

IV. FINANCING STRATEGY AND FUNDING SOURCES

This chapter outlines the Project's Financing Strategy and describes how a combination of private and public funding sources will be used to fund the Backbone Infrastructure and Public Facilities required to serve the RDOSP.

FINANCING STRATEGY OVERVIEW

The Master Developers of the RDOSP will be responsible for funding and/or constructing all of the Backbone Infrastructure and Public Facilities needed to serve the RDOSP. In many cases, particularly in the early stages of each development, the developer also will be required to construct or fund more than the proportionate share of improvements for facilities serving a given development phase. A reimbursement mechanism will allow for repayment to the developer for advance-funding of facilities included in fee programs, subject to the City, County, and Special District fee credit and reimbursement policies. Private financing will be used to fund Subdivision Infrastructure costs.

Backbone Infrastructure and Public Facilities required for development to proceed in the RDOSP will be funded through a combination of public and private financing, including private capital, existing and planned County and special district fees, and a proposed RDOSP Special Financing District program.

The recommended financing strategy comprises five key elements:

1. **Provide Private Financing as Needed.** Private capital will be a major source of funding for Backbone Infrastructure improvements because adequate fee program monies will not be available and because a Mello-Roos CFD, if chosen, would be limited in its bond issuance capacity at the outset of development. To the extent that revenues generated by fee programs, the proposed Special Financing District program, and other funding programs are insufficient to reimburse the developer(s) for required Backbone Infrastructure and Public Facilities, developer(s) will be required to cover the estimated shortfalls. The proposed Special Financing District and other existing and proposed funding programs will be used to reimburse the developer(s) who pays for more than his/her proportionate share of improvements.
2. **Fund Improvements through Existing and Planned City, County, and Special District Fee Programs.** A majority of RDOSP Backbone Infrastructure and Public Facilities will be funded through existing and planned City, County, and Special District Fee programs. A portion of the Backbone Facility costs may be advance-funded through the use of private financing, land-secured financing (e.g., Mello-Roos CFD), or Project-specific (plan area) fee program.

3. **Fund Project-Specific Improvements Not Currently Funded in Existing Fee Programs through the RDOSP Special Financing District Program.** This Financing Plan proposes that certain Backbone Facilities will be funded through a RDOSP Special Financing District program. The Special Financing District could be represented by one or more of the following mechanisms: Mello-Roos CFD; Plan area fee program; Assessment district; or, Infrastructure charge. The RDOSP Special Financing District program amount is calculated at the end of this chapter for RDOSP, based on the proportionate share allocation of costs, for the following improvement categories:
 - Storm Drainage
 - Sewer
 - Water
 - Roadways
 - Trails
 - Landscape Corridor
 - Open Space
4. **Allow Master Developers to Choose Different Combinations of Special Financing District funding mechanisms.** Of the different Special Financing District options (Mello-Roos CFD, Plan Area Fee, etc.) the two Master Developers may choose different combinations of funding mechanisms to fund their respective Backbone Facilities.
5. **Provide for Financing of Improvement Costs through Special Financing District, as Allowed by the City.** Backbone Infrastructure (particularly roads, but which also includes, storm drainage, sewer, water, and dry utilities improvements) will be needed before fee revenues are collected. In general, development impact fees are collected at building permit, yet the Backbone Infrastructure needs to be installed before obtaining a building permit.

The Financing Plan recommends the formation of one or more RDOSP Special Financing Districts for the City to acquire facilities initially constructed by the developers who will advance fund and construct Backbone Infrastructure and Public Facilities. The use of a Mello-Roos CFD could be especially critical during the beginning phases of development to allow the acquisition of facilities from the developers in advance of the collection of development impact fees and to reduce the amount of advance-funding required of the developer.
6. **Provide Private Financing as Needed.** Private capital may be a source of funding for Backbone Infrastructure improvements because adequate fee program monies will not be available and because a Mello-Roos CFD, if chosen, would be limited in its bond issuance capacity at the outset of development. To the extent that revenues generated by fee programs, Mello-Roos CFD(s), and other funding programs are insufficient to reimburse the developers for required

Backbone Infrastructure and Public Facilities, project developers will be required to cover the estimated shortfalls.

7. **Use Grant-Funding Where Available.** Of the estimated total school costs for the RDOSP, a significant portion is anticipated to be funded through grants from the State of California for school facilities (State School Facilities Program). Other grant-funding opportunities may also be pursued.

SOURCES OF FUNDING

A variety of financing and funding mechanisms will be used to fund the Backbone Infrastructure and Public Facilities required to serve the RDOSP. The actual funding sources and financing mechanisms used will be dependent upon the type of facility, when the facility is needed, and the phasing of facility construction. As previously noted, development impact fee programs will be the primary source of funding to construct these improvements.

Table 11, Table 12, and Table 13 show the proposed funding source for each Backbone Infrastructure and Public Facility for Phase 1, the Remaining Phases, and Buildout of the Project, respectively. At buildout under the proposed funding strategy, approximately \$348.2 million will be funded with existing or future City, County, and Special District development impact fee programs, \$121.0 million will be funded through the proposed Rio del Oro Special Financing District, \$101.8 million will be funded through the State Grants (State School Facilities Program), and \$233.4 million will be funded through private or other financing.

Table 11
Rio del Oro Specific Plan
Infrastructure and Public Facilities Financing Plan
Preliminary Sources and Uses of Funds for Phase 1 (2006\$)

Phase 1

Improvement	Estimated Improvement Costs for Phase 1 (2006\$)	Potential Funding Sources							Total Funding	
		Existing City, Sacramento County and Other Fee / Funding Programs					Rio del Oro Special Financing District [2]	State Grants		Private/Other [3]
		City Transportation Development Fee	FCUSD School Mitigation Fees	City Community Facilities Fee Program	Other Agency Funding [1]					
Infrastructure Improvements										
Storm Drainage	\$19,271,048				\$10,685,048		\$8,586,000		\$19,271,048	
Water										
On-Site Water	\$8,558,460				\$7,845,660		\$712,800		\$8,558,460	
Initial Off-Site Water	\$310,500						\$310,500		\$310,500	
Subtotal Water	\$8,868,960				\$7,845,660		\$1,023,300		\$8,868,960	
Reclaimed Water	TBD								TBD	
Sewer										
Permanent On-Site Sewer	\$6,644,957				\$6,644,957				\$6,644,957	
Initial Off-Site Sewer	\$6,322,050						\$6,322,050		\$6,322,050	
Subtotal Sewer	\$12,967,007				\$6,644,957		\$6,322,050		\$12,967,007	
Roadway										
On-Site Roads	\$30,488,000	\$17,816,000					\$12,672,000		\$30,488,000	
Subtotal Roads	\$30,488,000	\$17,816,000					\$12,672,000		\$30,488,000	
Subtotal Infrastructure Improvements	\$71,595,015	\$17,816,000	\$0	\$0	\$25,175,665	\$28,603,350	\$0	\$0	\$71,595,015	
Public Facility Improvements										
Parks [4]	\$35,275,000				\$31,250,518			\$4,024,482	\$35,275,000	
Trails [4]	\$1,254,900						\$1,254,900		\$1,254,900	
Open Space [4]	\$3,290,909						\$3,290,909		\$3,290,909	
Landscape Corridor	\$14,696,000						\$14,696,000		\$14,696,000	
Transit	\$2,488,738	\$2,488,738							\$2,488,738	
Fire Station	\$5,611,973				\$5,611,973				\$5,611,973	
Library	\$1,551,318			\$1,551,318					\$1,551,318	
Schools	\$121,877,953		\$38,642,422				\$34,251,180	\$48,984,351	\$121,877,953	
Subtotal Public Facility Improvements	\$186,046,790	\$2,488,738	\$38,642,422	\$1,551,318	\$36,862,491	\$19,241,808	\$34,251,180	\$53,008,833	\$186,046,790	
Subtotal Improvements	\$257,641,805	\$20,304,738	\$38,642,422	\$1,551,318	\$62,038,156	\$47,845,158	\$34,251,180	\$53,008,833	\$257,641,805	
Special Financing District Formation and Updates	\$312,167						\$312,167		\$312,167	
Total Improvements	\$257,953,972	\$20,304,738	\$38,642,422	\$1,551,318	\$62,038,156	\$48,157,325	\$34,251,180	\$53,008,833	\$257,953,972	

"sources_useP1"

Source: Infrastructure Cost Estimates: Wood Rodgers, Inc. (03/21/2006) and MacKay & Soms (07/06/2006); Various Fee Programs; EPS.

[1] Other Agency Funding includes:

Storm Drainage - Sacramento County Water Agency Zone 11A

Sewer - CSD-1 and SRCSD

Water - Sacramento County Water Agency Zone 40

Parks - Potential Cordova Recreation and Parks District Fee, assumes park fee is equal to the park fee established in the Sunridge East project in 2006. See Table C-1 for fee amounts by land use.

Fire Station - Sacramento Metro Fire

[2] Financing mechanism for remaining Rio del Oro infrastructure costs has not been determined at this time. Special Financing District may be Mello-Roos Community Facilities District, Plan Area Fee Program, Benefit Assessment District, or other Infra:

[3] Private/Other Funding includes:

Parks - Private advance funding; reimbursed in Remaining Phases by Potential Cordova Recreation and Parks District fee revenue.

Schools - Current FCUSD SFID 1 and potential FCUSD SFID 3.

[5] Preliminary draft infrastructure costs are estimated by EPS based on On-Site improvements and their associated costs as shown in Appendix G.

[6] Park development costs in Phase I require funding in excess of the proposed city park fee revenue. However, at buildout, sufficient park fee revenues are generated to fully fund all RDOSP park development costs.

This analysis assumes that developers will privately fund the difference between Phase I park development costs and Phase I park fee revenues, and will be reimbursed at a later date from park fee revenue accrued in later phases.

Table 12
Rio del Oro Specific Plan
Infrastructure and Public Facilities Financing Plan
Preliminary Sources and Uses of Funds for Phases 2 through 5 (2006\$)

Remaining Phases

Improvement	Est. Improvement Costs at Buildout (2006\$)	Potential Funding Sources							Total Funding	
		Existing City, Sacramento County and Other Fee / Funding Programs					Rio del Oro Special Financing District [2]	State Grants		Private/ Other [3]
		City Transportation Development Fee	FCUSD School Mitigation Fees	City Community Facilities Fee Program	Other Agency Funding [1]	Other				
Infrastructure Improvements										
Storm Drainage	\$19,234,125				\$18,221,625		\$1,012,500		\$19,234,125	
Water										
On-Site Water	\$11,434,298				\$9,704,138		\$1,730,160		\$11,434,298	
Initial Off-Site Water	\$0								\$0	
Subtotal Water	\$11,434,298				\$9,704,138		\$1,730,160		\$11,434,298	
Reclaimed Water	TBD								TBD	
Sewer										
Permanent On-Site Sewer	\$7,151,065				\$7,151,065		\$0		\$7,151,065	
Initial Off-Site Sewer	\$640,170						\$640,170		\$640,170	
Subtotal Sewer	\$7,791,235				\$7,151,065		\$640,170		\$7,791,235	
Roadway										
On-Site Roads	\$42,921,500	\$15,596,000					\$27,325,500		\$42,921,500	
Subtotal Roads	\$42,921,500	\$15,596,000					\$27,325,500		\$42,921,500	
Subtotal Infrastructure Improvements	\$81,381,158	\$15,596,000	\$0	\$0	\$35,076,828		\$30,708,330	\$0	\$81,381,158	
Public Facility Improvements										
Parks [4]	\$36,975,000				\$36,975,000				\$36,975,000	
Trails [4]	\$465,106						\$465,106		\$465,106	
Open Space [4]	\$9,905,158						\$9,905,158		\$9,905,158	
Landscape Corridor	\$31,041,000						\$31,041,000		\$31,041,000	
Transit	\$2,937,960	\$2,937,960							\$2,937,960	
Fire Station	\$10,119,859				\$10,119,859				\$10,119,859	
Library	\$4,562,229			\$4,562,229					\$4,562,229	
Schools	\$368,404,860		\$116,450,535				\$103,497,158	\$148,457,166	\$368,404,860	
Subtotal Public Facility Improvements	\$464,411,171	\$2,937,960	\$116,450,535	\$4,562,229	\$47,094,859		\$41,411,263	\$103,497,158	\$464,411,171	
Subtotal Improvements	\$545,792,328	\$18,533,960	\$116,450,535	\$4,562,229	\$82,171,687		\$72,119,593	\$103,497,158	\$545,792,328	
Special Financing District Formation and Updates	\$687,833						\$687,833		\$687,833	
Total Improvements	\$546,480,161	\$18,533,960	\$116,450,535	\$4,562,229	\$82,171,687		\$72,807,426	\$103,497,158	\$546,480,161	

"sources_uses_rem"

Source: Infrastructure Cost Estimates: Wood Rodgers, Inc. (03/21/2006) and MacKay & Soms (07/06/2006); Various Fee Programs; and EPS.

[1] Other Agency Funding includes:

- Storm Drainage - Sacramento County Water Agency Zone 11A
- Sewer - CSD-1 and SRCSD
- Water - Sacramento County Water Agency Zone 40
- Parks - Potential Cordova Recreation and Parks District Fee, assumes park fee is equal to the park fee established in the Sunridge East project in 2006. See Table C-1 for fee amounts by land use.
- Fire Station - Sacramento Metro Fire

[2] Financing mechanism for remaining Rio del Oro infrastructure costs has not been determined at this time. Special Financing District may be Mello-Roos Community Facilities District, Plan Area Fee Program, Benefit Assessment District, or other Infrastructure charge.

[3] Private/Other Funding includes:

- Schools - Current FCUSD SFID 1 and potential FCUSD SFID 3.

[4] Preliminary draft infrastructure costs are estimated by EPS, based on on-site improvements and their associated costs as shown in Appendix B.

Buildout

Table 13
Rio del Oro Specific Plan
Infrastructure and Public Facilities Financing Plan
Preliminary Sources and Uses of Funds at Buildout (2006\$)

Improvement	Est. Improvement Costs at Buildout (2006\$)	Potential Funding Sources							Total Funding	
		Existing City, Sacramento County and Other Fee / Funding Programs					Rio del Oro Special Financing District [2]	State Grants		Private/ Other [3]
		City Transportation Development Fee	FCUSD School Mitigation Fees	City Community Facilities Fee Program	Other Agency Funding [2]					
Infrastructure Improvements										
Storm Drainage	\$38,505,173				\$28,906,673		\$9,598,500		\$38,505,173	
Water										
On-Site Water	\$19,992,758				\$17,549,798		\$2,442,960		\$19,992,758	
Initial Off-Site Water	\$310,500				\$0		\$310,500		\$310,500	
Subtotal Water	\$20,303,258				\$17,549,798		\$2,753,460		\$20,303,258	
Sewer										
Permanent On-Site Sewer	\$13,796,022				\$13,796,022		\$0		\$13,796,022	
Initial Off-Site Sewer	\$6,962,220				\$0		\$6,962,220		\$6,962,220	
Subtotal Sewer	\$20,758,242				\$13,796,022		\$6,962,220		\$20,758,242	
Roadway										
On-Site Roads	\$73,409,500	\$33,412,000					\$39,997,500		\$73,409,500	
Subtotal Roads	\$73,409,500	\$33,412,000					\$39,997,500		\$73,409,500	
Subtotal Infrastructure Improvements	\$152,976,173	\$33,412,000	\$0	\$0	\$60,252,493		\$59,311,680	\$0	\$152,976,173	
Public Facility Improvements										
Parks [4]	\$72,250,000				\$72,250,000				\$72,250,000	
Trails [4]	\$1,720,005						\$1,720,005		\$1,720,005	
Open Space [4]	\$13,196,066						\$13,196,066		\$13,196,066	
Landscape Corridor	\$45,737,000						\$45,737,000		\$45,737,000	
Transit	\$5,426,697	\$5,426,697							\$5,426,697	
Fire Station	\$15,731,832				\$15,731,832				\$15,731,832	
Library	\$6,113,547			\$6,113,547					\$6,113,547	
Schools	\$490,282,813		\$155,092,958				\$101,827,426	\$233,362,429	\$490,282,813	
Subtotal Public Facility Improvements	\$650,457,961	\$5,426,697	\$155,092,958	\$6,113,547	\$87,981,832		\$60,653,071	\$101,827,426	\$650,457,961	
Subtotal Improvements	\$803,434,133	\$38,838,697	\$155,092,958	\$6,113,547	\$148,234,325		\$119,964,751	\$101,827,426	\$803,434,133	
Special Financing District Formation and Updates	\$1,000,000						\$1,000,000		\$1,000,000	
Total Improvements	\$804,434,133	\$38,838,697	\$155,092,958	\$6,113,547	\$148,234,325		\$120,964,751	\$101,827,426	\$804,434,133	

"sources_uses"

Source: Infrastructure Cost Estimates: Wood Rodgers, Inc. (03/21/2006) and MacKay & Soms (07/06/2006); Various Fee Programs; EPS.

[1] Other Agency Funding includes:

- Storm Drainage - Sacramento County Water Agency Zone 11A
- Sewer - CSD-1 and SRCSD
- Water - Sacramento County Water Agency Zone 40
- Parks - Potential Cordova Recreation and Parks District Fee, assumes park fee is equal to the park fee established in the Sunridge East project in 2006. See Table C-1 for fee amounts by land use.
- Fire Station - Sacramento Metro Fire

[2] Financing mechanism for remaining Rio del Oro infrastructure costs has not been determined at this time. Special Financing District may be Mello-Roos Community Facilities District, Plan Area Fee Program, Benefit Assessment District, or other Infrastructure charge.

[3] Private/Other Funding includes:

- Schools - Current FCUSD SFID 1 and potential FCUSD SFID 3.

[4] Preliminary draft infrastructure costs are estimated by EPS, based on on-site improvements and their associated costs as shown in Appendix B.

The proposed sources of funding and respective cost estimates are based on the most current information available. Actual public facility costs funded under each category may be revised as more detailed information regarding project phasing and facility construction becomes available.

EXISTING DEVELOPMENT IMPACT FEE PROGRAMS

The RDOSP will develop in phases. An important component of the overall financing strategy is the ability to construct facilities according to the realized pace of development. By constructing facilities over time according to demand, development impact fee programs can accumulate funds necessary to pay for required improvements.

Development in the RDOSP will participate in several existing development impact fee programs:

- SCWA Zone 11A (Storm Drainage);
- SRCSD (Sewer, regional conveyance);
- Sacramento CSD-1 (Sewer, local collection);
- SCWA Zone 40 (Water);
- SMFD (Fire Facilities);
- Rancho Cordova Citywide Transportation Fee (Roads and Transit); and
- City CFF Program (Library).

Existing City, County, and Special District fee programs have CIPs that may serve the RDOSP. The RDOSP will participate in these programs by paying the fee for each of the programs listed above. These fees are part of the Financing Plan's "Sources and Uses" of Backbone Infrastructure and Public Facilities and they have an influence on the cost burden analysis described in **Chapter V**.

Some of the RDOSP improvements may be creditable toward existing fee programs administered by the City, County, and Special Districts. Some of these programs may require updating following approval of the RDOSP—to the costs of improvements, to those improvements that are appropriate for inclusion in existing fee programs, and the integration of the RDOSP land uses into the fee calculation.

Roadways and Transit: City Transportation Development Fee

The RDOSP will participate in the City Transportation Development Fee program by paying roadway and transit fees associated with residential and nonresidential development. The City's Transportation Development Fee program will fund a portion

of the on-site roadway improvements required to develop the RDOSP. In addition, this Financing Plan assumes that all transit fee revenues will assist in potentially funding a transit center, shuttle system, or other transit-related capital facilities as specified in the Project Specific Plan.

As shown in **Table C-2**, the City is expected to collect approximately \$86.4 million in fee revenues for roadways and \$2.5 million in fee revenues for transit in Phase 1. **Table C-3** shows that in the Remaining Phases, the City is expected to collect approximately \$166.3 million in fee revenues for roadways and \$2.9 million for transit. **Table C-4** shows estimated fee revenues for the City at buildout of the RDOSP. The City is expected to collect approximately \$252.7 million in fee revenues for roadways and \$5.4 million in fee revenues for transit for a total of \$258.1 million, excluding administration.

Sewer: SRCSD and CSD-1 Fees

SRCSD and CSD-1 will provide regional sewer conveyance and local sewer collection, respectively, to the RDOSP. The Financing Plan includes \$13.8 million in permanent on-site sewer improvements, and \$7.0 million in initial off-site sewer improvements for a total of \$20.8 million in sewer improvements at buildout of the RDOSP. Of this amount, SRCSD and CSD-1 fee revenue will fund all of the permanent on-site sewer improvements. The \$7.0 million in initial off-site improvements will be funded privately or by the RDOSP Special Financing District program.

Table C-2, **Table C-3**, and **Table C-4** provide a summary of total SRCSD and CSD-1 fee revenues from Phase 1, Remaining Phases, and Buildout of the RDOSP, respectively.

Sewer facility construction or finance requirements for each development project, including sewer trunk and interceptor sewers, as well as sewer lateral lines, will be determined by conditions of approval for each project. Developers may initially fund the construction of initial, trunk, or sewer interceptor facilities. Costs for trunk and interceptor sewers would be reimbursable from the CSD-1 and SRCSD sewer fees respectively.

CSD-1 funds construction of local sewer collection facilities (trunk sewers with capacity of 1.0 to 10.0 mgd). Typically, developers advance-construct local sewer collection facilities and then apply for fee credits and/or reimbursements through the CSD-1 fee program.

SRCSD funds construction of the regional sewer facilities through the collection of regional sewage facility impact fees. SRCSD will construct regional sewer interceptor facilities once tributary development generates sufficient wastewater flows to warrant

construction without causing undue maintenance and operations costs. When sufficient peak dry weather flow exists to produce self-cleansing velocities of the proposed regional facility, SRCSD will initiate design and construction of the interceptor facility.

SRCSD's Regional Connection Fee Ordinance provides for the reimbursement of design and construction of regional facilities when required by SRCSD as a condition of approval for development. As sufficient flow velocity usually requires significant development, SRCSD directly initiates design and construction of regional facilities, and does not generally need to enter into reimbursement agreements with the development project proponents. Therefore, funding of the major regional facilities by means other than the collection of facilities impact fees is generally not required of new development.

Water: Zone 40 Fees

Based on current Zone 40 fees, buildout RDOSP development will generate approximately \$115.0 million in Zone 40 fee revenue. As shown in **Appendix B**, the estimated costs of Zone 40 water production treatment, storage, and transmission facilities in the RDOSP total approximately \$20.3 million. Using Zone 40 Fee Ordinance reimbursement schedule prices, approximately \$17.5 million of the \$20.3 million in estimated costs will be eligible for fee credit or reimbursement. The approximately \$2.8 million in non-reimbursable costs will be privately financed or may be reimbursed through the Rio del Oro Special Financing District (Mello-Roos CFD or other land-secured financing mechanism). The difference between reimbursable costs and total fee revenue, approximately \$100.0 million, will accrue to Zone 11A for area-wide water improvements.

The SCWA usually reimburses conveyance facilities, such as water transmission main pipes, or provides credits towards the development fee. In some cases, developers, individually or as a group, may need to advance fund water facilities and then be credited or reimbursed through Zone 40 water fees. For reimbursement, the developer will enter into an agreement with Zone 40 that provides for repayment within 5 years. In the past, Zone 40 has typically provided reimbursement upon acceptance of facilities; however, this practice may change in the future. Larger facilities such as wells and treatment facilities may need to be financed through development fee funding with long term repayment by Zone 40.

The developers will be responsible for constructing distribution lines in their projects, the costs of which are not included in this Financing Plan because they are typical in-tract development costs.

Storm Drainage: Zone 11A Fees

Based on current Zone 11A fees, buildout RDOSP development will generate approximately \$35.4 million in Zone 11A drainage fee revenue. As shown in **Appendix B**, the estimated RDOSP costs of Zone 11A storm drainage facilities total \$38.5 million. Using Zone 11A Fee Ordinance reimbursement schedule prices, approximately \$28.9 million of the \$38.5 million in estimated costs will be eligible for fee credit or reimbursement. The approximately \$9.6 million in non-reimbursable costs will be privately financed or may be reimbursed through Mello-Roos CFD or other land-secured financing mechanism. The difference between reimbursable costs and total fee revenue, approximately \$6.5 million, will accrue to Zone 11A for area-wide drainage improvements.

Zone 11A of the SCWA funds or reimburses trunk drainage pipes, manholes, wetland mitigation, channel construction, detention ponds, and water quality facilities. Typically, the County approves the design of the basins and reimburses the developer for the eligible construction costs through the collection of Zone 11A impact fees.

Up-front funding for drainage improvements in each shed will be the responsibility of the developers in that shed with the developer or developers receiving credits or reimbursements from the SCWA Zone 11A fees. Drainage facility construction or finance requirements for each development project will be determined by conditions of approval for each project.

The fee credits for drainage improvements may be offset against drainage fees collected by Zone 11A from the first units constructed by the developer until the fee credits are expended. If the cost of the facility exceeds the potential credits for a developer, the County will enter into a reimbursement agreement with the developer. Zone 11A reimbursements are typically funded within 5 years after construction of the improvements. However, reimbursements may take longer than 5 years depending on the availability of Zone 11A fee revenues.

The reimbursement program for RDOSP follows the typical Zone 11A program. The phasing of drainage improvements in RDOSP also follows the Zone 11A program guidelines. Although the phasing is typical, there may be cases when infrastructure costs and construction assigned to particular subdivision may be infeasible for that subdivision. It would then be necessary for a group of developers wishing to move forward with development to work together to fund construction of specific phases of infrastructure. This may require developer advances or the use of bond financing.

Schools: FCUSD Fees

The RDOSP is located within the boundaries of the FCUSD; therefore, the RDOSP will participate in the FCUSD existing school development impact fee program to pay for its share of school facility construction costs.

Proposition 1A and Senate Bill (SB) 50 now govern school financing statewide. Proposition 1A and SB 50 restrict cities and counties from placing school mitigation conditions on development approvals. As a result, the FCUSD currently has adopted the SB 50 Level II fee.

The school fee revenue is based on the SB 50 Level II fee of \$5.62 per square foot for residential development per FCUSD's most recent SFNA. The school fee revenue is also based on \$0.42 per square foot for nonresidential development.

School facilities are anticipated to cost approximately \$490.3 million at buildout. Based on fee revenue estimates presented in **Table C-4**, buildout of the Project is estimated to generate approximately \$155.1 million in FCUSD Level II development impact fee revenues at buildout. The remaining \$335.2 million in school facilities costs will be funded through the existing FCUSD SFID 1 and the State School Facilities Program. The FCUSD is also proposing a new SFID, SFID 3, which, if approved, will assist in financing school facilities costs in the RDOSP.

In Phase 1, school facilities are anticipated to cost approximately \$121.9 million. FCUSD Level II development impact fee revenues are estimated to total approximately \$38.6 million, as shown in **Table C-2**. The remaining \$83.3 million in school facilities costs will be funded through the existing FCUSD SFID 1 and the State School Facilities Program. This Financing Plan assumes that school facilities required to serve Phase 1 development will be constructed by the FCUSD.

Fire Protection: SMFD Fees

The RDOSP is located within the SMFD boundaries and will participate in the current SMFD fee program to pay for its share of fire protection facilities. Fire protection facility fee revenue is based on the SMFD fee of \$0.41 per square foot for residential development and \$0.55 per square foot for nonresidential development. Based on these fee rates, the Project will generate SMFD fee revenue of approximately \$5.6 million in Phase 1 (**Table C-2**), \$10.1 million in the Remaining Phases (**Table C-3**), and \$15.7 million at buildout (**Table C-4**).

The SMFD identified the need for one 2.5-acre fire station site to be located in the Plan Area. The need for one facility is based on current SMFD staffing standards of one fire fighter per 1,000 residents, which equates to 31 firefighters needed for the RDOSP. This

analysis assumes that the cost of constructing fire protection facilities for the Project will match the revenues generated by the Project.

Library Facilities: City CFF Fees

New development in the Project will participate in the City CFF program which currently funds new development's share of library facilities. A library is a permitted use in the Project and may be constructed on-site.

In addition, the CFF program funds new development's share of the following facilities: City Hall; Police Facilities; Community Center; Corporation Yard; Library Facilities; Museum; and Parking Structure. In February 2006, the City approved a supplemental CFF program which will fund facilities for animal services; telecommunications, and records management systems.⁶

The City CFF amount varies by land use and is automatically adjusted each year for inflation. The use of this fee, in conjunction with other City funding sources, will provide for the construction of on-site library facilities, as well as the other facilities listed above and constructed off-site. This Financing Plan assumes that the City will construct these facilities once sufficient fee revenue has been collected. Refer to **Table C-1** for the City CFF amounts by land use, and **Table C-2**, **Table C-3**, and **Table C-4** for CFF revenues generated for Phase 1, Remaining Phases, and Buildout, respectively.

PROPOSED RDOSP SPECIAL FINANCING DISTRICT PROGRAM

A Special Financing District for the Project will be needed to fund the following facilities not covered by existing or proposed financing mechanisms:

- Storm Drainage;
- Sewer;
- Water;
- Dry Utilities;
- Trails;
- Landscape Corridors; and
- Open Space.

⁶ CFF and supplemental CFF program facilities are not included in this Financing Plan if they will be constructed off-site.

The total amount to be funded by the RDOSP Special Financing District is approximately \$48.2 million in Phase 1, \$72.8 million in the Remaining Phases, and \$121.0 million at Buildout. It is important to note that these costs represent preliminary draft costs estimated by EPS and Wood Rodgers, Inc. as of July 2006. The costs are preliminary because the exact improvements for some of the facilities (trails, parks, open space) have not been finalized.

At the time of this Financing Plan, the RDOSP Special Financing District has not been defined. If a Plan area fee is chosen as the mechanism to fund the included facilities, EPS has preliminarily allocated the costs of each facility as shown in **Appendix D**. **Table D-1** summarizes the methodology used to allocate the cost of each facility amongst the various land uses. The estimated plan area fee by land use and fee component is shown in **Table D-2**. Plan area fee revenue estimates are provided for Phase I, Remaining Phases, and Buildout in **Table D-3**, **Table D-4**, and **Table D-5**, respectively. **Tables D-6** through **D-15** detail the cost allocation of each facility by land use type.

The Special Financing District program could include one or more of the following financing mechanisms:

- Mello-Roos CFD;
- Plan Area Fee Program;
- Assessment District;
- Infrastructure Charge.⁷

Further, both Master Developers may choose different financing mechanisms to fund the facilities not covered by existing or proposed funding mechanisms required to serve the Project.

Descriptions of the potential financing mechanisms are described below.

Mello-Roos CFD

The 1982 Mello-Roos CFD Act enables cities, counties, special districts, and school districts to establish CFDs and to levy special taxes to fund a wide variety of public facilities and services. Proceeds of Mello-Roos special taxes can be used for direct funding, acquisition, or to pay off bonds. One or more Mello-Roos CFDs may be formed over time to fund the necessary Backbone Infrastructure and Public Facilities. Mello-Roos CFDs tend to be favored over Assessment Districts, described below, because

⁷ Similar to a Plan Area Fee, but revenue may be collected privately by the Master Developer(s) either as a specific charge or as a component of the price of the land sale.

Assessment Districts need to establish special benefit to those being assessed, which can be more challenging than the Mello-Roos requirement of establishing general benefit of facilities.

Plan Area Fee Program

A plan area fee program establishes a development impact fee typically for a Specific Plan pursuant to local government's police power in accordance with the procedural guidelines established in Assembly Bill 1600 (AB 1600) which is codified in California Government Section 66000 *et seq.* This code section sets forth the procedural requirements for establishing and collecting development impact fees. These procedures require that "a reasonable relationship or nexus must exist between a governmental exaction and the purpose of the condition."⁸

Assessment Districts

California statutes give local governments the authority to levy several special assessments for specific public improvements such as streets, storm drains, sewers, streetlights, curbs, gutters, and sidewalks. The agency creates a special assessment district that defines both the area to benefit from the improvements and the properties that will pay for the improvements. Thereafter, each property in the district will be assessed a share of the cost of improvements that is proportional to the benefit it receives from those improvements.

Infrastructure Charge

An infrastructure charge is similar to a plan area fee, but the revenue may be collected privately by the Master Developer(s) either as a specific charge or as a component of the price of the land sale. This funding mechanism is implemented and managed as a private cost-sharing mechanism between developers.

OTHER FUNDING SOURCES

Schools: FCUSD School Facilities Improvement District and State Funding

In March 2002, the City passed Measure B, a \$49 million school facilities GO bond (SFID No. 2), which provides funding for the modernization of existing sites, construction of a new elementary school, replacement of aged portables, installation of technology infrastructure at all school sites in the City, and site acquisition for a second high school in the City.

⁸*Public Needs & Private Dollars*; William Abbott, Marian E. Moe, and Marilee Hanson, page 109.

As stated previously, school improvements will be funded through a combination of fees, State grant programs (State Schools Facilities Program), and assessments. EPS estimates a preliminary cost at buildout of \$490.3 million for the elementary schools, middle schools, and high school, and any initial facilities required to serve the RDOSP. Local fees, discussed previously, equal approximately \$155.1 million. State grants, both for land and for school construction, are estimated at \$101.8 million. The remaining costs, which equal approximately \$233.4 at Project buildout, will be funded by the existing SFID 1 and the proposed new SFID.

Potential Additional School Facilities Improvement District: SFID No. 3

The FCUSD approved a resolution of intention to establish another SFID, SFID No. 3 (SFID 3) through a ballot measure to be voted upon in the November 2006 election (Measure M). However, in November 2006, Measure M failed to achieve a two-thirds majority approval. If Measure M had passed, SFID 3 would fund school facilities in new development areas of the district, including the RDOSP, through General Obligation (GO) bond financing. Although Measure M failed to establish a new SFID, the FCUSD intends to place another measure on the ballot in a March or April 2007 election.

To show the impacts of Project feasibility if SFID 3 is approved by voters, the feasibility analysis shown in **Chapter V** includes the assumption of the average annual tax rate of \$73.61 per \$100,000 in assessed value. Based on an analysis prepared by the FCUSD for Measure M, the maximum tax amount would be \$100 per \$100,000 of assessed value. In the first fiscal year after the sale of the first series of bonds and based on the assessed valuations currently available, the FCUSD estimated the lowest tax rate at \$37.31 per \$100,000 of assessed value. In addition, the FCUSD estimated the highest tax rate at \$99.91 per \$100,000 of assessed value, and an average annual tax rate over the life of the bonds of \$73.61 per \$100,000 of assessed value.

Parks: Potential New Fee Program - CRPD Fee Program

Currently, new development in the City addresses the funding of park facilities through the DA negotiation process. The CRPD is reviewing the establishment of a fee that would fund recreation and park facilities in new development areas of the district, including the RDOSP. This Financing Plan assumes that the CRPD will implement a park fee for development in the RDOSP. As shown in **Appendix C**, this Financing Plan estimates fee revenues based on the park fee amount negotiated for a recently-approved project in the City.

Off-Site Roadways: Potential Highway 50 Coalition Fee/Charge Program

A group of developers and jurisdictional entities, collectively named the Highway 50 Coalition, are considering the establishment of a new Highway 50 fee or charge that

would fund roadway improvements along the Highway 50 corridor in El Dorado and Sacramento counties. The roadway improvement costs and actual fee/charge amounts are unknown at this time but may be included in future versions of this Financing Plan.

Private Funding

Private funding will be necessary to fund Backbone Infrastructure and Public Facilities at the beginning of each phase, before the funding from fee programs or bond financing becomes available. Private capital used for these purposes would be subject to fee credits and/or reimbursements from future fee collections and/or reimbursements from bond sales. In addition to providing up-front funding for public infrastructure, the project developer will fund privately the cost of in-tract roads, sewer, water, and drainage facilities.

*Reader's Note: In addition to current fees, the City has proposed several additional fees and imposed development charges on new development through recent development agreements. The additional likely and/or proposed fees and/or development charges shown in this Financing Plan include: park renovation charge; Swainson's Hawk Trust Fund; and transportation shortfall charge. Fee amounts have yet to be determined for an affordable housing fee, habitat conservation fee, and Highway 50 Coalition fee but are also likely additional fees that will be imposed on development in the RDOSP. Although a ballot measure to form another school improvement district failed in the November 2006 election, it is likely that the FCUSD will place another measure on the ballot which may be approved by voters. Thus, a preliminary annual special tax for SFID 3 is included in this Financing Plan. The CRPD is reviewing the establishment of a park fee in new growth areas of the City. Thus, a park fee, similar to the park fee negotiated for a recent project in the City, is included in this Financing Plan. A total listing of fees and special taxes/assessments included in this Financing Plan is shown in **Chapter V**.*

SOURCES AND USES OF REVENUES COMPARED

The following discussion provides a comparison of reimbursable project costs and projected revenues at RDOSP buildout. **Table 14**, **Table 15**, and **Table 16** show surplus and shortfall amounts collected through the various fee programs for Phase 1, Remaining Phases, and at Buildout, respectively. For the shortfalls shown in Phase 1, the developer will be required to provide funding advances to offset the fee program shortfalls.

In Phase 1, existing development impact fee programs (City, County, and Special District) fully fund the required project costs, excluding shortfalls for roadways, parks and schools. These shortfalls will be funded via other plan area fees, an RDOSP special financing district, other fee programs, and private developer advance funding. The Financing Plan assumes that any school facilities shortfalls will be fully funded by

existing or proposed financing mechanisms (including FCUSD Fees, State Grants, SFID 1, and the proposed SFID-3). Any surpluses in existing city, county and special district fee programs will fund regional improvements.

Table 14
Rio del Oro Specific Plan
Infrastructure and Public Facilities Financing Plan
Projected Cost and Fee Revenue Comparison for Phase 1 (2006\$)

Phase 1

Item	Financing Program	Rio del Oro Specific Plan		Surplus/ (Shortfall) [1]	Funding Source For Shortfall
		Revenue	Reimbursable Cost		
<i>Table Reference</i>		<i>Table C-2</i>	<i>Table 3</i>		
Existing Fee Programs					
Storm Drainage	Zone 11A	\$11,877,668	\$10,685,048	\$1,192,620	
Water	Zone 40	\$32,708,582	\$7,845,660	\$24,862,922	
Sewer					
Interceptor Improvements	SRCS	\$24,039,706	\$4,432,226	\$19,607,481	
Trunk Lines and Other	CSD-1	\$8,622,231	\$2,212,731	\$6,409,500	
Roadways	City Fee	\$86,421,249	\$17,816,000	\$68,605,249	
Transit	City Fee	\$2,488,738	\$2,488,738	\$0	
Parks	City Fee	\$31,250,518	\$35,275,000	(\$4,024,482)	City Fee
Schools	FCUSD	\$38,642,422	\$121,877,953	(\$83,235,531)	State Grants; SFID 1; suppl. funding, incl. potential SFID 3
Fire Station	SMFD	\$5,611,973	\$5,611,973	\$0	
Library	City Fee	\$1,551,318	\$1,551,318	\$0	

60

Phase 1

Table 14
Rio del Oro Specific Plan
Infrastructure and Public Facilities Financing Plan
Projected Cost and Fee Revenue Comparison for Phase 1 (2005\$)

Item	Financing Program	RDO Special Financing District Revenue	Financing District Total Cost	Surplus/ (Shortfall) [1]	Funding Source For Shortfall
<i>Table Reference</i>		<i>Table D-3</i>		<i>Table 3</i>	
Rio Del Oro Special Financing District Revenue					
Infrastructure Improvements					
Storm Drainage	RDOSFD	\$3,643,948	\$8,586,000	(\$4,942,052)	Private Advance-Funded
Initial Sewer Facilities	RDOSFD	\$2,335,511	\$6,322,050	(\$3,986,539)	Private Advance-Funded
On-Site Water	RDOSFD	\$763,390	\$712,800	\$50,590	
Initial Water Facilities	RDOSFD	\$97,027	\$310,500	(\$213,473)	Private Advance-Funded
Roadways	RDOSFD	\$14,955,983	\$12,672,000	\$2,283,983	
Public Facility Improvements					
Trails	RDOSFD	\$423,643	\$1,254,900	(\$831,257)	Private Advance-Funded
Open Space	RDOSFD	\$3,250,236	\$3,290,909	(\$40,673)	Private Advance-Funded
Landscape Corridor	RDOSFD	\$14,987,767	\$14,696,000	\$291,767	
Subtotal Rio Del Oro Special Financing District Revenue	RDOSFD	\$40,457,505	\$47,845,158	(\$7,387,653)	
Special Fin. Dist. Formation and Updates		\$312,167	\$312,167	\$0	
Total Rio Del Oro Special Financing District Revenue		\$40,769,672	\$48,157,325	(\$7,387,653)	

Source: Infrastructure Cost Estimate, Wood Rodgers, Inc.(03/21/2006), Various Fee Programs, and EPS.

"compareP1"

[1] Difference will be financed through a combination of developer advances, special financing district revenues, revenues from other planning areas, and other revenues such as the State School Building Program program, FCUSD development impact fees, and SFID revenues. Revenues in excess of costs accrue to the agency's fee program for regional improvements.

Table 15
Rio del Oro Specific Plan
Infrastructure and Public Facilities Financing Plan
Projected Cost and Fee Revenue Comparison for Phases 2 through 5 (2006\$)

Remaining Phases

Item	Financing Program	Rio del Oro Specific Plan		Surplus/ (Shortfall) [1]	Funding Source For Shortfall
		Revenue	Reimbursable Cost		
<i>Table Reference</i>		<i>Table C-3</i>	<i>Table 4</i>		
Existing Fee Programs					
Storm Drainage	Zone 11A	\$23,552,619	\$18,221,625	\$5,330,994	
Water	Zone 40	\$82,335,053	\$9,704,138	\$72,630,916	
Sewer					
Interceptor Improvements	SRCS	\$61,028,519	\$1,923,237	\$59,105,282	
Trunk Lines and Other	CSD-1	\$19,066,137	\$5,227,828	\$13,838,309	
Roadways	City Fee	\$166,251,978	\$15,596,000	\$150,655,978	
Transit	City Fee	\$2,937,960	\$2,937,960	\$0	
Parks	City Fee	\$91,932,099	\$36,975,000	\$54,957,099	
Schools	FCUSD	\$116,450,535	\$368,404,860	(\$251,954,325)	State Grants; SFID 1; suppl. funding, incl. potential SFID 3
Fire Station	SMFD	\$10,119,859	\$10,119,859	\$0	
Library	City Fee	\$4,562,229	\$4,562,229	\$0	

62

Table 15
Rio del Oro Specific Plan
Infrastructure and Public Facilities Financing Plan
Projected Cost and Fee Revenue Comparison for Phases 2 through 5 (2006\$)

Remaining Phases

Item	Financing Program	RDO Special Financing District Revenue	Total Cost	Surplus/ (Shortfall) [1]	Funding Source For Shortfall
<i>Table Reference</i>		<i>Table D-4</i>	<i>Table 4</i>		
Rio Del Oro Special Financing District Revenue					
Infrastructure Improvements					
Storm Drainage	RDOSFD	\$5,954,552	\$1,012,500	\$4,942,052	
Initial Sewer Facilities	RDOSFD	\$4,626,709	\$640,170	\$3,986,539	
On-Site Water	RDOSFD	\$1,679,570	\$1,730,160	(\$50,590)	Special Financing District
Initial Water Facilities	RDOSFD	\$213,473	\$0	\$213,473	
Roadways	RDOSFD	\$25,041,517	\$27,325,500	(\$2,283,983)	Special Financing District
Public Facility Improvements					
Trails	RDOSFD	\$1,296,362	\$465,106	\$831,257	
Open Space	RDOSFD	\$9,945,831	\$9,905,158	\$40,673	
Landscape Corridor	RDOSFD	\$30,749,233	\$31,041,000	(\$291,767)	Special Financing District
Subtotal Rio Del Oro Special Financing District Revenue		\$79,507,246	\$72,119,593	\$7,387,653	
Special Fin. Dist. Formation and Updates	RDOSFD	\$687,833	\$687,833	\$0	
Total Rio Del Oro Special Financing District Revenue		\$80,195,079	\$72,807,426	\$7,387,653	

"compare_rem"

Source: Infrastructure Cost Estimate, Wood Rodgers,(03/21/2006) Various Fee Programs, and EPS.

[1] Difference will be financed through a combination of developer advances, special financing district revenues, revenues from other planning areas, and other revenues such as the State School Building Program program, FCUSD development impact fees, and SFID revenues. Revenues in excess of costs accrue to the agency's fee program for regional improvements.

Table 16
Rio del Oro Specific Plan
Infrastructure and Public Facilities Financing Plan
Projected Cost and Fee Revenue Comparison at Buildout (2006\$)

Buildout

Item	Financing Program	Rio del Oro Specific Plan		Surplus/ (Shortfall) [1]	Funding Source For Shortfall
		Revenue	Reimbursable Cost		
<i>Table Reference</i>		<i>Table C-4</i>	<i>Table 5</i>		
Existing Fee Programs					
Storm Drainage	Zone 11A	\$35,430,287	\$28,906,673	\$6,523,614	
Water	Zone 40	\$115,043,635	\$17,549,798	\$97,493,838	
Sewer					
Interceptor Improvements	SRCS	\$85,068,225	\$6,355,463	\$78,712,763	
Trunk Lines and Other	CSD-1	\$27,688,368	\$7,440,559	\$20,247,809	
Roadways	City Fee	\$252,673,227	\$33,412,000	\$219,261,227	
Transit	City Fee	\$5,426,697	\$5,426,697	\$0	
Parks	City Fee	\$123,182,617	\$72,250,000	\$50,932,617	
Schools	FCUSD	\$155,092,958	\$490,282,813	(\$335,189,855)	State Grants; SFID 1; suppl. funding, incl. potential SFID 3
Fire Station	SMFD	\$15,731,832	\$15,731,832	\$0	
Library	City Fee	\$6,113,547	\$6,113,547	\$0	

64

Buildout

Table 16
Rio del Oro Specific Plan
Infrastructure and Public Facilities Financing Plan
Projected Cost and Fee Revenue Comparison at Buildout (2005\$)

Item	Financing Program	RDO Special Financing District Revenue	Financing District Total Cost	Surplus/ (Shortfall) [1]	Funding Source For Shortfall
<i>Table Reference</i>		<i>Table D-5</i>		<i>Table 5</i>	
Rio Del Oro Special Financing District Revenue					
Infrastructure Improvements					
Storm Drainage	RDOSFD	\$9,598,500	\$9,598,500	\$0	
Initial Sewer Facilities	RDOSFD	\$6,962,220	\$6,962,220	\$0	
On-Site Water	RDOSFD	\$2,442,960	\$2,442,960	\$0	
Initial Water Facilities	RDOSFD	\$310,500	\$310,500	\$0	
Roadways	RDOSFD	\$39,997,500	\$39,997,500	\$0	
Public Facility Improvements					
Trails	RDOSFD	\$1,720,005	\$1,720,005	\$0	
Open Space	RDOSFD	\$13,196,066	\$13,196,066	\$0	
Landscape Corridor	RDOSFD	\$45,737,000	\$45,737,000	\$0	
Subtotal Rio Del Oro Special Financing District Revenue		\$119,964,751	\$119,964,751	\$0	
Special Fin. Dist. Formation and Updates	RDOSFD	\$1,000,000	\$1,000,000	\$0	
Total Rio Del Oro Special Financing District Revenue		\$120,964,751	\$120,964,751	\$0	

Source: Infrastructure Cost Estimate, Wood Rodgers,(03/21/2006) Various Fee Programs, and EPS.

"compare"

[1] Difference will be financed through a combination of developer advances, special financing district revenues, revenues from other planning areas, and other revenues such as the State School Building Program program, FCUSD development impact fees, and SFID revenues. Revenues in excess of costs accrue to the agency's fee program for regional improvements.

65

The RDOSP special financing district funds the difference between actual project costs and the amount that is reimbursable through existing fee programs. As shown in **Table 14**, the total RDOSP special financing district revenue for Phase I is approximately \$40.8 million, while the Phase I total costs are approximately \$48.2 million, leaving a shortfall of approximately \$7.4 million. This shortfall will be covered by private advance funding. As shown in **Table 15**, any shortfalls experienced in Phase I are reimbursed in the Remaining Phases. Conversely, any surpluses (i.e., revenues collected exceed the cost of the Backbone Facilities) experienced in Phase 1 (e.g., On-Site Water; Roadways) are available to fund deficits shown in the Remaining Phases (i.e., revenues collected are insufficient to cover the cost of Backbone Facilities).