

**FISCAL YEAR 2003-04
ADMINISTRATION REPORT
FOR
COMMUNITY FACILITIES DISTRICT NO. 6
OF
POWAY UNIFIED SCHOOL DISTRICT**

June 18, 2003

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FOR
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PREPARED FOR

POWAY UNIFIED SCHOOL DISTRICT
13626 Twin Peaks Road
Poway, California 92064
(858) 748-0010

PREPARED BY

DAVID TAUSSIG & ASSOCIATES, INC.
1301 Dove Street, Suite 600
Newport Beach, California 92660
(949) 955-1500

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INTRODUCTION

This Administration Report ("Report") provides an analysis of the financial and administrative obligations of Community Facilities District ("CFD") No. 6 of the Poway Unified School District ("District") resulting from the sale of the Series 2002 Special Tax Bonds ("Bonds") issued in September of 2002 in the amount of \$25,000,000. All capitalized terms herein are used as defined in the Rate and Method of Apportionment ("RMA") and the Bond Indenture ("Indenture") for CFD No. 6.

The Bonds 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. 6. In calculating the Annual Special Tax levy for Fiscal Year 2003-04, the Report describes (i) the remaining financial obligations of Fiscal Year 2002-03, (ii) the financial obligations of CFD No. 6 for Fiscal Year 2003-04, and (iii) the amount of new development which has occurred within the boundaries of the CFD.

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, including any delinquent Annual Special Taxes.

Section II

Section II examines the financial activity in the funds and accounts established pursuant to the Indenture by and between the District and State Street Bank and Trust Company of California NA ("Fiscal Agent") dated August 1, 2002. A Fiscal Year summary is provided which lists all disbursements, Annual Special Tax receipts, and interest earnings.

Section III

Section III calculates the Special Tax Requirement based on the financial obligations of CFD No. 6 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 within CFD No. 6.

Section V

Section V describes the Annual Special Tax rates and reviews the methodology used to apportion the Special Tax Requirement between Developed Property and Undeveloped Property.

I. ANNUAL SPECIAL TAX LEVY FOR FISCAL YEAR 2002-03

The aggregate Annual Special Tax levy for Fiscal Year 2002-03 equaled \$801,198.36. Special Taxes were levied on Developed Property only in Fiscal Year 2002-03.

TABLE 1

**AVERAGE SPECIAL TAX RATES AND LEVY
OF FISCAL YEAR 2002-03**

Unit Type	Number of Units	Average Annual Tax	Total Annual Special Taxes
Detached Unit	387	\$2,070.28	\$801,198.38
Attached Unit	0	NA	\$0.00
<i>Total</i>	<i>387</i>	<i>NA</i>	<i>\$801,198.38</i>

David Taussig & Associates, Inc. ("DTA") has received delinquency information from the County of San Diego ("County") for the first and second installments of Fiscal Year 2002-03. For the first and second installments of Fiscal Year 2002-03, seven (7) parcels were delinquent in paying a portion or all of their Annual Special Taxes, which equates to a delinquency rate of 1.81%. DTA has concluded the CFD No. 6 will be able to meet its remaining obligations in Fiscal Year 2002-03.

II. FUNDS AND ACCOUNTS

The Indenture established eight (8) funds for CFD No. 6. They are the Special Tax Fund, Bond Fund, Rebate Fund, Redemption Fund, School Facilities Fund, Reserve Fund, Administration Expense Fund, and Cost of Issuance Fund. In addition, within the Bond Fund, an Interest Account and Principle Account were created and within the School Facilities Fund, a 4S Ranch Middle School Hold Bank Account was created.

All receipts from the collection of Annual Special Taxes are to be deposited in the Special Tax Fund. The Indenture instructs the Fiscal Agent to transfer the Special Taxes to other funds and accounts in the amount and priority set forth below:

1. **Administrative Expense Fund** – an amount equal to the Administrative Expense Requirement for that Fiscal Year;
2. **Interest Account** – an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest due on the Bonds;
3. **Principal Account** – an amount required to cause the aggregate amount on deposit in the Principal Account to equal the amount of principal due on the Bonds;
4. **Reserve Fund** – an amount required to bring the balance in the Reserve Account to the Reserve Requirement
5. **Rebate Fund** – an amount required to be set aside or rebated to the Internal Revenue Service; and
6. **Administrative Expense Fund** – any amount, in excess of the Administrative Expense Requirement, necessary to defray the costs of administering CFD No. 6 for such 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 Special Tax Requirement, 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 twenty-five percent (125%) of the average annual debt service on the Bonds. As of the date of the Report, the Reserve Requirement was \$2,276,143.00.

A. Sources and Uses of Funds

Sources of funds for CFD No. 6 during the period of July 1, 2002, through May 1, 2003, totaled \$25,510,502.43 This amount consisted of \$24,662,500.00 in Bond proceeds, \$67,173.06 in interest earnings, \$211,729.09 in Annual Special Tax receipts, and \$569,100.28 in Annual Special Tax receipts collected prior to the issuance of the Bonds. The Annual Special Taxes collected prior to the issuance of Bonds were deposited in the Administrative Expense Fund and the School Facilities Fund. Table 2 shows the Bond proceeds and Table 3 shows the interest earnings for each fund and account of CFD No. 6 for the period stated above.

TABLE 2

BOND PROCEEDS

Funds and Accounts	Amount [1]
Interest Account [2]	\$527,659.21
Reserve Fund	\$2,284,124.97
Cost of Issuance Fund	\$415,625.00
School Facilities Fund	\$19,935,090.82
4S Ranch Middle School Account	\$1,500,000.00
[1] Amount excludes Annual Special Taxes collected prior to Bonds being issued. [2] Capitalized Interest through March 1, 2003	

TABLE 3

INTEREST EARNINGS

Funds and Accounts	Earnings
Administrative Expense Fund	\$172.85
Interest Account	\$2,146.57
Principal Account	\$0.00
Cost of Issuance Fund	\$1,231.53
School Facilities Fund	\$55,041.97
Rebate Fund	\$0.00
Redemption Fund	\$0.00
Reserve Fund	\$965.73
4S Ranch Middle School Account	\$7,141.77
Bond Fund	\$0.00
Special Tax Fund	\$472.64

Total uses of funds for Fiscal Year 2002-03 was \$1,739,696.40. Of this amount, \$791,811.77 was used for the construction of school facilities, \$527,659.22 was used for the payment of interest to bondholders, and \$420,225.41 was paid in legal, consulting or professional service 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 4.

TABLE 4

**FUND AND ACCOUNT BALANCES
AS OF MAY 1, 2003**

Funds and Accounts	Balance
Administrative Expense Fund	\$63,297.91
Bond Fund	\$0.00
Interest Account	\$2,146.56
Principal Account	\$0.00
Cost of Issuance Account	\$15,408.86
School Facilities Fund	\$19,446,031.29
Rebate Fund	\$0.00
Redemption Fund	\$0.00
Reserve Fund	\$2,285,090.70
Special Tax Fund	\$451,688.94
4S Ranch Middle School Account	\$1,507,141.77
School Facilities Fund	\$19,446,031.29

III. SPECIAL TAX REQUIREMENT FOR FISCAL YEAR 2003-04

The Special Tax Requirement of CFD No. 6 for Fiscal Year 2003-04 is \$1,704,935.24. This amount represents (i) interest and principal payments due to bondholders in Calendar Year 2004, (ii) anticipated Administrative Expenses for Fiscal Year 2003-04, and (iii) funds for school facilities. Table 5 shows the calculation of the Special Tax Requirement of CFD No. 6 for Fiscal Year 2003-04.

TABLE 5

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

FY 2002-03 Current and Expected Funds		\$779,142.93
Special Tax Fund Balance (6/1/03)	\$597,871.73	
Interest Fund Balance (6/1/03)	\$2,147.00	
Reserve Fund Excess (6/1/03)	\$8,948.19	
Special Tax Receipt Deposited into School Facilities Fund ¹	\$129,615.29	
Expected Special Tax Receipts	\$40,561.72	
FY 2002-03 Remaining Obligations		\$673,607.49
Interest Payment Due October 1, 2003	\$673,607.49	
<i>FY 2002-03 Surplus/(Draw on Reserve)</i>		<i>\$105,535.44</i>
FY 2003-04 Uses of Funds		\$1,810,470.68
Interest Payment Due March 1, 2004	\$673,607.50	
Interest Payment Due September 1, 2004	\$673,607.50	
Principal Payment Due September 1, 2004	\$25,000.00	
Administrative Expense Budget for Fiscal Year 2003-04	\$102,000.00	
Direct Construction Budget	\$336,255.68	
<i>Special Tax Requirement FY 2003-04</i>		<i>\$1,704,935.24</i>
¹ In January of 2003, Special Tax Receipts were deposited into the School Facilities Fund in error.		

IV. SPECIAL TAX CLASSIFICATIONS AND DEVELOPMENT UPDATE

CFD No. 6 encompasses approximately 2,888 gross acres of land located in the unincorporated portion of the County. CFD No. 6 is expected to consist of 4,715 Units.

A. Special Tax Classifications

Each Fiscal Year, the District calculates the Annual Special Taxes to be levied against Taxable Property within CFD No. 6. The RMA defines two (2) categories of Taxable Property, "Developed Property" and "Undeveloped Property". Developed Property is in turn divided into two (2) separate rate classifications which vary with Unit type (e.g., Detached Unit and Attached Unit). 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. 6 for which a building permit for unit has been issued as of January 1 of the previous Fiscal Year. For example, all Assessor's Parcels in CFD No. 6 for which a Building Permit was issued as of January 1, 2003 will be classified as Developed Property in Fiscal Year 2003-04.

B. Development Update

As of January 1, 2003, the County had issued building permits for 916 Units, which equates to CFD No. 6 being 19.43 percent build-out in Fiscal Year 2003-04. Table 6 lists the Developed Property of CFD No. 6 by Special Tax class for Fiscal Years 2002-03 and 2003-04.

TABLE 6

STATUS OF DEVELOPED PROPERTY

Unit Type	Fiscal Year 2002-03	Fiscal Year 2003-04
Detached Unit	387	717
Attached Unit	0	199

V. METHOD OF APPORTIONMENT

Section F of the RMA apportions the Special Tax Requirement to Taxable Property of CFD No. 6 in a three (3) step process.

The first step state 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 Special Tax Requirement, then the second step is applied. This 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 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 Special Tax Requirement.

Application of the first step yields sufficient Special Taxes to satisfy the Special Tax Requirement for Fiscal Year 2003-04. The Initial Special Tax rates of CFD No. 6 for Fiscal Year 2003-04 are shown in Table 7. The Special Tax roll, which lists the actual Annual Special Tax levied against each Assessor's Parcel, is included as Exhibit B.

TABLE 7

**INITIAL SPECIAL TAX RATES
FOR FISCAL YEAR 2003-04**

Land Use Class	Unit Type	Initial Annual Special Tax
Residential Property	Detached Unit	\$2,123.68
Residential Property	Attached Unit	\$939.32

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EXHIBIT A

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

EXHIBIT B

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