

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

**June 27, 2005**

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ADMINISTRATION REPORT  
FOR  
IMPROVEMENT AREA C  
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") C of Community Facilities District ("CFD") No. 10 of the Poway Unified School District ("District") resulting from the sale of the CFD No. 10 IA C Special Tax Bonds ("IA C Bonds") issued in October of 2003 in the amount of \$3,000,000. All capitalized terms herein are used as defined in the Rate and Method of Apportionment ("RMA") and the Bond Indenture ("Indenture") between the District and Zions First National Bank ("Fiscal Agent") for IA C of CFD No. 10.

The IA C 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 C of CFD No. 10. In calculating the Annual Special Tax levy for Fiscal Year 2005-06, the Report describes (i) the financial remaining obligations of IA C of Fiscal Year 2004-05 and (ii) the amount of new development which has occurred within the boundaries of IA C of CFD No. 10.

The Report is organized into the following sections:

### **Section I**

Section I provides a description of the Fiscal Year 2004-05 Annual Special Tax levy, 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. A Fiscal Year summary is provided which lists all disbursements, Annual Special Tax receipts, and interest earnings.

### **Section III**

Section III calculates the Minimum Annual Special Tax Requirement based on the financial obligations of IA C 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 C of CFD No. 10.

### **Section V**

Section V describes the Annual Special Tax rates and reviews the methodology used to apportion the Minimum 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 C of CFD No. 10 for Fiscal Year 2004-05 equaled \$248,212.18. 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**

<b>Zone</b>	<b>Land Use</b>	<b>Building Square Footage</b>	<b>Units/Acres</b>	<b>Annual Special Tax</b>	<b>Total Special Taxes</b>
1	Detached/Attached Unit	≤ 1,150	28	\$1,276.34 per Unit	\$35,737.52
1	Detached/Attached Unit	1,151 – 1,400	28	\$1,447.96 per Unit	\$40,542.88
1	Detached/Attached Unit	> 1,400	28	\$1,570.54 per Unit	\$43,975.12
1	Undeveloped Property	NA	0.000	\$0.00 per Acre	\$0.00
2	Detached/Attached Unit	≤ 1,800	26	\$1,016.76 per Unit	\$26,435.76
2	Detached/Attached Unit	1,851 – 2,000	25	\$1,139.34 per Unit	\$28,483.50
2	Detached/Attached Unit	2,001 – 2,250	27	\$1,261.92 per Unit	\$34,071.84
2	Detached/Attached Unit	> 2,250	29	\$1,343.64 per Unit	\$38,965.56
2	Undeveloped Property	NA	0.000	\$0.00 per Acre	\$0.00
<b>Total</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>\$248,212.18</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 \$6,452.86 resulting in a delinquency rate of 5.20%. DTA has concluded that IA C 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 C 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, a Principal Account, and an Interest Account were created and within the Improvement Fund a School Facilities Account and a City Improvement Account were created. Additionally, within the Interest Account, a Capitalized Interest Subaccount were created.

All receipts from the collection of Annual Special Taxes collected for IA C 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 Tax 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 C 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** – on amount, requested in writing by an authorized Representative to be used to pay rebate to the United States Government; and
5. **Administrative Expense Fund** – any additional amount, in excess of the Administrative Expense Requirement, needed to defray the costs of administering IA C 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 Minimum Annual Special Tax Requirement, then excess funds may 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 C Bonds, (ii) Maximum Annual Debt Service on the IA C Bonds, or (iii) one hundred twenty-five percent (125%) of the average annual debt service on the IA C Bonds. As of the date of the Report, the Reserve Requirement was \$283,718.32.

### A. Sources and Uses of Funds

Sources of funds for CFD No. 10 IA C during the period of July 1, 2004, to May 1, 2005, totaled \$194,834.12. Of this amount, special tax receipts totaled \$186,504.85 and interest earnings totaled \$8,329.27. Table 2 shows the interest earnings for each fund, account and subaccount 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	\$432.03
Reserve Fund	\$1,838.54
Bond Fund	\$0.00
Cost of Issuance Fund	\$0.00
City Improvement Account	\$254.10
Redemption Fund	\$0.00
Rebate Fund	\$0.00
Administrative Expense Fund	\$95.51
Letter of Credit Fund	\$0.00
Interest Account	\$0.00
Principal Account	\$0.00
School Facilities Account	\$5,550.32
Improvement Fund	\$0.00
Capitalized Interest Subaccount	\$158.77
<b><i>Total</i></b>	<b><i>\$8,329.27</i></b>

Total uses of funds for this period totaled \$563,827.49. Of this amount, \$163,552.50 in interest was paid to bondholders, \$390,000.00 was used for acquisition/construction, \$5,274.99 was paid for legal/consulting/professional services, and \$5,000.00 was paid to reimburse Poway CFD IA D Administrative Expense Fund. A detailed analysis of all transactions within these funds, accounts and subaccount for this 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>Balances</b>
Special Tax Fund	\$89,554.63
Reserve Fund	\$282,608.03
Bond Fund	\$0.00
Cost of Issuance Fund	\$0.00
City Improvement Account	\$1,485.38
Redemption Fund	\$0.00
Rebate Fund	\$0.00
Improvement Fund	\$0.00
Administrative Expense Fund	\$17,195.68
Letter of Credit Fund	\$0.00
Interest Account	\$0.00
Principal Account	\$0.00
School Facilities Account	\$519,263.01
Capitalized Interest Subaccount	\$578.24

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

The Minimum Annual Special Tax Requirement of IA C of CFD No. 10 for Fiscal Year 2005-06 is equal to \$253,177.22. 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) direct construction funding for school facilities. Table 4 shows the calculation of the minimum Annual Special Tax Requirement of IA C of CFD No. 10 for Fiscal Year 2005-06.

**TABLE 4**

#### MINIMUM ANNUAL SPECIAL TAX REQUIREMENT FOR FISCAL YEAR 2005-06

<b>FY 2004-05 Current &amp; Projected Funds</b>		<b>\$144,809.10</b>
Balance of Special Tax Fund (as of 5/01/05)	\$89,554.63	
Projected Special Tax Receipts	\$55,254.47	
<b>FY 2004-05 Remaining Obligations</b>		
Interest Due September 1, 2005	\$81,776.25	<b>\$144,809.10</b>
Principal Due September 1, 2005	\$5,000.00	
Direct Construction Funding	\$58,032.85	
<b>Surplus / (Draw on Reserve Fund)</b>		<b>\$0.00</b>
<b>FY 2005-06 Obligations</b>		<b>\$253,177.22</b>
Interest Due March 1, 2006	\$81,726.25	
Interest Due September 1, 2006	\$81,726.25	
Principal Due September 1, 2006	\$10,000.00	
Administration Expense Budget for FY 2005-06	\$15,606.00	
Direct Construction Funding	\$64,118.72	
<b>Minimum Annual Special Tax Requirement for FY 2005-06</b>		<b>\$253,177.22</b>

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## IV. SPECIAL TAX CLASSIFICATIONS AND DEVELOPMENT UPDATE

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IA C of CFD No. 10 encompasses approximately 470 gross acres of land within the City of San Diego ("City"). At build-out, IA C of CFD No. 10 is expected to be developed with 191 Units.

### A. Special Tax Classifications

Each Fiscal Year the District calculates the Annual Special Taxes to be levied against Taxable Property within I A C of CFD No. 10. The RMA defines two (2) categories of Taxable Property, "Developed Property" and "Undeveloped Property". Developed Property and Undeveloped Property is divided into two (2) 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 CLASSIFICATIONS OF DEVELOPED PROPERTY**

<b>Zone</b>	<b>Land Use</b>	<b>Building Square Footage</b>
1	Attached/Detached Unit	≤ 1,150
1	Attached/Detached Unit	1,151 – 1,400
1	Attached/Detached Unit	> 1,400
2	Attached/Detached Unit	≤ 1,850
2	Attached/Detached Unit	1,851 – 2,000
2	Attached/Detached Unit	2,001 – 2,250
2	Attached/Detached Unit	> 2,250

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 C 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 that such Assessor's Parcels are associated with a lot. For example, all Assessor's Parcels in IA C 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, 2004, the City had issued Building Permits for 191 Units. Accordingly, IA C of CFD No. 10 was built-out as of Fiscal Year 2004-05. Table 6 lists the status of Developed Property in IA C of CFD No. 10 by Special Tax classifications for Fiscal Year 2005-06.

**TABLE 6**

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

<b>Zone</b>	<b>Building Square Footage</b>	<b>Units</b>
1	≤ 1,150	28
1	1,151 – 1,400	28
1	> 1,400	28
2	≤ 1,800	26
2	1,851 – 2,000	25
2	2,001 – 2,250	27
2	> 2,250	29

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## **V. METHOD OF APPORTIONMENT**

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Section F of the RMA apportions the Minimum Annual Special Tax Requirement to the Taxable Property of IA C 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 Minimum Annual Special Tax Requirement, then the second step is applied, which 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 Minimum Annual Special Tax Requirement, then the third step is applied, which 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 Minimum Annual Special Tax Requirement.

Application of the first step yields sufficient Special Taxes to satisfy the Minimum Annual Special Tax Requirement for Fiscal Year 2005-06. The Annual Special Tax rates of IA C 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, included as Exhibit B.

**TABLE 7**

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

<b>Zone</b>	<b>Land Use</b>	<b>Building Square Footage</b>	<b>Special Tax</b>
1	Attached/Detached Unit	≤ 1,150	\$1,301.88 per Unit
1	Attached/Detached Unit	1,151 – 1,400	\$1,476.92 per Unit
1	Attached/Detached Unit	> 1,400	\$1,601.94 per Unit
2	Attached/Detached Unit	≤ 1,850	\$1,037.10 per Unit
2	Attached/Detached Unit	1,851 – 2,000	\$1,162.14 per Unit
2	Attached/Detached Unit	2,001 – 2,250	\$1,287.16 per Unit
2	Attached/Detached Unit	> 2,250	\$1,370.52 per Unit

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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**