

**FISCAL YEAR 2005-06
ADMINISTRATION REPORT
FOR
IMPROVEMENT AREA A
OF
COMMUNITY FACILITIES DISTRICT NO. 6
OF
POWAY UNIFIED SCHOOL DISTRICT**

June 27, 2005

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FOR
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PREPARED FOR

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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

INTRODUCTION

This Administration Report ("Report") provides an analysis of the financial and administrative obligations of Improvement Area ("IA") A of Community Facilities District ("CFD") No. 6 of the Poway Unified School District ("District") resulting from the sale of IA A 2002 Special Tax Bonds ("IA A Bonds") issued in December 2002 in the amount of \$18,000,000. 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. 6.

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. 6. 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. 6 of Fiscal Year 2004-05, (ii) the financial obligations of IA A of CFD No. 6 for Fiscal Year 2005-06, and (iii) the amount of new development which has occurred within the boundaries of IA A of CFD No. 6.

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, 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. 6 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. 6.

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 Fiscal Year 2004-05 equaled \$1,163,113.39. 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

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

Unit Type	Building Square Feet	Number of Unit/Acres	Annual Special Tax Rate	Total Special Taxes
Detached Units	≤ 2,100	0	\$545.94	\$0.00
Detached Units	2,101 – 2,400	26	\$1,055.96	\$27,454.96
Detached Units	2,401 – 2,700	0	\$1,195.06	\$0.00
Detached Units	2,701 – 3,000	42	\$1,473.26	\$61,876.92
Detached Units	3,001 – 3,300	95	\$1,705.08	\$161,982.60
Detached Units	3,301 – 3,600	69	\$2,168.72	\$149,641.68
Detached Units	3,601 – 3,900	119	\$2,446.92	\$291,183.48
Detached Units	> 3,900	124	\$2,632.38	\$326,415.12
Attached Units	< 1,000	0	\$203.74	\$0.00
Attached Units	> 1,000	0	\$545.94	\$0.00
Undeveloped	NA	112.75	\$1,282.12	\$144,558.63
Total	NA	NA	NA	\$1,163,113.39

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 \$11,278.88, resulting in a delinquency rate of 1.94% percent. DTA has concluded that IA A of CFD No. 6 will be able to meet its remaining obligations for Fiscal Year 2004-05.

II. FUNDS AND ACCOUNTS

The Indenture established nine (9) funds for IA A of CFD No. 6. They are the Administrative Expense Fund, Bond Service Fund, Cost of Issuance Fund, Improvement Area A Improvement Fund, Rebate Fund, Reserve Fund, Redemption Fund, Letter of Credit Fund, and Improvement Area A Special Tax Fund. In addition, within the Bond Service Fund, an Interest Account and Principal Account were created, and within the Improvement Area A Improvement Fund, an Additional School Facilities Account and Infrastructure Improvement 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. 6 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 A of CFD No. 6 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. 6.

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 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 \$1,800,000.00.

A. Sources and Uses of Funds

Sources of funds for IA A of CFD No. 6 during the period of July 1, 2004, to May 1, 2005, totaled \$935,980.00. Of this amount, Special Tax receipts totaled \$852,744.63, interest earnings equaled \$22,735.37 and \$60,500.00 was deposited into Special Tax fund per instruction of Poway Unified School District dated July 01, 2004 as a temporary loan of funds from CFD No. 6.

TABLE 2

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

Funds, Accounts and Subaccount	Interest Earnings
Special Tax Fund	\$3,508.49
Reserve Fund	\$17,006.53
Bond Service Fund	\$0.00
Cost of Issuance Fund	\$70.94
Infrastructure Improvement Account	\$727.01
Additional School Facilities Account	\$1,236.54
Redemption Fund	\$0.00
Rebate Fund	\$0.00
Administrative Expense Fund	\$156.23
Letter of Credit Fund	\$0.00
Interest Account	\$0.00
Principal Account	\$0.00
Capitalized Interest Subaccount	\$0.00
Letter of Credit Account – Fieldstone	\$29.55
Letter of Credit Account – Buie	\$0.08
Total	\$22,735.37

Total uses of funds for this period totaled \$1,159,775.48. Of this amount, \$1,078,071.26 in interest was paid to bondholders, \$2,112.55 was used to construct additional school facilities, and \$18,713.15 was paid for legal/consulting/professional services. In addition \$60,863.00 was withdrawn from Fieldstone Letter of Credit account as a result of the release of a letter of credit on 7/30/04, and \$15.43 was withdrawn from Buie Letter of Credit account as payment to developer for interest accrued with that account. A detailed analysis of all transactions with in these funds and accounts 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**

Funds, Accounts and Subaccount	Balance
Special Tax Fund	\$313,377.81
Reserve Fund	\$1,807,429.02
Bond Fund	\$0.00
Infrastructure Improvement Account	\$75,104.76
Additional School Facilities Account	\$111,025.01
Redemption Fund	\$0.00
Rebate Fund	\$0.00
Administrative Expense Fund	\$27,926.24
Letter of Credit Fund	\$0.00
Interest Account	\$0.00
Principal Account	\$0.00
Capitalized Interest Subaccount	\$0.00
Cost of Issuance Fund	\$0.00
Letter of Credit Account – Fieldstone	\$0.00
Letter of Credit Account - Buie	\$0.00

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

The Annual Special Tax Requirement of IA A of CFD No. 6 for Fiscal Year 2005-06 is equal to \$1,118,071.26. This amount represents (i) interest payments due to bondholders in Calendar Year 2006, (ii) anticipated Administrative Expenses for Fiscal Year 2005-06, (iii) the repayment of additional Special Taxes to be transferred from CFD No. 6. Table 4 shows the calculation of the Annual Special Tax Requirement for IA A of CFD No. 6 for Fiscal Year 2005-06.

TABLE 4

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

FY 2004-05 Current and Projected Funds		\$599,535.63
Balance of Special Tax Fund (as of 5/01/05)	\$313,377.81	
Projected Special Tax Receipts	\$286,157.82	
FY 2004-2005 Remaining Obligations		\$599,535.63
Interest Payment Due September 1, 2005	\$539,035.63	
Reimbursement of Special Taxes	\$60,500.00	
<i>FY 2004-05 Surplus/(Draw on Reserve)</i>		<i>\$0.00</i>
FY 2004-05 Obligations		\$1,118,071.26
Interest Payment Due March 1, 2006	\$539,035.63	
Interest Payment Due September 1, 2006	\$539,035.63	
Principal Due September 1, 2006	\$15,000.00	
Administrative Expense Budget for Fiscal Year 2005-06	\$25,000.00	
<i>Annual Special Tax Requirement for FY 2005-06</i>		<i>\$1,118,071.26</i>

IV. SPECIAL TAX CLASSIFICATIONS AND DEVELOPMENT UPDATE

IA A of CFD No. 6 encompasses approximately 98.6 gross acres of land within the unincorporated portion of the County. At build-out IA A of CFD No. 6 is expected to be developed with 565 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. 6. 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 Unit type and Building Square Footage. The Special Tax classifications of Developed Property are shown in Table 5.

TABLE 5

SPECIAL TAX CLASSES OF DEVELOPED PROPERTY

Unit Type	Building Square Footage
Detached Unit	≤ 2,100
Detached Unit	2,101 – 2,400
Detached Unit	2,401 – 2,700
Detached Unit	2,701 – 3,000
Detached Unit	3,001 – 3,300
Detached Unit	3,301 – 3,600
Detached Unit	3,601 – 3,900
Detached Unit	> 3,900
Attached Unit	< 1,000
Attached Unit	> 1,000

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. 6 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. 6 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 County had issued Building Permits for 475 Units. Accordingly, IA A of CFD No. 6 is 84.07 percent built-out for Fiscal Year 2005-06. Table 6 lists the Developed Property of IA A of CFD No. 6 by Special Tax class for Fiscal Year 2003-04 through 2005-06.

TABLE 6

STATUS OF DEVELOPED PROPERTY

Unit Type	Building Square Footage	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06
Detached Unit	≤ 2,100	0 Units	0 Units	0 Units
Detached Unit	2,101 – 2,400	14 Units	26 Units	26 Units
Detached Unit	2,401 – 2,700	0 Units	0 Units	0 Units
Detached Unit	2,701 – 3,000	16 Units	42 Units	42 Units
Detached Unit	3,001- 3,300	34 Units	95 Units	95 Units
Detached Unit	3,301 – 3,600	24 Units	69 Units	69 Units
Detached Unit	3,601 – 3,900	36 Units	119 Units	119 Units
Detached Unit	> 3,900	39 Units	124 Units	124 Units
Attached Unit	< 1,000	0 Units	0 Units	0 Units
Attached Unit	> 1,000	0 Units	0 Units	0 Units
<i>Total</i>	<i>NA</i>	<i>163 Units</i>	<i>475 Units</i>	<i>475 Units</i>

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. 6 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 and second steps yield sufficient Special Taxes to satisfy the Annual Special Tax Requirement for Fiscal Year 2005-06. Specifically, IA A of CFD No. 6 needs to levy approximately 6.73% percent of the Assigned Annual Special Tax applicable to Undeveloped Property in Fiscal Year 2005-06. The Annual Special Tax rates of IA A of CFD No. 6 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

Unit Type	Building Square Footage	FY 2005-06 Special Tax
Detached Unit	≤ 2,100	\$556.86 per Unit
Detached Unit	2,101 – 2,400	\$1,077.08 per Unit
Detached Unit	2,401 – 2,700	\$1,218.96 per Unit
Detached Unit	2,701 – 3,000	\$1,502.72 per Unit
Detached Unit	3,001 – 3,300	\$1,739.18 per Unit
Detached Unit	3,301 – 3,600	\$2,212.10 per Unit
Detached Unit	3,601 – 3,900	\$2,495.86 per Unit
Detached Unit	> 3,900	\$2,685.04 per Unit
Attached Unit	< 1,000	\$207.82 per Unit
Attached Unit	< 1,000	\$556.86 per Unit
Undeveloped Property	NA	\$701.94 per acre

EXHIBIT A

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

EXHIBIT B

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