

MINUTES OF THE MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1 SPECIAL MEETING HELD ON MONDAY, JULY 30, 2018, AT 6:00 P.M., IN THE FLORENCE TOWN COUNCIL CHAMBERS, LOCATED AT 775 N. MAIN STREET, FLORENCE, ARIZONA.

CALL TO ORDER

Chairman Walter called the meeting to order at 6:00 pm.

ROLL CALL:

Present: Walter, Woolridge, Hawkins, Guilin, Anderson, Wall, Larsen

NEW BUSINESS

Ordinance No. MRCFD1 115-18

Chairman Walter read Ordinance No. MRCFD1 115-18 by title only.

AN ORDINANCE OF THE MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1, PINAL COUNTY, ARIZONA, LEVYING THE ASSESSED VALUATION OF THE PROPERTY WITHIN THE COMMUNITY FACILITIES DISTRICT NO. 1 SUBJECT TO TAXATION OF CERTAIN SUM UPON EACH \$100 OF VALUATION SUFFICIENT TO RAISE THE AMOUNT ESTIMATED TO BE RECEIVED FROM FUNDS FOR COMMUNITY FACILITIES EXPENSES FOR THE FISCAL YEAR ENDING THE 30th DAY OF JUNE 2019, AND DECLARING AN EMERGENCY.

Mr. Joe Jarvis, District Treasurer, stated the second property tax impacts property owners within the Community Facilities District No.1. At the previous meeting, the District Board unanimously approved the budget for this next fiscal year, which included the minimum recommended property tax rate for CFD No. 1. He stated that the way the minimum rate was determined was that staff and consultants reviewed the immediate needs for the District this next fiscal year and presented a rate. Since then, staff has finished their conversation with the Town's consultants and Pulte and is presenting a secondary property tax rate of \$3.28, which includes \$0.30 for operations and maintenance. The remainder of \$2.98 will be for paying the GO Bond principal and interest and potential issuances in this next fiscal year.

Boardmember Guilin stated that a rate of \$1.90 was presented at the last meeting. She inquired what the additional levy is for.

District Treasurer Jarvis stated that since the CFDs were created, the District Boards have approved the same rate of \$3.55, which was \$3.25 per \$100 per the limited assessed value and \$0.30 for operations and maintenance. One of the changes that has occurred is Arizona Revised Statutes clearly defined what the fund balance can be within the GO cash fund balance within the Districts. There is more cash than what is allowed so they are proposing a lower rate in order to get in line with the Arizona Revised Statutes. Previously, staff had proposed a rate of \$1.9025. The new proposed rate is \$3.28.

District Treasurer Jarvis stated that they have reviewed the principal and interest payments for Series 2017 which is the refunding of Series 2008. It includes the same \$0.30 for operations and maintenance. The difference is that previously they had proposed interest only payments in this next fiscal year for a potential \$2 million GO Bond whereas now they are proposing \$360,000 as principal and interest payments on projected bond issuances in this fiscal year. He stated that previously, he had proposed a 5% delinquency rate. Staff has gone and reviewed the delinquency rate. The delinquency is those who have not paid their property taxes. Staff has found that less than 1% of the property owners within the CFD are delinquent on their property taxes. The delinquency rate was reduced to 1.75%.

District Treasurer Jarvis stated that the changes from the last presentation are:
Increased projected principal and interest payments to \$360,000 for the next year
Reduced the delinquency rate from 5% to 1.75%.
Initial levy was proposed at approximately \$457,000
The proposed revised levy is \$788,856.28

Boardmember Guilin inquired why they had initially only proposed to pay interest for this next year.

District Treasurer Jarvis stated that CFD No. 1 has some limitations that need to be addressed. It was also important to draw down the cash balance. They had initially proposed the idea that they would only pay interest this next fiscal year because they are not sure how much and in what amount of debt issuance they could do in this next fiscal year for GO bonds. He stated that after discussion with the consultants, it was agreed that they felt confident that they could either issue new GO bonds this next fiscal year or utilize that cash to refund existing bonds or pay down existing debt.

District Treasurer stated that when they adopted the new rate they had anticipated making principal and interest payments in the fiscal year, but in the previous proposal the interest was to pay interest only next year. He stated that it was then decided that they would pay principal and interest on any new issuances to help bring down the cash balance.

Brent Billingsley, District Manager, stated that this is the first time ever that a recommendation is being presented to lower the rates in the CFDs. The minimum rate was provided at the last meeting. After discussions with Pulte and the Town's financial advisors (Piper Jaffray and Stifle), which included existing balances and their relationships to State Law, opportunities for refunding and not for new issuances of GO bonds due to the limitations that they have, and Pulte's position with respect to this. Pulte would have liked for the rates to remain the same because they have housing products for sale in both districts that are very similar, and it would be challenging for them.

District Manager Billingsley stated that they went through the financial entities and determined where they needed to be to come in line with the State Law and allow us to do the transactions that may be necessary or feasible in both CFDs while trying to understand where Pulte was coming from. A reduction in rate is being proposed for CFD No. 1 with the understanding the rate is going to decrease further next year if those transactions do not take place in the current year.

District Manager Billingsley stated that in the ordinance rates can only increase on a maximum level year-to-year by 5%.

Boardmember Guilin understood the rate increase was only on primary property tax, and not ad valorem.

District Manager Billingsley stated that per the advice of their financial advisor, it was 5% maximum increase per year. He stated this was per Proposition 117 that was approved in 2015.

On motion of Boardmember Wall, seconded by Boardmember Hawkins, to adopt Ordinance No. MRCFD1 115-18.

Roll Call Vote:

Boardmember Wall: Yes

Boardmember Hawkins: Yes

Boardmember Guilin: Yes

Boardmember Anderson: Yes

Boardmember Larsen: Yes

Vice-Chairman Woolridge: Yes

Chairman Walter: Yes


Motion Passed: Yes: 7; No: 0

Discussion/Approval/Disapproval of the Merrill Ranch Community Facilities District No. 1 July 16, 2018 Special Meeting minutes.

On motion of Vice-Chairman Woolridge, seconded by Boardmember Larsen, and carried (7-0) to approve the Merrill Ranch Community Facilities District No. 1 July 16, 2018 Special Meeting minutes.

ADJOURNMENT

On motion of Vice-Chairman Woolridge, seconded by Boardmember Larsen, and carried (7-0) to adjourn the meeting.



Tara Walter, Chairman

ATTEST:



Lisa Garcia, District Clerk

I certify that the following is a true and correct copy of the minutes of the Merrill Ranch Community Facilities District No. 1 meeting held on July 30, 2018, and that the meeting was duly called to order and that a quorum was present.



Lisa Garcia, District Clerk