

CITY OF MORENO VALLEY, CALIFORNIA
COMMUNITY FACILITIES DISTRICT NO. 87-1 (TOWNGATE)
IMPROVEMENT AREA NO. 1

**ANNUAL SPECIAL TAX AND
BOND ACCOUNTABILITY REPORT
FOR FISCAL YEAR 2016/17**



Report Date:
MAY 2016

Prepared by:
PUBLIC WORKS DEPARTMENT
SPECIAL DISTRICTS DIVISION

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I. INTRODUCTION

A. DESCRIPTION OF PROCEEDINGS

The City of Moreno Valley, California (“City”) is located in the western portion of Riverside County and is bordered by the cities of Riverside and Perris, Lake Perris, and March Air Reserve Base.

On November 4, 1987, the former Community Redevelopment Agency (RDA) (“Agency”) of the City of Moreno Valley and the Community Facilities District No. 87-1 (“CFD No. 87-1”) entered into a Cooperation Agreement (the “1987 Cooperation Agreement”) for the purpose of providing financing for the construction of Public Facilities in the Redevelopment Project Area and CFD No. 87-1, the area known as Towngate.

The Agency and RIR Associates (the Participant to improve the Towngate site) entered into an Owner Participation Agreement (OPA) for the purpose of improving the Towngate site. The OPA was originally approved on October 3, 1990, and subsequently amended on August 20, 1991, and September 17, 1991.

In 1992, the Community Facilities District No. 87-1 Improvement Area No.1 (“CFD No. 87-1 IA 1” or “District”) was formed to finance the costs to construct, purchase, modify, expand, improve, and rehabilitate additional public facilities within CFD No. 87-1. The facilities included the acquisition, construction and/or installation of certain domestic water improvements, sewer improvements, traffic signals, freeway ramps and land for a detention basin.

On March 23, 1993, the City Council approved the issuance of \$5,000,000 of CFD No. 87-1 IA 1 Special Tax Bonds, which were issued on April 1, 1993.

On April 13, 1993, the City, acting on behalf of CFD No. 87-1, entered into a Cooperation and Reimbursement Agreement (which was subsequently amended on June 1, 1994) with the Agency for the purpose of contributing tax increment (TI) funds to assist with the payment of debt service on the bonds in CFD No. 87-1 IA 1.

On October 23, 2007, the City Council approved issuance of the 2007 Towngate Special Tax Refunding Bonds for CFD No. 87-1 (Towngate) per Resolution No. 2007-119; the Issuance of Special Tax Refunding Bonds for CFD No. 87-1 IA 1, per Resolution No. 2007-120; and, the adoption of Resolution No. 2007-122, for the execution of the Agency Improvement Area Agreement between the City, on behalf of CFD No. 87-1 and CFD No. 87-1 IA 1 and the Agency, which restates the Agency’s obligation to make payments of available TI for CFD No. 87-1 IA 1.

Also, on October 23, 2007, the City Council approved Resolution No. 2007-122, authorizing the execution of the Agency Improvement Area Agreement (“Agreement”). Per the terms of the Agreement, the Agency shall, during each bond year for so long as the 2007 Improvement Area Refunding Bonds are outstanding, annually determine and contribute such amounts payable to the District after applying the TI based upon the percentages set forth in the Rate and Method of Apportionment (RMA).

On November 29, 2007, \$4,075,000 of Special Tax Refunding Bonds were issued for CFD No. 87-1 IA 1, pursuant to the Mello-Roos Community Facilities Act of 1982 as amended (Sections 53311 *et seq.* of the Government Code of the State of California).

In June of 2011, the California State Legislature approved trailer bills AB 1x 26 and AB 1x 27 to dissolve redevelopment agencies.

On January 10, 2012, the Moreno Valley City Council adopted Resolution No. 2012-04, designating the City of Moreno Valley as the Successor Agency to the Community Redevelopment Agency of Moreno Valley (“Successor Agency”) for the purpose of discharging the obligations of the former Agency.

Following dissolution of the Agency, the process established to discharge the Agency’s obligations requires the City, as Successor Agency, to submit a Recognized Obligation Payment Schedule (ROPS) to the Department of Finance (DOF), which includes payment of available TI towards the CFD No. 87-1 IA 1 special tax. The DOF has approved the payment of TI for this purpose through June 2017. If future TI is unavailable, debt service payment obligations will need to be met through the collection of the special taxes.

For further information concerning the City, Agency, or supporting documents, reference is made to the Official Statement of the CFD No. 87-1 IA 1 Special Tax Refunding Bonds (“Bonds”).

Table 1: Summary of Proceedings

Document	Number	Date
Resolution of Intention	91-91	June 25, 1991
Resolution of Formation	92-119	November 17, 1992
Resolution of Issuance (1993 Bonds)	93-16	March 23, 1993
Resolution of Issuance (Bonds)	2007-120	October 23, 2007

CFD 87-1, Improvement Area No. 1 Bonds	
Date of Bond Issue (Dated Date)	November 29, 2007
Date of Bond Maturity	October 1, 2023
Amount of Bond Issue	\$4,075,000
Bond Rating	Not Rated

Table 2: 2007 Special Tax Refunding Bond Principal

Year	CUSIP*	Principal	Year	CUSIP*	Principal
2012	616865 DR9	\$210,000	2018	616865 DX6	\$275,000
2013	616865 DS7	220,000	2019	616865 DY4	290,000
2014	616865 DT5	230,000	2020	616865 DZ1	300,000
2015	616865 DU2	240,000	2021	616865 EA5	315,000
2016	616865 DV0	250,000	2022	616865 EB3	330,000
2017	616865 DW8	260,000	2023	616865 EC1	345,000

* Committee on Uniform Security Identification Procedures (CUSIP)

The principal amount outstanding for the Bonds following the October 1, 2015 debt service payment is \$2,365,000. For a complete principal payment schedule, please refer to Appendix C: Debt Service Schedule.

B. DISTRICT DESCRIPTION

CFD No. 87-1 IA 1 is located within the boundaries of the Towngate development and consists of the following areas: 1) Regional Mall, 2) Towngate Promenade, 3) Fire Station, and 4) Towngate Square.

The District encompasses a portion of the Towngate development and currently consists of approximately 143.41 net taxable, developable acres of land located in the City, as identified in the Riverside County Assessor Parcel Maps. The land encompasses Lots 2, 4, and 7 of Tract Map No. 22049, as recorded in Map Book 177, Pages 1 through 8, of Riverside County, California. Subsequently, Lot 2 was subdivided into Parcels 1 through 6 of Tract Map No. 27143, and Lot 4 was subdivided into Parcels 1 through 5 of Tract Map No. 27398. Lot 7 (Tract Map No. 22049) was subdivided into two parcels.

The 143.41 net taxable acres of land are divided into two Tax Rate Areas for the purposes of calculating and applying special taxes. In accordance with the RMA, taxable property is located within one of two Tax Rate Areas. Tax Rate Area 1 includes all property located on Lot 2 of Tract Map No. 22049, as subdivided and consists of approximately 80.15 net taxable acres. Tax Rate Area 2 includes all property located on Lots 4 and 7 of Tract Map No. 22049, as subdivided. With the subdivision of Lot 7, which includes the designation of the fire station site within Lot 7, the Tax Rate Area 2 assessable acres were reduced by 1.25 acres, resulting in a change from approximately 64.55 to 63.30 net taxable acres. Additional development on multiple parcels has adjusted acreage within the District, reducing the assessable acres for Tax Rate Area 2 by 0.04 acres, from 63.30 net taxable acres to 63.26 net taxable acres.

i. ASSESSED VALUATION

The following tables set forth the most recent assessed and historical assessed values for taxable property within the District.

Table 3: Assessed Valuation

Current Assessor's Parcel Number	Property Owner	Development Status	Taxable Acres	2016/17 Assessed Land Value	2016/17 Assessed Structure Value	Total 2016/17 Assessed Value
291-110-032	2250 TOWN CIRCLE HOLDINGS	Developed	31.09	\$ 12,504,237	\$ 49,799,487	\$ 62,303,724
291-110-033	2250 TOWN CIRCLE HOLDINGS	Developed	7.43	3,518,581	8,441,989	11,960,570
291-110-034	EL CORTE INGLES	Developed	9.58	6,513,835	11,039,632	17,553,467
291-110-035	SERITAGE SRC FINANCE	Developed	10.51	4,732,025	8,872,548	13,604,573
291-110-036	J C PENNEY PROP INC	Developed	10.13	6,941,912	11,987,648	18,929,560
291-110-037	MACYS CALIF INC	Developed	11.41	5,205,228	9,582,354	14,787,582
Tax Rate Area 1 (59%)			80.15	\$ 39,415,818	\$ 99,723,658	\$ 139,139,476
291-110-039	COSTCO WHOLESALE CORP	Developed	12.69	\$ 5,885,548	\$ 9,833,676	\$ 15,719,224
291-110-040	NEAL T BAKER ENTERPRISES	Developed	0.79	854,908	652,831	1,507,739
291-110-041	CFT DEV	Developed	0.79	936,341	786,022	1,722,363
291-650-001	LEW LA FAYETTE PROP	Developed	1.5	1,019,571	2,018,336	3,037,907
291-650-002	WINCO FOODS	Developed	10.94	4,987,183	3,540,494	8,527,677
291-650-003	GATEWAY CO	Undeveloped ¹	0.94	33,902	53,935	87,837
291-650-004	GATEWAY CO	Undeveloped ¹	1.96	70,698	22,770	93,468
291-650-005	GATEWAY CO	Undeveloped ¹	1.95	70,340	58,557	128,897
291-650-006	GATEWAY CO	Undeveloped ¹	1.9	68,532	79,710	148,242
291-650-007	GATEWAY CO	Undeveloped ¹	1.56	56,267	157,641	213,908
291-650-008	GATEWAY CO	Undeveloped ¹	1.98	71,419	47,269	118,688
291-650-009	GATEWAY CO	Undeveloped ¹	2.07	74,666	112,491	187,157
291-650-018	SDG INV	Developed	1.05	551,816	1,490,129	2,041,945
291-650-020	GATEWAY CO	Undeveloped ¹	1.29	-	-	-
291-650-021	FOCUS DAY STREET	Undeveloped ¹	1.42	-	-	-
291-660-001	GATEWAY CO	Developed	1.15	26,499	2,552,715	2,579,214
291-660-002	GATEWAY CO	Developed	1.23	1,118,052	2,085,131	3,203,183
291-660-003	MAX EXO	Developed	1.13	694,972	364,132	1,059,104
291-660-004	GALA DEV PARTNERS	Undeveloped ¹	1.13	1,015,156	99,608	1,114,764
291-660-028	AYRES MORENO VALLEY	Developed	2.76	2,523,667	5,961,178	8,484,845
291-660-029	BRE POLYGON PROP OWNER	Developed	2.39	2,142,000	10,710,000	12,852,000
291-660-033	GATEWAY CO	Undeveloped ¹	1.04	5,934	83,567	89,501
291-660-034	GATEWAY CO	Undeveloped ¹	1.18	26,720	108,493	135,213
291-660-035	CHE CHEN LIU	Developed	3.8	2,532,660	11,951,340	14,484,000
291-660-040	GATEWAY CO	Developed	1.53	35,413	166,583	201,996
291-660-042	GATEWAY CO	Developed	1.4	32,494	162,918	195,412
291-660-043	GATEWAY CO	Developed	1.69	38,554	94,293	132,847
Tax Rate Area 2 (41%)			63.26	\$ 24,873,312	\$ 53,193,819	\$ 78,067,131
Total				\$ 64,289,130	\$ 152,917,477	\$ 217,206,607

¹APNs which are Undeveloped, but have constructed certain parcel improvements.

Source: Assessed Values - Riverside County Secured Property Tax Roll.

Table 4: Historical Valuation

Fiscal Year	Total Assessed Value
2008/09	169,284,365
2009/10	148,773,858
2010/11	146,531,519
2011/12	198,988,088
2012/13	169,005,486
2013/14	145,649,897
2014/15	203,010,059
2015/16	206,977,552
2016/17	217,206,607

The Total Assessed Value includes land and structure values.

Source: Assessed Values - Riverside County Secured Property Tax Roll.

ii. DEVELOPMENT RESTRICTIONS

As of the date of this report, there have been no significant amendments to land use entitlements for property in the District, nor significant legislative, administrative, or judicial challenges to construction or develop in the District or for the use of any parcels known to the City.

iii. DEVELOPMENT STATUS

The following table sets forth a summary of the building permits (BP) and certificate of occupancy (CofO) issued for parcels subject to the special taxes for fiscal year (FY) 2015/16 through April 2016.

Table 5: Development Status

APN	Date Issued (1)	Business Name	Address	Sq. Footage	Occupancy Type
291-660-003	06/01/2015	TVCofO FOR TILTED KILT PUB & EATERY	12580 DAY ST	6,885	Restaurant
291-110-032 (2)	06/05/2015	CofO FOR THE REPAIR CENTER	22500 TOWN CIR SUITE #2057	1,385	Retail
291-110-032 (2)	06/10/2015	CofO FOR INW INC DBA CRICKET WIRELESS	22500 TOWN CIR SUITE #1168	Not Available	Retail
291-110-032 (2)	06/18/2015	CofO FOR NIEVE DE GARRAFA LA QUE BUENA	22500 TOWN CIR SUITE #1060	827	Retail
291-110-032 (2)	07/16/2015	CofO FOR SOLO WEAR	22500 TOWN CIR SUITE #2000	4,363	Retail
291-110-039	07/17/2015	TI FOR COSTCO RESTROOMS, FOOD COURT, AND REFRIGERATION	12700 DAY ST	Not Available	Retail
291-110-032 (2)	11/13/2015	CofO FOR CHAMPIONS BARBERSHOP	22500 TOWN CIR SUITE #2063	2,492	Retail
291-110-032 (2)	11/16/2015	CofO FOR VIP LUGGAGE & GIFTS	22500 TOWN CIR SUITE #2036	3,450	Retail
291-110-032 (2)	11/23/2015	CofO FOR FRAME FACTORY'	22500 TOWN CIR SUITE #2045	1,935	Retail
291-110-032 (2)	02/01/2016	CofO FOR DOLLAR FASHION	22500 TOWN CIR SUITE #1000	1,759	Retail
291-660-042	02/04/2016	NEW CONSTRUCTION FOR SHOP BLDG J; WEST SIDE OF ALDI (SHELL ONLY)	12620 DAY ST	8,400	Retail
291-660-040	02/04/2016	NEW CONSTRUCTION FOR SHOP BLDG L; LOCATED BETWEEN 24 HOUR FITNESS AND ALDI (SHELL ONLY)	12650 DAY ST	13,000	Retail
291-110-032 (2)	02/24/2016	CofO FOR ROMANCE CLOTHING	22500 TOWN CIR SUITE #2212	726	Retail
291-110-032 (2)	03/09/2016	TVCofO FOR KNOCKOUT BURGERS	22500 TOWN CIR SUITE #2136	856	Restaurant
291-110-032 (2)	04/05/2016	CofO FOR TORRID (CHANGE OF OWNERSHIP)	22500 TOWN CIR SUITE #1044A	2,500	Retail
291-110-032 (2)	04/12/2016	TVCofO FOR JUMP 'N JAMMIN CHILDRENS ENTERTAINMENT	22500 TOWN CIR SUITE #2126	8,136	Amusement
291-110-032 (2)	04/13/2016	CofO FOR ROSBY - ZERO GRAVITY TRADING CARD GAMES & COLLECTIBLES	22500 TOWN CIR SUITE #2078	4,700	Retail
291-110-032 (2)	04/15/2016	TENANT IMPROVEMENTS FOR FOREVER 21 (FUTURE TENANT) INSTALL ELEVATOR, ESCALATOR, NEW RTU, ELEC UPGRADES, MISC PLUMBING	22500 TOWN CIR SUITES #1045 & #2042	Not Available	Retail
291-110-032 (2)	04/15/2016	CofO FOR SUBWAY (CHANGE OF OWNERSHIP)	22500 TOWN CIR SUITE #2139	1,109	Restaurant
291-110-032 (2)	04/19/2016	CofO FOR BODY BASICS	22500 TOWN CIR SUITE #1147	4,421	Retail

Notes:
¹ Date issued represents the date the certificate of occupancy or tenant improvement permit was issued, not the date of the final
² 291-110-032 is the Mall's Main Area, which includes the smaller (non-anchor) shops.

Source: Permit Plus

C. PUBLIC FACILITIES

The District was formed by the City to finance the acquisition of the following infrastructure: detention basin land acquisition, Lot 2 transmission and distribution site, Towngate Circle and Dracaea Avenue sewer, traffic signals, modification of the eastbound off ramp at Day Street and State Highway 60, and modification of the westbound off ramp at Frederick Street and Pigeon Pass Road and all necessary appurtenances and appurtenant work.

II. FINANCIAL INFORMATION

A. FINANCIAL STATEMENTS

The City's audited financial statements for the period ending June 30, 2016 will be filed separately with the Electronic Municipal Market Access EMMA service provided by the Municipal Securities Rulemaking Board (www.emma.msrb.org) and are hereby incorporated by reference into this report. The audited financial statements will also be available through the City's Financial & Management Services Department and available for review on the City's website at www.moval.org.

B. DESCRIPTION OF FUNDS

The Bond Indenture (Article III) requires the Trustee to establish and maintain the following funds and accounts.

i. SPECIAL TAX FUND

The Trustee shall transfer available monies from the Special Tax Fund in accordance with the Bond Indenture (Section 3.2).

a) Administrative Expense Account

The Trustee, in accordance with the Bond Indenture (Section 3.3), shall not less than annually, transfer payment of funds to the Administrative Expense Account.

b) Principal and Interest Accounts

The principal and interest due on the Bonds until maturity shall be paid by the Trustee from the Principal and Interest Accounts. In accordance with the Bond Indenture (Section 3.4), the Trustee shall transfer the payment of principal prior to each October 1 and interest prior to each April and October 1. Payment shall be applied first to the Interest Account, then to the Principal Account from the Special Tax Funds. If the amounts in the Special Tax Fund are inadequate, any deficiency shall be made up by the Reserve Account.

The payment of interest, as set forth in the Bond Indenture (Section 3.4[a]), shall equal the amount of interest due on the Bonds as of the interest payment date and include any amount of prior unpaid interest.

The payment of principal, as set forth in the Bond Indenture (Section 3.4[b]), shall equal the amount of the principal payment due on October 1 and any unpaid principal amount due from the previous October 1.

c) Redemption Account

As set forth in the Bond Indenture (Section 3.5), the Redemption Account is available for the purpose of paying the interest, principal, and premiums, if any, on the Bonds called for optional redemption. This fund shall be used solely for the purpose of redeeming Bonds.

d) Reserve Account

The Reserve Account, as set forth in the Bond Indenture (Section 3.6), is established to maintain an amount equal to the Reserve Requirement. The Reserve Account will be used solely to pay principal and interest on the Bonds in the event that the monies in the Interest and Principal Accounts are insufficient to pay the principal and interest due on any payment date or any required transfer to the Rebate Fund in accordance with the Bond Indenture.

As set forth in the Bond Indenture, monies in the Reserve Account in excess of the Reserve Requirement are to be transferred to the Interest Account to pay interest on the Bonds.

ii. REBATE FUND

Per the Bond Indenture (Section 3.7), the Trustee shall establish and maintain the Rebate Fund, which is separate from any other fund. All money at any time deposited in the Rebate Fund, Rebate Account, or Alternative Penalty Account shall be held by the Trustee for payment to the United States Treasury.

a) Rebate Account

The Rebate Account shall be maintained by the Trustee in accordance with Section 3.7(i) of the Bond Indenture.

b) Alternative Penalty Account

The Alternative Penalty Account shall be maintained by the Trustee in accordance with Section 3.7(ii) of the Bond Indenture.

c) Rebate Liability

In accordance with the Bond Indenture (Section 3.7), the District shall calculate or cause to be calculated the rebatable arbitrage for each series of Bonds in accordance with the Tax Certificate for the Bonds, and shall direct in writing the Trustee to transfer funds to the Rebate Fund from the funds furnished by the District. The Arbitrage Rebate Consultant has prepared the required computations for the arbitrage rebate liability for each account requiring an arbitrage calculation, as shown in Table 6, for the computation period beginning November 29, 2007 and ending October 1, 2012. The next computation for the Bonds is due October 1, 2017.

Table 6: Arbitrage Rebate Liability

For the Period November 29, 2007 – October 1, 2012
Arbitrage Calculations Summary for Improvement Area No.1
Special Tax Refunding Bonds (2007)

For the Period November 29, 2007 – October 1, 2012

¹ FV Prior Liability - 10/01/10	\$ (66,891.67)
Reserve	(36,011.04)
¹ FV Computation Date Credit - 10/01/11	(1,593.30)
Computation Date Credit - 10/01/12	(1,550.00)
Total	\$ (106,046.01)
Rebate Liability (90% of Total)	-

¹ FV = Future Value

Source: Arbitrage Rebate Calculation dated October 2012, as prepared by Willdan Financial Services.

iii. COSTS OF ISSUANCE FUND

In accordance with the Bond Indenture (Section 3.9), the Trustee has disbursed all monies from the Costs of Issuance Fund. During FY 2008/09, all remaining monies were transferred by the Trustee to the Surplus Fund and the Costs of Issuance Fund was closed.

iv. SURPLUS FUND

After all transfers have been made as required by the Bond Indenture (Sections 3.3 thru 3.7), all remaining amounts in the Special Tax Fund, if any, shall be transferred to the Surplus Fund. Monies remaining in this fund may be used for payment of interest, principal, administrative expenses, replenishment of the Reserve Fund, reduction of next year's special tax levy, or for any other lawful purpose.

C. FUND BALANCES

All TI and special taxes received to-date for FY 2015/16 have been collected and transferred to the Trustee in compliance with the Bond Indenture. The Bonds were primarily issued for refunding purposes. As such, no proceeds were allocated for the establishment or funding of an Acquisition and Construction Fund.

Table 7: Fund Balances

Fund / Account	Balance as of March 31, 2016
Special Tax Fund	\$ 125,285.47
Interest Account	55,319.38
Principal Account	0.84
Redemption Account	-
Reserve Account	365,351.25
Administration Expense Account*	795.29
Rebate Fund	-
Cost of Issuance Fund	-
Surplus Fund	100,436.94

* Funds in the Reserve Account reflect an amount at least equal to the Reserve Fund Requirement. The Reserve Fund Requirement for FY 2016/17 is \$365,351.25.

III. COMPUTATION OF THE SPECIAL TAX REQUIREMENT

A. ADMINISTRATIVE EXPENSES

The administrative expense categories are described below. The estimates for these administrative expenses are set forth in Section III.B of this report, Special Tax Requirement.

These types of expenses shall be paid from the Special Tax Fund (Section 3.3 of the Bond Indenture).

i. SPECIAL TAX REPORT AND ADMINISTRATION

This expense relates to the cost for preparing the Special Tax Report, Continuing Disclosure Report, delinquency monitoring, and the special tax installment information to submit to the County of Riverside.

ii. TRUSTEE FEES

This expense relates to the fees for the Trustee's services associated with bond and fund administration.

iii. ARBITRAGE REBATE CALCULATION

This expense is related to the cost of calculating the arbitrage rebate as required by Federal Law.

iv. PROFESSIONAL SERVICES

This expense relates to the costs for preparation and dissemination of significant event reports associated with CFD No. 87-1 IA 1, which may include disclosure legal counsel services.

v. CITY COSTS – PERSONNEL

This estimated cost relates to the City's expense for coordinating the consultants, attorneys, bankers, investment bankers, and other administrative contractors, as well as administrative services and program management provided by the City staff in monitoring tax installments, foreclosure proceedings, bond proceedings, and compliance with related laws.

vi. CITY COSTS – ACCOUNTING

This expense relates to the cost of the City's accounting of the Bond proceeds, fund monitoring, and administration of the debt service requirements, as well as costs associated with outside auditors.

vii. CITY COSTS – GENERAL ADMINISTRATION

This expense relates to the cost of the City's general administrative services, overhead for personnel support, building rental and maintenance, insurance, City Council support, City Manager support, purchasing, communications, etc.

viii. COUNTY COSTS

This expense includes the Riverside County fees to levy and collect the tax installments on the property tax bills. Riverside County will assess additional fees for any adjustments made to the property tax bills.

B. SPECIAL TAX REQUIREMENT

Table 8: Special Tax Requirement FY 2016/17

GROSS REQUIREMENT		
Annual Debt Service		\$ 359,701.26
Reserve Fund Replenishment		-
	Total Debt Requirement	\$ 359,701.26
Administrative Expenses:		
Special Tax Report & Administration		\$ 14,586.00
Trustee Fees		\$ 2,000.00
Arbitrage Rebate Calculation		\$ 250.00
Professional Services		\$ 950.00
Personnel		\$ 4,161.00
Accounting		\$ 6,854.00
General Administration		\$ 3,621.00
	Total Administrative Expenses	\$ 32,422.00
County Costs:		
County Tax Roll Fees		\$ 200.00
	Total County Administrative Expenses	\$ 200.00
	Total Administrative Requirement	\$ 32,622.00
TOTAL GROSS SPECIAL TAX REQUIREMENT		\$ 392,323.26
CREDITS: INTEREST EARNINGS, TRANSFERS & CONTRIBUTIONS		
Interest Earnings (Estimated)		\$ -
Excess Credit		-
Surplus Reserve Fund Credit		100,436.93
Adjustments & Contingency		-
	Total Interest Earnings and Transfers	\$ 100,436.93
Tax Increment Contribution		\$ 275,803.25
	Total Tax Increment Contributions	\$ 275,803.25
TOTAL CREDITS		\$ 376,240.18
TOTAL NET SPECIAL TAX REQUIREMENT		\$ 16,083.08

IV. SPECIAL TAX ALLOCATION

The City has the power and as such is obligated to levy and collect the special tax according to the RMA, as approved by the property owners. The special tax formula apportions the total net special tax requirement (principal, interest, administrative expenses, and restoration of the Reserve Account, if required, less any TI contribution or other revenue).

The City has covenanted in the Bond Indenture (Section 5.2[b]) that it will levy the special tax for collection in each FY in order to generate that amount of special tax revenues which, when combined with the interest earnings on the various funds and accounts not required for rebate to the United States Treasury, will yield the required debt service payments, replenish the Reserve Account as provided, and pay for authorized administrative expenses.

A. ASSIGNMENT TO TAX RATE AREAS

The special tax shall be levied upon and collected from a parcel for a FY according to the designated Tax Rate Area to which that parcel has been assigned for the FY in which the levy is made. The special tax levy is calculated on acreage, as provided by the County of Riverside Assessor's office, for each year. "Tax Rate Area" refers to any of the two (2) categories as defined in the CFD Report. No special tax shall be levied on property which is owned by, dedicated or otherwise conveyed to, a public agency, according to the RMA.

B. MAXIMUM SPECIAL TAX RATE

The special tax rate shall be the amount set forth in Table 9 "Special Tax Allocation/Property Owners", as calculated in accordance with the RMA. The maximum special tax rate will be uniformly applied to the property in an amount not to exceed \$4,450 a net acre for Tax Rate Area 1, and shall not exceed \$3,850 a net acre for Tax Rate Area 2. There is no escalator clause for the special tax taxes. According to the RMA, Tax Rate Area 1 is responsible for 59% and Tax Rate Area 2 is responsible for 41% of the annual Special Tax Requirement.

C. RATE AND METHOD OF APPORTIONMENT

i. SPECIAL TAX LEVY

Each year, the City Council, acting as the Legislative Body of the District, shall approve and adopt a resolution of the Council approving the calculation of the maximum special tax rate for the FY for which the special tax shall be levied and direct the Chief Financial Officer (CFO) to determine the total special tax to be levied and collected for the current FY. This amount will include, but is not limited to, the amounts required to pay for the debt service on any indebtedness, replenishment of the Reserve Account as necessary, and payment of incidental or administrative expenses incurred by the District.

ii. SPECIAL TAX LIEN

The special taxes and any penalties thereon constitute a lien against the lots and parcels of land, which will be annually imposed until they are paid. Such lien is on parity with all special taxes and special assessments and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The special taxes have priority over all existing and future private liens imposed on the property. Although the special taxes constitute liens on taxed parcels within the District, they do not constitute a personal indebtedness of the owners of property within the District. There is no assurance that the owners will be financially able to pay the annual special taxes or that they will pay such taxes even if financially able to do so. With certain limitations, the City has covenanted to commence foreclosure proceedings in the event delinquencies occur. These limitations are more fully described in Article V of the Bond Indenture and in the "Sources of Payment for the Bonds" section of the Official Statement.

D. SPECIAL TAX ALLOCATION

The Special Taxes for the District are allocated to all taxable properties in Tax Rate Area 1 and Tax Rate Area 2. The following table sets forth the allocation of special taxes, along with the total amount of FY 2016/17 special tax levy for the combined Tax Rate Areas.

Table 9: Special Tax Allocation/Property Owners

Assessor's Parcel Number	Property Owner	Development Status	Taxable Acres	FY 2016/17 Maximum Special Tax	FY 2016/17 Special Tax	Percentage of Applied Special Tax	Bonded Indebtedness ²
291-110-032	2250 TOWN CIRCLE HOLDINGS	Developed	31.09	\$ 138,350.50	\$ 3,680.92	22.89%	\$ 541,253.04
291-110-033	2250 TOWN CIRCLE HOLDINGS	Developed	7.43	33,063.50	879.68	5.47%	129,350.60
291-110-034	EL CORTE INGLES	Developed	9.58	42,631.00	1,134.22	7.05%	166,780.45
291-110-035	SERITAGE SRC FINANCE	Developed	10.51	46,769.50	1,244.34	7.74%	182,971.04
291-110-036	J C PENNEY PROP INC	Developed	10.13	45,078.50	1,199.34	7.46%	176,355.53
291-110-037	MACYS CALIF INC	Developed	11.41	50,774.50	1,350.88	8.40%	198,639.34
Tax Rate Area 1 (59%)			80.15	\$ 356,667.50	\$ 9,489.38	59.00%	\$ 1,395,350.00
291-110-039	COSTCO WHOLESALE CORP	Developed	12.69	\$ 48,856.50	\$ 1,322.74	8.22%	\$ 194,512.46
291-110-040	NEAL T BAKER ENTERPRISES	Developed	0.79	3,041.50	82.34	0.51%	12,109.13
291-110-041	CFT DEV	Developed	0.79	3,041.50	82.34	0.51%	12,109.13
291-650-001	LEW LA FAYETTE PROP	Developed	1.50	5,775.00	156.34	0.97%	22,992.02
291-650-002	WINCO FOODS	Developed	10.94	42,119.00	1,140.32	7.09%	167,688.44
291-650-003	GATEWAY CO	Undeveloped ¹	0.94	3,619.00	97.98	0.61%	14,408.33
291-650-004	GATEWAY CO	Undeveloped ¹	1.96	7,546.00	204.30	1.27%	30,042.90
291-650-005	GATEWAY CO	Undeveloped ¹	1.95	7,507.50	203.24	1.26%	29,889.62
291-650-006	GATEWAY CO	Undeveloped ¹	1.90	7,315.00	198.04	1.23%	29,123.22
291-650-007	GATEWAY CO	Undeveloped ¹	1.56	6,006.00	162.60	1.01%	23,911.70
291-650-008	GATEWAY CO	Undeveloped ¹	1.98	7,623.00	206.38	1.28%	30,349.46
291-650-009	GATEWAY CO	Undeveloped ¹	2.07	7,969.50	215.76	1.34%	31,728.98
291-650-018	SDG INV	Developed	1.05	4,042.50	109.44	0.68%	16,094.41
291-650-020	GATEWAY CO	Undeveloped ¹	1.29	4,966.50	134.46	0.84%	19,773.13
291-650-021	FOCUS DAY STREET	Undeveloped ¹	1.42	5,467.00	148.00	0.92%	21,765.78
291-660-001	GATEWAY CO	Developed	1.15	4,427.50	119.86	0.75%	17,627.21
291-660-002	GATEWAY CO	Developed	1.23	4,735.50	128.20	0.80%	18,853.45
291-660-003	MAX EXO	Developed	1.13	4,350.50	117.78	0.73%	17,320.65
291-660-004	GALA DEV PARTNERS	Undeveloped ¹	1.13	4,350.50	117.78	0.73%	17,320.65
291-660-028	AYRES MORENO VALLEY	Developed	2.76	10,626.00	287.68	1.79%	42,305.31
291-660-029	BRE POLYGON PROP OWNER	Developed	2.39	9,201.50	249.12	1.55%	36,633.95
291-660-033	GATEWAY CO	Undeveloped ¹	1.04	4,004.00	108.40	0.67%	15,941.13
291-660-034	GATEWAY CO	Undeveloped ¹	1.18	4,543.00	122.98	0.76%	18,087.05
291-660-035	CHE CHEN LIU	Developed	3.80	14,630.00	396.08	2.46%	58,246.44
291-660-040	GATEWAY CO	Developed	1.53	5,890.50	159.48	0.99%	23,451.86
291-660-042	GATEWAY CO	Developed	1.40	5,390.00	145.92	0.91%	21,459.22
291-660-043	GATEWAY CO	Developed	1.69	6,506.50	176.14	1.10%	25,904.34
Tax Rate Area 2 (41%)			63.26	\$ 243,551.00	\$ 6,593.70	41.00%	\$ 969,650.00
Total			143.41	\$ 600,218.50	\$ 16,083.08	100.00%	\$ 2,365,000.00

¹APNs which are Undeveloped, but have constructed certain parcel improvements.

²The Bonded Indebtedness is calculated based on the proration of each parcels' Maximum Special Tax multiplied by the Bonds outstanding. Bonds are not allocated to or secured by any particular parcel within the District.

Source: Property Owners - Assessed Values - Riverside County Secured Property Tax Roll.

V. SPECIAL TAX PAYMENTS

A. DELINQUENCIES

For FY 2003/04 through 2014/15, the special tax obligation was funded with TI, as per the Agency Towngate Agreement, and special taxes. For FY 2015/16, \$114,070.40 was levied to cover the special tax requirement. There are currently no delinquencies in the District for 2015/16 or prior years.

Any adjustments for delinquent installments or to replenish the Reserve Account for withdrawals resulting from the delinquency in the payment of special taxes will only come from the Tax Rate Area that incurred the delinquency. For example, Tax Rate Area 1 cannot be charged with a delinquency caused by property located in Tax Rate Area 2.

Table 10: Delinquencies

Fiscal Year	No. of Parcels Levied	Amount Levied	No. of Parcels Delinquent ⁽¹⁾	Amount Delinquent	Percent Delinquent
2006/07	25	\$425,228.00	0	\$0.00	0.00%
2007/08	35	429,990.00	0	0.00	0.00%
2008/09	35	108,706.00	0	0.00	0.00%
2009/10	34	78,519.00	0	0.00	0.00%
2010/11	34	112,162.00	0	0.00	0.00%
2011/12	34	115,946.00	0	0.00	0.00%
2012/13	34	110,672.00	0	0.00	0.00%
2013/14	34	117,164.00	0	0.00	0.00%
2014/15	34	114,069.54	0	0.00	0.00%
2015/16	33	114,070.40	0	0.00	0.00%

⁽¹⁾ Amount delinquent per the Riverside County website

(<https://taxpayments.co.riverside.ca.us/taxpayments/Search.aspx>) as of April 26, 2016.

B. FORECLOSURE ACTIONS

There are no foreclosure actions or sales pending in the District. In the event of any delinquencies, the District has covenanted for the benefit of the owners of the Bonds that it shall commence and diligently pursue judicial foreclosure proceedings against parcels with delinquent special taxes in excess of \$1,000 by December 1 following the close of the FY in which such special taxes were due, and the District shall commence and diligently pursue judicial foreclosure proceedings against all parcels with delinquent special taxes by December 1 following the close of any FY in which it receives special taxes in an amount that is less than 90% of the total special tax levied for the FY.

Appendix A: PROPERTY TAX INCREMENT ANALYSIS

A. TAX INCREMENT CONTRIBUTION

In connection with the issuance of the Bonds, the District has covenanted in the Bond Indenture that each year it will levy special taxes up to the maximum rates permitted under the RMA in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay the principal and interest on any Outstanding Bonds to which the special taxes are pledged, to replenish the Reserve Account and to pay the estimated Administrative Expenses.

On April 13, 1993, prior to the issuance of the Improvement Area bonds, the Agency and the City acting on behalf of the CFD No. 87-1, entered into a Cooperation and Reimbursement Agreement ("Agreement"). Pursuant to Section 305, of the Agreement, the Agency is obligated to pay 100% of the FY's TI, up to the amount necessary to pay 70.3% of the debt service.

In 2007, Special Tax Refunding Bonds were issued. In accordance with the terms of the Agreement, the Agency agreed to pledge TI to assist with the payment of Debt Service. In determining the annual special tax requirement, Debt Service (including administrative costs and amount required to replenish the reserve fund) shall be reduced by 59% in Tax Rate Area 1 and 41% in Tax Rate Area 2 by TI and any other revenue source.

Additionally, the City, on behalf of CFD No. 87-1 IA 1 and the Agency, entered into an Agency Improvement Area Agreement, adopted on October 23, 2007 (RDA 2007-09), which restated the agreement of the Agency to make payments to the District based upon the percentages and terms set forth in the RMA.

In June of 2011, the California Legislature approved trailer bills AB 1x 26 and AB 1x 27 to dissolve redevelopment agencies. On January 10, 2012, the Moreno Valley City Council adopted Resolution No. 2012-04, which names the City of Moreno Valley as the Successor Agency to the Agency for the purpose of discharging the obligations of the former Agency.

Given the dissolution of the Agency and process established to discharge its obligations, the Successor Agency, submits a ROPS, which includes the calculation of the payment of available TI toward the CFD No. 87-1 IA 1 Special Tax. For FY 2016/17, the TI contribution is \$275,803.25, which is based upon 70.3% of the gross special tax calculation of \$392,323.26 (as identified in Table 8). The DOF has approved the payment of TI for this purpose through June 2017. If future TI is unavailable, debt service payment obligations will need to be met through the collection of the special taxes.

Based on the Agreements and under the new state legislation, the Successor Agency will submit the TI calculation as part of the ROPS.

Appendix B: Bond Accountability Report (SB 165)

This Bond Accountability Report is required to demonstrate the special tax requirement for each parcel within the District in order to meet the debt service requirements of the Bonds. Based upon the CFD No. 87-1 IA 1 special tax requirement as calculated in Table 8, the FY 2016/17 special tax levy for each assessable parcel is shown in Table 9.

The Local Agency Special Tax Bond and Accountability Act ("Act"), enacted by Senate Bill 165 and codified in the California Government Code Sections 53410 through 53412, requires local agencies to submit an annual report to its governing body on local bond measures sold after January 1, 2001. In addition to the Annual Special Tax Report, this report also serves as the Annual Bond Accountability Report as required in accordance with the Act. The purpose of the report is to comply with Section 53411 of the Government Code that states:

"The chief fiscal officer of the issuing local agency shall file a report with its governing body no later than January 1, 2002, and at least once a year thereafter. The annual report shall contain all of the following:

- (a) The amount of funds collected and expended.
- (b) The status of any project required or authorized to be funded as identified in subdivision (a) of Section 53410."

The requirements of the Act apply to the Improvement/Construction Fund of the District. All improvements for the District are complete. There were no improvement/construction funds associated with the issuance of CFD No. 87-1 IA 1 Bonds. Table 9 shows the special tax levied for each assessable parcel in the District for FY 2016/17. The amount levied is to pay the administrative expenses and debt service (principal and interest) for the District which was in excess of the allowable TI contribution.

District	Date Bonds Issued	Initial Amount Deposited to Improvement / Construction Fund	Balance as of October 31, 2015	Expended Amount to Date	Project Status
Improvement Area No. 1	Nov. 29, 2007	NA	NA	NA	Completed

For additional information, please see Section II Financial Information.

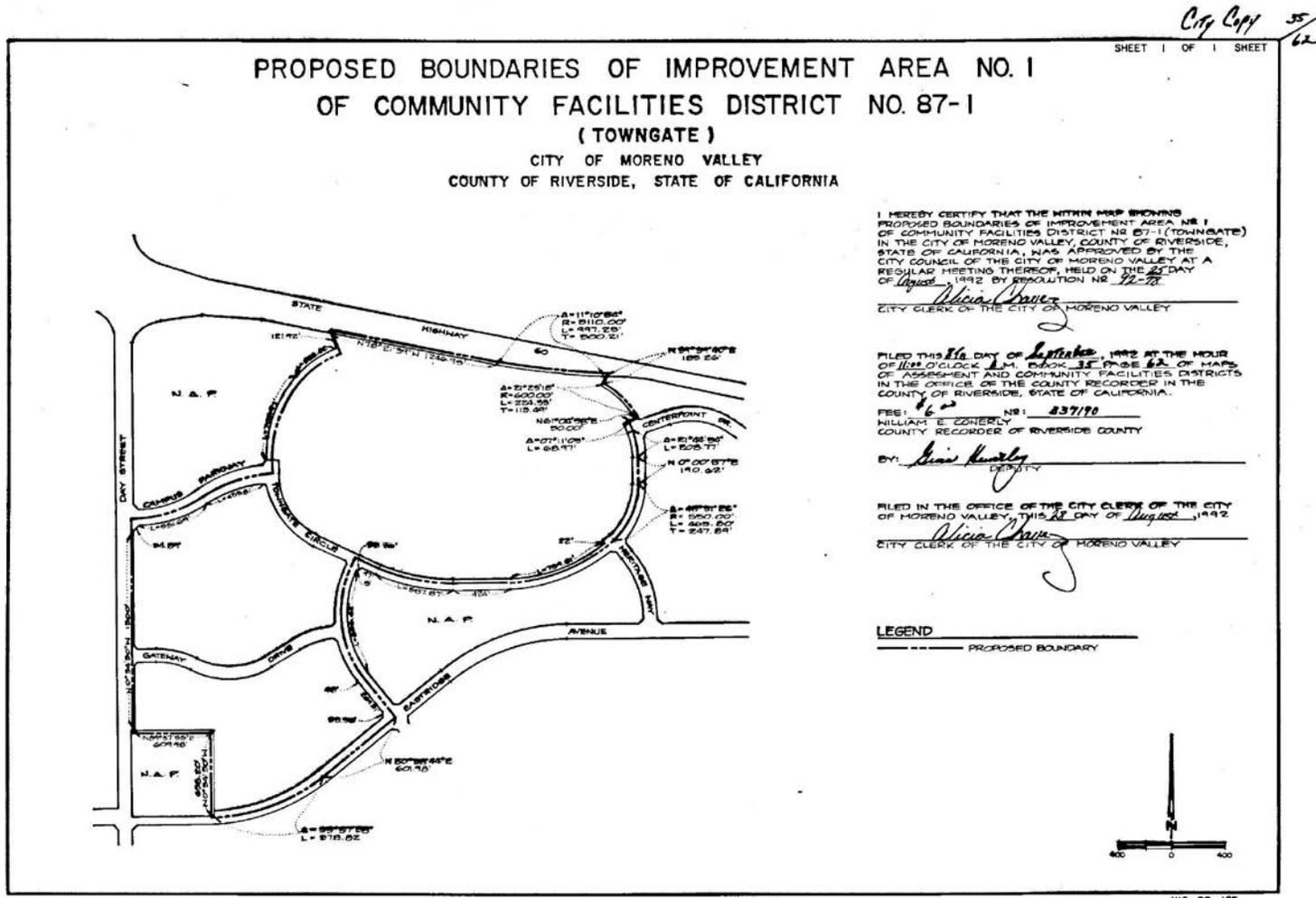
Appendix C: Debt Service Schedule

**CITY OF MORENO VALLEY
COMMUNITY FACILITIES DISTRICT NO. 87-1 (TOWNGATE) IMPROVEMENT AREA NO. 1
SPECIAL TAX REFUNDING BONDS**

Dated Date	29-Nov-07	Last Maturity	01-Oct-23
Issue Date	29-Nov-07	First Coupon	01-Apr-08
First Maturity	01-Oct-08		

Date	Principal	Interest Rate	Interest	Total Debt Service	Annual Debt Service	Principal Remaining
01-Apr-08	\$ -		\$ 60,994.49	\$ 60,994.49	-	\$ 4,075,000
01-Oct-08	220,000	3.750%	89,991.88	309,991.88	\$ 370,986.37	3,855,000
01-Apr-09	-		85,866.88	85,866.88	-	3,855,000
01-Oct-09	190,000	3.900%	85,866.88	275,866.88	361,733.76	3,665,000
01-Apr-10	-		82,161.88	82,161.88	-	3,665,000
01-Oct-10	195,000	4.050%	82,161.88	277,161.88	359,323.76	3,470,000
01-Apr-11	-		78,213.13	78,213.13	-	3,470,000
01-Oct-11	205,000	4.150%	78,213.13	283,213.13	361,426.26	3,265,000
01-Apr-12	-		73,959.38	73,959.38	-	3,265,000
01-Oct-12	210,000	4.000%	73,959.38	283,959.38	357,918.76	3,055,000
01-Apr-13	-		69,759.38	69,759.38	-	3,055,000
01-Oct-13	220,000	4.100%	69,759.38	289,759.38	359,518.76	2,835,000
01-Apr-14	-		65,249.38	65,249.38	-	2,835,000
01-Oct-14	230,000	4.200%	65,249.38	295,249.38	360,498.76	2,605,000
01-Apr-15	-		60,419.38	60,419.38	-	2,605,000
01-Oct-15	240,000	4.250%	60,419.38	300,419.37	360,838.75	2,365,000
01-Apr-16	-		55,319.38	55,319.38	-	2,365,000
01-Oct-16	250,000	4.375%	55,319.38	305,319.38	360,638.76	2,115,000
01-Apr-17	-		49,850.63	49,850.63	-	2,115,000
01-Oct-17	260,000	4.500%	49,850.63	309,850.63	359,701.26	1,855,000
01-Apr-18	-		44,000.63	44,000.63	-	1,855,000
01-Oct-18	275,000	4.600%	44,000.63	319,000.63	363,001.26	1,580,000
01-Apr-19	-		37,675.63	37,675.63	-	1,580,000
01-Oct-19	290,000	4.700%	37,675.63	327,675.63	365,351.26	1,290,000
01-Apr-20	-		30,860.63	30,860.63	-	1,290,000
01-Oct-20	300,000	4.700%	30,860.63	330,860.63	361,721.26	990,000
01-Apr-21	-		23,810.63	23,810.63	-	990,000
01-Oct-21	315,000	4.750%	23,810.63	338,810.63	362,621.26	675,000
01-Apr-22	-		16,329.38	16,329.38	-	675,000
01-Oct-22	330,000	4.800%	16,329.38	346,329.38	362,658.76	345,000
01-Apr-23	-		8,409.38	8,409.38	-	345,000
01-Oct-23	345,000	4.875%	8,409.38	353,409.38	361,818.76	-
Total	\$ 4,075,000		\$ 1,714,757.77	\$ 5,789,757.76	\$ 5,789,757.76	

Appendix D: District Boundary Map



Appendix E: Towngate Development Sites

