

ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013
RELATING TO
\$51,680,000
COMMUNITY FACILITIES DISTRICT NO. 2
(SANTALUZ)
IMPROVEMENT AREA NO. 1
SPECIAL TAX REFUNDING BONDS SERIES A OF 2011
(CUSIP Number 802808)

The following Annual Report is being provided by the City of San Diego (the "City") for the above stated issuance (the "Bonds"), pursuant to the Continuing Disclosure Certificate requirements and in compliance with Securities and Exchange Commission Rule 15c2-12 for the fiscal year ending June 30, 2013 (the "Annual Report").

The Annual Report, including any amendment or supplement hereto, is electronically transmitted by the City acting as the Dissemination Agent to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB").

The Annual Report is provided in accordance with the terms of the Continuing Disclosure Certificate, and does not purport to provide full and complete information on the terms of the Bonds. The filing of the Annual Report does not constitute or imply any representation that no changes, circumstances or events have occurred since the end of the fiscal year to which the Annual Report relates (other than as contained in the Annual Report), or that no other information exists which may have a bearing on the security for the Bonds, or an investor's decision to buy, sell or hold the Bonds. Certain information and data provided herein was obtained from sources other than the City (the "Outside Information"), as indicated by the source citations. Although the information contained in the Annual Report has been obtained from sources which are believed to be reliable, the City has not independently verified such Outside Information, and the City cannot guarantee its completeness or accuracy. No statements in this Annual Report should be construed as a prediction or representation about future financial performance of the City or Community Facilities District No. 2 (Santaluz).

The City is acting as the Dissemination Agent for the above stated issuance. The City does not have any obligation to update this report other than as expressly provided in the Continuing Disclosure Certificate.

Any statements regarding the above stated issuance, other than a statement made by the City in an official release or subsequent notice or annual report, published in a financial newspaper of general circulation and/or filed with the MSRB's EMMA system, are not authorized by the City. The City shall not be responsible for the accuracy, completeness or fairness of any such unauthorized statement.

DATED: March 10, 2014

CITY OF SAN DIEGO

By: Mary Lewis
Mary Lewis
Chief Financial Officer

\$51,680,000
COMMUNITY FACILITIES DISTRICT NO. 2
(SANTALUZ)
IMPROVEMENT AREA NO. 1
SPECIAL TAX REFUNDING BONDS SERIES A OF 2011

Annual Report Under the Continuing Disclosure Certificate

Fiscal Year Ending June 30, 2013

This Annual Report includes information required by the Continuing Disclosure Certificate for Community Facilities District No. 2 (Santaluz) Improvement Area No. 1 Special Tax Refunding Bonds, Series A of 2011:

1. Annual Report For Community Facilities District No. 2 (Santaluz):

(a) Financial Statements.

The requirement that the City file its audited financial statements as a part of the Annual Report has been included in the Disclosure Certificate solely to satisfy the provisions of Rule 15c2-12. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the City.

Refer to the City of San Diego's Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2013 ("CAFR"), filed on the MSRB's EMMA site on February 11, 2014. The District Funds are included in the Supplementary Information section, under the heading Fiduciary Funds, Other Miscellaneous Agency. The capital improvements financed by District Funds can be found in the Supplementary Information section, under the heading Nonmajor Governmental Funds - Capital Projects (Special Assessment/Special Tax Bonds), of the City's CAFR. Additional information related to Special Assessment/Special Tax Bonds can be found in Note 19.

(b) Financial and Operating Data.^(a)

(i) Principal amount of Bonds outstanding (data as of September 4, 2013 pursuant to the Continuing Disclosure Certificate):

\$46,735,000

Source: City of San Diego, Debt Management

(ii) Fund balances for each fund under the Bond Indenture (data as of September 4, 2013 pursuant to the Continuing Disclosure Certificate):

Special Tax Fund	\$177,793
Interest Account	\$1
Principal Account	\$15,128

^(a) Debt Service payment date was September 3, 2013; balance is reported as of September 4, 2013

Redemption Account	\$7,549
Reserve Account ^(b)	\$4,057,33
Administrative Expense Account	\$77,567
Rebate Fund	\$0
Rebate Account	\$0
Alternative Penalty Account	\$0
Costs of Issuance Account	\$0
Surplus Fund	\$891,581

Source: City of San Diego, Debt Management; Union Bank Trustee Statements

(iii) Any changes to the Rate and Method of Apportionment of the Special Taxes approved or submitted to the qualified electors for approval prior to the filing of the Annual Report and a summary of the facts related to the collection of any Backup Special Tax and a description of any parcels for which the Special Taxes have been prepaid, including the amount prepaid, since the date of the last Annual Report:

- No changes to the Rate and Method of Apportionment of Special Taxes have been approved or submitted to the qualified electors for approval subsequent to the filing of the previous Annual Report and prior to the filing of this Annual Report.
- No Backup Special Taxes have been levied.
- The following Special Tax liens have been prepaid and permanently satisfied, in accordance with the Rate and Method of Apportionment of Special Taxes:
 - On November 27, 2012, Parcel Number 269-261-04-00 prepaid its special tax in the amount of \$79,990 and Parcel Number 303-140-18-00 prepaid its special tax in the amount of \$43,512; and
 - On December 21, 2012, Parcel Number 269-270-03-00 prepaid its special tax in the amount of \$79,990.

Source: City of San Diego, Debt Management

(iv) An update of Table 6 of the Official Statement including a list of all taxpayers within the District which own property in the District upon which 5% or more of the total Special Taxes for the current fiscal year have been levied, and a statement as to whether any of such taxpayers is delinquent in the payment of Special Taxes.

- An update of Table 6 setting forth the Special Tax Delinquency History including information for the five most recent Fiscal Years in which Special Taxes were levied and any foreclosures is attached as Exhibit 1.

^(b) Reserve Requirement: \$4,035,705.

- As of September 4, 2013, there were no taxpayers within the District owning property upon which 5% or more of the total Special Taxes for the 2013-2014 Fiscal Year have been levied.

Source: City of San Diego, Debt Management; Willdan Financial Services

(v) An update of Table 7 of the Official Statement setting forth the Estimated Assessed Value-To-Lien Ratios by Land Use Type is attached as Exhibit 2.

Source: Willdan Financial Services

(vi) Any event known to the Issuer [District] which reduces the number of residential units permitted to be constructed within the District or which results in a moratorium on future building within the District:

- None

Source: City of San Diego, Development Services Department

(vii) The date of issuance and principal amount of any Parity Bonds:

- No Parity Bonds have been issued as of the date of this report.

Source: City of San Diego, Debt Management

(viii) Any information not already included under (i) through (vii) above that the Issuer [District] is required to file in its annual report to the California Debt and Investment Advisory Commission pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended.

- The applicable California Debt and Investment Advisory Commission (“CDIAC”) Yearly Fiscal Status Report for Fiscal Year 2012-2013 was filed with CDIAC on October 17, 2013 and is attached as Exhibit 3.

Source: City of San Diego, Debt Management

Exhibit 1
COMMUNITY FACILITIES DISTRICT NO. 2 (SANTALUZ)
IMPROVEMENT AREA NO. 1
SPECIAL TAX DELINQUENCY HISTORY

Fiscal Year	Parcels Levied	Total Levied	Fiscal Year-End Delinquencies ⁽¹⁾			Remaining Delinquent as of 2/18/2014 ⁽²⁾		
			Delinquent Parcels	Amount Delinquent	Percent Delinquent	Delinquent Parcels	Amount Delinquent ⁽²⁾	Percent Delinquent
2012-13	997	\$4,082,598	11	\$37,456	0.92%	1	\$5,701	0.14%
2011-12	1,005	\$4,724,558	20	\$64,998	1.38%	1	\$1,566	0.03%
2010-11	1,007	\$5,119,736	19	\$82,355	1.61%	1	\$1,694	0.03%
2009-10	1,009	\$5,126,092	40	\$219,870	4.29%	1	\$1,691	0.03%
2008-09	1,010	\$4,942,398	70	\$335,284	6.78%	0	\$0	0.00%
Total Amount Delinquent							\$10,652	

⁽¹⁾ Reflects final fiscal year end data reported in August of each year; does not include penalties and interest.

⁽²⁾ Delinquent data is as of February 18, 2014. Amount remaining delinquent does not include penalties and interest.

The District has covenanted that it will commence judicial foreclosure proceedings against parcels with delinquent special taxes in excess of \$10,000 by the October 1 following the close of each fiscal year in which such special taxes were due. As of February 18, 2014, no delinquencies met the foreclosure threshold.

Source: City of San Diego, Debt Management based on San Diego County Delinquency Reports ST280190 and ST28009002

Exhibit 2
COMMUNITY FACILITIES DISTRICT NO. 2 (SANTALUZ) IMPROVEMENT AREA NO. 1
ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS
BY LAND USE TYPE

Property Owner ⁽¹⁾	Number of Parcels	FY 2013/2014 Special Tax	Percentage of FY 2013/2014 Special Tax	CFD No. 2 IA No. 1 Bonds Outstanding ⁽²⁾	Poway Unified School District CFD No. 4 Bonds Outstanding ⁽³⁾	Metropolitan Water District G.O. Bonds Outstanding ⁽³⁾	Palomar Pomerado Health 2005A Bonds Outstanding ⁽³⁾	Palomar Community College District 2006A and 2006B Bonds Outstanding ⁽³⁾	Total Direct and Overlapping Debt	Net Assessed Value ⁽¹⁾	Estimated Assessed Value-to-Lien Ratios ⁽⁴⁾
Developed Property⁽⁵⁾											
Residential Property (other than Custom Lots)	690	\$1,884,459	48.03%	\$22,444,670	\$9,520,198	\$43,266	\$840,269	\$1,937,107	\$34,785,511	\$569,102,757	16.36
Custom Lot Property with Improvement Value	196	1,328,151	33.85%	15,818,817	9,437,316	32,135	612,779	1,438,715	27,339,761	424,597,810	15.53
Custom Lot Property without Improvement Val	89	603,089	15.37%	7,183,034	256,260	3,369	74,000	150,825	7,667,488	44,572,450	5.81
Institutional Property	2	493	0.01%	5,873	0	220	0	9,858	15,952	8,534,464	535.01
<u>Golf Course Property</u>											
Santaluz Club	18	104,782	2.67%	\$1,247,998	\$0	\$1,318	\$87,251	\$59,000	\$1,395,567	\$17,435,951	12.49
Santaluz LLC	1	2,906	0.07%	34,608	0	16	0	711	35,334	210,000	5.94
Subtotal Golf Course Property	19	\$107,688	2.74%	\$1,282,606	\$0	\$1,334	\$87,251	\$59,711	\$1,430,901	\$17,645,951	12.33
Subtotal All Developed Property	996	\$3,923,880	100.00%	\$46,735,000	\$19,213,774	\$80,323	\$1,614,299	\$3,596,216	\$71,239,613	\$1,064,453,432	14.94
Undeveloped Property⁽⁶⁾											
Future Custom Lot Property	10	\$0	0.00%	\$0	\$0	\$333	\$9,090	\$14,913	\$24,337	\$4,407,291	181.10
Future Institutional Property	3	0	0.00%	0	0	213	0	9,525	9,738	3,714,931	381.50
Subtotal All Undeveloped Property	13	\$0	0.00%	\$0	\$0	\$546	\$9,090	\$24,438	\$34,074	\$8,122,222	238.37
Total	1,009	\$3,923,880	100.00%	\$46,735,000	\$19,213,774	\$80,869	\$1,623,390	\$3,620,655	\$71,273,688	\$1,072,575,654	15.05

⁽¹⁾ Ownership and Net Assessed Value per the San Diego County Fiscal Year 2013-14 Secured Roll as of January 1, 2013. Net Assessed Value based on Assessed Value less Homeowners' Exemption.

⁽²⁾ Allocated based on FY 2013-2014 Special Tax Levy.

⁽³⁾ As of January 1, 2014. Allocated based on FY2013-2014 Special Tax Levy. Source: California Municipal Statistics.

⁽⁴⁾ Calculated by dividing Net Assessed Value by Total Direct and Overlapping Debt.

⁽⁵⁾ As defined in the RMA, Developed property is all (i) Custom Lot Property, (ii) Golf Course Property, and (iii) other Taxable Property for which a building permit was issued prior to March 1, 2013. Custom Lot Property includes property (i) that is within a Final Map that was recorded prior to March 1, 2013; (ii) for which (a) escrow has closed prior to March 1, 2013 to a buyer who is not in the regular course of business of building homes for resale or (b) a building permit was issued prior to March 1, 2013 and (iii) that is a Proposed Custom Lot.

⁽⁶⁾ Includes property not classified as Developed Property pursuant to the RMA. Future Institutional projected to be one church-owned site and two parcels projected to be assisted living development (per Taylor Morrison).

Source: Willdan Financial Services

**STATE OF CALIFORNIA
MELLO-ROOS COMMUNITY FACILITIES DISTRICT (CFD)**

YEARLY FISCAL STATUS REPORT
California Debt and Investment Advisory Commission
915 Capitol Mall, Room 400, Sacramento, CA 95814
P.O. Box 942809, Sacramento, CA 94209-0001
(916) 653-3269 FAX (916) 654-7440

For Office Use Only Fiscal Year <u>FY 2013</u> CDIAC # <u>2011-1486</u>

I. GENERAL INFORMATION

A. Issuer	<u>Community Facilities District No. 2</u>
B. Community Facilities District Number/Name	<u>CFD No. 2 (Santaluz) Improvement Area No. 1</u>
C. Name/Title/Series of Bond Issue	<u>Special Tax Refunding Bonds Series A of 2011</u>
D. Date of Bond Issue	<u>December 7, 2011</u>
E. Original Principal Amount of Bonds	<u>\$51,680,000</u>
F. Reserve Fund Minimum Balance Required	<u>\$4,039,932</u>

II. FUND BALANCE FISCAL STATUS

Balances Reported as of:	<u>June 30, 2013</u> (Year)
A. Principal Amount of Bonds Outstanding	<u>\$48,730,000</u>
B. Bond Reserve Fund	<u>\$4,055,998</u>
C. Capitalized Interest Fund	<u>\$-0-</u>
D. Construction Fund(s)	<u>\$-0-</u>

III. ASSESSED VALUE OF ALL PARCELS IN CFD SUBJECT TO SPECIAL TAX

A. Assessed or Appraised Value Reported as of: July 1, 2013 (Date)
(Use Appraised Value only in first year of CFD or before annual tax roll billing commences)

B. Total Assessed Value of All Parcels: \$1,076,635,654 (Gross Assessed Value)

IV. TAX COLLECTION INFORMATION

A. Total Amount of Special Taxes Due <u>Annually</u>	<u>\$4,082,598</u>
B. Total Amount of Unpaid Special Taxes <u>Annually</u>	<u>\$54,373</u>
C. The Special Taxes are Paid Under the County's Teeter Plan.	Yes: <input type="checkbox"/> No: <input checked="" type="checkbox"/>

V. DELINQUENT REPORTING INFORMATION

Delinquent Parcel Information Reported as of Equalized Tax Roll of: June 30, 2013 (Date)

A. Total Number of Delinquent Parcels:	<u>17</u>
B. Total Amount of Special Taxes Due on Delinquent Parcels:	<u>\$68,018</u>

(Do not include penalties, penalty interest, etc.)

VI. FORECLOSURE INFORMATION FOR FISCAL YEAR

(Aggregate totals, if foreclosure commenced on same date)

Date Foreclosure Commenced	Total Number of Foreclosure Parcels	Total Amount of Tax Due on Foreclosure Parcels
09/10/2013	1	\$15,738.08

STATE OF CALIFORNIA
MELLO-ROOS COMMUNITY FACILITIES DISTRICT (CFD)
YEARLY FISCAL STATUS REPORT
(Continued)

VII. RETIRED ISSUES

This issue is retired and no longer subject to the Yearly Fiscal Status filing requirements. *(Indicate reason for retirement.)*

- A. Matured Yes: No: If yes, indicate final maturity date: _____
- B. Refunded Entirely Yes: No: If yes, state refunding bond title: _____
and issue date: _____
- C. Other: _____

VIII. NAME OF PARTY COMPLETING THIS FORM

Name Chuck Wilcox

Title Debt Coordinator

Firm/Agency City of San Diego

Address 202 "C" Street, 7th Floor, MS 7B

City/State/Zip San Diego, CA 92101

Phone No. (619) 533-4519 Date Of Report October 17, 2013

E-mail: CWilcox@sandiego.gov

IX. ADDITIONAL COMMENTS:

Section III.B: Total Assessed Value of All Parcels is based on Gross Assessed Value.

Section IV.B and V: Per San Diego County Delinquency Report Numbers: ST280190 and ST28-0090-02, Dated June 28, 2013.

Section VI: Foreclosure lawsuit authorized by City Council on September 10, 2013.

Completion and submittal of this form to the California Debt and Investment Advisory Commission will assure your compliance with California State law. Section 53359.5 of the California Government Code requires that all agencies issuing Mello-Roos Community Facilities bonds after January 1, 1993 to report specific information to the Commission by October 30th of each year.