

**ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013**  
**RELATING TO**  
**\$4,350,000**  
**COMMUNITY FACILITIES DISTRICT NO. 2**  
**(SANTALUZ)**  
**IMPROVEMENT AREA NO. 3**  
**SPECIAL TAX BONDS SERIES B OF 2000**  
**(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 Agreement 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 Agreement 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).

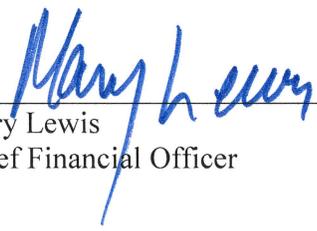
The City is acting as the Dissemination Agent for the above stated issuance. The City does not have any obligation to update this report other than as expressly provided in the Continuing Disclosure Agreement.

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  
Chief Financial Officer

**\$4,350,000**  
**COMMUNITY FACILITIES DISTRICT NO. 2**  
**(SANTALUZ)**  
**IMPROVEMENT AREA NO. 3**  
**SPECIAL TAX BONDS SERIES B OF 2000**

**Annual Report Under the Continuing Disclosure Agreement**

**Fiscal Year Ending June 30, 2013**

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This Annual Report includes information required by the Continuing Disclosure Agreement for Community Facilities District No. 2 (Santaluz) Improvement Area No. 3 Special Tax Bonds, Series B of 2000:

**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 Agreement 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.<sup>(a)</sup>**

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

**\$ 3,475,000**

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 Agreement):

Special Tax Fund	\$14,128
Interest Account	\$0
Capitalized Interest Subaccount	\$0
Principal/Redemption Account	\$0

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<sup>(a)</sup> Debt Service payment date was September 3, 2013; balance is reported as of September 4, 2013.

Reserve Account <sup>(b)</sup>	\$339,875
Administrative Expense Account	\$31,197
Rebate Fund	
Rebate Account	\$0
Alternative Penalty Account	\$0
Acquisition & Construction Fund	
Costs of Issuance Account	\$0
Project Account	\$0
Surplus Fund	\$1,434

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

- (iii) A list of the public improvements in Table 1 in the Official Statement which have been acquired by the City with proceeds of the Bonds, as of June 30, 2013, is attached as Exhibit 1.
- (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 the Special Taxes have been submitted for approval, no Backup Special Taxes have been levied, and no Special Taxes have been prepaid.

Source: City of San Diego, Debt Management

- (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.
  - See Exhibit 2.
- (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.
  - 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

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<sup>(b)</sup> Reserve Requirement: \$ 339,810.

(vii) 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

(viii) A table setting forth for the five most recent fiscal years in which Special Taxes were levied, 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 of the Annual Report, and a description of the status of any foreclosure actions being pursued by the Issuer [District] with respect to delinquent Special Taxes.

- See Exhibit 3.

(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: City of San Diego, Debt Management

(x) Any information not already included under (i) through (ix) 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 4.

Source: City of San Diego, Debt Management

Exhibit 1

\$4,350,000

**COMMUNITY FACILITIES DISTRICT NO. 2 (SANTALUZ)  
IMPROVEMENT AREA NO. 3  
SPECIAL TAX BONDS SERIES B OF 2000**

**FACILITIES ACQUIRED BY THE CITY OF SAN DIEGO  
WITH PROCEEDS OF THE BONDS: \***

Carmel Valley Road from Via Abertura to Black Mountain Road and Black Mountain Road from Carmel Valley Road southerly to existing Black Mountain Road <sup>(1)</sup>

Carmel Valley Road Segments 1, 2 and 3 from North SR56 to Via Abertura

Camino Ruiz South <sup>(1)</sup>

Camino Ruiz from CR South Northerly to San Dieguito and Extension of Stn. 213 <sup>(1)</sup>

San Dieguito Road from Camino Ruiz to existing San Dieguito Road <sup>(1)</sup>

Median and Parkway Landscaping of Carmel Valley Road from Via Abertura to Black Mountain Road and Black Mountain Road from Carmel Valley Road southerly to existing Black Mountain Road.

Sewer Trunk Line from Existing Carmel Valley Sewer Trunk Line to Fairbanks Highlands Intercept

Trunk Sewer from Pump Station No. 3 Intercept to Pump Station No. 2 Intercept

Trunk Sewer from Pump Station No. 2 Intercept to northerly end of Project

Pump Station No. 3 and Force Main to Trunk Sewer

Pump Station No. 2 and Force Main to Trunk Sewer

36" Water Line from Reservoir to Black Mountain Road, including construction of initial Carmel Valley Road Segment BB improvements (land bridge, grading and encasement of existing water facilities)

25 Million Gallon Reservoir

South Fire Station and Equipment (Portion)

Offsite Traffic Signals and Intersection Improvements

Regional Park Land Acquisition and Grading (Fair Share)

Preliminary Design Costs for Public Improvements

Landscaping of San Dieguito Road

Landscaping of Camino Ruiz

Community Park Improvements

Neighborhood Park Improvements

(1) Roadway projects included street improvements, water and sewer improvements as indicated, utilities (joint trench, electric, gas, cable TV, telephone) included within the roadway right-of-way or within a designated easement, if eligible for funding by the District.

\* Facilities acquired with proceeds of Improvement Area No. 3 Bonds in conjunction with CFD No. 2, Improvement Area No. 1 Special Tax Bonds Series A of 2000 and Series A of 2004. In December 2011, the Improvement Area No. 1 2000 and 2004 bonds were refunded with the CFD No. 2 Improvement Area No. 1 Special Tax Refunding Bonds Series A of 2011.

Source: City of San Diego, Debt Management; City of San Diego, Office of the Comptroller

**Exhibit 2**  
**COMMUNITY FACILITIES DISTRICT NO. 2 (SANTALUZ)**  
**IMPROVEMENT AREA NO. 3**  
**CONTINUING DISCLOSURE STATEMENT**  
**ASSESSED VALUE-TO-LIEN RATIOS**

Property Classification	Number of Parcels	FY 2013/2014 Special Tax	Percentage of FY 2013/2014 Special Tax	CFD No. 2 IA No. 3 Bonds Outstanding <sup>(1)</sup>	Poway Unified School District CFD No. 7 Bonds Outstanding <sup>(2)</sup>	Metropolitan Water District G.O. Bonds Outstanding <sup>(2)</sup>	Palomar Community College District 2006A and 2006B Bonds Outstanding <sup>(2)(3)</sup>	Total Direct and Overlapping Debt	Net Assessed Value <sup>(4)</sup>	Estimated Assessed Value-to-Lien Ratios <sup>(5)</sup>
Developed Property <sup>(6)</sup>	94	\$378,698	100%	\$3,475,000	\$1,285,000	\$10,625	\$475,704	\$5,246,329	\$148,700,553	28.34
Total	94	\$378,698	100%	\$3,475,000	\$1,285,000	\$10,625	\$475,704	\$5,246,329	\$148,700,553	28.34

<sup>(1)</sup> As of September 4, 2013, based on the Fiscal Year 2013-14 Special Tax Levy.

<sup>(2)</sup> As of January 1, 2014. Allocated based on Assessed Values. Source: California Municipal Statistics.

<sup>(3)</sup> Outstanding amount is combined for the Series 2006A and 2006B Bonds.

<sup>(4)</sup> Assessed Value per the San Diego County Fiscal Year 2013-14 Secured Roll as of January 1, 2013. Net value defined as Assessed Value less any Homeowners Exemption.

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

<sup>(6)</sup> Includes property for which a building permit was issued as of March 1, 2013.

Source: Willdan Financial Services

**Exhibit 3**  
**COMMUNITY FACILITIES DISTRICT NO. 2 (SANTALUZ)**  
**IMPROVEMENT AREA NO. 3**  
**FIVE YEAR DELINQUENCY HISTORY**

Fiscal Year	Parcels Levied	Total Levied	Fiscal Year-End Delinquencies <sup>(1)</sup>			Remaining Delinquent As of 2/18/2014 <sup>(2)</sup>			
			Delinquent Parcels	Amount Delinquent	Percent Delinquent	Delinquent Parcels	Amount Delinquent	Percent Delinquent	
2012-13	94	\$364,172	1	\$3,726	1.02%	0	\$0	0.00%	
2011-12	94	341,641	1	3,496	1.02%	0	0	0.00%	
2010-11	94	372,814	0	0	0.00%	0	0	0.00%	
2009-10	94	371,645	4	10,714	2.88%	0	0	0.00%	
2008-09	94	384,513	4	11,408	2.97%	0	0	0.00%	
Total Amount Delinquent								\$0	

<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, 2014.

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

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

CDIAC

**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>2000-0494</u>

**I. GENERAL INFORMATION**

A. Issuer Community Facilities District No. 2  
 B. Community Facilities District Number/Name CFD No. 2 (Santaluz) Improvement Area No. 3  
 C. Name/Title/Series of Bond Issue Special Tax Bonds Series B of 2000  
 D. Date of Bond Issue October 18, 2000  
 E. Original Principal Amount of Bonds \$4,350,000  
 F. Reserve Fund Minimum Balance Required \$339,810

**II. FUND BALANCE FISCAL STATUS**

Balances Reported as of: June 30, 2013 (Year)  
 A. Principal Amount of Bonds Outstanding \$3,590,000  
 B. Bond Reserve Fund \$340,111  
 C. Capitalized Interest Fund \$-0-  
 D. Construction Fund(s) \$-0-

**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: \$149,162,553 (Gross Assessed Value)

**IV. TAX COLLECTION INFORMATION**

A. Total Amount of Special Taxes Due Annually \$364,172  
 B. Total Amount of Unpaid Special Taxes Annually \$3,726  
 C. The Special Taxes are Paid Under the County's Teeter Plan. Yes:  No:

**V. DELINQUENT REPORTING INFORMATION**

Delinquent Parcel Information Reported as of Equalized Tax Roll of: June 30, 2013 (Date)  
 A. Total Number of Delinquent Parcels: 1  
 B. Total Amount of Special Taxes Due on Delinquent Parcels: \$3,726  
 (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
No properties have met the foreclosure threshold.	N/A	\$-0-

