

**FISCAL YEAR 2003-04  
ADMINISTRATION REPORT  
FOR  
IMPROVEMENT AREA E  
OF  
COMMUNITY FACILITIES DISTRICT NO. 10  
OF  
POWAY UNIFIED SCHOOL DISTRICT**

**June 18, 2003**

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ADMINISTRATION REPORT  
FOR  
IMPROVEMENT AREA E  
OF  
COMMUNITY FACILITIES DISTRICT No. 10**

**PREPARED FOR**

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**June 18, 2003**

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## **EXHIBITS**

**Exhibit A:** Summary of Transactions within Funds and Accounts 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") 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 2003-04, the Report describes (i) the financial obligations of the current Fiscal Year, (ii) the financial obligations of IA E of CFD No. 10 for Fiscal Year 2003-04, 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 2002-03.

### **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 2003-04.

### **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 2002-03**

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IA E of CFD No. 10 did not levy an Annual Special Tax in Fiscal Year 2002-03. IA E of CFD No. 10 will levy an Annual Special Tax for the first time in Fiscal Year 2003-04.

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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 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 \$543,803.

### A. Sources and Uses of Funds

Sources of funds for IA E of CFD No. 10 during the period of July 1, 2002, through May 1, 2003, totaled \$5,997,977.45. Of this amount, IA E Bond proceeds totaled \$5,632,125.00, interest earnings totaled \$5,264.36, accrued interest was paid on US Treasury Bonds in the amount of \$31.69 (DTA has determined the payment of accrued interest will not result in a net loss on investments), and \$340,619.78 was deposited into the Letter of Credit Fund. Table 1 shows the IA E Bond proceeds and Table 2 shows the interest earnings for each fund and account of IA E of CFD 10 for the period stated above.

**TABLE 1**

**BOND PROCEEDS**

<b>Funds and Accounts</b>	<b>Proceeds</b>
Reserve Fund	\$546,433.85
Costs of Issuance Fund	\$155,016.71
Improvement Fund	\$4,640,245.44
Capitalized Interest Subaccount	\$275,429.00
Administrative Expense Fund	\$15,000.00
<b><i>Total Bond Proceeds *</i></b>	<b><i>\$5,632,125.00</i></b>
* Amount excludes underwriter's discount.	

**TABLE 2**

**INTEREST EARNINGS**

<b>Funds and Accounts</b>	<b>Interest Earnings</b>
Special Tax Fund	\$0.0
Reserve Fund *	(\$31.69)
Bond Fund	\$0.00
Cost of Issuance Fund	\$356.06
Improvement Fund	\$2,849.06
Redemption Fund	\$0.00
Interest Account	\$0.00
Principal Account	\$0.00
Capitalized Interest Subaccount	\$0.00
Rebate Fund	\$0.00
Administrative Expense Fund	\$61.71
Letter of Credit Fund	\$898.32
* Payment of accrued interest.	

Total uses of funds during the period of July 1, 2002, to May 1, 2003 was \$4,663,483.31. Of this amount, \$114,464.01 in interest was paid to bondholders, \$4,403,546.87 was used to construct facilities, and \$145,472.43 was paid in legal/consulting/professional fees.

A detailed analysis of all transactions within these funds and accounts for Fiscal Year 2002-03 is included as Exhibit A.

**B. Account Balances**

The balances as of May 1, 2003, 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>Balance</b>
Special Tax Fund	\$0.00
Reserve Fund	\$544,674.30
Bond Fund	\$0.00
Cost of Issuance Fund	\$16,704.94
Improvement Fund	\$237,120.49
Redemption Fund	\$0.00
Rebate Fund	\$0.00
Interest Account	\$0.00
Principal Account	\$0.00
Administrative Expense Fund	\$12,412.11
Letter of Credit Fund	\$341,518.10
Capitalized Interest Subaccount	\$162,064.20



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### III. ANNUAL SPECIAL TAX REQUIREMENT FOR FISCAL YEAR 2003-04

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The Annual Special Tax Requirement of IA E of CFD No. 10 for Fiscal Year 2003-04 is equal to \$354,959.88. This amount represents (i) interest payments due to bondholders in Calendar Year 2004 and (ii) anticipated Administrative Expenses for Fiscal Year 2003-04. Table 4 shows the calculation of the Annual Special Tax Requirement of IA E of CFD No. 10 for Fiscal Year 2003-04.

**TABLE 4**

**ANNUAL SPECIAL TAX REQUIREMENT  
FOR FISCAL YEAR 2003-04**

<b>FY 2002-03 Current and Expected Funds</b>		<b>\$162,935.13</b>
Balance of Capitalized Interest Account (5/1/03)	\$162,064.00	
Reserve Fund Excess (5/1/03)	\$871.33	
<b>FY 2002-03 Remaining Obligations</b>		<b>\$160,965.00</b>
Interest Payment Due September 1, 2003	\$160,965.00	
<b><i>FY 2002-03 Surplus/(Draw on Reserve)</i></b>		<b><i>\$1,970.13</i></b>
<b>Uses Of Funds FY 2003-04</b>		<b>\$356,930.00</b>
Interest Payment Due March 1, 2004	\$160,965.00	
Interest Payment Due September 1, 2004	\$160,965.00	
Principal Payment Due September 1, 2004	\$5,000.00	
Administrative Expense Budget for Fiscal Year 2003-04	\$30,000.00	
<b><i>Annual Special Tax Requirement FY2003-04</i></b>		<b><i>\$354,959.88</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") of which 5.11 net taxable acres are expected to be developed with approximately 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 is in turn divided into two (2) separate Zones containing a total of five (5) tax classes which vary with Unit size. The Developed Property classifications are shown in Table 5.

**TABLE 5**

**SPECIAL TAX CLASSIFICATIONS OF DEVELOPED PROPERTY**

Zone	Land Use	Building Square Footage
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, 2003, will be classified as Developed Property in Fiscal Year 2003-04.

**B. Development Update**

As of May 1, 2003, the City had not issued any building permits for Units within IA E of CFD No. 10. Table 6 lists the status of Developed Property in IA E of CFD No. 10 by Special Tax class for Fiscal Year 2003-04.

**TABLE 6**

**STATUS OF DEVELOPED PROPERTY**

<b>Zone</b>	<b>Land Use</b>	<b>Building Square Footage</b>	<b>Number of Units/Acres</b>
A	Detached/Attached Unit	≤ 1,850	0
A	Detached/Attached Unit	> 1,850	0
A	Undeveloped Property	NA	20.578 *
B	Detached/Attached Unit	≤ 1,250	0
B	Detached/Attached Unit	1,251 – 1,550	0
B	Detached/Attached Unit	>1,550	0
B	Undeveloped Property	NA	0

\* This Acreage is located within a portion of an Assessor's Parcel that includes a total of 30.02 acreage. Additionally, when subdivided, a portion of this acreage is expected to be located within Zone B.

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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 two (2) steps yield sufficient Special Taxes to satisfy the Annual Special Tax Requirement for Fiscal Year 2003-04. Specifically, IA E of CFD No. 10 needs to levy approximately 21.24 percent of the Assigned Annual Special Tax rate on Undeveloped Property. The Annual Special Tax rates of IA E of CFD No. 10 for Fiscal Year 2003-04 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 2003-04**

<b>Zone</b>	<b>Land Use</b>	<b>Building Square Footage</b>	<b>FY 2003-04 Special Tax</b>
A	Detached/Attached Unit	≤ 1,850	\$1,487.02 per Unit
A	Detached/Attached Unit	> 1,850	\$1,800.32 per Unit
A	Undeveloped Property	NA	\$17,249.48 per Acre
B	Detached/Attached Unit	≤ 1,250	\$938.74 per Unit
B	Detached/Attached Unit	1,251 – 1,550	\$1,306.78 per Unit
B	Detached/Attached Unit	> 1,550	\$1,416.44 per Unit
B	Undeveloped Property	NA	\$14,255.23 per Acre

**EXHIBIT A**

**SUMMARY OF TRANSACTIONS WITHIN FUNDS AND ACCOUNTS  
FISCAL YEAR 2002-03**

**EXHIBIT B**

**ANNUAL SPECIAL TAX ROLL  
FISCAL YEAR 2003-04**