

**ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
**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)**

This Annual Report is being provided by the City of San Diego (the "City") on behalf of the District for the above stated issuance (the "Bonds"), pursuant to the Continuing Disclosure Certificate (entered into to allow the respective underwriters to comply with Securities and Exchange Commission Rule 15c2-12) for the fiscal year ending June 30, 2015 (the "Annual Report").

This Annual Report, including any amendment or supplement hereto, will be 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").

This 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 this 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 this 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 that 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 that is filed with the MSRB's EMMA system or posted on the City's investor information webpage, are not intended to be the basis of, nor should they be relied upon, in making an investment decision. The City is not responsible for the accuracy, completeness or fairness of any statements other than those obtained in the aforementioned locations.

DATED: February 26, 2016

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, 2015**

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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.

The City of San Diego's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015 (CAFR), which includes the City's Fiscal Year 2015 audited financial statements, was filed on the EMMA System of the MSRB on February 1, 2016. The capital improvements financed by District Funds are reported in the Required Supplementary Information section, under the Nonmajor Governmental Funds-Capital Projects, Special Assessment/Special Tax Bonds-Unbudgeted column, of the City's CAFR. The other remaining District Funds are included in the Required Supplementary Information section, under Fiduciary Funds-Agency Funds, Other Miscellaneous Agency. Additional information related to outstanding Special Assessment/Special Tax Bonds can be found in Note 18-Debt Without Governmental Commitment and Note 24-Subsequent Events of the City's CAFR.

**(b) Financial and Operating Data.**

- (i) Principal amount of Bonds outstanding (data as of September 2, 2015 pursuant to the Continuing Disclosure Certificate):

**\$42,350,000**

Source: City of San Diego, Debt Management

- (ii) Fund balances for each fund under the Bond Indenture (data as of September 2, 2015 pursuant to the Continuing Disclosure Certificate):

Special Tax Fund	\$0
Interest Account	\$0
Principal Account	\$1

Redemption Account	\$4,204
Reserve Account <sup>(a)</sup>	\$4,031,451
Administrative Expense Account	\$63,443
Rebate Fund	
Rebate Account	\$0
Alternative Penalty Account	\$0
Costs of Issuance Account	\$0
Surplus Fund	\$758,140

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 March 5, 2015, Parcel Number 303-173-33-00 prepaid its special tax in the amount of \$66,582; and
    - On April 22, 2015, Parcel Number 303-183-41-00 prepaid its special tax in the amount of \$66,582.

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.
  - As of September 2, 2015, there were no taxpayers within the District owning property upon which 5% or more of the total Special Taxes for the 2015-2016 fiscal year have been levied.

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

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<sup>(a)</sup> Reserve Requirement: \$4,001,524.

- (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 2014-2015 was filed with CDIAC on October 19, 2015 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 <sup>(1)</sup>			Remaining Delinquent as of 2/18/2016 <sup>(2)</sup>		
			Delinquent Parcels	Amount Delinquent	Percent Delinquent	Delinquent Parcels	Amount Delinquent <sup>(2)</sup>	Percent Delinquent
2014-15	1,000	\$3,727,584	6	\$11,129	0.30%	0	\$0	0.00%
2013-14	996	3,923,880	8	25,497	0.65%	0	0	0.00%
2012-13	997	4,082,598	11	37,456	0.92%	0	0	0.00%
2011-12	1,005	4,724,558	20	64,998	1.38%	0	0	0.00%
2010-11	1,007	5,119,736	19	82,355	1.61%	0	0	0.00%
Total Amount Delinquent							<u>\$0</u>	

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

<sup>(2)</sup> Delinquent data is as of February 18, 2016.

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, 2016, 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 <sup>(1)</sup>	Number of Parcels	Fiscal Year 2015-16 Special Tax	Percentage of FY 2015-16 Special Tax	CFD No. 2 IA No. 1 Bonds Outstanding <sup>(2)</sup>	Poway Unified School District CFD No. 4 Bonds Outstanding <sup>(3)</sup>	Metropolitan Water District G.O. Bonds Outstanding <sup>(3)</sup>	Palomar Pomerado Health 2005A Bonds Outstanding <sup>(3)</sup>	Palomar Community College District 2006A, 2006B, 2006C AND 2015 REF Bonds Outstanding <sup>(3)(4)</sup>	Total Direct and Overlapping Debt	Net Assessed Value <sup>(1)</sup>	Estimated Assessed Value-to-Debt Ratios <sup>(5)</sup>
<b>Developed Property<sup>(6)</sup></b>											
Residential Property (other than Custom Lots)	690	\$1,837,551	47.86%	\$20,268,182	\$9,184,467	\$30,337	\$888,851	\$3,313,703	\$33,685,540	\$670,065,941	19.89
Custom Lot Property with Improvement Value	231	\$1,526,439	39.76%	\$16,836,618	\$10,995,164	\$25,909	\$679,506	\$2,830,150	\$31,367,347	\$574,304,657	18.31
Custom Lot Property without Improvement Value	56	\$370,046	9.64%	\$4,081,605	\$202,034	\$2,098	\$66,678	\$229,218	\$4,581,633	\$46,578,880	10.17
Institutional Property	2	\$481	0.01%	\$5,305	\$0	\$134	\$0	\$14,690	\$20,129	\$2,985,031	148.29
<u>Golf Course Property</u>											
Santaluz Club	18	\$102,179	2.66%	\$1,127,037	\$0	\$798	\$78,732	\$87,141	\$1,293,708	\$17,707,710	13.69
Santaluz LLC	1	2,833	0.07%	31,253	0	9	0	1,033	32,295	210,000	6.50
Subtotal Golf Course Property	19	\$105,012	2.73%	\$1,158,290	\$0	\$807	\$78,732	\$88,174	\$1,326,003	\$17,917,710	13.51
<b>Subtotal All Developed Property</b>	<b>998</b>	<b>\$3,839,529</b>	<b>100.00%</b>	<b>\$42,350,000</b>	<b>\$20,381,665</b>	<b>\$59,285</b>	<b>\$1,713,767</b>	<b>\$6,475,935</b>	<b>\$70,980,652</b>	<b>\$1,311,852,219</b>	<b>18.48</b>
<b>Undeveloped Property<sup>(7)</sup></b>											
Future Custom Lot Property	5	\$0	0.00%	\$0	\$0	\$225	\$14,845	\$24,626	\$39,696	\$5,004,272	126.06
Future Institutional Property	3	0	0.00%	0	0	216	0	23,634	23,850	4,802,687	201.36
<b>Subtotal All Undeveloped Property</b>	<b>8</b>	<b>\$0</b>	<b>0.00%</b>	<b>\$0</b>	<b>\$0</b>	<b>\$441</b>	<b>\$14,845</b>	<b>\$48,260</b>	<b>\$63,546</b>	<b>\$9,806,959</b>	<b>154.32</b>
<b>Total</b>	<b>1,006</b>	<b>\$3,839,529</b>	<b>100.00%</b>	<b>\$42,350,000</b>	<b>\$20,381,665</b>	<b>\$59,726</b>	<b>\$1,728,612</b>	<b>\$6,524,195</b>	<b>\$71,044,198</b>	<b>\$1,321,659,178</b>	<b>18.60</b>

<sup>(1)</sup> Ownership and Net Assessed Value per the San Diego County Fiscal Year 2015-16 Secured Roll as of January 1, 2015. Net Assessed Value based on Assessed Value less Homeowners' Exemption.

<sup>(2)</sup> Allocated based on Fiscal Year 2015-16 Special Tax Levy.

<sup>(3)</sup> As of January 1, 2016. Allocated based on Assessed Valuation. Source: California Municipal Statistics.

<sup>(4)</sup> Outstanding bond amount increased from prior year due to issuance of additional general obligation bond debt in 2015.

<sup>(5)</sup> Calculated by dividing Net Assessed Value by Total Direct and Overlapping Debt.

<sup>(6)</sup> As defined in the Rate and Method, 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, 2015. Custom Lot Property includes property (i) that is within a Final Map that was recorded prior to March 1, 2015; (ii) for which (a) escrow has closed prior to March 1, 2015 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, 2015 and (iii) that is a Proposed Custom Lot.

<sup>(7)</sup> Includes property not classified as Developed Property pursuant to the Rate and Method. Future Institutional projected to be one church-owned site and two parcels projected to be assisted living development (per Taylor Morrison, Developer).

Source: Willdan Financial Services

## Exhibit 3

## STATE OF CALIFORNIA

**MELLO-ROOS COMMUNITY FACILITIES DISTRICT (CFD)  
YEARLY FISCAL STATUS REPORT**

Submitted:

Monday, October 19, 2015

8:59:42AM

CDIAC #: 2011-1486

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 2015**I. GENERAL INFORMATION**

A. Issuer San Diego CFD No 2

B. Project Name Santaluz IA No 1

C. Name/ Title/ Series of Bond Issue 2011 Spec Tax Ref Bonds Series A

D. Date of Bond Issue 12/7/2011

E. Original Principal Amount of Bonds \$51,680,000.00

F. Reserve Fund Minimum Balance Required Yes ☒ Amount \$4,027,332.00 No ☐

**II. FUND BALANCE FISCAL STATUS**

Balances Reported as of: 6/30/2015

A. Principal Amount of Bonds Outstanding \$44,605,000.00

B. Bond Reserve Fund \$4,044,753.00

C. Capitalized Interest Fund \$0.00

D. Construction Fund(s) \$0.00

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

A. Assessed or Appraised Value Reported as of: 7/1/2015

☒ From Equalized 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 \$1,333,134,981.00

**IV. TAX COLLECTION INFORMATION**

A. Total Amount of Special Taxes Due Annually \$3,727,584.00

B. Total Amount of Unpaid Special Taxes Annually \$20,220.00

C. Taxes are Paid Under the County's Teeter Plan? N

**V. DELINQUENT REPORTING INFORMATION**

Delinquent Parcel Information Reported as of Equalized Tax Roll of: 6/30/2015

A. Total Number of Delinquent Parcels: 9

B. Total Amount of Taxes Due on Delinquent Parcels: \$20,220.00  
(Do not include penalties, penalty interest, etc.)

**VI. FORECLOSURE INFORMATION FOR FISCAL YEAR**

(Aggregate totals, if foreclosure commenced on same date)

(Attach additional sheets if necessary.)

Date Foreclosure Commenced	Total Number of Foreclosure Parcels	Total Amount of Tax Due on Foreclosure Parcels
		\$0.00
		\$0.00
		\$0.00
		\$0.00
		\$0.00

Submitted:  
Monday, October 19, 2015  
8:59:42AM  
CDIAC #: 2011-1486

**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  
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(916) 653-3269 Fax (916) 654-7440

For Office Use Only
Fiscal Year <u>2015</u>

**VII. ISSUE RETIRED**

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

Matured ☐ Redeemed Entirely ☐ Other ☐

If Matured, indicate final maturity date:

If Redeemed Entirely, state refunding bond title & CDIAC #:  
and redemption date:

If Other:  
and date:

**VIII. NAME OF PARTY COMPLETING THIS FORM**

Name	Chuck Wilcox	
Title	Debt Coordinator	
Firm/ Agency	City of San Diego / Debt Management	
Address	202 C Street, 7th Floor, MS 7B	
City/ State/ Zip	San Diego, CA 92101	
Phone Number	(619) 533-4519	Date of Report 10/19/2015
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 30, 2015.  
Section VI: No properties have met the foreclosure threshold.