

MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1 and  
MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2

**\*\*\*AMENDED AGENDA\*\*\***

PURSUANT TO A.R.S. § 38-431.02, NOTICE IS HEREBY GIVEN TO THE MEMBERS OF THE GENERAL PUBLIC THAT MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1 BOARD AND THE MERRILL RANCH COMMUNITY FACILITY DISTRICT NO. 2 BOARD WILL HOLD A SPECIAL MEETING OPEN TO THE PUBLIC ON TUESDAY, OCTOBER 13, 2015, AT 6:00 P.M. AT ANTHEM PARKSIDE COMMUNITY CENTER, 3200 N. ANTHEM WAY, FLORENCE, ARIZONA.

1. CALL TO ORDER

2. ROLL CALL: Chair Tom Rankin\_\_\_; Vice-Chair Tara Walter\_\_\_;  
Board Members: Vallarie Woolridge\_\_\_; Bill Hawkins\_\_\_;  
Becki Guilin\_\_\_; John Anderson\_\_\_; Karen Wall\_\_\_;

3. WORK SESSION ON COMMUNITY FACILITY DISTRICTS

- a. **USE OF COMMUNITY** FACILITIES DISTRICTS AS A PUBLIC INFRASTRUCTURE FINANCING TOOL – PRESENTED BY MARK READER AND ERIKA COOMBS (MILLER), STIFEL NICOLAUS (UNDERWRITER) AND MICHAEL CAFISO, GREENBERG TRAURIG (BOND COUNSEL)
- b. **ANTHEM AT MERRILL RANCH** – PULTE VISION AND USE OF COMMUNITY FACILITY DISTRICT FINANCING.
- c. QUESTIONS FROM **BOARD**
- d. QUESTIONS FROM THE PUBLIC

4. CALL TO THE PUBLIC

5. CALL TO THE **BOARD**

6. ADJOURNMENT

The Board may go into Executive Session at any time during the meeting for the purpose of obtaining legal advice from the District Attorney(s) on any of the agenda items pursuant to A.R.S. § 38-431.03(A)(3).

POSTED THE 9<sup>th</sup> DAY OF OCTOBER, 2015, BY LISA GARCIA, BOARD CLERK, AT 775 NORTH MAIN STREET, 1000 SOUTH WILLOW STREET, FLORENCE, ARIZONA AND AT [WWW.FLORENCEAZ.GOV](http://WWW.FLORENCEAZ.GOV).

**\*\*\*PURSUANT TO TITLE II OF THE AMERICANS WITH DISABILITIES ACT (ADA), THE TOWN OF FLORENCE DOES NOT DISCRIMINATE ON THE BASIS OF DISABILITY. MAY REQUEST REASONABLE ACCOMMODATIONS BY CONTACTING THE TOWN OF FLORENCE ADA COORDINATOR, AT (520) 868-7574 OR (520) 868-7502 TDD. REQUESTS SHOULD BE MADE AS EARLY AS POSSIBLE TO ALLOW TIME TO ARRANGE TH ACCOMMODATION.\*\*\***



## **Merrill Ranch Community Facilities District No. 1 & District No. 2 (Town of Florence, Arizona)**

## **Land Secured Finance Education Session - Financing Public Infrastructure Through CFDs (Community Facilities District)**

Mark Reader  
Managing Director  
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mreader@stifel.com

Erika Coombs (Miller)  
Vice President  
(602) 794-4030  
ecoombs@stifel.com

Tuesday, October 13, 2015

## **CFD BOARD OF DIRECTORS**

Tom Rankin, *Chairman*

Tara Walter, *Vice Chairman*

William Hawkins, *Board Member*

John Anderson, *Board Member*

Karen Wall, *Board Member*

Rebecca Guilin, *Board Member*

Vallarie Woolridge, *Board Member*

## **CFD STAFF**

Lisa Garcia, *Interim District Manager*

Gabe Garcia, *District Treasurer*

Cliff Mattice, *Esq., District Attorney*

Wayne Costa, *P.E., Public Works Director*



# Table of Contents

<b>Section</b>	<b>Title</b>	<b>Page</b>
A	Goals of Study Session/Role of Stifel & Role of Greenberg Traurig	4
B	Arizona Special District Financing Overview	6
C	Anthem at Merrill Ranch CFD Background, Plan of Finance & Development Progress	14

## **Appendix**

A	Credit Rating Report (MRCFD No. 1 & No. 2, General Obligation Bonds)	
B	Town of Florence, Arizona CFD Policies & Procedures	

# Goals of Study Session & Role of Stifel

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# Goals of Study Session

## GOALS OF STUDY SESSION & ROLE OF STIFEL

1. Continue to educate and inform the CFD Board of Directors and the Community on the issuance of tax-exempt bonds to finance the acquisition or construction of public infrastructure
2. CFD bonds transactions are generally complicated to structure and issue [very specialized area of the bond finance which requires careful diligence]
3. Focus on two separate and distinct types of bond issues – special assessment bonds (SA) and general obligation bonds (G.O.)

## ROLE OF STIFEL TO THE CFDs

1. Stifel is an investment bank retained by the District to serve as Underwriter or Placement Agent in connection with the sale of bonds to investors
2. Responsibilities include working closely with the District and all financing team members
3. Issue bonds and wire proceeds to fund the acquisition or construction of eligible public infrastructure

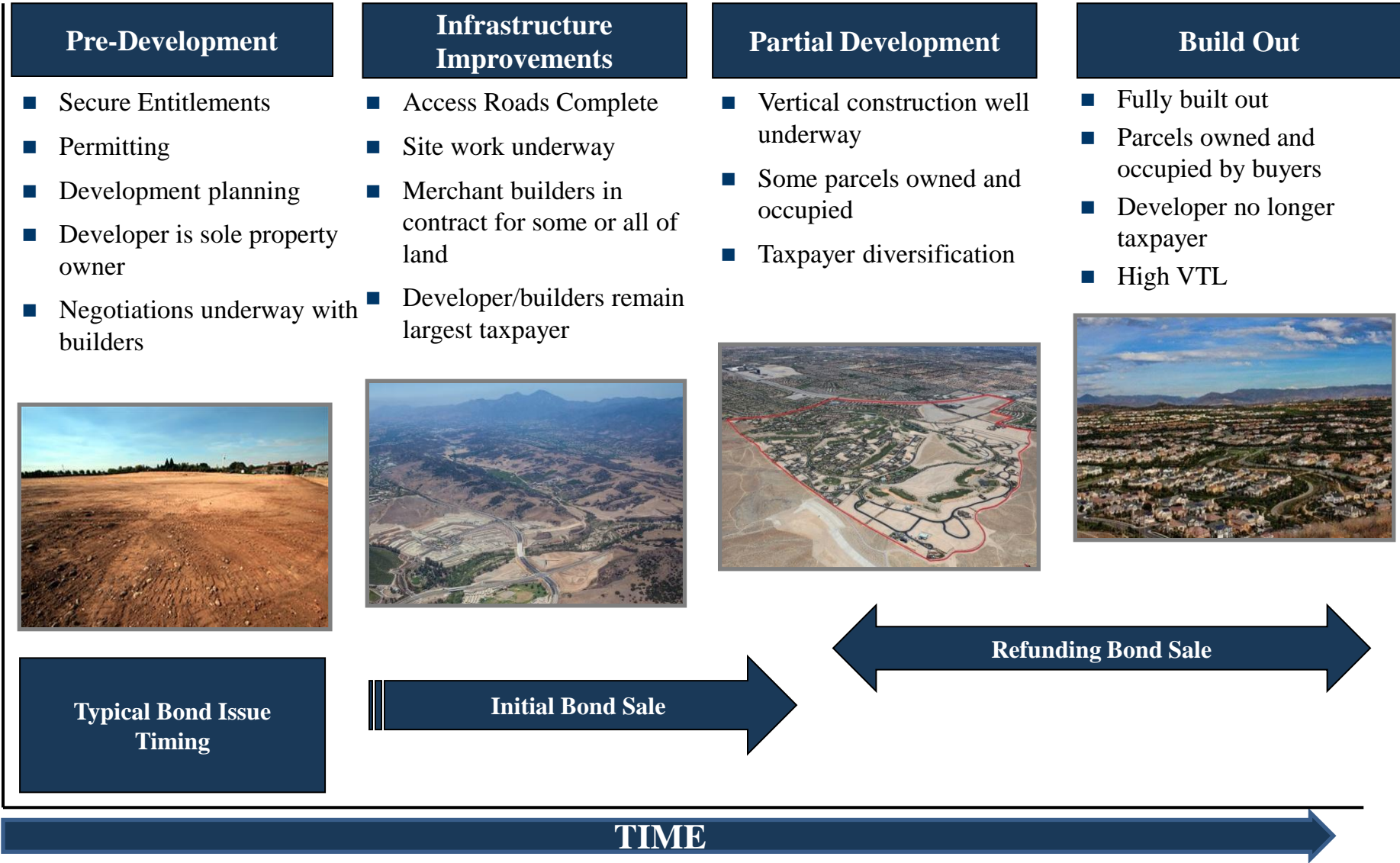
# Arizona Special District (CFD) Financing Overview

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# Evaluating the Use of Land-Secured Bonds

## Typical Life Cycle

VALUE





# Merrill Ranch CFD No. 1 & No. 2



# CFD Background Information

- 1) Arizona Legislative Authority established in 1988 (Title 48)
- 2) First Arizona CFD financing completed in 1991 – over 24 years ago
- 3) CFDs range in size and complexity:
  - Single developer/homebuilders – residential use only and commercial
  - Multiple developers/homebuilders – residential and commercial
  - Acreage – typically over 1,000 acres
  - Bond sizes have ranged from \$25,000 to \$50,000,000
- 4) General Obligation Bond Election held at Formation:
  - Authorization range from \$60 million to \$1.1 billion
  - Secondary tax rates range vary across the state
- 5) Taxes / Assessments paid by those who benefit
- 6) Lien Priority

# Eligible CFD Funded Public Infrastructure

- 1) Highways, streets, roadways and public parking facilities
- 2) Landscaping
- 3) Sewer and drainage (public utilities)
- 4) Flood control
- 5) Street lights and signalization
- 6) Civic buildings
- 7) Pedestrian malls, parks, recreation facilities (other than stadiums) and related open space areas for assembly or entertainment use
- 8) Lighting systems

**Useful life of asset must exceed term of bonds**

**Limitations vary by type of district**

**Must be owned and operated by a public entity**



# Arizona Cities / Towns – CFDs Formed

- 1) City of Apache Junction
- 2) City of Buckeye
- 3) City of Casa Grande
- 4) City of Coolidge
- 5) City of Goodyear
- 6) City of Litchfield
- 7) City of Mesa
- 8) City of Peoria
- 9) City of Phoenix
- 10) City of Prescott
- 11) City of San Luis
- 12) City of Show Low
- 13) City of Surprise
- 14) City of Tempe
- 15) **Town of Florence**
- 16) Town of Marana
- 17) Town of Prescott Valley
- 18) Town of Sahuarita

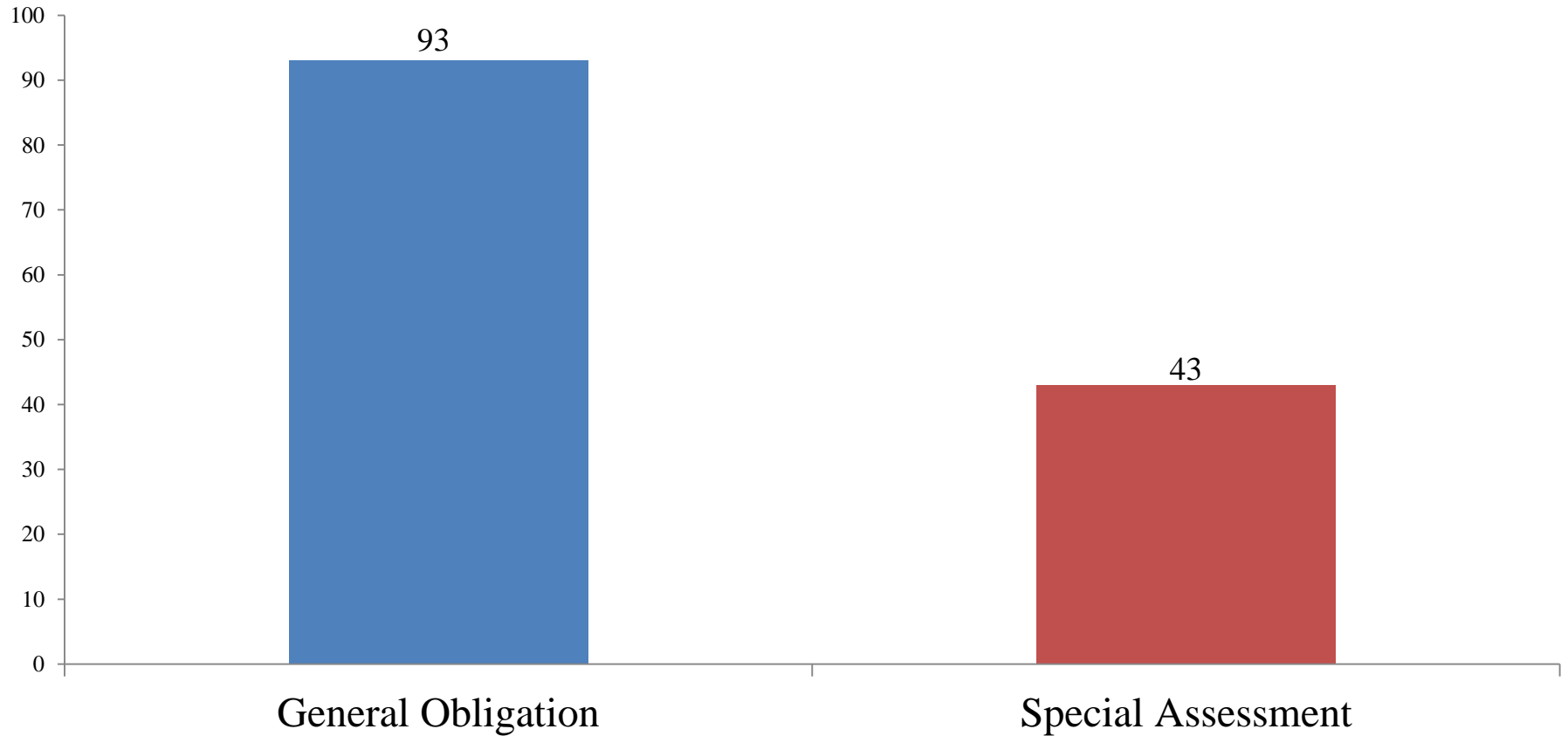
[Approximately 20% of Cities/Towns]

## **Recently Formed Arizona CFDs**

- 1) Rancho Sahuarita Community Facilities District [Town of Sahuarita]
- 2) Vistancia West Community Facilities District [City of Peoria]

## **Two Cities / Towns Considering Formation**

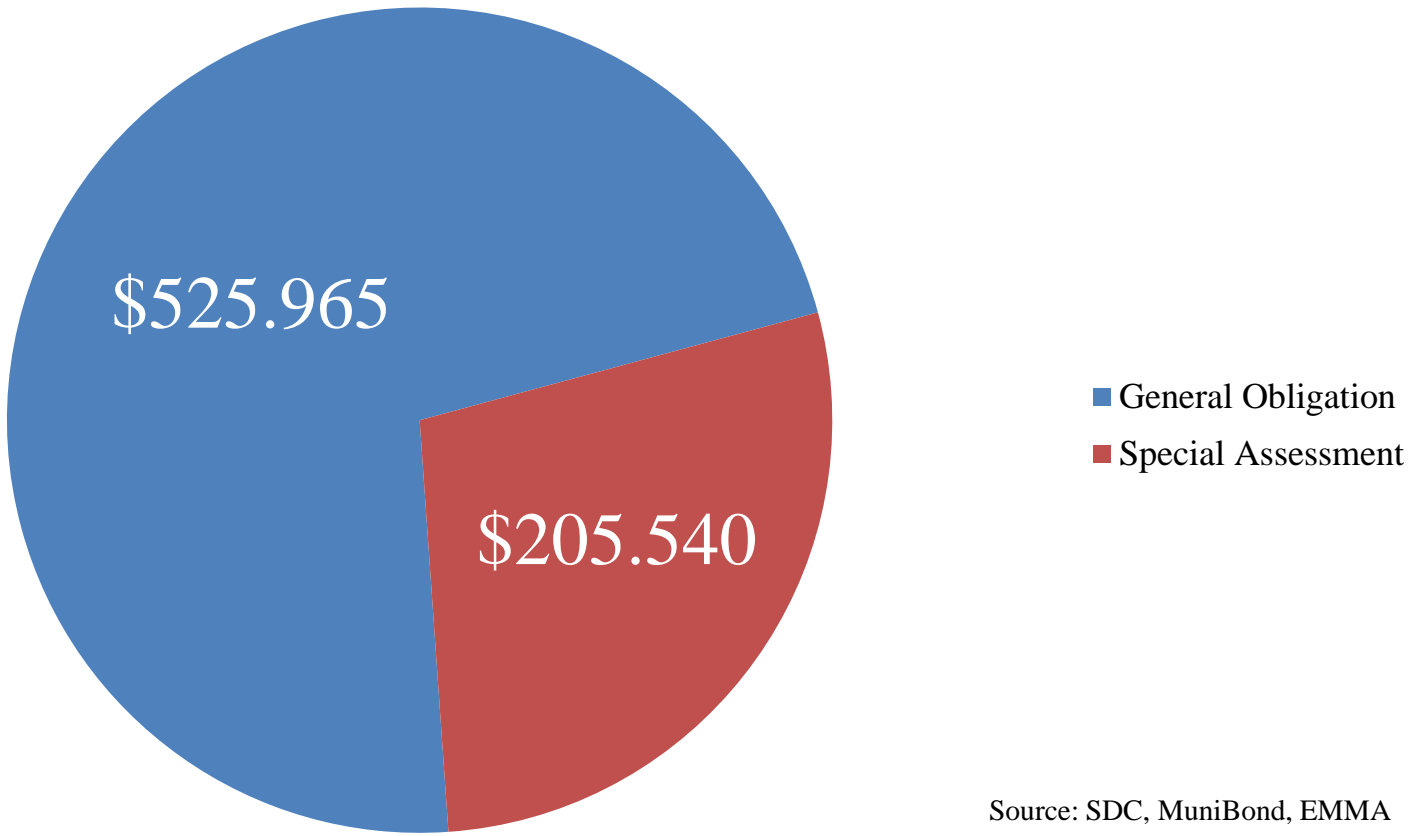
# Arizona CFDs by # of issues since 1991



Source: SDC, MuniBond, EMMA

# Arizona CFDs - \$ Volume – by type of Bond

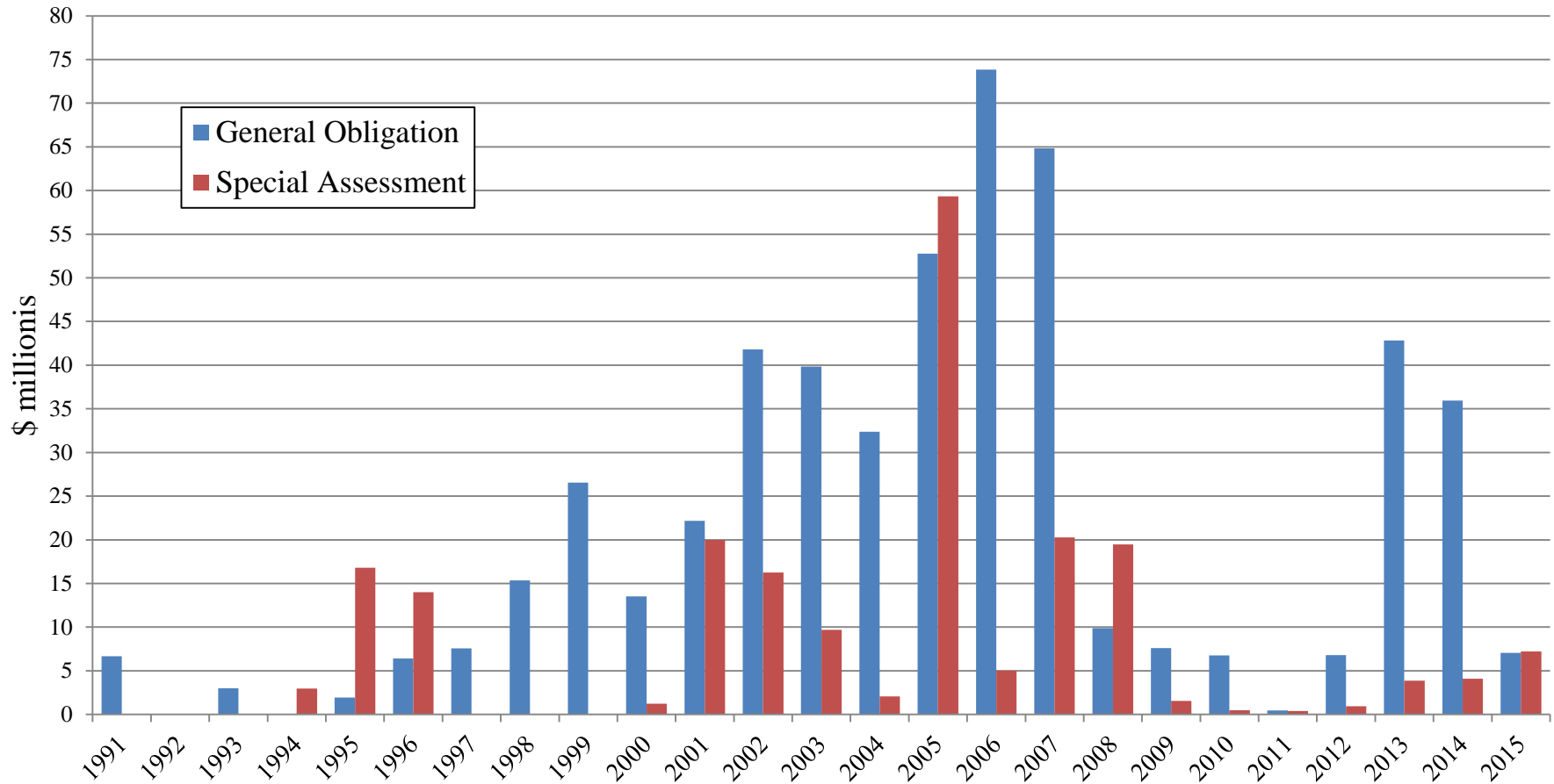
**Arizona CFDs (\$ in millions)  
Since 1991**



Source: SDC, MuniBond, EMMA

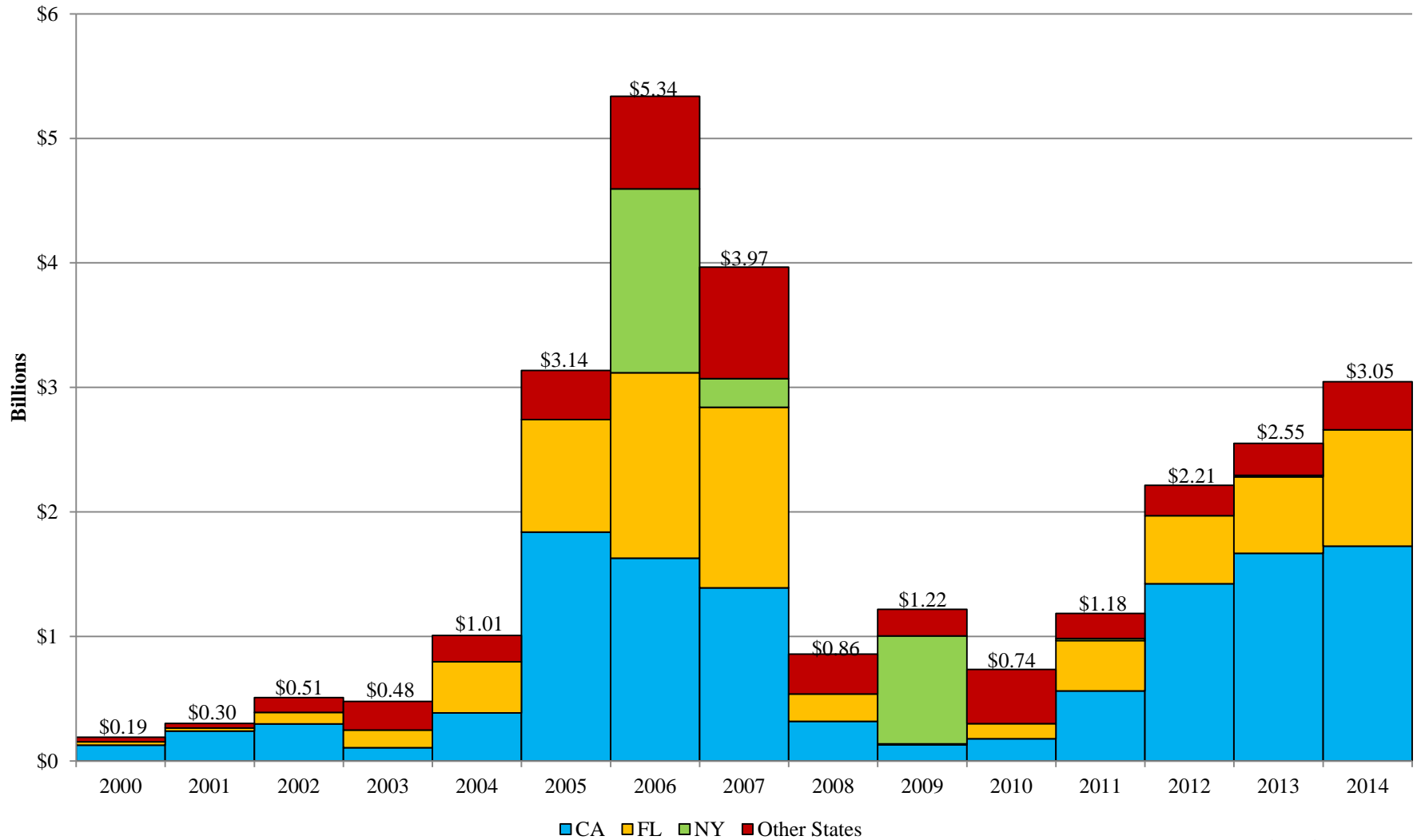
# Historical CFD Issuance in Arizona

## Arizona CFDs by Par Amount - Since 1991



Source: SDC, MuniBond, EMMA

# National CFD / Land Secured Bonds – Volume \$



Source: Bloomberg MSRC

# Anthem at Merrill Ranch CFD Background, Plan of Finance & Development Progress

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# Anthem at Merrill Ranch CFD Background, Plan of Finance and Development Status

1. Districts formed and general obligation (G.O.) bond election held in 2005
2. Approximately 3,070 acres being developed by PulteGroup (within CFD No. 1 & No. 2)
3. No. 1 master planned residential units approximates 30,000; CFD 2 approximates 3,144
  - 4,240 Acres Purchased by SWVP
4. No. 1 has issued (7) SA bond financings totaling \$4.7 m and (2) G.O. bond issues totaling \$5.3 m
5. No. 2 has issued (4) SA bond financings totaling \$4.1 m and (2) G.O. bond issues totaling \$5.4 m
6. No. 1 & No. 2 G.O. bonds rated investment grade by Standard & Poor's (BBB-)
7. All SA bonds are non-rated due to early stage of development cycle
8. All G.O. bonds issued once tax base supports secondary tax rate objective (limits development risk)

# Anthem at Merrill Ranch CFD Background, Plan of Finance and Development Status

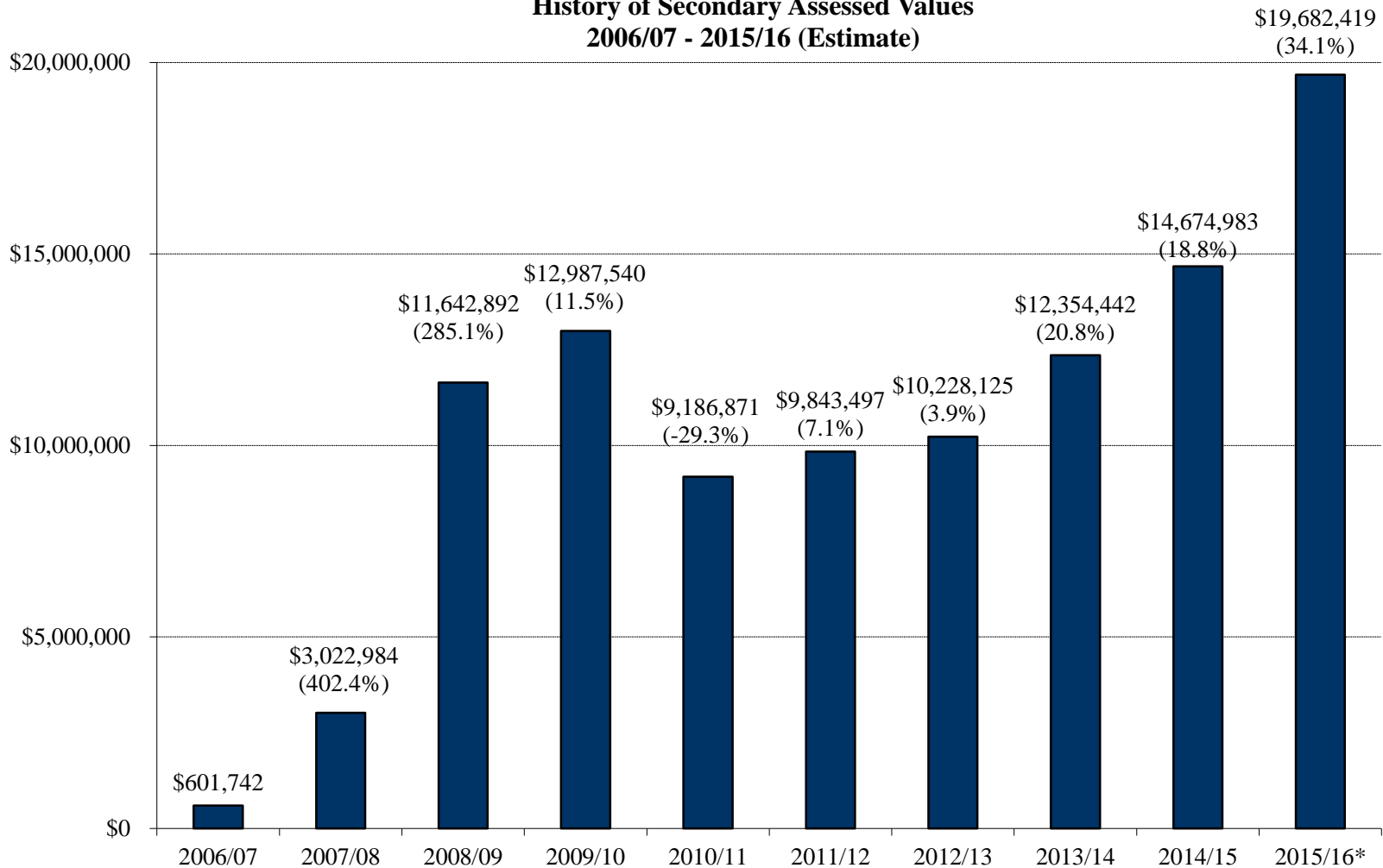
## PLAN OF FINANCE:

1. Estimated monthly cost based on a \$150,000 fair market value residential home:
  - \$3.25 secondary tax rate for bonds: \$35.00 per month (est.)
  - \$0.30 secondary tax rate for M&O: \$4.00 per month (est.)
  - Special Assessment: \$28.00 per month (est.) based on \$3,500 per lot assessment
2. Objective – maintain consistent secondary property tax rates and assessments between District No. 1 & No. 2
3. **G.O. bond proceeds used for regional infrastructure improvements within the CFDs (i.e., major arterials, parks, open space, drainage, fire station)**
4. **SA bonds used for localized benefit – paving, curb & gutter, sidewalks, storm drain & drainage**
5. CFD No. 1 Residential Homes Closed (Sun City – Age Restricted): 696
6. CFD No. 2 Residential Homes Closed (Sun City – Age Restricted): 426
7. CFD No. 1 Residential Homes Closed (Parkside): 439
8. CFD No. 2 Residential Homes Closed (Parkside): 711
9. CFD No. 1 Approximately 4% of planned units – PulteGroup (Anthem)
10. CFD No. 2 Approximately 36% of planned units – PulteGroup (Anthem)
11. Commercial development progressing (slower than anticipated)
12. Pulte committed and significantly invested in Anthem Master Planned Community



# Merrill Ranch CFD No. 2 – History of Secondary Assessed Valuations

## Merrill Ranch Community Facilities District No. 2 (Town of Florence, Arizona) History of Secondary Assessed Values 2006/07 - 2015/16 (Estimate)

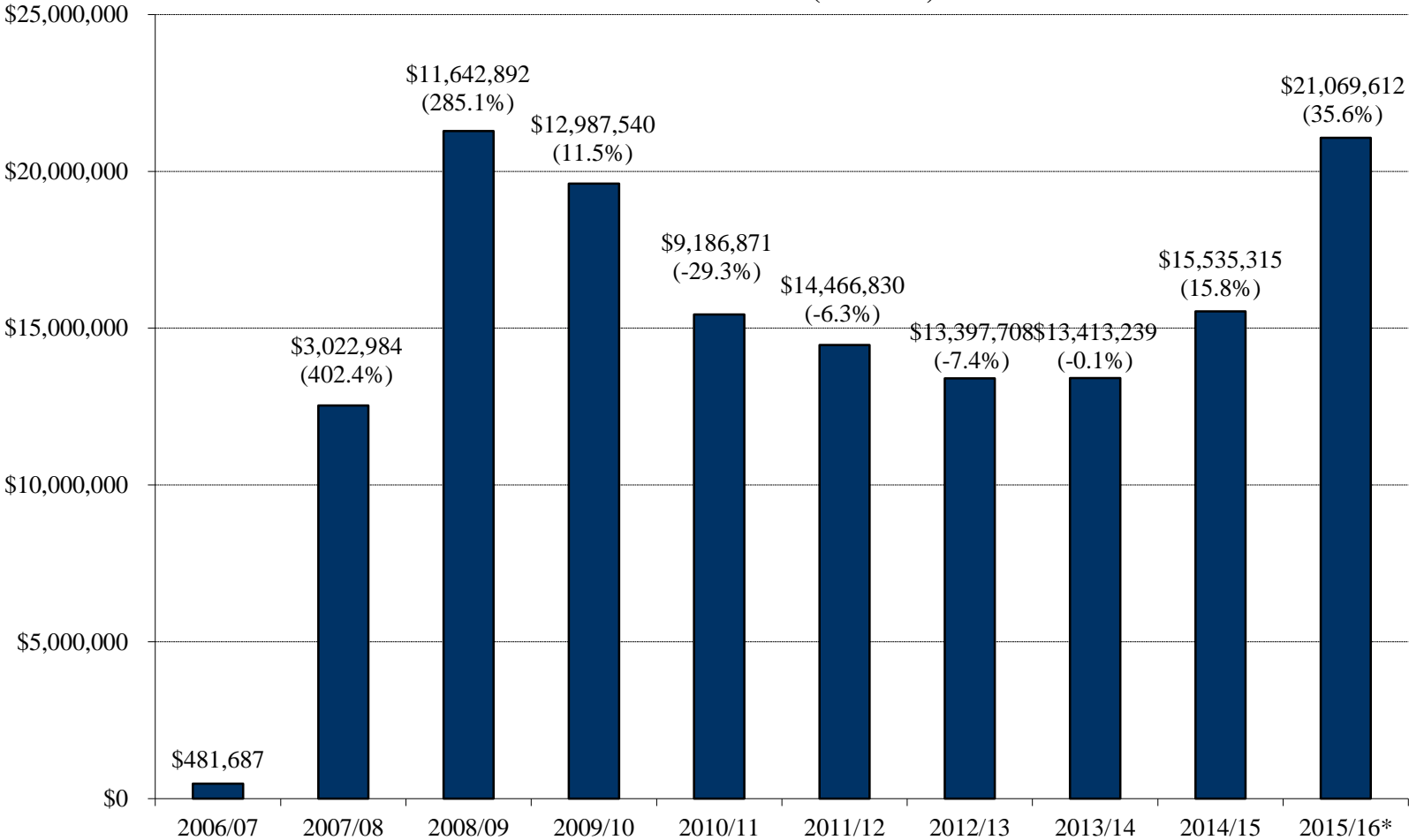


\* Based on February 2015 Estimate from the County.

Source: ATRA Tax Book and the County

# Merrill Ranch CFD No. 1 – History of Secondary Assessed Valuations

## Merrill Ranch Community Facilities District No. 1 (Town of Florence, Arizona) History of Secondary Assessed Values 2006/07 - 2015/16 (Estimate)



\* Based on February 2015 Estimate from the County.

Source: ATRA Tax Book and the County



# Public Infrastructure Financed with General Obligation Bonds and Special Assessment Bonds

## General Obligation Bonds (ad valorem bonds repaid from secondary property tax rate of \$3.25 per \$100):

### ✓ Regional Public Infrastructure Financed with General Obligation Bond Proceeds, including:

Bond Series	Regional Public Infrastructure
\$4,390,000 Series 2008 (District No. 1)	Merrill Ranch Parkway, American Way, Constitution Way, Felix Road, Independence Way, Sun City Boulevard & Anthem Way
\$3,560,000, Series 2010 (District No. 2)	Merrill Ranch Parkway, Hunt Highway, (Phase 1) Storm Drainage
\$900,000, Series 2012 (District No. 1)	Regional Fire Station
\$500,000, Series 2012 (District No. 2)	Regional Fire Station
\$1,850,000, Series 2013 (District No. 2)	Merrill Ranch Parkway, Hunt Highway, (Phase 1)
\$1,300,000, Series 2016 (District No. 2) – Estimated	Hunt Highway, Spirit Loop
\$1,500,000 Series 2016 (District No. 1) – Estimated	To Be Determined

## Special Assessment (\$3,500 special assessment per lot):

### ✓ In-Track Infrastructure Financed with Special Assessment Bonds, including

- Streets, Curb, Gutters, Storm Drainage

# Questions



# Credit Rating Report (MRCFD No. 1 & No.2, General Obligation Bonds)

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# RatingsDirect®

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## Summary:

# Merrill Ranch Community Facilities District No. 1, Arizona; General Obligation

### Primary Credit Analyst:

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### Secondary Contact:

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## Table Of Contents

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Rationale

Outlook

Related Criteria And Research

## Summary:

# Merrill Ranch Community Facilities District No. 1, Arizona; General Obligation

## Credit Profile

US\$4.3 mil GO bnds (post-sale) ser 2008 due 07/15/2032

*Long Term Rating*

BBB-/Stable

New

US\$1.39 mil GO bnds ser 2014 due 07/15/2036

*Long Term Rating*

BBB-/Stable

New

## Rationale

Standard & Poor's Ratings Services assigned its 'BBB-' long-term rating to Merrill Ranch Community Facilities District (CFD) No. 1 (Florence), Ariz.'s series 2014 general obligation (GO) bonds. At the same time, Standard & Poor's assigned its 'BBB-' long-term rating to the district's previously issued series 2008 bonds. The outlook is stable.

The rating reflects our view of:

- Early stage of development, with roughly 50% of total planned infrastructure in place and approximately 34% of projected total residential units constructed and individually owned;
- Moderately concentrated tax base;
- High combined operations and maintenance and debt service levy rate of \$3.55 per \$100 of assessed value (AV); and
- Moderately high net overall debt burden at 8.4% of market value, with future GO debt issuance planned as AV growth allows.

Partly offsetting these weaknesses, in our view, are the district's:

- Limited operating requirements, and
- Strong debt service reserves on an unaudited basis, covering 231% of maximum annual debt service (MADS), although the district's lack of separately presented and audited financial statements lowers the reliability and transparency of financial data.

Revenue from an unlimited ad valorem tax levied on all taxable property within Merrill Ranch CFD No. 1 secures the bonds.

Merrill Ranch CFD No. 1 is a special-purpose, tax-levying public improvement district that is located in but separate from the town of Florence. The district's development and finances are overseen by the town council and manager, and its finances are audited as part of the town's financial statements, but are not presented separately.

Formed in December 2005, the 7,900-acre district was established to provide a vehicle to finance the public infrastructure needed for the development of district land. Management plans to develop the district as part of a 3,191-acre master planned community known as Anthem at Merrill Ranch, which also includes a portion of Merrill



Ranch CFD No. 2.

At buildout, the development is projected to be approximately 6,000 units, roughly half of which will be within CFD No. 1. Currently, 1,047 homes have been completed and sold within CFD No. 1, making it approximately 35% developed based on planned residential units. According to the town's management, about half of the planned infrastructure improvements for the CFD have been installed. The district plans to reimburse Pulte, the master developer, for completed infrastructure investments and additional projects as assessed value grows.

After declining by nearly a third between fiscal 2009 and fiscal 2013, the district's secondary AV grew by an estimated 15.8% in fiscal 2014, bringing taxable value for fiscal 2015 to \$15.5 million. Net full cash value increased 18% during the same period to \$140 million. Fiscal 2015 full cash value per acre is \$17,769, which we consider very low. Approximately 75% of fiscal 2015 taxable value came from residential property, with most of the remainder made up of agricultural and vacant property. We consider the district's tax base moderately concentrated, with the 10 leading taxpayers accounting for 26% of fiscal 2014 AV. The largest taxpayer, Pulte, represents 11% of fiscal 2014 AV.

Because the district exists primarily as a financing vehicle, its operational needs are limited. In addition to its current debt service levy of \$3.25 per \$100 of AV to support the GO bonds, the district levies an additional 30 cents to fund maintenance and operations. These rates are set by policy but could increase should district AV decline. This includes an approximate 5% over-levy for delinquencies.

District reserves are currently strong, in our opinion, with estimated available cash in its debt service fund equal to \$1.52 million in fiscal 2014, or 231% of MADS, which occurs in fiscal 2015. Estimated ending capital reserves of \$623,000 are available to fund maintenance and capital outlay, and are equal 74% of fiscal 2014 capital expenditures (including transfers), or roughly 200% of average capital expenditures during the past four fiscal years. Management has used some of its reserves in recent years to fund capital expenditures, and does not maintain a certain level of reserves as a matter of policy. Furthermore, management has historically interpreted state law as requiring it to minimize reserves to lower the taxpayer burden, which we interpret as an indication that it could spend down reserves in the future. Because MADS in fiscal 2015 exceeds the prior year's debt service levy amount by \$182,000, we anticipate that the district will use about 10% of its debt service reserves in fiscal 2015 before debt service returns to levels commensurate with the tax levy.

We consider the district's direct levy rate of \$3.55 per \$100 AV as high relative to those of peers, and when including overlapping taxing entities, the combined tax rate climbs to \$19.50 per \$100 of AV, which we also consider high. Overall (direct and overlapping) debt levels are, in our opinion, moderately high as a percentage of market value, at 8.4%, and moderate on a per capita basis, at nearly \$4,430 (based on an estimated 2,647 residents). The district also has \$3.5 million in special assessment debt outstanding (included in overlapping debt), secured by special assessments on certain property within the district. The district will have \$1.29 billion in GO bond authorization from its 2006 election remaining following this issuance. Management projects issuing additional GO debt as AV growth permits within the target \$3.25 tax rate.

The town of Florence (population: 25,512) is located in eastern Pinal County, approximately 60 miles southeast of Phoenix. Its population grew rapidly between 2000 and 2010, but the rate of growth dropped off sharply thereafter.



The town's economy is based largely in government and corrections; Pinal County is the largest employer, followed closely by the Arizona State Prison complex. In our view, Florence's median household effective buying income (EBI) is adequate, at 87% of the national level, and its per capita EBI is low, at 27%, attributable primarily to the large inmate population housed at the state prison complex and other correctional facilities within the town limits.

## **Outlook**

The stable outlook reflects our anticipation that the district will issue additional debt supported by further development, as well as the possibility that reserve levels will decline somewhat. Although we do not expect to do so within the two-year outlook horizon, we could raise the rating as development in the district continues and additional debt and capital needs diminish. We could lower the rating should the district's tax levy increase substantially as a result of further AV losses or debt issuance, or should the district rely on reserves to make debt service payments on a continuing basis.

## **Related Criteria And Research**

### **Related Criteria**

USPF Criteria: Methodology And Assumptions: Rating Unlimited Property Tax Basic Infrastructure Districts, March 17, 2009

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## Summary:

# Merrill Ranch Community Facilities District No. 2, Arizona; General Obligation

### Primary Credit Analyst:

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### Secondary Contact:

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## Table Of Contents

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Rationale

Outlook

Related Criteria And Research



## Summary:

# Merrill Ranch Community Facilities District No. 2, Arizona; General Obligation

## Credit Profile

US\$1.85 mil GO bnds ser 2013 due 07/15/2038

*Long Term Rating*

BBB-/Stable

New

## Rationale

Standard & Poor's Ratings Services assigned its 'BBB-' long-term rating to Merrill Ranch Community Facilities District No. 2 (Florence), Ariz.'s series 2013 general obligation (GO) bonds. At the same time, Standard & Poor's affirmed its 'BBB-' long-term rating on the district's previously issued series 2010 bonds. The outlook is stable.

The rating reflects our view of the district's:

- Small tax base with continued concentration in the leading taxpayer;
- A lead tenant of the largest taxpayer is under bankruptcy protection although the property is nearly current on its property tax payments;
- Growing status of development, with 56% of total infrastructure in place and approximately 31% of projected total residential units constructed and individually owned;
- High levy rate at \$3.25 per \$100 of assessed valuation (AV); and
- Moderately high net overall debt burden at 8.5% of market value and \$6,100 on a per capita basis (however, future GO debt issuance is planned on an annual basis as AV growth allows).

Partly offsetting the above weaknesses, in our view, are the district's:

- Limited operational costs, and
- Planned establishment of a debt service cash target that management anticipates will adequately cover debt service.

Revenue from an unlimited ad valorem tax levied on all taxable property within the district secures the bonds.

Merrill Ranch Community Facilities District No. 2 is a special-purpose, tax-levying public improvement district that is located in but separate from the town of Florence (the seat of Pinal County). However, the town council and town manager serve the same roles for the district, and the town handles the district's finance operations. Formed in November 2005, the 1,070-acre district is located in northern Florence, which is roughly 61 miles southeast of Phoenix and 70 miles northwest of Tucson. The district was established to provide a vehicle to finance the public infrastructure needed for the development of district land. Management plans to develop the district as part of a 3,191-acre master planned community known as Anthem at Merrill Ranch. Anthem encompasses about 3,191 acres that, at buildout, will be roughly 51.0% residential, 21.0% open space and parks, 16.5% roadways and parks, and 0.6% commercial, with the remainder categorized as other. Within Anthem is Sun City Anthem, an active-adult (retirement) community, and Anthem Parkside, which consists of conventional single-family units. Merrill Ranch Community Facilities District No. 1

(unrated) is adjacent to the district and encompasses about 7,900 acres, with about 27% of its acreage within Anthem.

At buildout, the district will be primarily single-family homes (467 acres), open space and parks (267 acres), roadways and right of way (188 acres), a golf course (47 acres), a hospital (40 acres), commercial-use properties (20 acres), and police and fire departments, worship sites, and schools. Roughly speaking, the district is in a growing stage of infrastructure development, with approximately 56% of planned infrastructure improvements made and 39% of acreage built upon. The district plans to have 2,692 residential units and had sold about 994 through July 2013, making it about 31% developed, according to management. The district will reimburse Pulte., the master developer, for completed infrastructure investments and additional projects as the community grows.

As the master developer has built and sold homes in recent years, the district's secondary AV grew by a 107% average annual rate in fiscal 2008 through collection year 2010 (2009 tax taxing year) to \$13 million. Net full cash value increased 145% in that period to \$127 million. Fiscal 2011 saw the district's first value decline: a 29% decline in secondary AV and a 24% drop in full cash value per acre to roughly \$90,665, which we consider low. However, secondary AV and full cash value increased in fiscal 2013 to \$10.2 million and \$107.6 million, respectively. Fiscal 2013 full cash value per acre is \$100,639, which we consider low. Management attributes the recent growth in AV to continued growth within the district as reflected by market activity in the preceding two years. For collection year 2014 (2013 taxing year), the district's full cash value has increased to \$121 million and secondary AV is \$12.3 million. In terms of major uses, 75.9% of collection year 2014 secondary AV came from owner-occupied and rental residential property, 6.7% from agricultural and vacant property, and 17.3% from commercial and industrial property.

Leading taxpayers are diverse, with the largest taxpayer, MPT of Florence, accounting for 16.9% of fiscal 2014 secondary AV. The leading 10 taxpayers account for less than 25% of secondary AV. It is our understanding that Florence Hospital at Anthem LLC (tenant of the property owned by MPT of Florence) has filed for Chapter 11 bankruptcy and is nearly \$8,000 delinquent on its property tax payments. The district reports that MPT has submitted its November 2013 property taxes. But in light of the bankruptcy protection, future property tax payments from the tenant (or MPT of Florence) remain uncertain. The district reports that should MPT fail to make future property tax payments, the district will either temporarily use funds from its reserves or increase the tax levy rate. The district projects having nearly a full year's debt service on hand (nearly \$350,000). MPT of Florence accounts for almost 17%, or nearly \$60,000, of debt service payments.

The special-purpose district was established primarily as a financing vehicle and has limited operational needs. The district's policy and history is to levy property tax at \$3.25 per \$100 of AV to support these bonds, but this rate could increase should the district raise its mill levy rate. This includes a 5% over-levy for delinquencies. The district additionally issued a one-year GO bond (series 2012) during fiscal 2013 with a principal maturity of \$500,000.

In past years, the district held higher reserve balances. According to officials, the district had \$612,348 in cash available for GO debt service as of June 30, 2012. The district reports that with the April 2013 property tax collections, it will have sufficient funds to meet debt service on the series 2010 bonds and the principal maturity payment on the series 2012 bonds. The district reports that it will not carry reserves beyond what is needed for its upcoming annual debt service in its funds, to comply with its interpretation of the state requirements put in place to lower taxpayer burden. Debt service on the series 2010 bonds will be about \$245,000 annually beyond fiscal 2014, and should be



*Summary: Merrill Ranch Community Facilities District No. 2, Arizona; General Obligation*

approximately \$370,000 with the series 2013 issuance. In addition to the levy for debt service, the district levies 30 cents per \$100 of AV for operations. Including overlapping taxing entities, the overall combined (primary and secondary) tax rate for the district is approximately \$19 per \$100 of AV, which we believe is above average for Arizona. The district's fund balance reserve is at nearly 100%, equivalent to one year's debt service payment.

Including overlapping GO and assessment district debt, overall debt levels are moderately high as a percentage of market value at 8.5% and moderate on a per capita basis at nearly \$6,100 (based on an estimated 1,702 residents). Direct debt is moderate at 3.2% of market value and \$2,837 per capita in fiscal 2013. The district has approximately \$3.3 million in special assessment debt on about 293 acres, or 27% of its total acreage, and this debt is included in the overall debt figures. We understand that the lien for the property taxes levied on these bonds is senior to that on the assessments. The district has \$94 million in GO bond authorization following this issuance. Management projects issuing GO debt as AV growth and the \$3.25-per-\$100 tax rate (including a 5% delinquency over-levy) allow. Management also plans to issue special assessment bonds annually, at the rate of home sales permits.

The town of Florence (which has a population of 25,794, based on an estimate by the Arizona Department of Economic Security, Population, and Statistics) is located in eastern Pinal County. As with many cities near the Phoenix metro area, Florence's population has grown rapidly, doubling since 2000. With the rapid growth and housing development in the area, the town's economy has diversified from agriculture to government, corrections, and education. Florence's median household effective buying income (EBI) is, in our view, good at 96% of the national level, and per capita EBI is low at 43%.

## Outlook

The stable outlook reflects our anticipation that the district will issue additional debt supported by further development, both in terms of tax base and infrastructure. The outlook also reflects our belief that the district will only temporarily use funds on hand to make up any shortfall should the tenant or MPT of Florence fail to make its property tax payments, and that it would nevertheless maintain sufficient reserves. The district's tax rate of \$3.25 per \$100 of AV would need to increase to more than \$3.40 to compensate for lost property tax revenue should MPT of Florence fail to make future property tax payments. Should the district's tax levy rate rise substantially, or should the district become reliant on reserves to make debt service payments, we could lower the rating.

## Related Criteria And Research

USPF Criteria: Methodology And Assumptions: Rating Unlimited Property Tax Basic Infrastructure Districts, March 17, 2009

### Ratings Detail (As Of November 14, 2013)

Merrill Ranch Comnty Facs Dist No. 2 ultd tax GO bnds ser 2010

*Long Term Rating*

BBB-/Stable

Affirmed

*Summary: Merrill Ranch Community Facilities District No. 2, Arizona; General Obligation*

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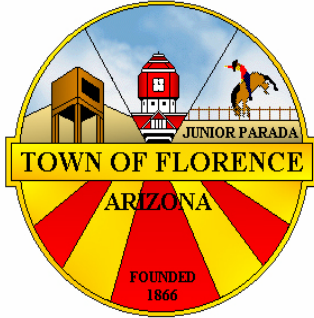
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# Town of Florence, Arizona CFD Policies & Procedures

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# TOWN OF FLORENCE

## COMMUNITY FACILITIES DISTRICT Policy & Procedure

Finance Department  
P.O. Box 2670  
775 North Main Street  
Florence, Arizona 85232  
(520) 868-7500  
[www.town.florence.az.us](http://www.town.florence.az.us)

**TOWN OF FLORENCE**

**RESOLUTION NO. 1091-07**

**A RESOLUTION OF THE MAYOR AND COUNCIL OF THE TOWN OF FLORENCE, PINAL COUNTY, ARIZONA ESTABLISHING AND DECLARING THE TOWN OF FLORENCE COMMUNITY FACILITIES DISTRICT POLICY AND PROCEDURES, TO BE A PUBLIC RECORD.**

**WHEREAS**, it has been brought to the attention of the Mayor and Council that the Town is in need of updating the exiting Community Facilities District Policy and Procedure passed by Town Council the 15<sup>th</sup> day of November, 2004; and

**WHEREAS**, it is the intent of the Mayor and Council to establish a uniform and consistent manner for allowing developers to create Community Facilities Districts.

**NOW THEREFORE, BE IT RESOLVED**, there is hereby established a Community Facilities District Policy and Procedures for the Town of Florence effective this date and all Town employees are hereby directed to implement said policies and procedures, which is attached hereto and incorporated herein as if set forth in full.

**BE IT FURTHER RESOLVED**, that the Community Facilities District Policy and Procedure are hereby established as a public record, three (3) copies of which shall remain on file at Town Hall.


**PASSED AND ADOPTED** by a majority vote of the Mayor and Council the 19<sup>th</sup> day of November, 2007.

  
\_\_\_\_\_  
Tom J. Rankin, Mayor

**ATTEST:**

  
\_\_\_\_\_  
Lisa Garcia, Town Clerk

**APPROVED AS TO FORM:**

  
\_\_\_\_\_  
James E. Mannato, Town Attorney

**POLICY GUIDELINES AND APPLICATION PROCEDURES  
FOR THE ESTABLISHMENT OF  
COMMUNITY FACILITIES DISTRICTS**

In order to secure for the Town of Florence, Arizona (the "Town"), the public benefits of the Community Facilities Act (the "Act") originally enacted by the Arizona Legislature in 1988 and to promote the best interests of the Town, the following Policy Guidelines and Application Procedures are adopted by the Common Council. (All terms used herein and not otherwise defined shall have the meaning given to them in the Act.)

ARTICLE 1.

General Policies

- 1.1 A community facilities district ("CFD") provides a funding mechanism to finance construction and/or acquisition of public infrastructure that benefits the real property comprising the CFD (the "Property") and its ultimate owners and thereafter a mechanism to provide for the operation and maintenance of such infrastructure if necessary and can also be utilized by the Town to provide enhanced municipal services, benefiting the users of the real property within the CFD. The Town Council recognizes the ability of a CFD to provide for the construction and/or acquisition of public infrastructure that might otherwise be more costly or, in some instances, not be provided at all.
- 1.2 Recognizing that a CFD is a statutory special taxing district with borrowing powers created within the boundaries of the Town that has perpetual existence, the Town Council believes that the formation of each CFD should be considered carefully in order to ensure its lasting success.
- 1.3 CFDs should be utilized primarily in connection with the financing of public infrastructure for development of master planned communities or projects involving substantial commercial development.
- 1.4 Any public infrastructure financed by a CFD should be in conformance with the Town's General Plan in order to encourage orderly growth and development. Special consideration should be given to CFDs that provide an enhanced level of infrastructure amenities and/or municipal services.

Community Facilities districts may finance the following listed types of streets with CFD general obligation or assessment bonds:

1. Major arterials
2. Arterials
3. Major collectors
4. Collectors
5. Local Streets

The street and road designations listed above shall have the meanings as set forth in the Town of Florence, Arizona development code, rules and regulations. Major collectors and collectors will be financed with general obligation or assessment bonds only if the particular financed collector road has its two planned terminus points at an intersection with an arterial street or roadway. No Community Facilities District general obligation bond financing will be issued for local or residential streets, except de minimus GO Bonds issued for less than \$500,000 may be used for local or residential streets after all other uses are paid as identified in the Feasibility Report.

- 1.5 All costs incurred by the Town and/or the CFD in connection with the formation and subsequent activities of a CFD will be paid by the applicant/landowner/developer or successor thereto (such entity generically referred to herein as the "Applicant") through a series of monetary deposits as provided herein. Such deposits will be applied to pay amounts due for services rendered by the Town staff, CFD staff and outside consultants who may be retained by the Town and/or the CFD, including but not limited to bond counsel, financial advisors, engineers, appraisers and attorneys. The Town may use outside consultants as "staff" to review or confirm any analyses prepared in conjunction with an application for or financing by the CFD. If authorized by the district board of a CFD (the "Board"), exercising its sole discretion, all or part of such costs may be reimbursed to the Applicant from a CFD tax levy, CFD assessments, CFD revenues or CFD bond proceeds, provided such reimbursement is in conformance with federal law, State law and these guidelines.

The Town of Florence reserves the right to levy a bond administration fee of 1% for each CFD bond issuance, with a minimum amount of \$5,000 and a maximum amount of \$50,000 for administration and consulting costs.

- 1.6 To provide ease of administration and the largest tax/revenue base possible, the Town will encourage an area to be governed by as few CFDs as possible, and a preference will be given to one master CFD for a single development. (It should be noted that the decision to form a CFD shall be a decision of the Town Council exercised in its sole and absolute discretion.)
- 1.7 Each CFD will be governed by the Board, which will be comprised of the members of the Town Council, *ex officio*. The day-to-day administrative responsibilities of the CFD will be performed pursuant to a contract by outside personnel or by the Town staff. For all CFD's, at the option of the Board, advisory committees may be utilized.
- 1.8 Unless otherwise agreed to by the Town, the CFD must be self-supporting from the standpoint of financing, operations and maintenance; no Town funds will be used for CFD purposes. Notwithstanding anything contained herein, none of the property, the credit nor the taxing power of the Town shall be pledged to or otherwise secure the payment of any CFD obligation or indebtedness.

- 1.9 After review of the project feasibility report, property appraisals and other required pertinent information, the Board will determine, in its sole and absolute discretion, the amount, timing and form of financing to be used by a CFD.
- 1.10 All public infrastructure constructed or acquired by a CFD will utilize statutory public procurement procedures in accordance with applicable laws, rules and regulations and as would be applied by the Town in a construction project for the Town.

All new anticipated CFD constructed or acquired public infrastructure improvements will be identified and forwarded to the Town of Florence for consideration of inclusion in the annual CFD budget by March 1 of the fiscal year.

- 1.11 The CFD will not use bond proceeds or other CFD funds to purchase public rights-of-way or other real property to be used for public infrastructure improvements if such real property would be required to be dedicated and conveyed to the Town by the Applicant upon development of the Property.
- 1.12 Unless otherwise agreed to by the Town, all costs of administration and operation of the CFD and the operation and maintenance of public infrastructure provided by the CFD including replacement reserves, if appropriate, shall be the responsibility of the CFD, the Applicant, applicable homeowners associations, or any combination of the foregoing, as may be acceptable to the Board.
- 1.13 These Policy Guidelines and Application Procedures may be modified from time to time by the Town. An Applicant will be given the opportunity to propose alternative approaches to those provided herein, with the understanding that concerns of the Town must be adequately addressed before the staff of the Town will recommend approval of a CFD to the Town Council.

## ARTICLE 2. Contents of Applications

An “Application” for the formation of a CFD must be completed prior to any determination that a CFD will be formed. The Application shall, at a minimum, contain the following information and be organized in the manner described below.

### Applicant Information

- 2.1 General Description. A general description of the Applicant, including the corporate and organizational structure of the entity or individual making the Application to form a CFD. This description should include the names of all officers and/or corporate directors directly related or associated with the proposed development of the Property and the proposed CFD.
- 2.2 Contact(s). The name, address, phone number and other relevant information of the primary contact for the Applicant. This information should list the names (and other

relevant information) of any legal representatives, engineers, architects, financial consultants and/or other consultants significantly involved with the Application.

- 2.3 Experience. A general description of the Applicant's experience with similar types of projects as development of the Property.
- 2.4 Financial Capability. Evidence demonstrating the Applicant's ability and capacity (including financial statements if necessary) to undertake the proposed development. The fact that an Applicant may be a private corporation or other privately owned entity shall not be a basis for refusal to provide information requested by Town Staff or the Board which relates to Applicant's financial capacity to undertake and complete the proposed development or to Applicant's financial capacity to provide debt service.

#### Proposed CFD and Public Infrastructure Description

- 2.5 General Description. A general description of the proposed CFD, its purpose, proposed public infrastructure and/or services to be provided, and a statement describing the overall community benefit or enhanced public services to be derived from the CFD. This description should include a statement of how the proposed CFD meets the existing development objectives of the Town, including the degree to which the CFD is consistent with the goals of the Town's General Plan for promoting orderly development, consistent with growth management policies and zoning requirements and the degree to which the land use plan for the CFD is consistent with the Town's General Plan.
- 2.6 Location. A description of the proposed CFD's general location within the Town; an area site map illustrating the proposed boundaries and a legal description of the proposed boundaries. This description must include an analysis of the appropriateness of the CFD boundaries.
- 2.7 Ownership Interests. The identity and address of all persons or entities with any interest in the property including lienholders and purchasers under pending sales contracts and the names and addresses of any qualified electors located within the proposed boundaries of the CFD. A certificate from the Pinal County Assessor or, if not accurate, a current title report and certificate from the Pinal County Elections Department shall be submitted as evidence of names or persons with any interest in the land and qualified electors, respectively.
- 2.8 Operating Plan. An operating plan for the CFD, describing the functions of the CFD and how the operation and maintenance of the public infrastructure will be provided.
- 2.9 Status of Entitlements and Source of Water, Sewer Treatment and Other Utilities/Services. The status of all entitlements with respect to the Property as well as the plan for providing water, sewer treatment and other utilities and services (fire, police, education, etc.) to the Property.

## Proposed Improvements

- 2.10 Description of Public Infrastructure. A detailed description of the types of public infrastructure to be financed and/or acquired by the CFD. This description should include a proposed project schedule for commencement and completion of (a) public infrastructure and (b) the private development.
- 2.11 Estimated Costs. An estimate of the construction and/or acquisition costs of the public infrastructure to be completed by the CFD. This information shall include a detailed list of the estimated cost of each component of the public infrastructure.
- 2.12 Development Timetable. A detailed timetable describing the scheduling, timing or phasing of the public infrastructure. This schedule should include a timetable for constructing/acquiring both the public and private components of the overall development with respect to the Property. Each phase of the development should be shown separately.

## Financing Plan

- 2.13 Description of Financial Plan. A detailed description of the capital financing plan for the public infrastructure and the private development with respect to the Property, including both public and private components of such development. This description should include the proposed types of tax-exempt/taxable bonds to be issued for the public infrastructure as well as the financing plan of the Applicant for the private development and the sources of the proposed financing including any debt or equity.
- 2.14 Sources and Uses of Funds. A detailed sources and uses of funds for the public infrastructure with respect to the Property. This schedule should include the description of components of the public infrastructure that will be financed by the type of bonds to be issued.
- 2.15 Financial Feasibility. A 20-year financial feasibility study for the entire project being developed on the Property including both the public infrastructure and the private development. This feasibility study should include, if possible, a preliminary market absorption study for the private development.
- 2.16 Fiscal Impact. An analysis of the tax, assessment and utilities fee impact on the users/residents within the CFD, specifically, projected property tax rates and levies, special assessments, fees, charges and any other costs to be borne by the CFD. A comparative analysis of such taxes, assessments and fees of similar or adjoining areas and/or CFDs should also be provided
- 2.17 Value-to-Lien Ratio Analysis. Based on the estimated value of the Property including after acquisition and/or construction of the public improvements, an analysis of the value-to-lien ratios of the proposed public financing if in the form of general obligation or assessment bonds. A value-to-lien ratio of less than 4 to 1 will generally be unacceptable.



- 2.18 Operation and Maintenance Costs. A detailed description and a financial pro-forma of the estimated annual operation and maintenance costs of the public infrastructure, including for replacement reserves, if appropriate. The Application must clearly detail the specific entities such as CFD, Homeowners Associations, Applicant, Town, etc that will be responsible for funding the on-going operation and maintenance costs for all CFD improvements, including for replacement reserves, if appropriate. This section should also provide a description of the revenue source of each.

#### Miscellaneous Information

- 2.19 Marketing Plan. A detailed description of the proposed marketing plan to be used by the Applicant to market property within the CFD. This information may include comparisons of the proposed CFD to similar CFDs in the area.
- 2.20 Disclosure to Prospective Property Owners. Information regarding the proposed disclosure form that will be used to describe to prospective buyers the potential tax, assessment and fee implications of the CFD. Such forms shall have provisions for the signed acknowledgement of receipt of such disclosure form. (Landowners/developers are required to describe in their promotional materials the financial and other relative impacts in the development being in a CFD and should note that acknowledged disclosure forms will be required to be filed with the Clerk of the Town.)
- 2.21 Equity Contribution. Evidence of at least \$0.25 in infrastructure or community improvements benefiting the Property for each \$1.00 of debt to be issued by a CFD to finance public infrastructure purposes. If agreed to by the Board, in its sole and absolute discretion, prior infrastructure and community improvements constructed or acquired by the Applicant and benefiting the Property may be included in calculating the Applicant's compliance with this requirement.
- 2.22 Development Agreements. As an appendix, any Development Agreements entered into between the Town and the Applicant relating to this proposed development.

### ARTICLE 3.

#### Application Procedures

- 3.1 Ten copies of the Application for the formation of a CFD shall be submitted to the Manager of the Town who will coordinate an inter-departmental analysis of the Application.
- 3.2 At the time of submission of the Application, the Applicant shall pay a non-refundable Application fee of \$50,000 and shall deposit an additional \$10,000 as a deposit on account to be applied by the Town in its sole discretion to the costs incurred in connection with processing and reviewing the Application and the formation and administration of the CFD. When such \$10,000 (and each subsequent \$10,000 amount hereinafter described) is expended, an accounting will be made to the Applicant for all

costs incurred by the Town and an additional \$10,000 will be requested and must be paid forthwith.

- 3.3 After the Application fee and deposit are submitted, the Manager of the Town shall arrange a pre-application conference with the appropriate Town staff, for the purpose of reviewing the Application for conformity with Town policies.
- 3.4 If, following the pre-application conference or at any other time during the application process Town staff requests additional information, the Applicant shall provide any and all supplemental information requested prior to proceeding to the next step of the review process.
- 3.5 The review, analysis and implementation of the Application will be generally conducted in four sequential phases.
  - a. Phase 1 will consist of a preliminary review of the Application to identify missing or incomplete information and to identify and discuss any initial concerns prior to the Town undertaking a more complete review of the Application.
  - b. Phase 2 will consist of a detailed review of the Application, as amended. The review will include, but will not be limited to, examining the feasibility, financing analyses and evaluation of community benefits relating to the CFD. This phase may include several iterations of review, comment and re-review. Under the direction of the Town, a report may be prepared including recommendations related to the CFD and an analysis of the impact of the formation of the CFD and its effects on the Town. This report may provide a recommended disposition of the Application and any additional requirements that will be placed on the Applicant and/or the CFD.
  - c. Phase 3, if undertaken, will consist of the planning, development, creation, financing and bond issuance for the CFD.
  - d. Phase 4, if necessary, will consist of the continuing administration, oversight and management of the CFD.
- 3.6 If the requirements of 3.2 are then being satisfied and the Application meets the qualifications provided herein, the Application, along with any report and recommendations by Town staff, will be forwarded to the Town Council.
- 3.7 If the Town Council approves an Application, the Applicant and the staff of the Town shall coordinate a schedule of events for formation of the CFD. Simultaneously with formation of the CFD, the Applicant and the Town shall enter into a development agreement incorporating the requirements of any report, recommendations of the Town staff relating to such CFD, the requirements of these policy guidelines and any other restrictions, provisions and agreements required by the Town. If there are existing agreements with the Applicant for the provision of public infrastructure proposed to be

furnished by the CFD, then those agreements will be amended to reflect the agreements and conditions pertaining to the CFD by the means of such development agreement.

ARTICLE 4.  
CFD Financial Operations and Debt Financing

- 4.1 Upon formation of a CFD, the Applicant shall deposit with the CFD a nonrefundable administrative expense fee in the amount of \$75,000. The administrative expense fee shall be applied by the CFD in its sole discretion to the costs and expenses incurred in connection with the formation, review of any feasibility study, election costs, administration, operation and maintenance with respect to the CFD or its public infrastructure. From time to time, upon depletion of the administrative expense fee and provision of an accounting of the uses of such amount, the CFD may request, and the Applicant shall promptly deposit with the CFD, additional \$10,000 deposits to be applied to the purposes contemplated herein.
- 4.2 The Board may require the imposition of an ad valorem property tax upon the CFD taxable property in order to provide for the CFD to be self-supporting for its administrative, operation and maintenance expenses and replacement reserve purposes, if appropriate. Failure to cooperate with the imposition of such tax will relieve the Town and the CFD from undertaking any obligations or operations.
- 4.3 The amount of debt of a CFD may not have any substantial direct or indirect negative impacts on the debt or financing capabilities of the Town, and the debt imposed on the CFD may not impose an unreasonable financial burden on future CFD residents.
- 4.4 Each feasibility report for financing by a CFD shall describe any economic advantage or the estimated savings, if any, to residents in the form of reduced purchase prices, enhanced public services and/amenities, additional community benefits, etc. that are projected to result from such CFD financing.
- 4.5 Proceeds of the sale of each revenue and assessment bond issue shall, to the extent limited by applicable law, be applied to fund a debt service reserve fund in the maximum, permissible amount or an acceptable reserve fund surety bond, insurance policy or other guarantee shall be provided in lieu thereof.
- 4.6 If general obligation bonds are to be issued by the CFD, those general obligation bonds will be secured by an unlimited ad valorem tax on all taxable property located within the CFD. Prior to the issuance of general obligation bonds by the CFD, the Applicant shall describe in the project feasibility report, in addition to the statutory requirements, the following:
  - a. The current direct and overlapping tax and assessment burden on the Property and the full cash value and assessed valuation of the Property as shown on the most recent assessment roll. (In connection with any general obligation or assessment financing, the Applicant shall provide a current appraisal of the fair market value

of the Property that is to be taxed or assessed, prepared by a person who is designated as a Member Appraisal Institute (“MAI”) and a certified general real estate appraiser (such person hereafter referred to as an “MAI Appraiser”), such appraisal to be in form and substance acceptable to the Board, in its sole discretion. Generally, the appraisal shall be based on the wholesale, bulk value of the Property. The appraisal shall not be required if the sizing of the debt issuance is based on existing assessed values or if sufficient collateral is to be provided by the Applicant so that land value is not a determinative issue.)

- b. The amount and timing of CFD general obligation bonds to be issued.
- c. The expected market absorption of development within the CFD.
- d. The effect of the CFD bond issuance on CFD property tax rates, calculated over the entire period of time that the proposed general obligation bonds are estimated to be outstanding or based on the phasing of the public infrastructure to be financed, as applicable.
- e. Any mechanism to limit the total tax rate of the CFD. If the debt service tax rate determined by the Board is not sufficient to produce amounts to pay the entire debt service necessary with respect to the general obligation bonds when due, the Applicant or other entity acceptable to the Board will be required to provide collateral sufficient to pay the difference between the revenues produced by such pre-established tax rate and the actual debt service coming due in that fiscal year in the form of a cash contribution, standby contribution agreement or other acceptable form of security or any combination of the foregoing, which shall be bankruptcy proof, as required by the Board. A cash flow schedule illustrating the amount and the time period required to cover such shortfall will be required to be submitted as part of the feasibility report. Such amount shall be required to remain fully funded until such time as the Board, exercising its sole discretion, determines sufficient assessed valuation has been created that the debt service will be self-supporting. At that time, the Board, exercising its sole discretion, will determine whether the collateral will be released in whole or in part. Parameters for the foregoing will be included in the development agreement described in 3.7.
- f. The marketing plan for the sale of the bonds.

Publicly offered bonds must be rated in one of the four highest investment grade ratings from Standard & Poor’s Corporation, a division of the McGraw-Hill Companies (“S&P”), Moody’s Investors Services (“Moody’s”), or other nationally recognized bond rating service. Pursuant to state statutes, the CFD will not sell non-investment grade bonds in a public offering.

Bonds not publicly offered need not be rated. However, purchasers of such bonds must be similar to those acceptable pursuant to Rule 144A of the Securities Exchange Commission (“Qualified Buyers”) and must agree to hold the bonds for their own account and not to resell the bonds except to Qualified Buyers.

4.7 Revenue bonds shall be payable from a specified revenue source. The Applicant must describe in each project feasibility report, along with the statutory requirements, the following:

- a. The revenue source from which bonds will be payable. The Board reserves the right to require that independently prepared financial feasibility studies or reports be provided as it deems necessary to confirm the amount and availability of revenues.
- b. The expected market absorption of development within the CFD.
- c. The amount and timing of CFD revenue bonds to be issued.
- d. The financial impact of the proposed issue(s) on prospective residents.
- e. Any plan for subsidizing revenues to meet obligations with respect to the bonds.
- f. The marketing plan for sale of the bonds.

Publicly offered bonds must be rated in one of the four-highest investment grade ratings from S&P, Moody's or other nationally recognized bond rating service. Pursuant to state statutes, the CFD will not sell non-investment grade bonds in a public offering.

Bonds not publicly offered need not be rated. However, purchasers of such bonds must be Qualified Buyers and must agree to hold the bonds for their own account and not to resell the bonds except to Qualified Buyers.

4.8 Assessment bonds shall be secured by first lien (subject only to the lien for general taxes and prior special assessments) on the property benefited. The Applicant must describe for assessment bonds in each project feasibility report, along with the statutory requirements, the following:

- a. The current direct and overlapping tax and assessment burdens on real property to comprise the CFD and the full cash value and assessed valuation of that property as shown on the most recent assessment roll. (In connection with any general obligation or assessment financing, the Applicant shall provide a current appraisal of the fair market value of the Property that is to be taxed or assessed, prepared by a person who is designated as a Member Appraisal Institute ("MAI") and a certified general real estate appraiser (such person hereafter referred to as an "MAI Appraiser"), such appraisal to be in form and substance acceptable to the Board, in its sole discretion. Generally, the appraisal shall be based on the wholesale, bulk value of the Property. The appraisal shall not be required if sufficient collateral is to be provided by the Applicant so that land value is not a determinative issue.)
- b. The amount and timing of CFD assessment bonds to be issued.

- c. The expected market absorption of development within the CFD.
- d. The estimated assessment amount to be placed on prospective assessed parcels.
- e. Whether the assessments will be paid upon sales of lots by the Applicant or will remain on the property after sale.
- f. The marketing plan for sale of the bonds.

Publicly offered bonds must be rated in one of the four highest investment grade ratings from S&P, Moody's or other nationally recognized bond rating service, or an appraisal of the Property to be encumbered, prepared by an MAI Appraiser and in form and substance acceptable to the Board, in its sole and absolute discretion, shall indicate a minimum land value to debt ratio of 4 to 1, on an assessed parcel by assessed parcel basis, prior to the issuance of debt.

Bonds not publicly offered need not be rated. However the purchasers of such bonds must be Qualified Buyers and agree to hold the bonds for their own account and not to resell the bonds except to Qualified Buyers. Further, in connection with the sale of unrated bonds, the Board must have received an appraisal of the land to be encumbered, prepared by an MAI Appraiser and in form and substance acceptable to the Board, in its sole and absolute discretion, indicating a minimum land value to debt ratio of 4 to 1, on an assessed parcel by assessed parcel basis, prior to the issuance of debt. If a 4 to 1 ratio is not achieved, a scaling down of the proposed debt and phasing of the infrastructure is expected.

## ARTICLE 5. Financing Considerations

- 5.1 The Applicant (or such other third party acceptable to the CFD) shall indemnify the Town and the CFD and their agents, officers, and employees and shall hold the Town and the CFD and their agents, officers and employees harmless for, from and against any and all liabilities, claims, costs and expenses, including attorneys' fees, incurred with respect to the formation, operation, or administration of the CFD, the offer and sale of CFD bonds, the levying by the CFD of any tax, assessment or charge and the operation and maintenance of public infrastructure financed or owned by the CFD.

In addition, if such insurance is not otherwise available from another source, the Applicant shall be responsible for the cost of a Director's and Officers (D&O) insurance policy to cover all actions and activities taken by the Board and officers of the CFD relating to the CFD formation, financing, administrative actions and other related activities and for depositing the amount of any deductible in escrow with the CFD or for providing a plan for providing for such deductible. The amount of the D&O coverage will be determined by the CFD at the time of formation.

- 5.2 Unless otherwise provided to the CFD pursuant to other requirements, prior to CFD financing and acquisition of any public infrastructure, the CFD will be provided with an independent environmental report or assessment of any real property which will be dedicated to or otherwise owned, leased or operated by the Town or the CFD with respect to any public infrastructure, if necessary, and a proposed form of indemnity agreement with respect to all environmental law liability.

# Disclosure

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## **Anthem at Merrill Ranch Subdivisions - Parkside**

### **District No. 1**

- ✓ **Heritage**
- ✓ **Jubilation**
- ✓ **Monticello**
- ✓ **Tapestry**
- ✓ **Triumph**
- ✓ **Summerville**

### **District No. 2**

- ✓ **Acclaim**
- ✓ **Belmont**
- ✓ **Cambridge**
- ✓ **Destiny**
- ✓ **Inspiration**
- ✓ **Savoy**
- ✓ **Tradition**

*Byomes*





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# Top Selling Master Planned Communities in the U.S. 2014

▶ The Villages	Florida	▶ The Woodlands	Texas
▶ Irvine Ranch	California	▶ Rancho Mission	California
▶ Nocatee	Florida	▶ Cinco Ranch	Texas
▶ Riverstone	Texas	▶ Wildwood North	Texas
▶ Mountain's Edge	Nevada	▶ Summerlin	Nevada
▶ Stapleton	Colorado	▶ Pavilion Park	California
▶ Alana	Texas	▶ Lake Nona	Florida
▶ Valencia	California	▶ Woodforest	Texas
▶ Lakewood Ranch	Florida	▶ Cross Creek Ranch	Texas
▶ Providence	Nevada	▶ Canyon Lakes West	Texas

Source: RCLCO





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## Arizona Community Facility Districts

- ✓ Sun City Festival
- ✓ Verrado
- ✓ Eastmark
- ✓ Vistancia
- ✓ DC Ranch
- ✓ McDowell Mountain Ranch
- ✓ Marley Park
- ✓ Estrella Mountain Ranch

*Homes*

**Pulte**  
*Homes*





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## District Comparison

### District No. 1

- ✓ Size 7,900 ac.
- ✓ G.O. Bonds Issued \$5.3M
- ✓ S.A. Bonds \$4.7M
- ✓ Number of Units 30,000
- ✓ Number Sold 1,135  
4%

### District No. 2

- ✓ Size 1,060 ac.
- ✓ G.O. Bonds Issued \$5.4M
- ✓ S.A. Bonds \$4.1M
- ✓ Number of Units 3,144
- ✓ Number Sold 1,137  
36%

*Homes*





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## Advantages to a CFD

- ✓ **Makes Master Planned Communities more feasible**
- ✓ **Lower Home Cost**
  - ▶ **Infrastructure Costs would have been added to purchase price**
  - ▶ **If added to a mortgage, only mortgage interest is tax deductible**
- ✓ **Property Tax that repays the General Obligation bonds**
  - ▶ **Both the principal and interest payments are tax deductible**

*Homes*

**Pulte**  
*Homes*

# What is Being Financed Through CFDs in Anthem General Obligation Bonds



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- ✓ Hunt Highway
- ✓ Merrill Ranch Parkway
- ✓ Florence Fire Station #2
- ✓ Anthem Way
- ✓ Constitution Way
- ✓ American Way
- ✓ Sun City Boulevard
- ✓ Spirit Loop



Pulte  
Homes



# What is NOT Being Financed Through CFDs in Anthem-General Obligation Bonds



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- ✓ **Recreation Facilities**
  - ▶ **Community Park**
  - ▶ **Poston Butte Golf Course**
  - ▶ **Parkside Recreation Center**
  - ▶ **Sun City Union Center**
- ✓ **Water/sewer infrastructure (West of Felix Road)**

*Anthem*



# What is Being Financed Through CFDs in Anthem Special Assessments



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- ✓ Currently a \$3,500 per lot assessment
- ✓ Improvements within the Unit itself
  - ▶ Storm drain
    - Pipe
    - Drainage structures
  - ▶ Concrete
    - Curb, gutter
    - Sidewalk
  - ▶ Paving

*Homes*

Pulte  
*Homes*



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## Top 5 Taxpayers in CFD Primary Net Assessed Value

### District No. 1

✓ Pulte	\$1.63M
✓ SWVP	\$1.24M
✓ Poston Butte	\$298k
✓ Curis	\$251k
✓ T-Mobile	\$37k

### District No. 2

✓ Florence Hospital	\$2.48M
✓ Vertex I	\$858k
✓ SWVP	\$254k
✓ Pulte	\$205k
✓ PLNU	\$109k



Tax Year 2015







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## Short-Term CFD Issuances

### Special Assessments

- ✓ District No. 1
  - ▶ Unit 53 (Parkside)
  - ▶ Unit 50 (Sun City)
- ✓ District No. 2
  - ▶ Unit 36 (Sun City)

### General Obligation

- ✓ District No. 1
  - ▶ \$1.5M Bond – 2016
- ✓ District No. 2
  - ▶ \$1.3M Bond – 2016

*Homes*





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## Pulte Going Forward – Next 4 Years

### Subdivisions

- ✓ **Parkside**
  - ▶ 470 new lots
  - ▶ Average 90 sales/year
- ✓ **Sun City**
  - ▶ 540 new lots
  - ▶ Average 120 sales/year

### Infrastructure

- ✓ **Merrill Ranch Parkway – Hunt Highway to the West**
- ✓ **Constitution Way**
- ✓ **Spirit Loop – Full completion**

*Homes*



**QUESTIONS??**

