

# 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](http://www.sec.gov/info/municipal/nrmsir.htm) for list of current NRMSIRs and SIDs

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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. 3  
SPECIAL TAX BONDS SERIES B OF 2000**

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 of the City of San Diego CUSIP: 802808**

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

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TYPE OF FILING:

**X Electronic: ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2003.**

Paper (no. of pages attached)

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

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

**A.  Annual Report for FY 2003**

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

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

See the Annual Report, Sections 1(a).

**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**

**E. Other Secondary Market Information** (Specify): \_\_\_\_\_

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

**Issuer Contact:**

Name PATRICIA T. FRAZIER Title DEPUTY CITY MANAGER  
Employer CITY OF SAN DIEGO  
Address 202 C STREET, MAIL STATION 9B City SAN DIEGO State CA Zip Code 92101  
Telephone (619) 236-6070 Fax (619) 236-7344  
Email Address \_\_\_\_\_ Issuer Web Site Address \_\_\_\_\_

**Dissemination Agent Contact, if any:**

Name: VIVIAN SAVEDRA Title: VICE PRESIDENT  
Employer: UNION BANK OF CALIFORNIA, N.A.  
Address: 120 S. SAN PEDRO STREET, SUITE 400 City: LOS ANGELES State: CA Zip Code: 90012  
Telephone: (213) 972-5673 Fax: (213) 972-5694  
Email Address \_\_\_\_\_ Relationship to Issuer: TRUSTEE

**Investor Relations Contact, if any:**

Name LAKSHMI KOMMI Title FINANCING SERVICES MANAGER  
Telephone (619) 236-6928 Email Address \_\_\_\_\_

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**ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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”) on behalf of the Community Facilities District No. 2, pursuant to the Continuing Disclosure Agreement between the City and Union Bank of California, National Association, in its capacities as Trustee and Dissemination Agent (the “Trustee” and the “Dissemination Agent”), relating to Community Facilities District No. 2 (Santaluz), Improvement Area No. 3, Special Tax Bonds, Series B of 2000 (the “IA 3 2000 B Bonds”) for the fiscal year ended June 30, 2003.

This Annual Report, including any amendment or supplement hereto, are intended to be deposited by the Dissemination Agent with each of the Nationally Recognized Municipal Securities Information Repositories (the “NRMSIRs”), approved by the Securities and Exchange Commission, set forth in Exhibit A and with each of the Participating Underwriters, set forth in Exhibit B.

This Annual Report is provided solely for the purposes of the Continuing Disclosure Agreement. The filing of this Annual Report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the City, Community Facilities District No. 2 (Santaluz), the IA 3 2000 B Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the fiscal year to which this Annual Report relate (other than as contained in this Annual Report), or any other date specified with respect to any of the information contained in this Annual Report, or that any other information exists, which may have a bearing on the security for the IA 3 2000 B Bonds, or an investor’s decision to buy, sell, or hold the IA 3 2000 B Bonds. Certain information contained in this Annual Report has been obtained from other sources which are believed to be reliable. No statement in this Annual Report should be construed as a prediction or representation about future financial performance of the City and Community Facilities District No. 2 (Santaluz).

Neither the City nor the Dissemination Agent has any obligation to update this report other than as expressly provided in the Continuing Disclosure Agreement.

Any statements regarding the IA 3 2000 B Bonds, 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: March 30, 2004

CITY OF SAN DIEGO

By:   
PATRICIA T. FRAZIER  
Deputy City Manager

Distribution: Union Bank of California, N.A. (Trustee and Dissemination Agent)  
UBS Financial Services (Participating Underwriter)  
Morgan Stanley Dean Witter (Participating Underwriter)  
E.J. De la Rosa & Co., Inc. (Participating Underwriter)

## **EXHIBIT A**

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

### **Bloomberg Municipal Repositories**

100 Business Park Drive  
Skillman, NJ 08558  
Email: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)  
Phone: (609) 279-3225  
Fax: (609) 279-5962

### **Standard & Poor's J.J. Kenny Repository**

55 Water Street, 45th Floor  
New York, NY 10041  
E-mail: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)  
Phone: (212) 438-4595  
Fax: (212) 438-3975

### **FT Interactive Data**

Attn: NRMSIR  
100 William Street  
New York, NY 10038  
Email: [NRMSIR@FTID.com](mailto:NRMSIR@FTID.com)  
Phone: (212) 771-6999  
Fax: (212) 771-7390

### **DPC Data, Inc.**

One Executive Drive  
Fort Lee, NJ 07024  
E-mail: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)  
Phone: (201) 346-0701  
Fax: (201) 947-0107

## **EXHIBIT B**

### **Participating Underwriters**

UBS Financial Services, Inc.  
Attn: Los Angeles Municipal Securities Group  
777 South Figueroa Street, 50<sup>th</sup> Floor  
Los Angeles, California 90017

Attn: Brian Richman, Principal  
706 Mission, Suite 502  
San Francisco, CA 94103  
Phone: (415) 495-8863  
FAX: (415) 495-8864  
e-mail: Brichman@ejdelarosa.com

Morgan Stanley Dean Witter  
Attn: Celeste Davis, Principal  
555 California Street, Suite 2200  
San Francisco, CA 94104  
Phone: (415) 576-2087  
FAX: (415) 576-2091  
e-mail: celeste.davis@msdw.com

**\$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**

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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, except for the Comprehensive Annual Financial Report of the City of San Diego (the "CAFR") for the Fiscal Year ended June 30, 2003 (see item 1(a) below):

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

**(a) Financial Statements:**

This Annual Report does not include the Comprehensive Annual Financial Report of the City of San Diego (the "CAFR") for the year ended June 30, 2003 (the "2003 CAFR"). The City found errors in the CAFR for the fiscal year ended June 30, 2002 (the "2002 CAFR"), as well as other 2002 financial statements of the City. It is the opinion of the City Auditor and the City Outside Auditor (Caporicci and Larson) that, in accordance with accounting and auditing professional guidelines, discovered errors related primarily to footnotes, and were not material either individually or in the aggregate in the context of the 2002 CAFR taken as a whole. The City has retained the accounting firm of KPMG LLP, to perform a full scope audit and render an opinion on the basic financial statements in the 2003 CAFR. The City currently expects to have the audited 2003 CAFR ready for publication in June of 2004, although no assurance can be given that the audited 2003 CAFR will in fact be published by then. At such time as the audited 2003 CAFR is published, this Annual Report will be appropriately amended.

On January 27, 2004 and again on March 12, 2004 the City voluntarily disclosed information on the City's pension plan, errors with respect to the 2002 CAFR, and the Fiscal Year 2002 audited financial statements of the Metropolitan Wastewater Utility for the Fiscal Years ended June 30, 2002 and 2001 (the "Voluntary Disclosures"). Copies of such Voluntary Disclosures may be obtained from any of the Nationally Recognized Municipal Securities Information Repositories (Exhibit A) or from the Investor Relations contact listed on page 2 of the Municipal Secondary Market Disclosure Cover Sheet that prefaces this Annual Report.

**\$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**

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

- (i) Principal amount of Bonds outstanding as of September 2, 2003:

\$4,295,000

Source: Office of the City Treasurer - Special Districts Administration

- (ii) Fund balances for each fund under the Bond Indenture, as of September 2, 2003, are as follows:

Special Tax Fund	\$287
Interest Account	\$7
Capitalized Interest Subaccount	\$0
Principal Account	\$2
Redemption Account	\$0
Reserve Account	\$342,365
Administrative Expense Account	\$10,543
 Rebate Fund	
Rebate Account	\$0
Alternative Penalty Account	\$0
 Acquisition & Construction Fund	
Cost of Issuance Account	\$1,363
Project Account	\$42,681
 Surplus Fund	\$199,809

Source: Union Bank of California Trustee Statements; Office of the City Treasurer - Special Districts Administration

- (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 the date of this report, is attached as Exhibit 1.

Source: Office of the City Treasurer - Special Districts Administration

**\$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**

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- (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:

None

Source: Office of the City Treasurer - 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 is attached as Exhibit 2.

Source: David Taussig & Associates; Office of the City Treasurer - 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 is attached as Exhibit 3.

Source: David Taussig & Associates; Office of the City Treasurer - 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: Office of the City Treasurer - Special Districts Administration

- (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

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

**Annual Report Under the Continuing Disclosure Agreement**

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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 with respect to delinquent Special Taxes, is attached as Exhibit 4.

Source: San Diego County Delinquency Reports; Office of the City Treasurer - 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: Office of the City Treasurer - 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:

None

Source: Office of the City Treasurer - Special Districts Administration

**ADDITIONAL INFORMATION**

On February 13, 2004, the City of San Diego was notified by the U.S. Securities and Exchange Commission of an investigation into certain previous bond issues by the City. At the same time, the United States Attorney's office began its own investigation regarding previous bond issues by the City. The City intends to fully cooperate with both investigations. To the best knowledge of the City and Community Facilities District No. 2 (Santaluz), these investigations do not involve matters directly related to the Community Facilities District No. 2 (Santaluz).

Source: Office of the City Treasurer - Special Districts Administration

**\$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.

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)

Offsite Traffic Signals and Intersection Improvements

Preliminary Design Costs for Public Improvements

<sup>(1)</sup> 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 Improvement Area No. 1 Special Tax Bonds Series A of 2000.

## **Exhibit 2**

**CITY OF SAN DIEGO COMMUNITY FACILITIES DISTRICT NO. 2  
IMPROVEMENT AREA NO. 3  
CONTINUING DISCLOSURE STATEMENT  
DIRECT AND OVERLAPPING DEBT SUMMARY**

<b>Overlapping District</b>	<b>FY 2003-2004 Total Levy</b>	<b>Amount of Levy on Parcels in the District</b>	<b>Percent of Levy on Parcels in the District</b>	<b>Total Debt Outstanding [1]</b>	<b>District Share of Total Debt Outstanding</b>
Poway Unified School District CFD No. 7	\$115,739	\$115,739	100.0000%	\$1,545,000	\$1,545,000
Metropolitan Water District G.O. Bond	\$99,306,818	\$7,730	0.0078%	\$475,265,000	\$36,993
City of San Diego Public Safety Communication Systems	\$2,003,233	\$2,281	0.1139%	\$14,390,000	\$16,385
				Estimated Share of Overlapping Debt Allocable to the District Plus: Series B of 2000 Bonds	\$1,598,378 \$4,295,000
				Estimated Share of Direct and Overlapping Debt Allocable to the District	\$5,893,378

Source: David Taussig & Associates, Inc.; Metropolitan Water District

[1] As of September 1, 2003.

## **Exhibit 3**

**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]	FY 2003-2004 Special Tax	Percentage of FY 2003-2004 Special Tax	Series B of 2000 Bonds Outstanding [2]	Metropolitan Water District G.O. Bonds Outstanding [3]	City of San Diego Public Communication Systems G.O. Bonds Outstanding [3]	Poway Unified School District CFD No. 7 Bonds Outstanding [3]	Total Direct and Overlapping Debt	Net Assessed Value [4]	Estimated Assessed Value- to-Lien Ratios [5]
<b>Developed Property</b>									
Individual Owner	\$418,369	100.00%	\$4,295,000	\$36,011	\$15,950	\$1,545,000	\$5,891,961	\$123,351,325	20.94
Subtotal	\$418,369	100.00%	\$4,295,000	\$36,011	\$15,950	\$1,545,000	\$5,891,961	\$123,351,325	20.94
<b>Undeveloped Property</b>									
Corporation of Presiding Bishop Church	\$0	0.00%	\$0	\$983	\$435	\$0	\$1,418	\$3,366,000	2373.94
<b>TOTAL</b>	\$418,369	100.00%	\$4,295,000	\$36,993	\$16,385	\$1,545,000	\$5,893,378	\$126,717,325	21.50

Source: David Taussig & Associates, Inc.; Metropolitan Water District

[1] Reflects ownership as of January 1, 2003 provided by the San Diego County Assessor.

[2] Allocated based on fiscal year 2003-2004 Special Tax.

[3] Allocated based on estimated fiscal year 2003-2004 levy.

[4] Fiscal year 2003-2004 assessed values provided by the San Diego County Assessor.

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

**CITY OF SAN DIEGO COMMUNITY FACILITIES DISTRICT NO. 2  
IMPROVEMENT AREA NO. 3  
CONTINUING DISCLOSURE STATEMENT  
FISCAL YEAR 2003-2004 TAXPAYER SUMMARY**

<b>Property Owner [1]</b>	<b>Parcels Taxed</b>	<b>FY 2003-2004 Special Tax Levied</b>	<b>Percent of Total Special Tax Levied</b>	<b>FY 2003-2004 Delinquent Amount [2]</b>	<b>Percent of Total Special Tax Levied [3]</b>
Individual Owners	93	\$418,369	100.00%	\$12,700	6.07%
<b>TOTAL</b>	93	\$418,369	100.00%	\$12,700	6.07%

Source: David Taussig & Associates, Inc.

[1] Reflects ownership as of January 1, 2003.

[2] Based on first installment delinquency information provided by City as of 2/6/2004.

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

**Exhibit 4**

**Community Facilities District No. 2 (Santaluz)  
Improvement Area No. 3  
Five Year Delinquency History <sup>(a)</sup>**

Fiscal Year	Parcels Levied	Total Levy	Delinquent Installments	Percent Delinquent	Amount Remaining Delinquent As Of 1/7/04	Percent Remaining Delinquent As Of 1/7/04
2002-03	93	\$410,166	\$12,426	3.03%	\$0	0.00%
2001-02	93	\$403,912	\$5,801	1.44%	\$0	0.00%

No foreclosure actions are being pursued with respect to the above delinquent special taxes as of the date of this report.

<sup>(a)</sup> No Special Taxes were levied prior to Fiscal Year 2001-2002.

Source: San Diego County Delinquency Reports; Office of the City Treasurer - Special Districts Administration