



MEMORANDUM

Date: July 14, 2017

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator 

Re: **Community Facilities District Discussion at the July 11, 2017 Board of Supervisors Meeting**

At the July 11, 2017 Board of Supervisors meeting, an issue was raised regarding an email from Finance Director Keith Dommer to District 1 staff on the Community Facilities District Intergovernmental Agreement item. That email communication is attached for your review.

As you can see, Mr. Dommer answered specific questions from District 1 staff, who raised issues of liability, property taxes, and operation and maintenance, etc. The answers to these questions are straightforward and accurate, and I restated these answers during oral questioning from Supervisor Ally Miller regarding the CFD.

There is no direct legal liability associated with default of the CFD that would obligate the County in any way to resolve a default issue nor take the place of the CFD if default occurs. The only issue is the perception that default is somehow related to Pima County, which it is not. Perception does not imply liability.

The property tax rate is a rate in addition to the County's property tax, and it used to retire debt incurred within the CFD for public facilities that would normally be built by a developer and, in all cases, conveyed to a public agency for maintenance. This occurs with other CFDs already enacted in Pima County by municipalities such as the Towns of Sahuarita and Marana.

The tax rate for maintenance and operation is above what anyone would pay in other circumstances where a developer builds public infrastructure, typically streets. By State law, once they are constructed to County standards, they are turned over to the County for maintenance. In the case of a CFD, the maintenance or operating tax is a payment in addition to what normally would be paid by other developers, which is nothing in the area of operating and maintenance expenses. CFDs are beneficial to the County, particularly as they provide some, if not all, funding for typical maintenance and operations. In this case, for public streets.

The Honorable Chair and Members, Pima County Board of Supervisors
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The information provided by Mr. Dommer is not new and is no different from any other CFD enacted in Arizona.

If you have any further questions regarding this CFD or any other that could be enacted in Pima County, please contact me.

CHH/anc

Attachment

c: Tom Burke, Deputy County Administrator for Administration
Keith Dommer, Director, Finance and Risk Management

From: Keith Dommer
Sent: Wednesday, July 5, 2017 5:38 PM
To: Shirley Lamonna <Shirley.Lamonna@pima.gov>
Cc: Carmine DeBonis <Carmine.DeBonis@pima.gov>; Tom Burke <Tom.Burke@pima.gov>
Subject: RE: Rocking K

Hi Shirl –

Please see the answers below.

-keith

From: Shirley Lamonna
Sent: Wednesday, July 5, 2017 2:50 PM
To: Keith Dommer <Keith.Dommer@pima.gov>
Subject: Rocking K

Good afternoon, Mr. Dommer,

I am hoping you can answer several questions regarding the Development & IGA for Rocking K South Community Facilities District that will be heard at Tuesday's Board of Supervisors meeting.

- What is the liability of the Board in approving the CFD's Development & IGA? (i.e. Default/Bankruptcy)

The County has no liability in the event of the District defaulting on the District's debt or in a District bankruptcy event. The District is a separate legal entity and any debt issued would be District debt, not County debt. The District's resolution approving the development and intergovernmental agreement specifically states that the County has no direct or indirect liability or obligation for any of the District's debt, liabilities, costs, expenses, or obligations. Neither the County's credit nor the County's taxing power is pledged for any District purpose.

The County will have the ordinary responsibilities that come with owning public infrastructure after the infrastructure is built and conveyed to the County. In the event of a District bankruptcy, the County would operate and maintain any conveyed infrastructure without reimbursement from the District's operation and maintenance tax.

Although there is no County liability for District debt, the County's debt could be perceived differently if the District defaulted on the District's debt.

- Is the debt service target rate of \$2.30 in addition to the normal County property tax? Does this sunset at any point?

The District's debt service target tax rate of \$2.30 is a District tax. It would be in addition to the County's property taxes. According to the Rocking K Development Company's plan, the District's debt service target tax rate of \$2.30 would be needed until 2043 when the District's debt service tax rate would gradually reduce to zero in 2059.

- Does the tax rate (initially \$0.30) for operation of the District & maintenance of infrastructure remain in perpetuity?

The District's operating and maintenance tax is planned to continue as long as the District exists.

- Who are the qualified electors of the District that will be eligible to vote?

The qualified elector of the District is currently the sole owner of all the District's land – Fidelity National Title Agency, Inc. Trust No. 60380. The Trust will be the only voter.

- Will these taxes only apply to new homes? Or are the boundaries of the District extended such that existing homeowners fall within it & will therefore have the additional taxes levied against them?

The District is currently comprised of undeveloped land with a sole owner. There are no existing homeowners within the District.

Many thanks for your assistance.

Shirl

Shirl Lamonna
Research Analyst

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Pima County Board of Supervisors
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