SAGUARO SPRINGS
COMMUNITY FACILITIES DISTRICT
BOARD OF DIRECTORS
MEETING NOTICE AND AGENDA

11555 W. Civic Center Drive, Marana, Arizona 85653
Council Chambers, June 19, 2018 at or after 6:30 PM

Ed Honea, Chairman
Jon Post, Vice Chair
David Bowen, Board Member
Patti Comerford, Board Member
Herb Kai, Board Member
John Officer, Board Member
Roxanne Ziegler, Board Member

Pursuant to A.R.S. 38-431.02, notice is hereby given to the members of the Saguaro Springs Community Facilities District and to the general public that the Saguaro Springs Community Facilities District will hold a meeting open to the public on June 19, 2018, at 6:30 PM located in the Council Chambers, of the Marana Municipal Complex, 11555 W. Civic Center Drive, Marana, Arizona.

ACTION MAY BE TAKEN BY THE SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT BOARD ON ANY ITEM LISTED ON THIS AGENDA. Revisions to the agenda can occur up to 24 hours prior to the meeting. Revised agenda items appear in *italics*.

As a courtesy to others, please turn off or put in silent mode all pagers and cell phones.

Speaking at Meetings

If you are interested in speaking to the Saguaro Springs CFD Board during the Call to the Public, you must fill out a speaker card located in the lobby outside the municipal complex and deliver it to the Clerk prior to the convening of the meeting.

All persons attending the Saguaro Springs CFD Board meeting, whether speaking or not, are expected to observe the Saguaro Springs CFD Board rules of politeness, propriety, decorum and good conduct. Any person interfering with the meeting in any way, or acting rudely or loudly will be removed from the meeting and will not be allowed to return.

Accessibility

To better serve the citizens of Marana and others attending our meetings, the Council Chambers are wheelchair and handicapped accessible. Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting the Town Clerk at (520) 382-1999. Requests should be made as early as possible to arrange the accommodation.

Agendas
Copies of the Agenda are available the day of the meeting in the lobby outside the Council Chambers or online at www.maranaAZ.gov, by clicking on Agendas and Minutes. For questions about the board meetings, special services or procedures, please contact the Town Clerk, at 382-1999, Monday through Friday from 8:00 AM to 5:00 PM.

This Notice and Agenda posted no later than 24 hours prior to the meeting, at the Marana Municipal Complex, 11555 W. Civic Center Drive, the Marana Operations Center, 5100 W. Ina Road, and at www.maranaAZ.gov under Agendas and Minutes.

SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT BOARD MEETING

CALL TO ORDER AND ROLL CALL

PLEDGE OF ALLEGIANCE

APPROVAL OF AGENDA

CALL TO THE PUBLIC

At this time any member of the public is allowed to address the Sagauro Springs CFD Board on any issue within its jurisdiction, except for items scheduled for a Public Hearing at this meeting. The speaker may have up to three minutes to speak. Any persons wishing to address the Saguaro Springs CFD Board must complete a speaker card located in the lobby and deliver it to the District Clerk prior to the commencement of the meeting. Individuals addressing a meeting at the Call to the Public will not be provided with electronic technology capabilities beyond the existing voice amplification and recording capabilities in the facilities. Pursuant to the Arizona Open Meeting Law, at the conclusion of Call to the Public, individual members of the Saguaro Springs CFD Board may respond to criticism made by those who have addressed the Saguaro Springs CFD Board and may ask staff to review the matter, or may ask that the matter be placed on a future agenda.

BOARD ACTION

A1 PUBLIC HEARING: Resolution No. SSCFD 2018-03: A Resolution of the District Board of the Saguaro Springs Community Facilities District, Pima County, Arizona, approving the final budget for the Saguaro Springs Community Facilities District for the fiscal year beginning July 1, 2018 and ending June 30, 2019 (Erik Montague)

A2 Approve Saguaro Springs Community Facilities District Board of Directors Meeting Minutes from October 6, 2015, April 3, 2018 and May 15, 2018 (Jocelyn C. Bronson)

EXECUTIVE SESSIONS

Pursuant to A.R.S. § 38-431.03, the Saguaro Springs CFD Board may vote to go into executive session, which will not be open to the public, to discuss certain matters.

E1 Pursuant to A.R.S. § 38-431.03 (A)(3), the Saguaro Springs CFD Board may ask for discussion or consultation for legal advice with the District Counsel concerning any matter listed on this agenda.

ADJOURNMENT

Saguaro Springs Community Facilities District **A1**

Meeting Date: 06/19/2018

From: Erik Montague, Deputy Town Manager

Date: June 19, 2018

Subject: PUBLIC HEARING: Resolution No. SSCFD 2018-03: A Resolution of the District Board of the Saguaro Springs Community Facilities District, Pima County, Arizona, approving the final budget for the Saguaro Springs Community Facilities District for the fiscal year beginning July 1, 2018 and ending June 30, 2019 (Erik Montague)

Discussion:

On May 15, 2018, the Board of Directors adopted a tentative budget for Saguaro Springs Community Facilities District (SSCFD). The tentative and final budget include an ad valorem tax levy of $2.80 per one hundred ($100) of assessed valuation.

After conducting a public hearing, the District Board is being asked to adopt Resolution SSCFD 2018-03, adopting the final budget and establishing an ad valorem tax levy of $2.80 per one hundred ($100) of assessed valuation for FY 2018-2019 for operations and maintenance.

Financial Impact:

Fiscal Year:	2018
Budgeted Y/N:	Y
Amount:	$4,892,000

Establishment of the final budget for fiscal year 2018-2019.

Staff Recommendation:

Staff recommends adoption of Resolution No. SSCFD 2018-03, adopting the final budget for fiscal year 2018-2019.

Suggested Motion:

I move to adopt Resolution No. SSCFD 2018-03, adopting the final budget for the Saguaro Springs Community Facilities District for fiscal year 2018-2019.

Attachments

Resolution No. SSCFD 2018-03
Saguaro Springs CFD Final Budget
Saguaro Springs CFD Published Notice

RESOLUTION NO. SSCFD 2018-03

A RESOLUTION OF THE DISTRICT BOARD OF THE SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT, PIMA COUNTY, ARIZONA, APPROVING THE FINAL BUDGET BY THE SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT BOARD FOR THE FISCAL YEAR BEGINNING JULY 1, 2018 AND ENDING JUNE 30, 2019.

WHEREAS, in accordance with Title 48, Section 716, Arizona Revised Statutes, and following public notice, the Board met on May 15, 2018 at which meeting any taxpayer in the District was privileged to appear and be heard in favor of or against any of the proposed expenditures or tax levies; and

WHEREAS, it appears that publication has been duly made, as required by law, of said proposed budget together with a notice that the District Board would meet on June 19, 2018, at or after 6:00 P.M., in the council chambers of the Town of Marana Civic Center, 11555 W. Civic Center Drive, Marana, Arizona, for the purpose of making tax levies as set forth in said estimates; and

NOW THEREFORE, BE IT RESOLVED that the Saguaro Springs Community Facilities District budget in the amount of $4,892,000 is hereby adopted as the budget of the Saguaro Springs Community Facilities District, Pima County, Arizona for the fiscal year 2018-2019.

PASSED AND ADOPTED by the District Board of Saguaro Springs Community Facilities District, Pima County, Arizona, this 19th day of June, 2018.

_____
Ed Honea, District Chairman

ATTEST:

_____
Jocelyn C. Bronson, District Clerk

APPROVED AS TO FORM:

_____
Frank Cassidy, District Counsel

Attachment: Statements & Schedules

SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT (SSCFD)
FINAL BUDGET AND SUMMARY SCHEDULE OF ESTIMATED REVENUES AND EXPENDITURES
FISCAL YEAR 2018-19

REVENUES	FY 2018 Adopted Budget	FY 2018 Amended Budget	FY 2018 Estimated Actual	FY 2019 Budget
Property Tax - General (Operating)	$ 19,230	$ 19,230	$ 18,653	$ 30,554
Property Tax- Secondary (Debt Service)	-	-	-	254,613
Developer Contributions	384,086	384,086	-	106,833
Total Revenues	403,316	403,316	18,653	392,000
EXPENDITURES				
CFD Administration	10,000	10,000	1,250	10,000
Costs of Issuance	450,000	450,000	300,000	450,000
Accounting/Auditing	2,500	2,500	150	2,500
Public Notification Expenses	2,000	2,000	52	2,000
Consultant Services	15,000	15,000	-	15,000
Outside Legal Counsel	10,000	10,000	-	10,000
Debt Service	250,000	250,000	-	250,000
Trustee Fees	2,500	2,500	-	2,500
Capital Improvements Acquisition	4,000,000	4,000,000	3,000,000	4,000,000
Maintenance and Operation	50,000	50,000	17,201	50,000
Replacement Reserve	100,000	100,000	-	100,000
Total Expenditures	4,892,000	4,892,000	3,318,653	4,892,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,488,684)	(4,488,684)	(3,300,000)	(4,500,000)
Other Financing Sources (Uses)				
Bond Proceeds	4,500,000	4,500,000	3,300,000	4,500,000
Total Other Financing Sources	4,500,000	4,500,000	3,300,000	4,500,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	11,316	11,316	-	-
BEGINNING FUND BALANCE	30,260	30,260	77,487	77,487
ENDING FUND BALANCE	$ 41,576	$ 41,576	$ 77,487	$ 77,487

SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT
NOTICE OF FILING STATEMENTS AND ESTIMATES
AND
NOTICE OF PUBLIC HEARING

NOTICE OF FILING STATEMENTS AND ESTIMATES OF THE OPERATION AND MAINTENANCE EXPENSES OF SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT, THE COSTS OF CAPITAL IMPROVEMENTS TO BE FINANCED BY THE AD VALOREM TAX LEVY, 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; AND NOTICE OF A PUBLIC HEARING ON THE PROPOSED FISCAL YEAR 2018-2019 BUDGET OF THE DISTRICT, INCLUDING A HEARING ON THOSE PORTIONS OF THE STATEMENTS AND ESTIMATES NOT RELATING TO DEBT SERVICE ON GENERAL OBLIGATION BONDS.

Notice is hereby given that statements and estimates have been filed in the Office of the District Clerk of Saguaro Springs Community Facilities District of the operation and maintenance expenses of the District, the costs of capital improvements to be financed by the voter-approved ad valorem tax levy, 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. Notice is further given of a public hearing on the proposed Fiscal Year 2018-2019 budget of the District, including (but not limited to) a hearing on those portions of the statements and estimates not relating to debt service on general obligation bonds, all pursuant to Arizona Revised Statutes §§48-716 and 48-723. Such hearing will be held by the District Board on Tuesday, June 19, 2018, at or after 6:00 p.m. in the council chambers of the Town of Marana Civic Center, 11555 W. Civic Center Drive, Marana, Arizona. Copies of the budget are available from the Office of the District Treasurer, 11555 W. Civic Center Drive, Town of Marana, Arizona 85653, telephone number: (520) 382-1900.

Dated this 1st day of June, 2018

/s/ Jamsheed Mehta
……..
District Manager
Saguaro Springs Community Facilities District

Published: June 7th, 2018

Saguaro Springs Community Facilities District **A2**

Meeting Date: 06/19/2018

To: Mayor and Council

Submitted For: Jocelyn C. Bronson, Town Clerk

From: Suzanne Sutherland, Assistant to the Town Clerk

Date: June 19, 2018

Subject: Approve Saguaro Springs Community Facilities District Board of Directors Meeting Minutes from October 6, 2015, April 3, 2018 and May 15, 2018 (Jocelyn C. Bronson)

Attachments

Draft Saguaro Springs CFD Meeting Minutes 10/06/2015
Draft Saguaro Springs CFD Meeting Minutes 04/03/2018
Draft Saguaro Springs CFD Meeting Minutes 05/15/2018

SAGUARO SPRINGS
COMMUNITY FACILITIES DISTRICT
BOARD OF DIRECTORS
MEETING NOTICE AND AGENDA
11555 W. Civic Center Drive, Marana, Arizona 85653
Council Chambers, October 6, 2015 at or after 7:00 PM

Ed Honea, Chairman
Jon Post, Vice Chair
David Bowen, Board Member
Patti Comerford, Board Member
Herb Kai, Board Member
Carol McGorray, Board Member
Roxanne Ziegler, Board Member

SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT BOARD MEETING

CALL TO ORDER AND ROLL CALL. Chairman Honea called the meeting to order at 7:00 p.m. **District Clerk Bronson** called roll. **Vice Chair Post and Board Member Bowen** were excused; there was a quorum present.

PLEDGE OF ALLEGIANCE. Dispensed with until the regular meeting.

APPROVAL OF AGENDA. ***Motion to approve by Board Member McGorray, second by Board Member Ziegler. Passed unanimously 5-0.***

CALL TO THE PUBLIC

BOARD ACTION

1. Resolution No. SSCFD 2015-03: A Resolution of the District Board of the Saguaro Springs Community Facilities District, Pima County, Arizona, approving and authorizing the Chair of the District Board or the District Manager to execute all legal instruments necessary or prudent to document, authorize, and consent to the assignment and assumption of developer rights, title, interest, and responsibilities relating to the Saguaro Springs Community Facilities District from and by Grayhawk Development and its related entities to and by D.R. Horton and its related entities. Presented by District Counsel, Frank Cassidy, who noted that this item is an approval and authorization to sign all the documents necessary to document the transfer from the Grayhawk entities over to DR Horton. This has been done before with other CFD's when the major developer is taken out. This transfer is very good for the town, and staff recommends approval of the item. There were no speakers from the public. ***Motion to approve by Board Member Ziegler, second by Board Member Kai. Passed unanimously 5-0.***

EXECUTIVE SESSIONS

Pursuant to A.R.S. § 38-431.03, the Saguaro Springs CFD Board may vote to go into executive session, which will not be open to the public, to discuss certain matters.

Pursuant to A.R.S. § 38-431.03 (A)(3), the Saguaro Springs CFD Board may ask for discussion or consultation for legal advice with the District Counsel concerning any matter listed on this agenda.

ADJOURNMENT. ***Motion to adjourn at 7:04 p.m. by Board Member Ziegler, second by Board Member McGorray. Passed unanimously 5-0.***

CERTIFICATION

I hereby certify that the foregoing are the true and correct minutes of the Saguaro Springs Community Facilities District Board of Directors meeting held on October 6, 2015. I further certify that a quorum was present.

_____

Jocelyn C. Bronson, Town Clerk

DRAFT

SAGUARO SPRINGS
COMMUNITY FACILITIES DISTRICT
BOARD OF DIRECTORS
MINUTES
11555 W. Civic Center Drive, Marana, Arizona 85653
Council Chambers, April 3, 2018 at or after 6:00 PM

Ed Honea, Chairman
Jon Post, Vice Chair
David Bowen, Board Member
Patti Comerford, Board Member
Herb Kai, Board Member
Carol McGorray, Board Member
Roxanne Ziegler, Board Member

CALL TO ORDER AND ROLL CALL. Chairman Honea called the meeting to order at 6:00 p.m. **District Clerk Bronson** called roll. Board Member Kai was excused. There was a quorum present. The seat formerly held by District Member McGorray is vacant.

PLEDGE OF ALLEGIANCE. Dispensed with until the regular meeting.

APPROVAL OF AGENDA. ***Motion to approve by Vice Chair Post, second by Board Member Comerford. Passed 5-0.***

CALL TO THE PUBLIC

At this time any member of the public is allowed to address the Saguaro Springs CFD Board on any issue within its jurisdiction, except for items scheduled for a Public Hearing at this meeting. The speaker may have up to three minutes to speak. Any persons wishing to address the Saguaro Springs CFD Board must complete a speaker card located in the lobby and deliver it to the District Clerk prior to the commencement of the meeting. Individuals addressing a meeting at the Call to the Public will not be provided with electronic technology capabilities beyond the existing voice amplification and recording capabilities in the facilities. Pursuant to the Arizona Open Meeting Law, at the conclusion of Call to the Public, individual members of the Saguaro Springs CFD Board may respond to criticism made by those who have addressed the Saguaro

Springs CFD Board and may ask staff to review the matter, or may ask that the matter be placed on a future agenda.

PRESENTATIONS

P1 Relating to Saguaro Springs Community Facilities District; presentation regarding the history of the Saguaro Springs CFD, update on overall project development, and discussion and direction regarding financing alternatives for the CFD (Erik Montague).

Mr. Montague opened the discussion by noting that the Saguaro Springs CFD was created in September 2007. Since 2015, D.R. Horton has been the sole developer. He noted that tonight is basically an update on the development as there have been significant changes in the anticipated infrastructure and some of the financing opportunities. The transaction that staff is proposing is significantly different for a number of reasons. One is the amount of development out there now. He then introduced Mark Reader with Stifel, Nicolaus & Company, Inc. Stifel is serving as financial advisor to the district and will be involved in any transaction going forward. No formal action will be taken tonight; it is for information only.

Mr. Reader began by expressing his condolences on the recent passing of Council Member Carol McGorray. He then noted that the study session is in anticipation of the sale of bonds for Saguaro Bloom. He then reviewed the history and summary of the Saguaro Springs CFD which is now called Saguaro Bloom. D.R. Horton is the third developer on the master planned property, and was purchased from Grayhawk in 2015. The property consists of 784 acres and is planned for 2100 residential units. When the district was formed, there was a levy agreement, a secondary property tax levy not to exceed $2.50 not to exceed $100 of assessed value along with a $.30 secondary tax for maintenance and operations. The $.30 has been levied for about 7 or 8 years; it is on the tax rolls and is being paid. The $2.50 for debt service has not been on the tax rolls. To the extent we go forward, it will be on the tax rolls for budget year 2018-2019. When the district was formed, it got $99M in general obligation bond authorization, although we won't need anywhere near that amount.

It is anticipated that the developer will want $15M to be reimbursed, and staff will explain what public infrastructure that will fund. There are currently 443 homes on the tax rolls. This is up 161 from last year. We asked D.R. Horton what they think their absorptions are over the next four years, and they are telling us that in calendar year 2018 they expect to close 175 residential lots. For calendar year 1920-21, they think they will close on 190-200 lots. Currently, 333 lots are being developed and they are about 30 percent built out.

Mr. Reader went over the value history. The five-year average should about a 62 percent growth for full cash value. The county is showing about $108M, which is pretty strong. The taxable assessed value history (tax base) five-year average shows a 48 percent growth. The amount of revenue generated in the district is based on two things. The tax base for purposes of levy and property taxes to pay debt service is currently $10.1M, up from $6.4M last year. So you take your tax base times your tax rate ($2.50) will generate about $250K annually in debt service.

He then reviewed with Council the projects that will be reimbursed to the developer for public infrastructure relative to the forthcoming bond sale that we are working on currently for about $3.3M: Saguaro Peaks/Saguaro Highlands at $4.4M, Lambert Road/Airline Road at $1.7M, well improvements at $500K, town park at $2.5M, Twin Peaks Road at $4.7M and drainage corridors at $1.2M for a total of $15M. He then reviewed the characteristics of general obligation bonds.

This bond issue is a little different than what we have done in the past. We will issue $3.3M in bonds, and we have a tax base now that will generate $250K annually to pay back the bonds, and our risk is that we sell bonds and development stops, and assessed value or the tax base drops thereby requiring us to increase the tax rate beyond the $2.50 public policy tax rate. No one wants that to happen, but he believes there is a conservative way to structure the bond issue that would minimize the risk of that happening in the future. It will all be a function of what the tax base does, and we can't control that. We can only make assumptions at the time of issuance that would limit that exposure. He just wanted to remind Council that we don't have any corporate backing like we do in Gladden Farms because this one we are issuing into existing tax base growth based on residential development.

The average tax value of a $300K home within Saguaro Bloom is about $60 per month. He then reviewed the numbers for the assessed value of 2017-18. If you do a 25-year level debt service amortization on the bonds, and using conservative estimates, you can see that $3.3M will support the current tax base. That is assuming no growth in the tax base. We know we are going to get growth in the tax base because we grew about $4M this year, and given the development progress, we think we will probably grow another $4M the following year - 2019/20 – just based on the current closings. So again, our risk is we sell bonds, we fix the debt service at $2.50, and the tax base goes south on us, resulting in the need to raise that rate.

So working with staff, we ran a report/scenario of a potential worst case that hopefully will give the Board comfort that what we are proposing makes sense to Council and is conservative as we move forward. In that report/scenario we take our $10M currently (from column 2) and look at the next year 2020 it's $12.4M. He got there by taking D.R. Horton's 175 closings that they are going to get in 2018 and he cut it in half. Cut in half at a $300K price, we are going to put $25K per home on the tax rolls. So by cutting it in

half, we get up to $13.5M. We think it will be higher than that, but we just want to be conservative. Then if you look in 2021, he cut it in half again, so we're up to $13.5M in two years, and then the question was asked "how much would the tax base have to drop significantly, assuming we issue no more bonds which we are not proposing at the moment – we will revisit this next year at this time – if we issue no more bonds, our tax base would have to decline by 33 percent and still maintain our $2.50. We tried to give you a conservative projection that if we do move forward we are going to be in pretty good shape going forward. We will sell more bonds as the tax base grows within the confines of our $2.50. As your advisor, I'm very comfortable with this. This is a very common way in which the CFD's are being put together now. Historically, we haven't had any major meltdowns. For a major master planned community with a public homebuilder in a very good location, I think we're going to be in pretty good shape. The last piece of the presentation was setting forth the preliminary financing calendar which indicates that they will probably come back to the Board in May.

Council Member Bowen asked Mr. Reader to talk a little about the market for public bonds. **Mr. Reader** is very enthusiastic about this project because there is so much development progress there. He and town staff are going to be working with the rating agencies, and he thinks there is going to be a very good chance we are going to get to an investment-grade credit rating on this particular issue, and we actually have one of the bond insurers who took a site visit with us who is very excited about progress out there, and there is a very good chance that we might even get a AA rating on an insurance premium. There is a significant demand for tax-exempt municipal bonds to finance public infrastructure. The volume is down this year pretty significantly as a result of the Trump tax reform bill and some other issues going on, so he thinks there will be significant demand for this. **Mayor Honea** asked if the $2.50 rate is set by the Board. **Mr. Montague** stated that we have a CFD policy that sets the tax rate, and that's what we call our target rate. If it moves forward, this will be the first deal that we'll actually issue bonds with homeowners in the home, and we have been acutely concerned about the impact to the homeowners. We are working closely with D.R. Horton who has been a great partner thus far, and they have agreed to host a community meeting for educational purposes which will occur in Council Chambers the week of April 23.

EXECUTIVE SESSIONS

E1 Pursuant to A.R.S. § 38-431.03, the Saguaro Springs CFD Board may vote to go into executive session, which will not be open to the public, to discuss certain matters.

E2 Pursuant to A.R.S. § 38-431.03 (A)(3), the Saguaro Springs CFD Board may ask for discussion or consultation for legal advice with the District Counsel concerning any matter listed on this agenda.

ADJOURNMENT. ***Motion to adjourn at 6:26 p.m. by Board Member Bowen, second by Board Member Comerford. Passed unanimously 5-0.***

CERTIFICATION

I hereby certify that the foregoing are the true and correct minutes for the Saguaro Springs Community Facilities District Board of Directors meeting held on April 3, 2018. I further certify that a quorum was present.

_____

Jocelyn C. Bronson, Board Clerk

DRAFT

SAGUARO SPRINGS
COMMUNITY FACILITIES DISTRICT
BOARD OF DIRECTORS MEETING MINUTES
11555 W. Civic Center Drive, Marana, Arizona 85653
Council Chambers May 15, 2018, at or after 6:00 PM

Ed Honea, Chairman
Jon Post, Vice Chair
David Bowen, Board Member
Patti Comerford, Board Member
Herb Kai, Board Member
John Officer, Board Member
Roxanne Ziegler, Board Member

SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT
BOARD OF DIRECTORS MEETING

CALL TO ORDER AND ROLL CALL. Chairman Honea called the meeting to order at 6:15 p.m. **District Clerk Bronson** called roll. All board members were present.

PLEDGE OF ALLEGIANCE. Dispensed with until the regular meeting.

APPROVAL OF AGENDA. ***Motion to approve by Board Member Bowen, second by Board Member Kai. Passed unanimously.***

Mr. Montague noted that there were several people in the audience who were attending for the public hearing on SSCFD 2018-02, and he commenced that discussion after the Call to the Public and prior to the presentation of the Saguaro Springs tentative budget.

CALL TO THE PUBLIC. Alice Henry, Gisso Welsh and **Debra Carpenter** all spoke regarding the public hearing item, SSCFD No. 2018-02. They asked about future bonds and spoke of financial hardships for residents who purchased homes in the development but were unaware of what being in a Community Facilities District (CFD)

actually meant. They expressed concerns that some residents living on fixed incomes would no longer be able to stay in their homes due to the tax increases that a CFD could impose over time. This was of particular concern to Ms. Henry. Also of concern is how to educate resale buyers. She felt that some realtors did not know of or emphasize the implications of living in a CFD when their homes were purchased. **Ms. Henry** also asked about the park to be built within the development; who would be able to use it and would outside users also be paying to maintain it. Also, what should residents be prepared for in the future?

Mr. Montague interjected that district staff was working with the developer to help re-engage with the residents regarding the CFD process. He also noted that within all closing documents there is a disclosure statement that is required to be given to home purchasers at the time of contract, and that is also intended to be part of the familiarization process. During her remarks, **Ms. Carpenter** stated that she was not able to find the disclosure statement among her purchase papers. **Mr. Montague** also addressed the issue of resales, noting that his office receives calls all the time as to whether a property is or isn't in the district. He restated the information given at the public meetings, including the scope of the current CFD and what is intended for the future. He noted that each meeting was attended by an average of 35 people.

Ms. Henry continued with her questions, including whether the town would be putting any money into the public infrastructure or would it be paid by the residents of Saguaro Bloom/Springs and also how would knowledge of the CFD affect the resale market of those people who would not be able to afford the additional tax levy. She would also like this information to be placed on the front page of loan documents so that it is not buried among a stack of papers people often don't read or comprehend. Comments and suggestions were made by various board members as to developer responsibilities in this regard.

Brent Davis with D.R. Horton noted that the park is a public 20-acre park within the CFD. Part of the development agreement is that D.R. Horton has an obligation to pay for $2.5M toward the park. If the park ends up costing more than $2.5M, the remainder to come from matching funds, presumably from the Town or some other available source. The development agreement is very specific about the projects the developer is allowed to do under the CFD, all of which were discussed in the two public meetings. Basically, the district is allowed to finance for Twin Peaks Road improvements, Lambert Road improvements, the spine roads that run through the Saguaro Bloom development, the park and some well and water system improvements. That is about a $15M total spend, and those bonds are issued over time. The developer is only issuing bonds for work that is completed at this time. Currently, there is no debt for future projects. Mr. Davis also walked the Board through the disclosures that D.R. Horton does at the time a contract is signed.

Ms. Welsh noted that if the obligations of the CFD had been known at the time of original sale, some neighbors wouldn't have qualified to buy their homes. In fact, the CFD tax could cause many of them to leave their homes.

BOARD ACTION

A1 Approval of Saguaro Springs Community Facilities District Board of Directors Meeting Minutes from April 3, 2018 (Jocelyn C. Bronson). No action taken.

A2 Resolution No. SSCFD 2018-01: A Resolution of the District Board of Saguaro Springs Community Facilities District, a Community Facilities District of Arizona, approving a tentative budget for fiscal year 2018-2019 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, the costs of capital improvements to be financed by the approved ad valorem tax levy, 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 (Erik Montague)

Mr. Montague presented the 2018-19 tentative budget, which is unrelated to the bond item. All of the documents are included in the Board packet. If the tentative budget meets with the Board's approval, the budget does provide for capacity for future acquisition of eligible infrastructure within the Community Facilities District (CFD) and also provides for the capacity to issue bonds in the amount of up to $4.5M in the next budget year if accepted by the board. Approval does not immediately authorize the issuance of those bonds in that year. District staff would be required to do the normal due diligence and bring an item back to the board for consideration. **Board Member Comerford** noted that most CFD's that have come before the Board start with the beginning of the development. She asked for the reason for this delay in coming for the bonds. **Mr. Montague** responded that it was attributable to the changes in ownership, starting with Empire when the district was formed around 2006-07. The recession occurred, and the property exchanged hands. Grayhawk acquired the community and began to redevelop and do the remediation that was required, identified one of the home builders – D.R. Horton – then D.R. Horton eventually acquired the property and is the owner of the overall district. District staff has had multiple conversations, with multiple starts and stops over the time when Grayhawk acquired it. At each budget cycle, the nature, timing and amount of the debt issuance was discussed – what the structure would look like. What was spoken of earlier as a normal development cycle did not happen because of the various exchanges. Normally, we would try to get a

small bond deal going early and up front before new homeowners get into the home, so they see that tax occur over time. What was actually asked and the district staff considered was holding off on that, providing them with "relief" for a period of time and then come back at some time later. That is what makes this issuance significantly different from any other issuance the board has considered.

Board Member Bowen moved to approve Resolution No. SSCFD 2018-01, second by Vice Chair Post. Passed unanimously.

A3 PUBLIC HEARING: Resolution No. SSCFD 2018-02: A resolution of the District Board of Saguaro Springs Community Facilities District authorizing and ratifying the giving of Notice of Hearing with respect to approving a feasibility report which includes identifying the public infrastructure of the projects, the areas to be benefitted, the expected method of financing and the system of providing revenues to operate and maintain the projects, all as provided in such report; approving such report and resolving the intent therefore; authorizing the sale and issuance of not to exceed $4,000,000 aggregate principal amount of general obligation bonds, Series 2018 of the district; prescribing certain terms and conditions of such bonds including making certain findings, certifications and covenants with respect to such bonds; approving the form and authorizing the execution and delivery of a First Amendment to district development, financing participation and Intergovernmental Agreement (Saguaro Springs Community Facilities District), a Series 2018 Bond Registrar and Paying Agent Agreement, a purchase contract, a Series 2018 continuing disclosure undertaking and certain other documents relating to such bonds; awarding such bonds to the purchaser thereof; delegating the determination of certain terms of such bonds and matters related thereto to the District Manager; approving a preliminary official statement relating to such bonds; authorizing the preparation of a final official statement relating to such bonds; authorizing the subsequent levying of an ad valorem property tax with respect to such bonds and adopting post-issuance tax compliance and continuing disclosure compliance procedures in connection with issuance of obligations of the District (Erik Montague)

Mr. Montague noted that on April 3, 2018, district staff presented a brief history of the Community Facilities District (CFD). Also presented was a possible framework on what a future debt issuance might look like. Based on the feedback from that presentation, district staff began to put together a resolution authorizing the issuance of that debt. Because of the timing of the debt issuance and with respect to the time the homeowners have been in the homes, district staff has been acutely aware of the impact of any tax increase to an individual homeowner. Working with D.R. Horton, staff did an additional outreach/information campaign to those individuals who were going to be potentially impacted by this tax levy, such as what is the district, the purpose of the district, what is the anticipated eligible infrastructure to be acquired, and what the overall structure would look like. This was done in two public meetings held in the

Marana Council Chambers in an effort to get residents familiar with and comfortable with the tax increase.

The resolution before the board this evening would provide authorization to issue up to $4M in general obligation bonds. The source of repayment would be the levy of an additional secondary property tax. There is a current property tax which has been levied from the beginning when Grayhawk had the property which is the $.30 operations and maintenance tax. If approved, the levy would be increased by $2.50 to pay for the required debt service. The final bond sale is dependent upon a number of factors including the market, and is anticipated to be around $3.3M-$3.4M. The levy would be taxed on all property within the district boundaries. If approved, the proceeds would be used to acquire portions of Saguaro Peaks and Saguaro Highlands public infrastructure, and those portions would be accessible to anyone who lives within the community as a public amenity.

In addition to himself and Brent Davis from D.R. Horton, Paul Gales from Greenberg Traurig, and bond counsel for any approved transaction, and Mark Reader from Stifel, Nicolaus who serves as financial advisor to the district and is assisting the district with the transaction are available for questions related to the bond sale.

Mayor Honea noted that this is a public hearing and anyone who had not previously spoken could address this item. There were no further speakers. If approved, **Board Member Bowen** asked for the date of issuance of this secondary property tax. **Mr. Montague** responded that if the board is anticipating establishing the levy next year, the formal levy would need to be provided to the district treasurer in late July or early August of 2018. A bond sale could be scheduled in late June or early July, and then close a few weeks thereafter to establish a levy in early August, 2019. **Board Member Bowen** asked what determines the $4M cap. **Mr. Montague** stated that the driver is the assessed valuation, so based upon the numbers we think would generate the $2.50, staff established a target tax rate and has worked to maintain that. Using that methodology, staff is anticipating, based on the assessed valuation from the County, the target rate would generate enough capacity for $3.4-$3.4M, and the market will drive interest rates. If rates are down by the time we go to market, there may be some additional capacity within the $2.50 to make minor changes to the overall amount.

Board Member Bowen asked if there is anything within the town's Planning department to make sure these things are addressed earlier so that there is less of a shock after a home has been purchased. **Mr. Montague** responded that from the perspective of being the finance director for a significant period of time, staff works closely with the developers to ensure that they are complying with the obligations to provide information to the individual homeowners, and realtors are constantly contacting staff as to whether they are or are not in a district. That is part of the communication that district staff has been involved in. Mr. Montague is not aware of any additional trigger or effort that is done by Planning or any other department to help

ensure the knowledge of the CFD by the homeowner. This particular transaction, as already described, has to do with some of the timing of the ownership of the project and when the deal was decided to be brought forward. The voter election authorized in this particular transaction allowed up to $99M in general obligation authorization. That was based on a different date and different time, but that is what is discussed within the disclosures. What is currently being framed is within the agreements that exist wherein district staff identified the public eligible infrastructure that's reasonably anticipated to be acquired by the district over time. Right now, that anticipated number is $15M over the life of the district. **Board Member Bowen** addressed the residents who spoke before the board on this item and stated how deeply sorry he felt for those who indicated they didn't know this was coming. To live in a place for two years or longer and then find out you are going to pay an additional amount per month can be hard on many people. The difficult thing is that these are infrastructure projects that have to be paid for whether a resident knew about them or not so the board has no choice but to go ahead and approve this. But in the future, he believes it is incumbent upon the Board to take a great deal of effort to make sure that information is disseminated early on so that people know what is coming before it hits them. Board Member Ziegler concurred and briefly reminded and encouraged any developer to help people understand what they are getting into with a CFD.

Motion by Board Member Bowen to approve Resolution No. SSCFD 2018-02, second by Vice Chair Post. Passed unanimously.

EXECUTIVE SESSIONS

Pursuant to A.R.S. § 38-431.03, the Saguaro Springs CFD Board may vote to go into executive session, which will not be open to the public, to discuss certain matters.

E1 Pursuant to A.R.S. § 38-431.03 (A)(3), the Saguaro Springs CFD Board may ask for discussion or consultation for legal advice with the District Counsel concerning any matter listed on this agenda.

ADJOURNMENT

Motion to adjourn at 7:00 p.m. by Vice Chair Post, second by Board Member Bowen. Passed unanimously.

CERTIFICATION

I hereby certify that the foregoing are the true and correct minutes of the Saguaro Springs CFD Board meeting held on May 15, 2018. I further certify that a quorum was present.

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Jocelyn C. Bronson, Marana Town Clerk