

**FISCAL YEAR 2005-06  
ADMINISTRATION REPORT  
FOR  
IMPROVEMENT AREA A  
OF  
COMMUNITY FACILITIES DISTRICT No. 11  
OF  
POWAY UNIFIED SCHOOL DISTRICT**

**June 27, 2005**

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ADMINISTRATION REPORT  
FOR  
IMPROVEMENT AREA A  
OF  
COMMUNITY FACILITIES DISTRICT No. 11**

**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") A of Community Facilities District ("CFD") No. 11 of the Poway Unified School District ("District") resulting from the sale of the 2004 Special Tax Bonds ("Bonds") issued in March 2004 in the amount of \$11,000,000. 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. 11.

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. 11. In calculating the Annual Special Tax Requirement for Fiscal Year 2005-06, the Report describes (i) the financial obligations of the current Fiscal Year, (ii) the financial obligations of IA A of CFD No. 11 for Fiscal Year 2005-06, and (iii) the amount of new development which has occurred within the boundaries of IA A of CFD No. 11.

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.

### **Section II**

Section II examines the financial activity in the funds and accounts established pursuant to the Indenture between Zions First National Bank ("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. 11 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. 11.

### **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 \$147,458.32. 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>Building Square Feet</b>	<b>Number of Unit/Acres</b>	<b>Annual Special Tax Rate</b>	<b>Total Special Taxes</b>
≤2,650	0	\$1,877.06	\$0.00
2,651 – 3,000	15	\$2,076.12	\$31,141.80
3,001 – 3,250	20	\$2,182.30	\$43,646.00
3,251 – 3,500	15	\$2,401.26	\$36,018.90
3,501 – 3,750	6	\$2,726.46	\$16,358.76
3,751 – 4,000	7	\$2,898.98	\$20,292.86
4,001 – 4,250	0	\$3,031.68	\$0.00
4,251 – 4,500	0	\$3,164.38	\$0.00
4,501 – 4,750	0	\$3,234.02	\$0.00
>4,750	0	\$3,303.66	\$0.00
<b>NA</b>	<b>63</b>	<b>NA</b>	<b>\$147,458.32</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. There were no Special Tax delinquencies for the first installment. DTA has concluded that IA A of CFD No. 11 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. 11. They are the Administrative Expense Fund, Bond Service Fund, Cost of Issuance Fund, Improvement Area A Infrastructure Improvement Fund, Rebate Fund, Reserve Fund, Redemption Fund, Letter of Credit Fund, and Improvement Area A Special Tax Fund. In addition, within the Bond Fund, an Interest Account and Principal Account were created, and 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. 11 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 following amount and priority.

1. **Administrative Expense Fund** – an amount equal to the Administrative Expense Requirement for that Fiscal Year;
2. **Bond Service Fund** – an amount taking into account any amounts then on deposit, sufficient to meet the principal, premium, if any, and interest due on the Bonds 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. 11.

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 to construct Supplemental School Facilities.

The Reserve Requirement is an amount equal to the lesser of (i) ten percent (10%) of the original proceeds of the Bonds, (ii) Maximum Annual Debt Service on the Bonds, or (iii) one hundred and twenty-five percent (125%) of the average annual debt service on the Bonds. As of the date of the Report, the Reserve Requirement was \$996,000.42.

### A. Sources and Uses of Funds

Sources of funds for IA A of CFD No. 11 during the period of July 1, 2004, to May 1, 2005, totaled \$123,921.50. This amount consisted of \$94,954.59 in Special Taxes and \$28,966.91 in interest earnings.

Total uses of funds for this period was \$2,204,178.22. Of this amount, \$524,853.98 of interest was paid to bondholders, \$1,612,440.21 was used to construct facilities and \$66,884.03 was paid for legal/consulting/professional services. 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 1.

**TABLE 1**

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

<b>Funds, Accounts and Subaccount</b>	<b>Balance</b>
Special Tax Fund	\$95,295.94
Reserve Fund	\$985,886.92
Bond Fund	\$0.00
Infrastructure Improvement Account	\$0.00
Redemption Fund	\$0.00
Rebate Fund	\$0.00
Administrative Expense Fund	\$20,472.04
Letter of Credit Fund	\$3.00
Interest Account	\$20.95
Principal Account	\$0.00
Capitalized Interest Subaccount	\$353,845.77
Cost of Issuance Fund	\$0.00

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

The Annual Special Tax Requirement of IA A of CFD No. 11 for Fiscal Year 2005-06 is equal to \$443,100.24. This amount represents (i) interest payments due to bondholders in Calendar Year 2006 and (ii) anticipated Administrative Expenses for Fiscal Year 2005-06. Table 2 shows the calculation of the Annual Special Tax Requirement for IA A of CFD No. 11 for Fiscal Year 2005-06.

**TABLE 2**

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

<b>FY 2004-05 Current and Projected Funds</b>		<b>\$515,666.39</b>
Balance of Capitalized Interest Subaccount (as of 5/1/05)	\$353,845.77	
Balance of Interest Account (as of 5/01/05)	\$20.95	
Balance of Special Tax Fund (as of 5/01/05)	\$95,295.94	
Projected Special Tax Receipts	\$66,503.73	
<b>FY 2004-05 Remaining Obligations</b>		<b>\$286,284.38</b>
Interest Payment Due September 1, 2005	\$286,284.38	
Principal Due September, 1, 2005	\$0.00	
<b><i>FY 2004-05 Surplus/(Draw on Reserve)</i></b>		<b><i>\$229,382.01</i></b>
<b>FY 2005-06 Obligations</b>		<b>\$672,482.25</b>
Interest Payment Due March 1, 2006	\$286,284.38	
Interest Payment Due September 1, 2006	\$286,284.38	
Principal Due September 1, 2006	\$30,000.00	
Administrative Expense Budget for Fiscal Year 2005-06	\$20,400.00	
Remaining Surplus <sup>1</sup>	\$49,513.49	
<b><i>Annual Special Tax Requirement for FY 2005-06</i></b>		<b><i>\$443,100.24</i></b>
<sup>1</sup> Per the Indenture, these Funds will be retained and made available to satisfy the Annual Special Tax Requirement for Fiscal Year 2006-07.		



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## IV. SPECIAL TAX CLASSIFICATIONS AND DEVELOPMENT UPDATE

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IA A of CFD No. 11 encompasses approximately 278 gross acres of land within the City of San Diego ("City"). At build-out, IA A of CFD No. 11 is expected to be developed with 277 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. 11. The RMA defines two (2) categories of Taxable Property, "Developed Property" and "Undeveloped Property". Developed Property is in turn divided into ten (10) tax classes, which vary with the size of the Unit. The Special Tax classifications of Developed Property are shown in Table 3.

**TABLE 3**

**SPECIAL TAX CLASSES OF DEVELOPED PROPERTY**

<b>Tax Class</b>	<b>Building Square Footage</b>
1	≤ 2,650
2	2,651 – 3,000
3	3,001 – 3,250
4	3,251 – 3,500
5	3,501 – 3,750
6	3,751 – 4,000
7	4,001 – 4,250
8	4,251 – 4,500
9	4,501 – 4,750
10	> 4,750

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. 11 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. 11 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 Building Permits for 181 Units. Accordingly, IA A of CFD No. 11 is 65.34% percent built-out for Fiscal Year 2005-06. Table 4 lists the Developed Property of IA A of CFD No. 11 by Special Tax class for Fiscal Year 2005-06.

**TABLE 4**

**STATUS OF DEVELOPED PROPERTY**

<b>Tax Class</b>	<b>Building Square Footage</b>	<b>Fiscal Year 2005-06</b>
1	≤ 2,650	0
2	2,651 – 3,000	36
3	3,001 – 3,250	49
4	3,251 – 3,500	42
5	3,501 – 3,750	27
6	3,751 – 4,000	27
7	4,001 – 4,250	0
8	4,251 – 4,500	0
9	4,501 – 4,750	0
10	> 4,750	0
<b>Total</b>	<b>NA</b>	<b>181</b>

## V. METHOD OF APPORTIONMENT

Section F of the RMA apportions the Annual Special Tax Requirement to the Taxable Property of IA A of CFD No. 11 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. This 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 A of CFD No. 11 for Fiscal Year 2005-06 are shown in Table 5. The Annual Special Tax roll, which lists the actual Annual Special Tax levied against each Assessor's Parcel, is included as Exhibit B.

**TABLE 5**

**ANNUAL SPECIAL TAX RATES**

Unit Type	Building Square Footage	FY 2005-06 Special Tax
1	≤ 2,650	\$1,914.60 per Unit
2	2,651 – 3,000	\$2,117.64 per Unit
3	3,001 – 3,250	\$2,225.94 per Unit
4	3,251 – 3,500	\$2,449.28 per Unit
5	3,501 – 3,750	\$2,780.98 per Unit
6	3,751 – 4,000	\$2,956.96 per Unit
7	4,001 – 4,250	\$3,092.32 per Unit
8	4,251 – 4,500	\$3,227.68 per Unit
9	4,501 – 4,750	\$3,298.70 per Unit
10	> 4,750	\$3,369.74 per Unit
Undeveloped Property	52.8739	\$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**