

**TOWN OF MARANA, ARIZONA
POLICY GUIDELINES AND APPLICATION PROCEDURES
FOR THE ESTABLISHMENT OF
COMMUNITY FACILITIES DISTRICTS***

In order to secure for the Town of Marana, Arizona (the “Town”) the benefits of the Community Facilities Act† (the “Act”) and to promote the best interests of the Town, the following CFD Policy Guidelines and Application Procedures (these “CFD Policy Guidelines”) have been adopted by the Town Council.

A community facilities district (“CFD”) provides a funding mechanism to finance construction, operation, and maintenance of public infrastructure within the boundaries of the CFD, and to better enable the Town to provide municipal services within the boundaries of the CFD. The Town Council recognizes the ability of the CFD to permit the construction of infrastructure that might otherwise not be constructed. For these reasons, the Town Council has established these CFD Policy Guidelines.

Considering that the establishment of a CFD is the legal equivalent of the establishment of an entirely new municipal entity within the boundaries of the Town, the Town Council believes that the formation of the CFD should be entered into carefully, to ensure its lasting success.

ARTICLE 1. GENERAL POLICIES

- 1.1. CFDs should be utilized primarily in connection with the financing of major infrastructure for development of residential projects, master planned communities or projects which include resort hotels or substantial commercial development.
- 1.2. Priority should be given to CFDs that provide an enhanced level of public infrastructure amenities and/or municipal services. CFD financing will not be provided for public infrastructure improvements which are normally expected as part of a development. Public improvements financed by a CFD should be in conformance with the Town’s General Plan in order to encourage orderly growth and development.
- 1.3. All costs incurred by the Town and the CFD in connection with the CFD application, formation, and administration, and all operation expenses appurtenant to the CFD, will be paid by the developer/landowner (the “Applicant”) through advance payments as provided in these CFD Policy Guidelines. Payment shall include payment for services rendered by Town and CFD staff as well as services rendered by outside consultants who may be retained by the Town or the CFD, including but not limited to bond counsel, financial advisors, engineers, and appraisers. If the Town or CFD uses outside consultants as “staff,” such as attorneys or engineers, those consultants will also be paid their customary rate for services. If authorized by the CFD Board, exercising its sole discretion, all or part of such costs may be paid by a CFD tax levy or reimbursed to the Applicant from a CFD tax levy, CFD assessment, CFD revenues, or CFD bond proceeds, so long as such reimbursement is in conformance with federal law, state law, and these CFD Policy Guidelines.

* Adopted by Marana Resolution No. 97-42 (5/21/1997); amended by Marana Resolution No. 2004-161 (11/5/04) and Marana Resolution No. 2019-XXX (XX/XX/2019).

† Arizona Revised Statutes section (A.R.S. §) 48-701 *et. seq.*, as amended.

- 1.4. 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. These CFD Policy Guidelines are adopted to provide ease of administration and the largest tax/revenue base possible. The decision to form a CFD shall be a decision of the Town Council exercised in its sole and absolute discretion.
- 1.5. Unless otherwise agreed to by the Town, a CFD formed after 2018 will be governed by a board of directors comprised of the members of the Town Council, ex officio, with two additional members designated by the owner of the largest amount of privately-owned acreage in the proposed district and who are appointed by Town Council. The day-to-day responsibilities of the CFD will be performed by Town staff or, pursuant to a contract, by outside personnel. At the sole option of the CFD Board, advisory committees may be utilized.
- 1.6. Unless otherwise agreed to by the Town, the CFD must be self-supporting from the standpoints of financing, operations, and maintenance. No Town funds will be used for CFD purposes. Notwithstanding anything contained in these CFD Policy Guidelines, neither the property, the full faith and credit, nor the taxing power of the Town shall be pledged to the payment of any CFD obligation or indebtedness.
- 1.7. The CFD Board will determine, in its sole and absolute discretion, the amount, timing, and form of financing to be used by a CFD after review of the project feasibility report, Member Appraisal Institute (“MAI”) property appraisals (utilizing the appropriate appraisal methodology) acceptable to the CFD Board, and other required pertinent information.
- 1.8. A key tenet of these CFD Policy Guidelines is the financial protection of homeowners within a CFD. As such, these CFD Policy Guidelines include provisions that attempt to protect homeowners from financial liability in excess of targeted tax rates and assessments. Similarly, these CFD Policy Guidelines include provisions designed to meet all financial obligations and/or legal exposures of the CFD.
- 1.9. The CFD will construct all public improvements utilizing public bidding procedures in accordance with applicable laws, rules, and regulations and as would be applied by the Town in a construction project for the Town. In general, this requires compliance with Arizona Revised Statutes Title 34 and the Town of Marana Procurement Code (Town Code Chapter 3-4).
- 1.10. 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 its property.
- 1.11. CFD bond proceeds will not be used for public infrastructure improvements which are included in an infrastructure improvements plan adopted in support of a development impact fee.
- 1.12. The Town retains the right to select all consultants necessary for the evaluation of any application and the proceedings for the formation of a CFD and the issuance of CFD bonds. This includes but is not limited to any special tax consultant, bond counsel, underwriter, appraiser, engineer, or any other consultant deemed necessary by the Town or the CFD Board.
- 1.13. These CFD Policy Guidelines may be modified from time to time by the Town. Any 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 by the Town Council.

ARTICLE 2. CONTENT OF APPLICATION

- 2.1. **Completed Application.** Pursuant to A.R.S. § 48-702(B), the Applicant shall submit a completed application for the formation of a CFD (the “Completed Application”) to the Town’s Finance Department before the Town will consider forming a CFD. The Completed Application shall, at a minimum, contain the information set forth below and must be organized in the manner described in this Article.
- 2.2. **Petition in Favor of Formation.** The Completed Application shall include a petition signed by the owners of at least 25% of the land area proposed to be included in the CFD. The petition must include a list of all parcels in the proposed CFD along with the parcel number, owner names, situs address and lot size (parcel square footage or acreage) for each individual parcel.
- 2.3. **Applicant Information.** The Completed Application shall include:
- a. A description of the Applicant, including its corporate and organizational structure, and the names of all officers and corporate directors of the Applicant.
 - b. The name, address, telephone number, and email address of the Applicant’s primary contact.
 - c. The names, addresses, telephone numbers, and email addresses of any legal representatives, engineers, architects, financial consultants or other consultants of the Applicant or significantly involved in the application.
 - d. A general description of the Applicant’s experience with similar types of developments.
 - e. Evidence demonstrating the Applicant’s ability and capacity (including financial statements and supporting information) to undertake the proposed public infrastructure and private development.
- 2.4. **Board Member Information.** The Completed Application shall describe the process for the designation of two additional CFD Board members, including the following:
- a. Provide the names, addresses, telephone numbers, email addresses, backgrounds, qualifications, and other relevant information of the two proposed additional CFD Board members to be designated by the owner of the largest amount of privately owned acreage in the proposed CFD.
 - b. State the process for the designation of the two additional CFD Board members on completion of the development of all property in the CFD.
 - c. Provide documentation evidencing each proposed CFD Board member’s acknowledgment of his or her obligation to comply with Arizona Revised Statutes Title 38 (“Public Officers and Employees”), Chapter 3 (“Conduct of Office”), Articles 3.1 (“Public Meetings and Proceedings”) and 8 (“Conflict of Interest of Officers and Employees”).
 - d. Provide unqualified hold harmless and indemnity guarantees to the Town, the CFD, and officers, agents and employees of the Town and the CFD for the actions and conduct of each proposed CFD Board member.
- 2.5. **Proposed CFD.** The Completed Application shall include:
- a. A description 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 Map for the area.

- b. A general description of the proposed CFD with an analysis of the appropriateness of the CFD boundaries.
- c. A legal description of the proposed CFD boundaries with an accompanying depiction.
- d. A current title report showing the names and addresses of persons with any interest in the land within the proposed CFD boundaries.
- e. A certificate from the respective county elections department(s) showing the names and addresses of all qualified electors in the proposed CFD boundaries.

2.6. Project Description and Proposed Improvements. The Completed Application shall include:

- a. A general plan setting out a detailed description of the types of public infrastructure to be financed by the CFD, including the estimated construction or acquisition costs of the public infrastructure and the annual operation and maintenance costs of the public infrastructure and the governmental approvals that will be required for both the public and private improvements to be constructed and operated within the proposed CFD.
- b. A proposed project schedule for commencement and completion of the public infrastructure and the private development within the proposed CFD.

2.7. Financing Plan. The Completed Application shall include a detailed description of the financing plan that includes the sources and uses of monies to be used to cover the capital, operating, and maintenance costs for the public infrastructure within the proposed CFD, including the proposed types and amounts of tax-exempt/taxable bonds requested to be considered for the public improvements.

2.8. Financial Feasibility Study. The Completed Application shall include a financial feasibility study, covering the period of time until the last proposed bond of the CFD will be paid, for the entire project being developed on the property in the proposed CFD, including both the public infrastructure and the private development. The financial feasibility study shall include:

- a. An analysis of how the proposed debt financing, operation and maintenance costs, user charges and other CFD costs will be allocated and what will be the impact to the ultimate end users of the property, specifically projected property taxes and property tax rates, special assessments, fees, charges and any other costs that would be borne by property in the CFD. The analysis shall also address the impact these costs will have on the marketability of the private development and a comparison of proposed tax rates or charges within the proposed CFD contrasted with the tax rates and charges within the proposed CFD contrasted to the tax rates and changes in adjoining and similar areas outside of the proposed CFD.
- b. A financing plan for the private development in the CFD.
- c. A market absorption study for the private development in the CFD, prepared by an independent consultant acceptable to the Town, which shall include estimates of the

revenue to be generated by the development, an estimate of the ability of the market to absorb the development, and a market absorption calendar for the development.

- d. A value-to-lien ratio analysis based on the requirements of these CFD Policy Guidelines. The value portion of the analysis shall be the estimated value of the property within the CFD determined per subparagraph 4.6.g.iii below. The lien portion of the analysis shall be the sum of the principal amount of any outstanding CFD public financing and the proposed public financing.
- e. A description and estimated amounts of the proposed equity contribution from the Applicant and a calendar showing the timing of such equity contribution.

2.9. **Insurance.** The Completed Application shall provide an explanation of how insurance coverage shall be provided by the Applicant and how assurances will be provided that premiums and deductibles will be paid in the future. The Applicant is responsible for the cost of insurance to cover all actions and activities taken by the Board of Directors and officers of the CFD relating to the CFD formation, financing, administrative actions or other related activities of the types, in amounts and with deductibles determined by the Risk Manager of the Town. Insurance must include “per occurrence coverage” including a “securities” rider if bonds are to be sold.

2.10. **Indemnification.** The Completed Application shall indicate how indemnification as required by the Development Agreement will be provided by the Applicant to the Town and the CFD and their agents, officers, and employees for, from, and against any and all liabilities, claims, costs and expenses, including attorneys’ fees, incurred in any challenge or proceeding to the formation, operation, 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. The Completed Application shall include financial statements and other supporting information for the entity providing the indemnification and shall provide appropriate collateral to cover the indemnity.

2.11. **Other Information.** The Completed Application shall include:

- a. A detailed description of the proposed marketing plan to be used by the Applicant and/or home builders to market property within the CFD. This information may include, but is not limited to, descriptions and cost estimates of public infrastructure improvements to be financed by the CFD and a comparison of the proposed CFD to similar CFDs in the area.
- b. A homebuyer disclosure form with a signed acknowledgement of receipt by the initial homebuyer of each lot in the CFD, in which the Applicant or home builder explains to prospective CFD landowners all of the following:
 - i. The existence of the CFD.
 - ii. The purposes for which the CFD was formed.
 - iii. The CFD’s expected and possible secondary property tax rate.
 - iv. The estimated annual secondary tax amount based on applying the CFD’s expected and possible secondary property tax rate to a representative residential property value.
 - v. Assessment and other financial burdens of the CFD.

- c. The Applicant's description of the signing and record-keeping processes to be used for retaining all signed homebuyer disclosure forms, which shall include a requirement that the Applicant or home builder shall file with the Town a copy of each signed homebuyer disclosure form within 30 days of sale.
- d. An operating plan for the CFD, explaining what functions the CFD will provide and how the operation and maintenance of the infrastructure and all other services in the CFD will be provided.
- e. The District Development and Financing Participation Agreement between the Town and the Applicant (the "Development Agreement") in substantially final form, including all terms and provisions to be approved by the Town if formation of a CFD is approved. The Development Agreement must include matters required by the Act, including without limitation the subdivision public report requirements at A.R.S. § 48-708 (D), and must have been fully negotiated by the Applicant and Town staff, with agreement by both parties.

ARTICLE 3. APPLICATION PROCEDURES

- 3.1. The original and one electronic copy of the application for the formation of a CFD shall be submitted to the Finance Director of the Town who will coordinate an interdepartmental analysis of each application.
- 3.2. At the time of submission of the application, the applicant shall pay an application fee of **\$15,000.00**.
- 3.3. Prior to submission of a Completed Application, and at the request of a potential Applicant, the Finance Director may arrange a pre-application conference with the potential Applicant, appropriate Town staff, and outside professionals and consultants, for the purpose of discussing the possible submission of a Completed Application for conformity with these CFD Policy Guidelines.
- 3.4. The Applicant shall provide any and all supplemental information requested by Town staff at or following the pre-application conference or any other time during the application process.
- 3.5. The review, analysis and consideration of a Completed Application will include:
 - a. A comprehensive review of the completed application to determine whether the completed application is consistent with these CFD Policy Guidelines, identification of missing or incomplete information and identification and discussion of any concerns with the Applicant. This will include, but will not be limited to, examining the project feasibility, analysis of land ownership interests, financing analyses, risk analysis and evaluation of community benefits.
 - b. Under the direction of the Finance Director, a report may be prepared including recommendations related to the proposed CFD and an analysis of the impact of the formation of the proposed CFD and its effects on the Town. The report may recommend that additional requirements be placed on the Applicant, on any related developer, landowner, or builder, and/or on the proposed CFD itself. This review will include the preliminary approval of the form, terms and provisions of the "substantially complete" Development and Financing Participation Agreement necessary for formation of a CFD.
- 3.6. Within 60 days after the Applicant's submission of a Completed Application, the Town Council shall hold a public hearing to consider the Completed Application. A resolution

declaring the intent to form a CFD may be considered by Town Council immediately following the public hearing. If the Town Council does not adopt the resolution, it will provide a written basis for not adopting the resolution and shall identify the specific changes needed for the completed application to be approved.

- 3.7. If an application includes a petition for formation signed by owners of all of the land in the proposed CFD and meets all the requirements of Article 2 in form satisfactory to the Town, the Town may declare the CFD formed without posting, publication, mailing, notice and public hearings or landowner election. Otherwise, the alternative provisions of the Act must be followed.
- 3.8. If the Town Council approves the formation of a CFD, any existing agreements with the Applicant for the provision of infrastructure proposed to be furnished by the CFD will be deemed amended to reflect the agreements and conditions pertaining to the CFD. The amendments will reflect that such infrastructure improvements will be provided (including by acquisition) by either the Applicant or the CFD.
- 3.9. If the Town Council approves an application for formation of a CFD, the Applicant and Town staff shall coordinate a schedule of events for formation of the CFD and shall finalize negotiation of the Development Agreement, which shall be entered into prior to or concurrently with formation of the CFD and which shall incorporate the requirements of any report or recommendations of Town staff relating to the CFD, the requirements of these CFD Policy Guidelines, and any other restrictions and provisions required by the Town.

ARTICLE 4. CFD OPERATIONS AND DEBT FINANCING

- 4.1. The Applicant shall be obligated to pay costs and expenses incurred in connection with the formation, review of any feasibility study, election costs, administration, operation, and maintenance of the CFD or its public improvements.
 - a. Upon formation of a CFD the Applicant shall deposit with the Town's Finance Department a non-refundable administrative expense fee in the amount of \$50,000. The administrative expense fee shall be applied by the Town to the costs and expenses incurred in connection with the formation, review of any feasibility study, election costs, administration, operation, and maintenance of the CFD or its public improvements. From time to time, upon depletion of the administrative expense fee, the Town may request, and the Applicant shall promptly deposit, additional \$25,000 deposits to be applied to the purposes contemplated in this Section 4.1.
 - b. An ad valorem tax of \$.30 per \$100 of assessed valuation for all real and personal property in the CFD shall be assessed pursuant to A.R.S. § 48-723 to cover administrative, operation, and maintenance expenses incurred by the CFD and by the Town for the benefit of the CFD. CFD administration, operation, and maintenance costs will be paid first from the proceeds of this ad valorem tax, and then from the Applicant's deposit referenced in subsection 4.1.a above.
 - c. The Applicant shall provide \$100,000 in the form of a cash contribution, letter of credit, or other acceptable form of security, which shall be bankruptcy proof, as required by the CFD Board, to secure the Applicant's obligation to pay costs and expenses incurred in connection with administration, operation, and maintenance of the CFD or its public improvements.

- d. The security required under subsections 4.1.a and 4.1.c above shall remain in full force and effect until the assessed value of real property in the CFD generates at least \$100,000 per year ad valorem taxes from the \$.30 per \$100 of assessed valuation assessed pursuant to A.R.S. § 48-723 for a period of three consecutive years or until the CFD is dissolved pursuant to A.R.S. § 48-724.
 - e. The Applicant remains obligated to pay costs and expenses incurred in connection with the CFD notwithstanding any release of security.
- 4.2. In connection with any request for debt financing, the Applicant shall provide a current appraisal of the fair cash market value of the property within the proposed CFD which 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 Town, in its sole discretion.
- 4.3. The amount of CFD debt shall not have any substantial direct or indirect negative impacts on the debt or financing capabilities of the Town, and the CFD debt shall not impose an unreasonable financial burden on future CFD residents.
- 4.4. General obligation bonds of the CFD are secured by an ad valorem tax on all taxable property located within the CFD. An Applicant seeking the issuance of CFD general obligation bonds shall describe in each project feasibility report the following:
- a. The current direct and overlapping tax and assessment burden on the taxable property that is proposed to be taxed and the full cash value and assessed valuation of the taxable property as shown on the most recent assessment roll.
 - 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 tax rates, calculated as of the beginning, midway through, and at the end of the market absorption period, or based on the phasing of the project to be financed, as applicable.
 - e. Estimated savings, if any, to residents in the form of reduced home sales prices which are projected to result from CFD financing.
 - f. The proposed total tax rate of the CFD. If the pre-established debt service target tax rate is not sufficient to pay the entire debt service in respect of outstanding general obligation bonds when due, the Applicant will be required to contribute an amount annually sufficient to pay the difference between the revenues produced by the pre-established target tax rate and the actual CFD debt service coming due in that fiscal year. To secure the Applicant’s payment of this contribution, the Applicant shall provide security in the form of a cash contribution, letter of credit, or other acceptable form of security, which shall be bankruptcy proof, as required by the CFD Board, in the amount of the larger of (i) three times the difference between Maximum Annual Debt Service (“MADS”) and the estimated taxes to be collected in the year immediately following the year of bond issuance or (ii) MADS (1 x MADS). All of the foregoing items need to be described in detail. A cash flow schedule illustrating the security amount and the time period required to cover such shortfall will be required to be submitted by the Applicant prior to the issuance of general

obligation bonds. The security may be resized at each subsequent bond issuance to the larger of (i) three times the difference between MADS and the estimated taxes to be collected in the year immediately following the year of bond issuance or (ii) MADS. The security shall remain in full force and effect until such time as the assessed value of real property in the CFD generates ad valorem taxes at the pre-established CFD target tax rate sufficient to pay the annual CFD debt service, when due, for a period of three consecutive years beginning the year immediately following the final bond issuance.

- g. Whether the bonds will be publicly offered or privately placed. Publicly offered bonds must be rated in one of the four highest investment grade ratings from Standard & Poor's Corporation, Moody's Investors Services, Inc., or another nationally recognized bond rating service. Privately placed bonds need not be rated; however, the purchasers of such general obligation bonds must be "qualified institutional buyers" (as that term is defined in Rule 144A of the Securities Exchange Commission) and must agree not to resell the bonds except to "qualified institutional buyers" in a private placement; provided, however, that a purchaser of general obligation bonds in a private placement may sell the bonds in a public offering if the CFD board approves the public sale and the bonds have an investment grade rating.

4.5. Revenue bonds shall be payable from a CFD revenue source. An Applicant seeking the issuance of CFD revenue bonds must describe in each project feasibility report, the following:

- a. The current direct and overlapping tax and assessment burdens on the taxable property within the CFD and the full cash value and assessed valuation of that taxable property as shown on the most recent assessment roll.
- b. The revenue source from which bonds will be payable. The Town reserves the right to require the applicant to produce such independently prepared feasibility studies or reports as it deems necessary to confirm the amount and availability of revenues.
- c. The expected market absorption of development within the CFD.
- d. The amount and timing of CFD revenue bonds to be issued.
- e. The financial impact of the proposed issue(s) on prospective residents.
- f. Whether the bonds will be publicly offered or privately placed. Publicly offered revenue bonds must be rated in one of the four highest investment grade ratings from Standard & Poor's Corporation, Moody's Investors Service, Inc., or another nationally recognized bond rating service. Privately placed bonds need not be rated; however, the purchasers of such revenue bonds must be "qualified institutional buyers" and must agree not to sell the bonds except to "qualified institutional buyers" in a private placement; provided, however, that a purchaser of a revenue bond in a private placement may sell the bonds in a public offering if the CFD board approves the public sale and the bonds have an investment grade rating.

4.6. Assessment bonds shall be secured by first lien (subject only to the lien for general taxes and prior special assessments) on the property benefited. An Applicant seeking the issuance of CFD assessment bonds shall describe in the application and in each project feasibility report, 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.
- b. The amount and timing of CFD assessment bonds to be issued.
- c. The expected market absorption of development within the CFD.
- d. The assessment burden to be placed on prospective residents.
- e. Whether the assessments will be paid upon the sale of lots by the Applicant or will remain on the property after sale.
- f. If assessed parcels of land are expected to be subdivided, the process by which the assessments will be allocated to the subdivided land.
- g. Whether the assessment bonds will be publicly offered or privately placed.
 - i. Publicly offered assessment bonds must be rated in one of the four highest investment grade ratings from Standard & Poor's Corporation, Moody's Investors Service, Inc., or another nationally recognized bond rating service. Alternatively, in an unrated public offering, the Applicant shall provide an independent fee appraisal of the land to be encumbered, prepared by an MAI Appraiser and in form and substance acceptable to the CFD Board, in its sole discretion, evidencing
 - 1) A land value to debt ratio of at least 4 to 1 prior to the issuance of debt for extraordinary public infrastructure requirements (as defined in subparagraph 5.5.b below).
 - 2) A land value to debt ratio of at least 6 to 1 prior to the issuance of debt in all other circumstances.
 - ii. Privately placed bonds need not be rated; however the purchasers of such assessment bonds must be "qualified institutional buyers" who must agree to hold the bonds for their own account or agree not to sell the bonds except to "qualified institutional buyers." In connection with the sale of unrated privately placed assessment bonds, the Applicant shall provide an independent fee appraisal of the land to be encumbered, prepared by an MAI Appraiser and in form and substance acceptable to the CFD Board, in its sole discretion, indicating a land value to debt ratio of at least 4 to 1 as of a date prior to the issuance of debt.
 - iii. The independent fee appraisal provided by the Applicant for an unrated public offering (subparagraph i above) or for privately placed bonds (subparagraph ii above) shall value the property as follows:
 - 1) Where the bonds will be used to pay for extraordinary public infrastructure requirements (as defined in subparagraph 5.5.b below), the appraisal shall be based on the appraised value of the land to be encumbered including the value of constructed or expected to be constructed public improvements. The value of public improvements expected to be constructed will only be considered if adequate security (performance bond or similar) is in place to ensure that the assets are constructed.

- 2) In all other circumstances, the appraisal shall be based on the appraised value of the land to be encumbered at its bulk wholesale value prior to any private or public improvements being installed.
- 4.7. Notwithstanding the restrictions pertaining to public sales and private placements of the bonds set forth in this Article 4, the restrictions may be modified if other financing structures are presented which, in the sole discretion of the CFD Board, provide other means to address CFD concerns.

ARTICLE 5. FINANCING CONSIDERATIONS

- 5.1. The Applicant shall provide at least \$0.25 in infrastructure or community improvements for each \$1.00 of debt to be issued by a CFD to finance public infrastructure purposes. If agreed to by the CFD, prior infrastructure and community improvements constructed or acquired by the Applicant and benefiting the property within the CFD may be included in calculating the Applicant's compliance with this Section 5.1.
- 5.2. If allowed by law, all bond issues shall include a debt service reserve fund in an amount acceptable to the CFD Board.
- 5.3. Privately placed bonds shall have minimum authorized denominations of \$100,000.
- 5.4. A general obligation bond authorization for a CFD shall expire no later than the earlier of the 15th anniversary of the first bond issuance or 75% of development lots. Under extenuating circumstances the CFD Board may, in its sole and absolute discretion, extend this period.
- 5.5. In further consideration of the types of debt obligations used to finance the acquisition or construction of eligible public infrastructure, the following shall guide CFD obligations:
 - a. Routine Public Infrastructure Requirements. General obligation bonds shall be the preferred financing mechanism for CFDs with routine public infrastructure requirements. The pre-established debt service target tax rate shall be levied upon all CFD taxable property.
 - b. Extraordinary Public Infrastructure Requirements. General obligation bonds and/or special assessment bonds may be used for any portion of extraordinary public infrastructure required for the CFD. Extraordinary public infrastructure requirements are those infrastructure elements not routinely required for a development project. Examples of extraordinary public infrastructure include but are not necessarily limited to transportation interchanges, water reclamation facilities, water treatment campuses, and similar regional public infrastructure improvements. The pre-established debt service target tax rate shall not be exceeded and shall be levied upon all CFD taxable property for any general obligation bonds, as applicable. Special assessment liens shall not exceed the value-to-lien ratio described in subparagraph 4.6.g above on a per lot basis.
- 5.6. The Applicant or a third party acceptable to the Town and the CFD Board shall indemnify the Town and the CFD and their agents and employees and shall hold the Town and the CFD and their agents and employees harmless for, from and against any and all liabilities, claims, costs and expenses, including attorneys' fees, incurred in any challenge or proceeding to the formation, operation, 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.

- 5.7. The Applicant shall obtain and pay the cost of a directors and officers (D&O) insurance policy to cover all actions and activities taken by the CFD Board and officers of the CFD relating to the CFD formation, financing, administrative actions and other related activities. The Applicant shall deposit the amount of any deductible under the D&O insurance policy in escrow with the CFD Board or shall provide security acceptable to the CFD Board for the amount of the deductible. The amount of the D&O coverage shall at all times equal or exceed \$2,000,000 per occurrence and \$2,000,000 aggregate. The CFD Board may increase the D&O coverage from time to time commensurate with increases in coverage obtained by the Town for its directors and officers.
- 5.8. Unless otherwise provided to the Town pursuant to other requirements, prior to CFD financing and acquisition by the CFD or Town, the CFD or Town will require 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 and a proposed form or indemnity agreement with respect to all environmental liability.