

CITY OF WHEATLAND
BEAR RIVER NORTH LEVEE REHABILITATION PROJECT IMPACT FEE
MITIGATION FEE ACT – NEXUS REPORT

MUNICIPAL RESOURCE GROUP, LLC
675 HARTZ AVENUE, SUITE 300
DANVILLE, CA 94526
(530) 878-9100

JANUARY 2013



CITY OF WHEATLAND
BEAR RIVER NORTH LEVEE REHABILITATION PROJECT IMPACT FEE
MITIGATION FEE ACT – NEXUS REPORT

JANUARY 2013

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION	1
II. THE MITIGATION FEE ACT	2
III. APPLICABLE FUNDING AGREEMENTS AND DEVELOPMENT AGREEMENTS	4
IV. PROJECT FUNDING SOURCES AND PROJECT COSTS	13
V. ALLOCATION OF PROJECT COSTS AND PROJECT FUNDING	15
VI. CALCULATION OF THE PROJECT IMPACT FEE	18
VII. ADVANCE FUNDING ANALYSIS	22
VIII. MITIGATION FEE ACT REQUIREMENTS	26
Exhibit A Accountant’s Compilation Report	A-1
Exhibit B Zone of Benefit Map	B-1
Exhibit C Zone of Benefit Parcels	C-1

**BEAR RIVER NORTH LEVEE REHABILITATION PROJECT IMPACT FEE
MITIGATION FEE ACT - NEXUS REPORT
JANUARY 2013**

I. INTRODUCTION

Reclamation District No. 2103 (“RD 2103”) was formed to maintain portions of the Bear River and Dry Creek levees, providing flood protection for the City of Wheatland (“City”) and the surrounding area. In 2006, RD 2103 prepared a Problem Identification Report for the Bear River levee that identified levee underseepage and instability deficiencies. The Bear River North Levee Rehabilitation Project (“Project”) was designed to remediate these deficiencies.

Design of the Project began in 2006. Construction began in 2007 and was substantially complete in 2010. The rehabilitation measures provide flood protection to surrounding agricultural and urban areas.

The total cost of the Project was \$20,066,972, including design, construction, permitting, compliance and other costs.¹ (see Exhibit A)

Funding for the Project was provided by a variety of sources. RD 2103 submitted a grant application to the State of California for Proposition 1E funds, and ultimately received \$10,785,360 in grant funds from the State for the Project. In addition, RD 2103, the City and local landowners entered into a series of agreements advancing funds for the local share of the Project cost and committing to certain related reimbursement obligations.

Because the Project provides benefits to lands in the Wheatland area, the City agreed to prepare a Bear River North Levee Rehabilitation Project Impact Fee Report (“Report”) and to adopt an ordinance imposing a Bear River North Levee Rehabilitation Project Impact Fee (“Fee”) under the State of California Mitigation Fee Act, to defray the cost of the public improvement. Fees proposed in this Report are for the purpose of reimbursing the City’s advance funding for the Project and the local landowners’ excess share of advance funding for the Project.

¹ Accountant’s Compilation Report, dated July 17, 2012; Jerome B. Crippen & Associates, Certified Public Accountants

II. THE MITIGATION FEE ACT

This Report has been prepared pursuant to the State of California's enabling legislation for development impact mitigation fees. The standards and procedures for establishing development impact mitigation fees for residential and non-residential development projects are found in the Mitigation Fee Act, also known as AB 1600, as codified in the California Government Code beginning with Section 66000.

The Mitigation Fee Act permits local agencies to establish and collect a fee as a condition of approval of a new development project, for the purpose of defraying the cost of public facilities. Public facilities are defined in the statute as public improvements, public services and community amenities. The public facilities must be identified in a capital improvement plan, the General Plan, an applicable specific plan or other public documents.

Under the Mitigation Fee Act, a local agency considering an action establishing, increasing or imposing a fee as a condition of approval of a development project must do all of the following:

- Identify the purpose of the fee.
- Identify the use to which the fee is to be put.
- Determine how there is a reasonable relationship between the fee's use and the type of development project upon which the fee is imposed.
- Determine how there is a reasonable relationship between the need for the public facility and the type of development project upon which the fee is imposed.
- Determine how there is a reasonable relationship between the amount of the fee and the cost of the public facility or portion of the public facility attributable to the development project upon which the fee is imposed.

This Report provides the analysis required by the Mitigation Fee Act to satisfy these requirements.

The Mitigation Fee Act generally prohibits the requirement for payment of fees until the date of the final inspection, or the date the certificate of occupancy is issued, whichever occurs first. However, the Mitigation Fee Act allows an agency to require the payment of fees at an earlier time if: (i) the agency determines that the fees will be collected for public improvements for which an account has

been established and funds appropriated and for which the local agency has adopted a proposed construction schedule or plan, or, (ii) the fees are to reimburse the local agency for expenditures previously made. Since the Project expenditures have been previously made, the City may collect the fees at an earlier time than the date of the final inspection, or the date of the certificate of occupancy.

Municipal Resource Group, LLC (“MRG”) has prepared this Report to assist the City in implementing the terms of agreements entered into by the City, RD 2103 and local landowners, and to provide the basis and findings required to adopt a Bear River North Levee Rehabilitation Project Impact Fee.

III. APPLICABLE FUNDING AGREEMENTS AND DEVELOPMENT AGREEMENTS

The City, RD 2103 and local landowners entered into a series of agreements defining the funding arrangements for the Project. Several of the agreements cover matters unrelated to the Bear River North Levee Rehabilitation Project Impact Fee; only the pertinent topics are summarized in this Chapter.² Furthermore, this Chapter summarizes and outlines the key funding and reimbursement agreement. The details in the full agreements will govern the City's fee levy, collection, credit and reimbursement obligations.

City of Wheatland Development Agreement Concerning Jones Ranch Subdivision (December 27, 2005)

Under this Development Agreement between the City and Lakemont Overland Crossing, LLC ("Developer"), the Developer agrees to pay \$25,000 per single family dwelling (as adjusted by the percentage change in the Engineering News-Record Construction Cost Index for 20 U.S. cities (ENR-CCI)) as City Development Fees, and an equivalent dwelling unit amount for development other than single family dwellings.

City of Wheatland Development Agreement Concerning Heritage Oaks Estates-East Subdivision (February 28, 2006)

Under this Development Agreement between the City, Premier Homes Properties, Inc. and Wheatland Heritage Oaks, LLC (together the "Developers"), the Developers agree to pay \$25,000 per single family dwelling (as adjusted by the percentage change in the ENR-CCI) as City Development Fees, and an equivalent dwelling unit amount for development other than single family dwellings.

The agreement recognizes that future development will require the completion of levee improvements along Bear River. The agreement recognizes that the timing of development will require the Developer to provide advance funding and/or to incur indebtedness to achieve completion of the levee improvements, and that such advance funding will exceed the Developer's pro-rata share of the cost of the levee improvements. The City anticipates entering into a joint Community Facility District with RD 2103 to finance levee improvements. The City will work with the developers to prepare the Bear River levee fee program to allocate the cost of the levee improvements on a pro-rata fair share basis among benefitting properties within a Zone of Benefit, and to provide funding and/or

² While MRG has attempted to summarize pertinent obligations in the agreements, MRG assumes no responsibility for omissions or mischaracterizations. Each agreement should be reviewed in its entirety for a complete understanding of the scope and the obligations of the parties.

reimbursement of the levee improvements not funded or reimbursed pursuant to a Community Facilities District.

***Bear River Phase 1 Flood Protection Project Advance Funding and Reimbursement Agreement
(October 10, 2006)***

This agreement is between the City and Premier Homes, Inc., Wheatland Heritage Oaks, LLC, and Lakemont Overland Crossing, LLC (together, the “Developers”). Premier Homes and Wheatland Heritage Oaks are the developers of Heritage Oaks Estates-East; Lakemont Overland Crossing is the developer of Jones Ranch (together, the “Properties”). The agreement anticipates that a fourth party may execute a similar agreement with the City.

The Properties are located adjacent to the Bear River and within the floodplain. RD 2103 will prepare plans and specifications and intends to construct improvements to remove the Properties from the floodplain. Design and construction of the Project is to be undertaken by RD 2103.

RD 2103 is designated as the City’s agent to receive and accept advance funding and to disburse funding for levee improvements. The City’s participation in the Project is limited to assistance with funding and financing.

The Developers agree to provide advance funding for the cost of the Project construction, construction inspection, management and contingency.

The agreement contemplates that the City and RD 2103 will issue Community Facility District bonds to pay for the Properties’ fair share of the Project costs, and reimburse the Properties’ costs from a future City levee improvement development fee. The City agrees to retain a development fee consultant to prepare a City levee fee study and proposed fee.

The levee fee study will evaluate and confirm or refine a Zone of Benefit. It is anticipated that the Zone of Benefit will exclude small lot infill development within the existing City limit, and will include benefitting properties outside the existing Sphere of Influence.

The fee will allocate the costs of the Project on an equitable pro-rata fair share basis among benefitting properties within the Zone of Benefit.

An exhibit to the agreement describes the Developers’ advance funding shares.

Each Developer’s fee is due and payable within eighteen months after the earlier of (a) the effective date of the first subdivision tentative map, or (b) the date of allocation of sewer treatment

plant connection capacity. Notwithstanding (a) or (b), the fee is due upon issuance of the first final subdivision map or the first grading permit.

The capital cost of the Project and fee calculation shall include interest on the Excess Share of Advance Funding at a rate of 8.5% per annum over an eighteen month period commencing on a date determined by RD 2103 as the deadline for payment of the advance funding. Thereafter, the capital cost for fee calculation purposes shall be increased based on the previous year's percentage change in the ENR-CCI.

The City will reimburse the Developers' Excess Share of Advance Funding from the fees received from other landowners and developers within the Zone of Benefit on a quarterly basis. The right to reimbursement terminates twenty years after the date of the agreement.

Cost Sharing Agreement in Regard to Bear River Phase 1 Flood Protection Project and Advance Funding and Reimbursement Agreement (May 14, 2007)

This agreement is between RD 2103 and Wheatland Heritage Oaks, LLC; AKT Wheatland Ranch, LLC; DeValentine Family Partnership; and Lakemont Overland Crossing, LLC (together, the "Landowners"). This agreement is in furtherance of the City's Bear River Phase 1 Flood Protection Project Advance Funding and Reimbursement Agreement (October 10, 2006). The Landowners agree to provide all funds under the October 10, 2006 agreement in the following shared ratios:

Wheatland Heritage Oaks, LLC	39%
AKT Wheatland Ranch, LLC	39%
DeValentine Family Partnership	11%
Lakemont Overland Crossing, LLC	11%

The agreement provides a schedule and total advance amounts due to RD 2103.

City of Wheatland Development Agreement Concerning Heritage Oaks Estates-West Subdivision (June 12, 2007)

Under this Development Agreement between the City and DeValentine Family Partnership ("Developer"), the Developer acknowledges that future development will require the completion of levee improvements along Bear River, and agrees to either (a) participate as a funding party in the City's Bear River Phase 1 Flood Protection Project Advance Funding and Reimbursement Agreement, (b) be included in a CFD and be subject to payment of a CFD special tax toward levee improvements, or (c) pay

a development impact fee under a levee fee program, to ensure that the property pays its fair share of the Bear River levee improvements.

Assignment and Assumption Agreement Concerning Heritage Oaks Estates - East (December 21, 2007)

Wheatland Heritage Oaks, LLC and Premier Homes Properties, Inc. assign their interests in the non-residential portion of the Heritage Oaks Estates - East subdivision to Trivest Land Co., Inc. Wheatland Heritage Oaks, LLC is confirmed as the sole owner of the residential portion of the subdivision.

Resolution No. 07-08, A Resolution of the City Council of the City of Wheatland Approving City Financial Contribution Toward Bear River Phase 1 Flood Protection Project and Related Agreements and Inter-Fund Transfer/Loan (April 8, 2008)

This City resolution grants preliminary approval of amendments to the Heritage Oaks Estates-East Subdivision Development Agreement, the Jones Ranch Subdivision Development Agreement and the RD 2103 Grant Agreement (discussed below), subject to noticed public hearings before the Planning Commission and City Council, and formal approval by the City Council.

Wheatland Heritage Oaks, LLC and Lakemont Overland Crossing, LLC have requested the City to provide a \$2 million contribution toward the local match for the levee improvement project.

The City Council will fund this contribution from an inter-fund transfer and loan from the Sewer Impact Fee Fund, to be repaid to the Sewer Impact Fee Fund with interest from the proceeds of the levee improvement development fee. The interest rate for the loan between the City's General Fund and the Sewer Impact Fee Fund is equal to the interest rate being earned by the Sewer Impact Fee Fund.

City of Wheatland – RD 2103 Grant Agreement (April 8, 2008)

This agreement is between the City and RD 2103. RD 2103 has prepared plans and specifications for the Bear River Phase 1 Flood Protection Project, which should remove portions of the City and lands around the City from the floodplain. RD 2103 is constructing the Project in two or more phases. RD 2103 has completed Phase 1A and is ready to complete the Project (Phase 1B).

The State Department of Water Resources has preliminarily approved a \$7.3 million grant to RD 2103 for 50% of the remaining Project costs, leaving a local match requirement of \$7.3 million. RD 2103 entered into a *RD 2103 Cost Sharing Agreement in Regard to Bear River Phase 1 Flood Protection Project*

and Advance Funding and Reimbursement Agreement (May 14, 2007) with local landowners for the local match. The local landowners and developers are unable to provide the entire local match amount.

Wheatland Heritage Oaks, LLC has requested the City to provide a \$1 million contribution toward the local match amount. Lakemont Overland Crossing, LLC has requested the City to provide a \$1.7 million contribution toward the local match. The City agrees to provide these amounts subject to the agreement and the related *Amendment No. 1 to City of Wheatland Development Agreement Concerning Heritage Oaks Estates-East Subdivision* and *Amendment No. 1 to City of Wheatland Development Agreement Concerning Jones Ranch Subdivision*.

Amendment No. 1 to City of Wheatland Development Agreement Concerning Heritage Oaks Estates-East Subdivision (June 10, 2008)

This amendment is between the City and Wheatland Heritage Oaks, LLC, and Trivest Land Co., Inc. (“Developers”). It amends a 2006 Development Agreement between the City, Wheatland Heritage Oaks, LLC and Premier Homes Properties, Inc. (which assigned the 2006 Development Agreement to Trivest Land Co., Inc.).

In light of economic conditions, the Developers are unable to provide the advance funding as described in the *RD 2103 Cost Sharing Agreement in Regard to Bear River Phase 1 Flood Protection Project and Advance Funding and Reimbursement Agreement (May 14, 2007)*.

Wheatland Heritage Oaks, LLC and Lakemont Overland Crossing, LLC have requested the City to provide \$1 million and \$1.7 million, respectively, for a total of \$2.7 million, as an advance toward the local match for the Bear River Phase 1 Flood Protection Project. The first \$700,000 is deemed a payment of the local match for Lakemont Overland Crossing, LLC.

It is anticipated that Wheatland Heritage Oaks, LLC portion of the funding required by the Developer Cost Sharing Agreement should amount to \$700,000.

The \$2.7 million City advance leaves a remaining \$4.6 million local match which Wheatland Heritage Oaks, LLC and other landowners will fund.

The first proceeds from the levee improvement development fee shall be allocated to repay the \$700,000 advance, with interest, to the City.

The base City Development Impact Fees in the original Development Agreement are increased by \$3,000, to \$28,000.

The final total amount granted to RD 2103, less the \$700,000 advance, shall be repaid with interest from the future City levee improvement development impact fees.

The residential property portion of the Heritage Oaks Estates-East Subdivision is subject to the payment of the levee improvement development fee until the City has received \$1 million (plus interest) from a combination of a \$3,000/single family house portion of each City Development Impact Fee (the amount of the increase approved by this amendment), plus future City levee improvement development impact fee payments. Non-residential development shall be subject to the levee development impact fee.

Amendment No. 1 to City of Wheatland Development Agreement Concerning Jones Ranch Subdivision (June 10, 2008)

This amendment is between the City and Lakemont Overland Crossing, LLC (“Developer”). It amends a 2005 Development Agreement between the City and Lakemont Overland Crossing, LLC.

In light of economic conditions, the Developer is unable to provide the advance funding as described in the *RD 2103 Cost Sharing Agreement in Regard to Bear River Phase 1 Flood Protection Project and Advance Funding and Reimbursement Agreement*, dated May 14, 2007.

Wheatland Heritage Oaks, LLC and Lakemont Overland Crossing, LLC have requested the City to provide \$1 million and \$1.7 million, respectively, for a total of \$2.7 million, as an advance toward the local match for the Bear River Phase 1 Flood Protection Project. Initially, the Developer requested a City contribution of \$1 million, which was later increased by an additional \$700,000. The first \$700,000 is deemed a payment of the local match for the Developer.

The \$2.7 million City advance leaves a remaining \$4.6 million local match which Wheatland Heritage Oaks, LLC and other landowners will fund.

The \$700,000 portion of the advance will be repaid with interest prior to the earliest of recording any final map, final approval of improvement or construction plans or approval of any City permit or entitlement relating to development of the Property.

The base City Development Impact Fees in the original Development Agreement are increased by \$6,100, to \$30,100.

The final total amount granted to RD 2103 less the \$700,000 advance shall be repaid with interest from the future City levee development impact fees. The Developer’s project is subject to the payment of the levee development impact fee until the City has received \$1 million plus interest from a

combination of a \$3,000/single family house portion of each City Development Impact Fee, plus future City levee development impact fee payments.

Bear River Phase 1 Flood Protection Project Advance Funding and Reimbursement Agreement (Bear River Hop Farm, Inc.) (August 19, 2008)

This agreement is between the City and Bear River Hop Farm, Inc. (“Landowner”). The parties to the agreement recognize that there is a funding shortfall for the Bear River Phase 1 Flood Protection Project (“Project”).

Landowner has agreed to provide funding to cover the shortfall, which may exceed the Landowner’s equitable pro-rata fair share of the cost of the Project. Landowner requests the City to cooperate in providing funding for Landowner’s fair share of the Project cost through issuance of CFD bonds, credit against future levee development impact fee and potential reimbursement of landowner’s excess share.

The Landowner agrees to pay \$542,000 as advance funding toward the cost of the Project.

The City agrees to retain a development fee consultant to prepare a City levee fee study and proposed fee. The study will evaluate and confirm or refine a Zone of Benefit. It is anticipated that the Zone of Benefit will exclude small lot infill development within the existing City limit as of June 1, 2006, and will include benefitting properties outside the existing Sphere of Influence.

The fee will allocate the costs of the Project on an equitable pro-rata fair share basis among benefitting properties within the Zone of Benefit.

The capital cost of the Project and Fee calculation shall include interest on the Excess Share of Advance Funding at a rate of 8.5% per annum over an eighteen month period commencing on a date determined by RD 2103 as the deadline for payment of the advance funding (“Construction Funding Deadline”). Thereafter, the capital cost for Fee calculation purposes shall be increased based on the previous year’s percentage change in the ENR-CCI.

The City shall provide a credit in the amount of \$542,000 against the fee due if the Property develops for non-agricultural development.

CFD bond proceeds, if any, will be used to repay Landowner’s Fair Share of Funding.

If the Landowner’s Fair Share of Funding is more than \$542,000, the difference shall be due and payable in accordance with the fee ordinance and resolution. If the Landowner’s Fair Share of Funding is less than \$542,000, the difference is the Excess Share of Funding and is subject to reimbursement.

Reimbursement shall be paid quarterly from proceeds of fees paid, prorated among all advance funding landowners entitled to reimbursement. Interest shall accrue on the unpaid balance of Landowner's Excess Share of Funding at 8.5% for an eighteen month period, followed by the annual percentage change in the ENR-CCI.

Amended and Restated Agreement Granting to Reclamation District No. 2103 a Right to Enter and Construct Public Improvements (September 12, 2008)

This agreement is between RD 2103 and AKT Wheatland Ranch, LLC ("Owner"). It amends, supersedes and replaces a prior agreement dated October 19, 2007.

The agreement permits RD 2103 remove Borrow Material for the levee construction project. RD 2103 and the Owner agree that the Borrow Material is valued at \$2.50 per cubic yard, annually adjusted by the ENR-CCI. Compensation to the Owner for the Borrow Material shall be in the form of development impact fee credits under an agreement between the City and RD 2103.

Amendment No. 2 to City of Wheatland Development Agreement Concerning Heritage Oaks Estates-East Subdivision (November 9, 2010)

This amendment is between the City and Wheatland Heritage Oaks, LLC ("Developer"). It amends the 2006 Development Agreement between the City and Wheatland Heritage Oaks, LLC.

The City agrees to prepare and adopt a levee fee study and to adopt a levee fee ordinance, which will determine the amount of reimbursement, if any, due to the Developer for funds paid in excess of the Developer's fair share obligation as determined by the levee fee study, including Developer's payment of an Initial Grant Amount Repayment. The levee fee study will identify the properties benefitted by the levee Project. Benefitted properties will be required to pay the levee fees no later than issuance of a grading permit.

The Developer agrees that the City Grant Amount in the amount of \$1 million plus interest shall be repaid first.

The City agrees that the sum of \$3,000/single family house portion of each City Development Impact Fee plus future City levee development impact fee payments will be credited toward the repayment of the Initial Grant Amount Repayment, plus interest, until repaid, after which the Residential Property will no longer be subject to the levee fee.

***Amendment No. 2 to City of Wheatland Development Agreement Concerning Jones Ranch Subdivision
(November 9, 2010)***

This amendment to the 2005 Development Agreement is between the City and RBC Real Estate Finance, Inc. (“Owner”). The Owner has acquired the Jones Ranch property that was the subject of the original Development Agreement.

Assignment and Assumption Agreement Concerning Heritage Oaks Estates - East (December 6, 2010)

Under this agreement, Wheatland Heritage Oaks, LLC assigns its interests in the residential portion of the Heritage Oaks Estates - East subdivision, including fee reimbursement rights, to Lewis Investment Company, Inc.

IV. PROJECT FUNDING SOURCES AND PROJECT COSTS

This Chapter identifies and summarizes the funding sources and the final cost of the Project.

Bear River North Rehabilitation Project Funding Sources

The Project was funded through a combination of local landowner contributions, City of Wheatland contributions, a grant from State of California Proposition 1E funds, and other minor miscellaneous funding sources. Jerome B. Crippen & Associates, Certified Public Accountants, on behalf of RD 2103, prepared an Accountant's Compilation Report, which compiled all of the Project-related funding sources and costs. (see Exhibit A)

Jerome B. Crippen & Associates indicates the following funding sources for the Project:

Table IV-1: Bear River North Levee Rehabilitation Project Funding

FUNDING SOURCE	PROJECT FUNDING
State of California Proposition 1E Grant	\$10,785,360.00
Local landowner contributions:	
AKT Wheatland Ranch, LLC	\$ 1,645,935.50
AKT Wheatland Ranch, LLC Borrow Material	\$ 29,937.50
Bear River Hop Farm, Inc. (Hop Farm property)	\$ 542,000.00
Heritage Oaks Estates East – Residential	\$ 2,882,839.00
Heritage Oaks Estates East – Commercial)	\$ 26,147.00
Lakemont Overland Crossing, LLC (Jones Ranch)	\$ 698,720.00
Rodden Ranch property	\$ 39,353.00
DeValentine Family Partnership (Wheatland Heritage Oaks West)	\$ 906,367.00
Total landowner contributions	\$ 6,771,299.00
City of Wheatland contribution:	
- Advance on behalf of Lakemont Overland Crossing, LLC (Jones Ranch)	\$ 700,000.00*
- Levee Project funding for capital costs (including contribution to Assessment District formation costs, which was required by Project permit conditions)	\$ 1,955,575.00
Total City of Wheatland contribution	\$ 2,655,575.00
Miscellaneous funds	\$ 18,289.00
Total Funding Sources	\$20,230,523.00

Source: Accountant's Compilation Report, dated July 17, 2012; Jerome B. Crippen & Associates, Certified Public Accountants, on behalf of RD 2103. The City of Wheatland has relied on RD 2103 and Jerome B. Crippen representations on project costs and amounts contributed by local landowners.

*The \$700,000 advance with interest will be repaid to the City from the developer of the Jones Ranch project at the time of development. It will not be reimbursement to the City through the new levee impact fee.

It is noted that Community Facility District bonds were not issued to fund the Project.

Bear River North Rehabilitation Project Costs

Project costs include design, construction, permit and compliance costs. The Project construction was substantially completed in 2010. The Project construction costs were \$20,066,972³. (see Exhibit A)

³ Accountant's Compilation Report, dated July 17, 2012; Jerome B. Crippen & Associates, Certified Public Accountants

V. ALLOCATION OF PROJECT COSTS AND PROJECT FUNDING

This Chapter describes the allocation of Project capital costs, interest and funding, and calculates the amount to be collected by the Bear River North Levee Rehabilitation Project Impact Fees.

Allocation of Project Capital Costs to City Limits as of June 1, 2006 and to Future Developable Acreage

The Project provides a level of protection to existing City developed areas as well as to areas that may be developed in the future. The City and developers agreed in the *Bear River Phase 1 Flood Protection Project Advance Funding and Reimbursement Agreement (October 10, 2006)* that the “zone of benefit” will exclude individual small lot “infill” development (not associated with a new subdivision) within the City of Wheatland, as the City limit existed prior to June 1, 2006. The City limit as of June 1, 2006 was 1,806.32 acres.⁴

The land within the zone of benefit (outside of the June 1, 2006 City limits) includes 3,151.13 acres (see Exhibit C for a calculation of zone of benefit acreage). However, 23.74 acres are considered to be urban reserve acres or are already developed with single family residences, leaving 3,127.39 developable acres in the zone of benefit (see Exhibit B for a map of the zone of benefit).

Project costs can be allocated to existing and future development proportionately by comparing the existing developed acreage (City limit lands as of June 1, 2006) to the future developable acreage in the zone of benefit. Table V-1 provides this data.

Table V-1: Developed and Developable Acreage

	ACRES	PROPORTION OF LAND
Existing developed land (City limits land as of June 1, 2006)	1,806.32	36.6%
Future developable land (zone of benefit)	3,127.39	63.4%
Total	4,933.71	100.0%

Source: Raney Planning and Management, Inc.; Municipal Resource Group

The total Bear River North Levee Rehabilitation Project cost identified by Jerome B. Crippen & Associates was \$20,066,972. Applying the proportionate percentage of acreage of existing developed land (36.6%) and future developable land (63.4%) to the total Project cost (\$20,066,972) yields the proportional Project costs allocable to the two categories of land. Table V-2 provides the proportional allocation of costs.

⁴ Source: Raney Planning and Management

Table V-2: Proportional Allocation of Costs

	PROPORTION OF LAND	ALLOCATED PROJECT COST
Existing developed land (City limits as of June 1, 2006)	36.6%	\$ 7,344,512
Future developable land (zone of benefit)	63.4%	\$12,722,460
Total	100.0%	\$20,066,972

Source: Jerome B. Crippen & Associates; Raney Planning and Management Inc., Municipal Resource Group

Allocation of Project Funding

The Project was funded in part by a State of California Proposition 1E grant in the amount of \$10,785,360 and miscellaneous interest and other revenue in the amount of \$18,289, for a total of \$10,803,649 in “outside” funding. For purposes of this fee program, the City has decided to allocate \$7,344,512 of this outside funding in order to fund the full share of the Project cost allocated to the existing developed land (City limits as of June 1, 2006). The remainder (\$3,459,137) of the grant and other funding is allocated to future developable land (zone of benefit) in order to reduce the development impact fee burden. The future developable lands’ net allocated Project capital cost is \$9,263,323, not including interest, as indicated in Table V-3.

Table V-3: Allocation of Grant and Miscellaneous Funding

	EXISTING DEVELOPABLE LAND	FUTURE DEVELOPABLE LAND
Allocated Project capital cost (Table V-2)	\$ 7,344,512	\$12,722,460
Less: Allocated grant/miscellaneous funding	(\$ 7,344,512)	(\$ 3,459,137)
Net allocated Project capital cost	0	\$ 9,263,323

Source: Jerome B. Crippen & Associates; Raney Planning and Management Inc.; Municipal Resource Group

Project Capital Cost Interest

The various agreements between RD 2103, the City and local landowners require that “capital costs of the Project and Fee calculation shall include interest on the Excess Share of Advance Funding at the rate of 8.5% per annum over an 18-month fixed period commencing upon the Construction Funding Deadline. Thereafter, the capital cost of the Project for fee calculation purposes shall be increased based upon the previous year’s percentage change in the Engineering News Record (ENR) Construction Cost Index for the duration of the term of this Agreement”.⁵

The first advance funding payments were required to be made in May 2007. Therefore, the 8.5% per annum interest accrues from May 2007 through October 2008 (eighteen months).

⁵ Bear River Phase 1 Flood Protection Project Advance Funding and Reimbursement Agreement (October 10, 2006).

Thereafter, the capital cost for fee calculation purposes is increased based on the previous year's percentage change in the Engineering News-Record Construction Cost Index (ENR-CCI). Table V-4 provides the ENR-CCI percentage change in the Project capital cost for the applicable previous years.

Table V-4: ENR-CCI and Percentage Change in Project Capital Cost

PERIOD	BEGINNING ENR-CCI	ENDING ENR-CCI	PERCENTAGE CHANGE IN CAPITAL COST
November 2008 – November 2009	8602	8592	0 % ⁶
November 2009 – November 2010	8592	8951	4.18%
November 2010 – November 2011	8951	9173	2.48%
November 2011 - November 2012	9173	9398	2.45%

Source: McGraw-Hill Engineering News Record, November 2012

Table V-5 provides the current Project capital cost, including the 8.5% interest and the ENR-CCI interest components, as of November 2012.

Table V-5: Calculation of Current Project Capital Cost Allocated to Future Development

PERIOD	CAPITAL COST
Allocated Capital Cost – May 2007 (Table V-3)	\$ 9,263,323
Allocated Capital Cost – May 2008 (with interest at 8.5% per annum)	\$10,050,705
Allocated Capital Cost – October 2008 (with interest at 8.5% per annum, for six months)	\$10,477,860
Allocated Capital Cost – November 2009 (with interest at 0%)	\$10,477,860
Allocated Capital Cost – November 2010 (with interest at 4.18%)	\$10,915,657
Allocated Capital Cost – November 2011 (with interest at 2.48%)	\$11,186,384
Allocated Capital Cost – November 2012 (with interest at 2.45%)	\$11,460,770
Overall escalation factor – May 2007 through November 2012	23.72%

Source: Jerome B. Crippen & Associates; Municipal Resource Group

Note: Totals may differ due to rounding.

In total, the Project capital costs have been escalated by 23.72% from May 2007 through November 2012.

Table V-5 also provides the escalated amount to be collected through the Bear River North Rehabilitation Project Impact Fee as of November 2012, which is \$11,460,770.

⁶ The Bear River Phase 1 Flood Protection Project Advance Funding and Reimbursement Agreement (October 10, 2006) indicates the capital cost shall be increased based upon the previous year's percentage change. Since there was no increase in this year, the capital costs are not changed.

VI. CALCULATION OF THE PROJECT IMPACT FEE

This Chapter calculates the Bear River North Levee Rehabilitation Project Impact Fee for future residential and non-residential development projects.

Calculation of Project Costs per Acre

The total Project cost allocable to future development projects, including interest as of November 2012 was determined in Chapter V (Table V-5) to be \$11,460,770.

Table VI-1 calculates the Project cost per acre by dividing the total Project cost of \$11,460,770 (Table V-5) by the future developable acres (Table V-1). The result is \$3,664.64 per acre.

Table VI-1: Allocated Project Cost per Acre

	FUTURE DEVELOPABLE LAND
Total Project cost allocated to future developable land (Table V-5)	\$11,460,770
Future developable acres (Table V-1)	3,127.39
Allocated Project cost per acre (as of November 2012)	\$ 3,664.64

Source: Raney Planning and Management Inc.; Jerome B. Crippen & Associates; Municipal Resource Group

Calculation of Bear River North Rehabilitation Project Impact Fee per Residential Unit

Development impact fees are typically imposed and paid per unit for residential development projects. Data for future developable residential acres and future residential units can be found in Exhibit C. Table VI-2 calculates the Bear River North Levee Rehabilitation Project Impact Fee for single family residential units and multi-family residential units.

Table VI-2: Bear River North Rehabilitation Project Impact Fee – Residential Units⁷

	SINGLE FAMILY RESIDENTIAL	MULTI-FAMILY RESIDENTIAL
A. Project cost per acre (Table VI-1)	\$ 3,664.64	\$ 3,664.64
B. Future developable acres (Exhibit C)	2,774.32	86.01
C. Total allocated Project cost (A x B)	\$10,166,879.93	\$315,212.46
D. Total future residential units (Exhibit C)	9,793	656
Project fee per unit (C / D)	\$ 1,038.22	\$ 480.87

Source: Raney Planning and Management Inc.; Jerome B. Crippen & Associates; Municipal Resource Group

Note: Totals may differ due to rounding.

⁷ Fees do not include the City's administrative cost of Mitigation Fee Act compliance requirements, estimated at 1% of the calculated Fee, which will be included in the City's Fee resolution.

Calculation of Bear River North Rehabilitation Project Impact Fee for Non-Residential Projects

Development impact fees for non-residential projects are typically imposed and paid per one-thousand gross square feet of building space. Data for future developable non-residential acres and future commercial and employment development projects' building space can be found in Exhibit C.

Table VI-3 calculates the Bear River North Levee Rehabilitation Project Impact Fee per one-thousand square feet of building space for commercial and employment development projects.

Table VI-3: Bear River North Rehabilitation Project Impact Fee – Non-Residential Projects⁸

	COMMERCIAL PROJECTS	EMPLOYMENT PROJECTS
A. Project cost per acre (Table VI-1)	\$ 3,664.64	\$ 3,664.64
B. Future developable acres (Exhibit C)	163.79	103.27
C. Total allocated Project cost (A x B)	\$ 600,233.13	\$ 378,444.08
D. Total future square feet building space (Exhibit C)	1,489,922	1,146,175
Project fee per 1,000 square feet (C / D)	\$ 402.86	\$ 330.18

Source: Raney Planning and Management Inc.; Jerome B. Crippen & Associates; Municipal Resource Group

Note: Totals may differ due to rounding.

Annual Adjustment to the Bear River North Levee Rehabilitation Project Impact Fee

Pursuant to the agreements among the parties, these fees should be updated annually, based on the percentage change in the ENR-CCI. The first such adjustment should be based on the change in the index, by comparing the November 2013 index to the November 2012 index of 9398; annual adjustments thereafter should be based on the November to November change in the ENR-CCI.

⁸ Fees do not include the City's administrative cost of Mitigation Fee Act compliance requirements, estimated at 1% of the calculated Fee, which will be included in the City's Fee resolution.

Mitigation Fee Act Nexus

The Mitigation Fee Act (AB 1600) requires a local agency considering an action establishing, increasing or imposing a fee to address the following procedural requirements.

1. *Identify the purpose of the fee.*

Reclamation District No. 2103 identified levee underseepage and instability deficiencies in the Bear River levee adjacent to lands in the City of Wheatland. The Project was designed to remediate these deficiencies. Design of the Project began in 2006. Construction began in 2007 and was substantially complete in 2010. The rehabilitation measures provide flood protection to surrounding areas. The purpose of the fee is to pay and reimburse the local share of the cost of construction of the Project.

2. *Identify the use to which the fee is to be put.*

The proceeds of the fees will be used to reimburse the City and excess funding provided by landowners and developers that advanced funding for the local share of the cost of the Project.

3. *The relationship between the fee's use and the type of development project on which the fee is imposed.*

The fee will be applied to single family residential development projects, multi-family residential projects, commercial development projects and employment development projects, to protect them from flooding. These projects will be able to be constructed on lands in the Wheatland area that were formerly within the flood zone. The fee use (to pay/reimburse for levee improvements) therefore relates to and benefits every type of development project that must be protected from flooding. Without the levee improvements, these projects would be unable to be constructed.

4. *The relationship between the need for the facility and the type of development project on which the fee is imposed.*

The Project was necessary to protect the zone of benefit lands from flooding from the Bear River. In order to allow for any type of residential, commercial and other development to proceed in that area, the levee improvements were needed. With the completion of the levee

improvements, the fee now is needed to reimburse the parties that provided advance funding for the Project, without which, the single family residential development projects, multi-family residential projects, commercial development projects and employment development projects upon which the fee is to be imposed would not be able to be constructed in the flood zone.

5. *The relationship between the amount of the fee and the cost of the community facility or portion of the facility attributable to the development on which the fee is imposed.*

The Project was partially funded by a State of California Proposition 1E grant. Local funding was required as well. The fee has been calculated by apportioning the local share of the cost of Project on a per acre basis, and then allocating the per acre cost proportionately upon the estimated number of developable residential units and non-residential square feet per acre. The local share of the Project cost therefore has been fairly allocated among the developable lands in the zone of benefit by calculating and spreading the fee on a proportionate per acre basis, as explained above.

VII. ADVANCE FUNDING ANALYSIS

The agreements between the parties indicate that this Report will identify each funding developer's equitable pro rata fair share of the final Project capital costs, defined in the agreements as its "Fair Share of Advance Funding". In addition, the Report is to identify each funding developer's "Excess Share of Advance Funding" by showing the developer's current value of funds advanced minus its Fair Share of Advance Funding. This Chapter provides the analysis leading to the determination of each developer's "Excess Share of Advance Funding".

Calculation of Developer's Fair Share of Advance Funding

Each developer's Fair Share of Advance Funding is calculated by determining its percentage of future developable acreage relative to the total developable acreage, and multiplying that percentage by the Project cost allocated to future development, with the interest adjustment (\$11,460,770). Table VII-1 calculates each funding developer's Fair Share of Advance Funding. Data for future developable acres for each developer can be found in Exhibit C.

Table VII-1: Fair Share of Advance Funding

DEVELOPER	DEVELOPABLE ACREAGE	PERCENTAGE OF DEVELOPABLE ACREAGE	FAIR SHARE OF ADVANCE FUNDING
AKT Wheatland Ranch, LLC	748.00	23.92%	\$ 2,741,152.08
Bear River Hop Farm Inc. (Hop Farm property)	475.50	15.20%	\$ 1,742,537.19
Heritage Oaks Estates East – Residential	156.81	5.01%	\$ 574,652.48
Heritage Oaks Estates East – Commercial	19.27	.62%	\$ 70,617.65
Lakemont Overland Crossing, LLC (Jones Ranch)	90.50	2.89%	\$ 331,650.08
Rodden Ranch property	82.73	2.65%	\$ 303,191.94
DeValentine Family Partnership (Wheatland Heritage Oaks West)	59.04	1.89%	\$ 216,360.45
Other landowners	<u>1,495.54</u>	<u>47.82%</u>	<u>\$ 5,480,608.13</u>
Total	3,127.39	100.00%	\$11,460,770.00

Source: Raney Planning and Management Inc.; Jerome B. Crippen & Associates; Municipal Resource Group

Note: Totals may differ due to rounding.

Calculation of Current Value of Funding Advanced by Developers

Developers and the City provided advance funding at the beginning of the Project. The agreements between the parties indicate that the value of the funds advanced at the beginning of the Project are to be escalated by the same interest rate factors as the Project capital costs are escalated. The total escalation of capital costs from May 2007 through November 2012 was calculated at 23.72% in Chapter V (Table V-5). This factor is used to escalate the developers' and the City's funds advanced to November 2012 in Table VII-2.

Table VII-2: Current Value of Funds Advanced

FUNDING DEVELOPER OR PARTY	INITIAL ADVANCE FUNDING (TABLE IV-1)	INTEREST FACTOR	CURRENT VALUE OF FUNDS ADVANCED (NOVEMBER 2012)
AKT Wheatland Ranch, LLC	\$1,645,935.50	23.72%	\$ 2,036,384.52
AKT Wheatland Ranch, LLC Borrow Material	\$ 29,937.50	9.83% ⁹	\$ 32,879.82
Bear River Hop Farm, Inc. (Hop Farm property)	\$ 542,000.00	23.72%	\$ 670,573.31
Heritage Oaks Estates East – Residential	\$2,882,839.00	23.72%	\$3,566,706.41
Heritage Oaks Estates East – Commercial	\$ 26,147.00	23.72%	\$ 32,349.59
Lakemont/Overland Crossing, LLC (Jones Ranch)	\$ 698,720.00	23.72%	\$ 864,470.44
Rodden Ranch	\$ 39,353.00	23.72%	\$ 48,688.32
DeValentine Family Partnership (Wheatland Heritage Oaks West)	\$ 906,367.00	23.72%	\$1,121,375.49
City of Wheatland	\$1,955,575.00	23.72%	\$2,419,476.74

Source: Raney Planning and Management; Jerome B. Crippen & Associates; Municipal Resource Group

Note: Totals may differ due to rounding.

Calculation of Excess Share of Advance Funding

Developers' and City's "Excess Share of Advance Funding" are calculated by subtracting the Fair Share of Advance Funding from the current value of funds advanced (as of November 2012). Table VII-3 provides this calculation for each of the funding developers.

⁹ The escalation factor for the Borrow Material is based on the annual percentage change in the ENR-CCI from September 2008 (8557) through November 2012 (9398).

Table VII-3: Excess Share of Advance Funding

DEVELOPER	CURRENT VALUE OF FUNDS ADVANCED (TABLE VII-2)	FAIR SHARE OF ADVANCE FUNDING (TABLE VII-1)	EXCESS SHARE OF ADVANCE FUNDING
AKT Wheatland Ranch, LLC	\$2,036,384.52	\$2,741,152.08	(\$ 704,767.56)
AKT Wheatland Ranch, LLC Borrow Material	\$ 32,879.82	Included above	\$ 32,879.82
Bear River Hop Farm, Inc. (Hop Farm property)	\$ 670,573.31	\$1,742,537.19	(\$1,071,963.88)
Heritage Oaks Estates East – Residential	\$3,566,706.41	\$ 574,652.48	\$ 2,992,053.93
Heritage Oaks Estates East – Commercial	\$ 32,349.59	\$ 70,617.65	(\$ 38,268.05)
Lakemont Overland Crossing, LLC (Jones Ranch)	\$ 864,470.442	\$ 331,650.08	\$ 532,820.36
Rodden Ranch	\$ 48,688.32	\$ 303,191.94	(\$ 254,503.62)
DeValentine Family Partnership (Wheatland Heritage Oaks West)	\$1,121,375.49	\$ 216,360.45	\$ 905,015.04
City of Wheatland	\$2,419,476.74	n/a	\$ 2,419,476.74

Source: Raney Planning and Management; Jerome B. Crippen & Associates; Municipal Resource Group

Note: Totals may differ due to rounding.

With the figures in Table VII-3, the following credits and reimbursement obligations in the Fee program will be applied: (1) the City of Wheatland will be entitled to reimbursement of the amount stated in the third column from Fee collection and, except as otherwise provided in Amendment No. 1 to the City of Wheatland Development Agreements Concerning the Jones Ranch Subdivision and Heritage Oaks Estates-East Subdivision, the City will be reimbursed with interest in full prior to reimbursement to any other advance funding party; (2) the following subdivision project as shown on Exhibit B has fully prepaid the Fee through funding advances and therefore will be exempt from future Fee levy and collection: DeValentine Family Partnership (Wheatland Heritage Oaks West); (3) the Heritage Oaks Estates East – Residential and Lakemont Overland Crossing, LLC (Jones Ranch) subdivision projects as shown on Exhibit B have prepaid the Fee through funding advances and their special Fee payment obligations will be in accordance with Amendment No. 1 to the City of Wheatland Development Agreements Concerning the Jones Ranch Subdivision and Heritage Oaks Estates-East Subdivision and their Fee reimbursement rights will be determined in accordance with that amendment and the Bear River Phase 1 Flood Protection Project Advance Funding and Reimbursement Agreement; (4) the following developers will be entitled to reimbursement in the amount stated in the third column:

Lewis Investment Company, LLC (for the Heritage Oaks Estates East - Residential reimbursement amount); RBC Real Estate Finance, Inc. (for the Lakemont Overland Crossing, LLC (Jones Ranch) reimbursement amount); and, DeValentine Family Partnership, a general partnership (for the DeValentine Family Partnership (Wheatland Heritage Oaks West) reimbursement amount); (5) the following subdivision projects or lands as shown on Exhibit B will be entitled to a credit against the Fee in the amount stated in the first column: Bear River Hop Farm, Inc. property (Hop Farm property); Heritage Oaks Estates East – Commercial; Rodden Ranch property; and AKT Wheatland Ranch, LLC property; and (6) after repayment in full of all reimbursement obligations, then to the extent that Fee credits have not yet been applied to the development project lands described in (5), the remaining Fee credits may be assigned by the development project landowner to other development project lands in the area subject to payment of the Fee. Fee credits and reimbursement shall be provided in accordance with the terms of the applicable funding, credit and reimbursement agreements described above and the Fee ordinance to be adopted by the City. Reimbursement rights are personal to the listed entities (and can be assigned by them), while subdivision project credit rights (item (5) above) remain or “run with” the subject land until and unless as provided by (6) above.

Annual Adjustment to the Bear River North Levee Rehabilitation Project Excess Share of Advance Funding

Pursuant to the agreements among the parties, the Excess Shares of Advance Funding should be updated annually, based on the percentage change in the ENR-CCI, first, by comparing the November 2013 index to the November 2012 index of 9398; annual adjustments thereafter should be based on the November to November change in the index.

VIII. MITIGATION FEE ACT REQUIREMENTS

The Mitigation Fee Act imposes certain administrative requirements on local agencies. The procedural and administrative requirements include the following:

1. Analysis required to enact or modify a fee:

In any action establishing, increasing, or imposing a fee as a condition of approval of a development project, the City shall cause a report to be prepared and make findings as follows:

- Identify the purpose of the fee.
- Identify the use to which the fee is to be put.
- Determine how there is a reasonable relationship between the fee's use and the type of development project on which the fee is imposed.
- Determine how there is a reasonable relationship between the need for the public facility and the type of development project on which the fee is imposed.
- Determine how there is a reasonable relationship between the amount of the fee and the cost of the public facility or portion of the public facility attributable to the development on which the fee is imposed.

2. Notice and conduct a public hearing:

Prior to adopting an ordinance, resolution, or other legislative enactment adopting a new fee or approving an increase in an existing fee, the City shall hold a public hearing, at which time oral or written presentations can be made, as part of a regularly scheduled meeting. Notice of the time and place of the meeting, including a general explanation of the matter to be considered, shall be published.

3. Accounting requirements

The City shall deposit the fees in a separate capital facilities account or fund in a manner to avoid any commingling of the fees with other revenues and funds of the City and expend those fees solely for the purpose for which the fee is collected. Any interest income earned by money in the capital facilities account or fund shall also be deposited in that account or fund and shall be expended only for the purpose for which the fee was originally collected.

4. Annual reporting requirements; public hearing

For each separate account or fund established, the City shall, within 180 days after the last day of each fiscal year, make available to the public the following information for the fiscal year:

- A brief description of the type of fee in the account or fund.
- The amount of the fee.
- The beginning and ending balance of the account or fund, the amount of the fees collected and the interest earned.
- An identification of each public improvement on which fees were expended and the amount of the expenditures on each improvement, including the total percentage of the cost of the public improvement that was funded with fees.
- An identification of an approximate date by which the construction of the public improvement will commence if it is determined that sufficient funds have been collected to complete financing on an incomplete public improvement.
- A description of each interfund transfer or loan made from the account or fund, including the public improvement on which the transferred or loaned fees will be expended, and, in the case of an interfund loan, the date on which the loan will be repaid, and the rate of interest that the account or fund will receive on the loan.
- The amount of refunds made.

The City shall review this information at the next regularly scheduled public meeting not less than 15 days after this information is made available to the public. Notice of the time and place of the meeting, including the address where this information may be reviewed, shall be mailed, at least 15 days prior to the meeting, to any interested party who files a written request with the local agency for mailed notice of the meeting.

5. Five year reporting requirements; public hearing

For the fifth fiscal year following the first receipt of fees, and every five years thereafter, the City shall make all of the following findings with respect to that portion of the account or fund remaining unexpended, whether committed or uncommitted:

- Identify the purpose to which the fee is to be put.
- Demonstrate a reasonable relationship between the fee and the purpose for which it is charged.

- Identify all sources and amounts of funding anticipated to complete financing for incomplete improvements.
- Designate the approximate dates on which the funding referred to above is expected to be deposited into the appropriate account or fund.
- For purposes of these findings, the City shall hold a public hearing, at which oral or written presentations can be made, as part of a regularly scheduled meeting. Notice of the time and place of the meeting, including a general explanation of the matter to be considered, shall be published.

Bear River North Levee Rehabilitation Project Impact Fee

Accountant's Compilation Report

Jerome B. Crippen & Associates, Certified Public Accountants

JEROME B. CRIPPEN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

319 6th Street, Suite 7
P.O. Box 590
Marysville, CA 95901
(530) 742-8201
(530) 741-3509 Facsimile
Email: jbccpa@jbccpa.com

410 Bridge Street
P.O. Box 1177
Colusa, CA 95932
(530) 458-2148
(530) 458-5941 Facsimile
Email: jbccpa@jbccpa.com

July 17, 2012

City of Wheatland

On January 24, 2006 our firm was engaged to perform book and record keeping for the Reclamation District 2103 & 817 (RD 2103) Special Projects Fund.

Several residential developers and land owners requested RD 2103 to engineer and construct levee improvements which would allow them to develop land in the Wheatland area. The developers and RD 2103 came to an agreement that as long as the funding was paid in advance RD 2103 would manage the improvement project.

The first private funds were deposited in January of 2006. We accrued on the books the commitments made by the developers. The developers deposited \$6,771,299 into the Special Projects Fund. With the advent of the recession in 2008, with its housing market crash, all of the developers overtime withdrew their support of the project. It became evident overtime that most of the developers would not complete their commitments. On September 15, 2010 the Fund issued credit memos to the developers to clear accounts receivable that would never be collected.

Funding to complete the project came from the State of California, Department of Water Resources, amounting to \$10,785,360, and the City of Wheatland amounting to \$2,655,575. Sale of plans and other miscellaneous provided another \$18,289. These different sources provided a total funding for the project amounting to \$20,230,523.

Client Name

Page 2

Project engineering began in 2006, with preparatory construction beginning in September of 2007 and construction beginning in September of 2008 with completion at the end of 2010. The total cost of the construction was \$20,066,972. Please refer to the attached schedule entitled Phase 1 Construction Costs and Funding.

JEROME B. CRIPPEN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

319 6th Street, Suite 7
P.O. Box 590
Marysville, CA 95901
(530) 742-8201
(530) 741-3509 Facsimile
Email: jbccpa@jbccpa.com

410 Bridge Street
P.O. Box 1177
Colusa, CA 95932
(530) 458-2148
(530) 458-5941 Facsimile
Email: jbccpa@jbccpa.com

ACCOUNTANT'S COMPILATION REPORT

**Reclamation District 2103 &
Reclamation District 817
Special Projects Fund**

We have compiled the Phase 1 Construction Costs and Funding Schedule as of April 30, 2012 in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants in a form prescribed by the City of Wheatland.

Our compilation was limited to presenting in the form prescribed by the City of Wheatland information that is the representation of the Special Projects Fund whose Schedule is presented. We have not audited or reviewed the Schedule and, accordingly, do not express an opinion or any other form of assurance on it.

The Schedule is presented in accordance with the requirements of the City of Wheatland, which differ from accounting principles generally accepted in the United States of America. Accordingly, this Schedule is not designed for those who are not informed about such differences.

We are not independent with respect to Reclamation District 2103 & 817 Special Projects Fund.

Sincerely,
JEROME B. CRIPPEN & ASSOCIATES



JEROME B. CRIPPEN
Certified Public Accountant

July 17, 2012

RECLAMATION DISTRICT 2103 & 817
SPECIAL PROJECTS FUND

PHASE 1 CONSTRUCTION COSTS AND FUNDING SCHEDULE

Phase 1 Construction Costs	<u>\$ 20,066,972</u>
-----------------------------------	-----------------------------

Phase 1 Construction Funding

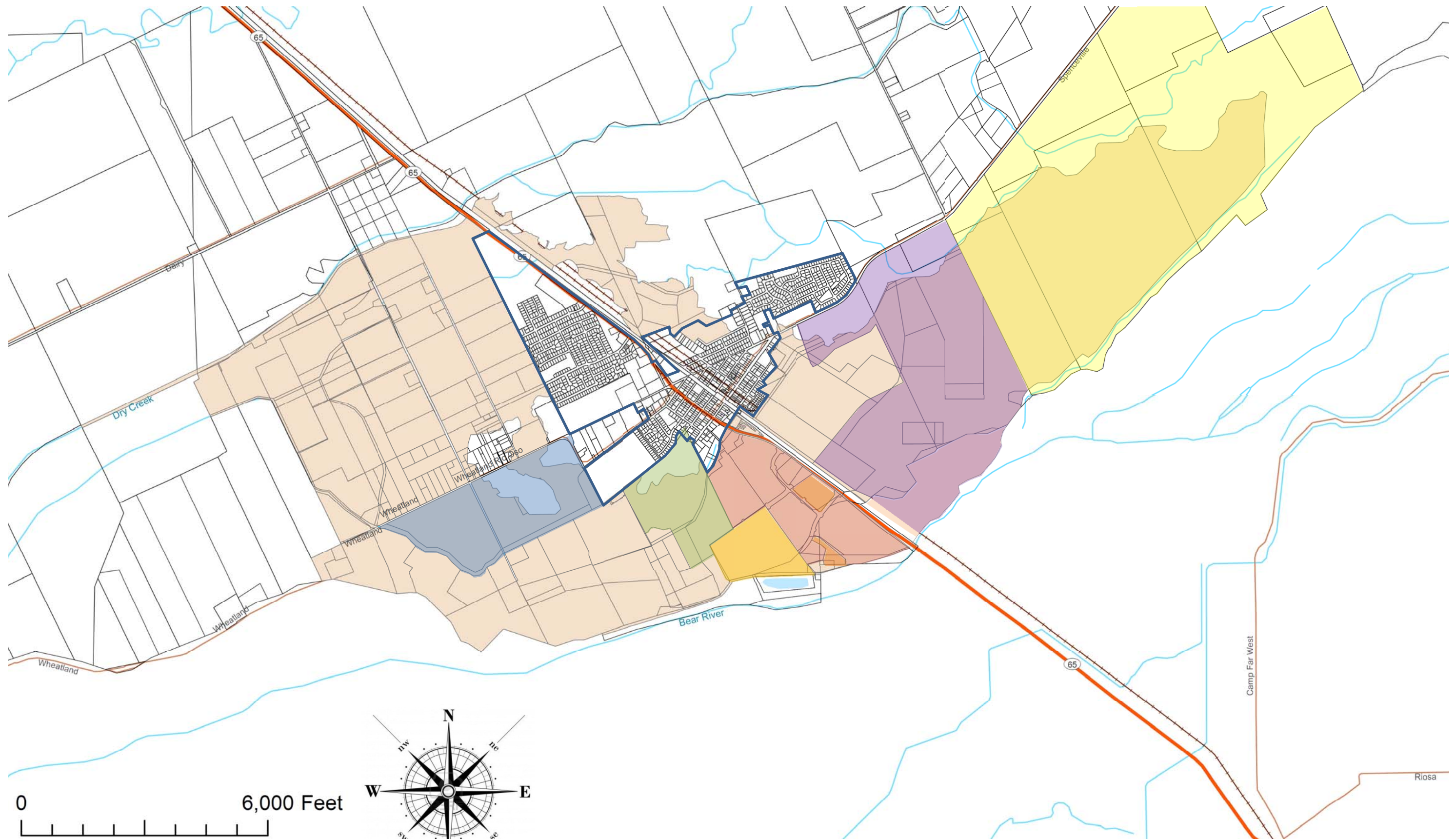
Bear River Hop Farm	\$ 542,000
City of Wheatland	2,655,575
State of California DWR	10,785,360
Heritage Oaks Estates East - Residential	2,882,839
Heritage Oaks Estates East - Commercial	26,147
Jones Ranch / Lakemont Communities	698,720
Rodden Ranch	39,353
Wheatland Heritage Oaks West	906,367
Wheatland Ranch	1,675,873
Miscellaneous revenue	18,289
	<u>\$ 20,230,523</u>

See Accountant's Compilation Report

Bear River North Levee Rehabilitation Project Impact Fee

Zone of Benefit Map

Raney Planning & Management, Inc.



Legend

- | | | |
|---|--|---------------------------------|
| Bear River Levee Improvements Area of Benefit – City of Wheatland | Wheatland City Limits (a/o June 1, 2006) | AKT Wheatland Ranch |
| Railroad | Heritage Oaks West | Heritage Oaks East (Commercial) |
| Heritage Oaks East (Residential) | Jones Ranch | Rodden Ranch |
| Bear River Hop Farm | | |

Owner	APN	Total Parcel Acreage	Acreage within Zone of Benefit	Urban Reserve / Developed Acreage	Future SFR Units	Future SFR Acreage	Future MFR Units	Future MFR Acreage	Future Employment Square Feet	Future Employment Acreage	Future Commercial Square Feet	Future Commercial Acreage
Funding Properties:												
AKT Wheatland Ranch	015-360-038	404.00	748.00		3,364	688.00					744,895	60.00
AKT Wheatland Ranch	015-360-030	458.49										
AKT Wheatland Ranch	015-360-031	128.59										
Bear River Hop Farm	015-360-052	145.40	404.20		1,006	366.38	98	12.88	309,700	24.95		
Bear River Hop Farm	015-360-053	285.90										
Bear River Hop Farm	015-030-025	60.64										
Bear River Hop Farm	015-020-004	10.66	10.66			10.66						
Heritage Oaks East	015-490-011	156.81	156.81		471	143.31	103	13.50				
Heritage Oaks East	015-490-023											
Heritage Oaks East	015-490-024											
Heritage Oaks East	015-490-025											
Heritage Oaks East	015-490-026											
Heritage Oaks East	015-490-027											
Heritage Oaks East	015-490-028											
Heritage Oaks East	015-660-014											
Heritage Oaks East	015-720-009											
Heritage Oaks East	015-720-010											
Heritage Oaks East	015-720-011											
Heritage Oaks East	015-720-012											
Heritage Oaks East	015-720-013											
Heritage Oaks East - Comm	015-490-029	14.21	14.21								173,945	14.21
Heritage Oaks East - Comm	015-720-014	4.49	4.49									4.49
Heritage Oaks East - Comm	015-720-015	0.57	0.57								63,441	0.57
Jones Ranch	015-180-074	190.80	35.00		143	35.00						
Jones Ranch	015-180-079	55.50	55.50		222	55.50						
Rodden Ranch	015-490-014	99.68	82.73		259	82.73						
Heritage Oaks West	015-660-014	59.04	59.04		164	59.04						
Sub-Total Funding Properties		2,074.78	1,631.85		5,630	1,501.26	200	26.38	309,700	24.95	982,281	79.27
Other Properties:												
N/A	015-140-055	93.00	41.85						519,555	41.85		
N/A	015-500-008	11.60	8.70		36	8.70						
N/A	015-100-106	17.01	11.91		34	11.91						
N/A	015-171-001	0.43	0.43	0.43								
N/A	015-171-003	1.87	1.87		5	1.87						
N/A	015-171-004	0.98	0.98		2	0.98						
N/A	015-171-005	0.62	0.33		1	0.33						
N/A	015-171-013	0.48	0.29			0.29						
N/A	015-171-014	0.26	0.26			0.26						
N/A	015-171-030	9.00	6.30		19	6.30						
N/A	015-171-035	1.12	1.12		1	1.12						
N/A	015-171-040	0.31	0.31	0.31								
N/A	015-171-028	2.00	0.67		1	0.67						
N/A	015-171-043	1.33	1.33		3	1.33						
N/A	015-171-044	0.55	0.55		1	0.55						
N/A	015-171-057	0.40	0.40	0.4								
N/A	015-172-055	12.26	11.65		34	11.65						
Wheatland Hop Farm	015-360-051	145.40	145.40		572	141.40					49,657	4.00
N/A	015-213-009	2.21	2.21		14	2.21						
N/A	015-360-007	1.17	1.17								12,417	1.17
Nichols Grove	015-150-092	388.00	59.82		180	25.28	173	22.75			146,395	11.79
Nichols Point	015-600-001	13.00	13.00		78	13.00						
Nichols Point	015-600-021											
Nichols Point	015-490-017											
Bishops Pumpkin Farm	015-180-109	43.57	43.57								1,396	43.57
N/A	015-100-061	40.00	40.00		212	40.00						
N/A	015-100-062	38.00	38.00		156	38.00						
N/A	015-100-083	1.18	1.18		4	1.18						

Owner	APN	Total Parcel Acreage	Acreage within Zone of Benefit	Urban Reserve / Developed Acreage	Future SFR Units	Future SFR Acreage	Future MFR Units	Future MFR Acreage	Future Employment Square Feet	Future Employment Acreage	Future Commercial Square Feet	Future Commercial Acreage
N/A	015-100-084	55.03	55.03		165	55.03						
N/A	015-100-086	23.67	23.67		71	23.67						
N/A	015-100-087	9.86	9.86		30	9.86						
N/A	015-100-089	20.28	20.28		61	20.28						
N/A	015-100-091	14.92	14.92		61	14.92						
N/A	015-100-099	2.20	2.20		7	2.20						
N/A	015-100-101	1.42	1.42		6	1.42						
N/A	015-100-102	3.58	3.58		15	3.58						
N/A	015-100-105	29.44	29.44		78	29.44						
N/A	015-100-107	1.51	1.51		5	1.51						
N/A	015-100-108	16.33	16.33		49	16.33						
N/A	015-100-114	1.68	1.68		5	1.68						
N/A	015-100-115	16.91	16.91		51	16.91						
N/A	015-100-116	2.50	2.50		10	2.50						
N/A	015-100-117	7.47	7.47		31	7.47						
N/A	015-171-006	0.36	0.67		2	0.67						
N/A	015-171-007	1										
N/A	015-171-042	0.59	0.59		2	0.59						
N/A	015-171-047	0.95	0.33		1	0.33						
N/A	015-171-056	1.00	1.00		3	1.00						
N/A	015-171-057	0.40	0.40		1	0.40						
N/A	015-180-102	58.43	58.43		169	58.43						
N/A	015-180-107	1.60	1.60		5	1.60						
N/A	015-180-110	44.60	44.60		194	39.25					66,443	5.35
N/A	015-180-117	71.80	71.80		257	71.80						
N/A	015-660-015	42.27	42.27		45	27.65	111	14.63				
N/A	015-140-023	17.44	17.44	17.44								
N/A	015-140-042	7.30	7.30								90,630	7.30
N/A	015-140-043	0.72	0.72								8,939	0.72
N/A	015-140-053	22.26	22.26				171	22				
N/A	015-140-068	36.47	36.47									
N/A	015-140-069	41.64	41.64		125	41.64			316,920	36.47		
N/A	015-140-072	20.45	20.45		60	20.45						
N/A	015-140-073	13.53	13.53		20	13.53						
N/A	015-140-074	42.47	42.47		96	31.86					131,765	10.61
N/A	015-140-075	1.61	1.61		6	1.61						
N/A	015-140-076	20.30	20.30		83	20.30						
N/A	015-140-077	12.25	12.25		75	12.25						
N/A	015-140-078	15.89	15.89		65	15.89						
N/A	015-180-038	21.39	21.39		64	21.39						
N/A	015-180-053	20.22	20.22		82	20.22						
N/A	015-180-072	16.47	16.47		48	16.47						
N/A	015-180-111	22.86	22.86		69	22.86						
N/A	015-180-113	11.40	11.40		10	11.40						
N/A	015-180-115	31.43	31.43		94	31.43						
N/A	015-180-116	48.61	48.61		154	48.61						
N/A	015-180-118	22.94	22.94		77	22.94						
N/A	015-180-119	23.71	23.71		71	23.71						
N/A	015-180-120	4.79	4.79		14	4.79						
N/A	015-180-121	5.39	5.39		15	5.39						
N/A	015-180-122	34.95	34.95		105	34.95						
N/A	015-180-123	40.54	40.54		105	40.54						
N/A	015-430-002	1.03	1.03		3	1.03						
N/A	015-430-003	0.97	0.97		1	0.97						
N/A	015-430-005	9.77	9.77		28	9.77						
N/A	015-430-007	9.93	9.93		30	9.93						
N/A	015-430-008	0.56	0.56		1	0.56						
N/A	015-430-009	1.81	1.81		5	1.81						
N/A	015-430-010	2.22	2.22		7	2.22						

Owner	APN	Total Parcel Acreage	Acreage within Zone of Benefit	Urban Reserve / Developed Acreage	Future SFR Units	Future SFR Acreage	Future MFR Units	Future MFR Acreage	Future Employment Square Feet	Future Employment Acreage	Future Commercial Square Feet	Future Commercial Acreage
N/A	015-430-011	2.41	2.41		6	2.41						
N/A	015-430-012	2.42	2.42		6	2.42						
N/A	015-430-013	2.45	2.45		6	2.45						
N/A	015-430-014	2.27	2.27		7	2.27						
N/A	015-430-016	2.60	2.60		7	2.60						
N/A	015-430-017	2.47	2.47		6	2.47						
N/A	015-430-018	2.48	2.48		6	2.48						
N/A	015-430-019	2.40	2.40		6	2.40						
N/A	015-430-020	2.19	2.19		6	2.19						
N/A	015-430-021	8.76	8.76		26	8.76						
N/A	015-430-022	0.92	0.92		2	0.92						
N/A	015-430-023	1.30	1.30		3	1.30						
N/A	015-430-024	1.18	1.18		2	1.18						
N/A	015-480-013	2.18	2.18		6	2.18						
N/A	015-480-015	27.59	27.59		83	27.59						
N/A	015-480-016	5.16	5.16	5.16								
N/A	015-480-017	5.36	5.36		14	5.36						
Sub-Total Other Properties		1,911.68	1,519.27	23.74	4,382	1,273.06	455	59.64	836,475	78.32	507,641	84.52
Other Properties Map Adjustment	(1)				(219)							
Sub-Total Other Properties (Net)		1,911.68	1,519.27	23.74	4,163	1,273.06	455	59.64	836,475	78.32	507,641	84.52
Total Zone of Benefit		3,986.46	3,151.13	23.74	9,793	2,774.32	656	86.01	1,146,175	103.27	1,489,922	163.79

Notes:

(1) Analysis assumes actual future development will be 5% less than the maximum allowable development.