

**TOWN OF PRESCOTT VALLEY  
COMMUNITY FACILITIES DISTRICTS MEETING  
MINUTES  
August 8, 2013**

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

1. CALL TO ORDER

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

2. INVOCATION

Pastor Charlie Hail, Church of the Nazarene, gave the Invocation.

3. PLEDGE OF ALLEGIANCE

Mr. Clyde Kincaid led in the recitation of the Pledge of Allegiance said in unison.

4. ROLL CALL

Present: Board Member Grossman, Vice Chairman Nye, Board Member Mallory, Board Member Whiting, Board Member Marshall, Board Member Anderson, and Chairman Skoog.

5. CONSENT AGENDA

a. *Approval of July 25, 2013 Pronghorn Ranch CFD minutes*

Vice Chairman Nye made the MOTION, seconded by Board Member Mallory, to approve the July 25, 2013 Pronghorn Ranch CFD Minutes, by electronic vote. MOTION carried with 7 ayes and 0 nays.

6. NEW BUSINESS (FOR REVIEW, COMMENT, AND/OR ACTION)

a. Consideration of authorizing the Chairman to sign Pronghorn Ranch CFD Resolution No. 32 approving the issuance of Series 2013 Refunding Bonds

Nick Dodd, RBC Capital Markets, stated that this proposed action is just a refinancing to achieve savings by lowering the tax rate on the existing Pronghorn Ranch CFD financing of the 2002 and 2004 bonds. Dodd plans to do a private placement of the refinance through the Colorado Business Bank. They should be locking in the rate tomorrow depending on the rate which should be at 4.2 percent. The bond issue should close two weeks after that. The average rate on the 2002

and 2004 bonds today is 6.6 percent. The 4.2 percent rate does not factor in any other funds to lower the tax rate.

The anticipated savings are \$1.15 million over what we currently would pay. The maturity date is not being extended so the final maturity date will be 2029 – the same as the existing bonds. The rate would be at \$4.50 per \$100 secondary evaluation this year. It would never be more than \$4.90, but declines are expected each year thereafter as the debt service declines and secondary assessed valuation increases and new homes are built.

District Attorney Ivan Legler added that in January 2013 the Board took an action to establish a Successor-in-Interest Standby-Contribution Charge (SISCC) to recoup a series of Standby Contributions that had not been made since 2008 although development continued and the developer passed the property on to different entities. The Town was concerned how to could collect those funds. Hence this charge is used to offset the Standby Contribution payments not made. The Standby Contributions were initially covered by a deposit of \$700,000 (10 percent of the \$70 million financed). That reserve fund is what was used to make the debt service payments for the Standby Contribution payments that were not made. That fund is now down to \$200,000 and going fast. The only option was to raise the tax rate. This is a good second chance to recoup some of those funds and stabilize the rate. However, because refinancing could risk us losing the SISCC payments the July 25th action was taken to ensure that the SISCC charge will continue after the refinance. Those monies will be put into the tax account each year to keep the tax rate even lower after the refinancing. The final component is the deposit/reserve fund is going to be used as a part of the refinancing.

District Treasurer Bill Kauppi suggested that the SISCC charge be left at \$1,800 which appears to be a good balance for both the District and new housing starts. So the payments will continue for 16 years but at a lower interest rate.

#### Public Comments:

1. Dieter Franz said he appreciates the efforts the District has made to make this happen.
2. Steve Silvernale wanted to know if A) anyone in this refinance is being released from any liability. B) He wants to know what his obligation is to pay this tax off for his vacant property.

District Attorney Legler clarified that A) the old developers are not released of this obligation. B) Dodd said Silvernale's tax rate is \$4.50 per \$100 based on his secondary assessed valuation. Legler added that this is a tax bond payment not an assessment bond that could paid off.

3. Lee (last name unknown) said in 2003 he was told this was a 20-year bond. He is just curious how long the bond was actually supposed to be. Most of the folks at Pronghorn were told it was a 20-year bond by the builder.

Kauppi responded that initially each of the bond issues were 25-year bonds. Board member Nye said she is concerned that we will lose this interest rate. Board member Mallory asked for and received confirmation that the term would not be lengthened.

Legler and Dodd stated that because the 2002 and 2004 bonds are being combined the 2002 bond issue will actually be increased by two years for the refinance and be paid off at the same time as the 2004 maturity date of 2029.

4. Linda Avey wanted to know is there any way to get the new developers to pay a portion of this?

Legler said the developers still have the obligation to make the Standby Contribution payment. That legal obligation is still there. The SISCC fee was put in force to take the place of that. Essentially the new home buyer will make that payment for them. It goes toward paying off the bonds.

5. Andria Gibson asked what the developer's obligation is.

Legler said they still have to make the Standby Contribution (\$1,800) which is a one-time charge on every old lot that has been platted.

6. Dieter Franz said according to the distributed information the estimated district revenues go up for a little while then steady. Has more housing construction been factored into this?

Kauppi responded that only 2.5 percent has been factored into these computations as new homes are built or Yavapai County reassesses the property. These are conservative numbers. He looks for double digit increases in valuation that would bring the tax rate down.

Board member Grossman asked if this could be paid off before 2029.

Dodd said the bond could be paid off before maturity if the District has the money to pay it off. If rates go lower a refinance could be done.

7. Steve (last name unknown) was told by the realtor the CFD payment would be about \$400 a year, not the large amount they are paying now. He has a large family and large house they have a higher tax rate. They should do this as quickly as possible, but do appreciate them doing this. He questioned whether this could be changed to an assessment bond instead of a tax bond? How much principle is left? Are the banks under any obligation to make these payments? He asked that they consider making the tax a flat rate instead of one based on family size or property size. Will a continuing tax still exist to maintain it after these bonds are paid off?

Legler said it could probably not be changed to an assessment bond because investors like tax bonds better than assessment bonds. Dodd added that this is a General Obligation Bond and are considered the highest credit you can get. In an assessment bond the property is liened, you pay

your assessment every year and if you don't pay it you go through the lien process. Legler added that the bond was done in 2002 as a tax bond and the process would be incredibly difficult to get all the property owners to buy into that process. The principle amount to be paid off is \$5.9 million so there is \$1.1 in principle to be paid off. Through the Standby Contribution agreed to by the developer the tax rate was to remain at a certain amount. As more residents came in they anticipated that they would be making smaller and smaller payments. The day would come when there would be enough residents that they would no longer have to make that contribution. In 2008 the developer was foreclosed upon as a result of the recession and so he no longer exists. Banks took the property over and sold to small developers. The banks are successors in interest and have the obligation to make those payments. However, as he mentioned earlier the District Board did not want to file lawsuits on banks thinking that would have a negative effect on housing construction in that area.

Kauppi said a \$ .30 cent per \$100 secondary assessed property valuation will continue for maintenance and operation. Deputy District Manager Ryan Judy said this tax is to cover maintenance for medians, parks and landscaping and will continue. The town continues to maintain the streets through HURF funds from the state.

Board member Whiting said the cost incurred to build the infrastructure in some of the other developments was included in the original cost of the house when purchased.

8. Steve Silvernale said the District could finance less if he could pay his portion of the tax up front. So why can't he get out? He suspects that the District wants him and his wallet to be theirs forever. He will not be building a house there. He will leave it bare land.

Deputy District Manager Judy said he likes Pronghorn Ranch and is willing to pay the \$ .30 in perpetuity for the maintenance and operations of the area. He stated that StoneRidge CFD and Quailwood CFD are paying the same fee for these services.

Board Member Grossman made the MOTION, seconded by Board Member Marshall, authorize the Chairman (or, in his absence, the Vice Chairman) to sign Resolution No. 32 which (a) authorizes issuance of PRCFD General Obligation Refunding Bonds, Series 2013, and (b) delegates certain authority in relation thereto to the PRCFD Manager, by electronic vote. MOTION carried with 7 ayes and 0 nays.

## 7. COMMENTS FROM THE PUBLIC

VFW Post 10227 Commander Fred Nelson said we have up to 100 homeless veterans living in this town. He made a plea to assist the VFW to help them with housing, food etc. It also helps the Town. He said we need to address this. The Town has done an amazing job to help the VFW get their post project done for which he thanked them. The VFW needs the Town's help as well as the businesses and citizens of this Town as they cannot do it by themselves. There are homeless in this Town and we need to address it.

Commander Nelson announced the 'Veterans Stand Down' schedule for September 11<sup>th</sup> in Prescott.

8. ADJOURNMENT

Board Member Mallory made the MOTION, seconded by Vice Chairman Nye, to adjourn the meeting, by electronic vote. MOTION carried with 7 ayes and 0 nays. Chairman Skoog adjourned the meeting at 6:18 p.m.

ATTEST:

APPROVED:

\_\_\_\_\_  
Diane Russell, District Clerk

\_\_\_\_\_  
Harvey Skoog, Mayor

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

CERTIFICATE OF COUNCIL MINUTES

I, Diane Russell, District Clerk of the Town of Prescott Valley, Arizona, hereby certify that the foregoing minutes are a true and correct copy of the Minutes of the Community Facilities Districts Meeting of the District Board of the Town of Prescott Valley, held on Thursday, August 8, 2013.

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

Dated this August 12, 2013

\_\_\_\_\_  
Diane Russell, District Clerk