

**TOWN OF PRESCOTT VALLEY
STONERIDGE COMMUNITY FACILITY DISTRICT MEETING
MINUTES
April 11, 2013**

Library Auditorium
7401 E. Civic Circle
Prescott Valley, Arizona 86314

1. CALL TO ORDER

Vice Chairman Tjiema called the meeting to order at 5:30 p.m.

2. INVOCATION

Vice Chairman Tjiema gave the invocation.

3. PLEDGE OF ALLEGIANCE

Board member Anderson led in the recitation of the Pledge of Allegiance.

4. ROLL CALL

Present: Board Member Lasker, Board Member Nye, Board Member Mallory, Board Member Whiting, Vice Chairman Tjiema, and Board Member Anderson.

Absent: Chairman Skoog.

5. STONERIDGE CFD POTENTIAL BOND REFINANCING

Attorney Jared Parker presented the history of the StoneRidge CFD's issues experienced over the last few years and available recovery options followed up with a detailed overview of the process leading up to this refunding opportunity for the StoneRidge CFD.

District Counsel Ivan Legler expressed appreciation to Mr. Parker for his efforts in this whole multi-faceted process. Given the recent settlement, there is \$1.175 million left that can be used in the refinancing.

Mr. Nick Dodd (RBC Capital Markets) focused his presentation on the bond refinancing. As a result of the Suncor bankruptcy plan approved on March 25, 2013 the developer will not make any future payments under the Standby Contribution Agreement and the funds held under the Depository Agreement for the District's Series 2001 Bonds (\$2,960,000) plus an additional contribution as a result of the bankruptcy plan of \$1,075,568 from the Developer's parent company, Pinnacle West, are available to be contributed to a potential refinancing of the District's Series 2001 Bonds. The new developer of the project has also contributed \$100,000 towards the proposed bond refinancing. Roughly 35 percent of the outstanding bonds can be paid

off with this cash. The balance would be refinanced into a new bond at a lower interest rate. In addition tax-exempt interest rates are favorable for the District to consider a potential refinancing of the Series 2001 Bonds either through a Non-Rated or Bank Private Placement of the bonds with a final maturity date in 2030. Dodd presented facts about the current outstanding debt service if the town does not refinance and comparison figures for each refinancing option. Under the Non-Rated refinancing plan the total debt service on the new bond would be \$13,102,403 million. By refinancing the town with non-rated bonds could save \$6,052,541 over the life of the bonds at 5.35% with an estimated tax rate of \$3.77 jumping up to \$4.82 (last 4 years only) per \$100 valuation. With Bank Private Placement the debt service would be \$12,022,540 with a gross debt service savings of \$7,132,404 at a 4.192 percent rate and estimated tax rate of \$3.37 jumping up to \$4.42 (last 4 years only) per \$100 valuation. The detailed report is attached. Discussion ensued about bond placement.

District Manager Larry Tarkowski said staff is looking for direction this evening as to which option the Board prefers. The best deal to pursue appears to be the bank private placement. Board member Lasker said residents have expressed concern that the CFD Board may wish to issue new debt in the future. Vice Chairman Tjiema stated that the Board's stance has been all along that they would not approve any additional debt. Tarkowski again asked for direction from the Board. Board members Whiting, Anderson, Nye, Mallory, Lasker and Vice Chairman Tjiema said they favor the private placement option for the refinancing. With the advent of the payoff of the StoneRidge Community Center, ownership of the Community Center transfers to the HOA in 2026 (stated in the deed) as stressed by Legler. This accounts for the additional increase of the tax rate during the last four years (2026-2030) of the debt refinancing as the HOA revenues go away.

In visiting the additional debt question raised by Board member Lasker, Legler stated that in 2001, \$33 million was the ceiling amount that was approved, but the plan submitted was for the \$14.8 million dollars for the development as it was planned based on water and people that would move in. A future CFD Board could issue additional debt as no end date was put on the authorization of the \$33 million in 2001. The current CFD Board could and likely will issue a Resolution stating that they will not issue additional bonds, but there is no legal basis (language) that would prevent additional financing from happening under a different CFD Board. The authority will still be there for additional bond financing. In order to issue additional debt it would have to go through a public process starting with the creation of a new official engineering study and feasibility study. The issue would have to be voted upon after notice of a public hearing. The Board would formally have to adopt a Resolution selling that bond and then approve that action. The public hearing could stop this whole process if the CFD Board did not agree with proceeding with an issuing of additional debt.

Vice Chairman Tjiema said that it appears the Board prefers the private bank placement option for the refinancing of the bonds. Anyone having an opposing viewpoint may address the Board for 3 minutes.

Several StoneRidge residents made public comments about the issue.

Public Comments:

1. Harry Ramsey said while he does not challenge the refinancing, but there is concern about the \$4.2 million that was authorized but not released yet that Uninvest has said they would not ask for. The \$14 million has not been addressed in any fashion at all. He believes there has to be a way that both those bonding elements are live and will remain live if we don't find a way of making them go away. He asked that we explore what it is going to take to make those go away. If they can't be made to go away then we need to understand what the statute situation or what is case law that is involved that would support that. Some of the homeowners are preparing to step into this to make it go away or challenge the ability so that it goes away. He expressed concern about potential actions of future Boards.
2. Cindy J. Stravin said she is not against any bond refinancing. She is concerned about the \$4.2 and \$14 million. It would be so easy for a developer to come in and activate that knowing that the property owners would have to pick up the cost. Having no drop dead date on that is a scary proposition. Without the developer contribution, the residents are now paying 100 percent. It makes no sense for them to move forward. She said she didn't think any of the residents would be against the refinancing of the bonds as long as that language is out of there and they don't have to be concerned that Mr. Lowe or another developer could change their mind. Mr. Lowe has threatened in prior meetings to activate the \$4.2 million and leave. This is a real threat to them. People in her neighborhood can't afford to keep up their homes now and several rentals surround her. She doesn't want to see this turn into a blight neighborhood.

Legler responded that it is important that the word 'activate' as there is no such thing. A developer could not unilaterally activate any amount of bonds. The unused portion of the \$14.8 can be dealt with through the refinancing. What can't be dealt with is the vote in 2001 that set the ceiling at \$33 million. That can't be changed, but that doesn't mean that bonds will ever be issued. The only way bonds could be issued in the future is for the developer to ask the Board to issue those bonds. The Board would then have to go through the formal public process described above. What bond counsel is telling us is we can take action that indicates the intention now not to issue bonds in the future. We cannot guarantee what will happen in the future if somebody challenges that. Only then will we have a clear picture in dealing with it in a legal situation. On the other hand, we would not fight additional bond issuance if the majority of the residents wanted it to go forward if the finances and the politics were such that they wanted some improvements to be built.

3. John Stazenski questioned whether the extra \$4 million was taken into consideration for pay down? He believes the additional \$4.2 million was required to be used for the widening of StoneRidge Drive and would that require a feasibility study? In the refinancing of the bond and in trying to eliminate the cloud hanging over the residents is it possible to dissolve the existing CFD and create a new one for the new bond issue? Is it based on a traffic study? Is it possible to dissolve the current CFD and create a new one for the new refinancing issue? At sometime the town is going to require that StoneRidge Drive be widened to four lanes. Is there a specific number of houses that is going to

require that widening? When that time comes the developer is going to ask, where are we going to get the money and then turn to the town for it? The residents don't want to have to pay for that widening. Let the developer pay for it.

Vice Chairman Tjiema asked that speakers keep their comments related to tonight's subject of refinancing of the bonds.

Nick Dodd responded that all the numbers shared tonight include the \$2.9 million deposit plus the money left over from the Suncor bankruptcy is deposited and used to pay off the old bonds. Tarkowski stated if the CFD was expected to pay for the widening then a feasibility study would be needed. There is a trigger point to require that road widening be done based on the number of homes platted. It is a developer's responsibility, not the existing home owners. Legler responded that if the CFD is dissolved the bonds would still have to be paid regardless of dissolution.

4. Rick Duskey said he supports the private issue and thinks this is the only way to go. He also feels the majority of the residents in the room would agree. That is not the issue before the residents and they have been asked not to discuss it at this time. Duskey respectfully requests that the CFD Board consider additional comments regarding the bond probabilities and possibilities and recourses there are.

Board member Lasker commented that she is definitely opposed to issuing any more money for StoneRidge and she is happy that the public process is involved in that as she firmly believes in grass roots and citizens and that they usually win. She is in favor of refinancing to save money.

5. Madge Johnson said she is a bit confused. Back when M3 expressed an interest into coming into StoneRidge she recalls that there was a trigger point where no more bonds could be issued and the Board did extend that in the Development Agreement.

District Counsel Legler commented that the Board is not required to issue those bonds beyond \$14.8 million. The refinancing will take care of the \$4.2 million that is left that had been authorized of the \$19 million. There is not a procedure whereby a developer can come in and activate that \$4.2 million, unilaterally.

Johnson continued that Board members can vote on matters regardless of what the residents say. They may not get elected the next time. This is not a place where the StoneRidge residents get to vote in the final analysis; the CFD Board will make the decision.

6. John Minahan expressed his concern about additional issuance of bonds in the future. He suggested the Board enter an enforceable agreement that would limit the ability of the CFD to issue further bonds while these are outstanding. The Board could adopt a Resolution to the new bond holders that the CFD that they cannot issue additional bonds until this new issue has been paid off.

Board member Lasker said this implies that the CFD Board could issue bonds afterwards which she does not like. She would rather that door not be opened.

Vice Chairman Tjiema attempted to close the comment period. Tarkowski pointed out that others wished to speak.

7. Linda Shimmin said that to stymie or stop public comment only further engenders in the mind of StoneRidge residents, we are supposed to be able to come to our Board. We are here because we are upset and we are in it up to our earlobes and although there is no P.C. after her name nor she is wearing a dunce cap. She has every confidence that the Board will select a private placement because it is the most responsible financial thing to do. On the other hand they need to be reassured that they would consider something like John's suggestion it is untoward to the max to say public comment would be closed before anyone who has come down with a pronounced financial interest to be disallowed their ability to speak to their representatives.
8. Pat Walsh thanked Mr. Jared Parker and the whole organization for his effort and bringing money back to the community. Sometimes we yell before we think, and we need to think. The feeling of the community is it is hanging over their head. If someone looked at this, they would ask, what is on the record today? If you look at the record, it is approval to spend the \$4.2 million and the \$14 million. For his comfort level he would like to see the Board make a recommendation so that there is at least a step in there that says, we don't want this right now. Vote on it and put it in there so that if sometime down the road it is now a wide open case. Anybody can use that money as it is now. If they pass something that says, no we don't want this and that is the intent of the community - that is what we want. Then that would be a great step in blocking any future action.

Tarkowski said it is the intent that when the Board needs to vote on the decision of placement of the refinancing of the bonds, private placement is the direction the Board has given. At that time there will be Resolution of the Board addressing the resident's issue.

9. Sandy Whymans said there has been a lot of public comment going back and forth and acknowledges that they have been asked to stick to the issue. I asked to be allowed to have all those in favor of private placement of this bond to stand to get their recommendation. Vice Chairman Tjiema asked that all those StoneRidge residents in favor of the private bank placement stand. No one stood in opposition to it.

Vice Chairman Tjiema asked for a motion to adjourn the meeting.

Tarkowski and Dodd stated that staff will be bringing an action back to the Board after the paperwork for formal refunding approval in May with a goal to close the refunding bonds in late May or early June, well in advance of the redemption date and payment.

Legler commented that the Board will be very transparent about the documents. Bond counsel has not said we can't do what we want, he simply warned us that it may not be

effective. Legler said he is willing to circulate the draft documents, circulate them electronically, and hear from the HOA legal counsel. He is willing to share the written advice we have received from bond counsel. We will make this completely transparent in terms of trying to do what we can to make as iron clad as possible. He will send it to a clearing house at the HOA for distribution. He will also respond to any emails he receives at ilegler@pvaz.net.

Board member Lasker asked for confirmation from Tarkowski that a Resolution will be written to state additional debt will not be issued by the CFD Board. Legler added that the documents will be drafted so that a developer is going to be able to “activate” either \$4.2 or \$18.2 million in bonds. It would require an action of the Board.

No action was taken.

6. ADJOURNMENT

Vice Chairman Tjiema adjourned the meeting at 6:59 p.m.

ATTEST:

APPROVED:

Diane Russell, District Clerk

Harvey Skoog, Chairman

STATE OF ARIZONA)
COUNTY OF YAVAPAI) ss:
TOWN OF PRESCOTT VALLEY)

CERTIFICATE OF BOARD MINUTES

I, Diane Russell, District Clerk hereby certify that the foregoing minutes are a true and correct copy of the Minutes of the StoneRidge Community Facilities District of the Town of Prescott Valley, held on Thursday, April 11, 2013.

I further certify that the meeting was duly called and held and that a quorum was present.

Dated this April 15, 2013

Diane Russell, District Clerk