



# COOPERATIVE STRATEGIES

COMPLETE FINANCIAL & DEMOGRAPHIC PLANNING FOR EDUCATION

## POWAY UNIFIED SCHOOL DISTRICT

ADMINISTRATION REPORT

FISCAL YEAR 2017/2018

ZONE 2 OF

COMMUNITY FACILITIES DISTRICT NO.11

June 29, 2017

**PREPARED FOR:**

**Poway Unified  
School District – Planning  
Department**

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## **INTRODUCTION**

This Administration Report ("Report") provides an analysis of the financial and administrative obligations of Zone 2 of Community Facilities District ("CFD") No. 11 of the Poway Unified School District ("School District"), pursuant to the Rate and Method of Apportionment ("RMA") attached as Exhibit A, for the purpose of calculating the Annual Special Tax levy for Fiscal Year 2017/2018. In calculating the Annual Special Tax levy for Fiscal Year 2017/2018, the Report describes (i) the remaining financial obligations of Zone 2 of CFD No. 11 for Fiscal Year 2016/2017 and (ii) the financial obligations of Zone 2 of CFD No. 11 for Fiscal Year 2017/2018.

The Report is organized into the following sections:

### **SECTION I**

Section I provides a description of the Annual Special Tax levy for Fiscal Year 2016/2017 including any delinquent Annual Special Taxes.

### **SECTION II**

On July 2, 2009, the Zone 2 2009 Special Tax Bonds ("2009 Bonds") were issued by CFD No. 11 in the amount of \$5,150,000. The 2009 Bonds were issued for the purpose of financing the Authorized Facilities of CFD No. 11, pursuant to the Resolution of Intention ("ROI"). On February 14, 2013, the 2013 Special Tax Revenue Bonds ("2013 Bonds") were issued by Zone 2 of CFD No. 11 in the amount of \$1,870,000 for the purpose of refunding all the maturities except the 2039 Term Bond of the outstanding 2009 Bonds. On August 7, 2014, the 2014 Special Tax Refunding Bonds ("2014 Bonds", collectively, with the 2009 Bonds and 2013 Bonds, the "Prior Bonds") were issued by Zone 2 of CFD No. 11 in the amount of \$2,565,000 for the purpose of providing capital facilities funding for school facilities and for redeeming the outstanding Public Financing Authority's Series 2008 Lease Revenue Bonds. On February 8, 2017 the Special Tax Revenue Refunding Bonds, Series 2017B ("2017 Bonds") were issued by Zone 2 of CFD No. 11 in the amount of \$3,405,000. Proceeds of the 2017 Bonds were used to refund the outstanding 2009 Bonds and are secured by and repaid from the annual levy of Special Taxes within Zone 2 of CFD No. 11.

Section II examines the financial activity within the various funds and accounts established pursuant to the Bond Indenture dated June 1, 2009 ("2009 Indenture") by and between Zone 2 of CFD No. 11 and Zions First National Bank, NA ("Fiscal Agent"), as amended and supplemented by the Bond Indenture dated February 1, 2013 ("2013 Indenture") by and between Zone 2 of CFD No. 11 and further amended and supplemented by the Fiscal Agent and the Supplemental Bond Indenture dated July 1, 2014 ("2014 Indenture" collectively, with the 2009 Indenture and the 2013 Indenture,

"Prior Indentures") by and between Zone 2 of CFD No. 11 and the Fiscal Agent, and the 2017 Bond Indenture, dated February 1, 2017 ("2017 Indenture") from July 1, 2016 to April 30, 2017. A summary is provided which lists all disbursements, Annual Special Tax receipts, and interest earnings.

### **SECTION III**

Section III contains a description of (i) the initial allocation of Bond proceeds and (ii) the expenditure of Special Taxes and Bond proceeds to fund Authorized Facilities of Zone 2 of CFD No. 11 through April 30, 2017, as directed by Senate Bill 165 ("SB 165").

### **SECTION IV**

Section IV calculates the Zone 2 Annual Special Tax Requirement based on the financial obligations of Zone 2 of CFD No. 11 for Fiscal Year 2017/2018.

### **SECTION V**

Section V provides (i) a description of the Special Tax classifications and (ii) an update of the development which has occurred in Zone 2 of CFD No. 11.

### **SECTION VI**

Section VI describes the methodology used to apportion the Zone 2 Annual Special Tax Requirement among the properties within Zone 2 of CFD No. 11 and lists the Annual Special Tax rates for Fiscal Year 2017/2018.

## I. FISCAL YEAR 2016/2017 LEVY SUMMARY

### A. Sources of Funds

The aggregate Annual Special Tax levy of Zone 2 of CFD No. 11 in Fiscal Year 2016/2017 as well as a summary of the levy can be found in the table below.

#### Annual Special Tax Rates For Fiscal Year 2016/2017

Property Classification	Tax Class	Number of Units/Acres	Assigned Annual Special Tax Rate	Total Annual Special Taxes
Attached Unit/ Detached Unit	1	204 Units	\$2,699.76 per Unit	\$550,751.04
Assigned	2	106 Units	\$0.00 per Unit	\$0.00
<i>Developed Property</i>		<i>310 Units</i>	<i>NA</i>	<i>\$550,751.04</i>
<i>Undeveloped Property</i>		<i>0.00 Acres</i>	<i>\$0.00 per Acre</i>	<i>\$0.00</i>
<b>Total</b>				<b>\$550,751.04</b>

### B. Special Tax Delinquencies

Cooperative Strategies, LLC has received delinquency information for Zone 2 of CFD No. 11 for Fiscal Year 2016/2017 from the County of San Diego ("County"). For Fiscal Year 2016/2017 (as of May 2, 2017), \$10,799.04 in Annual Special Taxes were delinquent yielding a delinquency rate of 1.96%.

## II. FINANCIAL ACTIVITY

This section summarizes the activity within the various funds and accounts created by the Indentures. For a more detailed description of the various funds and accounts, please see the respective Indenture. A detailed analysis of all transactions within these funds and accounts for this period is included as Exhibit B.

### A. Sources of Funds

Sources of funds for Zone 2 of CFD No. 11 for the period of July 1, 2016 to April 30, 2017 are summarized in the table below.

#### Sources of Funds July 1, 2016 – April 30, 2017

Sources	Amount
Bond Proceeds	\$3,126,334.70
Special Tax Receipts <sup>[1]</sup>	\$378,019.41
Investment Earnings <sup>[2]</sup>	\$159.91
Miscellaneous Sources	\$0.00
<b>Total</b>	<b>\$3,504,514.02</b>
<i>[1] Includes \$100.00 in prepaid Special Taxes.</i>	
<i>[2] Data summarized in the table below.</i>	

#### Investment Earnings July 1, 2016 – April 30, 2017

Funds and Accounts	Amount
Administrative Expense Fund	\$28.71
Interest Account	\$0.00
Principal Account	\$0.00
Redemption Account	\$3.17
Special Tax Fund	\$128.03
<b>Total</b>	<b>\$159.91</b>

**B. Uses of Funds**

Uses of funds for Zone 2 of CFD No. 11 for the period of July 1, 2016 to April 30, 2017 are summarized in the table below.

**Uses of Funds  
July 1, 2016 – April 30, 2017**

<b>Funds and Accounts</b>	<b>Amount</b>
Interest Payments	\$327,918.75
Principal Payments	\$56,050.00
Acquisition/Construction Payments	\$0.00
Administrative Expenses	\$15,478.65
Transfer to the 2013 Surplus School Facilities Fund of the PFA	\$60,160.17
Miscellaneous Uses <sup>[1]</sup>	\$3,126,334.70
<b>Total</b>	<b>\$3,186,494.87</b>

*[1] Miscellaneous uses of Funds in the amount of \$3,126,334.70 was transferred to 2017B PFA Refunding Escrow.*

**C. Fund and Account Balances**

The balances as of April 30, 2017 in the funds and accounts established pursuant to the Indenture are shown in the table below.

**Fund and Account Balances  
As of April 30, 2017**

<b>Funds and Accounts</b>	<b>Amount</b>
Administrative Expense Fund	\$47,508.99
Interest Account	\$0.00
Principal Account	\$0.00
Redemption Account	\$3,372.23
Special Tax Fund	\$246,934.21
<b>Total</b>	<b>\$297,815.43</b>



### **III. SENATE BILL 165 COMPLIANCE**

The Board of Education ("Board") of the School District, pursuant to the provisions of the Local Agency Special Tax and Bond Accountability Act ("Accountability Act"), has directed the filing of the Special Tax and Bond Accountability Report for Zone 2 of CFD No. 11. According to SB 165, any local special tax and/or bond measure subject to voter approval on or after January 1, 2001, must follow the requirements of the Accountability Act. All capitalized terms herein are used as defined in the RMA of CFD No. 11.

#### **A. Authorized Facilities**

Pursuant to the Mello-Roos Community Facilities Act of 1982, as Amended ("Act"), CFD No. 11 can only be used to fund the "Authorized Facilities" as outlined at the time of formation. The following is an excerpt taken from the ROI to establish CFD No. 11 which describes the Authorized Facilities.

The School Facilities proposed to be financed by Poway Unified School District Community Facilities District No. 11 (Stone Bridge Estates) ("CFD No. 11") under the Mello-Roos Community Facilities Act of 1982, as amended (the "Act") are as follows.

"School Facilities" means the acquisition, planning, construction, and/or financing of those school facilities, including classrooms, multi-purpose, administration, and auxiliary space at each school, central support and administrative facilities, interim housing, transportation, and special education facilities, together with furniture, equipment, and technology, needed by Poway Unified School District (the "District") in order to serve directly or indirectly the student population to be generated as a result of the development of the property within CFD No. 11, together with all land or interests in land required for the construction of such facilities and all land or interests in land required to be provided by the District as mitigation of environmental impacts associated with the development of such school facilities as well as all that portion of the related incidental expenses and the costs to the District related to the negotiation, execution, and implementation of the Memorandum of Understanding dated as of June 17, 2002 (the "MOU") between the District and each "Owner" named therein allocable to the properties within CFD No. 11 and the School Impact Mitigation and Public Facilities Funding Agreement, dated as of November 20, 2003, by and between the District and the Owners. "School Facilities" shall also mean the acquisition, planning, construction, and/or financing of other additional school facilities ("Supplemental School Facilities"), including classrooms, multi-purpose, administration, and auxiliary space at each school, central support and administrative facilities, interim housing,

transportation, and special education facilities, together with furniture, equipment, and technology, needed by District to serve the student population of the District and which are financed in whole or in part from the revenues of special taxes levied in any fiscal year on Developed Property within any Improvement Area or Improvement Areas in excess of that required to satisfy the special tax requirements for such Improvement Area or Improvement Areas for such fiscal year.

The School Facilities shall also include the attributable costs of engineering, design, planning, materials testing, coordination, construction staking, and construction, together with the expenses related to the issuance and sale of any "debt" as defined in Section 53317(d) of the Act, including, but not limited to, underwriters' discount, appraisals, market studies, reserve fund, capitalized interest, bond counsel, special tax consultant, bond and official statement printing, administrative expenses of the District, CFD No. 11 and bond trustee or fiscal agent related to CFD No. 11, and any such debt and all other incidental expenses.

The School Facilities shall be constructed, whether or not acquired in their completed states, pursuant to plans and specifications approved by the District.

The School Facilities listed in this Exhibit A-1 are representative of the types of improvements authorized to be financed by CFD No. 11. Detailed scope and limits of specific projects will be determined as appropriate, consistent with the standards of the District. Addition, deletion, or modification of descriptions of School Facilities may be made consistent with the requirements of the Board of Education of the District, the CFD, and the Act.

## B. Bond Proceeds

In accordance with the 2009 Indenture, the proceeds of the 2009 Bonds were deposited into the funds and accounts shown in the table below.

### Initial Deposit of 2009 Bond Proceeds

<b>Funds, Accounts, and Subaccounts</b>	<b>Initial Deposit</b>
Capitalized Interest Account	\$122,798.66
Purchase Transfer Account <sup>[1]</sup>	\$4,251,773.05
<b>Total</b>	<b>\$4,374,571.71</b>
<i>[1] \$4,251,773.05 was transferred from the Purchase Transfer Account to the 2007 Public Financing Authority School Facilities Account pursuant to section 3.07 of the Authority Indenture.</i>	

In accordance with the 2013 Indenture, the proceeds of the 2013 Bonds were deposited into the funds and accounts shown in the table below.

### Initial Deposit of 2013 Bond Proceeds

<b>Funds, Accounts, and Subaccounts</b>	<b>Initial Deposit</b>
2013 Purchase Transfer Account <sup>[1]</sup>	\$1,905,273.17
<b>Total</b>	<b>\$1,905,273.17</b>
<i>[1] \$1,905,273.17 was transferred from the Purchase Transfer Account to the 2013 Public Financing Authority School Facilities Account pursuant to Section 3.07 of the Authority Indenture.</i>	

In accordance with the 2014 Indenture, the proceeds of the 2014 Bonds were deposited into the funds and accounts shown in the table below.

### Initial Deposit of 2014 Bond Proceeds

<b>Funds, Accounts and Subaccounts</b>	<b>Initial Deposit</b>
Authority Discount <sup>[1]</sup>	\$252,126.69
School Facilities Fund	\$869,286.25
Series 2008 Lease Revenue Bond Redemption Fund	\$1,443,587.06
<b>Total</b>	<b>\$2,565,000.00</b>
<i>[1] Represents each Zone's proportionate share of a portion of (i) the Cost of Issuance, (ii) the Reserve Fund Requirement, (iii) the Underwriter's discount with respect to the Authority Bonds, (iv) the original issue premium with respect to the Authority Bonds and the funds relating to the Prior CFD Bonds with respect to Zone 2.</i>	

In accordance with the 2017 Indenture, the proceeds of the 2017 Bonds were deposited into the funds and accounts shown in the table below.

### Initial Deposit of 2017 Bond Proceeds

Funds, Accounts and Subaccounts	Initial Deposit
Authority Discount <sup>[1]</sup>	\$278,665.30
2017 Purchase Transfer	\$3,126,334.70
<b>Total</b>	<b>\$3,405,000.00</b>
<i>[1] Represents the proportionate amount of (i) the original issuance discount, (ii) the underwriter's discount, and (iii) the cost of issuance deposit from Bond proceeds, including premiums for the Policy and the Reserve Policy.</i>	

### C. Special Tax Fund

Each Fiscal Year, Zone 2 of CFD No. 11 will levy, collect, and expend Annual Special Taxes in an amount necessary to cover Administrative Expenses, and the fund school facilities necessary to serve students generated from residential units constructed within the boundaries of Zone 2 of CFD No. 11. The tables below present a detailed listing of the Annual Special Taxes collected and expended by Zone 2 of CFD No. 11 from June 2, 2009 through April 30, 2017.

#### Special Tax Fund

<b>Balance as of July 2, 2009</b>		<b>\$0.00</b>
<b>Previously Accrued</b>	<b>\$3,370,054.10</b>	
<b>Previously Expended</b>	<b>(\$3,242,955.70)</b>	
<b>Balance as of April 30, 2016</b>		<b>\$127,098.40</b>
<b>Accruals</b>		<b>\$552,783.77</b>
Special Tax Receipts	\$552,652.39	
Investment Earnings	\$131.38	
<b>Expenditures</b>		<b>(\$432,947.96)</b>
Transfer to the 2013 PFA School Facilities Surplus Fund	(\$60,160.17)	
Transfer to the Principal Account	(\$20,000.00)	
Transfer to the Interest Account	(\$327,918.75)	
Transfer to the Administrative Expense Fund	(\$24,869.04)	
<b>Balance as of April 30, 2017</b>		<b>\$246,934.21</b>

The table below presents a detailed listing of the Annual Special Taxes collected and expended by Zone 2 of CFD No. 11 before the 2009 Bonds were issued from May 1, 2008 through April 30, 2017.

**Custodial Account**

<b>Balance as of May 1, 2008</b>		<b>\$0.00</b>
<b>Previously Accrued</b>	<b>\$1,912,727.52</b>	
<b>Previously Expended</b>	<b>(\$703,886.16)</b>	
<b>Balance as of April 30, 2016</b>		<b>\$1,208,841.36</b>
<b>Accruals</b>		<b>\$729.99</b>
Investment Earnings	\$729.99	
<b>Expenditures</b>		<b>(\$155,717.24)</b>
Transfer to the 2009 PFA Reserve Fund	(\$5,190.91)	
High School Facilities	(\$150,526.33)	
<b>Balance as of April 30, 2017</b>		<b>\$1,053,854.11</b>

#### D. Pooled Special Tax Accounts

Pursuant to Section 3.02 of the 2013 Indenture, after all expenses have been paid all Surplus Special Taxes are to be transferred to the Schools Facilities Surplus Account of the 2013 Public Authority Financing Authority. The table below presents a detailed listing of the Annual Special Taxes collected and expended by Schools Facilities Surplus Account of the Public Financing Authority from February 14, 2013 through April 30, 2017.

#### Public Financing Authority 2013 School Facilities Surplus Account

<b>Balance as of February 14, 2013</b>		<b>\$0.00</b>
<b>Previously Accrued</b>	<b>\$2,678,927.33</b>	
<b>Previously Expended</b>	<b>(\$2,678,927.33)</b>	
<b>Balance as of April 30, 2016</b>		<b>\$0.00</b>
<b>Accruals</b>		<b>\$371,690.54</b>
Transfer from CFD No. 2 IA No. 1 Special Tax Fund	\$18,809.05	
Transfer from CFD No. 11 Zone 1 Special Tax Fund	\$65,278.00	
Transfer from CFD No. 11 Zone 2 Special Tax Fund	\$60,160.17	
Transfer from CFD No. 11 Zone 3 Special Tax Fund	224,643.33	
Transfer from 2013 Revenue Fund	\$2,564.60	
Interest Earnings	\$235.39	
<b>Expenditures</b>		<b>(\$2,720.19)</b>
Transfer to CFD No. 2 IA No. 1 Custodial Account	(\$387.49)	
Transfer to CFD No. 11 Zone 1 Custodial Account	(\$1,681.93)	
Transfer to CFD No. 10 IA F Custodial Account	(\$285.98)	
Transfer to CFD No. 10 IA C Custodial Account	(\$209.21)	
Transfer to 2013 PFA Interest Account	(\$155.58)	
<b>Balance as of April 30, 2017</b>		<b>\$368,970.35</b>

#### IV. ZONE 2 ANNUAL SPECIAL TAX REQUIREMENT

For Fiscal Year 2017/2018, the Zone 2 Annual Special Tax Requirement for Zone 2 of CFD No. 11, as calculated pursuant to the RMA, can be found in the table below.

##### Zone 2 Annual Special Tax Requirement For Fiscal Year 2017/2018

<b>FY 2016/2017 Current and Projected Funds</b>		<b>\$411,785.64</b>
Balance of the Special Tax Fund (as of April 30, 2017)	\$246,934.21	
Projected Special Tax Receipts	\$164,851.43	
<b>FY 2016/2017 Remaining Obligations</b>		<b>\$411,785.64</b>
Interest Payment Due September 1, 2017	\$225,605.87	
Principal Payment Due September 1, 2017	\$140,000.00	
Transfer to Authority Surplus/Additional Administrative Expense Budget	\$46,179.77	
<b>FY 2016/2017 Surplus/(Draw on Reserve)</b>		<b>\$0.00</b>
<b>FY 2017/2018 Obligations</b>		<b>\$559,013.28</b>
Interest Payment Due March 1, 2018	\$166,110.63	
Interest Payment Due September 1, 2018	\$166,110.63	
Principal Payment Due September 1, 2018	\$60,000.00	
Administrative Expense Budget for Fiscal Year 2017/2018	\$25,366.43	
Anticipated Special Tax Delinquencies (1.96%)	\$10,961.04	
Transfer to Authority Surplus/Additional Administrative Expense Budget	\$130,464.55	
<b>Zone 2 Annual Special Tax Requirement</b>		<b>\$559,013.28</b>

## V. DEVELOPMENT SUMMARY

Each Fiscal Year, the School District calculates the Annual Special Taxes to be levied against Taxable Property within Zone 2 of CFD No. 11. Taxable Property is classified based on the issuance of a Building Permit. Specifically, Developed Property means, for any Fiscal Year, all Assessor's Parcels in Zone 2 of CFD No. 11 for which a Building Permit has been issued as of May 1 of the previous Fiscal Year, provided that the Assessor's Parcel was created prior to January 1 of the prior Fiscal Year and that each such Assessor's Parcel is associated with a Lot. The table below summarizes the Special Tax classification within Zone 2 of CFD No. 11 for the previous Fiscal Year and Fiscal Year 2017/2018.

**Special Tax Classification**

<b>Property Classification</b>	<b>Tax Class</b>	<b>Previous Fiscal Year</b>	<b>Fiscal Year 2017/2018</b>
Attached Unit/ Detached Unit	1	204 Units	203 Units <sup>[1]</sup>
Assigned	2	106 Units	106 Units
<i>Developed Property</i>		<i>310 Units</i>	<i>309 Units</i>
<i>Undeveloped Property</i>		<i>0.00 Acres</i>	<i>0.00 Acres</i>
<b>Total</b>		<b>310 Units</b>	<b>309 Units</b>
<i>[1] Assessor's Parcel Number 325-081-05-00 Prepaid its Special Tax obligation in Fiscal Year 2016/2017.</i>			



## VI. FISCAL YEAR 2017/2018 LEVY SUMMARY

The Special Tax rates of Zone 2 of CFD No. 11 needed to meet the Zone 2 Annual Special Tax Requirement for Fiscal Year 2017/2018 are shown in the table below. The Special Tax roll, which lists the actual Special Tax levied against each Assessor's Parcel, is included as Exhibit B. For a more detailed explanation of the methodology used to apportion the Zone 2 Annual Special Tax Requirement among Developed Property and Undeveloped Property, please see the RMA.

### Annual Special Tax Rates For Fiscal Year 2017/2018

Property Classification	Tax Class	Number of Units/Acres	Assigned Annual Special Tax Rate	Total Annual Special Taxes
Attached Unit/ Detached Unit	1	203 Units	\$2,753.76 per Unit	\$559,013.28
Assigned	2	106 Units	\$0.00 per Unit	\$0.00
<i>Developed Property</i>		<i>309 Units</i>	<i>NA</i>	<i>\$559,013.28</i>
<i>Undeveloped Property</i>		<i>0.00 Acres</i>	<i>\$0.00 per Acre</i>	<i>\$0.00</i>
<b>Total</b>				<b>\$559,013.28</b>

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**EXHIBIT A**

**Rate and Method of Apportionment**

**EXHIBIT B**

**Summary of Transactions for Funds and Accounts**

**EXHIBIT C**

**Annual Special Tax Roll  
Fiscal Year 2017/2018**