

ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014
RELATING TO
\$9,965,000
COMMUNITY FACILITIES DISTRICT NO. 2
(SANTALUZ)
IMPROVEMENT AREA NO. 4
SPECIAL TAX BONDS SERIES A OF 2004
(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, 2014 (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 9, 2015

CITY OF SAN DIEGO

By: Mary Lewis
Mary Lewis
Chief Financial Officer

\$9,965,000
COMMUNITY FACILITIES DISTRICT NO. 2
(SANTALUZ)
IMPROVEMENT AREA NO. 4
SPECIAL TAX BONDS SERIES A OF 2004

Annual Report Under the Continuing Disclosure Certificate

Fiscal Year Ending June 30, 2014

This Annual Report includes information required by the Continuing Disclosure Certificate for Community Facilities District No. 2 (Santaluz) Improvement Area No. 4 Special Tax Bonds, Series A of 2004:

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 Fiscal Year Ended June 30, 2014 (CAFR), which includes the City's Fiscal Year 2014 audited financial statements, was electronically submitted to the EMMA System of the MSRB on March 13, 2015. The District Funds are included in the Required Supplementary Information section, under the heading Fiduciary Funds, Other Miscellaneous Agency. The capital improvements financed by District Funds are reported in the Required Supplementary Information section, under the Nonmajor Governmental Funds Capital Projects, Unbudgeted Special Assessment/Special Tax Bonds column, of the City's CAFR. Additional information related to outstanding Special Assessment/ Special Tax Bonds can be found in Note 18 of the City's CAFR.

(b) Financial and Operating Data.^(a)

(i) Principal amount of Bonds outstanding (data as of September 3, 2014 pursuant to the Continuing Disclosure Certificate):

\$6,635,000

Source: City of San Diego, Debt Management

(ii) Fund balances for each fund under the Bond Indenture (data as of September 3, 2014 pursuant to the Continuing Disclosure Certificate):

Special Tax Fund	\$2
Interest Account	\$57,195
Capitalized Interest Subaccount	\$0

^(a) Debt Service payment date was September 2, 2014; balance is reported as of September 3, 2014.

Principal Account	\$27,359
Redemption Account	\$7
Reserve Account ^(b)	\$575,458
Administrative Expenses	\$52,714
Rebate Fund	
Rebate Account	\$0
Alternative Penalty Account	\$0
Acquisition and Construction Fund	
Costs of Issuance Account	\$0
Project Account	\$0
Surplus Fund	\$55,435

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

- (iii) A list of the public improvements in Table 1 of the Official Statement which have been paid for by the Issuer [District] with proceeds of the Bonds, as of the date of this report, 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 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 and no parcels 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; provided, however, that, if the Special Taxes are being levied only on Developed Property and the estimated assessed value-to-lien ratio for all parcels is greater than 7 to 1, then such table need not be reproduced, and a statement to that effect will be included in the Annual Report.
- As of September 3, 2014, the estimated assessed value-to-lien ratio for all parcels is greater than 7 to 1. Special Taxes are levied only on Developed Property.

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

^(b) Reserve Requirement: \$575,395

- (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 are delinquent in the payment of Special Taxes.

- As of September 3, 2014, there were no taxpayers within the District owning property upon which 5% or more of the total Special Taxes for the 2014-2015 fiscal year have been levied.

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

- (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 total number of parcels taxed, 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 which is 30 days prior to 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 2.

- (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 2013-2014 was filed with CDIAC on October 20, 2014 and is attached as Exhibit 3.

Source: City of San Diego, Debt Management

Exhibit 1

\$9,965,000
COMMUNITY FACILITIES DISTRICT NO. 2
(SANTALUZ)
IMPROVEMENT AREA NO. 4
SPECIAL TAX BONDS SERIES A OF 2004

List of the public improvements in Table 1 of the Official Statement which have been paid for by the Issuer [District] with proceeds of the Bonds:

Project	Construction Status	Payment Status	Payments
Offsite Water and Sewer Improvements	Complete	Paid	\$820,006
Community Park Improvements	Complete	Paid	\$3,200,000
El Camino Real Improvements	Complete	Paid	\$5,016,937
Total			<u>\$9,036,943</u>

Source: City of San Diego, Debt Management; City of San Diego, Engineering and Capital Projects Department; Developer

Exhibit 2
COMMUNITY FACILITIES DISTRICT NO. 2 (SANTALUZ)
IMPROVEMENT AREA NO. 4
FIVE YEAR DELINQUENCY HISTORY

Fiscal Year	Parcels Levied	Total Levied	Fiscal Year-End Delinquencies ⁽¹⁾			Remaining Delinquent As of 2/18/2015 ⁽²⁾			
			Delinquent Parcels	Amount Delinquent	Percent Delinquent	Delinquent Parcels	Amount Delinquent	Percent Delinquent	
2013-14	214	\$609,698	2	\$5,029	0.82%	0	\$0	0.00%	
2012-13	214	696,120	0	0	0.00%	0	0	0.00%	
2011-12	214	811,853	5	22,565	2.78%	0	0	0.00%	
2010-11	215	800,941	5	18,342	2.29%	0	0	0.00%	
2009-10	215	785,236	13	50,841	6.47%	0	0	0.00%	
Total Amount Delinquent								<u>\$0</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 18, 2015.

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, 2015, no delinquencies met the foreclosure threshold.

Source: City of San Diego, Debt Management based on San Diego County Delinquency Reports ST280190 and ST28009002

Exhibit 3

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

Submitted:
Monday, October 20, 2014
10:42:24AM
CDIAC #: 2003-1936

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	2014

I. GENERAL INFORMATION

A. Issuer San Diego Santaluz CFD No 2

B. Project Name IA No 4

C. Name/ Title/ Series of Bond Issue Special Tax Bonds Series A of 2004

D. Date of Bond Issue 2/11/2004

E. Original Principal Amount of Bonds \$9,965,000.00

F. Reserve Fund Minimum Balance Required Yes Amount \$575,395.00 No

II. FUND BALANCE FISCAL STATUS

Balances Reported as of: 6/30/2014

A. Principal Amount of Bonds Outstanding \$6,840,000.00

B. Bond Reserve Fund \$575,583.00

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: 7/1/2014

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 \$211,550,230.00

IV. TAX COLLECTION INFORMATION

A. Total Amount of Special Taxes Due Annually \$609,698.00

B. Total Amount of Unpaid Special Taxes Annually \$5,029.00

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: 6/30/2014

A. Total Number of Delinquent Parcels Annually: 2

B. Total Amount of Taxes Due on Delinquent Parcels Annually: \$5,029.00
(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 20, 2014
10:42:24AM
CDIAC #: 2003-1936

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 <u>2014</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 10/20/2014
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, 2014.

Section VI: No properties have met the foreclosure threshold.