

**FISCAL YEAR 2002-03  
ADMINISTRATION REPORT  
FOR  
COMMUNITY FACILITIES DISTRICT NO. 10  
IMPROVEMENT AREA A  
OF  
POWAY UNIFIED SCHOOL DISTRICT**

**June 27, 2002**

**FISCAL YEAR 2002-03  
ADMINISTRATION REPORT  
FOR  
COMMUNITY FACILITIES DISTRICT NO. 10  
IMPROVEMENT AREA A**

**PREPARED FOR**

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### **EXHIBITS**

**Exhibit A:** Summary of Transactions to Funds and Accounts Fiscal Year 2001-02

**Exhibit B:** Annual Special Tax Roll Fiscal Year 2002-03

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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 within Community Facilities District ("CFD") No. 10 of the Poway Unified School District ("District") resulting from the sale of the IA A Special Tax Bonds ("IA A Bonds") issued in October of 2001 in the amount of \$9,700,000. All capitalized terms herein are used as defined in the Rate and Method of Apportionment ("RMA") and the Bond Indenture ("Indenture") for CFD No. 10 IA A of the District.

The CFD No. 10 IA A Bonds of are secured and repaid through the annual levy and collection of Special Taxes from all property subject to the Annual Special Tax within CFD No. 10 IA A. In calculating the Annual Special Tax levy for Fiscal Year 2002-03, the Report describes (i) the financial obligations of the current Fiscal Year and (ii) the amount of new development which has occurred within the boundaries of CFD No. 10 IA A.

The Report is organized into the following sections:

## **Section I**

Section I provides a description of the Fiscal Year 2001-02 Annual Special Tax levy, including any delinquent Annual Special Taxes and actions being taken to bring such delinquent Annual Special Taxes current.

## **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 CFD No. 10 IA A for Fiscal Year 2002-03.

## **Section IV**

Section IV provides (i) a description of the Special Tax classifications and (ii) an update of the development which has occurred in CFD No. 10 IA A.

## **Section V**

Section V describes the Maximum 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. FISCAL YEAR 2001-02 ANNUAL SPECIAL TAX LEVY**

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CFD No. 10 IA A did not levy an Annual Special Tax in Fiscal Year 2001-02. CFD No. 10 IA A will be levying an Annual Special Tax for the first time in Fiscal Year 2002-03.

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## II. FUNDS AND ACCOUNTS

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The Indenture established nine (9) funds for CFD No. 10 IA A. 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 Interest Account, Principal Account, and a Prepayments Account was created. Additionally, within the Interest Account, a Capitalized Interest Sub-account was created.

All receipts from the collection of Annual Special Taxes for CFD No. 10 IA A 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 Taxes receipts to the funds in the amount and priority set forth below.

1. **Administrative Expense Fund** – an amount necessary to defray the District's cost of administering CFD No. 10 IA A 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.

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 twenty-five percent (125%) of the average annual debt service on the Bonds. As of the date of the Report, the Reserve Requirement was \$948,539.85.

### A. Sources and Uses of Funds

Sources of funds for CFD No. 10 IA A during the period of July 1, 2001, through May 1, 2002, totaled \$9,605,801, consisting of \$9,516,417 in Bond Proceeds and \$89,384 in interest earnings. (Table 1 shows the Bond Proceeds and Table 2 shows the interest earnings for each fund and account of CFD 10 IA A for the period stated above.)

**TABLE 1**

**BOND PROCEEDS**

<b>Funds and Accounts</b>	<b>Amount</b>
Reserve Fund	\$948,539.85
Costs of Issuance Fund	\$156,982.01
Improvement Fund	\$7,927,828.51
Capitalized Interest Sub-account	\$468,06.13
Administrative Expense Fund	\$15,000.00
<b><i>Total Bond Proceeds</i></b>	<b><i>\$9,516,416.50</i></b>

**TABLE 2**

**INTEREST EARNINGS**

<b>Funds and Accounts</b>	<b>Interest Earnings</b>
Special Tax Fund	\$11.04
Reserve Fund	\$11,562.13
Bond Fund	\$0.00
Cost of Issuance Fund	\$18,057.06
Improvement Fund	\$56,494.45
Redemption Fund	\$0.00
Rebate Fund	\$0.00
Administrative Expense Fund	\$109.49
Letter of Credit Fund	\$0.00

Total uses of funds for Fiscal Year 2001-02 was \$6,793,892. Of this amount, \$201,859 in interest was paid to bondholders, while \$6,425,254 was used for the construction of facilities.

A detailed analysis of all transactions within these funds and accounts for Fiscal Year 2001-02 is included as Exhibit A.

## **B. Account Balances**

The balances as of May 1, 2002, in the funds and accounts established pursuant to the Indenture are shown in Table 3.

**TABLE 3**

**FUND AND ACCOUNT BALANCES**

<b>Funds and Accounts</b>	<b>Balances</b>
Special Tax Fund	\$11.04
Reserve Fund	\$956,413.94
Bond Fund	\$0.00
Cost of Issuance Fund	\$17,880.72
Improvement Fund	\$1,553,135.99
Redemption Fund	\$0.00
Rebate Fund	\$0.00
Administrative Expense Fund	\$15,109.49
Letter of Credit Fund	\$0.00



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### III. FISCAL YEAR 2002-03 SPECIAL TAX REQUIREMENT

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The Annual Special Tax Requirement of CFD No. 10 IA A for Fiscal Year 2002-03 is equal to \$611,740.00. This amount represents (i) interest payments due to bondholders in Calendar Year 2003 and (ii) anticipated Administrative Expenses for Fiscal Year 2002-03. Table 4 shows the calculation of the Annual Special Tax Requirement for CFD No. 10 IA A for Fiscal Year 2002-03.

**TABLE 4**

**ANNUAL SPECIAL TAX REQUIREMENT**

<b>FY 2001-02 Current and Expected Funds</b>	<b>\$288,370.00</b>
Bond Fund Balance (5/1/02)	\$0.00
Special Tax Fund Balance (5/1/02)	\$11.04
Capitalized Interest Sub-account Balance (5/1/02)	\$269,357.22
Expected FY 2001-02 Special Tax Receipts	\$0.00
Excess Reserve Fund Balance	\$7,873.94
Expected Interest Earnings	\$11,127.80
<b>FY 2001-2002 Remaining Obligations</b>	<b>(\$288,370.00)</b>
Interest Payment Due September 1, 2002	(\$288,370.00)
Principal Payment Due September 1, 2002	\$0.00
<b><i>FY 2001-02 Surplus/(Draw on Reserve)</i></b>	<b><i>\$0.00</i></b>
<b>FY 2002-03 Uses Of Funds</b>	<b>(\$611,740.00)</b>
Interest Payment Due March 1, 2003	(\$288,370.00)
Interest Payment Due September 1, 2003	(\$288,370.00)
Interest Payment Due September 1, 2003	(\$5,000.00)
Administrative Expense Budget for Fiscal Year 2002-03	(\$30,000.00)
<b><i>2002-03 Annual Special Tax Requirement</i></b>	<b><i>(\$611,740.00)</i></b>

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## IV. SPECIAL TAX CLASSIFICATIONS AND DEVELOPMENT UPDATE

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CFD No. 10 IA A encompasses approximately 187 gross acres of land within the City of San Diego ("City"). CFD No. 10 IA A includes four (4) subdivisions encompassing 366 residential lots.

### A. Special Tax Classifications

Each Fiscal Year the District calculates the Annual Special Taxes to be levied against Taxable Property within CFD No. 10 IA A. The RMA defines two (2) categories of Taxable Property, "Developed Property" and "Undeveloped Property". Developed Property is in turn divided into three (3) separate rate zones containing thirteen (13) tax classes, which vary with unit size. The Special Tax classifications of Developed Property is shown in Table 5.

**TABLE 5**

**SPECIAL TAX CLASSES OF DEVELOPED PROPERTY**

<b>Zone</b>	<b>Land Use</b>	<b>Building Square Footage</b>
1	Developed Property	≤ 3,000
1	Developed Property	3,001 – 3,300
1	Developed Property	> 3,300
2	Developed Property	≤ 2,400
2	Developed Property	2,401 – 2,600
2	Developed Property	2,601 – 2,800
2	Developed Property	2,801 – 3,100
2	Developed Property	3,101 – 3,400
2	Developed Property	> 3,400
3	Developed Property	≤ 1,700
3	Developed Property	1,701 – 1,850
3	Developed Property	1,851 – 2,000
3	Developed Property	> 2,000

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 CFD No. 10 IA A 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 CFD No. 10 IA A for which a building permit was issued as of May 1, 2002, will be classified as Developed Property in Fiscal Year 2002-03.

## **B. Development Update**

As of May 1, 2002, the City had issued building permits for 189 residential units. This equates to 51 percent build-out for Fiscal Year 2002-3. Table 6 lists the Developed Property of CFD No. 10 IA A by Special Tax class for Fiscal Year.

**TABLE 6**

**STATUS OF DEVELOPED PROPERTY**

<b>Zone</b>	<b>Building Square Footage</b>	<b>Number of Units</b>
1	≤ 3,000 s.f.	22
1	3,001 – 3,300 s.f.	0
1	> 3,300 s.f.	26
2	≤ 2,400 s.f.	17
2	2,401 – 2,600 s.f.	6
2	2,601 – 2,800 s.f.	28
2	2,801 – 3,100 s.f.	31
2	3,101 – 3,400 s.f.	0
2	> 3,400 s.f.	55
3	≤ 1,700 s.f.	1
3	1,701 – 1,850 s.f.	1
3	1,851 – 2,000 s.f.	0
3	> 2,000 s.f.	2

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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 CFD No. 10 IA A 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 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 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 Annual Special Tax Requirement.

Application of the first two (2) steps yields sufficient Special Taxes to satisfy the Annual Special Tax Requirement for Fiscal Year 2002-03. The Annual Special Tax rates of CFD No. 10 IA A for Fiscal Year 2002-03 are shown in Table 6. 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**

<b>Zone</b>	<b>Land Use</b>	<b>Building Square Footage</b>	<b>FY 2002-03 Special Tax</b>
1	Developed Property	≤ 3,000	\$2,102.62 per acre
1	Developed Property	3,001 – 3,300	\$2,332.97 per acre
1	Developed Property	> 3,300	\$2,563.34 per acre
1	Undeveloped Property	NA	\$7,126.82 per acre
2	Developed Property	≤ 2,400	\$1,411.53 per acre
2	Developed Property	2,401 – 2,600	\$1,641.89 per acre
2	Developed Property	2,601 – 2,800	\$1,795.47 per acre
2	Developed Property	2,801 – 3,100	\$2,025.83 per acre
2	Developed Property	3,101 – 3,400	\$2,179.40 per acre
2	Developed Property	> 3,400	\$2,486.56 per acre
2	Undeveloped Property	NA	\$11,623.75 per acre
3	Developed Property	≤ 1,700	\$605.35 per acre
3	Developed Property	1,701 – 1,850	\$682.13 per acre
3	Developed Property	1,851 – 2,000	\$835.70 per acre
3	Developed Property	> 2,000	\$912.48 per acre
3	Undeveloped Property	NA	\$4,112.72 per acre

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## **EXHIBIT A**

### **SUMMARY OF TRANSACTIONS TO FUNDS AND ACCOUNTS FISCAL YEAR 2001-02**

**EXHIBIT B**

**ANNUAL SPECIAL TAX ROLL  
FISCAL YEAR 2002-03**