

COMMUNITY FACILITIES DISTRICT NO. 87-1

Improvement Area No. 1

TOWNGATE

ANNUAL
SPECIAL TAX &

2020/21

BOND ACCOUNTABILITY REPORT

REPORT DATE: MAY 2020

CITY OF MORENO VALLEY
SPECIAL DISTRICTS DIVISION
PUBLIC WORKS DEPARTMENT

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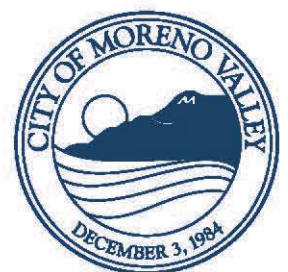


TABLE OF CONTENTS

I.	INTRODUCTION.....	1
	A. DESCRIPTION OF PROCEEDINGS	1
	B. DISTRICT DESCRIPTION	2
	i. Assessed Valuation.....	3
	ii. Development Restrictions	5
	iii. Development Status.....	5
	C. PUBLIC FACILITIES.....	6
II.	FINANCIAL INFORMATION.....	7
	A. FINANCIAL STATEMENTS.....	7
	B. DESCRIPTION OF FUNDS.....	7
	i. Special Tax Fund	7
	ii. Rebate Fund.....	8
	iii. Costs of Issuance Fund	9
	iv. Surplus Fund.....	9
	C. FUND BALANCES	9
III.	COMPUTATION OF THE SPECIAL TAX REQUIREMENT.....	11
	A. ADMINISTRATIVE EXPENSES	11
	i. Special Tax Report and Administration.....	11
	ii. Trustee Fees.....	11
	iii. Arbitrage Rebate Calculation	11
	iv. Professional Services.....	11
	v. City Costs – Personnel.....	11
	vi. City Costs – Accounting	11
	vii. City Costs – General Administration	11
	viii. County Costs.....	11
	B. SPECIAL TAX REQUIREMENT.....	12
IV.	SPECIAL TAX ALLOCATION	13
	A. ASSIGNMENT TO TAX RATE AREAS.....	13
	B. SPECIAL TAX RATES.....	13
	C. RATE AND METHOD OF APPORTIONMENT.....	13
	i. Special Tax Levy	13
	ii. Special Tax Lien.....	14
	D. SPECIAL TAX ALLOCATION	14
V.	SPECIAL TAX PAYMENTS.....	16
	A. DELINQUENCIES	16
	B. FORECLOSURE ACTIONS.....	16
	APPENDIX A: PROPERTY TAX INCREMENT ANALYSIS	A-1
	A. TAX INCREMENT CONTRIBUTION.....	A-1
	APPENDIX B: BOND ACCOUNTABILITY REPORT (SB 165).....	B-1

APPENDIX C: DEBT SERVICE SCHEDULE	C-1
APPENDIX D: DISTRICT BOUNDARY MAP	D-1
APPENDIX E: TOWNGATE DEVELOPMENT SITES.....	E-1

TABLES

TABLE 1: SUMMARY OF PROCEEDINGS	2
TABLE 2: 2007 SPECIAL TAX REFUNDING BOND PRINCIPAL	2
TABLE 3: ASSESSED VALUATION.....	4
TABLE 4: HISTORICAL VALUATION	4
TABLE 5: DEVELOPMENT STATUS	5
TABLE 6: ARBITRAGE CALCULATION SUMMARY	9
TABLE 7: FUND BALANCES	10
TABLE 8: SPECIAL TAX REQUIREMENT FY 2019/20	12
TABLE 9: SPECIAL TAX RATES.....	13
TABLE 10: SPECIAL TAX ALLOCATION/PROPERTY OWNERS	15
TABLE 11: DELINQUENCIES	16

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I. INTRODUCTION

A. DESCRIPTION OF PROCEEDINGS

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

In 1992, the Community Facilities District (CFD) No. 87-1 Improvement Area No. 1 "District" was formed to finance the costs to construct, purchase, modify, expand, improve, and rehabilitate additional public facilities within CFD No. 87-1. The facilities included the acquisition, construction and/or installation of certain domestic water improvements, sewer improvements, traffic signals, freeway ramps, and land for a detention basin. For additional information on CFD 87-1, reference is made to the Annual Special Tax and Bond Accountability Report for CFD 87-1.

On March 23, 1993, the City Council, acting as the legislative body of the District, approved the issuance of \$5,000,000 of CFD No. 87-1 IA 1 Special Tax Bonds. The bonds were issued on April 1, 1993.

On October 23, 2007, the City Council, acting as the legislative body of the District, approved issuance of the 2007 Towngate Special Tax Refunding Bonds for CFD No. 87-1 (Towngate) (the "Bonds") by adoption of Resolution No. 2007-119. On November 29, 2007, \$4,075,000 of Bonds were issued. The Bonds are special obligations of the District and are payable solely from revenues derived from certain annual special taxes levied on the taxable properties within the District.

In connection with development of the area, the former Community Redevelopment Agency ("Agency") entered into agreements concerning the provision of the public infrastructure improvements. Under a previous agreement with a private party, the Agency agreed to make available certain revenues, if any, as generated by Tax Increment (TI), which along with special taxes levied, would fund the debt service payments. On October 23, 2007, the Agency Improvement Area Agreement was adopted and restates the agreement of the Agency to make payments to the District. Per the terms of the Agency Improvement Area Agreement, the Agency shall, during each bond year for so long as the 2007 Improvement Area Refunding Bonds are outstanding, annually determine TI and contribute such amounts payable to the District, which are allocated based upon the percentages set forth in the Rate and Method of Apportionment (RMA) of the District.

In June of 2011, the California State Legislature approved trailer bills AB 1x 26 and AB 1x 27 to dissolve redevelopment agencies. On January 10, 2012, the Moreno Valley City Council adopted Resolution No. 2012-04, designating the City of Moreno Valley as the Successor Agency to the Community Redevelopment Agency of Moreno Valley ("Successor Agency") to discharge the obligations of the Agency.

Following dissolution of the Agency, the Successor Agency is required to submit a Recognized Obligation Payment Schedule (ROPS) to the Countywide Oversight Board (the "County Board") to fulfill the Agency's obligations, which is then ratified by the Department of Finance (DOF). The ROPS includes payment of available TI payable towards the CFD

No. 87-1 IA 1 special tax requirement. The County Board and DOF have approved the payment of TI for this purpose through June 2021. If future TI is unavailable, special taxes will be levied against the parcels in the District at a rate sufficient to cover the special tax requirement, provided the special tax does not exceed the maximum special tax rate as authorized under the terms of the RMA.

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

Table 1: Summary of Proceedings

Document	Number	Date
Resolution of Intention	91-91	June 25, 1991
Resolution of Formation	92-119	November 17, 1992
Resolution of Issuance (1993 Bonds)	93-16	March 23, 1993
Resolution of Issuance (Bonds)	2007-120	October 23, 2007
CFD 87-1, Improvement Area No. 1 Bonds		
Date of Bond Issue (Dated Date)		November 29, 2007
Date of Bond Maturity		October 1, 2023
Amount of Bond Issue		\$4,075,000
Bond Rating		Not Rated

Table 2: 2007 Special Tax Refunding Bond Principal

Year	CUSIP*	Principal	Year	CUSIP*	Principal
2008	616865 DM0	\$220,000	2016	616865 DV0	\$250,000
2009	616865 DN8	190,000	2017	616865 DW8	260,000
2010	616865 DP3	195,000	2018	616865 DX6	275,000
2011	616865 DQ1	205,000	2019	616865 DY4	290,000
2012	616865 DR9	210,000	2020	616865 DZ1	300,000
2013	616865 DS7	220,000	2021	616865 EA5	315,000
2014	616865 DT5	230,000	2022	616865 EB3	330,000
2015	616865 DU2	240,000	2023	616865 EC1	345,000

* Committee on Uniform Security Identification Procedures (CUSIP)

The principal amount outstanding for the Bonds following the October 1, 2019 debt service payment is \$1,290,000. For a complete principal payment schedule, please refer to Appendix C.

B. DISTRICT DESCRIPTION

The District falls within the boundaries of the Towngate development and includes the 1) Moreno Valley Mall, 2) Towngate Promenade, and 3) Towngate Square.

The District encompasses a portion of the Towngate development and currently consists of approximately 143.41 net taxable acres located in the City, as identified in the Riverside County Assessor Parcel Maps. The land encompasses Lots 2, 4, and 7 of Tract Map No.

22049, as recorded in Map Book 177, Pages 1 through 8, of Riverside County, California. Subsequently, Lot 2 was subdivided into Parcels 1 through 6 of Tract Map No. 27143, and Lot 4 was subdivided into Parcels 1 through 5 of Tract Map No. 27398. Lot 7 (Tract Map No. 22049) was subdivided into two parcels.

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

i. ASSESSED VALUATION

The most recent assessed and historical assessed values for taxable property within the District are included in the tables below.

Table 3: Assessed Valuation

Current Assessor's Parcel Number	Property Owner	Development Status	Taxable Acres	2020/21 Assessed		Total 2020/21 Assessed Value
				Land Value	Structure Value	
291-110-032	MORENO VALLEY MALL HOLDING	Developed	31.09	\$ 13,471,956	\$ 53,653,538	\$ 67,125,494
291-110-033	MORENO VALLEY MALL HOLDING	Developed	7.43	3,790,886	9,095,323	12,886,209
291-110-034	MORENO VALLEY MALL HOLDINGS	Developed	9.58	3,162,000	2,346,000	5,508,000
291-110-035	SERITAGE SRC FINANCE	Developed	10.51	4,952,126	8,848,882	13,801,008
291-110-036	J C PENNEY PROP INC	Developed	10.13	7,479,153	12,915,385	20,394,538
291-110-037	MACYS CALIF INC	Developed	11.41	5,608,065	10,323,944	15,932,009
Tax Rate Area 1 (59%)			80.15	\$ 38,464,186	\$ 97,183,072	\$ 135,647,258
291-110-039	COSTCO WHOLESALE CORP	Developed	12.69	\$ 6,341,037	\$ 10,594,715	\$ 16,935,752
291-110-040	NEAL T BAKER ENTERPRISES	Developed	0.79	921,068	703,351	1,624,419
291-110-041	CFT DEV	Developed	0.79	1,039,134	1,071,606	2,110,740
291-650-001	LEW LA FAYETTE PROP	Developed	1.50	1,098,474	2,174,534	3,273,008
291-650-002	WINCO FOODS	Developed	10.94	5,373,146	3,814,496	9,187,642
291-650-003	QUICK QUACK DEV II	Developed	0.94	926,996	52,831	979,827
291-650-004	GATEWAY CO	Undeveloped ¹	1.96	76,167	24,529	100,696
291-650-005	GATEWAY CO	Undeveloped ¹	1.95	75,781	63,085	138,866
291-650-006	GATEWAY CO	Undeveloped ¹	1.90	73,833	85,875	159,708
291-650-007	GATEWAY CO	Undeveloped ¹	1.56	60,619	169,838	230,457
291-650-033	MV MMP INC	Developed	2.31	1,708,519	-	1,708,519
291-650-034	GATEWAY CO	Undeveloped ¹	1.74	67,617	36,357	103,974
291-650-018	SDG INV	Developed	1.05	594,519	1,605,450	2,199,969
291-650-020	GATEWAY CO	Undeveloped ¹	1.29	50,126	134,897	185,023
291-650-021	FOUR QUARTS & ASSOCIATES	Developed	1.42	1,448,400	4,212,600	5,661,000
291-660-001	GATEWAY CO	Developed	1.15	28,547	2,750,270	2,778,817
291-660-002	GATEWAY CO	Developed	1.23	1,204,578	2,246,500	3,451,078
291-660-003	IRURY	Developed	1.13	969,000	2,652,000	3,621,000
291-660-004	GALA DEV PARTNERS	Undeveloped ¹	1.13	1,093,717	107,314	1,201,031
291-660-028	AYRES MORENO VALLEY	Developed	2.76	2,718,975	6,422,519	9,141,494
291-660-029	BRE POLYGON PROP OWNER	Developed	2.39	2,307,771	11,538,860	13,846,631
291-660-033	GATEWAY CO	Undeveloped ¹	1.04	6,391	90,031	96,422
291-660-034	GATEWAY CO	Developed	1.18	65,199	2,781,350	2,846,549
291-660-035	LIU CHE CHEN	Developed	3.80	2,728,663	12,876,269	15,604,932
291-660-040	GATEWAY CO	Developed	1.53	179,292	1,661,980	1,841,272
291-660-042	GATEWAY CO	Developed	1.40	35,005	3,184,108	3,219,113
291-660-043	GATEWAY CO	Developed	1.69	267,765	4,292,448	4,560,213
Tax Rate Area 2 (41%)			63.26	\$ 31,460,339	\$ 75,347,813	\$ 106,808,152
Total			143.41	\$ 69,924,525	\$ 172,530,885	\$ 242,455,410

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

Source: Assessed Values - Riverside County Property Tax Roll Information - February 2020.

Table 4: Historical Valuation

Fiscal Year	Assessed Land Value	Assessed Structure Value	Total Assessed Value
2008/09	\$ 49,658,066	\$ 119,626,299	\$ 169,284,365
2009/10	51,913,693	96,860,165	148,773,858
2010/11	51,854,257	94,677,262	146,531,519
2011/12	58,250,315	140,737,773	198,988,088
2012/13	51,345,293	117,660,193	169,005,486
2013/14	51,200,424	94,449,473	145,649,897
2014/15	62,617,226	140,392,833	203,010,059
2015/16	61,606,906	145,370,646	206,977,552
2016/17	64,289,130	152,917,477	217,206,607
2017/18	66,379,412	158,765,071	225,144,483
2018/19	68,213,684	166,299,742	234,513,426
2019/20	72,073,663	175,846,107	247,919,770
2020/21	69,924,525	172,530,885	242,455,410

Source: Assessed Values - Riverside County Property Tax Roll Information - February 2020.

ii. DEVELOPMENT RESTRICTIONS

As of the date of this report, there have been no significant amendments to land use entitlements significant legislative, administrative, or judicial challenges to construction, development or to the use of any parcels in the District known to the City.

iii. DEVELOPMENT STATUS

Table 5 is a summary of the building permits (BP) and certificates of occupancy (CofO) issued for parcels subject to the special tax for fiscal year (FY) 2019/20 through March 2020.

Table 5: Development Status

APN	Permit Date ¹	Permit Description
291110032 ²	7/17/2019	CofO For: "Windsor Fashions" in Space 1138 - 1st Floor (old Charlotte Russe location) No Interior Changes - Total 7,879 SF of tenant space
291110039	7/23/2019	Costco - Install New Baking Oven and Relocating and Shifting a Proof Box in the Bakery Department and Install New Exhaust Fan, Includes Related MEP's
291110032 ²	7/26/2019	TI/CofO - "Bath and Body Works" Moreno Valley Mall - Space 1043 (1st Floor) Total 4,059 SF - Interior Remodel, New Storefront, New Flooring, New Wall Construction, New Lighting, Electrical, Mechanical and Plumbing - Includes Max 10' High Racks, Total 23 LF; 08/02/2019 Revisions to Expand Into Suite 1040 (965 SF) Under BPR19-0307
291110032 ²	8/5/2019	CofO - Designersoff in 10,387 SF of tenant space in suite 1123 (retail)
291110032 ²	9/9/2019	C-of-O For: "Beauty Bar Wigs & Hair" Suite 1,000 SF (Retail Store) No Interior/Exterior Changes - Moreno Valley Mall 1st Floor (Adjacent to Macy's)
291110032 ²	9/30/2019	Installing a new 200 AMP Subpanel in Unit 1006 and Transformer in Electrical Room "A" at MV Mall - SCE Release
291110034	10/24/2019	Phase II vanilla shell owner improvements to former Gottschalks Store - Moreno Valley Mall - Total 15059 SF TI w/ 152,912 SF bldg - add employee locker rooms, new storage rooms (1st floor), new restrooms, new electrical rooms (1st & 2nd floors), includes new MEP's - no changes to exterior elevations
291110034	11/8/2019	Moreno Valley Mall - Remove (e) 4 Roof Top HVAC Units and Install New 4 HVAC Units @ Same Location - (Former Gottschalks Bldg)
291110032 ²	11/12/2019	CofO - First Impressions Salon & Spa in Suite 1096 at MV Mall of 2188 SF tenant space - no changes
291110032 ²	12/12/2019	CofO for "Dash Legacy dba: Mom & Dad Realty" (office) - Ste 2090 in 965 sf of tenant space - no changes
291110032 ²	1/7/2020	C-of-O For: Adem Ilbak, Inc. dba Designers Off - Moreno Valley Mall 1st Floor Suite 1003 - No Interior or Exterior Changes - Total 3,230 SF (Retail Store)
291110032 ²	1/13/2020	CofO - A Girls Best Friend in Suite 1044A of 2200 SF tenant space - no changes (Retail of beauty products)
291650003	1/15/2020	Install flag pole at Gateway Dr entrance for Quick Quack Car Wash
291110032 ²	1/29/2020	TI / CofO For: Yogurt & Yogurt Self Serve Frozen Yogurt (Suite 1006) 1st Floor Moreno Valley Mall - TI Includes: New Interior Walls, New Plumbing, Electrical & Mechanical, New Kitchen Equipment; CofO Includes Dry Storage Area (527 Total SF)
291110032 ²	2/12/2020	TI / CofO for: Jochi Mongolian Grill - Moreno Valley Mall Food Court (Space 2128/2130) Total 1,109 SF - Includes Replacement of Commercial Kitchen Hood @ Front, Remodel (e) Front Counter, New Front Facade and Replace (e) Light Fixtures
291110032 ²	3/10/2020	COFO - Change of Business Ownership For: "UDW, Inc. Urban D. Wear" Space no. 2169 (No Interior Changes) Total 3,400 SF (Men's Retail Clothing Store)

¹ Permit Date represents date the permit for certificate of occupancy or tenant improvement was issued, not the date of the final inspection

² 291110032 is the Mall's common area and includes smaller (non-anchor) businesses.

Source: ACP

C. PUBLIC FACILITIES

The original Bond proceeds for the District were used to acquire the following public facilities: detention basin land acquisition, Lot 2 transmission and distribution site, Towngate Circle and Dracaea Avenue sewer, traffic signals, modification of the eastbound off ramp at Day Street and State Highway 60, and modification of the westbound off ramp at Frederick Street and Pigeon Pass Road, and all necessary appurtenances and appurtenant work.

II. FINANCIAL INFORMATION

A. FINANCIAL STATEMENTS

The City's audited financial statements for the period ending June 30, 2020 will be filed separately with the Electronic Municipal Market Access (EMMA) service provided by the Municipal Securities Rulemaking Board (www.emma.msrb.org) and are hereby incorporated by reference into this report. The audited financial statements will also be available from the City's Financial & Management Services Department and available for review on the City's website at www.moval.org. The City's audited financial statements are provided solely to comply with the Continuing Disclosure Agreement. No funds or assets of the City have been pledged or are required to be allocated for the payment of debt service on the Bonds.

B. DESCRIPTION OF FUNDS

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

i. SPECIAL TAX FUND

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

a) Administrative Expense Account

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

b) Principal and Interest Accounts

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

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

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

c) Redemption Account

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

d) Reserve Account

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

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

ii. REBATE FUND

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

a) Rebate Account

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

b) Alternative Penalty Account

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

c) Rebate Liability

In accordance with the Bond Indenture (Section 3.7), the District shall calculate or cause to be calculated the rebatable arbitrage for each series of Bonds in accordance with the Tax Certificate for the Bonds, and shall direct in writing the Trustee to transfer funds to the Rebate Fund from the funds furnished by the District. The Arbitrage Rebate Consultant has prepared the required computations for the arbitrage rebate liability for each account requiring an arbitrage calculation, as shown in Table 6, for the computation period beginning November 29, 2007 and ending October 1, 2017. The next computation for the Bonds is due October 1, 2022.

Table 6: Arbitrage Calculation Summary

Arbitrage Rebate Liability	
For the Period November 29, 2007 – October 1, 2017	
¹ FV Prior Liability - 10/01/10	\$ (84,652.64)
Reserve	(139,983.40)
FV Computation Date Credit - 10/01/11	(2,016.35)
FV Computation Date Credit - 10/01/12	(1,961.55)
FV Computation Date Credit - 10/01/13	(1,919.61)
FV Computation Date Credit - 10/01/14	(1,865.85)
FV Computation Date Credit - 10/01/15	(1,812.97)
FV Computation Date Credit - 10/01/16	(1,729.57)
Computation Date Credit - 10/01/17	(1,670.00)
Total	\$ (237,611.94)
Rebate Liability (90% of Total)	-

¹ FV = Future Value
Source: Arbitrage Rebate Calculation dated October 2017, as prepared by Willdan Financial Services.

iii. COSTS OF ISSUANCE FUND

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

iv. SURPLUS FUND

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

C. FUND BALANCES

All TI and special taxes received to-date for FY 2019/20 have been transferred to the Trustee in compliance with the Bond Indenture. The Bonds were issued for refunding purposes. As such, no proceeds were allocated for the establishment or funding of an Acquisition and Construction Fund.

Table 7: Fund Balances

Fund / Account	Balance as of March 31, 2020
Special Tax Fund	\$ 155,049.92
Interest Account	33,796.21
Principal Account	101.89
Redemption Account	-
Reserve Account ¹	365,351.25
Administration Expense Account	2,821.31
Rebate Fund	-
Cost of Issuance Fund	-
Surplus Fund	10,399.08

¹ Funds in the Reserve Account reflect an amount at least or equal to the Reserve Fund Requirement. The Reserve Fund Requirement for FY 2020/21 is \$362,658.76.

III. COMPUTATION OF THE SPECIAL TAX REQUIREMENT

A. ADMINISTRATIVE EXPENSES

The administrative expense categories are described below. The estimates for these administrative expenses are set forth in Section III.B of this report, Special Tax Requirement. Expenses of this type shall be paid from the Special Tax Fund (Section 3.3 of the Bond Indenture).

i. SPECIAL TAX REPORT AND ADMINISTRATION

This expense is for the cost to prepare the annual reports (Special Tax Report and Continuing Disclosure Report), to monitor payments and delinquencies, and to submit the special taxes, after calculating and submitting for the legislative body's approval, to the County of Riverside.

ii. TRUSTEE FEES

This expense is for the Trustee's services associated with bond and fund administration.

iii. ARBITRAGE REBATE CALCULATION

This expense is to calculate the arbitrage rebate as required by Federal Law.

iv. PROFESSIONAL SERVICES

This expense is to prepare and disseminate significant event reports, which may include disclosure legal counsel services.

v. CITY COSTS – PERSONNEL

This cost is for the City's estimated expense to coordinate consultants, attorneys, bankers, investment bankers, and other administrative contractors, as well as administrative services and program management provided by City staff.

vi. CITY COSTS – ACCOUNTING

This expense is for the City's estimated expense to account for the Bond proceeds, monitor funds, and administer debt service requirements, as well as to cover costs associated with outside auditors.

vii. CITY COSTS – GENERAL ADMINISTRATION

This expense is for the cost of the City's general administrative services, overhead for personnel support, office rent and maintenance, insurance, and support from City Council, City Manager, purchasing, media, and communications, etc.

viii. COUNTY COSTS

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

B. SPECIAL TAX REQUIREMENT

Table 8: Special Tax Requirement FY 2020/21

GROSS REQUIREMENT	
Annual Debt Service	\$ 362,621.26
Reserve Fund Replenishment	-
Total Debt Requirement	\$ 362,621.26
Administrative Expenses:	
Special Tax Report & Administration	\$ 13,586.00
Trustee Fees	\$ 2,000.00
Arbitrage Rebate Calculation	\$ 400.00
Professional Services	\$ 1,950.00
Personnel	\$ 4,161.00
Accounting	\$ 6,704.00
General Administration	\$ 3,621.00
Total Administrative Expenses	\$ 32,422.00
County Costs:	
County Tax Roll Fees	\$ 150.00
Total County Administrative Expenses	\$ 150.00
Total Administrative Requirement	\$ 32,572.00
TOTAL GROSS SPECIAL TAX REQUIREMENT	\$ 395,193.26
CREDITS: INTEREST EARNINGS, TRANSFERS & CONTRIBUTIONS	
Interest Earnings (Estimated)	\$ 14,179.62
Excess Credit	-
Surplus Reserve Fund Credit	-
Adjustments & Contingency	-
Total Interest Earnings and Transfers	\$ 14,179.62
Tax Increment Contribution ¹	\$ 277,820.86
Total Tax Increment Contributions	\$ 277,820.86
TOTAL CREDITS	\$ 292,000.48
TOTAL NET SPECIAL TAX REQUIREMENT	\$ 103,192.78
¹ The ROPS amount is approved through June 2021.	

IV. SPECIAL TAX ALLOCATION

The City has the power and as such is obligated to levy and collect the special tax according to the RMA, which the legislative body (City Council) of the District and the eligible qualified electors within CFD No. 87-1 IA 1 previously approved. The special tax formula apportions the total net special tax requirement (principal, interest, administrative expenses, and restoration of the Reserve Account, if required, less any TI contribution or other revenue).

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

A. ASSIGNMENT TO TAX RATE AREAS

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

B. SPECIAL TAX RATES

According to the RMA, there is no escalator clause for the maximum special tax rates. Below are the maximum special tax rates and the FY 2020/21 applied special tax rates for each Tax Rate Area.

Table 9: Special Tax Rates

Tax Rate Area	Maximum Special Tax Rate	2020/21 Applied Special Tax Rate
Tax Rate Area 1	\$ 4,450.00	\$ 759.62
Tax Rate Area 2	3,850.00	668.81

C. RATE AND METHOD OF APPORTIONMENT

i. SPECIAL TAX LEVY

Each year, the City Council, acting as the legislative body of the District, shall approve and adopt a resolution of the Council approving the calculation of the maximum and applied special tax rates for the fiscal year for which the special tax shall be levied. This amount will include, but is not limited to, the amounts required to pay for the debt service on any indebtedness, replenish the Reserve Account as necessary, and pay incidental or administrative expenses incurred by the District.

ii. SPECIAL TAX LIEN

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

D. SPECIAL TAX ALLOCATION

The Special Taxes for the District are allocated to all taxable properties in Tax Rate Area 1 and Tax Rate Area 2. According to the RMA, Tax Rate Area 1 is responsible for 59% and Tax Rate Area 2 is responsible for 41% of the annual Special Tax Requirement. The following table sets forth the allocation of special taxes, along with the total amount of FY 2020/21 special tax levy for the combined Tax Rate Areas.

Table 10: Special Tax Allocation/Property Owners

Assessor's Parcel Number	Property Owner	Development Status	Taxable Acres	FY 2020/21 Maximum Special Tax	FY 2020/21 Special Tax	Percentage of Applied Special Tax	Bonded Indebtedness ²
291-110-032	MORENO VALLEY MALL HOLDING	Developed	31.09	\$ 138,350.50	\$ 23,616.70	22.89%	\$ 295,228.93
291-110-033	MORENO VALLEY MALL HOLDING	Developed	7.43	33,063.50	5,644.00	5.47%	70,554.87
291-110-034	MORENO VALLEY MALL HOLDINGS	Developed	9.58	42,631.00	7,277.18	7.05%	90,971.15
291-110-035	SERITAGE SRC FINANCE	Developed	10.51	46,769.50	7,983.64	7.74%	99,802.38
291-110-036	J C PENNEY PROP INC	Developed	10.13	45,078.50	7,694.98	7.46%	96,193.92
291-110-037	MACYS CALIF INC	Developed	11.41	50,774.50	8,667.30	8.40%	108,348.73
Tax Rate Area 1 (59%)			80.15	\$ 356,667.50	\$ 60,883.80	59.00%	\$ 761,100.00
291-110-039	COSTCO WHOLESALE CORP	Developed	12.69	\$ 48,856.50	\$ 8,487.22	8.22%	\$ 106,097.71
291-110-040	NEAL T BAKER ENTERPRISES	Developed	0.79	3,041.50	528.36	0.51%	6,604.98
291-110-041	CFT DEV	Developed	0.79	3,041.50	528.36	0.51%	6,604.98
291-650-001	LEW LA FAYETTE PROP	Developed	1.50	5,775.00	1,003.20	0.97%	12,541.10
291-650-002	WINCO FOODS	Developed	10.94	42,119.00	7,316.80	7.09%	91,466.42
291-650-003	QUICK QUACK DEV II	Developed	0.94	3,619.00	628.68	0.61%	7,859.09
291-650-004	GATEWAY CO	Undeveloped ¹	1.96	7,546.00	1,310.86	1.27%	16,387.04
291-650-005	GATEWAY CO	Undeveloped ¹	1.95	7,507.50	1,304.18	1.26%	16,303.43
291-650-006	GATEWAY CO	Undeveloped ¹	1.90	7,315.00	1,270.74	1.23%	15,885.39
291-650-007	GATEWAY CO	Undeveloped ¹	1.56	6,006.00	1,043.34	1.01%	13,042.74
291-650-018	SDG INV	Developed	1.05	4,042.50	702.24	0.68%	8,778.77
291-650-020	GATEWAY CO	Undeveloped ¹	1.29	4,966.50	862.76	0.84%	10,785.35
291-650-021	FOUR QUARTS & ASSOCIATES	Developed	1.42	5,467.00	949.70	0.92%	11,872.24
291-650-033	MV MMP INC	Developed	2.31	8,893.50	1,544.94	1.50%	19,313.29
291-650-034	GATEWAY CO	Undeveloped ¹	1.74	6,699.00	1,163.72	1.13%	14,547.68
291-660-001	GATEWAY CO	Developed	1.15	4,427.50	769.12	0.75%	9,614.84
291-660-002	GATEWAY CO	Developed	1.23	4,735.50	822.64	0.80%	10,283.70
291-660-003	IRURY	Developed	1.13	4,350.50	755.74	0.73%	9,447.63
291-660-004	GALA DEV PARTNERS	Undeveloped ¹	1.13	4,350.50	755.74	0.73%	9,447.63
291-660-028	AYRES MORENO VALLEY	Developed	2.76	10,626.00	1,845.92	1.79%	23,075.62
291-660-029	BRE POLYGON PROP OWNER	Developed	2.39	9,201.50	1,598.46	1.55%	19,982.15
291-660-033	GATEWAY CO	Undeveloped ¹	1.04	4,004.00	695.56	0.67%	8,695.16
291-660-034	GATEWAY CO	Developed	1.18	4,543.00	789.18	0.76%	9,865.67
291-660-035	LIU CHE CHEN	Developed	3.80	14,630.00	2,541.48	2.46%	31,770.79
291-660-040	GATEWAY CO	Developed	1.53	5,890.50	1,023.28	0.99%	12,791.92
291-660-042	GATEWAY CO	Developed	1.40	5,390.00	936.32	0.91%	11,705.03
291-660-043	GATEWAY CO	Developed	1.69	6,506.50	1,130.28	1.10%	14,129.64
Tax Rate Area 2 (41%)			63.26	\$ 243,551.00	\$ 42,308.82	41.00%	\$ 528,900.00
Total			143.41	\$ 600,218.50	\$ 103,192.62	100.00%	\$ 1,290,000.00
¹ APNs which are Undeveloped, but have constructed certain parcel improvements. ² The Bonded Indebtedness is calculated based on the proration of each parcels' Maximum Special Tax multiplied by the Bonds outstanding. Bonds are not allocated to or secured by any particular parcel within the District. Source: Property Owners - Riverside County Property Tax Roll Information - February 2020.							

V. SPECIAL TAX PAYMENTS

A. DELINQUENCIES

For FY 2007/08 through 2019/20, the special tax obligation was funded through the collection of special taxes and TI, pursuant to the Agency Improvement Area Agreement. There are currently no delinquencies in the District for 2019/20 or prior years.

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

Table 11: Delinquencies

Fiscal Year	No. of Parcels Levied	Amount Levied	No. of Parcels Delinquent ¹	Amount Delinquent	Percent Delinquent
2008/09	35	108,706.00	0	0.00	0.00%
2009/10	34	78,519.00	0	0.00	0.00%
2010/11	34	112,162.00	0	0.00	0.00%
2011/12	34	115,946.00	0	0.00	0.00%
2012/13	34	110,672.00	0	0.00	0.00%
2013/14	34	117,164.00	0	0.00	0.00%
2014/15	34	114,069.54	0	0.00	0.00%
2015/16	33	114,070.40	0	0.00	0.00%
2016/17	33	16,083.08	0	0.00	0.00%
2017/18	33	115,219.76	0	0.00	0.00%
2018/19	33	112,239.22	0	0.00	0.00%
2019/20	33	109,548.20	0	0.00	0.00%

¹ Amount delinquent per the Riverside County website

(<https://taxpayments.co.riverside.ca.us/taxpayments/Search.aspx>) as of March 2, 2020.

B. FORECLOSURE ACTIONS

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

Appendix A: PROPERTY TAX INCREMENT ANALYSIS

A. TAX INCREMENT CONTRIBUTION

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

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

Additionally, the City, on behalf of the District and the Agency, entered into an Agency Improvement Area Agreement, adopted on October 23, 2007 (Resolution No. RDA 2007-09), in connection with the issuance of the Special Tax Refunding Bonds, which restated the agreement of the Agency to make payments to the District based upon the percentages and terms set forth in the RMA.

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

Given the dissolution of the Agency and process established to discharge its obligations, the Successor Agency, submits a ROPS, which includes the calculation of the payment of available TI toward the District Special Tax. For FY 2020/21, the TI contribution is \$277,820.86, which is based upon 70.3% of the gross special tax calculation of \$395,193.26 (as identified in Table 8). The County Board and DOF have approved the payment of TI for this purpose through June 2021. If future TI is unavailable, debt service payment obligations will be met through the collection of the special taxes, consistent with the terms of the RMA.

Appendix B: Bond Accountability Report (SB 165)

This Bond Accountability Report is required to demonstrate the special tax requirement for each parcel within the District to meet the debt service requirements of the Bonds. Based upon the special tax requirement as calculated in Table 8, the FY 2020/21 special tax levy for each assessable parcel within the District is shown in Table 10.

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

“The chief fiscal officer of the issuing local agency shall file a report with its governing body no later than January 1, 2002, and at least once a year thereafter. The annual report shall contain 1) the amount of funds collected and expended and 2) the status of any project required or authorized to be funded as identified in subdivision (a) of Section 53410.”

All improvements for the District were completed prior to the issuance of Bonds. As a result, there were no improvement/construction funds associated with the issuance of the Bonds. The table on the following page represents the deposits and expenditures for the District, which were extracted from the City’s FY 2018/19 audited financials. The special tax levied, as shown in Table 10, is to pay the difference between the administrative expenses and debt service (principal and interest) and the allowable TI contribution.

District	Date Bonds Issued	Initial Amount Deposited to Improvement / Construction Fund	Balance as of December 31, 2019	Expended Amount to Date	Project Status
CFD 87-1, Improvement Area No. 1	Nov. 29, 2007	N/A	N/A	N/A	Completed

For additional information, please see Section II Financial Information.



Trial Balance Listing

Through 06/30/19
 Detail Listing
 Exclude Rollup Account

Account	Account Description	Balance Forward	YTD Debits	YTD Credits	Ending Balance
Fund 4105	2007 TOWNGATE IMPR REFUNDING				
Department	99 - Non-Department				
Division	99 - Non-departmental				
Section	94105 - Non-Dept TOWGATE IMPR SPCL TAX				
404000	Special Taxes	.00	4,295.91	116,535.13	(112,239.22)
460010	Interest Income - Investments	.00	.00	10,698.74	(10,698.74)
620299	Professional Svcs - Other	.00	3,950.00	.00	3,950.00
620320	Agency Svcs - Cnty	.00	105.36	.00	105.36
670314	Bond Principal	.00	275,000.00	.00	275,000.00
670410	Interest Expense	.00	81,676.26	.00	81,676.26
679010	Expenditure Close to Bal	.00	13,909.54	.00	13,909.54
692020	Admin Chrg - Special Dist	.00	28,072.00	.00	28,072.00
804800	Transfers In - From SUCCESSOR AGENCY ADMIN FUND	.00	190,169.92	469,945.12	(279,775.20)
Section	94105 - Non-Dept TOWGATE IMPR SPCL TAX	\$0.00	\$597,178.99	\$597,178.99	\$0.00
Division	99 - Non-departmental Totals	\$0.00	\$597,178.99	\$597,178.99	\$0.00
Department	99 - Non-Department Totals	\$0.00	\$597,178.99	\$597,178.99	\$0.00

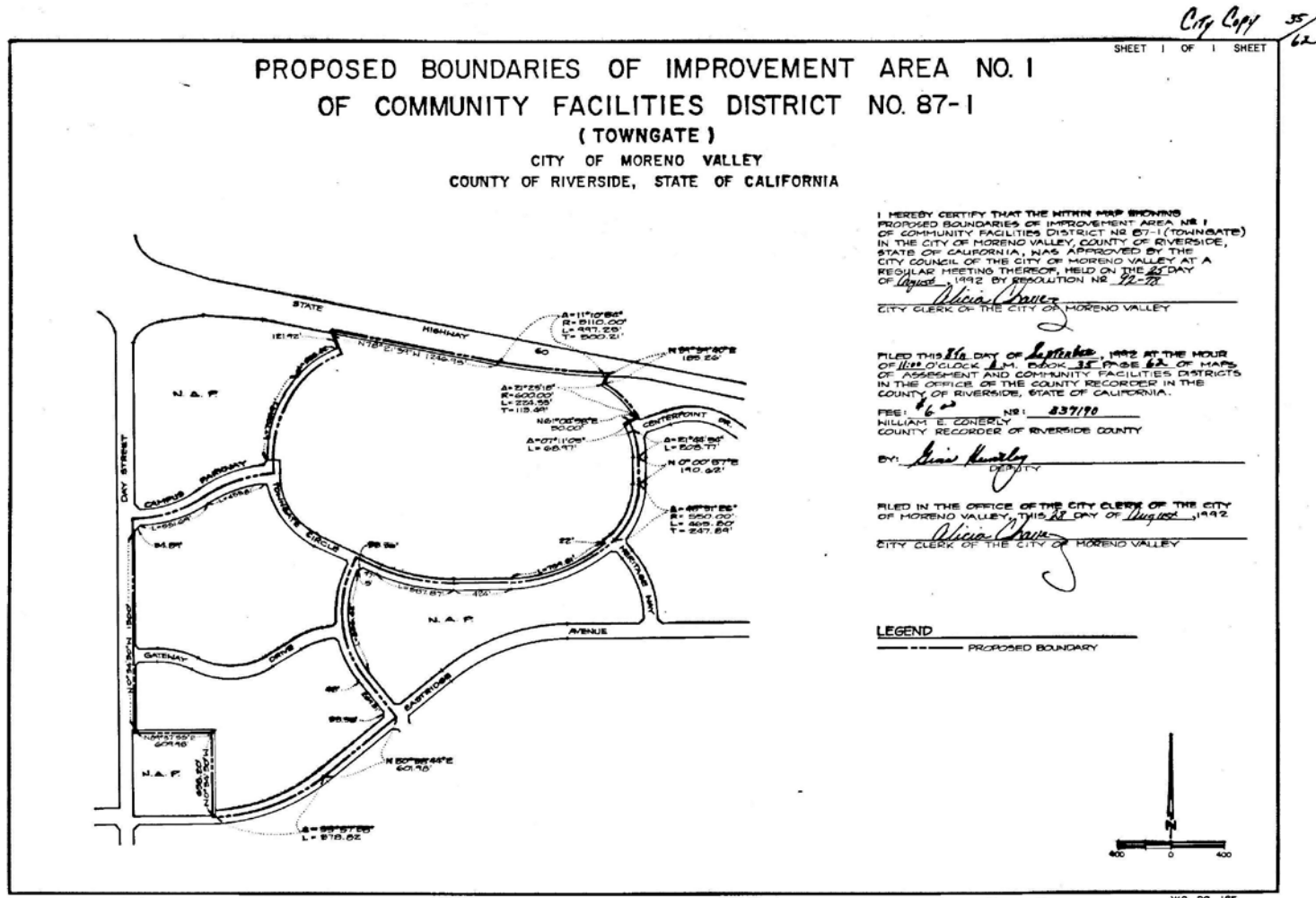
Appendix C: Debt Service Schedule

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

Dated Date	29-Nov-07	Last Maturity	1-Oct-23
Issue Date	29-Nov-07	First Coupon	1-Apr-08
First Maturity	1-Oct-08		

Date	Principal	Interest Rate	Interest	Total Debt Service	Annual Debt Service	Principal Remaining
1-Apr-08	\$ -		\$ 60,994.49	\$ 60,994.49	-	\$ 4,075,000
1-Oct-08	220,000	3.750%	89,991.88	309,991.88	\$ 370,986.37	3,855,000
1-Apr-09	-		85,866.88	85,866.88	-	3,855,000
1-Oct-09	190,000	3.900%	85,866.88	275,866.88	361,733.76	3,665,000
1-Apr-10	-		82,161.88	82,161.88	-	3,665,000
1-Oct-10	195,000	4.050%	82,161.88	277,161.88	359,323.76	3,470,000
1-Apr-11	-		78,213.13	78,213.13	-	3,470,000
1-Oct-11	205,000	4.150%	78,213.13	283,213.13	361,426.26	3,265,000
1-Apr-12	-		73,959.38	73,959.38	-	3,265,000
1-Oct-12	210,000	4.000%	73,959.38	283,959.38	357,918.76	3,055,000
1-Apr-13	-		69,759.38	69,759.38	-	3,055,000
1-Oct-13	220,000	4.100%	69,759.38	289,759.38	359,518.76	2,835,000
1-Apr-14	-		65,249.38	65,249.38	-	2,835,000
1-Oct-14	230,000	4.200%	65,249.38	295,249.38	360,498.76	2,605,000
1-Apr-15	-		60,419.38	60,419.38	-	2,605,000
1-Oct-15	240,000	4.250%	60,419.38	300,419.38	360,838.76	2,365,000
1-Apr-16	-		55,319.38	55,319.38	-	2,365,000
1-Oct-16	250,000	4.375%	55,319.38	305,319.38	360,638.76	2,115,000
1-Apr-17	-		49,850.63	49,850.63	-	2,115,000
1-Oct-17	260,000	4.500%	49,850.63	309,850.63	359,701.26	1,855,000
1-Apr-18	-		44,000.63	44,000.63	-	1,855,000
1-Oct-18	275,000	4.600%	44,000.63	319,000.63	363,001.26	1,580,000
1-Apr-19	-		37,675.63	37,675.63	-	1,580,000
1-Oct-19	290,000	4.700%	37,675.63	327,675.63	365,351.26	1,290,000
1-Apr-20	-		30,860.63	30,860.63	-	1,290,000
1-Oct-20	300,000	4.700%	30,860.63	330,860.63	361,721.26	990,000
1-Apr-21	-		23,810.63	23,810.63	-	990,000
1-Oct-21	315,000	4.750%	23,810.63	338,810.63	362,621.26	675,000
1-Apr-22	-		16,329.38	16,329.38	-	675,000
1-Oct-22	330,000	4.800%	16,329.38	346,329.38	362,658.76	345,000
1-Apr-23	-		8,409.38	8,409.38	-	345,000
1-Oct-23	345,000	4.875%	8,409.38	353,409.38	361,818.76	-
Total	\$ 4,075,000		\$ 1,714,757.77	\$ 5,789,757.77	\$ 5,789,757.77	

Appendix D: District Boundary Map



Appendix E: Towngate Development Sites

