

**TOWN OF PRESCOTT VALLEY  
COMBINED COMMUNITY FACILITIES DISTRICTS MEETING  
MINUTES  
July 12, 2012**

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

1. CALL TO ORDER

Chairman Skoog called the meeting to order at 6:41 p.m.

2. ROLL CALL

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

*Absent: Board Member Lasker.*

3. CONSENT AGENDA

a. *Approval of Minutes May 3 W/S & May 24 Regular Session, 2012*

b. *Approval of Accounts Payable 7/1/11 thru 6/30/12*

Board Member Nye made the MOTION, seconded by Board Member Anderson, to approve all items listed on the Consent Agenda, by electronic vote. MOTION carried with 6 ayes and 0 nays.

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

a. Public Hearing - StoneRidge CFD

Chairman Skoog opened the public hearing.

Management Services Director Bill Kauppi said principal and interest is applied to each CFD bond payment reducing the principle balance.

Kauppi said there are three main sources of revenue 1. Ad valorem property tax, 2. Developer contributions, and 3. Rental income from the Community Center. He gave an overview of the StoneRidge CFD budget proposing raising the ad valorem tax levy for Fiscal Year 2012-13 from \$3.90 per \$100 valuation up to \$4.47 per \$100 of secondary assessed value. This action is an essential part of the budgetary process for StoneRidge Community Facilities District, and will provide the ad valorem taxes needed to repay bonds previously issued by the District Board. The Final Budget amount for Fiscal Year 2012-13 is \$1,542,078. In addition, he noted that not all

assessed values go down equally. Those realizing a 13 percent decrease or more in assessed value will also realize a tax decrease too. The taxes will be less than last year.

Town Manager Larry Tarkowski pointed out that there is a 'successor in interest' that has taken over from SunCor. The buyer of the project, Univest, has been making the Standby Contribution payments. Although there is a rate increase, the amount of dollars taken out of an individual's wallet remains approximately the same. Notable exceptions are custom homes with a higher appraised rate which did not go down the average diminishment in county assessed valuation. The goal is to keep the revenue stream servicing the debt the same. For the last two years we have been successful in doing that. Residents agreed to get a loan to build the road into StoneRidge. As a purchaser of a property they agreed to pay the prorated share of that road into StoneRidge despite the value of their home. They still have the obligation to pay that.

Town Attorney Ivan Legler said CFDs are a financing mechanism put into place back in the mid 1980s by the legislature. Legler stated that the legislation put in place has stringent restrictions for the development of CFDs which the town follows. There has been some discussion of refinancing StoneRidge's bonds which was insisted upon by SunCor's successor in interest as he did not know how long he would continue to make the Standby Contributions. Back in 2001 SunCor put up nearly \$3 million in cash as a deposit that would be available in case of a meltdown scenario. Fortunately that deposit has never been hit as the Standby Contribution has been made. The question is who owns that money? We are fighting that right now in bankruptcy court as Suncor filed a bankruptcy. Statutes have been adopted that say there has to be a minimum savings to refinance bonds. Our bond counsel is very concerned about whether we can hit that in this market even if we could take the \$3 million and apply it to refinancing. Others have asked why not try to refinance the bonds in Quailwood Meadows or Pronghorn Ranch. The response that that question was we only started out with 10 percent of the face value of the bonds, not the 20 percent we started with in StoneRidge. StoneRidge had to put that amount forth as it was a different type of project as they had to take out a second bond series. We have had to dig into that deposit in Pronghorn Ranch so it is not available for refinancing of those bonds. Unless a developer came forward and made a contribution we would not be able to refinance those bonds in this market. Back in the early 2000s when the developers came forward and CFDs had been used all over the state they said we cannot or would not build these particular projects unless they could use a CFD as a financing mechanism. Therefore, on that basis these projects were able to go forward. Today we are left with the requirements of those CFDs. So Kauppi needs to be given some slack. The covenants in the documents say that the bond holders must be paid either through tax rates that must be increased to whatever level it takes to pay off those bonds or take a hit on the deposit or Standby Contribution. If the contribution monies are not there and the deposit runs out, then Kauppi has no other choice.

Mayor Skoog pointed out that there is increased building activity and he expects more which will spread the obligation to more homes. Kauppi added that anytime there is additional development occurring in any of these residential CFDs it will help in the long term, but in the short term it could take an additional 18 months to two years before the assessed value catches up. The secondary assessed value has taken such a hit over the last three or four years it will take many years of additional homes for the values to recover to the 2007 level.

Tarkowski said we have made that commitment to StoneRidge that we are looking for that flat revenue stream to service the debt and when assessed valuations go back up we lower the rate to maintain a flat revenue stream and stay away from hitting the reserves, if possible.

Public Comments:

1. Ms. Bear Shimmin said she has read the bond agreements and knows that this is the way it has to be. She continued that it has been several months since they heard anything about the \$3 million reserve fund. Large amounts of money were expensed to secure outside attorneys and they were assured that those monies were expensed so that they would have the very best possible legal representation and advice. Is there anything more current about that \$3 million fund?

District attorney Legler commented that the funds are held by the bond trustee in case of a default. They were submitted by SunCor back in the early 2000s and would receive any that was left over after the bonds were paid off (if any was left). They have since signed away that money. SunCor has made their Standby Contributions so there is no default. They have since transferred their interest to Uninvest which has made two contributions with the next one being due in January 2013. Suncor unfortunately included the \$3 million as part of its assets in their bankruptcy which halted any effort to refinance the bonds. We are fighting this in bankruptcy court today. We hope to get a ruling from that before long. We hope to see a claim filed against SunCor's estate for any residual obligations SunCor has towards making Standby Contributions.

2. Mrs. Helga Franz said none of us were a part of the initial agreement. They were forced into signing this agreement otherwise they would never have been able to buy a house in Pronghorn Ranch. They had no choice at all. If the town should enter into another agreement like that, they should consider giving the owners a choice of the method of payment.
3. Ms. Cindy Jaystrap commented that they are new to StoneRidge and continued with the original property owners knew about the CFD. When she and her husband bought a house in October they got no disclosure about the home. Neither the seller nor buyer agent said anything about this. A lot of new people coming into StoneRidge are surprised by this issue. After reading the bond agreement nowhere is it implied that the rate would ever be more than \$3.30 per \$100 valuation. The November meeting with Uninvest surprised them as they were unaware of the pending issues with the CFD. With these pending issues when some people are made aware of it by the realtors it scares them off.

District Manager Tarkowski said he has talked with the Multiple Listing Service and Realtors Association who have shared with him that second and third owners in StoneRidge and Pronghorn are given a disclosure statement of the CFD as a part of the title report along with any other disclosures requiring either a signature or initial on it. It is a part of the escrow documents that must be signed by a property owner. Realtors, as professionals, have an obligation to disclose CFD information.

4. Mr. Louie Lizza was on the Board of Directors [StoneRidge Homeowners Association] three years ago. He had extensive meetings with Mr. Tarkowski and Mr. Legler and the other attorneys. He met with the Goldwater Institute, SunCor and a lot of lawyers and accountants for Pinnacle West Capital. Mr. Lizza said the StoneRidge CFD was handled poorly. After speaking with Joe Lipinski and Brandt and some of their attorneys they had a different approach to the CFD. There was \$2.96 million in the reserve fund. Lipinski offered them \$1 million of that. Harry Ramsey and he met with them saying it was a generous offer but could they throw in the Community Center and another million dollars. Lizza got the Community Center and \$168,000 a year to pay down the bond debt. Their plan was that the \$2.9 million plus another million dollars would be in the bond fund minus the \$168,000. That would have taken care of the bond for about eight years. It would have given a developer an opportunity to come in and not have to pay a short fall, plus put in one to two hundred homes. Lizza commented that the Goldwater Institute told him the reason the rate was \$3.30 is it is a cost to benefit ratio. Once the CFD Board showed the ability and willingness to raise the rate they took the \$2.9 million out of play. He told Patty Lasker two or three years ago to use that money or lose it. Now the creditors for SunCor are turning around and saying, well you could just raise their rate so what do you need that \$2.9 million for? To raise the rate is wrong; there are other options to restructure or refinance the bond out to 20 years. Personally, he believes this CFD is a trap for the people here. They were lied to by most of the developers. They were told a maximum of \$200 a year for the CFD. We have a great town here, let the developers put in the roads. They came and now that they have made their money they are gone. Now it is on their [residents] backs. We have eight CFDs which is 13 percent of the CFDs in this state. There are only 51 CFDs in the whole state. Lizza accused Council member Nye of lying to them stating she wouldn't get a CFD with tears in her eyes. Two weeks later she voted for another CFD for them. A little bit later she voted to raise their CFD rate. Chairman Skoog reminded Mr. Lizza that speakers are limited to five minutes. Lizza concluded that Bill Kauppi is a good guy. He did not raise this rate he is just the guy that you ask "what do we do" and he tells you.

Chairman Skoog closed the public hearing as no additional comments were forthcoming.

*b. Consideration of authorizing the Chairman to sign Resolution No. 28 adopting the final budget for StoneRidge CFD Fiscal Year 2012-2013*

Kauppi pointed out that this is a two-part process: 1. approving the budget and 2. accepting the \$4.47 rate that will be submitted to the county. This process will be same for each CFD budget considered tonight. Once approved, this rate will not change for this fiscal year. Board member Mallory asked for confirmation that we are just following the guidelines. Staff believes this is the appropriate step to take to make the debt service payment. We have to come up with \$1.4 million to pay the debt service. For sure we have \$168,000 (rental income), whatever tax is collected and monies either from a developer or the deposit account to make up the \$1.4 million. Legler added that we cannot plan for a default so cannot plan to dip into the deposit account. Only if the Standby Contribution was not made could we dip into the deposit monies.

Council member Whiting had questions submitted by the StoneRidge residents to him. 1. How do we handle the deficit? Kauppi responded that the deficit is the Operations and Management (general operation expenses – landscaping, watering the median etc.) for StoneRidge. The difference between the O&M budget and what we take in from the \$ 0.30 is the negative (deficit). The town is carrying some of those expenses for maintenance. From an accounting perspective it is charging the district for those expenses. That money will be paid back to the town as it comes in. This will be the third or fourth year we will have a deficit in operations and maintenance. The deficit will be accrued over time. The only way to pay it off is the assessed valuation has to increase to a point that the \$ 0.30 we take in is more than the O&M budget. Right now it is \$90,000 short. The other option is cut the services but that is not an option we want to take at this point.

Kauppi confirmed for Council member Mallory that once the decision is made to approve the rate it cannot be changed during this fiscal year. Each year it is reviewed.

#### Public Comment

1. Dave Snyder, as a CPA, said that there is an issue with the \$3 million that sounds like a reserve fund. What if we get the reserve fund back? Could the rate be changed by \$0.10?

Legler responded that if the Standby Contribution is not made in January 2013 by Univest. Legler stated we may have to go ask the Trustee to use a portion of \$3 million reserve fund. We are going to court to make sure that SunCor does not list it as one of their assets. Legler reiterated that we do not have the authority to dip into that fund unless Univest does not make the Standby Contribution. We do not have the authority to change the tax rate in anticipation of a default and a dipping into that deposit. We are going to court to make sure that SunCor does not list it as its assets.

Board Member Whiting made the MOTION, seconded by Vice Chairman Tjiema, to authorize the Chairman (or, in his absence, the Vice Chairman) to approve Resolution No. 28, adopting the StoneRidge Community Facilities Districts Final Budget for Fiscal Year 2012-13, by electronic vote. MOTION carried with 6 ayes and 0 nays.

#### *c. Public Hearing - Pronghorn Ranch CFD*

Chairman Skoog opened the public hearing.

Kauppi commented that there will be an increase from \$3.90 up to \$4.80 per \$100 valuation in Pronghorn on the secondary assessed valuation. Their tax bill will go up about \$70.00 for the next fiscal year.

Board member Anderson stated that since this has occurred we have had developers come to town without using CFDs to develop i.e. Granville. From his perspective watching the pain that people are going through with the CFDs, he would not want to be the next developer to come before him requesting council approval to form a CFD.

## Public Comment

1. Brian Silvernail said he understands that the values have gone down - they are not much different than they were when they started this. Why isn't there something in place so that the homeowners don't have to pick up what the developer is no longer paying for as their share?

Tarkowski said as a result of the default (no developer hence no payment) the reserve is being relied on which can only be relied on for so long. Each home that is built helps. On the other hand it would be better if the land developer was paying their fair share.

Silvernail asked, so where does it stop?

2. Helga Franz asked who put this CFD together with Brown Family Homes?

Legler said the bonds were being issued in the 2000s. It was an opportunity for developers to come in to develop without having to pay the price up front for the infrastructure. A CFD is an instrument created by statute that allows this and the documents are the same in every one. No one ever thought that the Standby Contributions would ever go away. No one expected to have to raise the rates. Brown Family Homes no longer exists. It is an advantage that Pronghorn Ranch has seen new homes built recently.

Franz commented that it was good to hear that new homes are an advantage to Pronghorn Ranch that the other CFDs are not realizing. What are the chances of a developer coming in and picking up the \$6.1 principle debt? There are 250 developed lots on the books in Pronghorn. Will the council contact a developer(s) to come in and start building houses?

Legler said we have spent the last two years working with a company to come in and develop the property. Any new developer has to pick up those debt obligations. In Quailwood, the amount that the developer will pay has been capped, but the tax rate will be increased and a small hit will be made on the reserve. The CFD paid for the road, water and park infrastructure. Other developers prorated the charges for those things on the cost of a house up front.

Brian Silvernail said this additional tax is being added on because of the developers. He urged council to vote no on this as it should not be their responsibility.

3. Dave Snyder stated we are getting a 21 percent increase this year - over 45 percent over the last two years.

Kauppi responded that there are no other options available.

4. Frank Resiter doesn't like the idea of paying more money, but does appreciate the look of certainty he sees on everyone's face and can't think of a better place to live. Franz thanked everyone for the efforts they are making and asked that staff keep them posted as to what is going on and keep them up to date.

Chairman Skoog closed the public hearing as no additional comments were forthcoming.

*d. Consideration of authorizing the Chairman to sign Resolution No. 27 adopting the final budget for Pronghorn Ranch CFD Fiscal Year 2012-2013*

Vice Chairman Tjiema made the MOTION, seconded by Board Member Nye, to authorize the Chairman (or, in his absence, the Vice Chairman) to approve Resolution No. 27, adopting the Pronghorn Ranch Community Facilities District's Final Budget for Fiscal Year 2012-13, by electronic vote. MOTION carried with 6 ayes and 0 nays.

*e. Public Hearing - Quailwood Meadows CFD*

Chairman Skoog opened the public hearing.

Kauppi stated that an ad valorem tax and developer contribution are the only two revenue streams for this CFD. A \$44,445 transfer from the deposit account will be made and the rate will increase from \$4.23 to \$5.55 for this year. The net increase to their tax bill is about two percent.

Public Comment

Mr. Dave Snyder suggested using the reserve money rather than increase the rate.

Kauppi said the reserve can only be used for debt service not O & M. Legler said we could use the deposit, but staff feels that would be irresponsible as future increased rates could possibly double in a meltdown situation.

Board member Mallory complimented Kauppi for keeping us on track.

Chairman Skoog closed the public hearing as no additional comments were forthcoming.

*f. Consideration of authorizing the Chairman to sign Resolution No. 20 adopting the final budget for Quailwood Meadows CFD Fiscal Year 2012-2013*

Board Member Nye made the MOTION, seconded by Vice Chairman Tjiema, to authorize the Chairman (or, in his absence, the Vice Chairman) to approve Resolution No. 20, adopting the Quailwood Meadows Community Facilities Districts Final Budget for Fiscal Year 2012-13, by electronic vote. MOTION carried with 6 ayes and 0 nays.

*g. Public Hearing - Parkway No. 1 CFD*

Chairman Skoog opened the public hearing.

Kauppi stated that debt service is \$262,590, but what impacts this CFD the most is the changing tax status from taxable to tax exempt along the parkway. He is not aware of any changes of tax

status at this time. The ad valorem tax levy for Fiscal Year 2012-13 is estimated at \$13.69 per \$100 of secondary assessed value.

Chairman Skoog closed the public hearing as no additional comments were forthcoming.

*h. Consideration of authorizing the Chairman to sign Resolution No. 14 adopting the final budget for the Parkway No. 1 CFD Fiscal Year 2012-2013*

Board Member Whiting made the MOTION, seconded by Board Member Anderson, to authorize the Chairman (or, in his absence, the Vice Chairman) to approve Resolution No. 14, adopting the Parkway Community Facilities District No. 1's Final Budget for Fiscal Year 2012-13, by electronic vote. MOTION carried with 6 ayes and 0 nays.

*i. Public Hearing - Eastridge CFD*

Chairman Skoog opened the public hearing.

No comments were forthcoming.

Legler pointed out that there are two kinds of CFDs. This is a commercial assessment district.

Chairman Skoog closed the public hearing.

*j. Consideration of authorizing the Chairman to sign Resolution No. 23 adopting the final budget for Eastridge CFD Fiscal Year 2012-2013*

Board Member Anderson made the MOTION, seconded by Board Member Nye, to authorize the Chairman (or, in his absence, the Vice Chairman) to sign Resolution No. 23, adopting the Eastridge Community Facilities Districts Final Budget for Fiscal Year 2012-13, by electronic vote. MOTION carried with 6 ayes and 0 nays.

*k. Public Hearing - Entertainment Center CFD*

Chairman Skoog opened the public hearing.

No comments were forthcoming.

Chairman Skoog closed the public hearing.

*l. Consideration of authorizing the Chairman to sign Resolution No. 14 adopting the final budget for Entertainment Center CFD Fiscal Year 2012-2013*

Board Member Whiting made the MOTION, seconded by Vice Chairman Tjiema, to authorize the Chairman (or, in his absence, the Vice Chairman) to approve Resolution No. 14, adopting the

Entertainment Center Community Facilities Districts Final Budget for Fiscal Year 2012-13, by electronic vote. MOTION carried with 6 ayes and 0 nays.

*m. Public Hearing - Raven Ridge CFD*

Chairman Skoog opened the public hearing.

No comments were forthcoming.

Chairman Skoog closed the public hearing.

*n. Consideration of authorizing the Chairman to sign Resolution No. 27 adopting the final budget for Raven Ridge CFD Fiscal Year 2012-2013*

Board Member Anderson made the MOTION, seconded by Board Member Whiting, to authorize the Chairman (or, in his absence, the Vice Chairman) to sign Resolution No. 27, adopting the Raven Ridge Community Facilities Districts Final Budget for Fiscal Year 2012-13, by electronic vote. MOTION carried with 6 ayes and 0 nays.

*o. Public Hearing - Southside No. 1 CFD*

Chairman Skoog opened the public hearing.

Kauppi commented that debt service is \$245,222 for this assessment district. This is the CFD that has one property owner who did not pay his assessment payment last year and it is not likely he will make it this year. There is only enough for one more payment out of the reserve fund for the debt service.

Legler said our bond counsel is in uncharted territory. The town cannot make the payment for the CFD. We do not have a solution to this as yet. The owner wants to sell this prime piece of property himself which will leave the rest of the property unmarketable. Each time it is put on the market no one wants to buy it as the value of the property is less than the assessment.

Chairman Skoog closed the public hearing as no additional comments were forthcoming.

*p. Consideration of authorizing the Chairman to sign Resolution No. 19 adopting the final budget for Southside No.1 CFD Fiscal Year 2012-2013*

Vice Chairman Tjiema made the MOTION, seconded by Board Member Nye, to authorize the Chairman (or, in his absence, the Vice Chairman) to sign Resolution No. 19, adopting the Southside Community Facilities District No. 1's Final Budget for Fiscal Year 2012-13, by electronic vote. MOTION carried with 6 ayes and 0 nays.

*5. COMMENTS FROM THE PUBLIC*

Whiting asked Tarkowski to respond to the comment that the town did not notify the home owners in the other CFDs about the existence of it [the CFD] and the fees involved. Legler stated that Everest did have a process in place and met and explained what they planned to the residents in the CFD. Anderson suggested using the Council Chat time for CFD 101 to explain the whole process and put it out in advance in the water bill so people know that it is coming and they can watch. Mallory added that people could think that a HOA is the same as a CFD.

6. ADJOURNMENT

Board Member Nye made the MOTION, seconded by Board Member Mallory, to adjourn, by electronic vote. MOTION carried with 6 ayes and 0 nays. Chairman Skoog adjourned the meeting at 8:45 p.m.

ATTEST:

APPROVED:

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

\_\_\_\_\_  
Harvey Skoog, Chairman

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 Regular Meeting of the Community Facilities Districts of the Town of Prescott Valley, held on Thursday, July 12, 2012.

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

Dated this September 4, 2012

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Diane Russell, District Clerk