

**FISCAL YEAR 2005-06  
ADMINISTRATION REPORT  
FOR  
IMPROVEMENT AREA A  
OF  
COMMUNITY FACILITIES DISTRICT No. 10  
OF  
POWAY UNIFIED SCHOOL DISTRICT**

**June 27, 2005**

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ADMINISTRATION REPORT  
FOR  
IMPROVEMENT AREA A  
OF  
COMMUNITY FACILITIES DISTRICT No. 10**

**PREPARED FOR**

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**June 27, 2005**

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## **EXHIBITS**

**Exhibit A:** Summary of Transactions to Funds, Accounts, and Subaccount Fiscal Year 2004-05

**Exhibit B:** Annual Special Tax Roll Fiscal Year 2005-06

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## **INTRODUCTION**

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This Administration Report ("Report") provides an analysis of the financial and administrative obligations of Improvement Area ("IA") A of Community Facilities District ("CFD") No. 10 of the Poway Unified School District ("District") resulting from the sale of the IA A Special Tax Bonds ("IA A Bonds") issued in October of 2001 in the amount of \$9,700,000. All capitalized terms herein are used as defined in the Rate and Method of Apportionment ("RMA") and the Bond Indenture ("Indenture") for IA A of CFD No. 10.

The IA A Bonds are secured and repaid through the annual levy and collection of Special Taxes from all property subject to the Annual Special Tax within IA A of CFD No. 10. In calculating the Annual Special Tax Requirement for Fiscal Year 2005-06, the Report describes (i) the remaining financial obligations of IA A of CFD No. 10 for Fiscal Year 2004-05, (ii) the financial obligations of IA A of CFD No. 10 for Fiscal Year 2005-06 and (iii) the amount of new development which has occurred within the boundaries of IA A of CFD No. 10.

The Report is organized into the following sections:

### **Section I**

Section I provides a description of the Annual Special Tax levy for Fiscal Year 2004-05, including any delinquent Annual Special Taxes.

### **Section II**

Section II examines the financial activity in the funds, accounts, and subaccount established pursuant to the Indenture between State Street Bank and Trust Company of California, N.A. ("Fiscal Agent") and the District. A Fiscal Year summary is provided which lists all disbursements, Annual Special Tax receipts, and interest earnings.

### **Section III**

Section III calculates the Annual Special Tax Requirement based on the financial obligations of IA A of CFD No. 10 for Fiscal Year 2005-06.

### **Section IV**

Section IV provides (i) a description of the Special Tax classifications and (ii) an update of the development which has occurred in IA A of CFD No. 10.

### **Section V**

Section V describes the Annual Special Tax rates and reviews the methodology used to apportion the Annual Special Tax Requirement between Developed Property and Undeveloped Property.

## I. ANNUAL SPECIAL TAX LEVY FOR FISCAL YEAR 2004-05

The aggregate Annual Special Tax levy for IA A of CFD No. 10 for Fiscal Year 2004-05 equaled \$732,754.32. Special Taxes were levied on Developed Property and Undeveloped Property. A summary of the levy for Fiscal Year 2004-05 is shown in Table 1.

**TABLE 1**  
**SPECIAL TAX RATES AND LEVY**  
**OF FISCAL YEAR 2004-05**

Zone	Land Use	Building Square Footage	Units/ Acres	Annual Special Tax	Total Special Taxes
1	Detached/Attached Unit	≤ 3,000	26	\$2,187.56 per Unit	\$56,876.56
1	Detached/Attached Unit	3,001 – 3,300	0	\$2,427.22 per Unit	\$0.00
1	Detached/Attached Unit	> 3,300	40	\$2,666.90 per Unit	\$106,676.00
1	Undeveloped Property	NA	0.000	\$0.00 per Acre	\$0.00
2	Detached/Attached Unit	≤ 2,400	25	\$1,468.54 per Unit	\$36,713.50
2	Detached/Attached Unit	2,401 – 2,600	10	\$1,708.22 per Unit	\$17,082.20
2	Detached/Attached Unit	2,601 – 2,800	40	\$1,868.00 per Unit	\$74,720.00
2	Detached/Attached Unit	2,801 – 3,100	48	\$2,107.68 per Unit	\$101,168.64
2	Detached/Attached Unit	3,101 – 3,400	3	\$2,267.44 per Unit	\$6,802.32
2	Detached/Attached Unit	> 3,400	108	\$2,587.00 per Unit	\$279,396.00
2	Undeveloped Property	NA	0.000	\$0.00 per Acre	\$0.00
3	Detached/Attached Unit	≤ 1,700	15	\$629.80 per Unit	\$9,447.00
3	Detached/Attached Unit	1,701 – 1,850	15	\$709.68 per Unit	\$10,645.20
3	Detached/Attached Unit	1,851 – 2,000	0	\$869.46 per Unit	\$0.00
3	Detached/Attached Unit	> 2,000	35	\$949.34 per Unit	\$33,226.90
3	Undeveloped Property	NA	0.00	\$0.00 per Acre	\$0.00
<b>Total</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>\$732,754.32</b>

David Taussig & Associates, Inc. ("DTA") has received delinquency information from the County of San Diego ("County") for the first installment of Fiscal Year 2004-05. The Special Tax delinquencies for the first installment equaled \$4,195.40, resulting in a delinquency rate of 1.15%. DTA has concluded that IA A of CFD No. 10 will be able to meet its remaining obligations for Fiscal Year 2004-05.

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## II. FUNDS AND ACCOUNTS

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The Indenture established nine (9) funds for IA A of CFD No. 10. They are the Administrative Expense Fund, Bond Fund, Cost of Issuance Fund, Improvement Fund, Rebate Fund, Reserve Fund, Redemption Fund, Letter of Credit Fund, and Special Tax Fund. In addition, within the Bond Fund, an Interest a Account, a Principal Account, and a Prepayment Account were created. Additionally, within the Interest Account, a Capitalized Interest Subaccount was created.

All receipts from the collection of Annual Special Taxes for IA A of CFD No. 10 are deposited in the Special Tax Fund, which is administered by the Fiscal Agent. Pursuant to the Indenture, the Fiscal Agent transfers the Annual Special Taxes receipts to the funds in the amount and priority set forth below.

1. **Administrative Expense Fund** – an amount equal to the Administrative Expense Requirement of IA A of CFD No. 10 for that Fiscal Year;
2. **Bond Fund** – an amount taking into account any amounts then on deposit, sufficient to meet the principal, premium, if any, and interest due on the next interest payment date;
3. **Reserve Fund** – any amount, taking into account any amounts then on deposit, that may be necessary to replenish this account to the Reserve Requirement;
4. **Rebate Fund** – an amount, requested in writing by an Authorized Representative to be used to pay rebate to the United State Government; and
5. **Administrative Expense Fund** – any additional amount, in excess of the Administrative Expense Requirement, needed to defray the cost of administering IA A of CFD No. 10.

Any monies remaining in the Special Tax Fund after each of the above transfers are made shall remain on deposit in the Special Tax Fund. However, after such time as the levy of Special Taxes on Developed Property exceeds the Annual Special Tax Requirement, then excess funds shall be paid to the District to be used for school facilities.

The Reserve Requirement is an amount equal to the lesser of (i) ten percent (10%) of the original proceeds of the IA A Bonds, (ii) Maximum Annual Debt Service on the IA A Bonds, or (iii) one hundred and twenty-five percent (125%) of the average annual debt service on the IA A Bonds. As of the date of the Report, the Reserve Requirement was \$967,000.00

### A. Sources and Uses of Funds

Sources of funds for IA A of CFD No. 10 during the period of July 1, 2004, to May 1, 2005, totaled \$594,079.74. Of this amount Special Tax receipts totaled \$565,032.85, interest earnings equaled \$9,747.95, and \$19,298.94 was a prepayment of special taxes. Table 2 shows the interest earnings for each fund, account and subaccount of IA A of CFD No. 10 for the period stated above.

**TABLE 2**

**INTEREST EARNINGS  
JULY 1, 2004 – MAY 1, 2005**

<b>Funds, Accounts and Subaccount</b>	<b>Interest Earnings</b>
Special Tax Fund	\$3,178.77
Reserve Fund	\$6,209.93
Bond Fund	\$0.00
Cost of Issuance Fund	\$0.00
Improvement Fund	\$40.00
Redemption Fund	\$0.00
Rebate Fund	\$0.00
Administrative Expense Fund	\$318.98
Letter of Credit Fund	\$0.00
Interest Account	\$0.00
Principal Account	\$0.00
Capitalized Interest Subaccount	\$0.00
Prepayment Account	\$0.27
<b><i>Total</i></b>	<b><i>\$9,747.95</i></b>

Total uses of funds for the period of July 1, 2004 to May 1, 2005 was \$602,587.47. Of this amount, \$574,437.50 of interest was paid to bondholders, \$15,000 was used to pay principal of the IA A Bonds and \$13,149.97 was paid for legal/consulting/professional services. A detailed analysis of all transactions within these funds, accounts and subaccount for the period is included as Exhibit A.

**B. Account Balances**

The balances as of May 1, 2005, in the funds, accounts and subaccount established pursuant to the Indenture are shown in Table 3.

**TABLE 3**

**FUND, ACCOUNT, AND SUBACCOUNT BALANCES  
AS OF MAY 1, 2005**

<b>Funds, Accounts and Subaccount</b>	<b>Balance</b>
Special Tax Fund	\$362,785.47
Reserve Fund	\$964,450.83
Bond Fund	\$0.00
Improvement Fund	\$4,601.77
Redemption Fund	\$24.40
Rebate Fund	\$0.00
Administrative Expense Fund	\$48,911.16
Letter of Credit Fund	\$0.00
Interest Account	\$0.00
Principal Account	\$0.00
Capitalized Interest Subaccount	\$0.00
Prepayment Account	\$0.00



### **III. ANNUAL SPECIAL TAX REQUIREMENT FOR FISCAL YEAR 2005-06**

The Annual Special Tax Requirement of IA A of CFD No. 10 for Fiscal Year 2005-06 is equal to \$745,910.46. This amount represents (i) interest and principal payments due to bondholders in Calendar Year 2006, (ii) anticipated Administrative Expenses for Fiscal Year 2005-06, and (iii) funding for school facilities. Table 4 shows the calculation of the Annual Special Tax Requirement for IA A of CFD No. 10 for Fiscal Year 2005-06.

**TABLE 4**

**ANNUAL SPECIAL TAX REQUIREMENT  
FOR FISCAL YEAR 2005-06**

<b>FY 2004-05 Current and Projected Funds</b>		<b>\$562,281.70</b>
Balance of Special Tax Fund Balance (as of 5/01/05)	\$362,785.47	
Projected Special Tax Receipts	\$199,496.23	
<b>FY 2004-05 Remaining Obligations</b>		<b>\$562,281.70</b>
Interest Payment Due September 1, 2005	\$287,068.75	
Principal Payment Due September 1, 2005	\$30,000.00	
Direct Construction Funding	\$245,212.95	
<b><i>FY 2004-05 Surplus/(Draw on Reserve)</i></b>		<b><i>\$0.00</i></b>
<b>FY 2005-06 Obligations</b>		<b>\$745,910.46</b>
Interest Payment Due March 1, 2006	\$286,438.75	
Interest Payment Due September 1, 2006	\$286,438.75	
Principal Payment Due September 1, 2006	\$40,000.00	
Administrative Expense Budget for Fiscal Year 2005-06	\$16,236.48	
Direct Construction Funding	\$116,796.48	
<b><i>Annual Special Tax Requirement for FY 2005-06</i></b>		<b><i>\$745,910.46</i></b>

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## IV. SPECIAL TAX CLASSIFICATIONS AND DEVELOPMENT UPDATE

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IA A of CFD No. 10 encompasses approximately 187 gross acres of land within the City of San Diego ("City"). At build-out, IA A of CFD No. 10 is expected to be developed with 360 Units.

### A. Special Tax Classifications

Each Fiscal Year, the District calculates the Annual Special Taxes to be levied against Taxable Property within IA A of CFD No. 10. The RMA defines two (2) categories of Taxable Property, "Developed Property" and "Undeveloped Property". Developed Property and Undeveloped Property is in turn divided into three (3) separate zones. Each zone contains multiple tax classes for Developed Property which vary with Unit size. The Developed Property classifications are shown in Table 5.

**TABLE 5**

**SPECIAL TAX CLASSES OF DEVELOPED PROPERTY**

<b>Zone</b>	<b>Land Use</b>	<b>Building Square Footage</b>
1	Detached/Attached Unit	≤ 3,000
1	Detached/Attached Unit	3,001 – 3,300
1	Detached/Attached Unit	> 3,300
2	Detached/Attached Unit	≤ 2,400
2	Detached/Attached Unit	2,401 – 2,600
2	Detached/Attached Unit	2,601 – 2,800
2	Detached/Attached Unit	2,801 – 3,100
2	Detached/Attached Unit	3,101 – 3,400
2	Detached/Attached Unit	> 3,400
3	Detached/Attached Unit	≤ 1,700
3	Detached/Attached Unit	1,701 – 1,850
3	Detached/Attached Unit	1,851 – 2,000
3	Detached/Attached Unit	> 2,000

Developed Property is distinguished from Undeveloped Property by the issuance of a building permit. Specifically, Developed Property means, for any Fiscal Year, all Assessor's Parcels in IA A of CFD No. 10 for which a building permit has been issued as of May 1 of the previous Fiscal Year provided that such Assessor's Parcels were created on or before January 1 of the prior Fiscal Year and each Assessor's Parcel is associated with a Lot, as determined by the Assistant Superintendent. For example, all Assessor's Parcels in IA A of CFD No. 10 for which a building permit was issued as of May 1, 2005, will be classified as Developed Property in Fiscal Year 2005-06.

**B. Development Update**

As of May 1, 2003, the City had issued building permits for 366 Units. Accordingly, IA A of CFD No. 10 was built-out as of Fiscal Year 2003-04. However, some Property within IA A of CFD No. 10 that was expected to be Exempt Property has now subdivided into Lots designated for residential use. Table 6 lists the Developed Property of IA A of CFD No. 10 by Special Tax class for Fiscal Year 2005-06.

**TABLE 6**

**STATUS OF DEVELOPED PROPERTY  
FISCAL YEAR 2005-06**

<b>Zone</b>	<b>Building Square Footage</b>	<b>Number of Units*</b>
1	≤ 3,000	26 Units
1	3,001 – 3,300	0 Units
1	> 3,300	40 Units
2	≤ 2,400	25 Units
2	2,401 – 2,600	10 Units
2	2,601 – 2,800	40 Units
2	2,801 – 3,100	48 Units
2	3,101 – 3,400	3 Units
2	> 3,400	108 Units
3	≤ 1,700	15 Units
3	1,701 – 1,850	15 Units
3	1,851 – 2,000	0 Units
3	> 2,000	35 Units
* In addition to the Units shown here one (1) Unit has prepaid its Annual Special Tax obligation.		

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## **V. METHOD OF APPORTIONMENT**

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Section F of the RMA apportions the Annual Special Tax Requirement to the Taxable Property of IA A of CFD No. 10 in a three (3) step process.

The first step states that the Annual Special Tax shall be levied against each parcel of Taxable Developed Property at the Assigned Annual Special Tax rate applicable to such Assessor's Parcel. If the Special Taxes raised pursuant to the first step are less than the Annual Special Tax Requirement, then the second step is applied. The second step states that the Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Undeveloped Property up to the Assigned Annual Special Tax rate applicable to such Assessor's Parcel. If the Annual Special Taxes raised pursuant to the first two steps are less than the Annual Special Tax Requirement, then the third step is applied. This step states that the Annual Special Tax on each Assessor's Parcel of Taxable Developed Property whose Maximum Special Tax is the Backup Annual Special Tax shall be increased Proportionately from the Assigned Annual Special Tax Rate up to the Backup Annual Special Tax rate in order to satisfy the Annual Special Tax Requirement.

Application of the first step yields sufficient Special Taxes to satisfy the Annual Special Tax Requirement for Fiscal Year 2005-06. The Annual Special Tax rates of IA A of CFD No. 10 for Fiscal Year 2005-06 are shown in Table 7. The Annual Special Tax roll, which lists the actual Annual Special Tax levied against each Assessor's Parcel, is included as Exhibit B.

**TABLE 7**

**ANNUAL SPECIAL TAX RATES  
FISCAL YEAR 2004-05**

<b>Zone</b>	<b>Land Use</b>	<b>Building Square Footage</b>	<b>Special Tax</b>
1	Detached/Attached Unit	≤ 3,000	\$2,231.30 per Unit
1	Detached/Attached Unit	3,001 – 3,300	\$2,475.76 per Unit
1	Detached/Attached Unit	> 3,300	\$2,720.24 per Unit
1	Undeveloped Property	NA	\$0.00 per acre
2	Detached/Attached Unit	≤ 2,400	\$1,497.92 per Unit
2	Detached/Attached Unit	2,401 – 2,600	\$1,742.38 per Unit
2	Detached/Attached Unit	2,601 – 2,800	\$1,905.36 per Unit
2	Detached/Attached Unit	2,801 – 3,100	\$2,149.82 per Unit
2	Detached/Attached Unit	3,101 – 3,400	\$2,312.80 per Unit
2	Detached/Attached Unit	> 3,400	\$2,638.74 per Unit
2	Undeveloped Property	NA	\$0.00 per acre
3	Detached/Attached Unit	≤ 1,700	\$642.38 per Unit
3	Detached/Attached Unit	1,701 – 1,850	\$723.88 per Unit
3	Detached/Attached Unit	1,851 – 2,000	\$886.84 per Unit
3	Detached/Attached Unit	> 2,000	\$968.32 per Unit
3	Undeveloped Property	NA	\$0.00 per acre

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**EXHIBIT A**

**SUMMARY OF TRANSACTIONS TO FUNDS, ACCOUNTS AND SUBACCOUNT  
FISCAL YEAR 2004-05**

**EXHIBIT B**

**ANNUAL SPECIAL TAX ROLL  
FISCAL YEAR 2005-06**