



BOARD OF SUPERVISORS AGENDA ITEM REPORT

Requested Board Meeting Date: 5/7/2024

**= Mandatory, information must be provided*

Click or tap the boxes to enter text. If not applicable, indicate "N/A".

***Title:**

A RESOLUTION OF THE DISTRICT BOARD OF ROCKING K SOUTH COMMUNITY FACILITIES DISTRICT AUTHORIZING AND RATIFYING THE GIVING OF NOTICE OF HEARING WITH RESPECT TO A FEASIBILITY REPORT FOR PUBLIC INFRASTRUCTURE TO BE FINANCED BY THE DISTRICT; APPROVING SUCH REPORT; AUTHORIZING THE SALE AND ISSUANCE OF NOT TO EXCEED \$1,950,000 AGGREGATE PRINCIPAL AMOUNT OF GENERAL OBLIGATION BONDS, SERIES 2024A, OF THE DISTRICT; PRESCRIBING CERTAIN TERMS, CONDITIONS AND PROVISIONS FOR SUCH BONDS; APPROVING THE EXECUTION AND DELIVERY OF A BOND REGISTRAR AND PAYING AGENT AGREEMENT; APPROVING THE EXECUTION AND DELIVERY OF OTHER DOCUMENTS RELATING TO SUCH BONDS; AWARDING SUCH BONDS TO THE PURCHASER THEREOF; APPOINTING A BOND REGISTRAR AND PAYING AGENT FOR THE BONDS; AUTHORIZING THE LEVY OF AN AD VALOREM PROPERTY TAX WITH RESPECT TO SUCH BONDS; AND AUTHORIZING THE TAKING OF OTHER ACTIONS SECURING THE PAYMENT OF AND RELATING TO THE BONDS

***Introduction/Background:**

On January 17, 2017, Pima County formed the Rocking K South Community Facilities District (District) and approved the District's General Plan. On July 11, 2017, the District's Development and Intergovernmental Agreement was approved by the Board of Supervisors, which authorized the District's Board (Pima County Board of Supervisors) to issue debt to finance public infrastructure within the District. The agreement also identified the eligible infrastructure, how the infrastructure could be purchased, the debt that may be issued, the tax that may be levied and the operation support that may be provided to the District by the County. The District's Board approved the first phase 1 infrastructure project and bond financing at the June 23, 2020, meeting and the second phase 1 infrastructure project bond financing at the May 16, 2023, meeting. The developer has submitted a third Feasibility Report for phase 1 public infrastructure projects to be partially funded through this third debt issue. The Feasibility Report has been reviewed by the Finance and Risk Management Department and the District Engineer (Pima County Transportation Department Director). This third debt issue is not to exceed \$1,950,000 and will be repaid over 15 years. The debt is being purchased by the developer or the developer's bank and will be paid by an ad valorem property tax assessed on the property owners within the boundaries of the District.

***Discussion:**

The Rocking K Community Facility District Feasibility Report describes the public infrastructure project and the associated bond issue. The proceeds of the bond issue will fund a portion of the Phase 1 projects for the Spine Road and Spine Public Sewer including drainage and landscaping.

***Conclusion:**

Pursuant to ARS §48-715, a Public Hearing on the Feasibility Report needs to be conducted by the District Board prior to its consideration for approval. Approval of the Feasibility Report and authorization to sell up to \$1,950,000 of Rocking K South Community Facility District Bonds to fund a portion of the phase 1 projects is needed to move forward.

***Recommendation:**

Staff recommends that the Board of Supervisors, acting as the District Board for Rocking K South Community Facilities District, hold the public hearing on the Feasibility Report and approve this Resolution accepting the Feasibility Report and authorizing the sale of up to \$1,950,000 in bonds for the Phase 1 Projects.

***Fiscal Impact:**

The fiscal impact to the County should be zero. The County's costs to administer the District and issue the debt will be paid by the District. The funding will be made available for the Phase 1 Projects. The bonds will be purchased by the developer or the developer's bank and repaid over a 15-year period. The debt will be paid through an ad valorem property tax assessed on the property owners within the boundaries of the District.

***Board of Supervisor District:**

1 2 3 4 5 All

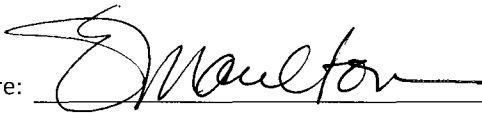
Department: Finance & Risk Management

Telephone: 724-3138

Contact: Ellen Moulton

Telephone: 724-3138

Department Director Signature: _____



Date: _____

4/16/24

Deputy County Administrator Signature: _____



Date: _____

4/18/24

County Administrator Signature: _____

Date: _____

RESOLUTION NO. 2024-RK__

(ROCKING K SOUTH COMMUNITY FACILITIES DISTRICT)

A RESOLUTION OF THE DISTRICT BOARD OF ROCKING K SOUTH COMMUNITY FACILITIES DISTRICT AUTHORIZING AND RATIFYING THE GIVING OF NOTICE OF HEARING WITH RESPECT TO A FEASIBILITY REPORT FOR PUBLIC INFRASTRUCTURE TO BE FINANCED BY THE DISTRICT; APPROVING SUCH REPORT; AUTHORIZING THE SALE AND ISSUANCE OF NOT TO EXCEED \$1,950,000 AGGREGATE PRINCIPAL AMOUNT OF GENERAL OBLIGATION BONDS, SERIES 2024A, OF THE DISTRICT; PRESCRIBING CERTAIN TERMS, CONDITIONS AND PROVISIONS FOR SUCH BONDS; APPROVING THE EXECUTION AND DELIVERY OF A BOND REGISTRAR AND PAYING AGENT AGREEMENT; APPROVING THE EXECUTION AND DELIVERY OF OTHER DOCUMENTS RELATING TO SUCH BONDS; AWARDED SUCH BONDS TO THE PURCHASER THEREOF; APPOINTING A BOND REGISTRAR AND PAYING AGENT FOR THE BONDS; AUTHORIZING THE LEVY OF AN *AD VALOREM* PROPERTY TAX WITH RESPECT TO SUCH BONDS; AND AUTHORIZING THE TAKING OF OTHER ACTIONS SECURING THE PAYMENT OF AND RELATING TO THE BONDS

BE IT RESOLVED BY THE DISTRICT BOARD OF ROCKING K SOUTH COMMUNITY FACILITIES DISTRICT as follows:

Section 1. Findings.

(a) Pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes (the "Act"), and Section 11-1101, Arizona Revised Statutes, Pima County, Arizona (the "County"), Rocking K South Community Facilities District (the "District"), and Rocking K Development Co. (the "Developer") entered into a Development and Intergovernmental Agreement for Rocking K South Community Facilities District, dated as of July 11, 2017 (the "Development Agreement") to specify, among other things, conditions, terms, restrictions and requirements for public infrastructure (as such term is defined in the Act) and the financing of public infrastructure and subsequent reimbursements or repayments over time.

(b) With regard to the property which makes up the real property included within the District, the District and the Developer specified some of such matters in the Development Agreement, particularly matters relating to the acquisition or construction of certain public infrastructure by the District, the acceptance of such public infrastructure by the County, the reimbursement or repayment of the Developer with respect thereto, the advance of moneys for public infrastructure purposes and the repayment of such advances, and processing of disbursement and investment of proceeds of, certain bonds, all pursuant to the Act.

(c) The District is authorized (1) by Section 48-719, Arizona Revised Statutes, to sell and issue general obligation bonds of the District to provide moneys for public infrastructure purposes consistent with the General Plan of Rocking K South Community Facilities District (the "General Plan") and (2) by Section 48-709(G), Arizona Revised Statutes, to repay all or part of fees and charges collected from landowners for public infrastructure purposes, the advance of moneys by landowners for public infrastructure purposes or the granting of real property by landowners for public infrastructure purposes from the proceeds of such bonds pursuant to agreements entered into with landowners and the County, pursuant to Section 48-709(A)(10), Arizona Revised Statutes.

(d) Such bonds may not be issued unless approved at an election ordered and called to submit to the qualified electors of the District or to those persons who will be qualified to vote pursuant to Section 48-707(G), Arizona Revised Statutes (the "qualified electors"), the question of authorizing the board of directors of the District (the "District Board") to issue such bonds (the "Bonds").

(e) The District Board deemed it necessary and advisable to order and call such an election and to establish the procedures whereby such election should be held and did so pursuant to Resolution No. 2017-RK1 adopted on July 11, 2017 (the "Organizational Resolution"), which provided that a special election be held on August 15, 2017 (the "Election"), at which time there was submitted to the qualified electors of the District the questions set forth in the official ballot described in the Organizational Resolution.

(f) The election board for the Election filed with the District Board its returns of election and the ballots cast at the polling place, and the District Board canvassed the returns of the Election and determined (1) that a total of one (1) ballot had been cast in response to the questions submitted, that in answer to the questions submitted, such ballot was marked "Bonds, Yes" and no ballots were marked "Bonds, No" with respect to the issuance of such Bonds; (2) that the Election had been conducted and the returns thereof made as required by law and (3) that only qualified electors were permitted to vote at the Election.

(g) Upon receipt of the official results for the Election, the District Board on August 21, 2017, canvassed such results and found and determined that a majority of the votes cast by the qualified electors voting at the Election voted "Bonds, Yes" and that Bonds in not exceeding \$46,500,000 aggregate principal amount are therefore authorized to be sold and issued.

(h) Pursuant to Section 48-715, Arizona Revised Statutes, the District Board has caused a report of the feasibility and benefits of certain projects relating to public infrastructure provided for in the General Plan and to be financed with proceeds of the sale of the third series of Bonds (the "2024A Bonds") to be prepared, such report having included a description of certain public infrastructure to be acquired and all other information useful to understand the projects to be acquired with the proceeds of the sale of the 2024A Bonds, a map showing, in general, the location of such projects, an estimate of the cost to acquire, operate and maintain such projects, a map or description of the area to be benefitted by such projects and a plan for financing such projects (the "Report"). A public hearing on the Report was held preceding the adoption of this Resolution (the "Report Hearing"), after provision for publication of notice thereof as provided by law.

(i) It has been requested that the District Board cause the District to acquire certain of the public infrastructure described in the General Plan which was the subject of the Report (the "Projects"), and the District Board hereby determines that the District should acquire the Projects as described in the Development Agreement. Any portion of the costs of the Projects not financed by the proceeds of the District's General Obligation Bonds, Taxable Series 2020A (the "2020A Bonds"), the General Obligation Bonds, Series 2023A (the "2023A Bonds") or the 2024A Bonds shall remain eligible to be financed through the sale of future bonds of the District should the District Board choose in its sole and absolute discretion to issue any future bonds. As applicable, this resolution constitutes a resolution of intent as described in Section 48-701.14, Arizona Revised Statutes.

(j) Pursuant to Section 48-719, Arizona Revised Statutes, the District Board (1) hereby determines to authorize the sale and issuance of the 2024A Bonds to provide funds to acquire the Projects and to pay costs of issuing the 2024A Bonds, and (2) shall enter in its minutes a record of the 2024A Bonds sold and their numbers and dates and levy and cause an ad valorem tax to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the boundaries of the District sufficient, together with moneys from the sources described herein, to pay debt service with respect to the 2024A Bonds when due.

(k) The District Board will offer and sell the 2024A Bonds either (1) to the Developer, or (2) directly to one or more banks submitting a lending proposal to the District, in either case as determined by the District Director of Finance to be the most advantageous to the District, and in either case on terms contained in the Certificate and Receipt of the Purchaser (the "Purchase Contract"), in customary form as approved by the District's bond counsel, Squire Patton Boggs (US) LLP.

(l) In order to provide for authentication and delivery of the 2024A Bonds and subsequent matters with respect thereto, the District Board hereby determines to authorize the execution and delivery of a Bond Registrar and Paying Agent Agreement (the "Paying Agent Agreement"), by and between the District and bond registrar and paying agent identified as provided herein (the "Bond Registrar and Paying Agent" and, together with the Purchase Contract, the "Bond Documents").

(m) There have been placed on file with the District Clerk of the District and presented to the District Board, in connection with the issuance and sale of the 2024A Bonds, the proposed form of the Paying Agent Agreement.

(n) The District Board hereby further determines that (1) the proposed amount of indebtedness evidenced by the 2024A Bonds will not exceed the estimated cost of the public infrastructure improvements to be financed with the proceeds of the sale thereof plus all costs connected with the public infrastructure purposes related thereto and sale and issuance of the 2024A Bonds, and (2) the total aggregate outstanding amount of the 2020A Bonds, the 2023A Bonds and the 2024A Bonds will not exceed sixty percent (60%) of the aggregate of the estimated market value of the real property and improvements in the District after the public infrastructure of the District is completed plus the value of the public infrastructure to be acquired by the District with proceeds of the 2024A Bonds all as provided in Section 48-708, Arizona Revised Statutes.

Section 2. Authorization and Ratification of Notice of Hearing on Report.

(a) *Notice of Public Hearing.* The Notice of the public hearing on the Report provided by the District Director of Finance and attached as the Exhibit A (the "Notice") is hereby authorized and ratified in all respects as well as the mailing of the Report and the Notice to the Board of Supervisors of the County. The providing of the Notice as provided by law and as caused by the District Director of Finance is hereby authorized and ratified.

(b) *Preparation of Report.* The preparation of the Report is hereby ratified and confirmed.

(c) *Approval of Report and Resolution of Intent.* After review of the Report and based on the Report Hearing, the Report is hereby approved in the form submitted to the District Board, and the District Board hereby declares its intent as required by Section 48-715, Arizona Revised Statutes, and, subject to the provisions set forth in the Report, to take such reasonable actions as may be necessary to cause the results contemplated by and set forth in the Report, including particularly the acquisition of the Projects for the benefit of the areas described in the Report and the consummation of the expected method of financing, and an appropriate system of providing revenues or other means to maintain, the Projects, all as provided in the Report. The Projects will result in a beneficial use to land within the geographical limits of the District.

Section 3. Approval of Sale and Issuance of 2024A Bonds.

(a) *Authorization of 2024A Bonds.* The 2024A Bonds are hereby authorized to be issued as a series of general obligation bonds of the District to be designated "General Obligation Bonds, Series 2024A." The District Director of Finance is hereby authorized and directed to determine on behalf of the District: (1) the dated date and aggregate principal amount (but not to exceed \$1,950,000) of the 2024A Bonds; (2) the principal and maturity schedule of the 2024A Bonds (which final maturity shall not be more than fifteen (15) years from their date of issuance); (3) the interest rate on the 2024A Bonds and the dates for payment of such interest ("interest payment dates"); (4) the provisions for redemption of the 2024A Bonds; and (5) the sale date, sale price and other terms of sale of the 2024A Bonds; provided, however, that the foregoing determinations must result in a true interest cost with respect to the 2024A Bonds of not to exceed six and one-half percent (6.50%). The 2024A Bonds shall be sold to the purchaser thereof in accordance with the terms of the Purchase Contract and at a price specified therein, as determined by the District Director of Finance who is hereby authorized and directed to so determine such matters.

(b) *Terms and Provisions, Redemption and Defeasance of 2024A Bonds.*

1. The 2024A Bonds shall be in physical certificated fully registered form in the form of a single bond in the denomination equal to the outstanding principal amount of the 2024A Bonds and shall bear interest from its date to the maturity or prior redemption of the 2024A Bonds, payable on the interest payment dates.

2. The principal of and interest on, the 2024A Bonds shall be payable in lawful money of the United States of America. The principal of the 2024A Bonds shall be

payable at final maturity or upon redemption in full upon presentation and surrender thereof at the designated corporate trust office of the Bond Registrar and Paying Agent. Interest and redemption of principal amounts in part on the 2024A Bonds shall be payable by check, dated as of the interest payment date, mailed to the registered owners thereof, as shown on the registration books maintained by the Bond Registrar and Paying Agent at the address appearing therein at the close of business on the first (1st) day of the month next preceding that interest payment date (the "regular record date") or by wire transfer upon two days' prior written request delivered to the Bond Registrar and Paying Agent specifying a wire transfer address in the continental United States. Any such interest on the 2024A Bonds which is not timely paid or duly provided for shall cease to be payable to the registered owner thereof (or of one or more predecessor 2024A Bonds) as of the regular record date, and shall be payable to the registered owner thereof (or of one or more predecessor 2024A Bonds) at the close of business on a special record date for the payment of that overdue interest. The special record date shall be fixed by the Bond Registrar and Paying Agent whenever moneys become available for payment of the overdue interest, and notice of the special record date shall be given to the registered owners of 2024A Bonds not less than ten (10) days prior thereto.

3. Optional Redemption. The 2024A Bonds may be subject to optional redemption as provided in the Purchase Contract.

4. Mandatory Redemption. The 2024A Bonds may be subject to mandatory redemption as provided in the Purchase Contract.

5. Notice of optional redemption of any 2024A Bond shall be mailed by first class mail, postage prepaid, not less than ten (10) days prior to the date set for redemption to the registered owners of the 2024A Bonds being redeemed at the address shown on the registration books for the 2024A Bonds maintained by the Bond Registrar and Paying Agent. On the date designated for optional redemption by notice given as herein provided, the 2024A Bonds or portions thereof to be redeemed shall become and be due and payable at the redemption price for such 2024A Bonds or such portions thereof on such date, and, if moneys for payment of the redemption price are held in a separate account by the District or the Bond Registrar and Paying Agent, interest on such 2024A Bonds or such portions thereof shall cease to accrue, such 2024A Bonds or such portions thereof shall cease to be entitled to any benefit or security hereunder, the registered owner of such 2024A Bonds or such portions thereof shall have no rights in respect thereof except to receive payment of the redemption price thereof and accrued interest thereon and such 2024A Bonds or such portions thereof shall be deemed paid and no longer outstanding.

(A) If moneys for the payment of the redemption price and accrued interest are not held in separate accounts by the District or the Bond Registrar and Paying Agent prior to sending the notice of redemption, such redemption shall be conditional on such moneys being so held on the date set for redemption and if not so held by such date, the redemption shall be cancelled and be of no force and effect.

(B) Redemption of Less Than All of the 2024A Bonds. The District may redeem an amount which is included in the 2024A Bonds in a denomination in excess of, but divisible by, \$5,000. In that event, the registered owner shall submit the 2024A Bonds for partial redemption and the Bond Registrar and Paying Agent shall make such partial payment and shall

cause to be issued a new 2024A Bond in a principal amount which reflects the redemption so made to be authenticated and delivered to the registered owner thereof.

6. Any unpaid principal amount of the 2024A Bonds or portion thereof in \$1,000 increments shall be deemed paid and defeased and thereafter shall have no claim on ad valorem taxes levied on taxable property in the District (i) if there is deposited with a bank or comparable financial institution, in trust, moneys or obligations issued by or guaranteed by the United States government (“Defeasance Obligations”) or both which, with the maturing principal of and interest on such Defeasance Obligations, if any, will be sufficient, in the case of Defeasance Obligations as evidenced by a certificate or report of an accountant, to pay the principal of and interest and any premium on such bond or portion thereof as the same matures, comes due or becomes payable upon prior redemption and (ii) if such defeased bond or portion thereof is to be redeemed, notice of such redemption has been given in accordance with provisions hereof or the District has submitted to the Bond Registrar and Paying Agent instructions expressed to be irrevocable as to the date upon which such bond of the 2024A Bonds or portion thereof is to be redeemed and as to the giving of notice of such redemption. Principal amounts of the 2024A Bonds the payment of which has been provided for in accordance with this Section shall no longer be deemed payable or outstanding hereunder and thereafter such bonds shall be entitled to payment only from the moneys or Defeasance Obligations deposited to provide for the payment of such bonds.

Section 4. Form and Execution of 2024A Bonds.

(a) *Form of Bonds.* The 2024A Bonds (including the form of certificate of authentication and form of assignment therefor) shall be in substantially the form set forth in Exhibit B attached hereto. There may be such necessary and appropriate omissions, insertions and variations as are permitted or required hereby or by the Purchase Contract and are approved by those officers executing the 2024A Bonds in such form. Execution thereof by such officers shall constitute conclusive evidence of such approval.

The 2024A Bonds may have notations, legends or endorsements required by law, securities exchange rule or usage. The 2024A Bonds shall show both the date of the issue and the date of authentication and registration of each 2024A Bond.

(b) *Execution of Bonds; Authentication.* The 2024A Bonds shall be executed for and on behalf of the District by the Chair or Vice Chair of the District Board and attested by the District Clerk. Such signature may be by facsimile or mechanical reproduction; however, such officer shall manually sign a certificate adopting as and for such signature on the 2024A Bonds the respective facsimile or mechanically reproduced signature affixed to such bonds.

If an officer whose signature is on a 2024A Bond no longer holds that office at the time such bond is authenticated and registered, such bond shall nevertheless be valid and binding so long as such bond would otherwise be valid and binding.

The 2024A Bonds shall not be valid or binding until authenticated by the manual signature of an authorized representative of the Bond Registrar and Paying Agent. The signature of the

authorized representative of the Bond Registrar and Paying Agent shall be conclusive evidence that such bond has been authenticated and issued pursuant to this Resolution.

Section 5. Replacement of Stolen, Lost or Mutilated Bonds. In case the 2024A Bonds become mutilated or destroyed or lost, the District shall cause to be executed and delivered a new bond, of like type, date, maturity and tenor in exchange and substitution for and upon the cancellation of such mutilated bond or in lieu of and in substitution for such bond destroyed or lost, upon the registered owner paying the reasonable expenses and charges of the District in connection therewith and, in the case of a bond destroyed or lost, filing with the Bond Registrar and Paying Agent by the registered owner evidence satisfactory to the Bond Registrar and Paying Agent that such bond was destroyed or lost, and furnishing the Bond Registrar and Paying Agent with a sufficient indemnity bond pursuant to Section 47-8405, Arizona Revised Statutes.

Section 6. Transfer of Bonds; Tax Levy; Bond Documents; Other Actions.

(a) *Transfer of 2024A Bonds.* The 2024A Bonds may be transferred in whole only on the registration books for the 2024A Bonds upon delivery and surrender of the bond to the Bond Registrar and Paying Agent at its designated corporate trust office, accompanied by (i) a written instrument of transfer in form and with guaranty of signature satisfactory to the Bond Registrar and Paying Agent, duly executed by the transferor registered owner of such bond, or the attorney-in-fact or legal representative of such owner, containing written instructions as to the details of the transfer of such bond, and (ii) a certificate signed by the transferee registered owner of such bond in the form set forth in the 2024A Bond. No transfer of any 2024A Bond shall be effective until entered on the registration books for the 2024A Bonds. Notwithstanding the foregoing, 2024A Bonds purchased by a bank lender shall be subject to such transfer restrictions as may be determined by the District Director of Finance and as reflected in the form of the 2024A Bonds.

In the event of the transfer of the 2024A Bonds, the Bond Registrar and Paying Agent shall enter the transfer of ownership in the registration books for the 2024A Bonds and shall authenticate and deliver in the name of the transferee a new fully registered bond of the same maturity and in the denomination of the aggregate principal amount remaining which the registered owner is entitled to receive. All costs and expenses of initial registration and payment of the 2024A Bonds shall be borne by the District, but the District and the Bond Registrar and Paying Agent shall charge the registered owner of such bond for every subsequent transfer of a bond, an amount sufficient to reimburse them for any transfer fee, tax or other governmental charge required to be paid with respect to such transfer and may require that such transfer fee, tax or other charge be paid before any such bond shall be delivered.

The District and the Bond Registrar and Paying Agent shall not be required to issue or transfer the 2024A Bonds during a period beginning with the opening of business on any regular record date described in the form of such bond and ending with the close of business on the corresponding interest payment date.

(b) *Forms, Terms and Provisions, and Execution and Delivery, of Bond Documents.* The forms, terms and provisions of the Paying Agent Agreement in substantially the form of such document (including the exhibits thereto) presented at the meeting at which this

Resolution is adopted and the Purchase Contract, in customary form as approved by the District's bond counsel, Squire Patton Boggs (US) LLP, are hereby approved, with such insertions, deletions and changes as are not inconsistent herewith and as are approved by the officers authorized to execute the Bond Documents, which approval will be conclusively demonstrated by the execution thereof, and the District Director of Finance or any of such officers are hereby authorized to execute and attest and deliver, respectively, the Bond Documents.

(c) *Authorization to Execute and Deliver Bond Documents and Deliver Orders to the Bond Registrar and Paying Agent.* Any of the Chair or other member of the District Board, the District Administrator or the District Director of Finance are each hereby authorized to execute and deliver the Bond Documents and to provide a written order of the District to the Registrar and Paying Agent for the authentication and delivery of the 2024A Bonds by the Bond Registrar and Paying Agent.

(d) *Other Actions Necessary.* The District Director of Finance, the District Clerk and the other officers of the District shall retain consultants and counsel necessary to carry out the purposes of this Resolution and shall take all other actions necessary or reasonably required to carry out, give effect to and consummate the transactions contemplated by the Bond Documents, including without limitation, the closing and other documents required to be delivered in connection with the sale and delivery of the 2024A Bonds.

(e) *Tax Levy.* For each year while any bond of the 2024A Bonds is outstanding, the District Board shall annually levy and cause to be collected an *ad valorem* tax, at the same time and in the same manner as other taxes are levied and collected, on all taxable property in the District, sufficient, together with moneys from the sources described herein, to pay debt service with respect to the 2024A Bonds when due. Moneys derived from the levy of the tax provided for in this Section with respect to the 2024A Bonds when collected constitute funds to pay debt service with respect to the 2024A Bonds and shall be kept separately from other funds of the District in a "Tax Account."

The District Board shall make annual statements and estimates of the amount to be raised to pay debt service with respect to the 2024A Bonds. The District Board shall file the annual statements and estimates with the Clerk of the District Board and shall publish a notice of the filing of the estimate. The District Board, on or before the date set by law for certifying the annual budget of the County, shall fix, levy and assess the amounts to be raised by ad valorem taxes of the District and shall cause certified copies of the order to be delivered to the Board of Supervisors of the County, and to the Department of Revenue of the State. All statutes relating to the levy and collection of State and county taxes, including the collection of delinquent taxes and sale of property for nonpayment of taxes, apply to the taxes provided for by this Section.

Any other general obligation bonds of the District previously issued or hereafter issued will be secured on a parity basis as to the collection and application of property tax revenues of the District with the 2024A Bonds, and such property taxes will be allocated to each such series of general obligation bonds in accordance with any debt service then due, taking into account other funds held by the District for such payment. Property tax revenues allocated for any such series of bonds shall be set aside separately for such series.

(f) *No Obligation of County.* Neither the full faith and credit nor the general taxing power of the County is pledged to the payment of the 2024A Bonds. Nothing contained in this Resolution, the Bond Documents or any other instrument related to the 2024A Bonds shall be construed as obligating the County or as incurring a charge upon the general credit or any other credit or revenues of the County nor shall the breach of any agreement contained in this Resolution, the Bond Documents or any other instrument or documents executed in connection therewith impose any charge upon the general credit or any other credit or revenues of the County.

(g) *Appointment of Bond Registrar and Paying Agent.* U.S. Bank Trust Company, National Association is hereby appointed to serve as the initial Bond Registrar and Paying Agent for the purposes of the Paying Agent Agreement as indicated in Section 3(a) hereof.

(h) *Use of Proceeds.* The proceeds from the sale of the 2024A Bonds shall be set aside and deposited by the District Treasurer in a separate fund. The proceeds of the sale of the 2024A Bonds shall be expended only for the purposes set forth in the ballot used at the Election and in the Report and as provided in the Development Agreement.

(i) *Federal Tax Law Covenants.*

1. The District recognizes that the purchasers and owners of the 2024A Bonds will have accepted them on and paid a price for them reflecting the understanding that interest thereon is excludable from gross income of the owners thereof for federal income tax purposes under laws in force at the time the 2024A Bonds are delivered. In this connection, the District covenants that it will use, and will restrict the use and investment of, the proceeds of the 2024A Bonds in such manner and to such extent as may be necessary so that (i) the 2024A Bonds will not constitute private activity bonds, arbitrage bonds or hedge bonds under Section 141, 148 or 149 of the Code, or to be treated other than as bonds to which Section 103(a) of the Code applies, and (ii) the interest on the 2024A Bonds will not be an item of tax preference under Section 57 of the Code. The "Code" means, collectively, the Internal Revenue Code of 1986, as amended, the Treasury Regulations (whether temporary or final) promulgated pursuant thereto, and any amendments or successor provisions thereto, any official rulings, announcements, notices, procedures and judicial determinations regarding any of them.

2. The District further covenants that (i) it will take or cause to be taken such actions that may be required of it for the interest on the 2024A Bonds to be and remain excluded from gross income for federal income tax purposes; (ii) it will not take or authorize to be taken any actions that would adversely affect that exclusion; (iii) it, or persons acting for it, will, among other acts of compliance, (a) apply the proceeds of the 2024A Bonds to the governmental purposes of the borrowing; (b) restrict the yield on investment property acquired with the proceeds; (c) make timely and adequate payments to the federal government as required under the Tax Compliance Certificate of the District (the "Tax Compliance Certificate") relating to the 2024A Bonds; (d) maintain books and records and make calculations and reports; and (e) refrain from certain uses of those proceeds, and, as applicable, of property financed with such proceeds all in such manner and to the extent necessary to assure that exclusion of that interest under the Code.

3. The District Director of Finance or their designee is authorized to (i) make or effect any election, selection, designation, choice, consent, approval or waiver on behalf

of the District with respect to the 2024A Bonds as the District is permitted to make or give under the federal income tax laws, including, without limitation, any of the elections provided for in Section 148(f)(4)(C) of the Code or available under Section 148 of the Code, for the purpose of assuring, enhancing or protecting favorable tax treatment or status of the 2024A Bonds or interest thereon or assisting compliance with requirements for that purpose, reducing the burden or expense of such compliance, reducing the rebate amount or payments of penalties, or making payments of special amounts in lieu of making computations to determine, or paying, excess earnings as rebate, or obviating those amounts or payments, as determined by that officer, which actions shall be in writing and signed by that officer; (ii) take any and all other actions, make or obtain calculations, make payments, and make or give reports, covenants and certifications of and on behalf of the District, as may be appropriate to assure the exclusion of interest from gross income and the intended tax status of the 2024A Bonds; and (iii) give one or more appropriate certificates, for inclusion in the transcript of proceedings for the 2024A Bonds, setting forth the reasonable expectations of the District regarding the amount and use of all the proceeds of the 2024A Bonds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of the interest on and the tax status of the 2024A Bonds.

4. The District authorizes the creation by the District Director of Finance or their designee of a fund that is hereinafter referred to as the "Rebate Fund," and any other such accounts or sub-accounts as necessary or advisable in order to comply with the foregoing covenants and the Tax Compliance Certificate. The District will comply with the rebate requirements set forth in the Tax Compliance Certificate.

5. The District Director of Finance or their designee is hereby authorized to execute on behalf of the District the Tax Compliance Certificate. The Tax Compliance Certificate shall constitute a certification, representation and agreement of the District and no investment shall be made of the proceeds of the 2024A Bonds herein authorized nor of the money in the accounts established hereunder in violation of the expectations and covenants prescribed by the Tax Compliance Certificate. The Tax Compliance Certificate shall constitute an agreement of the District to follow certain covenants which may require the District to take certain actions (including the payment of certain amounts to the United States Treasury) or which may prohibit certain actions (including the establishment of certain funds) under certain conditions as specified in the Tax Compliance Certificate.

6. The District further recognizes that Section 149(a) of the Code requires the 2024A Bonds to be issued and to remain in fully registered form in order for interest thereon to be excludable from gross income for purpose of federal income taxation under laws in force at the time the 2024A Bonds are delivered. In this connection, the District agrees that it will not take any action to permit the 2024A Bonds to be issued in, or converted into, bearer or coupon form if such action would cause interest on the 2024A Bonds to be included in gross income for federal income tax purposes.

Section 7. Repeal of this Resolution; Severability; Effect; Inconsistencies; Effective Date; Ratification.

(a) After the 2024A Bonds are delivered upon receipt of payment therefor, this Resolution shall be and remain irrevocable until the 2024A Bonds and the interest thereon shall have been fully paid, canceled and discharged.

(b) If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

(c) This Resolution shall constitute a contract between the District and the registered owner of the 2024A Bonds and shall not be amended in any manner which would impair, impede or lessen the rights of the registered owners of the 2024A Bonds then outstanding.

(d) All resolutions or parts thereof inconsistent herewith are hereby waived to the extent only of such inconsistency.

(e) This Resolution shall be effective immediately.

(f) All actions of the officers and agents of the District including the District Board which conform to the purposes and intent of this Resolution and which further the issuance and sale of the 2024A Bonds as contemplated by this Resolution, whether heretofore or hereafter taken, are hereby ratified, confirmed and approved. The proper officers and agents of the District are hereby authorized and directed to do all such acts and things and to execute and deliver all such documents on behalf of the District as may be necessary to carry out the terms and intent of this Resolution.

[Remainder of page left blank intentionally.]


PASSED by the District Board of Rocking K South Community Facilities District this 7th day of May, 2024.

Chair, District Board,
Rocking K South Community Facilities District

ATTEST:

Clerk, Rocking K South Community Facilities District

APPROVED AS TO FORM:



District Counsel, Rocking K South Community Facilities District

ATTACHMENT:

EXHIBIT "A" – Form of Notice of Hearing on Report
EXHIBIT "B" – Form of 2024A Bond

EXHIBIT "A"

NOTICE OF PUBLIC HEARING

NOTICE FOR HEARING REQUIRED BY A.R.S. § 48-715 ON REPORT OF THE FEASIBILITY AND BENEFITS OF CERTAIN PROJECTS TO BE FINANCED WITH THE PROCEEDS OF THE SALE OF GENERAL OBLIGATION BONDS OF ROCKING K SOUTH COMMUNITY FACILITIES DISTRICT

NOTICE IS HEREBY GIVEN that a public hearing on the report of the feasibility and benefits of projects to be financed with the proceeds of the sale of general obligation bonds of Rocking K South Community Facilities District shall be held by the District Board on May 7, 2024, beginning at approximately 9:00 a.m. (Arizona time) in the Board of Supervisors Meeting Room, First Floor, located at 130 West Congress, Tucson, Arizona 85701. Such feasibility report and further information relating thereto are on file with the Clerk of the Board of Supervisors of Pima County/District Clerk of Rocking K South Community Facilities District, 33 N. Stone Ave., First Floor, 85701, telephone number: (520) 724-8449.

Dated this _____ day of _____, 2024.

Melissa Manriquez
District Clerk

EXHIBIT "B"
FORM OF BOND

REGISTERED NO.

REGISTERED: \$

THIS BOND IS ONLY TRANSFERABLE UPON RECEIPT OF THE HEREIN-DESCRIBED BOND REGISTRAR OF A CERTIFICATE FROM THE TRANSFEREE INCLUDED IN THIS FORM.

UNITED STATES OF AMERICA
STATE OF ARIZONA, COUNTY OF PIMA
ROCKING K SOUTH COMMUNITY FACILITIES DISTRICT
(PIMA COUNTY, ARIZONA)
GENERAL OBLIGATION BOND,
SERIES 2024A

| <u>Interest</u> <u>Rate</u> | <u>Maturity</u> <u>Date</u> | <u>Dated</u> <u>Date</u> |
|--------------------------------|--------------------------------|-----------------------------|
| % | [July 1], 20__ | _____, 2024 |

Registered Owner:

Principal Amount:

Rocking K South Community Facilities District (the "District"), a community facilities district duly formed pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes (the "Act"), for value received, hereby promises to pay to the aforesaid registered owner, or registered assigns, the aforesaid principal amount on the aforesaid maturity date unless earlier redeemed, and to pay interest on the principal amount from the date as of which this Bond is dated as indicated hereinabove at the aforesaid interest rate on July __, 20__ and on each July 1 and January 1 thereafter (each an "interest payment date") to the maturity or redemption prior to maturity of this Bond. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The principal of this Bond shall be payable at final maturity or upon redemption in full upon presentation and surrender thereof at the designated corporate trust office of U.S. Bank Trust Company, National Association (the "Bond Registrar and Paying Agent"), as the initial Bond Registrar and Paying Agent. Interest and redemption of principal amounts in part on this Bond shall be payable by check, dated as of the interest payment date or redemption date, as applicable, mailed to the registered owners thereof, as shown on the registration books maintained by the Bond Registrar and Paying Agent at the address appearing therein at the close of business on the fifteenth (15th) day of the month next preceding that interest payment date (the "regular record date") or by wire transfer upon two days' prior written request delivered to the Bond Registrar and Paying Agent specifying a wire transfer address in the continental United States. Any such interest on

this Bond which is not timely paid or duly provided for shall cease to be payable to the registered owner thereof (or of one or more predecessor Bonds) as of the regular record date, and shall be payable to the registered owner thereof (or of one or more predecessor Bonds) at the close of business on a special record date for the payment of that overdue interest. The special record date shall be fixed by the Bond Registrar and Paying Agent whenever moneys become available for payment of the overdue interest, and notice of the special record date shall be given to the registered owner of this Bond not less than ten (10) days prior thereto.

The principal of, and interest and premium, if any, on, this Bond are payable in lawful money of the United States of America, on the respective dates when principal and interest become due.

This Bond represents a series of bonds indicated above (the "Bonds") in the aggregate principal amount of \$_____ issued by the District pursuant to a resolution of the Board of the District, duly adopted prior to the issuance hereof, all of the terms of which are hereby incorporated herein (the "Resolution"), and pursuant to the Constitution and laws of the State of Arizona relative to the sale and issuance of general obligation bonds of community facilities districts, and all amendments thereto, and all other laws of the State of Arizona thereunto enabling.

The Bonds are issuable as a single fully registered bond only in the denominations equal to the outstanding principal amount of the Bonds.

The Bonds are payable, equally and ratably with such other general obligation bonds of the District from the proceeds of an ad valorem tax to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property within the boundaries of the District, sufficient, together with moneys from the other sources available pursuant to the Act, to pay debt service on the Bonds when due.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF PIMA COUNTY, ARIZONA, OR THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE ISSUER) IS PLEDGED TO THE PAYMENT OF THE BONDS.

[The Bonds are subject to optional redemption prior to maturity at the option of the District, in whole or in part in \$1,000 increments, on any date on or after July 1, 20__ in inverse order of principal amount due at maturity or prior mandatory redemption, by the payment of a redemption price equal to the principal amount of such Bond to be redeemed plus interest accrued to the date fixed for redemption, but without premium.

The Bonds shall be redeemed prior to maturity on July 1, in the years and amounts set forth below, by payment of the principal amount of each Bond to be redeemed plus interest accrued to the date fixed for redemption, but without a premium:

| Year | Amount |
|------|--------|
|------|--------|

*

*Maturity]

Notice of redemption of such Bond will be mailed by first class mail, postage prepaid, not less than ten (10) days prior to the date set for redemption to the registered owner of such Bond being redeemed at the address shown on the registration books for the Bonds maintained by the Bond Registrar and Paying Agent.

The Bond Registrar and Paying Agent shall maintain the registration books of the District for the registration of ownership of each Bond as provided in the Resolution. (The Bond Registrar and Paying Agent may be changed without notice or consent.)

This Bond may be transferred only in whole on the registration books upon delivery and surrender hereof to the Bond Registrar and Paying Agent at its designated corporate trust office, accompanied by (i) a written instrument of transfer in form and with guaranty of signature satisfactory to the Bond Registrar and Paying Agent, duly executed by the transferring registered owner of this Bond or his or her attorney-in-fact or legal representative, containing written instructions as to the details of the transfer and (ii) a certificate signed by the transferee registered owner of this Bond in the form attached hereto. No transfer of this Bond shall be effective until entered on the registration books.

In all cases upon the transfer of this Bond, the Bond Registrar and Paying Agent shall transfer the ownership in the registration books and shall authenticate and deliver in the name of the transferee a new fully registered Bond in the denomination of the aggregate principal amount remaining which the registered owner is entitled to receive at the earliest practicable time in accordance with the provisions of the Resolution. The District and the Bond Registrar and Paying Agent shall charge the owner of such Bond, for every transfer of a Bond, an amount sufficient to reimburse them for any transfer fee, tax or other charge required to be paid with respect to such transfer, and may require that such transfer fee, tax or other charge be paid before any such new Bond shall be delivered.

The District and the Bond Registrar and Paying Agent shall not be required to issue or transfer any Bonds during a period beginning with the opening of business on a regular record date and ending with the close of business on the corresponding interest payment date.

This Bond shall not be entitled to any security or benefit under the Resolution or be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Bond Registrar and Paying Agent.

It is hereby certified, recited and declared (i) that all conditions, acts and things required by the Constitution and laws of the State of Arizona to happen, to be done, to exist and to be performed precedent to and in the issuance of this Bond and of the series of which it is one, have happened, have been done, do exist and have been performed in regular and due form and time as required by law; (ii) that the obligation evidenced by the series of Bonds of which this is one, together with all other existing indebtedness of the District, does not exceed any applicable constitutional or statutory limitation and (iii) that due provision has been made for the levy and collection of a direct, annual, ad valorem tax upon taxable property within the District, over and above all other taxes authorized or limited by law, sufficient to pay the principal hereof and the interest hereon as each becomes due.

IN WITNESS WHEREOF, ROCKING K SOUTH COMMUNITY FACILITIES DISTRICT, has caused this Bond to be executed in the name of the District by the signature of the Chairman of the District Board and attested by the signature of the Clerk of District Board.

ROCKING K SOUTH COMMUNITY FACILITIES DISTRICT

By _____
Chair, Board of Directors

ATTEST:

By _____
District Clerk

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Rocking K South Community Facilities District (Pima County, Arizona) General Obligation Bonds, Series 2024A, described in the within mentioned Resolution.

Date of Authentication:

U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION
as Bond Registrar and Paying Agent

By Authorized Representative

FORM OF ASSIGNMENT

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto (Name and Address of Transferee) the within Bond and irrevocably constitutes and appoints attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:

Signature Guaranteed:

Signature

[Insert proper legend]

Signature

Note: The signature(s) on this assignment must correspond with the name(s) as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of the within Certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

| | | |
|---------|--|---|
| TEN COM | - as tenants in common | UNIF GIFT/TRANS MIN ACT -- |
| TEN ENT | - as tenants by the entireties | _____ Custodian _____ |
| JT TEN | - as joint tenants with right of survivorship and not as tenants in common | (Cust) (Minor) |
| | | Under Uniform Gifts/Transfers to Minors Act _____ |
| | | (State) |

Additional abbreviations may also be used, though not in the above list.

ALL FEES AND COSTS OF TRANSFER
SHALL BE PAID BY THE TRANSFEROR

* * *

“BOND TRANSFEREE CERTIFICATE”

_____, 20__

ROCKING K SOUTH COMMUNITY FACILITIES DISTRICT

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Bond Registrar and Paying Agent

Re: Rocking K South Community Facilities District (Pima County, Arizona)
General Obligation Bonds, Series 2024A

Please be advised that the undersigned is purchasing the captioned bond in the form of a single, physically certificated bond (the “Bond”) in the aggregate principal amount of \$.....
The undersigned hereby certifies that:

[Limitations on transfer to be added if sold to a bank purchaser]

By: _____

Printed Name: _____

Title: _____

FEASIBILITY REPORT
For the
Proposed Phase 1 Project
and the
Issuance of
Not to Exceed \$1,950,000 Principal Amount
of

GENERAL OBLIGATION BONDS, SERIES 2024A

for the

ROCKING K SOUTH
COMMUNITY FACILITIES DISTRICT

Submitted

April 16, 2024

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Appendix A – Legal Description of Rocking K South

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SECTION ONE

INTRODUCTION; PURPOSE OF FEASIBILITY REPORT; AND GENERAL DESCRIPTION OF DISTRICT

Introduction

This Feasibility Report (the "Report") is being submitted to the Rocking K South Community Facilities District (the "District") in connection with the Proposed Project (as defined herein) and the proposed issuance by the District of its General Obligation Bonds, Series 2024A (the "2024A Bonds") in an aggregate principal amount of not to exceed \$1,950,000. The Report was prepared by PSOMAS (the "Rocking K Engineer") and other qualified persons on behalf of the Rocking K Development Co. (the "Developer") pursuant to the Development and Intergovernmental Agreement, dated July 11, 2017 (the "CFD Development Agreement"), among the District, Pima County, Arizona (the "County") and the Developer and in accordance with the Community Facilities District Act of 1988, Title 48, Chapter 4, Article 6 of Arizona Revised Statutes, and specifically in accordance with the provisions of Section 48-715, Arizona Revised Statutes ("A.R.S."). All terms not specifically defined herein are as defined in the CFD Development Agreement. The Report is being submitted with respect to the feasibility and benefits of certain "public infrastructure" (as defined in A.R.S. 48-701) described herein (the "Proposed Project") and the plan for financing the costs of the Proposed Project with proceeds from the 2024A Bonds.

Pursuant to an election held August 15, 2017, the District is authorized to issue not to exceed \$46,500,000 in principal amount of general obligation bonds. To date, \$1,808,000 aggregate principal amount of such bonds have been issued pursuant to the CFD Development Agreement. The bonds authorized to be issued provide for the financing of the costs of certain portions of the public infrastructure that constitutes Eligible Infrastructure under the CFD Development Agreement necessary for the District. The District generally consists of the development of an approximately 2,044-acre master-planned development comprised of residential, commercial and recreational uses, which is located entirely within the District and in unincorporated Pima County (the "Development"), being developed by the Developer.

Purpose of Feasibility Report

Pursuant to the CFD Development Agreement, this Report includes the following required information as prepared by the Rocking K Engineer:

1. A detailed description of the Proposed Project and the final plans.
2. A map showing the location of the Proposed Project and the area it benefits or will benefit.
3. The Rocking K Engineer's Certificate described in paragraph 7.3 of the CFD Development Agreement.
4. An estimate of future maintenance costs for the Proposed Project and a schedule showing total estimated or actual maintenance costs for all existing Approved Projects, Completed Projects and Accepted Projects.

5. A financing plan, including a proposed schedule for the sale of the proposed bonds, to include calculations showing the estimated impact of the bond issuance on the Debt Service Tax rate, taking into account the estimated interest rate, the debt service on all outstanding bonds, the timing and impact of other bond issuances included in the financing plans of other Approved Projects, and any reasonably anticipated increases or decreases in NAV. Per the CFD Development Agreement, the bonds may not have a final maturity of more than 15 years from their date of issuance.

Pursuant to the CFD Development Agreement, the Developer agrees to fully cooperate with County or District staff or outside consultants in their review of this Report, including providing any additional information or clarification requested.

This Report has been prepared for the consideration of the District only. It is not intended or anticipated that this Report will be relied upon by other persons, including, but not limited to, purchasers of the 2024A Bonds. This Report does not attempt to address the quality of the 2024A Bonds as investments or the likelihood of repayment of the 2024A Bonds.

General Description of the Development and the District

The District is located in the eastern portion of the metropolitan Tucson area, approximately 16 miles southeast of downtown Tucson and approximately 13 miles east of Tucson International Airport. The District is located in an unincorporated area of Pima County and is roughly bounded by the community of Vail (unincorporated Pima County) to the south, the City of Tucson to the west, Saguaro National Park to the north, and unincorporated/undeveloped land to the east.

The District has been entitled for the development of residential single family homes, multi-family homes, commercial and mixed use development. Upon build out, it is anticipated that the District will include over 4,715 single family units located over approximately 1,263 acres, and approximately 30,000 square feet of commercial property (retail and other mixed use) constructed over approximately 3.5 acres. The balance of acreage in the District (780.5 acres) will be roadways, rights-of-way, open space, and parks. As of March 1, 2024, the Developer has sold 2,513 lots within the District to seven home builders and developers and 543 home sales have closed.

Table One in Section Five provides the Developer's current estimated absorption schedule for the District. A map of the Proposed Project and the Area to be Benefitted is included in Section Three and a legal description depicting the boundaries of the District is included in Appendix A.

SECTION TWO

DETAILED DESCRIPTION OF THE PROPOSED PROJECT

The Proposed Project

The Proposed Project consists of the Phase 1 Project improvements outlined below:

Phase 1 Spine Roads: The Phase 1 Spine Road consists of construction of the Rocking K Ranch Loop (“RKRL”) road from the northern intersection of Old Spanish Trail approximately 8,989 feet, as shown on the Project Area Map. RKRL is a two-lane divided roadway with a raised median, bike paths, an 8-foot concrete sidewalk on one side of the street and a 6-foot asphalt walking path on the other side.

Phase 1 Spine Public Sewer: The Phase 1 Spine Public Sewer consists of public sewer improvements and related work including design, construction, surveying, materials testing and jurisdictional fees necessary to provide sewer service to the portion of the District as shown on the Project Area Map. Eligible sewer improvements include, but are not limited to, sewer improvements and related work located within Rocking K Ranch Loop, Monument View Way and the offsite connection to the existing sewer facilities and other sewer improvements not located within a subdivision development parcel as shown on the Public Sewer Improvement Plan for Rocking K South, Phase 1 (Rocking K Ranch Loop & Monument View Way), Plan Number G-2015-080 and the Public Sewer Improvement Plan for Rocking K South Phase 1B (Rocking K Ranch Loop) Plan Number G-2020-054. The sewer improvement plan consists of approximately 4800 LF of 15”, 1300 LF of 12”, 2300 LF of 10” and 340 LF of 8” spine sewer along with 4 FT and 5 FT diameter manholes to serve the portion of the District within the Project Area. The sewer improvement plan for Phase 1B consists of approximately 4381 LF of 12”, 349 LF of 8” LF of 8” spine sewer along with 4 FT and 5 FT diameter manholes to serve the portion of the District within the Project Area.

Phase 1 Drainage: The drainage improvements for Phase 1 included 12 concrete sidewalk scuppers, a 3-cell 10’x6’ reinforced concrete box culvert, 266 LF of 48” reinforced concrete pipe culvert, 605 LF of 42” reinforced concrete pipe culvert, 468 LF of 30” reinforced concrete pipe culvert, 150 LF of 24” reinforced concrete pipe culvert, slope grading and rock rip rap for erosion protection within the right of way of Rocking K Ranch Loop.

Phase 1 Landscaping: The landscaping improvements for Phase 1 consisted of installation of various plants, trees, shrubs, inert material (decomposed granite), irrigation systems, low voltage lighting and entry monumentation within the right of way of Rocking K Ranch Loop.

Proposed Project Completion and Acceptance Schedule.

The design of the first portion of the Phase 1 Project elements was completed and permitted through Pima County in May 2019. Construction of this first portion of the Phase 1 Project began in October 2019 and was completed in March 2020 and accepted in June 2021. The design of the second portion of the Phase 1 Project elements was completed and permitted through Pima County

in September 2020. Construction of this second portion of the Phase 1 Project elements began in October of 2020 and was completed and accepted in January 2023.

Legal and Physical Condition of Property.

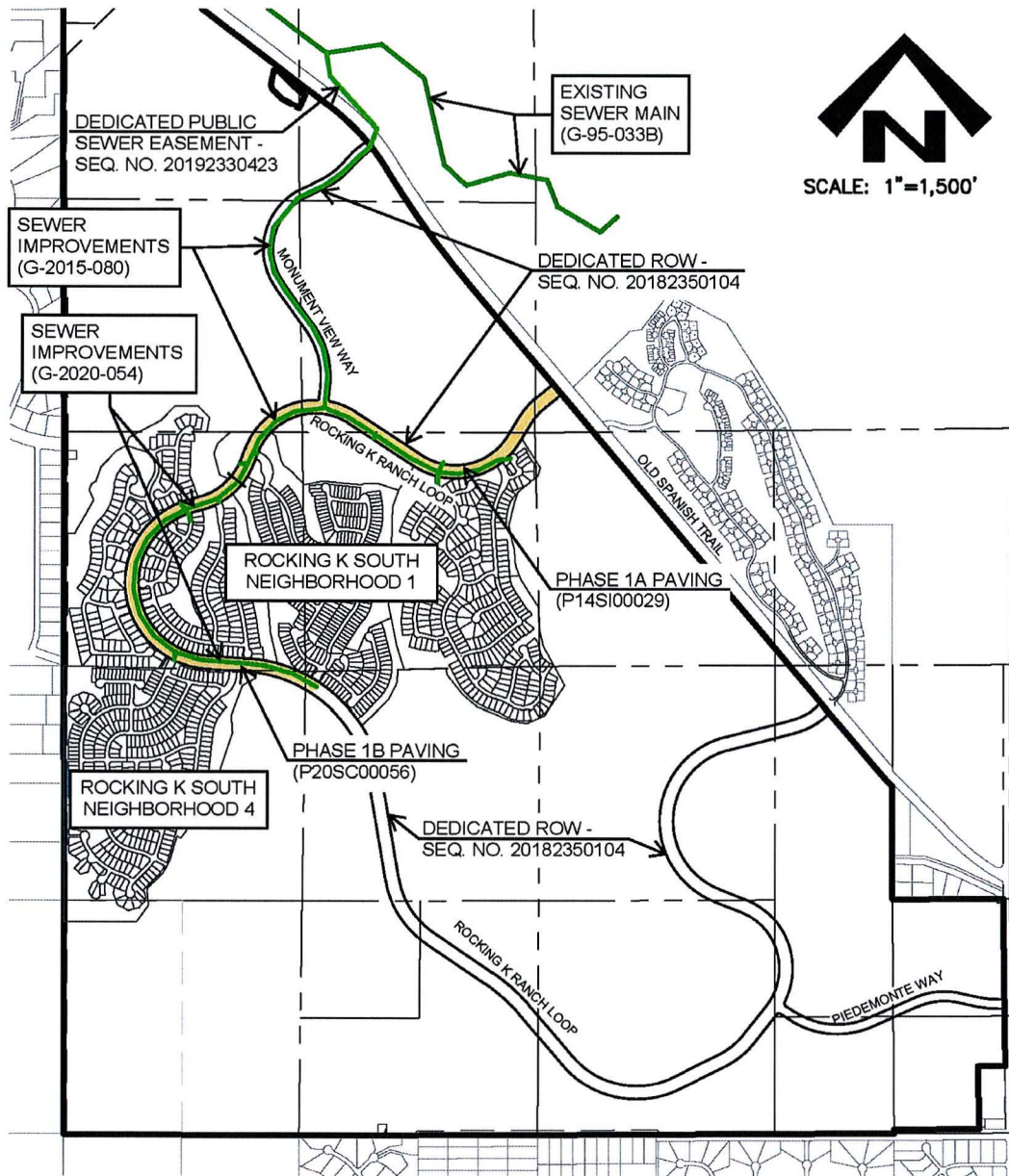
The majority of the Phase 1 Project is located on land owned by the County within the right-of-way for Rocking K Ranch Loop and Monument View Way that has been dedicated to the County with the Blocks 1 through 7 Amended Final Plat for Rocking K South, Sequence No. 20182350104. The offsite portion of the Phase 1 Spine Public Sewer north of Old Spanish Trail is located within a dedicated 30 FT Public Sewer Easement, Sequence No. 20192330423.

SECTION THREE

**MAPS SHOWING LOCATION OF PROPOSED PROJECT AND AREA TO BE
BENEFITED***

*The area to be benefitted by the Proposed Project consists of all property within the District.

District Phase 1 Project Improvement Plan Map



PROJECT AREA MAP

FEBRUARY, 2023

SECTION FOUR

ROCKING K ENGINEER'S CERTIFICATION OF COSTS OF PROPOSED PROJECT

Provided below is an itemized list of the final costs to design and construct the Proposed Project as set forth in the Rocking K Engineer's Certificate described in paragraph 7.3 of the CFD Development Agreement:

| | <u>Costs</u> | <u>Costs Previously Acquired by District</u> | <u>Remaining Costs to be Acquired</u> |
|---|------------------------|--|---|
| Construction | | | |
| Spine Roads | \$4,154,857.89 | - | \$4,154,857.89 |
| Spine Sewer | 2,256,399.78 | \$1,576,575.00 | 679,824.78 |
| Drainage | 1,605,465.08 | - | 1,605,465.08 |
| Landscape | 2,677,745.22 | - | 2,677,745.22 |
| Total Design and Construction Cost | <u>\$10,694,467.97</u> | <u>\$1,576,575.00</u> | <u>\$9,117,892.97</u> |

The estimate of the annual cost of maintaining the Proposed Project, and all existing Approved Projects, Completed Projects and Accepted Projects, as provided by the Rocking K Engineer in consultation with the District Engineer reflects the following estimated costs:

- Pavement maintenance costs of \$77,785;
- Sewer maintenance costs of \$11,337; and
- Miscellaneous maintenance and repair costs (sidewalks, asphalt paths, etc.) of \$5,000.

The District has transferred all portions of the Proposed Project to the County for on-going operations and maintenance as outlined in the CFD Development Agreement. The District currently levies an operations and maintenance tax of \$0.50 per \$100 of net limited assessed property valuation to fund the costs of the expenses thereof as outlined in the CFD Development Agreement.

SECTION FIVE

PLAN OF FINANCE

The acquisition of the Proposed Project is proposed to be financed by the District as described in the Plan of Finance below.

Existing and Future Debt.

The District is authorized to issue no more than \$46,500,000 in principal amount of general obligation bonds. A portion of the proceeds of the previously issued 2020A Bonds were used by the District to acquire \$32,300 of the costs of the Proposed Project (related to the Spine Sewer Project). A portion of the proceeds of the 2023A Bonds were used by the District to acquire \$1,544,275 of additional portions of the Proposed Project (related to the Spine Sewer Project). A portion of the proceeds of the proposed 2024A Bonds (currently estimated to be in the amount of

\$1,615,000) will be used by the District to acquire additional portions of the Proposed Project, and future expected bond issues of the District will be used to acquire the remaining portion of the Proposed Project.

The 2024A Bonds.

The 2024A Bonds will be issued in an aggregate principal amount not to exceed \$1,950,000 and will be used to finance a portion of the acquisition of the Proposed Project that has not yet been acquired by the District and pay costs incurred in issuing the bonds. As required by the CFD Development Agreement, the 2024A Bonds will have a final maturity no later than fifteen (15) years from their date of issuance and will be structured such that the annual debt service will be approximately level. (See Table Two for the Developer's estimated debt service requirements on the 2024A Bonds).

Target Tax Rate.

Any general obligation bonds of the District are, by law, to be paid from a property tax which is unlimited as to rate and amount. The Development Agreement establishes a "target tax rate" for the general obligation bonds of not to exceed \$2.30 per \$100 of net limited assessed property value computed in the manner described in the CFD Development Agreement.

Homeowner's Obligation and Disclosure of Property Tax Payments.

At the \$2.30 maximum target tax rate for debt service on general obligation bonds issued by the District, assuming an average market value in the opinion of the Developer of \$420,000 for a single family, residential property, the estimated annual property taxes for the outstanding general obligation bonds of the District and the proposed 2024A Bonds would equal approximately \$60 per month or \$720 annually. Subsequent year taxes for each property owner will depend upon the taxable value established by the County Assessor's office (limited to 5% annual growth on existing properties) applied to the rate per \$100 of net limited assessed property valuation needed to pay debt service.

A.R.S. Section 32-2181 et seq. requires the disclosure of all property taxes to be paid by a homeowner in the Subdivision Public Report. Prior to the home sale, each homebuyer must be supplied a Subdivision Public Report, and the homebuyer must acknowledge by signature that they have read and accepted the Subdivision Public Report.

In addition to the foregoing minimum requirement, the Developer proposes a more comprehensive program of homebuyer disclosure for initial homebuyers, and disclosure for purchasers of other land in the District, to include:

- First, all sales contracts between the Developer and homebuilders that purchase from the Developer will include a provision that states that the homebuilder agrees to comply with the disclosure requirements of State law referenced above.
- Second, each homebuyer that purchases a home from a homebuilder described in the first item above will sign a Rocking K South Community Facilities District Disclosure Statement detailing the existence of the District and its financial impact on ownership

of the home, as provided in Appendix B. Receipt of this form will be acknowledged in writing by the homebuyer, and a signed copy kept on file with the District Clerk.

Sources and Uses of Funds.

The Developer's estimate of the sources and uses of funds of the 2024A Bonds, based on assumed current interest rates, are shown below. The actual amount of the 2024A Bonds that will be issued will be higher or lower than this amount (but not to exceed \$1,950,000) depending on the interest rate obtained on the 2024A Bonds.

| | |
|----------------------------|--------------------|
| SOURCES OF FUNDS | |
| Par Amount of Bonds | <u>\$1,790,000</u> |
| | |
| TOTAL SOURCES | \$1,790,000 |
| | |
| USES OF FUNDS | |
| Costs of Proposed Project* | \$1,615,000 |
| Costs of Issuance | <u>\$175,000</u> |
| | |
| TOTAL USES | \$1,790,000 |

*Reflects a portion of the costs of the Proposed Project that have not yet been acquired by the District.

Developer's Projection of Home Sales

The table below depicts the Developer's actual and projected units of home sales and average sales price for residential properties in the first and subsequent phases of the Development within the District.

TABLE ONE

ROCKING K SOUTH ACTUAL AND PROJECTED HOME CLOSING SCHEDULE ¹

| Calendar Year | Units | Cumulative Units | Average Sales Price* | Neighborhood |
|------------------|-------|---------------------|-------------------------|----------------|
| 2021 | 90 | 90 | \$412,744 | Phase 1 |
| 2022 | 171 | 261 | 432,920 | Phase 1 |
| 2023 | 255 | 516 | 423,022 | Phase 1 |
| 2024 | 150 | 666 | 420,000 | Phase 1, 2 & 3 |
| 2025 | 150 | 816 | 420,000 | Phase 1, 2 & 3 |

*For purposes of this Report, the Developer assumes no change in the average sales price of units for calendar years 2024 and 2025.

¹ Home Closing Schedule Unit count is based upon the number of units that will be available for sale with street and utility infrastructure in place and reflects a portion of the overall anticipated

4,715 units to be constructed and sold within the District upon build out. Home sales absorption is based on actual closings through March 1, 2024, and estimates thereafter are based on historical data to date.

TABLE TWO

Developer's Estimate of Debt Service Requirements and Estimated Impact on the Debt Service Tax Rate

**Rocking K South Communities Facilities District
(Pima, Arizona)**

Proposed General Obligation Bonds

(April 2024)

| Fiscal Year Ending June 30 | Net Assessed | | Estimated District Revenues with 5% Delinquency (b) | Existing Debt Service | | Existing Debt Service | Remaining District Revenues Available | Estimated Series 2024 GO Bonds Debt Service (c) | Total Estimated Debt Service | Estimated Tax Rate Levied Against NALPV (d) |
|----------------------------------|--|---|---|-----------------------|-------------|-----------------------------|--|---|---------------------------------------|---|
| | Limited Property Value (NALPV)(a) | Allowable NALPV (85% of NALPV) | | Series 2020 | Series 2023 | | | | | |
| 2023 | 4,025,988 | 3,422,090 | 88,622 | 12,580 | 69,972 | 82,552 | 6,070 | - | 82,552 | 2.300 |
| 2024 | 9,290,910 | 7,897,274 | 172,555 | 13,265 | 154,793 | 168,058 | 4,497 | - | 168,058 | 1.880 |
| 2025 | 18,453,759 | 15,685,695 | 342,732 | 12,905 | 156,065 | 168,970 | 173,762 | 173,762 | 342,732 | 1.857 |
| 2026 | 18,453,759 | 15,685,695 | 342,732 | 12,545 | 157,104 | 169,649 | 173,083 | 173,083 | 342,732 | 1.857 |
| 2027 | 18,453,759 | 15,685,695 | 342,732 | 13,185 | 157,910 | 171,095 | 171,637 | 171,637 | 342,732 | 1.857 |
| 2028 | 18,453,759 | 15,685,695 | 342,732 | 12,780 | 158,483 | 171,263 | 171,469 | 171,469 | 342,732 | 1.857 |
| 2029 | 18,453,759 | 15,685,695 | 342,732 | 12,375 | 158,823 | 171,198 | 171,534 | 171,534 | 342,732 | 1.857 |
| 2030 | 18,453,759 | 15,685,695 | 342,732 | 12,970 | 158,930 | 171,900 | 170,832 | 170,832 | 342,732 | 1.857 |
| 2031 | 18,453,759 | 15,685,695 | 342,732 | 12,520 | 158,804 | 171,324 | 171,408 | 171,408 | 342,732 | 1.857 |
| 2032 | 18,453,759 | 15,685,695 | 342,732 | 13,070 | 158,445 | 171,515 | 171,217 | 171,217 | 342,732 | 1.857 |
| 2033 | 18,453,759 | 15,685,695 | 342,732 | 12,575 | 157,853 | 170,428 | 172,304 | 172,304 | 342,732 | 1.857 |
| 2034 | 18,453,759 | 15,685,695 | 342,732 | 13,080 | 157,028 | 170,108 | 172,624 | 172,624 | 342,732 | 1.857 |
| 2035 | 18,453,759 | 15,685,695 | 342,732 | 12,540 | 155,970 | 168,510 | 174,222 | 174,222 | 342,732 | 1.857 |
| 2036 | 18,453,759 | 15,685,695 | 342,732 | | 169,679 | 169,679 | 173,053 | 173,053 | 342,732 | 1.857 |
| 2037 | 18,453,759 | 15,685,695 | 342,732 | | 167,456 | 167,456 | 175,276 | 175,276 | 342,732 | 1.857 |
| 2038 | 18,453,759 | 15,685,695 | 342,732 | | | | 342,732 | 342,732 | 342,732 | 1.857 |

(a) Actual for FY 2023 and 2024; preliminary for FY 2025; assumed zero growth for subsequent fiscal years.

(b) Amount shown for 2023 reflects actual collections for such year.

(c) At assumed 4.5% interest rate, provides approximately \$1.585MM in Project Funds.

(d) Amounts shown for 2023 and 2024 reflect actual tax rate for such years.

APPENDIX A

LEGAL DESCRIPTION

Blocks 1 through 7 of the Amended Plat of Rocking K South, a subdivision of Pima County, Arizona, as recorded in Sequence No. 20182350104 in the office of the Pima County Recorder.

APPENDIX B

**FORM OF DISCLOSURE PAMPHLET - RESIDENTIAL FORM OF DISCLOSURE
PAMPHLET**

**RESIDENTIAL ROCKING K SOUTH
COMMUNITY FACILITIES DISTRICT**

ROCKING K SOUTH COMMUNITY FACILITIES DISTRICT

DISCLOSURE STATEMENT

Buyer(s): _____
Parcel: _____
Lot: _____
Homebuilder: _____

BACKGROUND

On September 30, 1988, the Arizona Community Facilities District Act became effective. This provision in State law was created to allow Arizona municipalities to form community facilities districts for the primary purpose of financing the acquisition, construction, installation, operation and/or maintenance of public infrastructure improvements, including water and sewer improvements.

The home you are purchasing is within the Rocking K South Community Facilities District (the "CFD"), which was formed on January 17, 2017, by the Board of Supervisors of Pima County. An election was held on August 15, 2017, at which time the then owners of the property within the CFD voted to authorize up to \$46,500,000 of unlimited, *ad valorem* property tax supported bonds to be issued over time by the CFD to finance the acquisition or construction of certain public infrastructure. The infrastructure has been or will be dedicated to the County after acquisition or construction of such infrastructure by the CFD. The County will operate and maintain such infrastructure.

AD VALOREM TAXES OF THE CFD

General obligation bonds and the CFD operation and maintenance expenses are paid from ad valorem property taxes. It is currently estimated that the payment of the general obligation bonds and the CFD expenses will add approximately \$2.80 to the property tax rate; however, such tax rate increase could vary depending upon factors including the financing amount and terms, and the amount of the assessed valuation of property within the CFD for tax purposes. Payment of general obligation bonds and expenses are included as part of your regular Pima County property tax statement and are in addition to taxes levied by other political subdivisions.

BENEFITS TO RESIDENTS

The bond issues by the CFD will benefit all property owners and other residents within the CFD by providing such infrastructure. This benefit was taken into account by the Developer in connection with establishing the price of the lot on which your home is to be located. Each property owner in the CFD will participate in the repayment of the bonds in the form of a property tax in addition to the current property taxes assessed by other governmental entities. This added tax is currently deductible for

purpose of calculating federal and state income taxes (please consult with your tax advisor, as that could change).

EXAMPLE OF FINANCINGS' COSTS TO HOMEOWNER

The following illustrates the additional annual tax liability imposed by the CFD, based on varying residential values within the CFD and a \$2.80 tax rate:

| Home Sales Price | Estimated General Obligation and Expense Payment (1,2) |
|------------------|--|
| \$200,000 | \$420.00 |
| \$250,000 | \$525.00 |
| \$300,000 | \$630.00 |
| \$350,000 | \$735.00 |
| \$400,000 | \$840.00 |

*Assumptions:

1. Home Sales Price is not the same as a property's net limited assessed value which is determined by the County Assessor and used to calculate property taxes. Home Sales Price is also not the same as market value. Net limited assessed value is typically approximately 75% of a property's market value.
2. Assumes residential property assessment ratio will remain at 10% and that market value is equivalent to Home Sales Price.

Additional information regarding the description of infrastructure improvements to be financed by the CFD, bond issue public disclosure documents and other documents and agreements (including a copy of this Disclosure Statement) are available for review in the County Clerk of the Board's office and/or on the County's website.

Your signature below acknowledges that you have read this disclosure document at the time you made your decision to purchase property in the CFD and you signed your purchase contract and that you understand the property you are purchasing will be taxed to pay the CFD bonds described above.

Home Buyer(s) Signature/Date

Home Buyer(s) Signature/Date

Home Buyer(s) Signature/Date

Home Buyer(s) Signature/Date