

**PRONGHORN RANCH COMMUNITY FACILITIES DISTRICT
REQUEST FOR BOARD ACTION**

Date: July 25, 2013

SUBJECT: Preparation for Potential Refinancing - 2002 & 2004 Bonds

SUBMITTING DEPARTMENT: District Treasurer

PREPARED BY: Bill Kauppi, District Treasurer

AGENDA LOCATION: Comments/Communications , Consent , Work/Study ,
New Business , Public Hearing , Second Reading

ATTACHMENTS: a) Resolution No. 31

SUMMARY/BACKGROUND: On January 24, 2002, the Town Council adopted Resolution No. 1067 forming the Pronghorn Ranch Community Facilities District (“PRCFD”). The same day, the PRCFD Board adopted its Resolution No. 1 which approved a “District Development, Financing Participation and Intergovernmental Agreement” with First American Title Insurance Agency of Yavapai, Inc., Brown Family Communities, Western Communities Corporation, Antelope Village, Coyote Springs LLC, and Prescott Valley VII LLC. That Financing Agreement provided that debt service on bonds issued by PRCFD to finance construction of improvements for Pronghorn Ranch would be paid from annual ad valorem tax revenues received from property owners. To regulate the tax rate, Brown Family, Antelope Village and PV VII agreed to make standby contributions until enough residents arrived to make the needed payments. They also agreed to make a cash deposit of 10% of the bond principal for use if the contributions ever ceased. With all this in place, on February 28, 2002 the PRCFD Board adopted Resolution No. 3 authorizing issuance of \$7,000,000.00 in general obligation bonds. Those bonds were then issued in two batches (2002 and 2004).

After considerable initial success, Pronghorn Ranch (like other developments statewide) began to suffer ill effects from the worldwide recession. On June 12, 2009, an Ohio bank foreclosed its lien and took over much of the development from Brown Family. The “standby contributions” ceased and, on July 15, 2009, the Bond trustee had to make the first of many unscheduled draws against the \$700,000.00 deposit in order to pay debt service due. In addition, on June 22, 2011 the PRCFD Board had to increase the tax rate above the “goal” rate of \$3.30 per \$100.00 to \$3.90. The next year, it had to raise the rate again to \$4.80.

In an effort to resolve this lack of standby contributions from the early developers (or their successors-in-interest), in late 2012 the PRCFD Manager began exploring adoption of a charge that might recover the amounts that were being drawn from the deposit. As of August 14, 2012, those draws amounted to \$449,529.63 (and non-payment of the O&M Contributions also required had been \$48,600.00...not including FY2012-13). This was a total of \$498,129.63 (or \$1,872.67 per undeveloped platted lot). Armed with this information, on January 24, 2013 the PRCFD Board adopted Resolution No. 28 requiring that owners of currently-platted (or subsequently-platted) lots in Pronghorn Ranch (for which building or other development permits issued by the Town had not yet been applied) pay to PRCFD (upon application to the Town for

the permits) a Successor-in-Interest Standby-Contribution Charge (“SISCC”) of \$1,872.67 per lot, subject to future adjustment. Once this was in place (and based on indications that property values have stabilized), the PRCFD Board felt comfortable leaving the tax rate at \$4.80 per \$100.00 for FY 2013-2014. Interestingly, the recent draw on the deposit for the July 15, 2013 bond payment was less than previously forecast, due (at least in part) to the fact that \$24,344.71 in SISCCs had been collected.

Now, staff is exploring with the Bond underwriter the potential for refinancing the 2002 and 2004 Bonds. This could further assist in keeping the tax rate (and actual tax payments) closer to the desired level going forward. Unfortunately, language in the Bond documents suggests that the standby contribution agreements which are the underpinning for the SISCC might automatically terminate upon any such refinancing. In order to ensure that such an automatic termination does not occur, staff has reviewed the documents and concluded that this proposed Board action should help. Its purpose is to memorialize the Board’s intent (and direction) that the SISCC continue to be applied in the event of Bond refinancing for the period of any refunding bonds.

OPTIONS ANALYSIS: The PRCFD Board may adopt this Resolution No. 31 as drafted, propose revisions prior to adoption, table the matter until a later date, OR decline to adopt Resolution No. 31.

ACTION OPTION: Motion to authorize the Chairman (or, in his absence, the Vice Chairman) to sign Resolution No. 31 ensuring continued application of the SISCC in the event of refinancing the 2002 and 2004 Bonds, **OR** Motion not to approve Resolution No.31. **VOTE.**

RECOMMENDATION: Staff recommends authorizing signature of Resolution No. 31.

FISCAL ANALYSIS: It is believed that retaining the SISCC during the period of any refunding bonds will further assist in keeping tax rates (and actual tax payments) by Pronghorn Ranch residents at a reasonable level. In this regard, the PRCFD Board approved an IGA with the Town on February 13, 2003 whereby the Town provides administration and legal services needed to administer PRCFD. On that basis, PRCFD has previously asked the Town not to issue permits unless the SISCC is paid.

REVIEWED BY:

Pronghorn Ranch CFD Treasurer _____

Pronghorn Ranch CFD Clerk _____

Pronghorn Ranch CFD Legal Counsel _____

Pronghorn Ranch CFD Manager _____

BOARD ACTION: