

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION
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September 1, 2010

TO: Sacramento Local Agency Formation Commission

FROM: Peter Brundage, Executive Officer

RE: **FORMATION OF COUNTY SERVICE AREA NO. 12**
(L AFC# 03-10) [CEQA: Exempt Sec.15320(a), Class 20]

CONTACT: Donald J. Lockhart AICP, Assistant Executive Officer, (916) 874-2937
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RECOMMENDATION

1. Certify the CEQA Categorical Exemption as adequate and complete for the Formation of County Service Area No. 12, and direct the Executive Officer to file the Notice of Exemption with the appropriate government entity.
2. Approve the Formation of County Service Area No. 12.
3. Condition approval of the Formation of County Service Area No. 12 on the terms and conditions listed below:
 - a. The effective date of said formation will be upon the filing of the Certificate of Completion by the Executive Officer of the Sacramento Local Agency Formation Commission, within 30 days of the canvass of the election, if a majority of votes cast upon the question are in favor of the formation.
 - b. The name of the County Service Area shall be COUNTY SERVICE AREA NO. 12, and it shall have the following miscellaneous extended services: airfield operations and maintenance – as described in this report (Please see **Description of Services.**)
 - c. The service boundary of the CSA No. 12 is set forth in Exhibit A, attached.
 - d. Formation is dependent upon the landowner voter approval of special tax as provided under Proposition 218.
4. Adopt a Sphere of Influence for County Service Area No. 12 which provides for annexation and extension of services to territory is set forth in Exhibit A, attached.

5. Pursuant to provisions of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, your Commission should exercise delegation of authority to the Executive Officer to act as Conducting Authority for the Formation of County Service Area No. 12. and to complete the protest proceedings.
6. Authorize your Chair to sign the Resolution making these determinations.

FPPC DISCLOSURE

None

PROPOSERS

Sacramento County Board of Supervisors
c/o Teresa Mack
Senior Civil Engineer, Infrastructure Finance Section
Development and Surveyor Services Division
Department of County Engineering/Municipal Services Agency
(916) 874-2860

McClellan Business Park
c/o Frank Myers, Senior Vice President
3140 Peacekeeper Way
McClellan, CA 95652
(916) 570-5303

The Sacramento County Board of Supervisors has adopted Resolution #2010-0452 requesting the formation of County Service Area No. 12, a dependent special district, for the purpose of providing miscellaneous extended services: airfield operations and maintenance.

BACKGROUND

Proposed CSA No. 12

Your Commission has jurisdiction over the formation of a County Service Area (CSA). This proposal to form a new county services area has been initiated by the Sacramento County Board of Supervisors. After conducting a public hearing, the Board adopted a Resolution of Application requesting the formation of County Service Area No. 12 (CSA No. 12). The purpose of CSA No. 12, along with other revenue sources, is to fund the annual operation and maintenance activities associated with the McClellan Park Airfield.

The formation of a County Service Area is pursuant to Government Code Section 25210 et.seq. Section 25213 provides that “a CSA may be established to provide certain miscellaneous extended services, which the county is authorized by law to perform and which the county does not also perform to the same extent on a countywide basis.” The airfield O&M services at

McClellan Park are consistent with the applicable code definition of miscellaneous extended services Section 25213(u) Airports.

Purpose of CSA No. 12

The purpose of the CSA is to enable the provision of extended miscellaneous airport operation services to the McClellan Business Park aviation users within the CSA's boundaries.

In December 2001, the County and MBP entered into the master Agreement for certain property located at the former McClellan Air Force Base to provide for development and reuse of the former Air Force Base into a modern attractive industrial business park. Among the provisions, the Agreement called for the County to assign its interest in the Lease in Furtherance of Conveyance (LIFOC) between the United States Air Force and the County to MBP once certain requirements were met, as outlined in the Agreement. Specifically, with respect to Zone 2 Property (property that benefits from direct access to the Airfield), once Financial Viability, as defined in the agreement, is reached, interest in Zone 2 Property would be transferred from the County to MBP. A key component of the Agreement's viability criteria is the "expense coverage ratio" or "ECR." These ECR criteria, essentially, call for the Airfield revenues to exceed the Airfield expenses by no less than 125 percent, based on a forecast of operations for a series of years. These ECR criteria are used in development of the CSA 12 tax rate.

In 2001, the Airfield was not accepted into the County Airport System because of concerns about its economic viability, but MBP believed this facility was an important amenity that enhances the value of the entire MBP. From 2001 to current, MBP has privately funded Airfield O&M through a separate agreement with the County. MBP funded Airfield O&M costs by levying an Airfield assessment to tenants on the Airfield to pay for Airfield costs not offset by fuel flowage fees and other Airfield-derived revenues. The CSA will put in place a permanent vehicle to collect these funds via a tax that can be directly levied and collected by the County. Implementation of the CSA is intended to meet the financial obligations defined in the Agreement to achieve Financial Viability. The establishment of the CSA and assessment of the special tax will transition the financial obligation for the Airfield O&M from direct payment by MBP to the properties directly benefitting from the operation of the Airfield. The stability of the funding structure will contribute to the conveyance of properties from MBP to other parties.

The County and the master developer of McClellan Park, McClellan Business Park LLC (MBP), seek to form CSA No.12 to fund ongoing McClellan Airfield Operations and Maintenance (Airfield O&M). It is anticipated that Airfield O&M expenses over the next 10 years will average approximately \$1.8 million per year. The Airfield generates revenue to fund Airfield O&M primarily from 1)Flowage (Fueling) Fees, 2)Landing Fees 3) Fueling Permit Fees, and any contractual agreements to pay for Airfield services with current property owners/tenants that have access to the Airfield.

Currently, these revenue sources are not sufficient to cover 125 percent of the Airfield O&M expenses as stipulated in the master Agreement between the County and MBP. Formation of CSA No.12 is intended to fund costs not funded by these sources. The projected amount of Airfield O&M costs to be funded by the CSA No.12 ranges from approximately \$1.2 million to

\$1.7 million annually over the next 10 years. CSA No.12 would be authorized to levy a special tax on properties that benefit from the Airfield through direct access to it in an amount sufficient to cover annual Airfield O&M costs not funded by other sources.

If formation of CSA No.12 is approved by your Commission, approval of the special tax will be subject to a Prop. 218 election, to be called by the Board of Supervisors. If approved CSA No.12 will be a significant Airfield funding source. Although the County will collect fuel flowage and other fees, the revenue generated from CSA No.12 will be a primary source of revenue to fund Airfield operations. The general intent is that all parcels that have access to and use of the Airfield will pay their fair share allocation of Airfield costs. The Attached Board of Supervisors Hearing Report with Addendum further discusses the proposed Rate, Method of Apportionment, and Manner of Collection of the Special Tax.

The proponent provided Hearing Report has the anticipated special tax that will need to be levied and collected from benefiting properties for each land use category. For estimating purposed the budget assumed annual escalation of 2.74 percent, based on the San Francisco-Oakland-San Jose CPI-U from 1991 to 2009. The maximum special tax shall be adjusted annually based on the San Francisco-Oakland-San Jose CPI-U. The actual tax levied each year and for all subsequent years shall be based on the estimated annual cost of operation and maintenance of extended services, up to the maximum tax.

McClellan Business Park Background

On August 13, 1998, the United States Air Force executed a Lease in Furtherance of Conveyance (LIFC) on the former McClellan Air Force Base (AFB) with the County. The LIFC has no payment obligations and converts to fee title once regulatory approval is met on environmental issues. The County then selected the McClellan Business Park, LLC (MBP) to redevelop the former McClellan AFB. This culminated in a Purchase and Sale Agreement (P&SA) between the County and MBP that closed on December 22, 2001. The P&SA established the following three zones which are also shown in the attached Figure 1:

- Zone 1 consists of the airfield and major taxiways.
- Zone 2 consists of the property immediately surrounding the airfield (airfield support property, hangars, maintenance areas, etc.).
- Zone 3 consists of the remainder of the property.

The leasehold under the LIFC for Zone 1 remains with the County, giving the County control of the airfield and qualifying the airfield for Federal Aviation Administration (FAA) grants. The P&SA provides for the assignment of the LIFC for Zones 2 and 3 from the County to MBP. Conditions of the P&SA for Zone 3 have been met and the LIFC for Zone 3 was transferred to MBP. The LIFC for Zone 2 has not been transferred to MBP and remains with the County. MBP is currently a subtenant of the County under a long-term lease that passes the funding obligations for the airfield through to MBP.

The P&SA includes a requirement for “viability” of the airfield for the Zone 2 leasehold property to convert to the equivalent of Zone 3 property (e.g. the leasehold is assigned to MBP). One of

the remaining key conditions for “viability” is to establish a financing vehicle to generate revenue to cover the shortfall between actual revenue generated from the McClellan Park Airfield (landing fees, fuel flowage fees, etc.) and the costs of operating the airfield. MBP is funding the County’s cost to form such a financing vehicle via an Advanced Funding Agreement. The formation and subsequent funding of CSA No.12 is intended to satisfy this key condition.

On January 16, 2007, the Board approved a Resolution of Application to LAFCo to form CSA No. 12. However, the application was put on hold to allow all interested parties to arrive at points of agreement. County staff and MBP have been working out the details regarding maintenance and operations costs of the airfield and the derived revenues from other sources including airfield operations. In the interim period the CSA law was substantially rewritten, thus the Boards adopted the current Resolution of Application on June 1, 2010.

DISCUSSION

The maintenance and operation of the airfield are currently being provided by the Sacramento County Airports System through a contract with the Department of Economic Development and Intergovernmental Affairs. MBP is funding these services and requested that County pursue the formation of CSA No.12 and/or other financing mechanism(s) for the purpose of financing operations and maintenance services for the airfield.

Upon successful creation and levying of a special tax through CSA No. 12, MBP would no longer be responsible for funding McClellan Park Airfield services and those financial responsibilities would be funded through landing fees, flowage fees, other future McClellan Park Airfield revenues (if identified), and the special taxes levied through the CSA No. 12. After consideration of the other identified revenues, the special tax would be levied, up to the total maximum special tax revenue, to fund the balance of the McClellan Park Airfield services costs. It is important to note that if the balance of the McClellan Park Airfield service costs exceeds the total maximum CSA No.12 tax revenue, the CSA No.12 tax can only be levied up to its maximum amount. *The proposed CSA maximum special tax is \$1.78 per building square foot.*

Proposition 218 Process

LAFCo is responsible for the formation and configuration of the boundary of the CSA. After the CSA is formed, the County Board of Supervisors, acting as the CSA Board of Directors will set the funding question for a vote of affected landowners. The ballot question will include full disclosure of the Rate, Method of Apportionment, and Manner of Collection of the Special Tax (RMA). The maximum special tax will be adjusted annually based on the San Francisco-Oakland-San Jose CPI-U, and this will be done administratively, pursuant to the RMA.

Land Ownership

The United States Air Force currently owns all land to be included in CSA No.12. On August 13, 1998, the United States Air Force executed a lease of property on the former McClellan Air Force Base with the County. A portion of the property in the CSA No.12 has been subleased by McClellan Business Park LLC. For the property to be included in the CSA No.12, the United

States Air Force must provide written consent to the formation of CSA No.12. Through the Consent Agreement executed between the United States Air Force and the County, the United States Air Force has provided written consent to CSA 12 formation and has assigned the right to vote on formation of CSA No.12 to MBP for Zone 2 Property and to the County for all other property.

County Service Area No. 12 Sphere of Influence and Service Boundaries

Sphere of Influence

"Sphere of influence" (SOI) means a plan for the probable physical boundaries and service area of CSA 12, as determined by your Commission. The proponents are requesting an extraterritorial Sphere of Influence in order to facilitate the annexation of parcels as they derive benefits of the airport operation and CSA No.12 in the future. The proposed SOI territory is entirely within the fence line of the former McClellan AFB (Attachment A.)

In determining the sphere of influence of each local agency, your Commission shall consider the following:

(1) The present and planned land uses in the area.

The majority of the proposed SOI territory is vacant and undeveloped. The property that is occupied consists of industrial uses. The west area land was originally zoned Airfield Industrial, but concerns regarding the potential for market saturation of aviation land prompted rezoning many parcels to General Industrial in addition to Aviation Industrial. The County and MBP anticipate is that the property will not be used for aviation purposes. However, due to the proximity to the airfield the land is requested to be included in the proposed CSA No.12 SOI to expedite future simplified annexation if aviation uses developed there.

(2) The present and probable need for CSA 12 facilities and services in the area.

The majority of the proposed SOI territory is not expected to require CSA facilities and services. In the event that portions of the property are developed as aviation property access to the airfield and provision of aviation services would be readily available to be provided without adversely impact the current service levels provided within the CSA No.12 service area. In the event that occurs the property would be annexed into the CSA in order to assess a fair share cost for aviation services to that property.

(3) The present capacity of CSA 12 facilities and adequacy of CSA 12 services that CSA 12 provides or is authorized to provide.

The airfield is physically able to accommodate approximately 100,000 annual flight operations and is currently operating at approximately 40% capacity. The services designated in the management standards for the airport are at a high level of service, as required to support USCG Air Station operations based at McClellan Airfield. While it is not anticipated that any significant portion of the SOI will be annexed in the near term, a large amount of that property

can be developed for aviation uses without adversely impacting the existing capacity of the airfield.

(4) The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to CSA 12.

The proposed SOI territory is owned (or is to be owned by McClellan Business Park through a Lease in Furtherance of Conveyance with the US Air Force). In planning the reuse of the property McClellan Park anticipates that the property will be used primarily for general industrial purposes, including rail and distribution operations. There may be potential benefits to airfield access in some instances in which case the ability to annex the property to the CSA will be a benefit to further the development of aviation uses at the airfield.

Below is a summary showing developed and undeveloped acreage. All the land is zoned either General Industrial or Airfield Industrial which allows broad heavy industrial uses.

Summary by development status:

56.3	Developed
237.73	Not Developed
44.2	Partially Developed
338.23	Total

Summary by zoning

307.93	AF /Industrial
30.3	Industrial
338.23	Total

Staff has no objection to this SOI request.

CSA No.12 Service Boundary

The proposed CSA No.12 is entirely within the fence line of the former McClellan AFB (Attachment A.)

On December 11, 2002, the County adopted Ordinance SZC-2002-0029, an amendment to their existing Zoning Code, which created a Special Planning Area (SPA) for McClellan Park. The SPA’s goal was to facilitate conversion of the former McClellan Air Force Base from a military facility into a modern, attractive industrial park with a core of aviation uses. The SPA defines four larger districts:

- Core Aviation/Industrial District (CA/ID)
- East McClellan District
- West McClellan District
- South McClellan District

Each of the districts is further divided into subdistricts, in which defined permitted uses are allowed. The significant majority of the CSA No.12 boundary lies in a portion of the CA/ID. The CA/ID is divided into three subdistricts, including these:

- Airfield Subdistrict
- Airfield Support Subdistrict
- General Industrial Subdistrict

The CSA boundary generally coincides with the Airfield Subdistrict and Airfield Support Subdistrict with few exceptions. The Airfield Subdistrict includes the McClellan Park runway and associated safety areas, as well as key segments of several taxiways that serve the runway. The Airfield Support Subdistrict includes Airfield taxi lanes, parking aprons, and key adjoining properties. The Airfield Support Subdistrict provides for permitted uses that require physical adjacency to the Airfield or permitted uses that are aviation industrial. Aviation industrial uses are intended to complement and not compete with aircraft passenger, air cargo, and general aviation operations occurring at other County airports. These uses will focus on national and international market opportunities for aircraft operations, repair, and maintenance.

Land Uses

The boundaries of the CSA will include approximately 1,380 acres of land and an approximate total of 1,103,480 square feet of existing structures, based on the most recent building inventories by MBP. The use of the property within the boundaries of the CSA is defined by the allowable uses defined in the SPA for the subdistricts in which the property lies. Specifically, only those uses that are defined in either the Airfield Subdistrict or Airfield Support Subdistrict in the CA/ID are allowed.

All property within the boundary is expected to pay a fair share allocation of Airfield costs, as derived in the RMA. A property within the boundary will be subject to the tax so long as the property is not defined as a tax-exempt parcel according to the RMA. If property is defined as tax exempt, the CSA will not collect a tax for that property. It will be imperative that a funding mechanism be established for any such tax-exempt parcel that benefits from Airfield costs so that the fair share revenue is collected to provide adequate funding to cover anticipated Airfield costs. Currently alternate funding mechanisms exist for each of the tax-exempt parcels, except for Lot 184, Building 1096 (DMEA), which does not receive benefit from the Airfield costs.

CSA No.12	
Occupied Square feet	760,510
Vacant Square feet	342,970
Total	1,103,480

Sphere of Influence	
Occupied Square feet	177,689
Vacant Square feet	412,210
Total	589,899

CSA No.12 FUNDING

CSA Tax Base (Parcels Subject to the Tax)

The parcels that directly benefit from the Airfield through direct access to it are expected to pay a fair share allocation of Airfield operating costs. Most of these properties are included within the CSA boundary and will pay this cost through the CSA tax. To derive a maximum annual special tax rate, the total building square footage currently benefiting from access to the Airfield was determined. The special tax rate is derived from the inventory of Zone 2 buildings that directly benefit from access to the Airfield and the building square footage. As buildings may be demolished and new ones constructed on the parcels included within the boundary of the CSA, in no event will the total building square footage for purposes of calculating the maximum annual special tax revenue be less than 1,103,480 square feet baseline inventory. ***The proposed CSA maximum special tax is \$1.78 per building square foot.***

It is important to note that the CSA cannot, and is not intended to, collect the fair share allocation of Airfield costs from all buildings that benefit from access to the Airfield. Tax-exempt parcels, as defined in the RMA discussion of the Hearing Report, will not be taxed by the CSA. The CSA Maximum Tax was derived based on the assumption that all Zone 2 properties (with the exception of the US Coast Guard Air Station, which will continue to pay a fair share per separate agreement) will pay their allocation, either through the CSA or through an alternative payment mechanism approved by the Responsible Party. Examples of this include the buildings on Lots 3 and 8, currently occupied by the USCG, which have been included in the calculation of the total building square footage. These buildings were included in the calculation, and the County entered into a contractual agreement with the USCG to pay Airfield services costs to the County. The one exception to this rule is Building 1096 located on Parcel 184. Because this parcel is federally owned and does not directly benefit from the Airfield, its building square footage is not included in the total calculated inventory.

CSA Maximum Special Tax Rate Calculation

To derive the base year maximum annual special tax rate per building square foot, the County and MBP agreed that the levy of the base year maximum annual special tax rate on the total building square footage should be able to cover a deficit in funding with the following conditions:

- The average annual deficit of Airfield O&M costs over 10 years, including a 10-percent contingency and an amount for Cyclical Replacement Reserves.

- Be net of offsetting revenues.
- According to the Agreement, sections 4.2.3 and 4.2.4 provide for at least a 1.25 Expense Coverage Ratio.

The proposed CSA maximum special tax is \$1.78 per building square foot.

ANALYSIS OF PROPOSAL

Overarching Policy Considerations

The Cortese-Knox-Hertzberg Local Government Reorganization Act recognizes that urban population densities and intensive residential, commercial, and industrial development necessitate a broad spectrum and high level of community services and controls. The Legislature also recognizes that when areas become urbanized to the extent that they need the full range of community services, priorities are required to be established regarding the type and levels of services that the residents of an urban community need and desire; that community service priorities be established by weighing the total community service needs against the total financial resources available for securing community services; and that those community service priorities are required to reflect local circumstances, conditions, and limited financial resources (Sec. 56001).

A core issue that your Commission may consider is that the Sacramento region is expected to gain one million new residents in the next 20 years. This anticipated growth raises an important question regarding sustainable economic development and job creation. The formation of CSA No. 12 will contribute to the ongoing airport operations and successful base reuse efforts of the County and MBP.

Formation of a County Service Area

Your Commission has the authority to establish new County Service Areas. Pursuant to California Government Code Section 25210, a County Service Area may be established to provide a broad array of extended services, and "Miscellaneous extended services," including Airport Services. At the time of the adoption of the resolution of intention to establish a county service area, the Board of Supervisors shall specify the type or types of services which are proposed to be provided within the area.

A County Service Area is capable of providing a dependable and adjustable revenue source by placing a proportionate service charge on properties which derive benefit from the service provided. It allows the levying of service charges either on the property tax bill, or on a utility billing; and facilitates annexations for new development to avail of the CSA service.

Process for Formation and Implementation

Your Commission has the power to review and approve or disapprove with or without amendment, wholly, partially, or conditionally, proposals for the establishment of a

dependent service district. If your Commission approves the formation of County Service Area No. 12, then the proceedings will move to the Conducting Authority.

The Cortese-Knox-Hertzberg Local Government Reorganization Act provides that LAFCo act as the Conducting Authority for CSA formation. After adoption of a resolution making determinations for the formation of the CSA by your Commission, protest proceedings shall be taken. In light of not receiving any public or affected agency comments of concern, staff recommends that your Commission delegate your authority to your Executive Officer for the completion of Conducting Authority Proceedings. [56375, etal, 57000. (a), (c)]

The formation may be defeated by adequate protest submitted and not withdrawn during the Conducting Authority proceedings.

In the event of successful completion of LAFCo proceedings the following steps will provide the Board of Supervisors the authority to activate CSA No. 12 and levy the special tax.

1. The Board of Supervisors holds a public hearing and approves the election process pursuant to Proposition 218 and canvasses the results.
2. Board of Supervisors holds hearing to affirm the canvass results and impose the special tax.

Description of Services

Broadly, airfield O & M services include the annual operating and maintenance activities associated with daily airfield operations. The costs associated with these services include the annual operating and maintenance expenses, as well as establishing and adequately funding a reserve account for the cyclical replacement of facilities and equipment that are required to operate the airfield. Specifically, McClellan Airfield CSA services will include, but not be limited to, the following categories of services:

- General Administration;
- Facilities O & M;
- Lighting and Navigation Aids;
- Pavement Maintenance Program;
- Federal Aviation Administration (FAA) Requirements; and
- Cyclical Replacement Reserves.

General Administration

Services related to general administration include all direct and ancillary overhead duties or services associated with operating the airfield, including these:

- Utility services (gas, electricity, water, or storm drainage) needed for operating the airfield and management offices;
- The leasing of facilities by airfield management and the associated services with those leases;
- Employee Certification and Training;
- County Insurance;
- Noise Abatement;
- Office Administration Supplies;
- Special Project Consultants;
- Response to emergency or on-call requests or situations
- Administration of the CSA; and
- Other costs and fees associated with operating and maintaining the airfield, including an annual contingency.

Facilities O&M

Services-related facilities operations and maintenance include the operations, upkeep, and replacement of the existing structures, grounds, vehicles, ground support equipment, and flight operation support and related equipment. The category includes the following facilities or services:

- Vehicles include the operations and maintenance of any trucks, passenger vehicles, or equipment, such as a backhoe or tractor, required to maintain the facilities and grounds;
- Grounds maintenance includes the maintenance of any landscaping and irrigation systems, grass cutting, tree trimming, or similar activities;
- Structure operation and maintenance includes maintaining any office space or storage space used to assist airfield operations, including the existing tower; and
- Ground Support Equipment and Flight Operations Support includes the operation and maintenance of the associated equipment for these functions.

Lighting and Navigation Aids

Services related to lighting and navigation aids include the maintenance and replacement of the related existing equipment over time. The equipment includes the airfield lighting systems and the navigational aids customary for the airport based on its existing FAA status. This category includes operating and maintaining the following equipment:

- Automated Weather Observation System (AWOS);
- Instrument Landing System (ILS);
- Distance Measuring Equipment (DME);
- Very High-Frequency Omnidirectional Radio range (VOR);

- Precision Approach Path Indicator (PAPI);
- Approach Lighting System (ALS);
- Navigational Parts;
- Emergency Generator; and
- Lighting Parts.

Pavement Maintenance Program

Services related to pavement include the maintenance and replacement of the related facility over time. The facility includes the airfield runway and taxiways in the current configuration in a safe and operable condition. The category includes the following operations:

- Airfield sweeping and Foreign Object Damage (FOD) control;
- Runway marking upkeep and preventative maintenance;
- Pavement upkeep and preventative maintenance;
- Subgrade stabilization related to pavement maintenance or cyclical replacement; and,
- Routine crack sealing and preventative maintenance.

FAA Requirements

The CSA may also provide any additional facilities or services as required by the FAA related to operating and maintaining the airfield in accordance with adopted FAA standards based on the airfield's FAA status.

Cyclical Replacement Reserves

The CSA may also provide for the funding of a reserve or stabilization fund to finance the monthly operating cash flow needs, refurbishment or replacement of facilities and equipment related to airfield O & M to ensure the ongoing operations of the airfield.

Method of Services Delivery

McClellan Airfield O & M Services are currently provided by Sacramento County (County) through the Sacramento County Airport System (SCAS). According to the terms of McClellan Business Park's Master Purchase and Sale agreement, the financial responsibility for providing McClellan Airfield services, currently falls to McClellan Business Park. The costs of providing McClellan Airfield services are currently offset by landing fees, flowage fees, tax increment revenue and other McClellan Airport revenues. Upon successful creation and levying of the special tax through the CSA, McClellan Business Park would no longer be responsible for funding McClellan Airfield services and those financial responsibilities would then be funded through the following sources:

- Landing fees;
- Flowage fees;

- Tax Increment Revenue from the McClellan/Watt Avenue portion of the Mather/McClellan Merged Project Area;
- Other future McClellan Airport revenues (if any); and,
- Special taxes levied through the CSA.

After consideration of above revenues, the CSA tax would be levied, up to the total maximum CSA tax revenue, to fund the balance of the McClellan Airfield services costs. It is important to note that if the balance of McClellan Airfield Service costs exceed the total maximum CSA tax revenue, the CSA tax can only be levied up to its maximum amount.

Currently, County Economic Development has a Memorandum of Understanding (MOU) with SCAS to provide McClellan Airfield O & M, and that MOU would remain in effect until September 30, 2014. Specifically, the County provides McClellan Airfield O&M services through the use of airport staff and four major subcontractors. McClellan Airfield staffing consists of an airport manager and an airport maintenance supervisor. The major subcontractors provide maintenance and repair of navigational aids, landscaping, electrical, and paving. McClellan Airfield personnel manage all on-call and emergency maintenance contractor resources to maintain 24/7 operational readiness requirements. It is expected that the services provided in the CSA would be provided in a similar manner at necessary staffing levels by County staff or subcontractors as the requirements or the scope of work required to provide the services changes.

The County would perform daily airfield management to maintain the McClellan Airfield in operational condition and perform the above listed services as required to the specifications required in the MOU or any other binding agreement. As the McClellan Airfield develops, these requirements may change, and it is expected that the County will continue to provide its services based on the requirements for the then current airfield hangar owners and occupants.

Environmental Considerations

LAFCo will act as the lead agency consistent with CEQA Guidelines §15050 et. seq., regarding the environmental review for the formation of County Service Area No. 12, for the purpose of creating a financing mechanism for extended miscellaneous airport operations.

Staff has prepared a Notice of Exemption Section 15320(a), Class 20, as the appropriate CEQA document due to its finding that the proposed project will not have a significant effect on the environment.

The proposed project consists of the establishment of a dependent special district, where changes do not change the geographical area in which previously existing powers are exercised, and is therefore exempt from the provisions of CEQA.

CONSISTENCY WITH LAFCO POLICES AND PROCEDURES AND COUNTY GENERAL PLAN

Master Services Element

The formation of CSA No. 12 is consistent with LAFCo Policies and Procedures which require a Master Services Element for the establishment of a Sphere of Influence.

Spheres of Influence are the primary planning tool for LAFCo. Sacramento LAFCo has developed standards related to the Master Service Element of any agency's Sphere of Influence. Agencies must have an updated Master Services Element which meets the following standards:

- a. Is consistent with the Master Services Element of the Spheres of Influence of any overlapping jurisdiction;
- b. Demonstrates that adequate services will be provided within the time frame needed by the inhabitants of the area included within the proposed boundary;
- c. Identifies existing land use and a reasonable projection of land uses which would occur if services were provided consistent with the updated Element;
- d. Presents a map that clearly indicates the location of existing and proposed facilities, including plan for timing and location of facilities;
- e. Describes the nature of each service to be provided;
- f. Describes the service level capacity of the service provider's facilities;
- g. Identifies the anticipated service level to be provided;
- h. Describes any actions, improvements, or construction necessary to reach required service levels, including costs and financing methods;
- i. Provides copies of district enabling legislation pertinent to the provision of service levels, including costs and financing methods;
- j. Identifies projected revenue and identifies savings occurring as a result of the action; and
- k. Provides existing and five year population projects within agency boundaries.

The proponent has provided the EPS Hearing Report for the formation of CSA No. 12 and the levy and collection of annual special taxes commencing in fiscal year 2011/12. The formation of the CSA, including its structure (organization), proposed services, and method of apportionment and charges that are described in the Report are based on recent

and ongoing airport O&M cost history during the base reuse phase and anticipated facility improvement plans including all estimated direct expenditures, incidental expenses, and reserves associated with the extended services.

The Report complies with the Master Services Element criteria.

The project is consistent with the County General Plan as it is an implementation measure for the McClellan Air Force Base Reuse Plan (Reuse Plan) which is the planning document that defines the County's strategy to reuse McClellan Park with respect to land uses, infrastructure requirements, and conveyance of the property. The formation of CSA No.12 is also consistent with the McClellan Air Force Base Implementation Plan (Implementation Plan,) a companion document to the Reuse Plan and which provides detailed analysis on how to implement the Reuse Plan, including the public infrastructure that must be constructed or upgraded, financing of public facilities, and zoning.

Analysis of Proposal

Your Commission has adopted specific standards for actions to ensure that fair and consistent decisions are reached in accordance with the CKH Act. Your Commission may make exceptions to these specific standards if it determines that such exceptions:

- Are necessary due to unique circumstances;
- Are necessary due to conflicts between general and specific standards;
- Result in improved quality or lower cost of services available; or
- There exists no feasible or logical alternative.

Standards

1. LAFCo will encourage special district formation in areas that demonstrate a need for unmet or improved level of services due to the inadequate level or quality of services currently provided.
2. LAFCo requires a Master Services Element which defines financing, service levels and how services are delivered.
3. LAFCo requires a definite Sphere of Influence map, plan and definite boundaries.
4. The proposed district formation should be consistent with the County's General Plan and any applicable Specific Plans.
5. LAFCo will not approve district formations when the Master Service Element conflicts with the Master Services Element of other agencies.
6. When considering applications for district formation, LAFCo will ensure that no special interest group is given the status of being a governmental agency.

7. LAFCo will not approve an application for district formation unless the proponent can demonstrate it can fund the services it intends to provide.
8. If a district becomes insolvent or unable to provide services, then LAFCo may approve consolidation with a solvent and capable district.

Each of the above standards and requirements has been satisfactorily met for the formation of the proposed County Service Area No. 12. Each of these items listed above has been discussed in detail in this report, and in the accompanying attachments.

Affected Districts

The proposal was routed for review and comment to the Sacramento County Public Works Agency, North Highlands Recreation and Park District, Sacramento Metropolitan Fire District, Sacramento Regional Transit District (RT), Sacramento Metropolitan Air Quality Management District (SMAQMD) and Caltrans Division of Aviation

Fees proposed as part of the CSA No. 12 services will not be charged to public facilities; therefore the special districts within the proposed territory will experience no effect from the formation of County Service Area No. 12.

The Sacramento County Public Works Agency had no comments, North Highlands Recreation and Park District and Sacramento Metropolitan Fire District offer no protest to the proposal.

Benefit of CSA No. 12

The primary benefit of CSA No. 12 is that an official funding mechanism will be in place to offer a wide range of airport O&M services to landowners, tenants and employers within the CSA boundary. Through the CSA, resources will be available on a long-term basis to provide an extensive menu of airport O&M programs and services that contribute to the fiscal viability of the airport operations. *The proposed CSA maximum special tax is \$1.78 per building square foot.*

RECOMMENDATION

I recommend your Commission approve the Resolution approving 1) the Sphere of Influence for County Service Area No. 12, 2) the formation of County Service Area No. 12, and 3) delegation of authority to the Executive Officer to act as Conducting Authority for the Formation of County Service Area No. 12 and to complete the protest proceedings.

Respectfully,

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

Peter Brundage
Executive Officer

Attachments:

Maps (Exhibit A)

Board of Supervisors Hearing Report with Addendum

DL:dl

(CSA 12_SR)

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JUN 21 2010

SACRAMENTO LOCAL AGENCY
FORMATION COMMISSION

Hearing Report

County Service Area No. 12 McClellan Airfield Services

The Economics of Land Use



Prepared for:

Sacramento County Municipal Services Agency

Prepared by:

Economic & Planning Systems, Inc.

June 1, 2010

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1. INTRODUCTION

Executive Summary

McClellan Park is located in Sacramento County (County) approximately 7 miles northeast of downtown Sacramento. The Defense Base Realignment and Closure Commission (BRAC) designated McClellan Air Force Base for closure in 1995. The designated base closure date was July 13, 2001. The County Board of Supervisors (Board) is responsible for the reuse planning of McClellan Air Force Base. The McClellan Air Force Base Reuse Plan (Reuse Plan) is the planning document that defines the County's strategy to reuse McClellan Park with respect to land uses, infrastructure requirements, and conveyance of the property. The McClellan Air Force Base Implementation Plan (Implementation Plan) is a companion document to the Reuse Plan and provides detailed analysis on how to implement the Reuse Plan, including the public infrastructure that must be constructed or upgraded, financing of public facilities, and zoning.

The County and the master developer of McClellan Park, McClellan Business Park (MBP), seek to form a County Service Area (CSA) to fund ongoing McClellan Airfield Operations and Maintenance (Airfield O&M). It is anticipated that Airfield O&M expenses over the next 10 years will average approximately \$1.8 million per year. The Airfield generates revenue to fund Airfield O&M from Flowage (Fueling) Fees, Landing Fees, Fueling Permit Fees, and any contractual agreements to pay for Airfield services with current property owners/tenants that have access to the Airfield. Currently, these revenue sources are not sufficient to cover 125 percent of the Airfield O&M expenses. The CSA is being formed to fund costs not funded by these sources. The projected amount of Airfield O&M costs to be funded by the CSA ranges from approximately \$1.2 million to \$1,7 million annually over the next 10 years. The CSA would be authorized to levy a special tax on properties that benefit from the Airfield through direct access to it in an amount sufficient to cover annual Airfield O&M costs not funded by other sources.

Upon adoption, the CSA will be a significant Airfield funding source. Although the County will collect fuel flowage and other fees, the revenue generated from the CSA is a primary source of revenue to fund Airfield operations. The CSA will not collect a tax from tax-exempt parcels (as defined in **Exhibit A**). Yet the general intent is that all parcels that have access to and use of the Airfield will pay their fair share allocation of Airfield costs. The CSA tax was sized based on this assumption. For this reason, it will be essential that other payment mechanisms are put in place by the Responsible Party to collect the appropriate revenue from those parcels. The Responsible Party, as defined in **Exhibit A**, will be the County Department of Economic Development and Intergovernmental Affairs (DEDIA). DEDIA will be responsible for receiving the CSA taxes, flowage fees, rents, and any other revenue related to the Airfield and will use those funds to pay the Airfield operating costs. To ensure that all property owners are aware of this requirement, a document will be recorded on title (MBP will record **Exhibit B** on Title) for each parcel in the CSA that will state that before conveying a property so that it would become a tax-exempt parcel, either full prepayment of the tax must be made, according to procedure set forth in **Exhibit A, Section 9**, or an acceptable payment mechanism must be arranged with the CSA 12 Administrator (Infrastructure Finance Section [IFS]).

The area proposed for inclusion in the CSA is shown in **Map 1**. McClellan Park consists of three primary areas: Zone 1—the Airfield, Zone 2—Airfield-related uses, and Zone 3—all other land uses. As shown in **Map 1**, the areas located in Zone 1 and Zone 2, the Airfield, and properties that have direct access to the Airfield, are to be included in the proposed CSA.

CSA Law (Government Code §25210 et. seq.) details the procedures for formation of a new CSA. To form a new CSA, either a petition from the voters in the proposed CSA conforming to §56700 et. seq. and §25211.1 and 2 or a resolution of application approved by the Board pursuant to §25211.3 must be made to Local Agency Formation Commission (LAFCO). In the case of this proposed CSA, the formation process was initiated by the Board by a resolution of application approved after a public hearing on June 1, 2010. This report provides the supportive information for LAFCO's review of the proposed CSA pursuant to §25211.4. Should LAFCO approve formation of the CSA pursuant to §25211.4, the County will be required to proceed with the election and formation process outlined in §57000 et. seq. Based on that process, the Board will fix a time and place for a public hearing. This report is also intended to serve as the Hearing Report for that public-input process.

Purpose and Organization of the Report

The purpose of this report is to provide further explanation into the services funded by the CSA (Master Services Element). In addition, the report will explain and document the procedures outlined in the Rate, Method of Apportionment, and Manner of Collection of the Special Tax (RMA). Finally, the report will provide additional information and background on how the maximum annual special tax rate was determined.

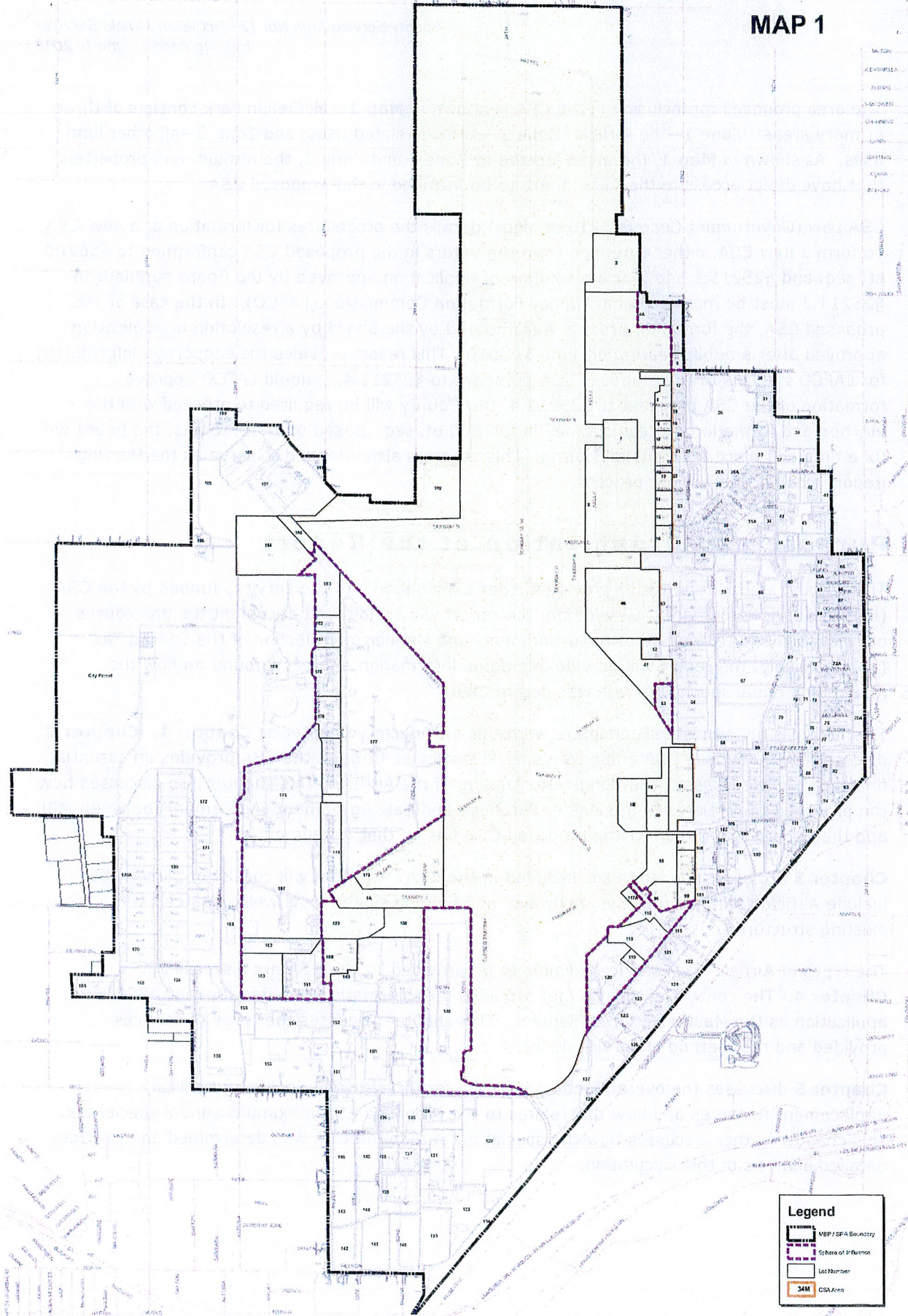
This report is divided into six chapters, with this introductory chapter as **Chapter 1**. **Chapter 2** discusses the proposed CSA and how a special tax levied through the CSA provides an essential financing vehicle to assist with long-term funding of the Airfield. This chapter also discusses how the proposed CSA relates to the Master Purchase and Sale Agreement (Agreement) between MBP and the County and the effect the proposed CSA has on that Agreement.

Chapter 3 discusses the land uses included in the CSA. The CSA will consist of parcels that include Airfield facilities, runways, taxiways, and lighting systems, as well as parcels with existing structures.

The types of Airfield O&M services eligible to be provided by the CSA are discussed in **Chapter 4**. The content of this chapter provides the information required for the LAFCO application as the Master Services Element. This chapter discusses the types of services provided and the method of service delivery.

Chapter 5 discusses the overall funding strategy for Airfield O&M, including Cyclical Replacement Reserves and how this relates to the proposed CSA maximum annual special tax. This chapter further discusses how the special tax rate in the CSA was determined and provides detailed analysis of this calculation.

MAP 1



The structure and features of the RMA are discussed in **Chapter 6**. This chapter outlines how the RMA is implemented and the process for calculating the annual special tax levy. This chapter also describes the unique features of the RMA, including the Building Certificate. Each parcel and the structures on the parcel will be identified on a Building Certificate at the time of CSA formation. The Building Certificate is necessary because each parcel's special tax levy will be based on the area of the buildings located on the parcel. The Building Certificate must be completed by the landowner and verified and approved by the County. Information contained in the Building Certificate will be used to calculate the maximum annual special tax for each parcel.

Three appendices are attached to this report. **Appendix A** contains the RMA and its associated attachments. **Appendix B** is a copy of the form of an amendment to the covenants, conditions, and restrictions (CC&Rs) that is intended to be recorded against property within the boundary of the CSA. **Appendix C** is a copy of the "Agreement and Consent to Formation of County Service Area and Imposition of Special Tax Agreement" (Consent Agreement) between the United States Air Force and the County.

2. CSA PROPOSAL

Airfield O&M Funding

In December 2001, the County and MBP entered into the Agreement for certain property located at the former McClellan Air Force Base to provide for development and reuse of the former Air Force Base into a modern attractive industrial business park. Among the provisions, the Agreement called for the County to assign its interest in the Lease in Furtherance of Conveyance (LIFOC) between the United States Air Force and the County to MBP once certain requirements were met, as outlined in the Agreement. Specifically, with respect to Zone 2 Property (property that benefits from direct access to the Airfield), once Financial Viability, as defined in the agreement, is reached, interest in Zone 2 Property would be transferred from the County to MBP. A key component of the Agreement's viability criteria is the "expense coverage ratio" or "ECR." These ECR criteria, essentially, call for the Airfield revenues to exceed the Airfield expenses by no less than 125 percent, based on a forecast of operations for a series of years. These ECR criteria are used in development of the CSA 12 tax rate.

In 2001, the Airfield was not accepted into the County Airport System because of concerns about its economic viability, but MBP believed this facility was an important amenity that enhances the value of the entire MBP. From 2001 to current, MBP privately funded Airfield O&M through a separate agreement with the County. MBP funded Airfield O&M costs by levying an Airfield assessment to tenants on the Airfield to pay for Airfield costs not offset by fuel flowage fees and other Airfield-derived revenues. The CSA will put in place a permanent vehicle to collect these funds via a tax that can be directly levied and collected by the County. The derivation of the tax is discussed further in **Chapters 5** and **6**. Implementation of the CSA is intended to meet the financial obligations defined in the Agreement to achieve Financial Viability.

3. LAND USE

McClellan Park Special Planning Area

On December 11, 2002, the County adopted Ordinance SZC-2002-0029, an amendment to their existing Zoning Code, which created a Special Planning Area (SPA) for McClellan Park. The SPA's goal was to facilitate conversion of the former McClellan Air Force Base from a military facility into a modern, attractive industrial park with a core of aviation uses. The SPA defines four larger districts, including these:

- Core Aviation/Industrial District (CA/ID)
- East McClellan District
- West McClellan District
- South McClellan District

Each of the districts is further divided into subdistricts, in which defined permitted uses are allowed. The significant majority of the CSA boundary lies in a portion of the CA/ID. The CA/ID is divided into three subdistricts, including these:

- Airfield Subdistrict
- Airfield Support Subdistrict
- General Industrial Subdistrict

The CSA boundary generally coincides with the Airfield Subdistrict and Airfield Support Subdistrict with few exceptions. The Airfield Subdistrict includes the McClellan Park runway and associated safety areas, as well as key segments of several taxiways that serve the runway. The Airfield Support Subdistrict includes Airfield taxi lanes, parking aprons, and key adjoining properties. The Airfield Support Subdistrict provides for permitted uses that require physical adjacency to the Airfield or permitted uses that are aviation industrial. Aviation industrial uses are intended to complement and not compete with aircraft passenger, air cargo, and general aviation operations occurring at other County airports. These uses will focus on national and international market opportunities for aircraft operations, repair, and maintenance.

CSA Land Uses

The boundaries of the CSA will include approximately 1,380 acres of land and an approximate total of 1,103,480 square feet of existing structures, based on the most recent building inventories by MBP. The use of the property within the boundaries of the CSA is defined by the allowable uses defined in the SPA for the subdistricts in which the property lies. Specifically, only those uses that are defined in either the Airfield Subdistrict or Airfield Support Subdistrict in the CA/ID are allowed.

All property within the boundary is expected to pay a fair share allocation of Airfield costs, as derived in the RMA. A property within the boundary will be subject to the tax so long as the property is not defined as a tax-exempt parcel according to the RMA. If property is defined as tax exempt, the CSA will not collect a tax for that property. It will be imperative that a funding

mechanism be established for any such tax-exempt parcel that benefits from Airfield costs so that the fair share revenue is collected to provide adequate funding to cover anticipated Airfield costs. Currently alternate funding mechanisms exist for each of the tax-exempt parcels, except for Lot 184, Building 1096 (DMEA), which does not receive benefit from the Airfield costs.

Land Ownership

The United States Air Force currently owns all land to be included in the CSA. On August 13, 1998, the United States Air Force executed a lease of property on the former McClellan Air Force Base with the County. A portion of the property in the CSA has been subleased by MBP. For the property to be included in the CSA, the United States Air Force will be required to consent to formation of the CSA.

Through the Consent Agreement between the United States Air Force and the County (which is included as **Appendix C**), the United States Air Force will consent to CSA 12 formation and will assign the right to vote on formation of the CSA to MBP for Zone 2 Property and to the County for all other property.

4. SERVICES PLAN

The purpose of this CSA is to assist in funding of Airfield O&M services at McClellan Park. The tax rate under the CSA was derived to satisfy the 125-percent Airfield expense coverage ratio required under the Financial Viability criteria in the Agreement between the County and MBP. Currently, the Airfield is fully operational. Formation of this CSA will provide a funding mechanism that will supplant the direct payment for unfunded Airfield O&M services from MBP. As described in Government Code § 25213, "a CSA may provide any governmental service and facilities within the CSA that the county is authorized to perform and that the county does not perform to the same extent on a countywide basis, including but not limited to, services and facilities for any of the following:". Subsection (u) includes airports. The Airfield O&M services at McClellan Park fit within this section of the code.

Description of Services

Broadly, Airfield O&M services include the annual operating and maintenance activities associated with daily Airfield operations. The costs associated with these services include the annual operating and maintenance expenses, as well as establishing and adequately funding a reserve account for the cyclical replacement of facilities and equipment that are required to operate the Airfield. Specifically, CSA services will include the following categories of services (see **Figure 1**, page 15, for a comprehensive list):

- General Administration
- Facilities Operations and Maintenance
- Lighting and Navigation Aids
- Pavement Maintenance Program
- FAA Requirements
- Cyclical Replacement Reserves

General Administration

Services related to general administration include all direct and ancillary overhead duties or services associated with operating the Airfield, including these:

- Utility services (gas, electricity, water, or storm drainage) needed for operating the Airfield and management offices.
- The cost of Airfield management's lease of facilities and related costs associated with executing leases.
- Employee Certification and Training.
- County Insurance.
- Noise Abatement.
- Office Administration Supplies.

- Special Project Consultants.
- Response to emergency or on-call requests or situations.
- Administration of the CSA.
- Other costs and fees associated with Airfield O&M, including an annual contingency.

Facilities Operations and Maintenance

Services-related facilities operations and maintenance include the operations, upkeep, and replacement of the existing structures, grounds, vehicles, ground support equipment, and flight operation support and related equipment. The category includes the following facilities or services:

- Vehicles include the operations and maintenance of any trucks, passenger vehicles, or equipment, such as a backhoe or tractor, required to maintain the facilities and grounds.
- Grounds maintenance includes the maintenance of any landscaping and irrigation systems, grass cutting, tree trimming, or similar activities.
- Structure operation and maintenance includes maintaining any office space or storage space used to assist airfield operations, including the existing tower.
- Ground Support Equipment and Flight Operations Support include the operation and maintenance of the associated equipment for these functions.

Lighting and Navigation Aids

Services related to lighting and navigation aids include maintenance and replacement of related existing equipment over time. The equipment includes the Airfield lighting systems and the navigational aids customary for the airport based on its existing FAA status. This category includes operating and maintaining the following equipment:

- Automated Weather Observation System (AWOS)
- Instrument Landing System (ILS)
- Distance-Measuring Equipment (DME)
- Very-High-Frequency Omnidirectional Radio Range (VOR)
- Precision Approach Path Indicator (PAPI)
- Approach Lighting System (ALS)
- Navigational Parts
- Emergency Generator
- Lighting Parts

Pavement Maintenance Program

Services related to pavement include maintenance and replacement of the related facility over time. The facility includes the Airfield runway and taxiways in the current configuration in a safe and operable condition. The category includes the following operations:

- Airfield sweeping and Foreign Object Damage (FOD) control.
- Runway marking upkeep and preventative maintenance.
- Pavement upkeep and preventative maintenance.
- Subgrade stabilization related to pavement maintenance or cyclical replacement.
- Routine crack sealing and preventative maintenance.

FAA Requirements

The CSA also may provide any additional facilities or services as required by the FAA related to operating and maintaining the Airfield in accordance with adopted FAA standards based on the Airfield's FAA status.

Cyclical Replacement Reserves

The CSA also may provide for funding of a reserve or stabilization fund to finance the monthly operating cash flow needs, refurbishment, or replacement of facilities and equipment related to Airfield O&M to ensure ongoing operations of the Airfield.

Method of Services Delivery

Airfield O&M services are provided by the County. According to the terms of the Agreement, the financial responsibility for providing Airfield services currently falls to MBP. The costs of providing Airfield services are offset by landing fees, flowage fees, tax increment revenue, and other future Airfield revenues. Upon successful creation and levying of the special tax through the CSA and County determination that Airfield viability has been achieved, MBP will no longer be directly responsible for funding Airfield services, though initially MBP will be the taxable entity for CSA 12 buildings based on **Table 4**, and those financial responsibilities then would be funded through the following sources:

- Landing fees.
- Fuel Flowage fees.
- Fueling Permit fees.
- Tax increment revenue from the McClellan/Watt Avenue portion of the Mather/McClellan Merged Project Area.
- Airfield usage fees received on behalf of tax-exempt parcels or parcels benefiting from Airfield access based on payment mechanisms approved by the Responsible Party.
- Other future Airfield revenues (if any).
- Special taxes levied through the CSA.

After consideration of above revenues, the CSA tax would be levied, up to the total maximum annual special tax, to fund the balance of Airfield services expenses. It is important to note that if the balance of Airfield service costs exceed the maximum annual special tax allowed by the RMA, the special tax can be levied only up to its maximum amount, and a shortfall would remain.

The maximum amount is derived based on the Financial Viability criteria defined in the Agreement between the County and MBP.

Currently, the County, through DEDIA, has a Memorandum of Understanding (MOU) with the Sacramento County Airport System (SCAS) to provide Airfield O&M. Specifically, the County provides Airfield O&M services through the use of airport staff and subcontractors. Airfield staffing consists of an airport manager and an airport maintenance supervisor. The major subcontractors provide maintenance and repair of navigational aids, landscaping, electrical, and paving. Airfield personnel manage all on-call and emergency maintenance contractor resources to maintain 24/7 operational readiness requirements.

The Airfield operating budget used to derive the CSA maximum tax assumes the services provided will continue at a comparable level and in a similar manner. The County currently performs daily Airfield management to maintain the Airfield in an operational condition and perform the above-listed services as required to the specifications required in the MOU. As the Airfield develops, these requirements may change, and it is expected that the County will continue to provide its services based on the requirements for the then-current Airfield hangar owners and occupants.

5. AIRFIELD O&M FUNDING STRATEGY

Ongoing Airfield O&M is funded through an Airfield O&M Funding Agreement, which is part of the original Agreement, between the County and MBP. Through this Airfield O&M Funding Agreement, a budget for Airfield O&M is determined, and any shortfall between annual costs and offsetting revenue is funded by MBP. In this Airfield O&M Funding Agreement, a process for determining an annual budget for Airfield O&M is outlined. After the CSA is formed and the special tax is levied, this will supplant the funding provided by MBP. It is presumed that a similar budgeting process will take place, and any shortfall between actual annual expenses and offsetting revenue will be used to determine an annual special tax levy by the CSA. The maximum tax amount has been determined based on 125 percent of the total projected Airfield O&M expenses. The projected Airfield O&M expenses include a 10-percent contingency. The RMA defines this annual budget as the annual Airfield budget. The RMA further goes on to state that the information contained in this budget will be used in determining certain components of adjusted annual costs. According to the RMA, the amount of adjusted annual costs will determine the amount of the annual special tax levy.

Annual Budgeting Process

The current process by which MBP and the County determine the annual budget for Airfield O&M is outlined in Section 4.2 of the Airfield O&M Funding Agreement. According to this document, the annual budget is to take these into consideration:

1. Revenue from Airfield facilities.
2. Operations and maintenance expenses for services set forth in the County Operations and Maintenance Agreement or the MBP Operations and Maintenance Agreement, as applicable.

In addition, the Airfield O&M budget (as it is defined in the Airfield O&M Funding Agreement) also is to take into consideration a 10-percent contingency of the total of each annual operating and maintenance expense component of the budget.

In working through the formation process for this CSA, the County and MBP developed a budget that includes the line items outlined in **Figure 1** for expenses and revenues. It is expected that a budgeting process that takes into consideration revenues and expenses will take place on an annual basis, before March 1, such that information from this budget can be used by the CSA Administrator to determine adjusted annual expenses for the purpose of levying the annual special taxes.

Figure 1: Airfield O&M Budget Line Items for the CSA Annual Budget

Expense Items

Labor

Airfield Manager
DEDIA Administration of McClellan Airfield
Airfield Maintenance Supervisor

Lighting and Navigation Aids

Navigation Technician/ (Navigation Aids Contract)

Lighting and Signage Maintenance

[Expenses associated with Lighting and Navigation Aids line items includes O&M associated with the following equipment; AWOS (aging), ILS (New), DME (5 yrs old), VOR (20 yrs old), PAPI, ALS (antique), Navigational Parts, Emergency Generator and Lighting Parts.]

Pavement

Pavement O&M

[Expenses associated with the Pavement O&M line item include the following; Airfield Sweeping and FOD Control, Runway Markings, Repair and Replacement at time and materials, and Crack Sealing O&M as preventative maintenance).]

O&M

Grounds Maintenance (Landscape Contract)

Security Fencing/Signage and Painting O&M

[Expenses included in the O&M line items include expenses associated with these: Vehicles (Trucks/SUVs/Backhoes), Grounds Maintenance (Landscape Contract), Security Fencing/Signage and Painting O&M, General Painting Expenses, Facility O&M associated with the Tower, Ground Support Equipment Maintenance, Flight Operations Support (O&A NTE).]

General Administration

Other (Pest Control, Permits, Fees)

Utilities

County Insurance

Figure 1: Airfield O&M Budget line items for the CSA Annual Budget (cont.)

Noise Abatement (T+M)

Special Consultants

Environmental Administration

Permit Administration

[Expenses included in the General Administration line items include expenses associated with the following; Pest Control, Permits, Fees, Utilities, Lease Costs, Employee Certification and Training, Storm Drainage, County Insurance, Noise Abatement, Office Administration Supplies, Special Projects Consultants (associated with grant projects), Interest Expenses (borrowing for 6 months at the Pooled Rate).]

Cyclical Replacement Reserves

[Expenses included in the Cyclical Replacement Reserve category have a detailed process for being budgeted which is discussed later in this Chapter.]

Contingency

[The contingency included in the annual budget includes 10% of the above listed line items.]

CSA District Administration

[This line item includes County's annual administrative expense for determining the tax levy, collecting the taxes, distributing and accounting for the revenues and all other administrative costs of the district as further described in Chapter 6. This County administration fee is separate from the County's DEDIA Administration costs associated with McClellan Airfield on the previous page]

Offsetting Revenues (as defined by the RMA)

Fueling Fees

Fueling Permit Fees

Public Ramp Parking Fees

Rental Revenue

Alternative Sources

Cyclical Replacement Reserves

Included in the line items of the annual budget, shown in **Figure 1**, is an expense line item that deals with funding a reserve for the cyclical replacement of equipment and facilities that are needed for ongoing Airfield O&M. A special budgeting procedure has been developed and outlined in the RMA for estimating this line item on an annual basis. The intent of the RMA is that the process of estimating an annual Cyclical Replacement Reserve expense is similar to the Zone 1 capital budget procedures outlined in Section 4.2 of the Airfield O&M Funding Agreement. The calculation of this expense, however, as it is needed for determining adjusted annual costs, is specifically outlined in **Section 2** of the RMA under the definition of Cyclical Replacement Reserves.

In working through the formation process for this CSA, the County and MBP developed a 10-year Cyclical Replacement Reserve budget that included the list of required improvements shown in **Figure 2**. This list is not intended to be a comprehensive list of all facilities and projects that will be required to be upgraded, replaced, improved to new standard, or repaired. It is intended only to reflect those projects that are foreseeable within the next 10 years. It will be up to the County and the operator of the Airfield to forecast what projects are required over the next 10 years to continue to operate the Airfield at the required level of service.

For determining the annual expense line item for Cyclical Replacement Reserves, the following procedures are followed:

1. The next 10 years of costs for the facilities/projects listed in **Figure 2** are estimated in **Table 2**, page 22.
2. For each individual item, the cost that is expected to be funded from outside sources (i.e., FAA grant funding) over the next 10 years is netted out. This is done by determining an expected grant funding percentage of 80 percent. The grant funding percentage is determined by taking into consideration the amount of funding expected to be received from the funding entity, as well as the likelihood of receiving those funds. (For example, if the FAA typically would fund 90 percent of a certain project's cost, yet the probability of receiving that funding over the next 10 years is determined to be 90 percent certain, then the funding percentage may be determined to be approximately 80 percent).
3. For each item, a 10-percent contingency is added to the net locally funded remaining cost.
4. Next, the available amount of property tax increment from the McClellan/Watt Avenue portion of the Mather/McClellan Merged Project Area that may be used to fund the local share of costs plus the 10-percent contingency over the next 10 years is estimated and subtracted from the total local share of costs (including 10-percent contingency). The remaining difference is the total amount of Cyclical Replacement Reserves over the next 10 years. The amount that is able to be included in adjusted annual costs for the current year is the average annual Cyclical Replacement Reserves, so the total amount determined is then divided by 10.

Figure 2: Current 10 Year Cyclical Replacement Reserve Line Items

Pavement Marking Design/Modification (Civil Standards)
Airfield Management Office Space (Modular)
Airfield/Lighting Vault Electrical "as-built" drawings
Utility Survey of entire Airfield for "as-built" drawings
Equipment - Reusable Runway Portable Closure Markers
Security Fencing and Access for Zone 1
Airfield Security (Incursion Prevention, Card Access, Monitors)
Main Lighting Vault Generator Equipment
Airport Master Plan, Full ALP
Master Plan Environmental Review
AWOS (Replace and relocate near approach)
Replace Localizer Generator and Shelter
Pavement Study/Evaluation
PCC Pavement Joint Rehabilitation, Slab Replacement and Spall Repair - Design and Construction
Replace and Install New Taxiway Guidance Signs and Runway Exit Signs, Phase 1 Design and Construction
Replace Lighting Vault Design and Construction
Replace ALS and Existing ALSF-1/MALSR Design and Construction
Airfield Access Road Construction Design and Construction
Security Monitoring Equipment Design and Construction
Apron Lighting high mast Phase 1 Design and Construction
Replace PAPIs
Replace Runway/Taxiway Lights, LED
Install Taxiway K Lights
Airfield Drainage Improvements

It is intended that the above procedures are performed on an annual basis, given the best information available. If, for example, information changes regarding available FAA funding on a year-to-year basis, the CSA tax for the year being calculated should reflect the most recent information available. In addition, if the cost of a replacement project is determined to have increased, then, on a going-forward basis, the amount of Cyclical Replacement Reserve expense should reflect the updated cost. Similarly, if the amount of property tax increment anticipated to be available changes, again, the amount of Cyclical Replacement Reserve expense should reflect this updated amount. Generally, two primary assumptions will have a significant influence on the future accuracy of the Cyclical Replacement Reserves budget developed in **Table 2**: construction cost increases and the availability of grant funding (e.g., FAA, SHRA or other federal, state, or local grant funding).

Derivation of the Maximum Special Tax Rate

To derive the maximum special tax rate per building square foot in the RMA, the County and MBP needed to perform the annual budgeting process described above to determine the expected shortfall between annual costs and offsetting revenue. In addition, the County and MBP needed to estimate the minimum amount of building square footage that would be subject to the special tax. Through a series of meetings taking place since June 2006, the County and MBP performed these tasks and determined these conclusions.

Average Estimated Deficit over 10 Years

It was determined and agreed on by the County and MBP that the maximum annual special tax rate should be based on the average operating deficit over 10 years. This methodology is similar to the Zone 1 capital budgeting procedure outlined in the Airfield O&M Funding Agreement. MBP and the County worked together to determine the expected expenses over the next 10 years for each of the expense items outlined in **Figure 1**. **Table 1** shows those estimated expenses over the next 10 years.

Included in those estimates is a line item for Cyclical Replacement Reserves. **Table 2** shows the 10-year estimate of costs for the items outlined in **Figure 2**. Two assumptions were made in determining the Cyclical Replacement Reserve amount for the purpose of deriving maximum annual special tax:

1. The County and MBP agreed on an anticipated grant funding percentage of 80 percent for all line items in the estimate.
2. The County and MBP agreed on a fixed percentage of funding available from tax increment for funding Cyclical Replacement Reserves. Based on recent State budget issues, the County and MBP assumed that zero (0) percent of the remaining local expenses would be able to be funded by tax increment over the next 10 years.

Including the 10-percent contingency, the average annual Cyclical Replacement Reserve amount is \$276,276.

Offsetting revenues for the next years, which generally include all revenues received that are generated by Airfield assets, as well as payments made by users of the Airfield on a contractual

Table 1
County Service Area No. 12, Sacramento County
McClellan Airfield Services
Estimated Airfield Expenses

Item	2011		2012		2013		2014		2015		2016		2017		2018		2019		2020		Total	
	7/1/2010-6/30/2011	7/1/2011-6/30/2012	7/1/2012-6/30/2013	7/1/2013-6/30/2014	7/1/2014-6/30/2015	7/1/2015-6/30/2016	7/1/2016-6/30/2017	7/1/2017-6/30/2018	7/1/2018-6/30/2019	7/1/2019-6/30/2020												
Expenditures																						
Labor																						
Airfield Manager	\$166,862	\$175,205	\$183,965	\$193,163	\$202,822	\$212,963	\$223,611	\$234,791	\$246,531	\$256,392	\$234,791	\$246,531	\$256,392	\$234,791	\$246,531	\$256,392	\$234,791	\$246,531	\$256,392	\$234,791	\$246,531	\$256,392
Administration	\$104,382	\$107,513	\$110,739	\$114,061	\$117,483	\$121,007	\$124,638	\$128,377	\$132,228	\$136,195	\$128,377	\$132,228	\$136,195	\$128,377	\$132,228	\$136,195	\$128,377	\$132,228	\$136,195	\$128,377	\$132,228	\$136,195
Airfield Maint Supv	\$112,120	\$117,726	\$123,613	\$129,793	\$136,283	\$143,097	\$150,252	\$157,765	\$165,653	\$172,279	\$157,765	\$165,653	\$172,279	\$157,765	\$165,653	\$172,279	\$157,765	\$165,653	\$172,279	\$157,765	\$165,653	\$172,279
Lighting and Navigation Aids																						
Navigation Technician/(Nav Aids Contract)	\$157,248	\$165,110	\$173,366	\$182,034	\$191,136	\$200,693	\$210,727	\$221,264	\$232,327	\$241,620	\$221,264	\$232,327	\$241,620	\$221,264	\$232,327	\$241,620	\$221,264	\$232,327	\$241,620	\$221,264	\$232,327	\$241,620
Lighting & Signage Maintenance	\$73,710	\$77,396	\$81,265	\$85,329	\$89,888	\$90,525	\$93,241	\$96,038	\$98,919	\$101,887	\$96,038	\$98,919	\$101,887	\$96,038	\$98,919	\$101,887	\$96,038	\$98,919	\$101,887	\$96,038	\$98,919	\$101,887
Pavement																						
Pavement O&M	\$43,680	\$45,864	\$48,157	\$50,565	\$53,093	\$55,748	\$58,535	\$61,462	\$64,535	\$67,117	\$58,535	\$61,462	\$64,535	\$67,117	\$64,535	\$67,117	\$64,535	\$67,117	\$64,535	\$67,117	\$64,535	\$67,117
Operations & Maint																						
Grounds Maintenance (Landsc. Contract)	\$260,000	\$273,000	\$286,650	\$300,983	\$316,032	\$331,833	\$348,425	\$365,846	\$384,138	\$399,504	\$331,833	\$348,425	\$365,846	\$384,138	\$399,504	\$331,833	\$348,425	\$365,846	\$384,138	\$399,504	\$331,833	\$348,425
Security Fencing/Signage & Painting O&M	\$17,389	\$17,911	\$18,449	\$19,002	\$19,572	\$20,159	\$20,764	\$21,387	\$22,028	\$22,910	\$20,159	\$20,764	\$21,387	\$22,028	\$22,910	\$20,159	\$20,764	\$21,387	\$22,028	\$22,910	\$20,159	\$20,764
General Administration																						
Other (Pest Control, Permits, Fees)	\$6,577	\$6,774	\$6,977	\$7,186	\$7,402	\$7,624	\$7,853	\$8,088	\$8,331	\$8,664	\$7,624	\$7,853	\$8,088	\$8,331	\$8,664	\$7,624	\$7,853	\$8,088	\$8,331	\$8,664	\$7,624	\$7,853
Utilities	\$104,451	\$107,585	\$110,812	\$114,137	\$117,561	\$121,068	\$124,720	\$128,482	\$132,316	\$137,608	\$121,068	\$124,720	\$128,482	\$132,316	\$137,608	\$121,068	\$124,720	\$128,482	\$132,316	\$137,608	\$121,068	\$124,720
County Insurance	\$17,500	\$18,025	\$18,566	\$19,123	\$19,696	\$20,287	\$20,896	\$21,523	\$22,168	\$22,834	\$20,287	\$20,896	\$21,523	\$22,168	\$22,834	\$20,287	\$20,896	\$21,523	\$22,168	\$22,834	\$20,287	\$20,896
Noise Abatement (T+M)	\$11,924	\$12,282	\$12,650	\$13,030	\$13,421	\$13,823	\$14,238	\$14,665	\$15,105	\$15,558	\$13,823	\$14,238	\$14,665	\$15,105	\$15,558	\$13,823	\$14,238	\$14,665	\$15,105	\$15,558	\$13,823	\$14,238
Special Consultants	\$23,393	\$24,095	\$24,818	\$25,563	\$26,329	\$27,119	\$27,933	\$28,771	\$29,634	\$30,519	\$27,119	\$27,933	\$28,771	\$29,634	\$30,519	\$27,119	\$27,933	\$28,771	\$29,634	\$30,519	\$27,119	\$27,933
Environmental Administration	\$11,924	\$12,282	\$12,650	\$13,030	\$13,421	\$13,823	\$14,238	\$14,665	\$15,105	\$15,558	\$13,823	\$14,238	\$14,665	\$15,105	\$15,558	\$13,823	\$14,238	\$14,665	\$15,105	\$15,558	\$13,823	\$14,238
Permit Administration	\$12,282	\$12,650	\$13,030	\$13,421	\$13,823	\$14,238	\$14,665	\$15,105	\$15,558	\$16,180	\$14,238	\$14,665	\$15,105	\$15,558	\$16,180	\$14,238	\$14,665	\$15,105	\$15,558	\$16,180	\$14,238	\$14,665
10% Contingency (on Above)	\$112,344	\$117,342	\$122,571	\$128,042	\$133,596	\$139,403	\$145,474	\$151,821	\$158,458	\$164,512	\$139,403	\$145,474	\$151,821	\$158,458	\$164,512	\$139,403	\$145,474	\$151,821	\$158,458	\$164,512	\$139,403	\$145,474
Cyclical Replacement Reserves [1]	\$276,276	\$276,276	\$276,276	\$276,276	\$276,276	\$276,276	\$276,276	\$276,276	\$276,276	\$276,276	\$276,276	\$276,276	\$276,276	\$276,276	\$276,276	\$276,276	\$276,276	\$276,276	\$276,276	\$276,276	\$276,276	\$276,276
CSA District Administration	\$70,000	\$72,100	\$74,263	\$76,491	\$78,786	\$81,149	\$83,584	\$86,091	\$88,674	\$91,334	\$81,149	\$83,584	\$86,091	\$88,674	\$91,334	\$81,149	\$83,584	\$86,091	\$88,674	\$91,334	\$81,149	\$83,584
Total Costs	\$1,582,063	\$1,639,136	\$1,699,816	\$1,761,227	\$1,824,619	\$1,890,856	\$1,960,068	\$2,032,396	\$2,107,985	\$2,177,248	\$1,890,856	\$1,960,068	\$2,032,396	\$2,107,985	\$2,177,248	\$1,890,856	\$1,960,068	\$2,032,396	\$2,107,985	\$2,177,248	\$1,890,856	\$1,960,068

Source: Sacramento County and MBP

[1] See Table 2

Table 2
 Service Area No. 12, Sacramento County
 McChilton Airfield Services
 Estimated Cyclical Replacement Reserves

Item	Funding Percentage	2011 7/1/2011- 6/30/2011	2012 7/1/2011- 6/30/2012	2013 7/1/2012- 6/30/2013	2014 7/1/2013- 6/30/2014	2015 7/1/2014- 6/30/2015	2016 7/1/2015- 6/30/2016	2017 7/1/2016- 6/30/2017	2018 7/1/2017- 6/30/2018	2019 7/1/2018- 6/30/2019	2020 7/1/2019- 6/30/2020	Total	Projected Grant Revenue	Net Local Cost	Contingency Amount	Remaining Local Costs	Projected Tax Increment Financing	Total Local Cost
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r
Perimeter Marking Design (Contractor)	80%	\$250,000	\$150,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$400,000	\$350,000	\$60,000	\$6,000	\$68,000	\$0	\$88,000
Airfield Management	80%	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$100,000	\$80,000	\$20,000	\$2,000	\$22,000	\$0	\$22,000
Office Space (Modular)	80%	\$100,000	\$100,000	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$300,000	\$240,000	\$60,000	\$6,000	\$66,000	\$0	\$66,000
Airfield Lighting Vault	80%	\$175,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$175,000	\$140,000	\$35,000	\$3,500	\$38,500	\$0	\$38,500
Elite, As-Built	80%	\$20,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,000	\$16,000	\$4,000	\$400	\$4,400	\$0	\$4,400
Perimeter/Routeable Runway	80%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,600,000	\$1,280,000	\$320,000	\$32,000	\$352,000	\$0	\$352,000
Security Fencing & Access Zones 1 - Access Prevention	80%	\$25,000	\$0	\$25,000	\$0	\$25,000	\$0	\$0	\$0	\$0	\$0	\$100,000	\$80,000	\$20,000	\$2,000	\$22,000	\$0	\$22,000
Perimeter Closure Markers	80%	\$50,000	\$50,000	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$150,000	\$120,000	\$30,000	\$3,000	\$33,000	\$0	\$33,000
Main Lighting Vault	80%	\$350,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$350,000	\$280,000	\$70,000	\$7,000	\$77,000	\$0	\$77,000
Generator Equip	80%	\$0	\$250,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$250,000	\$200,000	\$50,000	\$5,000	\$55,000	\$0	\$55,000
Master Plan	80%	\$0	\$0	\$150,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$150,000	\$120,000	\$30,000	\$3,000	\$33,000	\$0	\$33,000
AWOS - Repairs & Rebuild	80%	\$0	\$0	\$220,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$220,000	\$176,000	\$44,000	\$4,400	\$48,400	\$0	\$48,400
Runway Center Line	80%	\$150,000	\$150,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$300,000	\$240,000	\$60,000	\$6,000	\$66,000	\$0	\$66,000
Runway Pavement Joint Rehabilitation, PCC Repairs and Seal Repair	80%	\$0	\$0	\$265,000	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$365,000	\$292,000	\$73,000	\$7,300	\$80,300	\$0	\$80,300
Runway Pavement Joint Rehabilitation, PCC Repairs and Seal Repair - Design	80%	\$0	\$100,000	\$65,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$165,000	\$132,000	\$33,000	\$3,300	\$36,300	\$0	\$36,300
Runway Pavement Joint Rehabilitation, PCC Repairs and Seal Repair - Construction	80%	\$0	\$0	\$0	\$0	\$900,000	\$500,000	\$250,000	\$250,000	\$250,000	\$250,000	\$2,000,000	\$1,600,000	\$400,000	\$40,000	\$440,000	\$0	\$440,000
Signs and Runway Exit Signs, Phase 1 - Design	80%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$436,000	\$348,800	\$87,200	\$8,720	\$96,920	\$0	\$96,920
Signs and Runway Exit Signs, Phase 1 - Construction	80%	\$0	\$0	\$0	\$718,000	\$218,000	\$0	\$0	\$0	\$0	\$0	\$936,000	\$748,800	\$187,200	\$18,720	\$206,920	\$0	\$206,920
Runway Exit Signs, Phase 1 - Construction - Design	80%	\$0	\$0	\$140,000	\$140,000	\$0	\$0	\$0	\$0	\$0	\$0	\$280,000	\$224,000	\$56,000	\$5,600	\$61,600	\$0	\$61,600
Runway Exit Signs, Phase 1 - Construction - Construction	80%	\$0	\$0	\$0	\$0	\$517,000	\$517,000	\$0	\$0	\$0	\$0	\$1,034,000	\$827,200	\$206,800	\$20,680	\$227,880	\$0	\$227,880
Replace Approach Lighting System & Runway Edge Lights	80%	\$0	\$0	\$200,000	\$90,000	\$0	\$0	\$0	\$0	\$0	\$0	\$290,000	\$232,000	\$58,000	\$5,800	\$63,800	\$0	\$63,800
Replace Approach Lighting System & Runway Edge Lights - Design	80%	\$0	\$0	\$0	\$0	\$100,000	\$485,000	\$0	\$0	\$0	\$0	\$585,000	\$468,000	\$117,000	\$11,700	\$128,700	\$0	\$128,700
Replace Approach Lighting System & Runway Edge Lights - Construction	80%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$75,000	\$60,000	\$15,000	\$1,500	\$16,500	\$0	\$16,500
Runway Edge Lights - Construction	80%	\$0	\$0	\$0	\$0	\$100,000	\$0	\$100,000	\$0	\$0	\$0	\$200,000	\$160,000	\$40,000	\$4,000	\$44,000	\$0	\$44,000
Runway Edge Lights - Design	80%	\$0	\$0	\$68,000	\$68,000	\$0	\$0	\$0	\$0	\$0	\$0	\$136,000	\$108,800	\$27,200	\$2,720	\$30,920	\$0	\$30,920
Security Monitoring	80%	\$0	\$0	\$0	\$0	\$125,000	\$125,000	\$0	\$0	\$0	\$0	\$250,000	\$200,000	\$50,000	\$5,000	\$55,000	\$0	\$55,000
Security Monitoring - Construction	80%	\$0	\$0	\$0	\$0	\$0	\$250,000	\$0	\$0	\$0	\$0	\$250,000	\$200,000	\$50,000	\$5,000	\$55,000	\$0	\$55,000
Security Monitoring - Design	80%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$55,000	\$45,000	\$10,000	\$1,000	\$11,000	\$0	\$11,000
Master Phase 1 - Construction	80%	\$0	\$0	\$0	\$0	\$0	\$0	\$300,000	\$200,000	\$145,000	\$145,000	\$550,000	\$438,000	\$108,000	\$10,800	\$119,800	\$0	\$119,800
Master Phase 1 - Design	80%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$75,000	\$60,000	\$15,000	\$1,500	\$16,500	\$0	\$16,500
Replace PAPIs	80%	\$0	\$0	\$0	\$0	\$200,000	\$200,000	\$0	\$0	\$0	\$0	\$400,000	\$320,000	\$80,000	\$8,000	\$88,000	\$0	\$88,000
Replace Runway/Taxway Lights, LED	80%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$200,000	\$160,000	\$40,000	\$4,000	\$44,000	\$0	\$44,000
Install Taxway Lights	80%	\$0	\$0	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$0	\$0	\$0	\$500,000	\$400,000	\$100,000	\$10,000	\$110,000	\$0	\$110,000
Airfield Drainage Improvements	80%	\$1,220,000	\$800,000	\$2,228,000	\$1,985,000	\$1,485,000	\$1,727,000	\$1,242,000	\$450,000	\$550,000	\$895,000	\$10,048,400	\$8,111,600	\$2,116,000	\$211,600	\$2,327,600	\$0	\$2,327,600
Total																		

Source: Sacramento County and MBP

basis to fund Airfield services, were estimated by the County and MBP based on past history. **Table 3** shows the estimated offsetting revenues and resulting annual surplus/(deficit). The average annual surplus/(deficit) over the next 10 years is estimated to be (\$1,457,756).

CSA Tax Base (Parcels Subject to the Tax)

As previously discussed in **Chapter 3**, parcels that directly benefit from the Airfield through direct access to it are expected to pay a fair share allocation of Airfield operating costs. Most of these properties are included within the CSA boundary and will pay this cost through the CSA tax. To derive a maximum annual special tax rate, the total building square footage currently benefiting from access to the Airfield was determined. **Table 4** shows the inventory of Zone 2 buildings that directly benefit from access to the Airfield and the building square footage. As buildings may be demolished and new ones constructed on the parcels included within the boundary of the CSA, as indicated in the RMA, in no event will the total building square footage for purposes of calculating the maximum annual special tax revenue be less than 1,103,480 square feet.

It is important to note that the CSA cannot, and is not intended to, collect the fair share allocation of Airfield costs from all buildings that benefit from access to the Airfield. Tax-exempt parcels, as defined in the RMA, will not be taxed by the CSA. The CSA Maximum Tax was derived based on the assumption that all Zone 2 properties listed on **Table 4** (with one exception noted below) will pay their allocation, either through the CSA or through an alternative payment mechanism approved by the Responsible Party. Examples of this include the buildings on Lots 3 and 8, currently occupied by the United States Coast Guard, which have been included in the calculation of the total building square footage as shown on **Table 4**. These buildings were included in the calculation, and the County entered into a contractual agreement with the United States Coast Guard to pay Airfield services costs to the County. The one exception to this rule is Building 1096 located on Parcel 184. Because this parcel is federally owned and does not directly benefit from the Airfield, its building square footage is not included in the total calculated above.

CSA Maximum Special Tax Rate Calculation

To derive the base year maximum annual special tax rate per building square foot, the County and MBP agreed that the levy of the base year maximum annual special tax rate on the total building square footage should be able to cover a deficit in funding with the following conditions:

- The average annual deficit of Airfield O&M costs over 10 years, including a 10-percent contingency and an amount for Cyclical Replacement Reserves.
- Be net of offsetting revenues.
- According to the Agreement, sections 4.2.3 and 4.2.4 provide for at least a 1.25 Expense Coverage Ratio.

Table 5 shows the calculation that derives the required base year maximum annual special tax rate per building square foot of \$1.651 that meets these qualifications.

Table 3
 County Service Area No. 12, Sacramento County
 McClellan Airfield Services
 Estimated Offsetting Revenue and Average Surplus/Deficit

Item	2011 7/1/2010- 6/30/2011	2012 7/1/2011- 6/30/2012	2013 7/1/2012- 6/30/2013	2014 7/1/2013- 6/30/2014	2015 7/1/2014- 6/30/2015	2016 7/1/2015- 6/30/2016	2017 7/1/2016- 6/30/2017	2018 7/1/2017- 6/30/2018	2019 7/1/2018- 6/30/2019	2020 7/1/2019- 6/30/2020	Total
Revenues											
Fueling Fee	\$360,000	\$367,200	\$374,544	\$382,035	\$389,676	\$397,469	\$405,418	\$413,527	\$421,797	\$430,233	\$3,941,900
Fueling Permit Fee	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$12,000
Public Ramp Parking Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rental Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Alternative Sources	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Zone 3 Property Revenue [2]	\$12,619	\$12,965	\$13,321	\$13,686	\$14,061	\$14,447	\$14,843	\$15,250	\$15,668	\$16,097	\$142,957
Total Offsetting Revenues	\$373,819	\$381,365	\$389,065	\$396,921	\$404,937	\$413,116	\$421,461	\$429,977	\$438,665	\$447,531	\$4,096,856
Less Total Expenditures [1]	(\$1,582,063)	(\$1,639,136)	(\$1,698,816)	(\$1,761,227)	(\$1,824,619)	(\$1,890,856)	(\$1,960,068)	(\$2,032,396)	(\$2,107,985)	(\$2,177,248)	(\$18,674,414)
Operating Deficit	(\$1,208,244)	(\$1,257,771)	(\$1,309,752)	(\$1,364,306)	(\$1,419,683)	(\$1,477,740)	(\$1,538,607)	(\$1,602,420)	(\$1,669,319)	(\$1,729,717)	(\$14,577,558)
Average Operating Deficit											

Source: Sacramento County and MBP. *deficit*

[1] From Table 1

[2] Reflects revenue from Building 0737 calculated based upon \$1.20 PSF per year for 10,516 square feet of space escalated at 2.74% to reflect inflationary growth.

Table 4
County Service Area No. 12, Sacramento County
McClellan Airfield Services
Total Building Square Footage

Building Number	Current APN	Lot Number [1]	Tenant Description [2]	Taxable Entity	Building Square Footage
0239	215-032-0072-0000	80	McClellan Jet Services	MBP	23,202
0240	215-032-0001-0000	79	ICL Performance	MBP	23,202
0248	215-031-0055-0000	47	Vacant	MBP	37,211
0251-A - Dock A	215-032-0075-0000	81	McClellan Jet Services	MBP	63,789
0251-B - Dock B	215-032-0075-0000	81	McClellan Jet Services	MBP	82,139
0251-C - Dock C	215-032-0075-0000	81	Fry's Aviation	MBP	70,600
0251-FBO	215-032-0075-0000	81	McClellan Jet Services	MBP	17,009
0260	215-031-0055-0000	47	Vacant	MBP	3,080
0362	215-032-0020-0000	98	Vacant	MBP	90,513
0363	215-032-0021-0000	99	Integrity Data and Fiber	MBP	2,400
0364	215-032-0021-0000	99	Sunseri	MBP	1,196
0365	215-032-0071-0000	97	CalStar	MBP	41,200
0366	215-032-0021-0000	99	Pacific Pavement Maintenance	MBP	1,798
0375	215-032-0018-0000	96	MJS / Dassault	MBP	42,095
0377	215-032-0018-0000	96	Portion of Bldg 375	MBP	951
0632	215-036-0002-0000	173	Sacramento Police Department	MBP	1,754
0633	215-036-0002-0000	173	Vacant	MBP	1,754
0635	215-036-0002-0000	173	Vacant	MBP	6,441
0636	215-036-0002-0000	173	Sac Metro	Sacramento County [5]	5,930
0688	215-034-0011-0000	160	XO Jet	MBP	2,867
0689	215-034-0011-0000	160	Vacant	MBP	384
0690	215-034-0011-0000	160	XO Jet	MBP	64,072
0691	215-034-0011-0000	160	Vacant	MBP	960
0692	215-034-0010-0000	159	Vacant	MBP	64,177
0732	215-036-0002-0000	173	Sacramento Police Department	MBP	7,700
0733	215-036-0002-0000	173	Vacant	MBP	12,761
0734	215-036-0002-0000	173	MIKE PALMER	MBP	15,746
0735	215-036-0002-0000	173	Vacant	MBP	8,465
0829	215-031-0054-0000	46	Storage with 877-878	MBP	1,462
0876	215-031-0054-0000	46	Vacant	MBP	861
0877	215-031-0054-0000	46	Cal Dept of Forestry	MBP	25,509
0878	215-031-0054-0000	46	Cal Dept of Forestry	MBP	25,509
1020	215-030-0096-0000	16	Somers Building Maintenance	MBP	19,278
1021	215-030-0014-0000	15	Northrop Grumman	MBP	18,881
1022	215-030-0013-0000	14	Vacant	MBP	11,862
1023	215-030-0012-0000	13	Dyn Corp	MBP	18,837
1025	215-030-0011-0000	12	Vacant	MBP	1,832
1026	215-030-0011-0000	12	Small office	MBP	2,760
1027	215-030-0010-0000	11	Sac City College	MBP	18,881
1028	215-030-0009-0000	10	Vacant	MBP	18,881
1029	215-030-0008-0000	9	Small office	MBP	1,058
1030	215-030-0008-0000	9	Calstar	MBP	2,560
1031	215-030-0008-0000	9	Calstar	MBP	2,560
1032 [2]	215-030-0058-0000	8	Coast Guard [3]	Public Parcel	12,073
1033 [2]	215-030-0058-0000	8	Coast Guard [3]	Public Parcel	12,073
1069	215-037-0014-0000	184	DMEA [4]	MBP	0
1071	215-030-0006-0000	7	Vacant	MBP	100,623
1074	215-040-0001-0000	1	PBC	Sacramento County [5]	11,470
1082	215-037-0015-0000	192	Vacant	MBP	3,400
1106 [2]	215-030-0056-0000	3	Coast Guard [3]	Public Parcel	99,714
Total			Total Building Square Footage		1,103,480

Source: MBP & Nolte & Assoc.

"sq_ft"

- [1] The Lot Number is the unique number of the legal parcel shown in the Record of Survey for McClellan Park recorded on December 31, 2001 in book No. 20011231 at page No. 0697, document No. 00010127801. The legal lots shown on this table are shown on Attachment 2 of the RMA.
- [2] The Square Footage of Buildings occupied by the Coast Guard are included within the Total Building Square Footage of 1,103,480 Sq. Ft. since these parcels contribute to the funding of Airfield Services as indicated by the Total Building Square Footage definition within the RMA. These parcels will not be levied a tax so long as they are occupied by the United States and have an agreement to fund Airfield Services.
- [3] Represents tenant; doesn't represent entity responsible for payment of tax.
- [4] DMEA square footage is excluded as it is a public parcel and is not anticipated to receive benefit from airfield costs.
- [5] Sacramento County will have agreements with the building tenants to pay their "fair share" of McClellan Airfield access taxes (CSA-12 taxes).

Table 5
County Service Area No. 12, Sacramento County
McClellan Airfield Services
Base Year Maximum Annual Special Tax Rate Calculation [1]

Item	Source	formula	Amount
Average Annual Operating Deficit	Table 3	a	\$1,457,756
1.25 Coverage on Operating Deficit		$b = a * 25\%$	\$364,439
Total Required Maximum Annual Special Tax Capacity		$c = a + b$	\$1,822,195
Total Building Square Footage	Table 4	d	1,103,480
Base Year Maximum Annual Special Tax Rate per Building Square Foot		$e = c/d$	\$1.651

"calc"

Source: EPS

[1] The Base Year is FY 2010/11.

Airfield O&M Short-Term Cash Flow

To ensure that the Airfield is viable and has sufficient reserves to operate, EPS analyzed the near-term operating cash flow of the Airfield, while taking into consideration the revenue of the proposed CSA special taxes. **Table 6** presents this hypothetical cash flow for the Airfield, taking into consideration the expenses and offsetting revenues used to derive the base year maximum annual special tax rate and the associated assumed expense and revenue escalation factors. **Table 6** also provides the annual and total Expense Coverage Ratio calculation. This ratio represents the amount of total available revenues, which include the Total Maximum Annual Special Tax revenue (including an assumed annual escalation of 2.74 percent, based on the average annual growth rate of San Francisco-Oakland-San Jose CPI-U from 1991 to 2009) from the CSA and Offsetting Revenues from Airfield assets, divided by the total amount of expenses projected, which includes the average annual Cyclical Replacement Reserve budget.

During the series of meetings between the County and MBP, the need for a sufficient cash reserve to be made available to the operator of the Airfield was addressed. To accommodate this, the RMA provides for a special provision wherein, irrespective of the actual expenses of the Airfield for a given year, for the first number of years after formation of the CSA, the maximum annual special tax for all taxable parcels would be levied up to the time when the cumulative surplus of special tax greater than that required to fund annual operations and maintenance costs reaches a cumulative total of \$1.7 million. This maximum levy will provide for a surplus of revenue needed to establish a sufficient cash reserve for the County to operate the Airfield on an ongoing basis and to provide sufficient reserve funds on hand for a FAA grant match if the opportunity is available.

Table 6
 County Service Area No. 12, Sacramento County
 McClellan Airfield Services
 Airfield O&M Cashflow with CSA Special Tax Revenue

Item	Source	Formula	2011 7/1/2010- 6/30/2011	2012 7/1/2011- 6/30/2012	2013 7/1/2012- 6/30/2013	2014 7/1/2013- 6/30/2014	2015 7/1/2014- 6/30/2015	2016 7/1/2015- 6/30/2016	2017 7/1/2016- 6/30/2017	2018 7/1/2017- 6/30/2018	2019 7/1/2018- 6/30/2019	2020 7/1/2019- 6/30/2020	Total
Revenues	Table 3	a	\$373,819	\$381,365	\$389,065	\$396,921	\$404,937	\$413,116	\$421,461	\$429,977	\$438,665	\$447,531	\$4,096,856
Expenses	Table 1	b	(\$1,582,063)	(\$1,639,136)	(\$1,698,816)	(\$1,761,227)	(\$1,824,619)	(\$1,890,856)	(\$1,960,068)	(\$2,032,396)	(\$2,107,985)	(\$2,177,248)	(\$18,674,414)
Operating Deficit		c = a + b	(\$1,208,244)	(\$1,257,771)	(\$1,309,752)	(\$1,364,306)	(\$1,419,683)	(\$1,477,740)	(\$1,538,607)	(\$1,602,420)	(\$1,669,319)	(\$1,729,717)	(\$14,577,558)
Maximum Special Tax Rate [1]	Table 5	d	\$1.651	\$1.697	\$1.743	\$1.791	\$1.840	\$1.890	\$1.942	\$1.996	\$2.050	\$2.106	
Taxable Building Square Feet	Table 4	e	1,103,480	1,103,480	1,103,480	1,103,480	1,103,480	1,103,480	1,103,480	1,103,480	1,103,480	1,103,480	
Total Maximum Special Tax		f = d * e	\$1,822,195	\$1,872,156	\$1,923,486	\$1,976,224	\$2,030,409	\$2,086,078	\$2,143,274	\$2,202,039	\$2,262,414	\$2,324,445	
Total Tax Levy Per RMA [2]		g = per note [3]	\$1,822,195	\$1,872,156	\$1,781,416	\$1,364,306	\$1,419,683	\$1,477,740	\$1,538,607	\$1,602,420	\$1,669,319	\$1,729,717	\$16,277,558
Surplus/Deficit w/ Tax Revenue		h = c + g	\$613,951	\$614,385	\$471,664	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,700,000
Cumulative Surplus/Deficit			\$613,951	\$1,228,336	\$1,700,000	\$1,700,000	\$1,700,000	\$1,700,000	\$1,700,000	\$1,700,000	\$1,700,000	\$1,700,000	\$1,700,000
Effective Tax Rate Per Taxable Square Foot		i = g/e	\$1.651	\$1.697	\$1.614	\$1.236	\$1.287	\$1.339	\$1.394	\$1.452	\$1.513	\$1.568	
Expense Coverage Ratio Test [3]		j = (e + g) / -b	1.39	1.37	1.36	1.35	1.33	1.32	1.31	1.30	1.28	1.27	

Source: EPS

[1] Assumes an average tax escalation factor of 2.74% based upon the average growth rate of the San Francisco-Oakland-San Jose CPI-U from 1991 to 2009.
 [2] Per the RMA, within the first 3 years, the maximum annual special tax will be levied on all parcels until the cumulative surplus reaches \$1.7 million. For subsequent years the annual special tax levy is equal to Adjusted Annual Costs (the Operating Deficit).
 [3] For purposes of calculating the expense coverage ratio, the total maximum annual special tax is included within the revenues since this is the maximum amount of revenue available to cover expenses. The actual tax levied can, and will most likely be, less than this amount.

6. STRUCTURE OF CSA TAX

Description of the Proposed CSA Tax

The CSA is proposed to fund annual Airfield O&M expenses to the extent that revenues generated from operation of Airfield assets (i.e., offsetting revenues) are not sufficient to cover expenses. As described in **Chapter 4**, the proposed CSA will fund Airfield services, including the operations and maintenance of all equipment and facilities needed to effectively provide the required service to safely and effectively operate the Airfield.

As summarized in this chapter, the RMA, which is included as **Appendix A**, has several special features that are required because of the unique nature of funding services related to the Airfield. Capitalized terms used throughout this chapter are defined terms in the RMA.

Definition of Adjusted Annual Costs

Expenses associated with cost of operating and maintaining the Airfield will be paid through the collection of Special Taxes levied against Taxable Parcels in the CSA. Adjusted Annual Costs—Annual Costs net of Offsetting Revenues—will be funded by Special Tax collection.

Annual Costs

Annual Costs funded by Special Tax revenue consist of the following components:

1. The cost of providing Authorized Services.
2. Administrative Expenses for the Fiscal Year.
3. The amount needed to fund Cyclical Replacement Reserves.
4. An amount equal to Special Tax Delinquencies from the previous Fiscal Year or anticipated for the current Fiscal Year.
5. Less any earnings on a Cyclical Replacement Reserve fund and a special tax fund that are transferred to the fund used for Authorized Services.

Authorized Services are those services described in **Chapter 4** and more specifically those outlined in the Resolution by the County forming the proposed CSA.

Administrative Expenses means the following actual or reasonably estimated costs directly related to administration of the CSA: the costs of preparing the annual Airfield budget and computing the Adjusted Annual Cost; administrative costs associated with providing for the CSA-funded services; the costs of computing Special Taxes and preparing the annual Special Tax Roll; the costs of collecting the Special Taxes (whether by the County or otherwise); the costs to the County, CSA, or any designee thereof of complying with County, CSA, or obligated persons disclosure requirements associated with preparing special tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs to the County, CSA, or any

designee thereof related to an appeal of the Special Tax; and any other administrative costs related to the CSA as determined by the Administrator. Administrative Expenses also will include amounts estimated or advanced by the County or CSA for any other administrative purposes, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

An amount equal to past delinquencies also may be levied to cover shortfalls in the Special Tax collection. In any event, the annual Special Tax may not exceed the Maximum Annual Special Tax. Because Special Tax delinquencies will occur annually to some degree, the County may levy an amount equal to the expected tax delinquencies for the following Fiscal Year to ensure that Special Tax collections will be able to cover Annual Costs.

The amount needed to fund Cyclical Replacement Reserves on an annual basis is defined in the RMA, and the computation is discussed in detail in **Chapter 5**. This amount is to be included in Annual Costs. Because the annual amount levied for Cyclical Replacement Reserves may not be expended on an annual basis, any interest earned by the fund designated for its purposes may be deducted from Annual Costs.

Offsetting Revenues

Offsetting revenues consist of revenues generated by Airfield assets and contractual arrangements to provide access or services at the Airfield. They consist of the following components:

1. Fuel Flowage fees and fueling permit fees.
2. Landing charges.
3. Zone 1 fuel/FBO-area revenue.
4. Revenues received by the County pursuant to contractual arrangements to fund Authorized Services. To derive the Maximum Tax, the square footage of Tax-Exempt Parcels (excluding the previously noted Lot 184, building 1096) was included so that those parcels would be allocated their fair share of the Airfield services costs. Because these revenues will not be collected by the CSA, the revenue will be included in the budget as an offsetting revenue by the Responsible Party.
5. Ongoing revenues generated from the investment of Prepayments.
6. Any other revenues allocated by the County to fund Authorized Services.

Flowage fees, landing charges, and Zone 1 fuel/FBO-area revenue are revenues generated from providing access, allowances, or services associated with use of the Airfield. The revenues generated from these activities less the direct cost of providing these services is intended to be used to operate and maintain the Airfield.

As described later in this chapter under the "Special Considerations" section, all revenue received pursuant to **Section 9** of the RMA either through Prepayment or contractual arrangement is to be considered an Offsetting Revenue.

Finally, in the event the County, at its sole discretion, independently allocates other revenues toward Airfield services, these revenues would go toward Offsetting Revenues, such that Adjusted Annual Costs funded by CSA Special Tax revenue would be reduced.

Determination of Parcels Subject to Tax

Annually, the Administrator will prepare a list of the Parcels subject to the Special Tax using the most current County records, records of the County Assessor, and Building Certificates completed for Parcels in the CSA. The Building Certificate is discussed in greater detail later in this chapter. The County will identify all Taxable Parcels from a list of all Parcels in the CSA by excluding Tax-Exempt Parcels and Parcels that have prepaid their Special Tax obligation as described in **Section 9** of the RMA.

Termination of the Special Tax

The Special Tax will be levied and collected for as long as needed to pay the Annual Costs for Authorized Services.

Maximum Annual CSA Tax

Attachment 3 to the RMA shows the Base Year Maximum Annual Special Tax Rate for all Taxable Parcels. The Base Year is Fiscal Year 2010-11. This tax rate is \$1.651 per building square foot. This tax rate escalates on an annual basis according to the Tax Escalation Factor.

Tax Escalation Factor

The Tax Escalation Factor is a factor used for determining the escalation adjustment on each March 1 of the prior Fiscal Year that will be applied to the Maximum Annual Special Tax Rate each year after Fiscal Year 2010. The Tax Escalation Factor is determined using the San Francisco—Oakland—San Jose Consumer Price Index for All Urban Consumers, All Items (CPI-U), with an index base period 1982–84 = 100, published by the U.S. Department of Labor, Bureau of Labor Statistics (BLS). The CPI-U inflation factor was chosen, versus the CPI-W (the CPI for Hourly Wage Earners and Clerical Workers), because it was felt that CPI-U better represents the change in cost of providing Airfield O&M. The largest portion of costs associated with providing Airfield O&M is labor costs, and those labor costs primarily are not from hourly wage earners or clerical workers. CPI-W, according to the BLS, typically is used more in labor negotiation agreements and is not applicable in this case. In more detail, the Administrator will determine the Tax Escalation Factor as follows:

- Determine from published data the CPI-U from the December before the March 1 of the current Fiscal Year.
- Determine, from the same published data source, the CPI-U published one year before the current CPI-U.
- Divide the current CPI-U by the prior CPI-U. This factor is the Tax Escalation Factor.

The Tax Escalation Factor shall be applied to the Maximum Annual Special Tax Rate shown in **Attachment 3** of the RMA in each year after the Base Year in a compounding manner.

Classification of Parcels and Assignment of Maximum Annual Special Tax

Table 5 and **Attachment 3** to the RMA show the Base Year Maximum Annual Special Tax Rate for Taxable Parcels in the CSA. **Section 5** of the RMA describes in detail the precise method for assigning the Maximum Annual Special Tax to Parcels in the CSA. The following section summarizes these procedures.

Classification of Parcels

A Building Certificate will be prepared for each County Assessor's Parcel before the first Special Tax levy. It will be modified and resubmitted each time there is a change to the Parcel that changes any of the information contained on the certificate. A Building Certificate also will be prepared for each annexation parcel upon its annexation into the CSA.

A Building Certificate is required for all Parcels in the CSA to determine the amount of taxable building square footage that resides in each Taxable Parcel and to make a determination if the Parcel is taxable or not. The Building Certificate initially will be prepared by the legal owner of the Parcel. A copy of the Building Certificate has been included as **Attachment 1** to the RMA in **Appendix A**.

The Administrator will prepare the Building Certificate in the event that the property owner fails to do so successfully or if modifications are required.

As explained in the RMA, the Building Certificate for a Parcel contains the following information for that portion of the Parcel in the CSA:

- Original and current Assessor's Parcel Number.
- The legal Lot Number.
- Tax status
- The number of buildings on the Parcel.
- The gross building square footage of the buildings on the Parcel.
- Any additional information relevant to the Parcel.
- A signature for certification purposes.

Each year the Administrator will use the Building Certificate for each Parcel, along with parcel records of the County Assessor's secured tax roll and other County development-approval records as of June 1 of each year, to first classify each Parcel as Taxable or Tax-Exempt.

A Parcel is Tax-Exempt (i.e., not subject to the Special Tax) if it is a Public Parcel:

- A Public Parcel (as defined in the RMA).
- A Parcel for which the Special Tax has been fully prepaid (as a result of being conveyed to a public entity) according to the guidelines described in **Section 9** of the RMA.

All Parcels not classified as Tax-Exempt Parcels are Taxable Parcels.

After classifying the Parcels as either Tax-Exempt or Taxable, the Administrator assigns the Maximum Annual Special Tax for each Taxable Parcel using the tax rate shown on **Table 5**, as escalated by the Tax Escalation Factor. The assignment of the Maximum Annual Special Tax is described in more detail below.

Assignment of Maximum Annual Special Tax

Pursuant to **Section 5.B** in the RMA, each Fiscal Year, the Administrator will assign the Maximum Annual Special Tax to each Taxable Parcel by multiplying the Maximum Annual Special Tax Rate per building square foot by the building square footage of the Parcel as indicated on the Building Certificate for the respective Parcel.

Special Considerations

The RMA is designed to handle the occurrence of situations that might change the way a tax is assigned to a Parcel. Those various situations are outlined below.

Conversion of a Tax-Exempt Parcel to a Taxable Parcel

If a Tax-Exempt Parcel is converted to a Taxable Parcel, then it becomes subject to the Special Tax. The Maximum Annual Special Tax for that Parcel then will be calculated in the same manner it is for all other Taxable Parcels as described previously.

Taxable Parcel Acquired by a Public Agency or Excluded From the CSA

As part of the plan for redevelopment of the Airfield, MBP will market the property to governmental entities that are typically tax exempt. As a result of the County's inability to collect taxes from such entities, the RMA has provisions in **Section 9** that will require the property to satisfy its obligation to fund Airfield O&M either through a Prepayment or a contractual arrangement. The obligation to do this will be enforced through the CC&Rs recorded against the property before CSA formation. A copy of the amendment to the CC&Rs that is intended to be recorded against the property before CSA formation is included as **Appendix B**.

One of the two options for satisfying the Special Tax obligation for a Parcel—either full Prepayment of the annual obligation pursuant to the provisions in the RMA (discussed later) or entrance into a contractual agreement to pay for the Parcel's proportionate share of Airfield O&M costs (Fair Share)—will take place before the public entity takes title to the property. Satisfaction of the obligation ultimately will generate an Offsetting Revenue that will reduce the amount of Adjusted Annual Costs to be funded by the remaining taxable property in the CSA. In the case of a full Prepayment, it will be the obligation of the County to invest the Prepayment funds in such a manner that the earnings from the funds satisfy the prepaying properties'

ongoing annual obligation. Those earnings would be considered an Offsetting Revenue. In the case of a contractual agreement, the revenue generated from the agreement would be considered an Offsetting Revenue.

For example, the United States Coast Guard currently occupies property that benefits from access to the Airfield, and it has entered into a contractual agreement with the County to fund Airfield services. This property will remain tax exempt and will not be required to pay the Special Tax so long as that property has a contractual agreement to pay its share of costs associated with Airfield services. Consequently, the RMA considers those payments an Offsetting Revenue.

Annexation Parcels

A Parcel may be annexed into the CSA after the CSA has been formed. In the event a Taxable Parcel is annexed into the CSA, the Maximum Annual Special Tax will be assigned pursuant to **Section 5.B** after the Parcel has been classified as either Taxable or Tax Exempt.

Subdivision of a Parcel

If a Parcel is subdivided into two or more Parcels, the Maximum Annual Special Taxes for the new Parcels are determined by the building square footage of each of the new Parcels being calculated by completing the building certification form for each of the new Parcels. There should be no net loss in building square footage when compared to the original Parcel. The procedures of **Section 5.B** should be followed to determine the Maximum Annual Special Tax for each new Parcel.

Demolition of Building Square Footage

In the event that buildings are demolished on a Taxable Parcel, that Taxable Parcel will still be subject to the Special Tax based on the building square footage indicated on the Building Certificate for that Parcel until the Administrator has made a determination and provided written acknowledgement that the building square footage and associated Maximum Annual Special Tax for the Parcel can be reduced. In making that acknowledgement, the Administrator will ensure that with the building square footage reduction as a result of the demolition, the Total Building Square Footage will not be reduced below 1,103,480 Square Feet.

New Structure Construction

On Taxable Parcels where New Structure(s) are constructed resulting in an increase of building square footage, the Building Square Footage of the Structure will be updated on the Building Certificate, and the Maximum Annual Special Tax for such Taxable Parcel will be based on the increased Building Square Footage.

Setting the Annual Special Tax Levy for Taxable Parcels

After calculating the Maximum Annual Special Tax for each Taxable Parcel, the Administrator then will determine the annual Special Tax levy for each Taxable Parcel. To determine the annual levy, the Administrator will use the process presented in **Section 6** of the RMA, which is summarized as follows:

- During the Initial Period, which are the first few or several Fiscal Years in which the Special Tax is levied, if the Cumulative Surplus Fund balance is less than \$1.7 million, then the Administrator will levy the Special Tax proportionately on each Taxable Parcel until the amount levied equals the sum of Adjusted Annual Costs, for the given Fiscal Year, plus an amount required to fund the Cumulative Surplus Fund up to \$1.7 million. If levying the Maximum Special Tax on all Taxable Parcels covers Adjusted Annual Costs and does not make the cumulative balance of the Cumulative Surplus Fund exceed \$1.7 million, then the Administrator will levy 100 percent of the Maximum Special Tax on all Taxable Parcels.
- For all other Fiscal Years after the Initial Period, the Administrator will determine the Adjusted Annual Cost for the Fiscal Year as defined in the RMA, and then will determine the levy on all Taxable Parcels as follows:
 - If the Adjusted Annual Cost is less than the Maximum Annual Special Tax revenue from all Taxable Parcels, the Administrator will decrease proportionately the Special Tax levy for each Taxable Parcel until the revenue from the Special Tax levy equals the Adjusted Annual Costs.
- The CFD Administrator will levy the Special Tax on each Taxable Parcel as calculated above.

Prepayment of the Special Tax Obligation

Prepayment Components

Section 9 of the RMA provides for Prepayment of the Special Tax obligation by Parcels that are acquired by a public entity from which the County normally does not have the authority or ability to collect property taxes. As previously stated in the "Special Considerations" section of this chapter, in these cases, the Special Tax obligation must be satisfied before the Parcel can be acquired by the public entity, pursuant to the CC&Rs that will have been recorded against the Parcel before CSA formation.

According to **Section 9**, there are two ways in which the Special Tax obligation on the Parcel can be satisfied. The Special Tax can either be prepaid in one lump-sum payment (thereby permanently satisfying the special tax), or the public entity acquiring the Parcel can enter into a contractual agreement with the County acceptable to the Administrator to pay, on an annual basis, the Parcel's share of Adjusted Annual Costs.

Conditions for Prepayment

Prepayments by a public entity for a Parcel or group of Parcels are only allowable under these conditions:

- The Administrator determines that Prepayment of the Special Tax obligation does not jeopardize the County's ability to pay Annual Costs.
- Any landowner prepaying the Special Tax obligation must pay any and all delinquent special taxes and penalties before Prepayment.

Prepayment by Lump-Sum Payment

In the event a public entity wishes to permanently satisfy the annual Special Tax obligation by a lump-sum payment, the Administrator will determine the Prepayment amount by performing the calculation outlined in **Section 9** of the RMA. The Prepayment calculation takes into consideration these factors:

- The calculation determines the one-time present value of a growing annuity in perpetuity.
- The calculation takes into consideration the current Maximum Annual Special Tax of the property prepaying.
- The calculation takes into consideration long-term secure governmental treasury rates by using an interest rate that is equivalent to the yield for the long-term average of inflation-indexed United States government securities published by the United States Federal Reserve Board in its weekly H.15 release. This rate is intended to represent the difference between a long-term pooled interest rate available to the County's Treasury and the Tax Escalation Factor because it is an inflation-protected security.

Once the County receives the lump-sum Prepayment, the Prepayment should be invested by the County such that the annual yield over time from that investment is equivalent to the prepaying Parcel's annual tax obligation.

After Prepayment of the Special Tax obligation, the Administrator will direct the County Recorder to record a Notice of Cessation of Special Tax for the Taxable Parcels for which the Prepayment has been made.

Manner of Collection

The Special Tax will be collected in the same manner and at the same time as ad valorem property taxes, provided, however, that the Administrator or its designee may directly bill the Special Tax and may collect the Special Tax at a different time, such as on a monthly or other periodic basis, or in a different manner, if necessary, to meet its financial obligations.

EXHIBITS:

- Exhibit A: Rate, Method of Apportionment, and Manner of Collection of the Special Tax
- Exhibit B: Form of Amendment of the Covenants, Conditions, and Restrictions Recorded Against the Property
- Exhibit C: "Agreement and Consent to Formation of County Service Area and Imposition of Special Tax Agreement" among the Air Force, County, and McClellan Business Park



EXHIBIT A:

**Rate, Method of Apportionment, and
Manner of Collection of the Special Tax**



Exhibit A

McClellan Park Airfield
County Service Area No. 12
County of Sacramento
Sacramento, California

Rate, Method of Apportionment, and Manner of Collection of the Special Tax

1. Basis of Special Tax Levy

A Special Tax authorized under the County Service Area Law (Law) applicable to the land in McClellan Park Airfield County Service Area No. 12 (CSA) of the County of Sacramento (County) shall be levied and collected according to the tax liability determined by the County through the application of the appropriate amount or rate, as described below.

2. Definitions

"Acre(age)" means the total acreage of a total Taxable Parcel as shown on Assessor's Parcel Maps or as otherwise calculated by the Administrator.

"Adjusted Annual Cost" means the difference between Annual Cost **and** Offsetting Revenues as defined as follows:

Before March 1 of each Fiscal Year, the Responsible Party, using the Annual McClellan Airfield Budget, shall determine the Adjusted Annual Costs by performing the following steps:

Step 1: Determine the Annual Cost to provide Authorized Services as defined in **this section**.

Step 2: Determine the Offsetting Revenue as defined in **this section**.

Step 3: Determine Adjusted Annual Costs by subtracting the amount determined in *Step 2* from the amount determined in *Step 1*.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of the CSA: the costs of preparing the Annual McClellan Airfield Budget and computing the Adjusted Annual Cost; administrative costs associated with providing for the CSA funded services; the costs of computing Special Taxes and preparing the annual Special Tax Roll; the costs of collecting the Special Taxes (whether by the County or otherwise); the costs to the County, CSA or any designee thereof of complying with County, CSA or obligated persons disclosure requirements associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs to the County, CSA or any designee thereof related to an appeal of the Special Tax; and any other administrative costs related to the CSA as determined by the Administrator. Administrative Expenses shall also include amounts estimated or advanced by the County or CSA for any other administrative

purposes, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Administrator" means the Administrator of the County Municipal Services Agency or his/her designee.

"Annexation Parcel" means any Parcel that is annexed to the CSA after the CSA is formed.

"Annual Costs" means, for any Fiscal Year, the total of the following items:

- a. The cost of providing Authorized Services.
- b. Administrative Expenses for such Fiscal Year.
- c. The amount needed to fund Cyclical Replacement Reserves.
- d. An amount equal to Special Tax delinquencies from the previous Fiscal Year or anticipated for the current Fiscal Year.
- e. Less any earnings on the Cyclical Replacement Reserve fund and special tax fund that are transferred to the fund used for Authorized Services.

"Annual McClellan Airfield Budget" means the budget for McClellan Airfield Services prepared each Fiscal Year by the Responsible Party. The Annual McClellan Airfield Budget provides information to aid in the determination of the Annual Costs and Offsetting Revenue associated with providing Authorized Services within the CSA. The Annual McClellan Airfield Budget does not specifically define or identify the Annual Costs or Offsetting Revenue as defined in this Section. The information from the Annual McClellan Airfield Budget will be used to aid in the determination of Adjusted Annual Costs as defined in this Section. The McClellan Airfield Budget is not a part of the County General Fund Budget and may be prepared on a different schedule than the County General Fund Budget.

"Assessor's Parcel Number" (or) **"APN"** means the parcel number as recorded by the County Assessor on the equalized tax roll.

"Authorized Services" means those services to be funded as identified in the resolution forming the CSA.

"Base Year" means Fiscal Year 2010-2011.

"Board" means the Board of Supervisors of the County.

"Building Certificate" means a certificate with respect to a Parcel, a form of which is included as **Attachment 1** to this RMA, initially prepared by the Legal Owner of the Parcel, if not prepared by the Legal Owner within such time period as the Administrator deems appropriate, by the Administrator, and in any case modified by the Administrator if and to the extent the Administrator determines such modification is necessary to make the information set forth in the certificate accurate and complete, that identifies the following items:

- a. The Assessor's Parcel Number.
- b. The tax-status (whether the Parcel is a Taxable Parcel or a Tax-Exempt Parcel).
- c. The Building Square Footage for each building on the Parcel and a sum of the Building Square Footage for all buildings on the Parcel.

A Building Certificate will be prepared for each Parcel prior to the first Special Tax levy, and for each Annexation Parcel upon its annexation into the CSA, and modified and resubmitted each time there is a change to the Parcel that changes any of the information contained on the certificate. The responsibility for certifying the information on a Building Certificate rests with the Legal Owner for such Parcel regardless of who prepared or modified the Building Certificate. The County shall not bear any responsibility for certifying information on a Building Certificate unless such Building Certificate is prepared for County-owned land or buildings.

"Building Square Footage" means the gross square footage of building structures on a Parcel as identified and certified on the Building Certificate or other means at the discretion of the Administrator.

"County" means the County of Sacramento, California.

"CSA" means McClellan Park Airfield County Service Area No. 12.

"Cumulative Surplus Fund" means the fund that will retain Special Tax levy revenues collected in excess of Adjusted Annual Costs during the Initial Period. The Cumulative Surplus Fund's primary purpose is to develop a local funding base that can be used to provide a local match to anticipated FAA grants. A secondary purpose will be to provide supplemental funding in the event cyclical replacement projects are more costly than currently forecast. The Cumulative Surplus Fund will be maintained and managed by the County (Department of Economic Development or its successor agency in particular), as the entity which would be applying for FAA grants and managing FAA grant funded projects.

"Cyclical Replacement Reserves" means a reserve fund for the cyclical replacement of facilities and equipment needed to provide Authorized Services. The annual amount of funding required, which is to be calculated each Fiscal Year by the Responsible Party, for Cyclical Replacement Reserves to be included as an Annual Cost is determined as follows:

- Step 1: For each individual item, determine the expected replacement cost for the next 10 Fiscal Years for the facilities or equipment needed to provide Authorized Services.
- Step 2: For each individual item, determine the Funding Percentage.
- Step 3: For each individual item, determine the local share of funding by multiplying the amount determined in *Step 1* by 100 percent minus the amount determined in *Step 2*.
- Step 4: For each individual item, determine the total 10 year Cyclical Replacement Reserve amount by multiplying the amount determined in *Step 3* by a factor of 1.10 to account for a 10-percent contingency.

- Step 5: Determine the amount of Property Tax Increment Revenue available on an annual basis for the next 10 Fiscal Years to fund facilities and equipment needed to provide Authorized Services.
- Step 6: Determine the total Cyclical Replacement Reserve requirement to be included as an Annual Cost by summing for all items, the amount determined in *Step 4* and subtracting from this amount the total of all the annual amounts determined in *Step 5*.
- Step 7: Determine the annual Cyclical Replacement Reserve requirement to be included as an Annual Cost by dividing the amount determined in *Step 6* by 10.

"Existing Structure(s)" means a building structure(s) on Taxable Parcels that existed at the time the CSA formed.

"Fiscal Year" means the period starting July 1 and ending the following June 30.

"Funding Percentage" means the percentage of costs reasonably expected to be funded by sources other than the CSA or Property Tax Increment Revenue for facilities and/or equipment included within the Cyclical Replacement Reserves. This single percentage takes into consideration both the amount of funding expected to come from such sources as well as the probability of receiving such funding.

"Initial Period" means the first number of Fiscal Years, up to three Fiscal Years, in which the Special Tax is levied. The Initial Period will be used to levy the Maximum Annual Special Tax in excess of Adjusted Annual Costs in order to accrue revenues in the Cumulative Surplus Fund up to an amount of \$1.7 million, including any interest earnings on the Cumulative Surplus Fund. The Initial Period ends upon the earlier of a) when the Cumulative Surplus Fund has achieved a balance of \$1.7 million (excluding any expenditures that may come out of the fund) or b) the Special Tax is levied at 100 percent of the Maximum Annual Special Tax on all Taxable Parcels for the first three Fiscal Years in which the Special Tax is levied.

"Inflation Indexed Treasury Rate" means the most recently published yield for the long term average of inflation-indexed United States government securities by the United States Federal Reserve Board in the Federal Reserve Board's H.15 weekly published release or, if unavailable, a similarly published yield acceptable to the Administrator. This yield is intended to represent the difference between a long term pooled interest rate available to the County's treasury and the Tax Escalation Factor.

"Law" means the County Service Area Law, as amended, in Sections 25210.1 *et. seq.* of the California Government Code.

"Legal Owner" means either the fee title owner of a Parcel, the Lessee of the Parcel under that certain Department of Air Force Lease of Property on Former McClellan Air Force Base, California, Lease No: BCA-MCC-12-98-0801, by and between the Secretary of the Air Force, on behalf of the United States of America, and the County of Sacramento, dated August 13, 1998 and as amended or assigned from time to time (referred to hereinafter as the "Lease in Furtherance of Conveyance"), or the Lessee of the Parcel under the McClellan Zone 2 Ground Lease by and between the County, a landlord, and McClellan Business Park LLC as tenant.

"Lot" or **"Lot Number"** means the unique number of a legal parcel shown in the Record of Survey for McClellan Park recorded on December 31, 2001 in book #20011231 at page #0697, document #00010127801. The legal lots included within the CSA are shown in the exhibit included as **Attachment 2**.

"Maximum Annual Special Tax" means the greatest amount of Special Tax that can be levied against a Taxable Parcel in a Fiscal Year which is calculated by multiplying the Maximum Special Tax Rate by the Building Square Footage for a Taxable Parcel.

"Maximum Annual Special Tax Rate" means in the Base Year, the rate shown in **Attachment 3** and in each Fiscal Year after the Base Year means the rate from the immediately preceding Fiscal Year increased by the Tax Escalation Factor.

"New Structure(s)" means a new building structure(s) that is built after the CSA was formed.

"Offsetting Revenue" means, for any Fiscal Year, the sum of revenue to be used to pay Authorized Services that is generated from the following sources:

- a. Flowage Fees.
- b. Landing Charges.
- c. Zone 1 Fuel/FBO Area Revenue.
- d. Revenues received by the County pursuant to contractual arrangements to fund Authorized Services, such as the United States Coast Guard Airfield Management Services payments, or agreements that may be entered into as per the procedures in **Section 9**.
- e. Ongoing revenues generated from the investment of Prepayments described in **Section 9**.
- f. Any other revenues allocated by the County to fund Authorized Services.

In each Fiscal Year, Offsetting Revenue from all sources shall be based on actual revenues from such sources from the prior Fiscal Year. The County may modify assumptions regarding Offsetting Revenue based on the most current information available regarding McClellan Airfield operations.

"Parcel" means any County Assessor's Parcel in the CSA based on the secured tax rolls of the County as of June 1 preceding the Fiscal Year, identified within this formula by either APN or Lot Number. Current APN's are shown in the exhibit included as **Attachment 2**.

"Prepayment" means the complete fulfillment of a Parcel's Special Tax obligation, as determined by the procedures in **Section 9**.

"Proportionately" means that the ratio of actual Special Tax that is levied to Maximum Annual Special Tax is equal for each Taxable Parcel.

"Property Tax Increment Revenue" means annual property tax increment revenue or proceeds from bonded indebtedness or other financing secured by property tax increment revenue from the McClellan/Watt Avenue portion of the Mather/McClellan Merged Project Area that may be used for funding Authorized Services.

"Public Parcel(s)" means any Parcel for which the legal owner is normally exempt from the levy of general *ad valorem* property taxes under California law, including public streets, schools, parks, public drainage ways, public landscaping, wetlands, greenbelts, and public open space.

"Responsible Party" means the County Department of Economic Development and Intergovernmental Affairs or another County Department or its designee that is responsible for providing for the Annual McClellan Airfield Budget.

"Special Tax(es)" mean(s) the special tax levied under the Law in the CSA.

"Special Tax Roll" means the document prepared by the Administrator for the County Director of Finance to use in levying and collecting the Special Tax each Fiscal Year.

"Tax Escalation Factor" means the factor used for determining the annual inflation adjustment on March 1 of each year that will be applied to the Maximum Annual Special Tax Rate for a Taxable Parcel beginning the first Fiscal Year following the Base Year. The Tax Escalation Factor will be determined using the San Francisco—Oakland—San Jose Consumer Price Index (CPI) for All Urban Consumers, All Items, with an index base period 1982–84 = 100 published by the U.S. Department of Labor, Bureau of Labor Statistics (or a similarly published index that takes into consideration the local cost of providing labor). Using this data, the Tax Escalation Factor shall be calculated as follows:

- Step 1: Determine from published data, the CPI from the December before March 1 of the current Fiscal Year. If the agency providing the data has not published the CPI data for December, determine the most recently published data not older than 6 months from the same or similar source.
- Step 2: Determine, from the same published data source, the CPI published one year before the CPI determined in *Step 1*.
- Step 3: Divide the amount determined in *Step 1* by the amount determined in *Step 2*. This amount is the Tax Escalation Factor.

In the Fiscal Year following the Base Year, the Tax Escalation Factor shall be applied to the Maximum Special Tax Rate shown in **Attachment 3**. In each subsequent year thereafter, the Tax Escalation Factor shall be applied to the Maximum Special Tax Rate from the immediately preceding Fiscal Year.

"Taxable Parcel" means any Parcel that is not a Tax-Exempt Parcel.

"Tax-Exempt Parcel" means a Parcel not subject to the Special Tax that is a Public Parcel.

"Total Building Square Footage (Square Feet)" means the sum of the Building Square Footage on Taxable Parcels as identified and certified on the Building Certificates for all Taxable Parcels. As per Section 5.G, in no instance shall this amount be less than 1,103,480 Square Feet. In determining the Total Building Square Footage, Lot Numbers 3 and 8, currently occupied by the United States Coast Guard are included so as to properly allocate the fair share of tax to those lots. The tax is to be collected by the County through a separate agreement with the United States Coast Guard.

3. Determination of Parcels Subject to Special Tax

The Administrator shall prepare a list of the Parcels subject to the Special Tax. The Administrator shall identify the Taxable Parcels from a list of all Parcels within the CFD boundary by excluding all Tax-Exempt Parcels.

4. Termination of the Special Tax

The Special Tax will be levied and collected for as long as needed to pay the Annual Costs for Authorized Services.

5. Assignment of Maximum Annual Special Tax

In each Fiscal Year the Maximum Annual Special Tax will be assigned using the procedures outlined below. Each Fiscal Year following the Base Year the Maximum Annual Special Tax Rate, as shown in **Attachment 3**, should be increased by the Tax Escalation Factor.

- a. Classification of Parcels. Based on the Definitions in **Section 2**, using the Parcel records of the County Assessor's Secured Tax Roll, Building Certificates issued for Parcels, and other County development approval records as of May 1 of each year, the Administrator shall cause each Parcel to be classified as a Taxable Parcel or Tax-Exempt Parcel.
- b. Assignment of Maximum Annual Special Tax to Taxable Parcels. Each Fiscal Year, the Maximum Annual Special Tax for each Taxable Parcel will be assigned by multiplying the Maximum Annual Special Tax Rate by the Building Square Footage.
- c. Conversion of a Tax-Exempt Parcel to a Taxable Parcel. If a Tax-Exempt Parcel is converted to a Taxable Parcel, it shall become subject to the Special Tax. The Maximum Annual Special Tax for each such Parcel shall be calculated using the steps outlined in **Section 5.B**.
- d. Taxable Parcel Acquired by a Public Agency or Excluded From the CSA. After the CSA is formed and prior to a public entity acquiring or obtaining title through transfer of a Taxable Parcel, the Special Tax obligation will be prepaid or satisfied pursuant to **Section 9**.
- e. Annexation Parcels. A Parcel may be annexed to the CSA after the CSA has been formed. In the event a Taxable Parcel is annexed to the CSA, the Maximum Annual Special Tax will be assigned using the Definitions in **Section 2**, and procedures shown in **Section 5.A** and **B**.
- f. Subdivision of a Parcel. If a Parcel is subdivided into two or more Parcels, the Maximum Annual Special Tax for the new Parcels is calculated using the following steps:
 - i. Determine the total Building Square Footage for the Parcel that has been subdivided.
 - ii. Assign the Building Square Footage to each new Parcel so that there is no net loss of Building Square Footage in the assignment of Building Square Footage for the newly created Parcels from the original, or subdivided, Parcel.
 - iii. The new Taxable Parcels created by the subdivision of a Parcel will be taxed in the same manner as all other Parcels.

- g. Demolition of Building Square Footage. If one or more Existing or New Structures on a Taxable Parcel is demolished that Taxable Parcel is still subject to the Special Tax based upon the Building Square Footage indicated on the Building Certificate for that Taxable Parcel until such time as the Administrator has made a determination and provided written acknowledgement that the Building Square Footage and associated Maximum Annual Special Tax for the Parcel can be reduced. Reductions in building Square Footage will only be made so long as the Total Building Square Footage is not reduced below 1,103,480 Square Feet.
- h. New Structure Construction. On Taxable Parcels where New Structure(s) are constructed, the Building Square Footage of the Structure will be updated on Building Certificate and the Maximum Annual Special Tax for such Taxable Parcel will be based upon the increased Building Square Footage.

6. Setting the Annual Special Tax Levy for Taxable Parcels

The annual Special Tax Levy shall be established using the following steps:

- a. Determine the annual Special Tax Levy as follows:
 - i. During the Initial Period—If the Cumulative Surplus Fund balance is less than \$1.7 million, then levy the Special Tax proportionately on each parcel until the amount levied equals the sum of Adjusted Annual Costs plus an amount required to fund the Cumulative Surplus Fund up to \$1.7 million, or levy the Special Tax up to 100 percent of the Maximum Annual Special Tax on all Taxable Parcels.
 - ii. For all other Fiscal Years after the Initial Period levy the Special Tax on each Taxable Parcel proportionately up to 100 percent of the Maximum Annual Special Tax, until the sum of the tax levy on all Taxable Parcels equals the Adjusted Annual Costs.
- b. Prepare the Special Tax Roll, unless an alternative method of collection has been selected pursuant to **Section 9**, and send it to the County Auditor-Controller requesting that it be placed on the general, secured property tax roll for the Fiscal Year. The Special Tax Roll shall not be sent later than the date required by the County Auditor-Controller for such inclusion.

The County shall make every effort to correctly calculate the Special Tax for each Parcel. It shall be the burden of the taxpayer to correct any errors in the determination of the Parcels subject to the Special Tax and the assignment of the Special Tax to the Parcels.

As development and subdivision of the Parcels takes place, the Administrator will maintain a file, available for public inspection, of each current County Assessor's Parcel Number within the CSA, its Maximum Annual Special Tax, and the Maximum Annual Special Tax for all Taxable Parcels. This record shall show the calculation of the Maximum Annual Special Tax assigned to each Taxable Parcel.

7. Appeals

The Administrator has the authority to make necessary administrative adjustments to the Rate and Method of Apportionment to remedy any portions of the Special Tax formula that require clarification.

Any taxpayer who believes that the amount of the Special Tax levied on a Parcel is in error may file a notice with the Administrator appealing the levy of the Special Tax as to that Parcel. The Administrator will then promptly review the appeal, and if necessary, meet with the applicant. If the Administrator verifies that the Special Tax should be modified, the levy of the Special Tax as to that Parcel shall be corrected and, if applicable, a refund may be granted. If the Administrator determines that the Special Tax should not be modified or changed, the appeal is denied and no further action will be taken.

Interpretations may be made by the Administrator for purposes of clarifying any vagueness or ambiguity as it relates to the Special Tax rate, the method of apportionment, the classification of properties, or any definition applicable to the CSA.

8. Manner of Collection

The Special Tax will be collected in the same manner and at the same time as ad valorem property taxes, provided, however, that the Administrator or its designee may directly bill the Special Tax and may collect the Special Tax at a different time, such as on a monthly or other periodic basis, or in a different manner, if necessary, to meet the County's financial obligations.

9. Prepayment or Satisfaction of the Special Tax Obligation

Before the transfer of property to a public entity, a property shall satisfy the Special Tax on a Parcel by Prepayment, as outlined by the procedures below, or by entering into an agreement with the County to satisfy the Special Tax obligation in manner acceptable to the Administrator. The Prepayment is calculated when a property owner wishes to prepay the Special Tax obligation for a Taxable Parcel prior to the Parcel being designated as a Public Parcel.

The Administrator shall permit Prepayments for a Parcel or group of Parcels only when these conditions are met:

- The Administrator determines that the Prepayment of the Special Tax obligation does not jeopardize the County's ability to pay Annual Costs.
- Any landowner prepaying the Special Tax obligation must pay any and all delinquent Special Taxes and penalties before Prepayment.

The Prepayment amount shall be established by following the steps below:

Step A.1: Determine the Maximum Annual Special Tax for the prepaying Parcel by following the procedures in **Section 5.B**.

Step A.2: Determine the Inflation Indexed Treasury Rate.

Step A.3: Divide the Maximum Annual Special Tax from Step A.1 by the Inflation Indexed Treasury Rate determined in Step A.2 to determine the Prepayment amount.

Prepayment proceeds will be invested in such a manner that investment earnings are sufficient to fund the prepaying parcel's share of ongoing Authorized Services.

Following the Prepayment of the Special Tax obligation, the Administrator will direct the County Recorder to record a Notice of Cessation of Special Tax for the Taxable Parcels for which the Prepayment has been made.

Following the entry by the public entity acquiring the parcel into an agreement with the County to satisfy the Special Tax obligation, the Administrator will classify the parcel as a Public Parcel which is exempt from the Special Tax.

10. Records to Be Maintained

The Administrator will maintain records on each Parcel in the CSA for the purpose of accurately developing the annual Special Tax levy. The Legal Owner will prepare and submit a certified Building Certificate for every Parcel located in the CSA, and the Administrator will receive and file the Building Certificate prior to the levy of the Special Tax. The Building Certificate will be updated and reissued by the Legal Owner as changes are made to Parcels that affect the taxable status of a Parcel. As structures are made available for use by tenants or owner-occupants, changes in Parcel configurations or the usable areas of the structures may be made. These changes will be documented in the Building Certificate. The responsibility for certifying the information on a Building Certificate rests with the Legal Owner regardless of who prepared or modified the Building Certificate. The County shall not bear any responsibility for certifying information on a Building Certificate unless such Building Certificate is prepared for County-owned land or buildings.

The Building Certificate will contain the following information:

- Assessor's Parcel Number
- Legal Lot Number
- Acreage of the Parcel
- Tax Status for the Parcel
- Total Building Square Footage for each structure on the Parcel
- Date of Issuance
- Authorized Signature

Building Certificates filed with the Administrator by May 1 of each Fiscal Year will be used to set the following year Special Tax levy.

Attachment 1

McClellan Park Airfield County Service Area No. 12 County of Sacramento Sacramento, California

Form of Building Certificate Instructions

(1 page)

The attached certificate of use must be filed by the owner of every parcel within the County Service Area No. 12 (McClellan Airfield). The certificate must be re-filed any time there are changes to any of the information contained on the certificate. Please consult the following directions when completing the certificate:

Page 1

APN: Write in the Original Assessor's Parcel Number (at the time of CSA Formation) and Current Assessor's Parcel Number of your parcel. These may be the same if the Parcel Number has not changed

Lot Number: Write in the Lot Number of your parcel as identified in Attachment 2 of the RMA as amended and/or updated.

Parcel Information

1. CFD Administrator will complete.
2. Fill in the number of buildings on your parcel.
3. Fill in the total gross square footage of the building(s) on your parcel.

Attachments

Attach any information that will assist in verifying the information in the certificate. Check off the information you are submitting.

Certification and Permission

Complete requested information and sign the certificate

Attachment 1

**McClellan Park Airfield
County Service Area No. 12
County of Sacramento
Sacramento, California**

Form of Building Certificate

CURRENT APN: _____

LOT NUMBER: _____

Parcel Information:

- 1. Parcel Type: _____ Taxable Parcel or _____ Tax Exempt Parcel
- 2. Number of Buildings on this Parcel: _____
- 3. Gross Building Square Footage: _____

Attachments (check any that apply)

- Certificate of Occupancy
- Building Permit Information
- Digital Photos
- Other: _____

Certification and Permission to Access

I hereby consent to grant the County of Sacramento access to the property for purposes of verifying the accuracy of the information provided herein. I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this certificate was executed on _____, at Sacramento, California.

Signature _____

Name: _____ Title: _____

Address: _____

Telephone: _____ e-mail: _____

Sacramento County Verification

Date Submitted: _____ Date Verified: _____

Verified By: _____ Title: _____

Signature: _____

**Attachment 3
McClellan Park Airfield
County Service Area No. 12
Maximum Annual Special Tax Rate**

Parcel Category	Maximum Annual Special Tax Rate [2]	
All Taxable Parcels [1]	\$1.651	per Square Foot per Annum

"att_1"

[1] The Base Year is Fiscal Year 2010-2011.

[2] The Maximum Annual Special Tax Rate for Developed Parcels is increased by the Tax Escalation Factor in each Fiscal Year after the Base Year.

RECORDING DEPARTMENT AND
WHEN RECORDED, MAIL TO:

McCallum Business Park, Ltd.
Attention: General Counsel
3100 Foothill Way
McCallum, CA 95022

THIS DOCUMENT IS A COPY OF THE ORIGINAL RECORDATION OF THE
FIRST AMENDMENT TO MASTER DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS AND RESTRICTIONS OF THE PROPERTY FOR
MCCELLEN PARK

EXHIBIT B:

**Form of Amendment of the
Covenants, Conditions, and Restrictions
Recorded Against the Property**



ARTICLE I

A. The Declaration recorded the Master Declaration in the Official Records of Sacramento County by filing an original copy with the Sacramento County Clerk-Recorder on May 17, 2006, at Book 2060010, at Page 138.

B. County of Sacramento ("County"), the former County of Yuba, has jurisdiction of the ("CSA") for certain areas within McCallum Park to fund the maintenance and improvement of the facility through the levy of special taxes on property located on a portion of the area enumerated by the Master Declaration recorded as the CSA Parcel (as hereinafter defined).

C. Pursuant to federal and California law, state public utility, government organizations, Indian tribes, and nonprofit entities may be exempt from taxes which are levied by the CSA.

D. The CSA Parcel and the entire lot the Owner of a lot in the CSA Parcel conveyed or assigned to or by the Owner to the CSA Parcel Tax (as hereinafter defined) to an entity that is exempt from the CSA Parcel Tax, and the Owner of a lot in the CSA Parcel that is exempt from the CSA Parcel Tax, shall be deemed to have agreed to pay the CSA Parcel Tax on behalf of the lot in the CSA Parcel that is exempt from the CSA Parcel Tax, and the Owner of the lot in the CSA Parcel that is exempt from the CSA Parcel Tax shall be deemed to have agreed to pay the CSA Parcel Tax on behalf of the lot in the CSA Parcel that is exempt from the CSA Parcel Tax.

RECORDING REQUESTED BY AND
WHEN RECORDED, MAIL TO:

McClellan Business Park, LLC
Attention: General Counsel
3140 Peacekeeper Way
McClellan, CA 95652

(SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE)

**FIRST AMENDMENT TO MASTER DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS AND RESERVATION OF EASEMENTS FOR
McCLELLAN PARK**

This First Amendment to the Master Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for McClellan Park ("**First Amendment**"), dated for reference purposes as _____, 2010 ("**First Amendment Date**"), is made by **McCLELLAN BUSINESS PARK LLC**, a Delaware limited liability company ("**Declarant**"). Unless this First Amendment provides otherwise, the capitalized terms that are used in this First Amendment refer to the definitions provided in Article I of the Master Declaration of Covenants, Conditions and Restrictions and Reservation of Easements dated May 5, 2006 and accepted for recording on May 12, 2006 (the "**Master Declaration**").

RECITALS

A. Declarant recorded the Master Declaration in the Official Records of Sacramento County by filing an original copy with the Sacramento County Clerk-Recorder on May 12, 2006, in Book 20060512, at Page 1368.

B. County of Sacramento ("**County**") has formed County Service Area No. 12 ("**CSA**") for certain owners within McClellan Park to fund the operations and maintenance of the Airfield through the levy of special taxes on property located on a portion of the area encumbered by the Master Declaration referred to as the CSA Parcels (as hereinafter defined).

C. Pursuant to federal and California law, many public agencies, government organizations, Indian tribes, and nonprofit entities may be exempt from taxes such as those collected by the CSA.

D. The CSA requires that, in the event that the Owner of a Lot in the CSA Parcels conveys or transfers a Lot or Lots subject to the CSA Special Tax (as hereinafter defined) to an entity that is exempt from the CSA Special Tax, such Owner is required to make a CSA Special Tax prepayment or enter into a contractual arrangement with the County to fully off-set the loss of CSA tax revenue that would otherwise result from the transfer of the Lot or Lots to an entity that is exempt from the CSA Special Tax.

E. This First Amendment amends the Master Declaration to provide record notice to all Owners and purchasers of Lots in the CSA Parcels of the existence of the CSA Special Tax, and of their responsibility to make such special tax prepayment or enter into such other contractual arrangement with the County to fully off-set the loss of CSA Special Tax revenue that would result from the transfer of the Lot to an entity that is exempt from the CSA Special Tax.

AMENDMENT

1. Definitions. Unless otherwise set forth herein, all capitalized terms used in this First Amendment are used as defined in the Master Declaration.

2. Section 4 of the Master Declaration. Section 4 is hereby added to Article II of the Master Declaration as follows:

"Section. 4 County Service Area Special Taxes. A portion of Zone 2, which is more particularly described on Exhibit A attached hereto and incorporated herein by this reference ("**CSA Parcels**"), is located within County Service Area No. 12 (the "**CSA**") and is subject to the special tax set forth in the CSA ("**CSA Special Tax**") that is used to fund the operation and maintenance of the airfield located within Zone 1. In the event of, and prior to, the transfer or conveyance of a Lot in the CSA Parcels by an Owner to an entity that is exempt, under federal or California law ("**Exempt Owner**"), from the CSA Special Tax, the Owner shall either prepay the CSA Special Tax described in the "Rate, Method of Apportionment, Manner of Collection of the Special Tax", dated _____, 200_ and approved by the Sacramento County Board of Supervisors on _____, 200_, as may be amended, as part of the formation of the CSA, or by other contractual arrangement with the County of Sacramento, make arrangements to fully off-set the loss of CSA Special Tax revenue that would otherwise result from the transfer of the subject Lot(s) to an Exempt Owner. The failure of an Owner to comply with the foregoing requirement shall be deemed a violation of the Master Declaration by such Owner and such amount owing shall become a lien on such Lot (notwithstanding the ownership of such Lot(s) by the Exempt Owner) and shall be subject to the provisions for breach and default set forth in Article XI."

3. Intended Beneficiary. The County is an intended third party beneficiary of the obligations set forth in Section 2 of this First Amendment (which amends Section 4, Article II, of the Master Declaration) and, as such, is granted all rights of enforcement available under the Master Declaration and/or under law or equity, which includes, but is not limited to, specific enforcement, to enforce compliance with such obligations by any Owner. Section 2 of this First Amendment (which amends Section 4, Article II, of the Master Declaration) and this Section 3 may not be amended without the prior written consent of the County as determined in its sole and absolute discretion.

4. Term of Declaration. Notwithstanding Section 1 and 2 of Article XIV of the Master Declaration, the term of the Master Declaration (which is 50 years with automatic successive 10 year renewals absent a election to terminate in accordance with Section 2, Article XIV) may not be terminated nor allowed to expire without the prior written consent of the County as determined in its sole and absolute discretion.

5. Ratification. Except as modified by this First Amendment, the Master Declaration is ratified, affirmed, in full force and effect, and incorporated herein by this reference.

IN WITNESS WHEREOF, the Declarant has authorized the execution of this First Amendment on the ____ day of _____, 2010.

DECLARANT:

McCLELLAN BUSINESS PARK LLC,
a Delaware limited liability company

By: _____

Larry D. Kelley, President

Date: _____

The undersigned hereby consent to be bound to the provisions of this First Amendment and agree that any Parcel or Lot in which the undersigned is an Owner shall be encumbered by the terms and conditions of this First Amendment.

MP HOLDINGS, LLC, a California limited liability company

By: McClellan Business Park LLC, a Delaware limited liability company

Its: Member

By: _____
Larry D. Kelley, President

Date: _____

MP-200, LLC, a California limited liability company

By: McClellan Business Park LLC, a Delaware limited liability company

Its: Member

By: _____
Larry D. Kelley, President

Date: _____

MP-1300, LLC, a California limited liability company

By: McClellan Business Park LLC, a Delaware limited liability company

Its: Member

By: _____
Larry D. Kelley, President

Date: _____

MP-241/237, LLC, a California limited liability company

By: McClellan Business Park LLC, a Delaware limited liability company

Its: Member

By: _____
Larry D. Kelley, President

Date: _____

MP-242, LLC, a California limited liability company

By: McClellan Business Park LLC, a Delaware limited liability company

Its: Member

By: _____
Larry D. Kelley, President

Date: _____

MP-600, LLC, a California limited liability company

By: McClellan Business Park LLC, a Delaware limited liability company

Its: Member

By: _____
Larry D. Kelley, President

Date: _____

MP-1, 3 & 35, LLC, a California limited liability company

By: McClellan Business Park LLC, a Delaware limited liability company

Its: Member

By: _____
Larry D. Kelley, President

Date: _____

MP-788, LLC, a California limited liability company

By: McClellan Business Park LLC, a Delaware limited liability company

Its: Member

By: _____
Larry D. Kelley, President

Date: _____

MP-655, LLC, a California limited liability company

By: McClellan Business Park LLC, a Delaware limited liability company

Its: Member

By: _____
Larry D. Kelley, President

Date: _____

MP-637, LLC, a California limited liability company

By: McClellan Business Park LLC, a Delaware limited liability company

Its: Member

By: _____
Larry D. Kelley, President

Date: _____

AGREEMENT AND CONSENT TO FORMATION OF COUNTY SERVICE AREA
AND IMPOSITION OF SPECIAL TAX

THIS AGREEMENT AND CONSENT TO FORMATION OF A COUNTY SERVICE AREA AND IMPOSITION OF A SPECIAL TAX (the "Agreement") is entered into this 15th day of 2016 by and among the SECRETARY OF THE AIR FORCE, on behalf of the UNITED STATES OF AMERICA (the "Secretary"), MCGLELLAN BUSINESS PARK, L.P. (the "Business Park"), and the COUNTY OF SACRAMENTO (the "County").

RECALLING

A. The Secretary is the owner of certain land located within the County (the "Property") and the lessee of such land to the County (the "Lease") under the terms of the Leasehold Agreement (the "Leasehold Agreement") dated 12/15/11, as amended, between the Secretary and the Business Park. The Leasehold Agreement provides for the Secretary to lease the Property to the Business Park for the purpose of operating a business park. The Business Park is currently operating as a business park. The Business Park is currently operating as a business park. The Business Park is currently operating as a business park. The Business Park is currently operating as a business park.

EXHIBIT C:
**"Agreement and Consent to Formation of
County Service Area and Imposition of
Special Tax Agreement" among the
Air Force, County, and McClellan Business Park**



B. On or about November 13, 2011, the Secretary and the County entered into the Leasehold Agreement (the "Leasehold Agreement") concerning the Secretary's lease of the Property to the Business Park. The Leasehold Agreement provides for the Secretary to lease the Property to the Business Park for the purpose of operating a business park. The Business Park is currently operating as a business park. The Business Park is currently operating as a business park. The Business Park is currently operating as a business park. The Business Park is currently operating as a business park.

C. On the date hereof, the Secretary and the County entered into the Agreement and Consent to Formation of County Service Area and Imposition of Special Tax (the "Agreement") concerning the Secretary's lease of the Property to the Business Park. The Agreement provides for the Secretary to lease the Property to the Business Park for the purpose of operating a business park. The Business Park is currently operating as a business park. The Business Park is currently operating as a business park. The Business Park is currently operating as a business park. The Business Park is currently operating as a business park.

D. The Agreement and Consent to Formation of County Service Area and Imposition of Special Tax (the "Agreement") is entered into this 15th day of 2016 by and among the Secretary, the Business Park, and the County. The Agreement provides for the Secretary to lease the Property to the Business Park for the purpose of operating a business park. The Business Park is currently operating as a business park. The Business Park is currently operating as a business park. The Business Park is currently operating as a business park. The Business Park is currently operating as a business park.

**AGREEMENT AND CONSENT TO FORMATION OF COUNTY SERVICE AREA
AND IMPOSITION OF SPECIAL TAX**

This AGREEMENT AND CONSENT TO FORMATION OF A COUNTY SERVICE AREA AND IMPOSITION OF A SPECIAL TAX (the "**Agreement**") is entered into as of March 4, 2010, by and among the **SECRETARY OF THE AIR FORCE**, on behalf of the **UNITED STATES OF AMERICA** (the "**Lessor**"), **McCLELLAN BUSINESS PARK LLC**, a Delaware limited liability company (the "**Lessee**"), and the **COUNTY OF SACRAMENTO** (the "**County**").

RECITALS

A. Lessor is the owner of certain land located in the County (the "**McClellan AFB**") and the lessor of such land to the County under the Department of Air Force Lease of Property on Former McClellan Air Force Base, California, Lease No: BCA-MCC-12-98-0801 by and between the Lessor and the County, dated August 13, 1998, as amended (together with all exhibits thereto, the "**EDC Lease**") (all capitalized terms not otherwise defined in the Agreement shall have the meanings given to them in the EDC Lease; and unless otherwise indicated herein, all section-references shall be to provisions of the EDC Lease). In addition, the Lessor and the County are parties to the Economic Development Conveyance Agreement (together with all exhibits thereto, the "**EDC Agreement**"), dated August 13, 1998, as amended, pursuant to which it is contemplated that Lessor will convey fee title to the McClellan AFB to the County.

B. On or about November 13, 2001, Lessee and the County entered into that certain Master Purchase and Sale Agreement ("**Master Purchase Agreement**") concerning Lessee's purchase of the County's right, title and interest in certain portions of McClellan AFB (referred to as the "**Property**" in the Master Purchase Agreement). The transaction described by the Master Purchase Agreement closed on December 21, 2001 ("**Original Closing Date**").

C. On the Original Closing Date, among other documents, the following documents were entered into by the specified parties pursuant to the Master Purchase Agreement:

(i) "**Zone 2 Ground Lease**", which created a 99 year ground leasing relationship between the County, as "lessor", and Lessee, as "lessee", concerning a certain portion of McClellan AFB (referred to as the "**Zone 2**" in the Master Purchase Agreement), which leasehold interest is junior and subordinate to the EDC Lease (the Memorandum of Ground Lease (Zone 2) was recorded in the Official Record of the County of Sacramento on December 21, 2001, in Book 20011221, at Page 2589); and

(ii) "**Zone 3 Assignment**", which assigned the County's interest in the EDC Lease with respect to a certain portion of McClellan AFB (referred to as the "**Zone 3**" in the Master Purchase Agreement). Such document was recorded in the Official Record of the County of Sacramento on December 21, 2001, in Book 20011221, at Page 2587, and consented to by Lessor pursuant to the Agreement - Assignment, Assumption and Consent dated as of

December 20, 2001 (the "USAF Consent"), and recorded on December 21, 2001, in Book 20011221, Page 2586, in the Official Records of the County of Sacramento.

D. The County retained all of its right, title and interest under the EDC Lease and the EDC Agreement concerning that certain portion of McClellan AFB (referred to as the "Zone 1" in the Master Purchase Agreement) and, for clarification purposes, Lessee has no right to possess or obtain a leasehold or fee estate in Zone 1 (Zone 1, Zone 2 and Zone 3 are more particularly described on Exhibit A attached hereto).

E. Pursuant to and subject to the terms and conditions of the Master Purchase Agreement and the Zone 2 Ground Lease, Lessee has the right to obtain (i) an assignment of the County's interest in the EDC Lease with respect to Zone 2, and (ii) fee title to Zone 2 and Zone 3.

F. Lessee and the County desire to obtain the acknowledgement and consent of the Lessor to the establishment of the Sacramento County Service Area No. 12 McClellan Park Airfield (the "CSA") by the County and the future annexation of property into the CSA pursuant to the County Service Area Law (California Government Code section 25210 et. seq.) (the "Act") for the purpose of financing certain public services to be provided within the CSA which will be funded by a special tax levied pursuant to the Act (the "Special Tax") to be levied on all taxable property within the CSA, including the leasehold interests of (i) the County under the EDC Lease as such relates to Zone 1 and Zone 2, and (ii) the Lessee under the Zone 2 Ground Lease as such relates to Zone 2 and its prospective leasehold rights under the EDC Lease as such relates to Zone 2 (subject to the terms and conditions of the Zone 2 Ground Lease); the boundary map of which CSA, including land to be annexed into the CSA in the future, is attached hereto as Exhibit B.

G. The Special Tax shall be levied and collected according to the tax liability determined by the County through the application of the appropriate amount or rate, as described in the Rate, Method of Apportionment, and Manner of Collection of Special Tax (the "Rate and Method"). A copy of the draft version of the Rate and Method available as of the date of execution hereof is attached hereto as Exhibit C.

Lessee and the County further desire to obtain Lessor's acknowledgment and consent to the levying of the Special Tax.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing and other mutual valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Consent to Establishment of the CSA.

Subject to the terms and conditions of the Agreement, Lessor hereby acknowledges and consents, notwithstanding any provision of the EDC Lease, to the establishment of the CSA by the County and the future annexation of property into the CSA pursuant to the Act, and neither the formation of the CSA, the future annexation of property into the CSA, the levying of the

Special Tax, nor any actions in furtherance thereof shall constitute a violation of any terms or conditions of the EDC Lease, or require any further consent or approval of the Lessor.

2. Consent to Levying of a Special Tax.

Subject to the terms and conditions of the Agreement, the Lessor hereby acknowledges and consents, notwithstanding any provision of the EDC Lease, to the levying of the Special Tax in the CSA. Neither the levying of such Special Tax, the creation or recording of the Tax Lien or the foreclosure thereof nor any action in furtherance of the levying of such Special Tax or the foreclosure thereof under the terms and conditions provided in the Act shall constitute a violation of any of the terms or conditions of the EDC Lease, or obligate Lessor to make Special Tax payments, or require any further consent or approval of the Lessor.

3. Acknowledgements and Agreements of the Lessor.

The Lessor acknowledges that under the Assignment, Assumption and Consent Agreement (the "**Assignment**") dated as of December 1, 2001, by and between the County, the Lessee and the Lessor, in the event of a default by the County or the Lessee under the EDC Agreement or the Lease, the Lessor agreed to provide notice of such default to both the County and the Lessee. The Party defaulting under the EDC Agreement or the Lease shall thereupon be entitled to cure such default as provided in the EDC Agreement and the Lease. The Lessor further acknowledges that if such party does not cure the default within the time frame specified, then the other party shall have thirty (30) additional days to cure such default; provided, however, that if such default is not capable of being cured within the thirty (30) day period, that party shall be entitled to continue to cure the default in accordance with a compliance schedule acceptable to the Lessor. Service of such notice shall be given as provided in the Assignment.

In furtherance of the consent of the Lessor to the inclusion of any portion of the EDC Premises (as such term is defined in the EDC Agreement) within the CSA as provided in Section 27.1 of the EDC Agreement, Lessor shall not agree to or initiate any termination nor accept any surrender of the Lease during such time as the CSA is in place. Without limiting the provisions of the foregoing sentence, Lessor's right to terminate or renegotiate the EDC Lease as set forth in the last sentence of Section 28.5 shall not apply to a foreclosure of the Tax Lien under or pursuant to the Act. Notwithstanding anything to the contrary contained in Section 28.6.3, Lessor further agrees that no amendment or modification of the EDC Lease that has a materially adverse effect on the holders of the bonds or on the ability of the CSA, acting through the County, to levy, collect or enforce collection of the Special Tax shall be binding upon any purchaser in a foreclosure of the Tax Lien.

4. Waiver, Consent and Appointment of Representative to Act for Property.

Lessor agrees to execute the Waiver, Consent and Appointment of Representative to Act for Property in the form attached hereto as Exhibit D.

5. Agreement of the County.

During such time as the *Tax Lien* is in place, the County agrees to use its best efforts to cure any default by the Lessee under the EDC Agreement.

6. Notices. Any notice or demand required or given hereunder shall be in writing and shall be considered to have been duly and properly given upon personal delivery to the party or an officer of the party being served, or if mailed, upon the first to occur of actual receipt or 48 hours after deposit in United States registered or certified mail, postage prepaid, addressed to the parties as follows:

Lessor: AFRPA Western Region – McClellan
3411 Olson Street
McClellan, CA 95652-1003
Attn: Senior Representative

Lessee: c/o McClellan Business Park, LLC
3140 Peacekeeper Way
McClellan, CA 95652
Attention: President and General Counsel

County: County of Sacramento
700 H Street, Suite 7650
Sacramento, CA 95814-1280
Attention: Deputy Director McClellan Base Conversion

Such addresses may be changed by notice to the other parties given in the same manner as provided herein, such changes to be effective only upon receipt of notice thereof.

7. Governing Law. The Agreement shall be governed by California law except to the extent preempted by Federal law.

8. Counterparts. The Agreement may be executed in any number of counterparts, and each of the counterparts shall be considered an original and all counterparts shall constitute but one and the same instrument.

9. Miscellaneous. The Agreement and the exhibit hereto, which are incorporated herein by this reference, shall constitute the entire agreement between the parties with respect to the subject matter hereof. The Agreement may not be changed or modified orally or in any manner other than by any agreement in writing signed by the parties hereto. No waiver of any of the terms or conditions of the Agreement and no waiver of any default or failure of compliance shall be effective unless in writing, and no waiver furnished in writing shall be deemed to be a waiver of any other term or provision or any future condition of the Agreement.

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

LESSOR: UNITED STATES AIR FORCE
UNITED STATES OF AMERICA
Department of Defense

By: Philip H Mook Jr
Name: Philip H. Mook Jr
Its: AFRPA Western Region Senior Representative

LESSEE: McCLELLAN BUSINESS PARK LLC,
a Delaware limited liability company

By: _____
Name: _____
Its: _____

COUNTY: County of Sacramento

By: _____
Name: _____
Its: _____

EXHIBIT A

Zone 1, Zone 2 and Zone 3

EXHIBIT B

Boundary Map of the Community Facilities CSA

EXHIBIT C

Rate, Method of Apportionment, and Manner of Collection of Special Tax

EXHIBIT D

Waiver, Consent and Apportionment of Representative to Act for Property

The Secretary of the Air Force, on behalf of the United States of America (the "Lessor") acknowledges that it is the owner of the real property in the County of Sacramento (the "County"), which is located in the Sacramento County Service Area No. 12 (the "CSA"), and Lessor hereby authorizes (i) McClellan Business Park LLC (the "Lessee") to act in all respects for the portion of such property, referred to as Zone 2, and (ii) the County to act in all respects for the portion of such property, referred to as Zone 1, and for it (including casting the vote, executing the ballot, and executing any waiver of election requirements other than the right to have the ballot cast and to have the ballot fairly counted) with respect to the special landowner election which will be called to determine whether the CSA shall be formed and shall be authorized to levy a special tax.

Pursuant to the authorization granted to it in the preceding paragraph, the Lessee and the County certify that they are legally entitled and authorized to cast the ballots for the Lessor in the special election to be conducted within the CSA to determine, among other things, whether the CSA shall be formed and shall be subject to the levy of a special tax by the CSA.

The Lessor hereby waives any and all minimum time requirements relative to such election pursuant to Section 25210 et seq. of the California Government Code, and the Lessor hereby waives the preparation and distribution of an impartial analysis of the ballot measure to be submitted at such election, as well as arguments and rebuttal arguments in favor of or against such ballot measure pursuant to Section 53327(b) of the California Government Code, and the Lessor hereby waives the requirement to publish a notice of such election pursuant to Section 53352 of the California Government Code, and the Lessor hereby waives the timing requirements regarding the mailing of ballots to the qualified electors within the CSA pursuant to Section 4101 of the California Elections Code.

The Lessee further agrees to accept either mailed service or personal service of the ballot, and the Lessor hereby waives the requirements regarding identification envelopes for the return of mailed ballots pursuant to Section 53327.5 of the California Government Code, and the Lessor further waives any and all defects in notice or procedure in the conduct of such election,

whether known or unknown (other than the right to have ballots accurately counted), and the Lessor hereby states that the election is being expedited, pursuant to the Agreement, at the particular instance and request of the Lessor.

LESSOR: UNITED STATES AIR FORCE
UNITED STATES OF AMERICA
Department of Defense

By: Philip H Mook Jr
Name: Philip H. Mook Jr.
Its: AFRPA Western Region Senior Representative

LESSEE: McCLELLAN BUSINESS PARK LLC,
a Delaware limited liability company

By: _____
Name: _____
Its: _____

COUNTY: County of Sacramento

By: _____
Name: _____
Its: _____

