

**ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2010
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, 2010 (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 Annual Report does not include the audited financial statements of the District. The District is a blended component unit of the City and the audited financial statements of the District are prepared with and included in the City's Comprehensive Annual Financial Report ("CAFR"). The preparation of the City's CAFR for the fiscal year ending June 30, 2010, has been delayed due to technical difficulties encountered during the implementation of a new enterprise resource planning system. Due to this delay, the City's CAFR was not available as of the date of this Annual Report. The City expects to release the CAFR, including the audited financial statements, in August 2011 at which time it will be separately transmitted to EMMA.

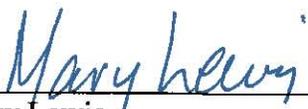
The City is acting as the Dissemination Agent for the above stated issuance. The City does not have any obligation to update this report other than as expressly provided in the Continuing Disclosure Agreement.

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 25, 2011

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, 2010

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.

See Page 1 of Introduction.

(b) Financial and Operating Data:

- (i) Principal amount of Bonds outstanding (data as of September 2, 2010 pursuant to the Continuing Disclosure Agreement):

\$ 3,805,000

Source: City of San Diego, Debt Management

- (ii) Fund balances for each fund under the Bond Indenture (data as of September 2, 2010 pursuant to the Continuing Disclosure Agreement):

Special Tax Fund		\$4,281
	Interest Account	\$306
	Capitalized Interest Subaccount	\$0
	Principal/Redemption Account	\$0
	Reserve Account ^(a)	\$342,290
	Administrative Expense Account	\$36,968
Rebate Fund		
	Rebate Account	\$0
	Alternative Penalty Account	\$0

^(a) Reserve Requirement: \$ 339,810

Acquisition & Construction Fund	
Costs of Issuance Account	\$0
Project Account	\$0
Surplus Fund	\$0

Source: City of San Diego, Debt Management; Union Bank of California 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, 2010, 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 2, 2010, there were no properties within the District upon which 5% or more of the total Special Taxes for the current fiscal year have been levied.

Source: City of San Diego, Debt Management; David Taussig & Associates

- (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, City Planning & Community Investment Department and 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 2009-2010 was filed with CDIAC on October 29, 2010 and is attached. See Exhibit 4.

Source: City of San Diego, Debt Management

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

Exhibit 1

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 ⁽¹⁾

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

Camino Ruiz South ⁽¹⁾

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

San Dieguito Road from Camino Ruiz to existing San Dieguito Road ⁽¹⁾

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 include 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.

EXHIBIT 2
CITY OF SAN DIEGO COMMUNITY FACILITIES DISTRICT NO. 2
IMPROVEMENT AREA NO. 3
CONTINUING DISCLOSURE STATEMENT
ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS

Property Owner [1]	Number of Parcels	FY 2010-2011 Special Tax	Percentage of FY 2010-2011 Special Tax	CFD No. 2 IA No. 3 Bonds Outstanding [2]	Poway Unified School District CFD No. 7 Bonds Outstanding [2]	Metropolitan Water District G.O. Bonds Outstanding [2]	City of San Diego Public Safety Bonds Outstanding [2]	Palomar Community College District 2006A Bonds Outstanding [2]	Palomar Community College District 2006B Bonds Outstanding [2]	Total Direct and Overlapping Debt	Net Assessed Value [3]	Estimated Assessed Value-to-Lien Ratios [4]
Developed Property [5]	94	\$372,814	100.00%	\$3,805,000	\$1,395,000	\$13,917	\$1,786	\$234,905	\$274,338	\$5,724,946	\$140,651,435	24.57
TOTAL	94	\$372,814	100.00%	\$3,805,000	\$1,395,000	\$13,917	\$1,786	\$234,905	\$274,338	\$5,724,946	\$140,651,435	24.57

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

[1] Reflects ownership as of January 1, 2010 provided by the San Diego County Assessor.

[2] As of September 2, 2010. Allocated based on fiscal year 2010-2011 levy.

[3] Fiscal year 2010-2011 net assessed values as of January 1, 2010 provided by the San Diego County Assessor.

[4] Represents "Net Assessed Value" divided by "Total Direct and Overlapping Debt".

[5] Includes property for which a building permit was issued as of March 1, 2010.

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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 ⁽¹⁾		Amount Remaining Delinquent As of 1/26/2011	Percent Remaining Delinquent As of 1/26/2011
			Amount Delinquent	Percent Delinquent		
2009-10	94	\$ 371,645	\$ 10,714	2.88%	\$2,504	0.67%
2008-09	94	\$ 384,513	\$ 11,408	2.97%	\$2,083	0.54%
2007-08	94	\$ 332,085	\$ 5,457	1.64%	\$0	0.00%
2006-07	94	\$ 327,128	\$ 3,380	1.03%	\$0	0.00%
2005-06	93	\$ 430,412	\$ 10,858	2.52%	\$0	0.00%
Total Amount Delinquent					\$4,587	

The District has covenanted that it will commence judicial foreclosure proceedings against the parcels with delinquent special taxes in excess of \$10,000 by October 1 following the close of each fiscal year in which special taxes were due. As of January 26, 2011, no delinquencies met the foreclosure threshold.

⁽¹⁾The data is as of August 28, 2006 for Fiscal Year 2005-06; August 8, 2007 for Fiscal Year FY 2006-07; August 27, 2008 for Fiscal Year 2007-08; August 18, 2009 for Fiscal Year 2008-09 and August 11, 2010 for Fiscal Year 2009-10.

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)
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
cdiac_issuance@treasurer.ca.gov

Fiscal Year <u>2010</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. Indicate Credit Rating Ratings Agency: Rating _____ Not Rated X
 E. Date of Bond Issue October 18, 2000
 F. Original Principal Amount of Bonds \$ 4,350,000
 G. Reserve Fund Minimum Balance Required \$ 341,980

II. FUND BALANCE FISCAL STATUS

Balances Reported as of: June 30 2010 (Year)
 A. Principal Amount of Bonds Outstanding \$ 3,935,000
 B. Bond Reserve Fund \$ 342,285
 C. Capitalized Interest Fund \$ -0-
 D. Construction Fund(s) \$ -0-

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

A. Assessed Value Reported as of: July 1, 2010 (Date) (Check one)
 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 \$ 140,651,435 (Net Assessed Value)

IV. TAX COLLECTION INFORMATION

A. Total Amount of Special Taxes Due \$ 371,645.
 * B. Total Amount of Unpaid Special Taxes \$ 10,714.
 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, 2010 (Date)
 * A. Total Number of Delinquent Parcels: 5
 * B. Total Amount of Special Taxes Due on Delinquent Parcels: \$ 14,973

VI. FORECLOSURE INFORMATION FOR FISCAL YEAR

(Aggregate totals, if foreclosure commenced on same date)

* *PER SAN DIEGO COUNTY DELIQUENCY REPORT NUMBER: ST28-0090-02, DATED JULY 9, 2010*

Date Foreclosure Commenced	Total Number of Foreclosure Parcels	Total Amount of Tax Due on Foreclosure Parcels
No properties have met the foreclosure threshold.		\$
		\$
		\$
		\$
		\$

(Attach additional sheets if necessary.)

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

(Continued)

VII. ISSUE RETIRED

This issue is retired and not 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 E-mail: CWilcox@sandiego.gov _____.

Date of Report October 29, 2010 _____.

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.