

ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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)

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, 2012 (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 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 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 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, 2013

CITY OF SAN DIEGO

By: 

Greg Byon
Interim 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, 2012

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.

Refer to the City of San Diego's Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2012 ("CAFR"), filed on the MSRB's EMMA site on February 14, 2013. The District Funds can be found under 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^(a).

(i) Principal amount of Bonds outstanding (data as of September 5, 2012 pursuant to the Continuing Disclosure Certificate):

\$48,930,000

(ii) Fund balances for each fund under the Bond Indenture (data as of September 5, 2012 pursuant to the Continuing Disclosure Certificate):

Special Tax Fund	\$0
Interest Account	\$0
Principal Account	\$0
Redemption Account	\$923
Reserve Account ^(b)	\$4,049,290

^(a) Debt Service payment date was September 4, 2012; balance is reported as of September 5, 2012.

^(b) Reserve Requirement Series A of 2011: \$4,044,459.

Administrative Expense Account	\$162,793
Rebate Fund:	
Rebate Account	\$0
Alternative Penalty Account	\$0
Acquisition & Construction Fund:	
Costs of Issuance Account	\$15,128
Project Account	\$0
Surplus Fund	\$1,160,761

Source: City of San Diego, Debt Management; Union Bank of California 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 November 17, 2011, Parcel Number 269-280-29-00 prepaid its special tax in the amount of \$86,527; and
 - On May 25, 2012, Parcel Number 303-171-01-00 prepaid its special tax in the amount of \$81,897; and
 - On June 5, 2012, Parcel Number 269-261-05-00 prepaid its special tax in the amount of \$81,897.

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.

- As of September 5, 2012, there were no taxpayers within the District owning property upon which 5% or more of the total Special Taxes for the 2012-2013 fiscal year have been levied, and no such taxpayers is delinquent in the payment of Special Taxes.
- See Exhibit 1.

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

- (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: David Taussig & Associates

- (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 2011-2012 was filed with CDIAC on October 29, 2012 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
Five Year Delinquency History**

Fiscal Year	Parcels Levied	Total Levied	Fiscal Year-End Delinquencies ⁽¹⁾			Parcels Remaining Delinquent ⁽²⁾	Amount Remaining Delinquent ⁽²⁾	Percent Remaining Delinquent ⁽²⁾
			Delinquent Parcels	Amount Delinquent	Percent Delinquent			
2011-12	1,005	\$ 4,724,558	20	\$ 64,998	1.38%	2	\$ 8,074	0.17%
2010-11	1,007	5,119,736	19	82,355	1.61%	2	10,388	0.20%
2009-10	1,009	5,126,092	40	219,870	4.29%	1	1,691	0.03%
2008-09	1,010	4,942,398	70	335,284	6.78%	0	-	0.00%
2007-08	1,010	4,582,649	55	238,177	5.20%	0	-	0.00%
Total Amount Delinquent							<u>\$ 20,153</u>	

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

⁽²⁾ Delinquent data is as of February 25, 2013.

Summary of Delinquent Parcels Currently Meeting the Foreclosure Threshold:

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 25, 2013, one delinquent parcel reached the applicable foreclosure threshold after the first installment of Fiscal Year 2012-13 became delinquent. The parcel was referred to the City Attorney's Office to initiate the foreclosure process.

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 [1]	Number of Parcels	FY 2012-2013 Special Tax	Percentage of FY 2012-2013 Special Tax	CFD No. 2 IA No. 1 Bonds	Poway Unified School District CFD No. 4 Bonds Outstanding [2]	Metropolitan Water District G.O. Bonds Outstanding [2]	Palomar Pomerado Health 2005A 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]												
Residential Property (other than Custom Lots)	691	\$1,962,682	48.07%	\$23,522,775	\$5,911,582	\$41,953	\$784,148	\$940,512	\$1,124,770	\$32,325,740	\$562,549,783	17.40
Custom Lot Property with Improvement Value [6]	185	\$1,303,092	31.92%	\$15,617,576	\$5,432,150	\$29,860	\$550,412	\$669,433	\$800,591	\$23,100,023	\$400,409,949	17.33
Custom Lot Property without Improvement Value [6]	100	\$704,374	17.25%	\$8,441,933	\$254,263	\$3,933	\$84,221	\$88,180	\$105,458	\$8,977,988	\$52,743,105	5.87
Institutional Property	2	\$513	0.01%	\$6,144	\$0	\$213	\$0	\$4,775	\$5,711	\$16,843	\$2,856,211	169.58
<u>Golf Course Property</u>												
Santaluz LLC	1	\$3,020	0.07%	\$36,199	\$0	\$16	\$0	\$351	\$420	\$36,985	\$210,000	5.68
<u>Santaluz Club</u>	<u>18</u>	<u>\$108,917</u>	<u>2.67%</u>	<u>\$1,305,373</u>	<u>\$0</u>	<u>\$1,303</u>	<u>\$82,203</u>	<u>\$29,203</u>	<u>\$34,926</u>	<u>\$1,453,008</u>	<u>\$17,467,537</u>	<u>12.02</u>
Subtotal Golf Course Property	19	\$111,937	2.74%	\$1,341,571	\$0	\$1,318	\$82,203	\$29,554	\$35,346	\$1,489,993	\$17,677,537	11.86
Subtotal all Developed Property	997	\$4,082,598	100.00%	\$48,930,000	\$11,597,995	\$77,278	\$1,500,985	\$1,732,454	\$2,071,876	\$65,910,587	\$1,036,236,585	15.72
Undeveloped Property [7]												
Future Custom Lot Property	12	\$0	0.00%	\$0	\$0	\$402	\$8,541	\$9,006	\$10,770	\$28,719	\$5,386,658	187.57
<u>Future Institutional Property</u>	<u>3</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>\$0</u>	<u>\$206</u>	<u>\$0</u>	<u>\$4,614</u>	<u>\$5,518</u>	<u>\$10,337</u>	<u>\$2,759,643</u>	<u>266.96</u>
Subtotal all Undeveloped Property	15	\$0	0.00%	\$0	\$0	\$608	\$8,541	\$13,619	\$16,288	\$39,056	\$8,146,301	208.58
GRAND TOTAL	1,012	\$4,082,598	100.00%	\$48,930,000	\$11,597,995	\$77,886	\$1,509,526	\$1,746,073	\$2,088,163	\$65,949,643	\$1,044,382,886	15.84

[1] Reflects ownership as of January 1, 2012 provided by the San Diego County Assessor.

[2] As of September 2, 2012. Allocated based on fiscal year 2012-2013 levy.

[3] Fiscal year 2012-2013 net assessed values as of January 1, 2012 provided by the San Diego County Assessor. Value shown on CDIA Report is based on the gross assessed value.

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

[5] As defined in the RMA, 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, 2012. Custom Lot Property includes property (i) that is within a Final Map that was recorded prior to March 1, 2012; (ii) for which (a) escrow has closed prior to March 1, 2012 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, 2012; and (iii) that is a Proposed Custom

[6] Fiscal year 2012-2013 improvement values as of January 1, 2012 provided by the San Diego County Assessor.

[7] Includes property not classified as Developed Property pursuant to the RMA.

**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

For Office Use Only
Fiscal Year _____
CDIAC # _____

I. GENERAL INFORMATION

A. Issuer	<u>Community Facilities District No. 2</u>
B. Community Facilities District Number/Name	<u>CFD No. 2 (Santaluz) Improvement Area No. 1</u>
C. Name/Title/Series of Bond Issue	<u>Special Tax Refunding Bonds Series A of 2011</u>
D. Date of Bond Issue	<u>December 7, 2011</u>
E. Original Principal Amount of Bonds	<u>\$51,680,000</u>
F. Reserve Fund Minimum Balance Required	<u>\$4,056,311</u>

II. FUND BALANCE FISCAL STATUS

Balances Reported as of:	<u>June 30, 2012</u> (Year)
A. Principal Amount of Bonds Outstanding	<u>\$51,680,000</u>
B. Bond Reserve Fund	<u>\$4,061,219</u>
C. Capitalized Interest Fund	<u>\$-0-</u>
D. Construction Fund(s)	<u>\$-0-</u>

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

A. Assessed or Appraised Value Reported as of: July 1, 2012 (Date)
(Use Appraised Value only in first year of CFD or before annual tax roll billing commences)

B. Total Assessed Value of All Parcels: \$1,055,003,131 (Gross Assessed Value)

IV. TAX COLLECTION INFORMATION

A. Total Amount of Special Taxes Due <u>Annually</u>	<u>\$4,724,558</u>
B. Total Amount of Unpaid Special Taxes <u>Annually</u>	<u>\$91,719</u>
C. The Special 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 Equalized Tax Roll of: June 30, 2012 (Date)

A. Total Number of Delinquent Parcels:	<u>28</u>
B. Total Amount of Special Taxes Due on Delinquent Parcels:	<u>\$121,688</u>

(Do not include penalties, penalty interest, etc.)

VI. FORECLOSURE INFORMATION FOR FISCAL YEAR

(Aggregate totals, if foreclosure commenced on same date)

* PER SAN DIEGO COUNTY DELINQUENCY REPORT NUMBERS: ST280190 and ST28-0090-02, DATED June 30, 2012

Date Foreclosure Commenced	Total Number of Foreclosure Parcels	Total Amount of Tax Due on Foreclosure Parcels
<u>No properties have met the foreclosure threshold.</u>	<u>N/A</u>	<u>\$-0-</u>
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____

(Attach additional sheets if necessary.)

