

CITY OF LAKE ELSINORE

Annual Continuing Disclosure Report



FISCAL YEAR 2017-18

COMMUNITY FACILITIES DISTRICT NO. 2003-2
IMPROVEMENT AREA B (CANYON HILLS)
LOCAL AGENCY REVENUE BONDS, SERIES 2017

FEBRUARY 2019



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City of Lake Elsinore
Community Facilities District No. 2003-2 IA B
Local Agency Revenue Bonds, Series 2017
(CUSIP 50962C)

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>CUSIP Suffix</u>
2018	\$105,000	2.000%	AA2
2019	\$210,000	2.000%	AB0
2020	\$215,000	2.000%	AC8
2021	\$220,000	2.000%	AD6
2022	\$225,000	2.000%	AE4
2023	\$230,000	2.250%	AF1
2024	\$235,000	2.375%	AG9
2025	\$240,000	2.500%	AH7
2026	\$245,000	2.625%	AJ3
2027	\$250,000	2.750%	AK0
2028	\$260,000	3.000%	AL8
2029	\$265,000	3.000%	AM6
2030	\$275,000	3.125%	AN4
2031	\$285,000	3.250%	AP9
2032	\$290,000	3.250%	AQ7
2033	\$300,000	3.375%	AR5
2034	\$310,000	3.375%	AS3
2035	\$320,000	3.500%	AT1
2036	\$335,000	3.500%	AU8
2037	\$345,000	3.500%	AV6

\$2,815,000 4.000% Term Bonds Due 2044 –Yield 3.700%, Price 102.420 CUSIP No. 50962C AW4

This Annual Continuing Disclosure Report (“Report”) for Community Facilities District No. 2003-2 Improvement Area B Local Agency Revenue Bonds, Series 2017 of the City of Lake Elsinore (the “District” or “CFD No. 2003-2 IA B”), has been prepared by Spicer Consulting Group, LLC. using data as of June 30, 2018 unless noted otherwise. The information referenced by parenthesis complies with the various sections required from the Form of Continuing Disclosure Agreement for the Bonds. If you have any questions regarding the information provided in this report, please contact the City’s Special Tax Consultant, Spicer Consulting Group, LLC. at (866) 504-2067.

Community Facilities District No. 2003-2
Improvement Area B (Canyon Hills)
Local Agency Revenue Bonds Series 2017

Project Description

On January 13, 2004 the City of Lake Elsinore (the "City") formed CFD No. 2003-2 IA B. The bond authorization amount approved for Improvement Area B was \$37,000,000. CFD No. 2003-2 IA B encompasses the 426.46-acre third phase of the 1,969-acre master planned community known as Canyon Hills. The proceeds of the Bonds were used to finance the planning, designing, permitting, acquisition and construction of public infrastructure consisting primarily of street, sewer, water, storm drain, park facilities, certain City and Elsinore Valley Municipal Water District fees (the "Facilities"), to fund interest on the Bonds, to pay the expenses of CFD No. 2003-2 IA B and the master developer in connection with the issuance of the Bonds, and to make a deposit to the Reserve Account.

Location

The majority of CFD No. 2003-2 IA B is located near the intersection of Hillside Drive and Canyon Hills Road, one mile southeast of Railroad Canyon Road. The balance of CFD No. 2003-2 IA B is located adjacent to Railroad Canyon Road northwest of the intersection of Canyon Hills Road. The intersection of Canyon Hills Road and Railroad Canyon Road is approximately 2-1/2 miles east of the Corona Freeway (I-15).

Series 2017 Bonds (Section 4b)

The Community Facility District No. 2003-2 Improvement Area B Local Agency Revenue Bonds, Series 2017 (the "CFD No. 2003-2 IA B Bonds") in the amount of \$7,975,000 were issued on December 21, 2017 to: (i) finance a portion of certain public facilities eligible to be financed by the District for Improvement Area B of the District; (ii) fund a deposit to a reserve fund for the Bonds; and pay cost of issuance of Bonds and Local Obligations. CFD No. 2003-2 IA B Bonds interest rates ranging from 2.00% to 4.00%. Interest on the CFD No. 2003-2 IA B Bonds is payable semi-annually on March 1 and September 1. The final maturity of the CFD No. 2003-2 IA B Bonds is September 1, 2044. The amount of CFD No. 2003-2 IA B Bonds outstanding as of September 2, 2018, is \$4,865,000.

Rate and Method of Apportionment (Section 4b)

There were no changes to the Rate and Method of Apportionment during Fiscal Year 2017-18.

A special tax is levied each year to pay the principal and interest obligations on the Bonds of the District. The amount levied each year is determined by the special tax formula and can vary from year to year but shall not exceed the maximum authorized (or permitted) special tax rates. The amount levied for the 2018-19 tax year was \$1,815,025.18.

The Special Tax Levy applied for the 2018-19 tax year are:

*Table 2-1
Special Tax Levy (Section 4b)*

Zones	Parcels	Special Tax Levied	Assigned Special Tax	Maximum Special Tax	% of Maximum Special Tax
Zone 2	577	\$1,334,464.36	\$1,334,468.83	\$2,094,907.08	63.70%
Zone 3	229	\$480,560.82	\$480,562.48	\$578,344.08	83.09%
Total	806	\$1,815,025.18	\$1,815,031.31	\$2,673,251.16	67.90%

*Table 2-2
Value-to-Lien Ratio using Assessed Values and Series 2017 Bonds Principal Outstanding (Section 4b)*

Zones	Parcels	Special Tax Levied	Series 2017 Bonds Outstanding ¹	Assessed Value ²	Value-to-Lien Ratio
Zone 2	577	\$1,334,464.36	\$3,576,903.06	\$184,066,028.00	51.46:1
Zone 3	229	\$480,560.82	\$1,288,096.94	\$78,861,384.00	61.22:1
Total	806	\$1,815,025.18	\$4,865,000.00	\$262,927,412.00	54.04:1

*Table 2-3
Value-to-Lien Ratio of All Outstanding District Debt (Section 4b)*

Zones	Parcels	Special Tax Levied	Series 2017 Bonds Outstanding	Series 2015 Bonds Outstanding	Total of All Outstanding Debt	Assessed Value	Value-to-Lien Ratio
Zone 2	577	\$1,334,464.36	\$3,576,903.06	\$11,193,905.24	\$14,770,808.30	\$184,066,028.00	12.46:1
Zone 3	229	\$480,560.82	\$1,288,096.94	\$4,031,094.76	\$5,319,191.70	\$78,861,384.00	14.83:1
Total	806	\$1,815,025.18	\$4,865,000.00	\$15,225,000.00	\$20,090,000.00	\$262,927,412.00	13.09:1

¹ Principal Amount of Bonds Outstanding for Lake Elsinore Facilities Financing Authority, Local Agency Revenue Bonds, Series 2017 is calculated in proportion to the FY 2018-19 Special Tax Levy. Bonds Outstanding are as of September 2, 2018.

² Assessed Valuation (AV) is based on information provided in the Riverside County Assessor's records as of January 1, 2018 and may or may not accurately reflect true market value.

Prepayments

There have been no prepayments of the Special Tax for the prior Fiscal Year in Zone 2 and Zone 3.

The delinquency summary table below provides an overview of delinquency rates within CFD No. 2003-2 IA B as of August 2, 2018 on which a delinquency exists.

*Table 3-1
Delinquency Summary (Section 4b)*

Fiscal Year	Levied		Delinquent		
	Parcels	Special Taxes	Parcels	Amount	Del. Rate
2013-14	721	\$1,456,782.42	2	\$3,244.35	0.22%
2014-15	772	\$1,615,065.36	3	\$4,524.03	0.28%
2015-16	806	\$1,709,859.26	2	\$4,805.36	0.28%
2016-17	806	\$1,744,542.54	3	\$7,173.02	0.41%
2017-18	939	\$2,070,344.94	8	\$16,333.06	0.79%
Total		\$8,596,594.52	11	\$36,079.82	0.42%

Foreclosure Covenant (Section 4b)

The District covenants for the benefit of the Owners of the Local Obligations (which is the Authority), the 2015 Bonds and any Local Obligation Parity Bonds that it: (i) will commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due, and (ii) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by October 1 following the close of the Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied and the amount on deposit in the Reserve Fund and in the reserve account established for the 2015 Bonds under the 2015 PFA Indenture is less than its Proportionate Share of the applicable Reserve Requirement, and (iii) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Fund and in the reserve account established for the 2015 Bonds under the 2015 PFA Indenture is at least equal to the Reserve Requirement.

The District may, but is not obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Fund. The District may treat any delinquent Special Tax sold to an independent third-party or to a City for at least 100% of the delinquent amount as having been paid. Proceeds of any such sale up to 100% of the delinquent amount will be deposited in the Special Tax Fund.

There are currently no foreclosure actions pending in the District.

Table 4-1

CFD No. 2003-1 IA-B Local Fund Balances as of September 2, 2018 (Section 4b)

Account Name	Balances
LE 2003-2 CYN HILL IAB 2017	\$0.00
LE 2003-2 CYN HILL IAB 2017 CITY FAC	\$0.00
LE 2003-2 CYN HILL IAB 2017 WTR FAC	\$0.00
LE 2003-2 CYN HILL IAB 2017 REBATE	\$0.00
Total	\$7,947,912.80

Table 4-2

CFD No. 2003-2 IA B Bonds Fund Balances as of September 2, 2018 (Section 4b)

Account Name	Balances
LAKE ELSINORE FFA 2017 REVENUE FD	\$7.20
LAKE ELSINORE FFA 2017 INTEREST	\$0.00
LAKE ELSINORE FFA 2017 PRINCIPAL	\$0.00
LAKE ELSINORE FFA 2017 RESERVE	\$297,159.98
LAKE ELSINORE FFA 2017 REDEMPTION	\$0.00
LAKE ELSINORE FFA 2017 IMPROVEMENT	\$0.00
LAKE ELSINORE FFA 2017 SURPLUS	\$0.00
LAKE ELSINORE FFA 2017 ADM EXP FD	\$0.00
LAKE ELSINORE FFA 2017 COI	\$5,047.90
LAKE ELSINORE FFA 2017 PURCHASE FD	\$0.00
Total	\$302,215.08

Series 2017 Reserve Account (Section 4b)

The Reserve Fund must be maintained at the Reserve Requirement which is defined in the Indenture to mean, as an amount equal to the lowest of: (i) 10% of the initial principle amount of the Bonds and Parity Bonds; (ii) the Maximum Annual Debt Service on the Outstanding Bonds and Parity Bonds; or (iii) 125% of average Annual Debt Service on the Outstanding Bonds and Parity Bonds. Notwithstanding the foregoing, in no event shall the Reserve Requirement exceed the initial deposit thereto. The Reserve Requirement will initially be deposited into the Reserve Fund in the amount of \$472,200. Provided, In the event that special tax revenue is insufficient to pay debt service, money may be transferred from this Fund to the appropriate account of the Bond Fund. The Reserve Fund will then be replenished by increasing the next year's special tax levy to the extent permitted by law. **As of September 2, 2018, the balance in the Reserve Fund was \$297,159.98, and the Reserve Requirement was \$295,331.26**

Financial Statements (Section 4a)

PLEASE NOTE: The City of Lake Elsinore Fiscal Year ending June 30, 2018 Comprehensive Annual Financial Report (CAFR) is submitted to the Municipal Securities Rulemaking Board using EMMA (Electronic Municipal Market Access) under separate cover and is incorporated herein by reference.

The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:
(Section 5)

- | | | |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| 1. | Principal and interest payment delinquencies. | Not Applicable |
| 2. | Non-payment related defaults, if material. | Not Applicable |
| 3. | Unscheduled draws on the debt service reserves reflecting financial difficulties. | Not Applicable |
| 4. | Unscheduled draws on the credit enhancements reflecting financial difficulties. | Not Applicable |
| 5. | Substitution of the credit or liquidity providers or their failure to perform. | Not Applicable |
| 6. | Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security. | Not Applicable |
| 7. | Modifications to the rights of security holders, if material. | Not Applicable |
| 8. | Bond calls, if material, and tender offers.
CFD No. 2003-2 IA-B redeemed a Bond call on December 21, 2017, in the amount of \$7,975,000. | |
| 9. | Defeasances. | Not Applicable |
| 10. | Release, substitution or sale of property securing repayment of the securities, if material. | Not Applicable |
| 11. | Rating changes. | Not Applicable |
| 12. | Bankruptcy, insolvency, receivership or similar event of the District or the Issuer or other obligated person. | Not Applicable |
| 13. | The consummation of a merger, consolidation or acquisition involving District or the Issuer or an obligated person, (other than in the ordinary course of business) the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material. | Not Applicable |
| 14. | Appointment of a successor or additional trustee or the change of name of a trustee, if material. | Not Applicable |

APPENDIX A

Debt Service Schedules



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CITY OF LAKE ELSINORE
CFD 2003-2 IA B (CANYON HILLS)
LARB Series 2017



Issued

12/21/2017

<i>Date</i>	<i>Coupon Rate</i>	<i>Principal</i>	<i>Principal Outstanding</i>	<i>Semi-Annual Interest</i>	<i>Semi-Annual Debt Service</i>	<i>Annual Debt Service</i>
09/01/2018*		\$ 3,005,000.00			\$ 3,005,000.00	
09/01/2018	2.000%	\$ 105,000.00	\$ 4,865,000.00	\$ 181,098.10	\$ 286,098.10	\$ 3,291,098.10
03/01/2019			\$ 4,865,000.00	\$ 79,746.87	\$ 79,746.87	
09/01/2019	2.000%	\$ 130,000.00	\$ 4,735,000.00	\$ 79,746.87	\$ 209,746.87	\$ 289,493.76
03/01/2020			\$ 4,735,000.00	\$ 78,446.87	\$ 78,446.87	
09/01/2020	2.000%	\$ 135,000.00	\$ 4,600,000.00	\$ 78,446.87	\$ 213,446.87	\$ 291,893.76
03/01/2021			\$ 4,600,000.00	\$ 77,096.87	\$ 77,096.87	
09/01/2021	2.000%	\$ 140,000.00	\$ 4,460,000.00	\$ 77,096.87	\$ 217,096.87	\$ 294,193.76
03/01/2022			\$ 4,460,000.00	\$ 75,696.87	\$ 75,696.87	
09/01/2022	2.000%	\$ 140,000.00	\$ 4,320,000.00	\$ 75,696.87	\$ 215,696.87	\$ 291,393.76
03/01/2023			\$ 4,320,000.00	\$ 74,296.87	\$ 74,296.87	
09/01/2023	2.250%	\$ 145,000.00	\$ 4,175,000.00	\$ 74,296.87	\$ 219,296.87	\$ 293,593.76
03/01/2024			\$ 4,175,000.00	\$ 72,665.62	\$ 72,665.62	
09/01/2024	2.375%	\$ 150,000.00	\$ 4,025,000.00	\$ 72,665.62	\$ 222,665.62	\$ 295,331.26
03/01/2025			\$ 4,025,000.00	\$ 70,884.37	\$ 70,884.37	
09/01/2025	2.500%	\$ 150,000.00	\$ 3,875,000.00	\$ 70,884.37	\$ 220,884.37	\$ 291,768.76
03/01/2026			\$ 3,875,000.00	\$ 69,009.37	\$ 69,009.37	
09/01/2026	2.625%	\$ 155,000.00	\$ 3,720,000.00	\$ 69,009.37	\$ 224,009.37	\$ 293,018.76
03/01/2027			\$ 3,720,000.00	\$ 66,975.00	\$ 66,975.00	
09/01/2027	2.750%	\$ 155,000.00	\$ 3,565,000.00	\$ 66,975.00	\$ 221,975.00	\$ 288,950.00
03/01/2028			\$ 3,565,000.00	\$ 64,843.75	\$ 64,843.75	
09/01/2028	3.000%	\$ 165,000.00	\$ 3,400,000.00	\$ 64,843.75	\$ 229,843.75	\$ 294,687.50
03/01/2029			\$ 3,400,000.00	\$ 62,368.75	\$ 62,368.75	
09/01/2029	3.000%	\$ 165,000.00	\$ 3,235,000.00	\$ 62,368.75	\$ 227,368.75	\$ 289,737.50
03/01/2030			\$ 3,235,000.00	\$ 59,893.75	\$ 59,893.75	
09/01/2030	3.125%	\$ 170,000.00	\$ 3,065,000.00	\$ 59,893.75	\$ 229,893.75	\$ 289,787.50
03/01/2031			\$ 3,065,000.00	\$ 57,237.50	\$ 57,237.50	
09/01/2031	3.250%	\$ 180,000.00	\$ 2,885,000.00	\$ 57,237.50	\$ 237,237.50	\$ 294,475.00
03/01/2032			\$ 2,885,000.00	\$ 54,312.50	\$ 54,312.50	
09/01/2032	3.250%	\$ 180,000.00	\$ 2,705,000.00	\$ 54,312.50	\$ 234,312.50	\$ 288,625.00
03/01/2033			\$ 2,705,000.00	\$ 51,387.50	\$ 51,387.50	
09/01/2033	3.375%	\$ 190,000.00	\$ 2,515,000.00	\$ 51,387.50	\$ 241,387.50	\$ 292,775.00
03/01/2034			\$ 2,515,000.00	\$ 48,181.25	\$ 48,181.25	
09/01/2034	3.375%	\$ 190,000.00	\$ 2,325,000.00	\$ 48,181.25	\$ 238,181.25	\$ 286,362.50
03/01/2035			\$ 2,325,000.00	\$ 44,975.00	\$ 44,975.00	
09/01/2035	3.500%	\$ 195,000.00	\$ 2,130,000.00	\$ 44,975.00	\$ 239,975.00	\$ 284,950.00
03/01/2036			\$ 2,130,000.00	\$ 41,562.50	\$ 41,562.50	
09/01/2036	3.500%	\$ 205,000.00	\$ 1,925,000.00	\$ 41,562.50	\$ 246,562.50	\$ 288,125.00
03/01/2037			\$ 1,925,000.00	\$ 37,975.00	\$ 37,975.00	

CITY OF LAKE ELSINORE
CFD 2003-2 IA B (CANYON HILLS)
LARB Series 2017



Issued

12/21/2017

<i>Date</i>	<i>Coupon Rate</i>	<i>Principal</i>	<i>Principal Outstanding</i>	<i>Semi-Annual Interest</i>	<i>Semi-Annual Debt Service</i>	<i>Annual Debt Service</i>
09/01/2037	3.500%	\$ 210,000.00	\$ 1,715,000.00	\$ 37,975.00	\$ 247,975.00	\$ 285,950.00
03/01/2038			\$ 1,715,000.00	\$ 34,300.00	\$ 34,300.00	
09/01/2038	4.000%	\$ 215,000.00	\$ 1,500,000.00	\$ 34,300.00	\$ 249,300.00	\$ 283,600.00
03/01/2039			\$ 1,500,000.00	\$ 30,000.00	\$ 30,000.00	
09/01/2039	4.000%	\$ 225,000.00	\$ 1,275,000.00	\$ 30,000.00	\$ 255,000.00	\$ 285,000.00
03/01/2040			\$ 1,275,000.00	\$ 25,500.00	\$ 25,500.00	
09/01/2040	4.000%	\$ 235,000.00	\$ 1,040,000.00	\$ 25,500.00	\$ 260,500.00	\$ 286,000.00
03/01/2041			\$ 1,040,000.00	\$ 20,800.00	\$ 20,800.00	
09/01/2041	4.000%	\$ 245,000.00	\$ 795,000.00	\$ 20,800.00	\$ 265,800.00	\$ 286,600.00
03/01/2042			\$ 795,000.00	\$ 15,900.00	\$ 15,900.00	
09/01/2042	4.000%	\$ 255,000.00	\$ 540,000.00	\$ 15,900.00	\$ 270,900.00	\$ 286,800.00
03/01/2043			\$ 540,000.00	\$ 10,800.00	\$ 10,800.00	
09/01/2043	4.000%	\$ 265,000.00	\$ 275,000.00	\$ 10,800.00	\$ 275,800.00	\$ 286,600.00
03/01/2044			\$ 275,000.00	\$ 5,500.00	\$ 5,500.00	
09/01/2044	4.000%	\$ 275,000.00	\$ 0.00	\$ 5,500.00	\$ 280,500.00	\$ 286,000.00
Total		\$ 7,975,000.00		\$ 2,841,810.52	\$ 7,811,810.52	\$ 10,816,810.68

APPENDIX B

California Debt and Investment Advisory Commission



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Appendix B

California Debt and Investment Advisory Commission

The California Debt and Investment Advisory Commission (CDIAC) is providing the following guidelines to assist local agencies in the implementation of Section 53359.5 of the Government Code, which section is part of the Mello-Roos Community Facilities Act of 1982, amended (Sections 53311 et. seq.).

All issuers selling community facilities district (CFD) bonds after January 1, 1993 are covered by this law and are required to report certain information about the bond issues through the completion of the Yearly Fiscal Status Report and/or the Draw on the Reserve Fund or Default Report. Issuers are required to file a Yearly Fiscal Status Report if they have sold bonds on or before June 30th of each year and each year thereafter until the bonds are no longer outstanding. All issuers, regardless of when bonds are sold, are required to report any draw on reserve or default that occurs throughout the calendar year.

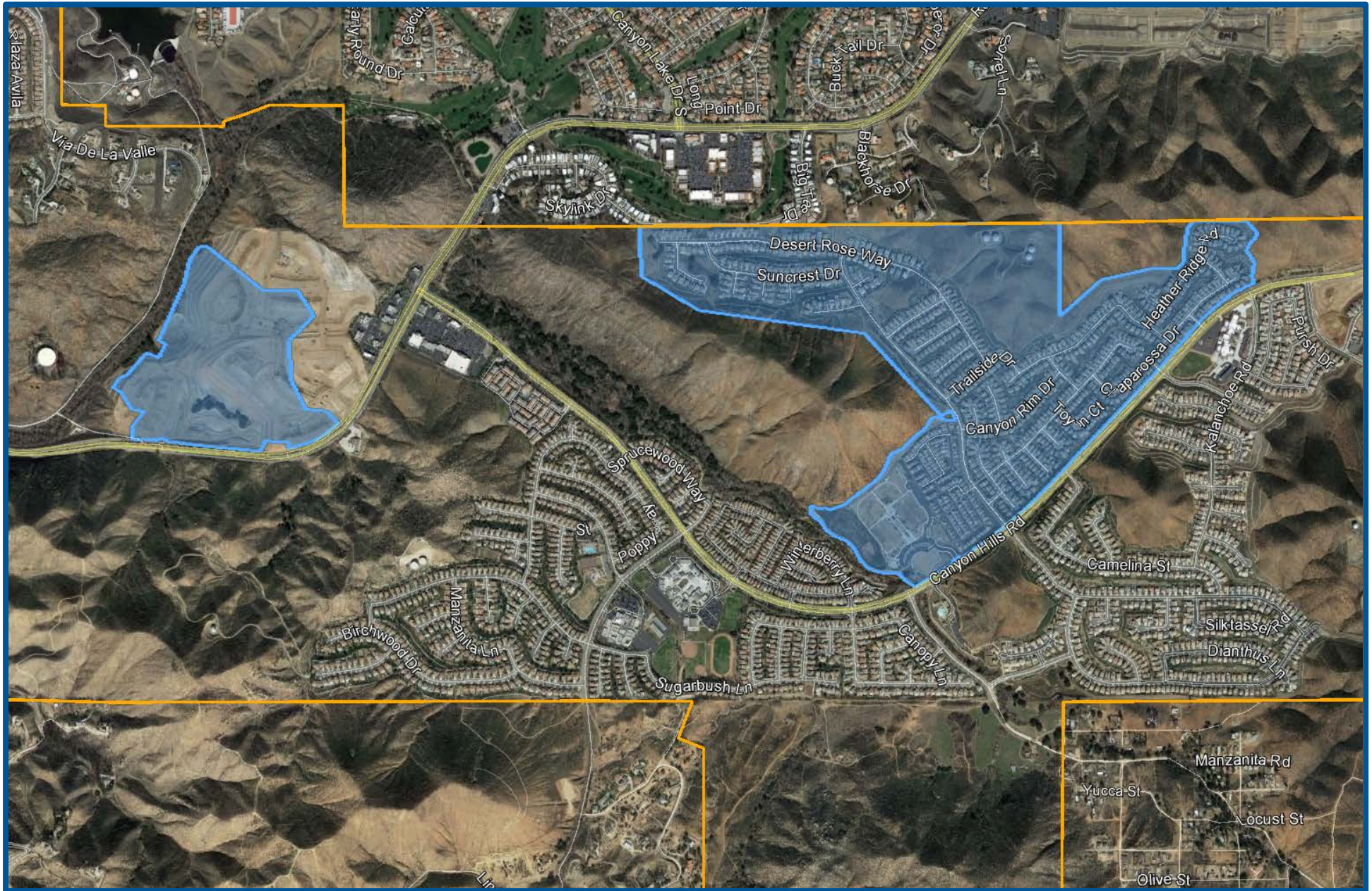
Community Facilities District No. 2003-2 IA-B Bonds were sold on December 21, 2017. Therefore, CDIAC reporting for Fiscal Year 2017-18 is not required at this time.

APPENDIX C

Boundary Map



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BOUNDARY MAP

COMMUNITY FACILITIES DISTRICT NO. 2003-2
IMPROVEMENT AREA B (CANYON HILLS)



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