

**FISCAL YEAR 2005-06  
ADMINISTRATION REPORT  
FOR  
COMMUNITY FACILITIES DISTRICT NO. 5  
OF  
POWAY UNIFIED SCHOOL DISTRICT**

**June 27, 2005**

**FISCAL YEAR 2005-06  
ADMINISTRATION REPORT  
FOR  
COMMUNITY FACILITIES DISTRICT No. 5**

**PREPARED FOR**

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**June 27, 2005**

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## **EXHIBITS**

**Exhibit A:** Summary of CFD No. 5 Transactions to Funds and Accounts Fiscal Year 2004-05

**Exhibit B:** Summary of the Authority Transactions to Funds and Accounts Fiscal Year 2004-05

**Exhibit C:** 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 Community Facilities District ("CFD") No. 5 of the Poway Unified School District ("School District") for the Series 2003 Local Obligation Bonds ("Local Bonds") issued in March of 2003 in the amount of \$1,670,000. Concurrent with the Local Bonds, the Poway Unified School District Public Financing Authority ("Authority") issued the Series 2003 Revenue Bonds ("Authority Bonds") in the amount of \$21,335,000. The proceeds of the Authority Bonds were used to purchase the 2003 Local Obligation Bonds of CFD Nos. 2, 3, 5, and 7. The Authority Bonds are secured by the interest and principal payments of CFD Nos. 2, 3, 5, and 7. All capitalized terms herein are used as defined in the Rate and Method of Apportionment ("RMA") for CFD No. 5, the Bond Indenture by and between US Bank N.A. ("Fiscal Agent"), and the District ("Indenture"), and the Indenture of Trust by and between the School District and US Bank N.A. ("Authority Trustee") ("Trust Agreement").

The bonded indebtedness of CFD No. 5 is secured and repaid through the annual levy and collection of Special Taxes from all Taxable Property within CFD No. 5. In calculating the Special Tax levy for Fiscal Year 2005-06, the Report describes (i) the remaining financial obligations of CFD No. 5 for Fiscal Year 2004-05, (ii) the financial obligations of CFD No. 5 for Fiscal Year 2005-06 and (iii) the amount of new development which has occurred within the boundaries of CFD No. 5.

The Report is organized into the following sections:

### **Section I**

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

### **Sections II and III**

Sections II and III examine the financial activity in the funds and accounts established pursuant to the Indenture and the Trust Agreement, respectively. A Fiscal Year summary is provided which lists all disbursements, Annual Special Tax receipts, and interest earnings.

### **Section IV**

Section IV calculates the financial obligations of CFD No. 5 for Fiscal Year 2005-06.

### **Section V**

Section V provides (i) a description of the Special Tax classifications and (ii) an update of the development which has occurred in CFD No. 5.

### **Section VI**

Section VI describes the Annual Special Tax rates and reviews the methodology used to levy the Annual Special Tax on Developed 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 \$125,040.80. A summary of the levy is shown in Table 1.

**TABLE 1**

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

<b>Land Use</b>	<b>Number of Units</b>	<b>Average Annual Special Tax</b>	<b>Total Taxes</b>
Developed Property	150 units	\$833.61	\$125,040.80

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 Annual Special Tax delinquencies for the first installment equaled \$2,086.88, resulting in a delinquency rate of 3.34% percent. DTA has concluded that CFD No. 5 will be able to meet its remaining obligations for Fiscal Year 2004-05.

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## II. CFD No. 5 FUNDS AND ACCOUNTS

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The Indenture established seven (7) funds for CFD No. 5. They are the Bond Service Fund, School Facilities Fund, Cost of Issuance Fund, Redemption Fund, Special Tax Fund, Surplus Special Tax Fund, and Administrative Expense Fund. In addition, an Interest Account and a Principal Account were created within the Bond Service Fund.

All receipts from the collection of Annual Special Taxes for CFD No. 5 are deposited in the Special Tax Fund. Pursuant to the Indenture, the Fiscal Agent will transfer Annual Special Tax receipts to the funds and accounts in the amounts and priority set forth below:

1. **Administrative Expense Fund**— an amount equal to the Administrative Expense Requirement of CFD No. 5 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 Local bonds on the next interest payment date;
3. **Authority Trustee** – an amount, if any, needed to make up any prior deficiency in the scheduled payment of interest on principal of the Local Bonds;
4. **Authority Trustee** – an amount, if any, needed to pay any Guaranty Agreement Reimbursements due pursuant to the Funding Agreement;
5. **Authority Trustee** – an amount equal to the Proportionate Share of any Excess Authority Rebate Obligation attributable to CFD No. 5 that is or will become due and payable in the next Bond Year;
6. **Administrative Expense Fund** – an amount, in excess of the Administrative Expense Requirement, needed to defray the costs of administering CFD No. 5; and
7. **Authority Trustee** – an amount, in excess of the Administrative Expense Requirement, equal to the Proportionate Share of the cost of administering the Authority attributable to CFD No. 5 for that Fiscal Year.

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 amount needed to satisfy priorities 1-7 above, then excess funds shall be transferred to the Surplus Special Tax Fund to be used to construct school facilities.

### A. Sources and Uses of Funds

The sources of funds for CFD No. 5 for the period of July 1, 2004 to May 1, 2005 totaled \$90,499.65. Of this amount, Annual Special Tax receipts accounted for \$89,298.00 and interest earnings totaled \$1,201.65. Table 2 lists the interest earnings for each fund and account.

**TABLE 2**

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

<b>Funds and Accounts</b>	<b>Interest Earnings</b>
Administrative Expense Fund	\$267.90
Bond Service Fund	\$0.00
Redemption Fund	\$0.00
Interest Account	\$0.00
Principal Account	\$0.00
School Facilities Fund	\$0.00
Surplus Special Tax Fund	\$0.00
Cost of Issuance Fund	\$0.00
Special Tax Fund	\$933.75
<b><i>Total</i></b>	<b><i>\$1,201.65</i></b>

Total uses of funds for CFD No. 5 for the period of July 1, 2004 to May 1, 2005 totaled \$102,128.62. Of this amount, \$69,487.50 of interest was paid and \$20,000.00 was paid in principal on the Local Bonds and \$12,641.12 was paid for legal/consultation/professional services. A detailed analysis of all transactions within the funds and accounts for this period is included as Exhibit A.

**B. Account Balances**

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

**TABLE 3**

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

<b>Funds and Accounts</b>	<b>Balances</b>
Administrative Expense Fund	\$36,784.56
Bond Service Fund	\$0.00
Interest Account	\$0.00
Principal Account	\$0.00
School Facilities Fund	\$0.00
Surplus Special Tax Fund	\$0.00
Cost of Issuance Fund	\$0.00
Redemption Fund	\$0.00
Special Tax Fund	\$90,896.87
<b><i>Total</i></b>	<b><i>\$127,681.43</i></b>



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### III. AUTHORITY FUNDS AND ACCOUNTS

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The Trust Agreement established seven (7) funds for the Authority. They are the Administrative Expense Fund, Authority School Facilities Fund, Bond Fund, Program Fund, Rebate Fund, Reserve Fund, and Revenue Fund. In addition, within the Bond Fund an Interest Account, a Principal Account, and a Redemption Account were created and within the Program Fund, a Cost of Issuance Account and a Purchase Account were created.

The Authority Trustee shall deposit all revenues in the Revenue Fund. Pursuant to the Trust Agreement, the Authority Trustee shall transfer the revenues to other funds and accounts in the amounts and order of priority set forth below:

1. **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 Authority Bonds on the next interest payment date;
2. **Reserve Fund**– an amount, taking into account any amounts then on deposit, that may be necessary to replenish this fund to the Reserve Requirement;
3. **Rebate Fund** – an amount needed to bring the balance in this fund to the Rebate Requirement.
4. **Administrative Expense Fund** – an amount needed to defray the cost of administering the Authority; and
5. **Residual Account** – any remaining funds to be available for the construction of school facilities.

The Reserve Requirement is an amount equal to the lesser of (i) 125% of the average annual debt service, (ii) Maximum Annual Debt Service, or (iii) 10% of the net proceeds of the Authority Bonds. As of the date of the Report, the Reserve Requirement for the Authority was \$1,886,046.17 and is being satisfied in part by a reserve fund surety policy securing fifty percent (50%) of the Reserve Requirement.

#### A. Sources and Uses of Funds

The sources of funds for the Authority for the period of July 1, 2004 to May 1, 2005 totaled \$1,242,212.67. Of this amount, Special Tax receipts received from CFD Nos. 2, 3, 5 and 7 accounted for \$1,145,988.76, interest earnings totaled \$96,223.91. Table 4 lists the interest earnings for each fund and account.

**TABLE 4**

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

<b>Funds and Accounts</b>	<b>Interest Earnings</b>
Interest Account	\$42.64
Principal Account	\$0.00
Purchase Fund	\$0.00
Rebate Fund	\$0.00
Redemption Fund	\$0.00
Reserve Fund	\$27,170.84
Administrative Expense Fund	\$0.00
Authority School Facilities	\$69,010.43
Cost of Issuance Fund	\$0.00
Residual Fund	\$0.00
Revenue Fund	\$0.00
<b><i>Total</i></b>	<b><i>\$96,223.91</i></b>

Total uses of funds for the Authority from July 1, 2004 to May 1, 2005 totaled \$7,275,386.03. Of this amount, \$890,988.76 of interest and \$255,000.00 in principal was paid on the Authority Bonds, \$6,125,477.49 was used to construct facilities and \$3,919.78 was paid for legal/consulting/professional services. A detailed analysis of all transactions within the funds and accounts for this period is included as Exhibit B.

**B. Account Balances**

Authority balances as of May 1, 2005, in the funds and accounts established pursuant to the Trust Agreement are shown in Table 5.

**TABLE 5**

**FUNDS AND ACCOUNT BALANCES  
AS OF MAY 1, 2005**

<b>Funds and Accounts</b>	<b>Balances</b>
Interest Account	\$42.64
Principal Account	\$0.00
Purchase Fund	\$0.00
Rebate Fund	\$0.00
Redemption Fund	\$0.00
Reserve Fund	\$980,249.36
Residual Account	\$0.00
Revenue Fund	\$0.00
Administrative Expense Fund	\$2.00
Authority School Facilities Fund	\$1,759,400.68
Costs of Issuance Fund	\$0.00
<b>Total</b>	<b>\$2,739,694.68</b>

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## IV. FINANCIAL OBLIGATIONS FOR FISCAL YEAR 2005 - 06

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The financial obligation of CFD No. 5 for Fiscal Year 2005-06 is equal to \$127,541.96. 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) funds to construct school facilities. Table 6 shows the calculation of the financial obligations of CFD No. 5 for Fiscal Year 2005-06.

**TABLE 6**

**FINANCIAL OBLIGATIONS  
FOR FISCAL YEAR 2005-06**

<b>FY 2004-05 Current and Projected Funds</b>		<b>\$132,920.26</b>
Balance of Interest Account (as of 05/01/05)	\$0.00	
Balance of Special Tax Fund (as of 05/01/05)	\$90,896.87	
Projected Special Tax Receipts	\$42,023.39	
<b>FY 2004-05 Remaining Obligations</b>		<b>\$132,920.26</b>
Interest Due September 1, 2005	\$34,643.75	
Principal due September 1, 2005	\$25,000.00	
Direct Construction Funding	\$73,276.51	
<b><i>FY 2004-05 Surplus/(Draw on Reserve)</i></b>		<b><i>\$0.00</i></b>
<b>FY 2005-06 Obligations</b>		<b>\$127,541.96</b>
Interest Due March 1, 2006	\$34,393.75	
Interest Due September 1, 2006	\$34,393.75	
Principal Due September 1, 2006	\$25,000.00	
Administrative Expense Budget for Fiscal Year 2005-06	\$20,000.00	
Direct Construction Funding	\$13,754.46	
<b><i>Annual Special Tax Requirement FY 2005-06</i></b>		<b><i>\$127,541.96</i></b>

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## **V. SPECIAL TAX CLASSIFICATIONS AND DEVELOPMENT UPDATE**

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CFD No. 5 encompasses approximately 166 gross acres of land located in the County. At build-out, CFD No. 5 is expected to be developed with 150 residential units.

### **A. Special Tax Classifications**

Each Fiscal Year, the District calculates the Annual Special Taxes to be levied against Taxable Property within CFD No. 5. The RMA defines two (2) categories of Taxable Property, "Developed Property" and "Undeveloped Property". 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 CFD No. 5 for which a building permit has been issued as of January 1 of the previous Fiscal Year. For example, all Assessor's Parcels in CFD No. 5 for which a building permit was issued as of January 1, 2005, will be classified as Developed Property in Fiscal Year 2005-06.

### **B. Development Update**

As of January 1, 2002, the County had issued building permits for 150 units. Accordingly, CFD No. 5 was built-out as of Fiscal Year 2002-03.

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## **VI. METHOD OF APPORTIONMENT**

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Section D of the RMA outlines how the Special Tax is levied on Developed Property. The Annual Special Tax shall be levied against each parcel of Developed Property at the Maximum Annual Special Tax rate applicable to such Assessor's Parcel.

The Annual Special Tax rates of CFD No. 5 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 C.

**TABLE 7**

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

<b>Land Use</b>	<b>Average Annual Special Tax</b>
Developed Property	\$850.28 per Unit

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**EXHIBIT A**

**CFD No. 5 SUMMARY OF TRANSACTIONS TO FUNDS AND ACCOUNTS  
FISCAL YEAR 2004-05**

**EXHIBIT B**

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



**EXHIBIT C**

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