112 miles southeast of Los Angeles, and is 25 miles from the coastline of the Pacific Ocean.

#### Population

Population figures for Valley Center, the County and the State for the last five (5) years are shown in the following table.

#### SAN DIEGO COUNTY AND THE STATE OF CALIFORNIA Population Estimates Calendar Years 2020 through 2024 as of January 1

<u>Calendar Year</u>	<u>San Diego County</u>	<u>State of California</u>
2020	3,331,279	39,648,938
2021	3,315,404	39,466,855
2022	3,278,730	39,114,785
2023	3,290,423	39,061,058
2024	3,291,101	39,128,164

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Source: State of California Department of Finance.

#### Employment and Industry

The County is included in the San Diego- Carlsbad Statistical Area (“MSA”). The unemployment rate in the County was 3.9% as of calendar year 2023, up slightly from 3.5% in calendar year 2022. This compares with an average unemployment rate of 4.8 percent for California and 3.6 percent for the nation during the same period.

Set forth below is data from calendar years 2019 to 2023 reflecting the County’s civilian labor force, employment and unemployment. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in Valley Center.

**SAN DIEGO CARLSBAD MSA**  
**(San Diego County)**  
**Annual Average Labor Force and Employment by Industry**  
**Calendar Years 2019 through 2023**  
**(March 2020 Benchmark)**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Civilian Labor Force	1,580,800	1,544,300	1,544,400	1,578,500	1,596,400
Employment	1,529,400	1,599,300	1,544,300	1,523,300	1,534,400
Unemployment	51,400	145,000	100,100	55,200	62,000
Unemployment Rate	3.3%	9.4%	6.5%	3.5%	3.9%

	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>
Total, All Industries	1,512,800	1,395,000	1,451,000	1,540,800	1,561,000
Total Farm	9,700	9,200	9,000	9,600	9,500
Mining and Logging	400	300	300	400	300
Construction	84,000	81,300	83,800	87,600	89,800
Manufacturing	115,700	113,800	114,400	116,900	115,100
Trade, Transportation and Utilities	224,000	207,800	216,800	222,400	223,100
Information	23,500	22,100	21,500	22,100	21,900
Financial Activities	76,500	74,800	76,200	76,900	72,700
Professional and Business Services	255,800	248,300	265,300	282,500	276,000
Educational and Health Services	216,600	210,900	216,700	228,300	243,200
Leisure and Hospitality	201,700	144,800	161,600	193,100	201,600
Other Services	56,400	44,800	47,500	54,400	57,100
Government	248,600	237,100	237,900	246,600	251,300

<sup>(1)</sup> Totals may not add due to rounding.

Source: State of California Employment Development Department.

## Largest Employers

The following table lists the principal employers within the County, ranked by number of employees, as of June 30, 2023.

### SAN DIEGO COUNTY Principal Employers As of June 30, 2023

<u>Rank</u>	<u>Employer</u>	<u>No. of Employees</u>	<u>Percentage of Total County Employment</u>
1.	U.C. San Diego	35,802	2.34%
2.	Sharp Healthcare	19,468	1.27
3.	County of San Diego	17,954	1.17
4.	City of San Diego	11,820	0.77
5.	General Atomics (and affiliated companies)	6,745	0.44
6.	San Diego State University	6,454	0.42
7.	Rady Children's Hospital – San Diego	5,711	0.37
8.	San Diego Community College District	5,400	0.35
9.	Sempra Energy	5,063	0.33
10.	YMCA of San Diego County	5,057	0.33

Source: County of San Diego Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2024.

## Commercial Activity

Summaries of historic taxable sales within County during the past five (5) years in which data is available are shown in the following tables.

Total taxable sales during calendar year 2023 in the County were \$80,308,649, a 0.49% decrease over the total taxable sales of \$80,699,961 reported during calendar year 2022.

### SAN DIEGO COUNTY Taxable Retail Sales Number of Permits and Valuation of Taxable Transactions (Dollars in Thousands)

<u>Calendar Year</u>	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2019	59,447	\$42,816,938	101,901	\$61,365,277
2020	62,897	41,336,898	109,428	58,814,528
2021	55,683	49,891,084	98,392	71,714,654
2022	56,988	55,405,594	101,259	80,699,961
2023	55,009	54,839,969	99,265	80,308,649

Source: State of California Department of Tax and Fee Administration.

## APPENDIX C

### FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Board of Directors  
Valley Center Municipal Water District  
P.O. Box 67  
29300 Valley Center Rd.  
Valley Center, CA 92082

OPINION: \$\_\_\_\_\_ Community Facilities District No. 2020-1 (Park Circle East/West) of the Valley Center Municipal Water District Series 2024 Special Tax Bonds

Members of the Board of Directors:

We have acted as Bond Counsel to Valley Center Municipal Water District (the “Water District”) in connection with the issuance of the \$\_\_\_\_\_ Community Facilities District No. 2020-1 (Park Circle East/West) of the Valley Center Municipal Water District Series 2024 Special Tax Bonds (the “Bonds”), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311, *et seq.* of the California Government Code (the “Act”) and that certain Fiscal Agent Agreement, dated as of \_\_\_\_\_ 1, 2024 (the “Fiscal Agent Agreement”), by and between the Water District, on behalf of the Community Facilities District No. 2020-1 (Park Circle East/West) of the Valley Center Municipal Water District, and Zions Bancorporation, National Association, as fiscal agent. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Water District contained in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials 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:

1. The Water District is a municipal water district duly organized and existing under and by virtue of the laws of the State of California, with the power to adopt the resolution authorizing the issuance of the Bonds, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein, and to issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the Water District and are valid and binding limited obligations of the District, payable solely from the sources provided therefor in the Fiscal Agent Agreement.

3. The Fiscal Agent Agreement has been duly entered into by the Water District and constitutes a valid and binding obligation of the Water District enforceable upon the Water District.

4. Pursuant to the Act, the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individual and corporations, however, interest on the Bonds is taken into account in determining the annual

adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in the preceding sentence are subject to the condition that the Water District and District comply with all requirements of the Internal Revenue Code of 1986, as amended, relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Water District 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 Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

## **APPENDIX D**

### **FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS**

#### **CONTINUING DISCLOSURE CERTIFICATE (Water District)**

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) dated as of [\_\_\_\_\_] 1, 2024, is executed and delivered by the Valley Center Municipal Water District (the “Water District”) in connection with the execution and delivery of the Community Facilities District No. 2020-1 (Park Circle East/West) of the Valley Center Municipal Water District Series 2024 Special Tax Bonds (the “Bonds”). The Bonds are being executed and delivered pursuant to that certain Fiscal Agent Agreement, dated as of \_\_\_\_\_ 1, 2024 (the “Fiscal Agent Agreement”), by and between the Water District and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”).

The Water District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Water District for the benefit of the holders and beneficial owners of the 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 herein, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the Water District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Annual Report Date” means the 1st of April after the end of the Water District’s Fiscal Year.

“Dissemination Agent” means the Koppel & Gruber Public Finance, or any successor Dissemination Agent designated in writing by the Water District and which has filed with the Water District a written acceptance of such designation.

“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, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Official Statement” means the final official statement executed by the Water District in connection with the issuance of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the 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 Water District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2025, with the report for Fiscal Year 2023-24, 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 fifteen (15) business days prior to the Annual Report Date, the Water District shall provide the Annual Report to the Dissemination Agent (if other than the Water District). If by fifteen (15) business days prior to the Annual Report Date the Dissemination Agent (if other than the Water District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Water District to determine if the Water District 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 Water District 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 Water District's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The Water District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Water District hereunder.

(b) If the Water District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Water District shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A to this Disclosure Certificate.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine prior to each 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 Water District, file a report with the Water District 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 Water District's Annual Report shall contain or incorporate by reference the following:

(a) The Water District's audited financial statements 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. If the Water District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following information, unless otherwise specified, as of April 1 of the preceding year:

(i) Principal amount of all outstanding bonds issued for District.

(ii) Balance in the Project Fund, until such time as the fund is closed.

(iii) Balance in the Reserve Fund, and statement of the Reserve Requirement as of the immediately preceding April 1.

(iv) Update of Table 1 – Projected Debt Service Coverage.

(v) Update of Table 6 - Value to Lien Ratios by Owner.

(vi) Update of Table 7 – Value to Lien Ratios by Zone.

(vii) Update of Table 8, using assessed values instead of assessed values, aggregating individual owners but identifying separately any property owner responsible for more than 5% of the Special Tax.

(viii) Update of Table 9, showing the Special Tax levy, the delinquency rate, total amount of delinquencies, number of parcels delinquent in payment for the five (5) most recent Fiscal Years.

(ix) Notwithstanding the April 1 reporting date, the following information shall be reported as of October 1 immediately preceding the date of the Annual Report rather than as of April 1. Identity of each delinquent taxpayer responsible for five percent (5%) or more of total Special Tax levied, and the following information: assessor parcel number, assessed value of applicable properties, amount of Special Tax levied, amount delinquent by parcel number and status of foreclosure proceedings. If any foreclosure has been completed, summary of results of foreclosure sales or transfers.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the Water District shall provide such further material 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.

(d) 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 Water District 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 Water District shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Significant Events.

(a) The Water District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 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 security, or other material events affecting the tax status of the security.

(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 Water District or other obligated person.
  - (13) The consummation of a merger, consolidation, or acquisition involving the Water District or an obligated person, or the sale of all or substantially all of the assets of the Water District or an obligated person (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.
  - (15) Incurrence of a financial obligation of the Water District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Water District, any of which affect security holders, if material (for the definition of “financial obligation,” see clause (e)).
  - (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Water District, any of which reflect financial difficulties (for the definition of “financial obligation,” see clause (e)).
- (b) Whenever the Water District obtains knowledge of the occurrence of a Listed Event, the Water District shall, or shall cause the Dissemination Agent (if not the Water District) 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 ten (10) business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of a Listed Event 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 Water District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) 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 Bonds. The Water District 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. Whenever the Water District obtains knowledge of the occurrence of any of these Listed Events, the Water District 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 Water District will cause a notice to be filed as set forth in paragraph (b) above. The Dissemination Agent shall not be responsible for determining whether an event is material.

(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 Water District 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 Water District, 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 Water District.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Water District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Water District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The Water District 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 Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing thirty (30) days’ written notice to the Water District.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Water District 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 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 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 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 nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 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 Report 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 this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report 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 Water District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Water District 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 Water District 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 Water District 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. If the Water District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Water District 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 Water District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Water District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they 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 by the Water District hereunder and shall not be deemed to be acting in any fiduciary capacity for the Water District, the Bond holders, or any other party. The obligations of the Water District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the Water District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Water District, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Certificate as of the date first above written.

**VALLEY CENTER MUNICIPAL WATER  
DISTRICT, on behalf of Community Facilities  
District No. 2020-1 (Park Circle East/West) of the  
Valley Center Municipal Water District**

By: \_\_\_\_\_  
General Manager,  
Valley Center Municipal Water District

ACKNOWLEDGED:

By: \_\_\_\_\_  
Koppel & Gruber Public Finance,  
as Dissemination Agent

**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Valley Center Municipal Water District

Name of Bond Issue: \$\_\_\_\_\_ Community Facilities District No. 2020-1 (Park Circle East/West)  
of the Valley Center Municipal Water District Series 2024 Special Tax Bonds (the  
“Bonds”)

Date of Issuance:

NOTICE IS HEREBY GIVEN that the Valley Center Municipal Water District (the “Water District”) on behalf of Community Facilities District No. 2020-1 (Park Circle East/West) of the Valley Center Municipal Water District has not provided an Annual Report with respect to the above-named Bonds as required by the Fiscal Agent Agreement dated as of \_\_\_\_\_, 2024, by and between the Water District and Zions Bancorporation, National Association, as Fiscal Agent. The Water District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated:

VALLEY CENTER MUNICIPAL WATER DISTRICT,  
on behalf of Community Facilities District No. 2020-1  
(Park Circle East/West) of the Valley Center Municipal  
Water District

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## **APPENDIX E**

### **SUMMARY OF CERTAIN PROVISIONS OF FISCAL AGENT AGREEMENT**

*The following is a summary of the provisions of the Fiscal Agent Agreement. Such summary is not intended to be definitive, and reference is made to the respective complete documents for the complete terms thereof. A copy of the Fiscal Agent Agreement is available upon request from the Fiscal Agent.*

## APPENDIX F

### 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 Series 2024 Bonds, payment of principal, interest and other payments on the Series 2024 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 fiscal 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 do so 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. DTC will act as securities depository for 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.