

Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See www.sec.gov/info/municipal/nrmsir.htm for list of current NRMSIRs and SIDs

IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:

Issuer's Name (please include name of state where Issuer is located):

COMMUNITY FACILITIES DISTRICT NO. 2 (SANTALUZ) (STATE: CALIFORNIA)

**COMMUNITY FACILITIES DISTRICT NO. 2 (SANTALUZ) IMPROVEMENT AREA
NO. 4 SPECIAL TAX BONDS SERIES A OF 2004**

Other Obligated Person's Name (if any): _____
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP* number(s), if available, of Issuer:

Community Facilities District No. 2 CUSIP: 802808

*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

TYPE OF FILING:

Electronic

Paper (no. of pages attached)

If information is also available on the Internet, give URL: NOT AVAILABLE _____

WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)

A. Annual Report for the Fiscal Year Ended June 30, 2006

(Financial information and operating data should not be filed with the MSRB.)

B. Financial Statements or CAFR pursuant to Rule 15c2-12

C. Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)

- | | |
|---|---|
| 1. Principal and interest payment delinquencies | 6. Adverse tax opinions or events affecting the tax-exempt status of the security |
| 2. Non-payment related defaults | 7. Modifications to the rights of security holders |
| 3. Unscheduled draws on debt service reserves reflecting financial difficulties | 8. Bond calls |
| 4. Unscheduled draws on credit enhancements reflecting financial difficulties | 9. Defeasances |
| 5. Substitution of credit or liquidity providers, or their failure to perform | 10. Release, substitution, or sale of property securing repayment of the securities |
| | 11. Rating changes |

D. Notice of Failure to Provide Annual Financial Information as Required

See the Annual Report, Section 1(a).

E. Other Secondary Market Information (Specify): _____

I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:

Issuer Contact:

Name: **JAY M. GOLDSTONE**

Title: **CHIEF FINANCIAL OFFICER**

Employer: **CITY OF SAN DIEGO**

Address: **202 C STREET, MAIL STATION 9B**

City: **SAN DIEGO** State: **CA** Zip Code: **92101**

Dissemination Agent Contact, if any:

Name: **JAY M. GOLDSTONE**

Title: **CHIEF FINANCIAL OFFICER**

Employer: **CITY OF SAN DIEGO**

Address: **202 C STREET, MAIL STATION 9B**

City: **SAN DIEGO** State: **CA** Zip Code: **92101**

Relationship to Issuer: **DISSEMINATION AGENT**

Investor Relations Contact, if any:

Name: **JAY M. GOLDSTONE**

Title: **CHIEF FINANCIAL OFFICER**

Telephone: **(619) 236-5941**

**ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2006
RELATING TO**

**\$9,965,000
COMMUNITY FACILITIES DISTRICT NO. 2
(SANTALUZ)
IMPROVEMENT AREA NO. 4
SPECIAL TAX BONDS SERIES A OF 2004**

(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, 2006 (the "Annual Report").

The Annual Report, including any amendment or supplement hereto, will be electronically transmitted to the CENTRAL POST OFFICE by the Dissemination Agent for retransmission by the CENTRAL POST OFFICE to each of the Nationally Recognized Municipal Securities Information Repositories (the "NRMSIRs"), approved by the Securities and Exchange Commission, set forth in Exhibit A.

The Annual Report is provided in accordance with the terms of the Continuing Disclosure Agreement and 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 Community Facilities District Funds are considered part of the City's reporting entity and can be found in the supplementary information section, under the headings Nonmajor Governmental Funds - Debt Service (Other Special Assessments), and Nonmajor Governmental Funds - Capital Projects (Other Construction), of the City of San Diego's Comprehensive Annual Financial Report ("CAFR"). The City received, from the auditor for its fiscal year 2003 financial statements, an unqualified audit opinion dated March 12, 2007. Those financial statements, once reviewed and accepted by the City Council of the City of San Diego, will be filed with the Central Post Office for transmission to the NRMSIRs. This Annual Report does not include the audited financial statements of the City for the fiscal years ended June 30, 2004 through June 30, 2006, because those audits are not yet complete. In addition, the City has determined that it would not be prudent to file unaudited financials for fiscal years 2004-2006 at this time.

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 Agreement and the Continuing Disclosure Certificate for each of the above stated issuances.

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 Municipal Securities Rulemaking Board or the NRMSIRs, are not authorized by the City. The City shall not be responsible for the accuracy, completeness or fairness of any such unauthorized statement.

DATED: April 1, 2007

CITY OF SAN DIEGO

By:


Jay M. Goldstone
Chief Financial Officer

EXHIBIT A

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission:

Bloomberg Municipal Repository

100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
<http://www.bloomberg.com/markets/rates/municontacts.html>
Email: Munis@Bloomberg.com

DPC Data Inc.

One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
<http://www.dpcdata.com>
Email: nrmsir@dpcdata.com

FT Interactive Data

Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: 212-771-6999; 800-689-8466
Fax: 212-771-7390
<http://www.ftid.com>
Email: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.

55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
<http://www.disclosuredirectory.standardandpoors.com/>
Email: nrmsir_repository@sandp.com

\$9,965,000
COMMUNITY FACILITIES DISTRICT NO. 2
(SANTALUZ)
IMPROVEMENT AREA NO. 4
SPECIAL TAX BONDS SERIES A OF 2004

Annual Report Under the Continuing Disclosure Certificate

Fiscal Year Ending June 30, 2006

This Annual Report includes information required by the Continuing Disclosure Agreement for Community Facilities District No. 2 (Santaluz) Improvement Area No. 4 Special Tax Bonds, Series A of 2004 except for the Comprehensive Annual Financial Report of the City of San Diego (the "CAFR") for the Fiscal Year ended June 30, 2006 (see item 1(a) below):

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

(a) Financial Statements.

The Community Facilities District Funds are considered part of the City's reporting entity and can be found in the supplementary information section, under the headings Nonmajor Governmental Funds - Debt Service (Other Special Assessments), and Nonmajor Governmental Funds - Capital Projects (Other Construction), of the City of San Diego's Comprehensive Annual Financial Report ("CAFR"). The City received, from the auditor for its fiscal year 2003 financial statements, an unqualified audit opinion dated March 12, 2007. Those financial statements, once reviewed and accepted by the City Council of the City of San Diego, will be filed with the Central Post Office for transmission to the NRMSIRs. This Annual Report does not include the audited financial statements of the City for the fiscal years ended June 30, 2004 through June 30, 2006, because those audits are not yet complete. In addition, the City has determined that it would not be prudent to file unaudited financials for fiscal years 2004-2006 at this time.

Source: Debt Management, City Auditor and Comptroller

(b) Financial and Operating Data:

(i) Principal amount of Bonds outstanding as of September 2, 2006:

\$9,705,000

Source: Debt Management - Special Districts Administration

- (ii) Fund balances for each fund under the Bond Indenture, as of September 2, 2006, are as follows:

Special Tax Fund	\$ 26,980
Interest Account	\$100
Principal Account	\$ 42
Reserve Fund	\$ 717,357 ^(a)
Administrative Expense Account	\$ 9,930
Capitalized Interest Account	\$ 0
Project Account	\$ 8,976,052 ^(b)
Cost of Issuance Account	\$ 0
Surplus Fund	\$309,355

^(a) Reserve Requirement: \$711,065

^(b) As of March 30, 2007, the balance in the Project Account is \$6,589,105. Construction of the El Camino Real project has been delayed. While the City is currently working with the developer to resolve certain issues related to the construction delays, there is currently no timeline available for completion of the El Camino Real project.

Source: Union Bank of California Trustee Statements; Debt Management - Special Districts Administration

- (iii) A list of the public improvements in Table 1 of the Official Statement which have been paid for by the Issuer with proceeds of the Bonds, as of the date of this report, is attached as Exhibit 1.

Source: Debt Management - Special Districts Administration, Engineering Department, Developer

- (iv) 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.

- No Special Taxes have been prepaid subsequent to the filing of the previous Annual Report and prior to the filing of this Annual Report.

Source: Debt Management - Special Districts Administration

- (v) An update of Table 6 of the Official Statement setting forth the estimated assessed value-to-lien ratios for Developed Property as a group and for each owner of Undeveloped Property based upon the most recent Special Tax levy preceding the date of the Annual Report, the most recent assessed values of the property and the principal amount of the Bonds and any other land secured debt allocable to parcels within the District; provided, however, that, if the Special Taxes are being levied only on Developed Property and the estimated assessed value-to-lien ratio for all parcels is greater than 7 to 1, then such table need not be reproduced, and a statement to that effect will be included in the Annual Report. See Exhibit 2.

Source: David Taussig & Associates, Debt Management - Special Districts Administration

- (vi) An update of Table 4 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. See Exhibit 3.

Source: David Taussig & Associates, Debt Management - Special Districts Administration

- (vii) Any event known to the Issuer 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: Debt Management - Special Districts Administration, Planning Dept., Development Services Dept.

- (viii) A table setting forth for the five most recent fiscal years in which Special Taxes were levied, the total number of parcels taxed, the amount of Special Taxes levied in each fiscal year and the percentage delinquent as of June 30 of such fiscal year and as of the date which is 30 days prior to the date of the Annual Report, and a description of the status of any foreclosure actions being pursued by the Issuer with respect to delinquent Special Taxes. See Exhibit 4.

Source: San Diego County Delinquency Reports, Debt Management - Special Districts Administration

- (ix) The date of issuance and the principal amount of any Parity Bonds and a copy of any appraisal delivered in connection with such issuance:

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

Source: Debt Management - Special Districts Administration

- (x) Any information not already included under (i) through (ix) above that the Issuer 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 Yearly Fiscal Status Report for Fiscal Year 2005-2006 is attached. See Exhibit 5.

Source: Debt Management - Special Districts Administration

\$9,965,000
COMMUNITY FACILITIES DISTRICT NO. 2
(SANTALUZ)
IMPROVEMENT AREA NO. 4
SPECIAL TAX BONDS SERIES A OF 2004

List of the public improvements in Table 1 of the Official Statement which have been paid for by the Issuer with proceeds of the Bonds.

<u>Project</u>	<u>Construction Status</u>	<u>Payment Status</u>	<u>Payments As Of March 30, 2007</u>
Offsite Water and Sewer Improvements	Complete	Unpaid	\$0
Community Park Improvements	Complete	Partially Paid	\$2,560,000
El Camino Real Improvements	Incomplete	Unpaid	\$0
			\$2,560,000

EXHIBIT 2
CITY OF SAN DIEGO COMMUNITY FACILITIES DISTRICT NO. 2
IMPROVEMENT AREA NO. 4
CONTINUING DISCLOSURE STATEMENT
DIRECT AND OVERLAPPING DEBT SUMMARY

Overlapping District	FY 2006-2007 Total Levy	Amount of Levy on Parcels in the District	Percent of Levy on Parcels in the District	Total Debt Outstanding [1]	District Share of Total Debt Outstanding
Poway Unified School District CFD No. 8 [2]	NA	NA	NA	\$0	NA
Metropolitan Water District G.O. Bond	\$103,904,001	\$10,267	0.0099%	\$389,565,000	\$38,492
City of San Diego Public Safety Communication System	\$1,868,494	\$2,709	0.1450%	\$9,905,000	\$14,359
				Estimated Share of Overlapping Debt Allocable to the District	\$52,851
				Plus: CFD No. 2 IA No. 4 2004 Bonds	\$9,705,000 [3]
				Estimated Share of Direct and Overlapping Debt Allocable to the District	\$9,757,851

Source: David Taussig & Associates, Inc.; Metropolitan Water District; County of San Diego

[1] As of September 2, 2006.

[2] Authorized to issue up to \$80 million based on authorization at the time the CFD was formed on 12/16/1998.

[3] Reduced by \$60,000 based on bond call on 9/1/06.

**EXHIBIT 2
CITY OF SAN DIEGO COMMUNITY FACILITIES DISTRICT NO. 2
IMPROVEMENT AREA NO. 4
CONTINUING DISCLOSURE STATEMENT
ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS**

Property Owner [1]	FY 2006-2007 Special Tax	Percentage of FY 2006-2007 Special Tax	Series A of 2004 Bonds Outstanding [2]	Metropolitan Water District G.O. Bonds Outstanding [2]	City of San Diego Public Communication Systems G.O. Bonds Outstanding [2]	Total Direct and Overlapping Debt	Net Assessed Value [3]	Estimated Assessed Value- to-Lien Ratios [4]
Developed Property [5]	\$739,946	100.00%	\$9,705,000	\$38,492	\$14,359	\$9,757,851	\$218,434,815	22.39
TOTAL	\$739,946	100.00%	\$9,705,000	\$38,492	\$14,359	\$9,757,851	\$218,434,815	22.39

Source: David Taussig & Associates, Inc.; Metropolitan Water District; County of San Diego

[1] Reflects ownership as of January 1, 2006 provided by the San Diego County Assessor.

[2] Allocated based on estimated fiscal year 2006-2007 levy.

[3] Fiscal year 2006-2007 assessed values provided by the San Diego County Assessor, as of January 1, 2006.

[4] Represents Assessed Values column divided by the Total Direct and Overlapping Debt Column.

[5] Includes property for which a building permit was issued as of March 1, 2006.

**EXHIBIT 3
CITY OF SAN DIEGO COMMUNITY FACILITIES DISTRICT NO. 2
IMPROVEMENT AREA NO. 4
CONTINUING DISCLOSURE STATEMENT
FISCAL YEAR 2006-2007 TAXPAYER SUMMARY**

Property Owner [1]	Parcels Taxed	FY 2006-2007 Special Tax Levied	Due December 10, 2006	Percent of Total Special Tax Levied	FY 2006-2007 Delinquent Amount [2]	Percent of Total Special Tax Levied [3]
Individual Owners	215 [4]	\$739,946	\$369,973	100.00%	\$33,654	9.10%
TOTAL	215	\$739,946	\$369,973	100.00%	\$33,654	9.10%

Source: David Taussig & Associates, Inc.

[1] Reflects ownership as of January 1, 2006 provided by the San Diego County Assessor.

[2] Based on first installment delinquency information provided by City as of 1/5/2007.

[3] Percent delinquent calculated based on amount due for first installment only.

[4] Excludes parcel 303-230-2900 which prepaid in February 2006.

Exhibit 4

**Community Facilities District No. 2 (Santaluz)
Improvement Area No. 4
Five Year Delinquency History ^(a)**

Fiscal Year	Parcels Levied	Total Levy	Delinquent Installments As Of 6/30	Percent Delinquent As Of 6/30	Amount Remaining Delinquent As Of 1/5/07	Percent Remaining Delinquent As Of 1/5/07
2005-06	215	\$729,972	\$16,428	2.25%	\$8,561	1.17%
2004-05	216	\$642,187	\$10,752	1.67%	\$0	0.00%
2003-04	52	\$177,051	\$3,469	1.96%	\$0	0.00%
					<u>\$8,561</u>	

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. No parcels included in the data above have met the foreclosure threshold.

^(a) No Special Taxes were levied prior to Fiscal Year 2003-2004.

**STATE OF CALIFORNIA
MELLO-ROOS/MARKS-ROOS
YEARLY FISCAL STATUS REPORT
FOR LOCAL OBLIGORS**

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
CDIAC # _____
Fiscal Year _____

I. General Information

This issue is subject to the Mello-Roos Fiscal Status Reporting Requirements only Yes No
 This issue is subject to the Marks-Roos Yearly Fiscal Status Reporting Requirements Yes No
 for local obligation/loan issues only
 This issue is subject to both Marks/Mello-Roos Yearly Fiscal Status Reporting Requirements Yes

A. Issuer	Community Facilities District No. 2
B. Community Facilities District Number/Name (Mello-Roos only)	CFD No. 2 (Santaluz) Improvement Area No. 4
C. Name/Title/Series of Bond Issue	Special Tax Bonds, Series A of 2004
D. Indicate Credit Rating	Rating Agency: _____ Rating: _____ Not Rated: <input checked="" type="checkbox"/>
E. Date of Bond Issue	February 11, 2004
F. Original Principal Amount of bonds	\$ 9,965,000
G. Reserve Fund Minimum Balance Required	Yes <input checked="" type="checkbox"/> Amount \$ 714,350 No <input type="checkbox"/>
Percent of Authority Reserve Fund (Marks-Roos only)	Yes <input type="checkbox"/> % of Reserve Fund _____
H. Name of Authority that purchased debt (Marks-Roos only)	
Was this a Senior/Subordinate Authority Bond?	Yes <input type="checkbox"/> No <input type="checkbox"/> (If yes, list Senior and Subordinate below)

(Senior Authority bond issue)

(Subordinate Authority bond issue)

I. Date of Authority Bond(s) Issuance _____ (Marks-Roos only)

II. FUND BALANCE FISCAL STATUS

Balances Reported as of fiscal year ending	June 30, 2006 (Year)
A. Principal Amount of Bonds Outstanding	\$ 9,870,000
B. Bond Reserve Fund	\$ 726,719
C. Capitalized Interest Fund	\$ -0-
D. Construction Fund(s) (Mello-Roos only)	\$ 8,855,946

III. ASSESSED VALUE OF ALL PARCELS IN CFD SUBJECT TO SPECIAL TAX (Mello-Roos only)

A. Assessed Value Reported as of July 1, 2006 (Date) (Check one)
(Most recent tax roll)
 From Tax Roll
 From Appraisal of Property
(Use only in first year or before annual tax roll billing commences)

B. Total Assessed Value of All Parcels \$ 219,651,415

IV. TAX COLLECTION INFORMATION

Reported as of fiscal year ending of: June 30, 2006 (Year)

A. Total Amount of Taxes Due	\$ 729,972
B. Total Amount of Unpaid Taxes	\$ 16,428
C. 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 the current Tax Roll of June 30, 2006 (Date)

A. Total Number of Delinquent Parcels	<u>6</u>
B. Total Amount of Taxes Due on Delinquent Parcels	\$ <u>16,428</u>
C. Percent of Delinquency Rate	<u>2.25%</u> <small>(Percent)</small>

