

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

**June 27, 2005**

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ADMINISTRATION REPORT  
FOR  
IMPROVEMENT AREA E  
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 within 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") E of Community Facilities District ("CFD") No. 10 of the Poway Unified School District ("District") resulting from the sale of the IA E 2002 Special Tax Bonds ("IA E Bonds") issued in October of 2002 in the amount of \$5,750,000. All capitalized terms herein are used as defined in the Rate and Method of Apportionment ("RMA") and the Bond Indenture ("Indenture") for IA E of CFD No. 10.

The IA E 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 E 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 E of CFD No.10 for Fiscal Year 2004-05, (ii) the financial obligations of IA E of CFD No. 10 for Fiscal Year 2005-06, and (iii) the amount of new development which has occurred within the boundaries of IA E 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 and accounts 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 E 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 E 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.

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

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The aggregate Annual Special Tax levy for Fiscal Year 2004-05 equaled \$387,472.04. A summary of the levy for Fiscal Year 2004-05 is shown in Table 1.

**TABLE 1**

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

<b>Zone</b>	<b>Land Use</b>	<b>Building Square Footage</b>	<b>Number of Units/Acres</b>	<b>Annual Special Tax Rate</b>	<b>Total Special Taxes</b>
A	Detached/Attached Unit	≤ 1,850	83	\$1,516.76	\$125,891.08
A	Detached/Attached Unit	> 1,850	35	\$1,816.32	\$64,271.20
A	Undeveloped Property	NA	.62	\$0.00	\$0.00
B	Detached/attached Unit	≤ 1,250	0	\$957.52	\$0.00
B	Detached/Attached Unit	1,251 – 1,550	96	\$1,332.92	\$127,960.32
B	Detached/Attached Unit	> 1,550	48	\$1,444.78	\$69,349.44
B	Undeveloped Property	NA	0.0000	\$0.00	\$0.00
<b>Total</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>\$387,472.04</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 \$10,129.54 resulting in a delinquency rate of 5.23% percent. DTA has concluded that IA E 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 E 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 Account and a Principal 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 E 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 Administration Expense Requirement of IA E 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 fund to the Reserve Requirement.
4. **Rebate Fund** – an amount, requested in writing by the District, to be used to pay rebate to the United States government.
5. **Administrative Expense Fund** – any additional amount needed to defray the costs of administering IA E of CFD No. 10 in excess of the Administrative Expense Requirement.

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 exceed 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 E Bonds, (ii) Maximum Annual Debt Service on the IA E Bonds, or (iii) one hundred twenty-five percent (125%) of the average annual debt service on the IA E Bonds. As of the date of the Report, the Reserve Requirement was \$555,754.91.

### A. Sources and Uses of Funds

Sources of funds for IA E of CFD No. 10 during the period of July 1, 2004, to May 1, 2005, totaled \$264,715.39. Of this amount, Special Tax receipts totaled \$255,809.18 and interest earnings totaled \$8,906.21. 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	\$1,071.63
Reserve Fund	\$3,579.29
Bond Fund	\$0.00
Cost of Issuance Fund	\$0.00
Improvement Fund	\$143.63
Redemption Fund	\$0.00
Interest Account	\$0.00
Principal Account	\$0.00
Capitalized Interest Subaccount	\$0.00
Rebate Fund	\$0.00
Administrative Expense Fund	\$395.71
Letter of Credit Fund	\$3,715.95
<b><i>Total</i></b>	<b><i>\$8,906.21</i></b>

Total uses of funds during the period of July 1, 2004, to May 1, 2005 was \$346,736.58. Of this amount, \$321,867.50 in interest was paid to bondholders, \$5,000.00 was used to pay principal of IA E Bond, \$7,154.89 was used to construct facilities, and \$12,714.19 was paid for legal/consulting/professional services. A detailed analysis of all transactions within the funds, accounts and subaccount for Fiscal Year 2004-05 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	\$95,528.34
Reserve Fund	\$553,166.68
Bond Fund	\$0.00
Cost of Issuance Fund	\$0.00
Improvement Fund	\$13,195.04
Redemption Fund	\$0.00
Rebate Fund	\$0.00
Interest Account	\$0.00
Principal Account	\$0.00
Administrative Expense Fund	\$45,323.48
Letter of Credit Fund	\$347,648.77
Capitalized Interest Subaccount	\$0.00



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

The Annual Special Tax Requirement of IA E of CFD No. 10 for Fiscal Year 2005-06 is equal to \$395,222.02. This amount represents (i) interest 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 of IA E 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>\$228,498.17</b>
Balance of Special Tax Fund (as of 5/01/05)	\$95,528.34	
Projected Special Tax Receipts	\$132,969.83	
<b>FY 2004-05 Remaining Obligations</b>		<b>\$228,498.17</b>
Interest Payment Due September 1, 2005	\$160,902.50	
Principal Payment Due September 1, 2005	\$15,000.00	
Direct Construction Funding	\$52,595.67	
<b><i>FY 2004-05 Surplus/(Draw on Reserve)</i></b>		<b><i>\$0.00</i></b>
<b>FY 2005-06 Obligations</b>		<b>\$395,222.02</b>
Interest Payment Due March 1, 2006	\$160,696.25	
Interest Payment Due September 1, 2006	\$160,696.25	
Principal Payment Due September 1, 2006	\$20,000.00	
Administrative Expense Budget for Fiscal Year 2005-06	\$15,918.12	
Direct Construction Funding	\$37,911.40	
<b><i>Annual Special Tax Requirement for FY 2005-06</i></b>		<b><i>\$395,222.02</i></b>

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## IV. SPECIAL TAX CLASSIFICATIONS AND DEVELOPMENT UPDATE

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IA E of CFD No. 10 encompasses approximately 39.53 gross acres of land within the City of San Diego ("City"). At build-out IA E of CFD NO. 10 is expected to be developed with 267 Units.

### A. Special Tax Classifications

Each Fiscal Year, the District calculates the Annual Special Taxes to be levied against Taxable Property within IA E 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 two (2) separate zones. Each zone contains multiple tax classes 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>
A	Detached/Attached Unit	≤ 1,850
A	Detached/Attached Unit	> 1,850
B	Detached/Attached Unit	≤ 1,250
B	Detached/Attached Unit	1,251 – 1,550
B	Detached/Attached Unit	>1,550

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 E 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 May 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 E 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, 2005, the City had issued 262 building permits for Units within IA E of CFD No. 10. Accordingly, IA E of CFD No. 10 is 98.13% built-out as of Fiscal Year 2005-06. Table 6 lists the status of Developed Property in IA E of CFD No. 10 by Special Tax class for Fiscal Years 2003-04 through 2005-06.

**TABLE 6**

**STATUS OF DEVELOPED PROPERTY**

<b>Zone</b>	<b>Land Use</b>	<b>Building Square Footage</b>	<b>Fiscal Year 2003-04</b>	<b>Fiscal Year 2004-05</b>	<b>Fiscal Year 2005-06</b>
A	Detached/Attached Unit	≤ 1,850	0 Units	83 Units	83 Units
A	Detached/Attached Unit	> 1,850	0 Units	35 Units	35 Units
A	Undeveloped Property	NA	20.578 Acres	0.620 Acres	0.620 Acres
B	Detached/Attached Unit	≤ 1,250	0 Units	0 Units	0 Units
B	Detached/Attached Unit	1,251 – 1,550	0 Units	96 Units	96 Units
B	Detached/Attached Unit	>1,550	0 Units	48 Units	48 Units
B	Undeveloped Property	NA	0.000 Acres	0.000 Acres	0.000 Acres

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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 E 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 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 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. The step states that the Annual Special Tax on each Assessor's Parcel of 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 E 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  
FOR FISCAL YEAR 2005-06**

<b>Zone</b>	<b>Land Use</b>	<b>Building Square Footage</b>	<b>Special Tax</b>
A	Detached/Attached Unit	≤ 1,850	\$1,547.10 per Unit
A	Detached/Attached Unit	> 1,850	\$1,873.04 per Unit
A	Undeveloped Property	NA	\$0.00 per Unit
B	Detached/Attached Unit	≤ 1,250	\$976.68 per Unit
B	Detached/Attached Unit	1,251 – 1,550	\$1,359.58 per Unit
B	Detached/Attached Unit	> 1,550	\$1,473.68 per Unit
B	Undeveloped Property	NA	\$0.00 per Acre

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**EXHIBIT A**

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

**EXHIBIT B**

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