

RESOLUTION NO. 29
PRONGHORN RANCH COMMUNITY FACILITIES DISTRICT

A RESOLUTION OF THE DISTRICT BOARD OF THE PRONGHORN RANCH COMMUNITY FACILITIES DISTRICT, A COMMUNITY FACILITIES DISTRICT OF ARIZONA, APPROVING A TENTATIVE BUDGET FOR FISCAL YEAR 2013-2014 PURSUANT TO ARS §48-716; SETTING A PUBLIC HEARING DATE ON SAID TENTATIVE BUDGET; FILING STATEMENTS AND ESTIMATES OF THE OPERATION AND MAINTENANCE EXPENSES OF THE DISTRICT, AND THE AMOUNT OF ALL OTHER EXPENDITURES FOR PUBLIC INFRASTRUCTURE AND ENHANCED MUNICIPAL SERVICES PROPOSED TO BE PAID FROM THE TAX LEVY AND OF THE AMOUNT TO BE RAISED TO PAY GENERAL OBLIGATION BONDS OF THE DISTRICT, ALL OF WHICH SHALL BE PROVIDED FOR BY THE LEVY AND COLLECTION OF AD VALOREM TAXES ON THE ASSESSED VALUE OF ALL THE REAL AND PERSONAL PROPERTY IN THE DISTRICT; PROVIDING FOR NOTICE OF FILING THE STATEMENTS AND ESTIMATES, AND NOTICE OF A PUBLIC HEARING ON THE PORTIONS OF THE STATEMENTS AND ESTIMATES NOT RELATING TO DEBT SERVICE ON GENERAL OBLIGATION BONDS; AND PROVIDING THAT THIS RESOLUTION SHALL BE EFFECTIVE AFTER ITS PASSAGE AND APPROVAL ACCORDING TO LAW.

WHEREAS, on January 24, 2002, the Common Council of the Town of Prescott Valley ("Town") adopted Resolution No. 1067 creating within Sections 23 and 26, R1W, T15N, G&SRB&M of the Town, the Pronghorn Ranch Community Facilities District ("PRCFD"), a community facilities district in accordance with ARS §48-701 et seq. (see Exhibit "A" attached hereto and expressly made a part hereof); and

WHEREAS, PRCFD is a special purpose district for purposes of Article IX, Section 19, Constitution of Arizona, a tax-levying public improvement district for the purposes of Article XIII, Section 7, Constitution of Arizona, and a municipal corporation for all purposes of Title 35, Chapter 3, Articles 3, 3.1., 3.2, 4 and 5, Arizona Revised Statutes, as amended, and [except as otherwise provided in §48-708(B), as amended] is considered to be a municipal corporation and political subdivision of the State of Arizona, separate and apart from the Town; and

WHEREAS, a primary purpose for creating PRCFD was to finance construction and maintenance of certain public improvements needed for the Pronghorn Ranch development through assessment of ad valorem taxes on all real and personal property within the development; and

WHEREAS, in accordance with ARS §§48-719 and 48-723, a special election was held on February 26, 2002 wherein the qualified electors of PRCFD voted to issue general obligation bonds in the maximum amount of seven million dollars (\$7,000,000) to cover costs of constructing required public improvements, and to levy and collect an annual ad valorem tax at a rate not to exceed thirty cents (30¢) per one hundred dollars (\$100) of assessed valuation for PRCFD operation and maintenance expenses; and

WHEREAS, by Resolution No. 3 (dated February 28, 2002) the PRCFD Board authorized the sale of up to three million five hundred thousand dollars (\$3,500,000) aggregate

principal amount of general obligation bonds, Series 2002 (“2002 Bonds”) to fund initial public improvements for the development; and

WHEREAS, by Resolution No. 11 (dated August 4, 2004) the PRCFD Board authorized the sale of up to four million dollars (\$4,000,000) aggregate principal amount of general obligation bonds, Series 2004 (“2004 Bonds”) to fund additional public improvements for the development; and

WHEREAS, PRCFD also entered into agreements with Brown Family Communities, an Arizona limited partnership (“Brown Family”), Western Communities Corporation, an Arizona corporation (“Western Communities”), Antelope Village, L.L.C., an Arizona limited liability company (“Owner”), and Prescott Valley VII, L.L.C., an Arizona limited liability company (“PV VII”) with respect to the 2002 and 2004 Bonds, whereby Brown Family, Western Communities, Owner, and PV VII (as developers of the development) would make (a) annual payments to PRCFD in order to maintain the tax rate at no more than three dollars (\$3) per \$100 of secondary assessed valuation for debt service, given the tax base of PRCFD in each tax year, (b) deposit ten percent (10%) of the bond principal to supplement tax revenues if amounts available under the annual payments were insufficient, and (c) pay up to sixteen thousand two hundred dollars \$16,200 annually in the event an additional ad valorem tax of 30¢ per \$100 to pay costs to operate and maintain the public improvements was insufficient (until July 1, 2017 or July 1 after the 1,000th building permit was issued, whichever is earlier); and

WHEREAS, based on these agreements, the PRCFD Board issued three million dollars (\$3,000,000) in 2002 Bonds on April 1, 2002, and \$4,000,000 in 2004 Bonds on September 1, 2004; and

WHEREAS, after initial success with the development, Brown Family/Western Communities had economic difficulties as a consequence of the worldwide economic downturn. Although Brown Family/Western Communities did not file bankruptcy, its mortgage holder (AMTRUST bank) foreclosed on the development and became the property owner of a significant portion thereof. Afterward, it sold parts of what it owned to other developers; and

WHEREAS, because annual payments under the above-mentioned agreements were not made after the foreclosure, a shortfall in moneys available to make bond payments occurred for the July 15, 2009 payment. This resulted in an unscheduled draw of \$93,558.91 against the deposit and issuance of a Material Event Notice on February 11, 2010. Sufficient taxes were subsequently collected to make the January 15, 2010 payment, but an unscheduled draw of \$46,211.81 was necessary to make the July 15, 2010 payment. This resulted in a second Material Event Notice being issued on July 15, 2010. Sufficient taxes were collected to make the January 15, 2011 payment, but an unscheduled draw of \$117,302.08 was necessary to make the July 15, 2011 payment. Therefore, a third Material Event Notice was issued on July 15, 2011. In response, the PRCFD Board increased the tax rate to approximately three dollars and ninety cents (\$3.90) per \$100 secondary assessed valuation as part of the FY 2011-2012 budget (Resolution No. 25, June 22, 2011). Sufficient taxes were then collected to make the January 15, 2012 payment, but an unscheduled draw of \$192,459.06 was needed to make the July 15, 2012 payment (resulting again in a Material Event Notice). This led the PRCFD Board to increase the tax rate to approximately four dollars and eighty cents (\$4.80) as part of the FY 2012-2013 budget (Resolution No. 27, July 12, 2012). Sufficient taxes were then collected to make the

January 15, 2013 payment, but (despite the tax rate increase) the Treasurer estimated that either a Standby Contribution or a draw from the deposit of approximately \$125,000.00 would be needed to make the July 15, 2013 payment; and

WHEREAS, on January 24, 2013, the PRCFD Board considered and adopted Resolution No. 28 imposing a “Successor-in-Interest Standby Contribution Charge”. Unlike Quailwood Meadows and StoneRidge (which also have community facilities districts that have issued bonds for public improvements), Pronghorn Ranch does not have a single owner of undeveloped lots. And, at least one of the largest owners has not historically been a “developer”. Therefore, unlike solutions in Quailwood Meadows and StoneRidge which focused on assignments of development and bond documents to new developers, any solutions in Pronghorn Ranch needed to focus on pushing Standby Contributions down to the level of persons actually applying for individual building permits. Feedback from potential purchasers of the undeveloped Pronghorn Ranch lots indicated this might be the best way to avoid closing off purchase of lots and building of new housing units. Resolution No. 28 required Brown Family, Western Communities, Antelope Village, and/or PV VII (or their successors-in-interest) who own currently-platted (or subsequently-platted) lots for which no application had yet been made for a building permit to pay an amount established each year during the budget process by (a) determining total amounts drawn from the deposit as of May 1, (b) adding total amounts of unpaid O&M Contributions as of May 1, (c) subtracting total payments of the new Charge received as of May 1, (d) subtracting any Standby Contributions actually received, (e) subtracting any O&M Contributions actually received, and (f) dividing by 266 (regardless of the number of undeveloped, platted lots actually remaining at any given time). In FY 2012-2013 this would be \$1,872.67 per application. Revenues from the Charge would be deposited in the Bond Tax Account on a quarterly basis to reduce the amount (1) the bond Trustee could request as a Standby Contribution from Brown Family, Western Communities, Antelope Village, PV VII, or any of their respective successors-in-interest, (2) of any draw the Trustee might apply to the remainder of the deposit, and/or (3) of ad valorem taxes required to be levied by the PRCFD Board on real and personal property within Pronghorn Ranch. Application of the Charge would continue until all bonds had been paid in full; and

WHEREAS, going forward it is understood that the PRCFD Board will balance budget proposals each year so that a reasonable deposit amount remains for as long as possible (but said deposit will ultimately be used up by the time bonds are paid off) so that tax rates can be kept as low as reasonably possible (in light of revenues produced by the Charge); and

WHEREAS, in accordance with ARS §§48-716 and 48-723, the PRCFD Treasurer has submitted to the PRCFD Board a proposed budget for Fiscal Year 2013-2014, which includes statements and estimates of the operation and maintenance expenses of PRCFD, and the amount of all other expenditures for public infrastructure proposed to be paid from the tax levy and of the amount to be raised to pay PRCFD general obligation bonds, all of which shall be provided for by the levy and collection of ad valorem taxes on the assessed value of all the real and personal property within PRCFD; and

WHEREAS, the PRCFD Board desires now to approve said Tentative Budget for Fiscal Year 2013-2014, to publish notice of having filed the required statements and estimates, and to set a date (and publish a notice thereof) for a public hearing to receive comment on the Tentative

Budget and, particularly, on the portions of the statements and estimates not relating to debt service on general obligation bonds; and

WHEREAS, after said public hearing (and on or before October 1), the PRCFD Board expects to adopt a Final Budget by resolution; and

WHEREAS, on or before the third Monday in August, the PRCFD Board also expects to order the fixing, levying and assessment of required ad valorem taxes and to cause certified copies of the order to be delivered to the Yavapai County Board of Supervisors and the Arizona Department of Revenue;

NOW, THEREFORE, BE IT RESOLVED BY THE DISTRICT BOARD OF THE PRONGHORN RANCH COMMUNITY FACILITIES DISTRICT, AS FOLLOWS:

1. That that certain proposed budget prepared by the PRCFD Treasurer for Fiscal Year 2013-2014, attached hereto and expressly made a part hereof as Exhibit "B", is hereby tentatively approved.

2. That the statements and estimates of the operation and maintenance expenses of PRCFD, and the amount of all other expenditures for public infrastructure and enhanced municipal services proposed to be paid from the tax levy and of the amount to be raised to pay PRCFD general obligation bonds in Fiscal Year 2013-2014 are hereby filed on forms of the Auditor General in accordance with ARS §§42-17101(3) and 48-723(C), and are attached hereto and expressly made a part hereof as Exhibit "C".

3. That a public hearing date of July 11, 2013, beginning at or after 5:25 p.m. in the Auditorium of the Prescott Valley Public Library at 7401 East Civic Circle, Prescott Valley, Arizona, is hereby set to consider said Tentative Budget (including, but expressly not limited to, consideration of those portions of the statements and estimates not relating to debt service on PRCFD general obligation bonds), and said notice (attached hereto and expressly made a part hereof as Exhibit "D") shall be published once in the Daily Courier no later than ten (10) days prior to said hearing date.

4. That if any provision in this Resolution is held invalid by a Court of competent jurisdiction, the remaining provisions shall not be affected but shall continue in full force and effect.

5. That this Resolution shall be effective after its passage and approval according to law.

RESOLVED by the District Board of the Pronghorn Ranch Community Facilities District this 6th day of June 2013.

Harvey Skoog, Chairman, District Board
Pronghorn Ranch Community Facilities District

ATTEST:

Diane Russell, District Clerk
Pronghorn Ranch Community Facilities District

APPROVED AS TO FORM:

Ivan Legler, Legal Counsel
Pronghorn Ranch Community Facilities District

EXHIBIT "A"

PRCFD Map and Legal Description

EXHIBIT "B"

FY 2013-2014 PRCFD Budget

EXHIBIT "C"

PRCFD Statements and Estimates on Auditor General Forms

EXHIBIT "D"

PRCFD Published Notice