

**TOWN OF PRESCOTT VALLEY
COMBINED COMMUNITY FACILITIES DISTRICT MEETING
WORK STUDY MINUTES
January 17, 2013**

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

1. CALL TO ORDER

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

2. ROLL CALL

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

3. Discussion regarding the Proposed Adoption of Successor-in-Interest Standby Contribution Charge related to the Pronghorn Ranch Community Facilities District

Chairman Skoog welcomed the Pronghorn Ranch residents who were present in the audience. He asked District Manager Larry Tarkowski to start the discussion. Tarkowski gave an overview of how and why we are coming here which is to propose the adoption of a successor-in-interest standby contribution charge. The charge provides fairness and equity to the Pronghorn homeowners.

The CFDs at StoneRidge and Quailwood Meadows have gone through their own changes in ownership and each one has had a unique way to solve their issues. Brown Family Communities left Pronghorn Ranch with its own set of challenges. The remaining undeveloped lots in Pronghorn are not owned by one developer, but rather owned as various 5 or 10 lot groups as an example. As new homes are built on the lots, the new fee will be added into the building permit fees. He thanked District Counsel Ivan Legler and his team for coming up with this very creative proposal to solve present and future problems with financing.

Legler explained that years ago when all the CFDs were formed in Prescott Valley times were good and no one ever expected the housing crisis that eventually led to many homebuilders going out of business. The proposed following solution will in effect create a "soft landing" for future transactions.

The following information is taken directly from Ivan Legler's RFBA. It provides the necessary information to understand the intent of this proposal. On July 12, 2012, the PRCFD Board held a hearing prior to adopting a final budget for FY 2012-2013. In the course of that hearing, Board members and staff discussed with the residents in attendance the challenges facing payment of the 2002 and 2004 PRCFD Bonds. The challenges were (a) reductions in property values, (b)

lack of a single owner/developer for the remaining undeveloped (but platted) lots (and related non-payment of Standby Contributions or O&M Contributions), and (c) the need in recent years to draw upon the \$700,000.00 bond deposit (in increasing amounts) to make bond debt service payments (only about \$250,000.00 remaining).

To resolve the first problem, staff had proposed increasing the tax rate to approximately \$4.80 per \$100.00 secondary assessed valuation. This was an effort to keep actual collection amounts from falling as assessed values dropped. But, staff acknowledged it wasn't sure how to address the second and third problems. Of particular concern was the fact that Pronghorn Ranch had continued to have housing starts when neither Quailwood Meadows nor StoneRidge did, and staff didn't want to take actions that might stop that. Board members and staff committed to the residents that they would try to find a solution to those problems during the coming fiscal year (and enlisted the residents' help as well).

On August 14, 2012 (in response to a query from the PRCFD Manager), the PRCFD Treasurer reported that total draws to-date from the deposit have been \$449,529.63. He also reported that O&M Contributions which have not been paid as requested (not yet including FY2012-13) total \$48,600.00. That total is \$498,129.63. With 266 lots currently platted (but not developed) that comes to \$1,872.67 per lot. The Treasurer anticipates that there will be sufficient ad valorem tax revenues to make the January 15, 2013 bond debt service payment without any need for a Standby Contribution or a draw against the deposit. Unfortunately, even with the tax rate increase back in July, the Treasurer estimates that either a Standby Contribution or a draw from the deposit of approximately \$125,000.00 will be needed to make the July 15, 2013 bond debt service payment.

Unlike Quailwood Meadows and StoneRidge, there is no single owner of undeveloped lots in Pronghorn Ranch. And, at least one of the largest Pronghorn Ranch owners has not historically been a "developer". Therefore, contrary to the solutions being pursued in Quailwood Meadows and StoneRidge (which have focused on assignments of development and bond documents to the new developers and separate arrangements with those developers), PRCFD staff has focused on concepts that would push Standby Contributions down to the level of persons actually applying for individual building permits. Feedback from potential purchasers of the undeveloped Pronghorn Ranch lots has indicated that this might be the best way to raise revenues without closing off the purchase of lots and the building of new housing units.

Therefore, Resolution No. 28 proposes that Brown Family, Western Communities, Antelope Village, and/or PV VII (or their successors-in-interest) who own currently-platted (or subsequently-platted) lots in Pronghorn Ranch for no application has yet been made for a building permit shall (upon application to the Town) pay to PRCFD a "Successor-in-Interest Standby Contribution Charge". This Charge would be established each year as part of the PRCFD budget process, and would apply to each lot (or, in the case of multi-family housing, each dwelling unit). It would be calculated as follows:

- a. Determine total amounts drawn from the Deposits as of May 1
- b. Add total amounts of unpaid O&M Contributions as of May 1
- c. Subtract total payments of Successor-in-Interest Standby-Contribution Charges received as of May 1

d. Subtract any Standby Contributions actually received under the Contribution Agreements after the date of this Resolution

e. Subtract any O&M Contributions actually received under the Financing Agreements after the date of this Resolution

f. Divide by 266 (regardless of the number of undeveloped, platted lots actually remaining at any given time)

Revenues from this Charge would be deposited into the Bond Tax Account on a quarterly basis in order to reduce the amount -

(1) the bond Trustee may 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 may find necessary on 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.

The application of the Charge (as calculated anew each fiscal year) would continue until all bonds had been paid in full (2029 unless extended by refinancing). The PRCFD Treasurer would be directed to balance the budget proposals each year so that a reasonable deposit amount would remain for as long as possible (but the deposit would ultimately be used up by the time bonds were paid off), and so that tax rates could be kept as low as reasonably possible (in light of revenues produced by the Charge). [Note: this proposal focuses on the need to make bond debt service payments. Therefore, non-payment of the O&M Contribution is being added to the calculation. But, no provision is being made for any part of the revenues from the Charge to be paid to the Town for O&M purposes. Of course, any O&M Contributions actually made by successors-in-interest under the applicable agreements will be passed on to the Town. However, payment of this Successor-in-Interest Standby-Contribution Charge will only reduce the need for ad valorem tax revenues to pay bonds. It will not assist with the Town's operation and maintenance costs for the infrastructure financed by the 2002 and 2004 Bonds.]

As a legal matter, the revenues from this Charge would be placed in the bond accounts so as to reduce the need for Standby Contributions, but nothing about this proposal formally changes the requirement for Brown Family, Western Communities, Antelope Village, PV VII (or any of their successors-in-interest) to either make Standby Contributions or O&M Contributions (or to complete other performances under the bond documents). Therefore, this proposal would not require approval by the bond Trustee (Wells Fargo) or by the bondholders. And, nothing about this proposal removes the obligation of PRCFD to apply ad valorem tax rates during the budget process (in light of all other revenues available) to make sure bond debt service payments are made every six months.

Finally, although this is a PRCFD Charge, PRCFD has an IGA with the Town for the Town to carry out all administrative, financial and legal activities of PRCFD. Therefore, the Town will be applying the Charge as a pre-requisite of issuing a Town building permit, but it will not be a Town Charge. To the extent the Town faces any liability for cooperating and coordinating with PRCFD in this regard, PRCFD is agreeing to indemnify the Town (to the extent legally permitted).

No action was taken.

Chairman Skoog asked audience members to come forward with any questions.

Public Comment:

Dieter Krantz asked if the builders now constructing homes will pay the fee. Tarkowski answered that the fee will only apply in the future when permits are issued.

Board member Mallory asked if the fee would apply if someone only sold a lot to another owner without a house. Tarkowski answered that the fee is only charged when a house is built and Legler added that the seller of the lot would most likely factor it into their cost.

Tarkowski announced that Resolution No. 28 for the Pronghorn CFD would be brought forth for a vote by the board at a meeting next Thursday January 24, 2013.

4. COMMENTS FROM THE PUBLIC

Pronghorn resident Linda Avy thanked the PRCFD Board for the effort to make it a more fair division.

5. ADJOURNMENT

Chairman Skoog adjourned the meeting at 5:54p.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, June Catanzarite, Deputy 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 Work Study Meeting of the Community Facilities District Board of the Town of Prescott Valley, held on Thursday, January 17, 2013.

I further certify that the meeting was duly called and held and that a quorum was present.
Dated this 24th day of January 2013


June Catanzarite, Deputy District Clerk