

**THE WORKSESSION
OF THE MAYOR AND CITY COUNCIL OF BENSON, ARIZONA
HELD APRIL 20, 2015 AT 6:00 P.M.
AT CITY HALL, 120 W. 6TH STREET, BENSON, ARIZONA**

CALL TO ORDER:

Vice Mayor McGoffin called the meeting to order at 6:00 p.m. with the Pledge of Allegiance.

ROLL CALL:

Present were: Vice Mayor Lori McGoffin, Councilmembers Pat Boyle, Jeff Cook (arriving at 6:02 p.m.), Joe Konrad and David Lambert. Absent were: Mayor Toney D, King, Sr., Councilmember Chris Moncada. Vice Mayor McGoffin stated Mayor King was ill and wouldn't be present.

NEW BUSINESS:

1. **Presentation and subsequent questions and answers regarding Public Financing alternatives for The Villages at Vigneto and to provide a forum to generate ideas together with City Council based off the experience of Public industry professionals**

City Manager William Stephens stated the worksession was being held at the request of El Dorado Holdings to see their presentation and generate discussion.

Mike Reinbold of El Dorado Holdings addressed Council thanking them for the opportunity to engage in a discussion regarding public finance, more specifically Community Facilities Districts (CFDs). Mr. Reinbold stated he had a group of professionals he wanted to introduce to Council throughout the worksession who work in various areas within the industry, adding the Council will get background information and will have the opportunity to ask questions and get a feel for the CFD process. Mr. Reinbold then stated Vigneto is a 20 square mile project that is very dependent on public finance, adding a lot of new infrastructure and amenities need to be built and in today's world they are usually done through public finance using CFDs, assessment districts or revenue bonds. Mr. Reinbold then stated these are financial tools and vehicles created by legislature so infrastructure and various improvements could be constructed, adding he and his associates have done CFDs in the past. Mr. Reinbold then stated when El Dorado looked at the current process within the State of Arizona, they looked at what they had as tools and how those tools compare to other states, adding in that review, they found the tools are very similar to other states. Mr. Reinbold then stated the next process was to engage with some local expertise, which was Carter Froelich, who is with a financial advisory firm that advises both municipalities and private developers and Dana Belknap, an attorney, who has worked on CFDs within the state. Mr. Reinbold then stated after identifying the tools, they looked at how they differ from other states regarding performance and he is sad to say Arizona is very far behind in the process and in accomplishing the goals and tasks that many other states are doing and is not competitive on a national basis. Mr. Reinbold stated this raises an opportunity to see what can be done to enhance that process and what tools can be deployed better to create the results collectively wanted and still stay within the frameworks and guidelines established for that purpose. Mr. Reinbold stated El Dorado sought outside expertise and in that process identified Kutak Rock, a firm based in Scottsdale as well as nationally, adding the representative here from Kutak Rock is Ken Guckenberger from their Denver office and Mr. Guckenberger has worked very extensively on CFDs. Mr. Reinbold then stated El Dorado also looked at who on a national basis is very experienced in representing districts, with regards to the formation and administration of those districts and they looked at White, Bear and Ankele, a firm out of Denver, adding Gary White and Robert Rogers from that firm were present also. Mr. Reinbold then stated that is the team of experts, in addition to D A Davidson, a firm that is also Denver based and has a very extensive background in public finance, issuing CFD bonds and assessment district bonds, who will address El Dorado's financial side of the issue. Mr. Reinbold then stated all of these people are very experienced, highly qualified experts allowing the exploration of CFDs, adding with the discussion tonight, the Council has the opportunity to interview them, get to know them and get comfortable with them.

Mr. Reinbold then introduced Gary White to give a brief overview of CFDs. Gary White, of White, Bear and Ankele, stated he lives in Denver, but has a home in Ahwatukee. Mr. White spoke about his experience, stating he started in special district work in Colorado in 1983 and for 32 years he has been representing special districts which are very similar in terms of statutory authorization as CFDs in Arizona. Mr. White stated in addition to that work, both he and Robert Rogers also represent two cities in Colorado who are experiencing very rapid growth, adding they were very small communities initially that had a lot of growth and development pressure due to their locations. Mr. White stated he engaged in both of those cases, representing the cities because of their understanding of the development industry and the use of these special district financing tools. Mr. White stated when his firm looks at an issue like this project in Benson, they can look at it from both sides, adding they have some understanding of what City Councils and City Attorneys are probably concerned about when a developer comes in and proposes to use a basket of tools a little differently than it's been used elsewhere. Councilmember Cook asked what cities they represented with Mr. White stating one was Lonetree, Colorado, which was largely a bedroom community for Denver until big box retail development started occurring and there was a 4,000 acre annexation of undeveloped property. Mr. White stated all the things the developer wanted to bring to bear that had potential of impacting the existing community had to be evaluated. Mr. White then stated the other city was Timnath, Colorado, located on Interstate 25. Mr. White stated Timnath's claim to fame was that until recently, it had about 800 homes and a Wal-Mart, but now probably has twice that many homes and a Costco, adding because the retail center is there, there is a lot of home development interest in that area. Mr. White then stated this is something he suspects will ring true to Benson in terms of opportunity. Mr. White then stated what makes Colorado so different from the ways CFDs are used in Arizona is that the Boards of Directors of those districts are independent of the Cities, noting the districts are formed under City authority, but the Boards are made up of developer representatives who have all the business savvy associated with the proposed development, in terms of phasing the development from a land development standpoint, financing the development, the selection of professionals they have confidence in and in terms of weaving through both the statutory framework for using districts in Colorado as well as national framework for the issuance of tax-exempt debt. Mr. White then stated his firm works extensively in Colorado with Kutak Rock and D A Davidson, adding they represent 200-300 of these types of districts in Colorado, adding there is virtually no development of any magnitude in Colorado that does not have one of these types of districts. Mr. White stated his firm doesn't have the practice to know a lot of things that seasoned lawyers in Arizona know just from years of practice, adding when he was approached by El Dorado to look at the CFD statutes, he became quick friends with Attorney Dana Belknap and asked her a lot of questions about why these things are done a particular way in Arizona, what the statute permits and what it precludes. Mr. White then stated he found that a lot of custom and practice in Arizona is not driven by statute, but by the way things have always been done and the reluctance to step out of that mold because when debt is issued in districts like this, there are legal opinions that are rendered by professionals who are involved and those legal opinions have liabilities associated with them. Mr. White then stated, in talking with local attorneys about changing the way things might be done with a CFD in Arizona, there is some natural resistance, but his firm, having done these for so long, realizes the rendering of a legal opinion is just the natural outgrowth of walking through the process in the correct manner. Mr. White then stated he has been consulting a lot with Dana Belknap about how CFDs are formed here and with the developer about how his firm might modify some of this custom and practice in Arizona to use CFDs more effectively, in their perspective, so this type of project can maximize the opportunity and ultimately create the quality of development El Dorado has presented to Council and everyone wants instead of more sprawl. Mr. White then stated he has been through 30+ years of this and hasn't had anyone get into financial trouble in over 20 years because the developers bring professionals who are experienced in the national markets and in making sure these districts are formed and administered properly and that their debt is issued properly and retired properly.

Mr. Reinbold then stated in the bond counsel arena, El Dorado has been in consultation with Ken Guckenberger from Kutak Rock, who brings vast experience with public finance in being special counsel to City Councils or to the Boards that are created. Councilmember Konrad asked if Mr. Reinbold could give the Council information on those who are speaking with Mr. Reinbold stating he would do so.

Ken Guckenberger of Kutak Rock addressed Council stating his office is also out of Denver but they are a national law firm with a substantial Arizona presence, adding they have about 85 people in Scottsdale with

many of those being in public finance. Mr. Guckenberger then stated his firm is one of the top 5 law firms in the U.S. in terms of numbers of deals representing cities, towns, counties, authorities and special districts around the country, adding in the special district area, his firm is at the top or first or second every year in the number of bond counsel deals done for special districts. Mr. Guckenberger stated he practices in a variety of states, but mostly in Colorado and Florida where he is a member of the bar in both states. Mr. Guckenberger then stated both states are facing extreme growth pressure, adding special district financing is the primary way to make growth pay for itself and is the tool given by the statutes allowing the creation of independent special districts which are responsible for issuing their own debt, noting in some cases they will make decisions in conjunction with a City Council and in some cases they will make their own independent decisions. Mr. Guckenberger then stated streets, curbs, sewers and parks are the kinds of things financed on a day-to-day basis, adding his firm feels like they can help Benson and the developer go through and be as creative as possible within the confines of Arizona law, adding he will be working with his partner in Arizona to help should he be engaged. Mr. Guckenberger then stated he was glad to have this opportunity, adding he thinks there is a ton of potential here in Arizona. Mr. Guckenberger then stated he could answer questions the Council may have or talk about specifics with Council, again stating he thinks there are unique challenges in the Arizona statutes, but there are excellent opportunities to come up with a good financial plan that makes sense for both the City and the developer.

Councilmember Konrad stated Mr. Guckenberger referred to challenges in the statutes and asked him to elaborate on Arizona lagging behind the rest of the country. Mr. Guckenberger stated he's seen the practice in Arizona and believes that with outside eyes, they can provide a different perspective. Mr. Guckenberger then stated he has completed deals in 18 or 19 different states with special districts that have these statutes and he feels there is a certain commonality in them along with certain unique challenges, adding he is here to learn about and hear the Council's objectives and see if his firm can contribute in a meaningful way.

Councilmember Cook stated in the CFD process, there are underwriters, bond issuers, attorneys representing the City and attorneys representing the developers and asked where Kutak Rock fit in. Mr. Guckenberger stated the bond counsel issues a tax-exempt bond opinion which is relied upon by bond holders to take tax exemptions on their federal and state income tax returns. Mr. Guckenberger then stated the primary benefit his firm brings to the process is that they are a nationally recognized bond counsel firm, but noted there are many qualified firms around the country. Mr. Guckenberger then stated ultimately, the issuer of the debt, which in this case will be the CFD, will engage bond counsel and how that is determined will be up to the District Board. Mr. Guckenberger then stated that is how his firm gets engaged and paid, adding they are usually paid at the conclusion of a bond transaction. Councilmember Cook asked if Kutak Rock would represent the district or the developer or a combination of both with Mr. Guckenberger stating they would represent the district, adding ultimately the bond counsel opinion is given on behalf of the district for the benefit of the bond holders. Councilmember Cook then asked what Arizona statutes govern CFDs with Mr. Guckenberger stating the statutes are found in Title 48, Chapter 4, Article 6.

Mr. Stephens then asked Mr. Guckenberger who his local partner in Arizona was with Mr. Guckenberger stating it was Tony Giancana, who lives in Scottsdale, but was unable to attend tonight. Mr. Guckenberger then stated Mr. Giancana was probably one of the leading tax attorneys, adding he does all kinds of transactions nationally.

Mr. Reinbold then stated in terms of the question of representation, Mr. Guckenberger's firm (Kutak Rock) would serve as bond counsel and issue the tax opinion and Mr. White's firm (White, Bear and Ankele) would represent the district on the formation, implementation and then in terms of marketing of bonds. Mr. Reinbold then stated Zach Bishop with D A Davidson would be addressing Council next with a quick background on his firm and why El Dorado thinks D A Davison is a very capable player that would round out the team. Mr. Bishop stated his firm is a broker dealer, headquartered in Montana with their public finance headquarters in Denver, where his team is based, adding their firm has offices in 30 states giving them a fairly national presence. Mr. Bishop then stated they have special district practices in several other states, adding his team happens to be focused on the Colorado market with 6, soon to be 7 people in Colorado who do nothing but issue special district debt all day. Mr. Bishop then stated his firm has a unique group there and this type of CFD issuance is all he does. Mr. Bishop then stated his firm has marketing in Colorado that is fairly large

with about 500 transactions over the last 10 years in Colorado for special districts, adding his firm has done just over 300 CFDs. Mr. Bishop then stated because they focus just on this market, they have a lot of expertise that would apply to this special district type of debt, whether it be assessment-related bonds, general obligation, limited tax type bonds or revenue bonds, which are all types of bonds that are allowed with the CFD statute, noting again, his firm has significant experience. Mr. Bishop then stated what they hope to bring to Benson and to this project is a fresh look on how these tools can be used to ensure a successful project. Mr. Bishop then stated as pointed out earlier, in Colorado, this is a very extensively used tool, adding builders such as Lenore, Pulte and other national builders are firms they work with to form these districts if the land developer hasn't already formed them and then they help them get the amount of public infrastructure that's necessary to keep the development going strong. Mr. Bishop then stated this is something that has become fairly standard practice in Colorado and is fairly well vetted with a long history of these going back 30 years or more, adding a lot of lessons learned over that time could be brought to help Benson for the City's benefit and for the project's benefit. Councilmember Cook then asked Mr. Bishop if his firm served as the bond issuer with Mr. Bishop stating they were.

Mr. Reinbold then spoke, stating one of the documents he had for Council had two graphs regarding CFDs and where Arizona placed in the market, adding the first graph is the number of issuances done over a period of years and the second graph shows the amount of public debt that was issued. Mr. Reinbold then stated Arizona lags significantly in the public finance arena, adding part of that lagging is because of the struggles in terms of getting bond issues done and getting districts formed, noting Arizona is not very efficient at all, is slow in the process and most of the available tools aren't deployed. Mr. Reinbold then stated from a developer perspective, this is very frustrating, but from others' perspectives, it's very profitable, which is why for El Dorado, it's important to have a team of players that have the same goal; to accomplish the objectives as quickly, expeditiously and cost effectively as possible, rising to the same level as others on a competitive basis. Mr. Reinbold then stated one of the people also present is Carter Froelich, who has been a financial advisor for many bond issues in many states. Mr. Reinbold then stated he has known Mr. Froelich for 20+ years and while they have never worked on a deal together, he has always admired Mr. Froelich and his firm's expertise. Mr. Reinbold then stated Mr. Froelich would address Council and give a brief overview of the financial advisor role and how they fit in the equation.

Mr. Froelich stated he was the managing principal of the Development Planning & Financing Group based in Phoenix, adding his firm has 12 offices in 9 different states and have been involved in about 2,100 different special purpose taxing districts. Mr. Froelich stated he is a CPA and his firm primarily works with the private sector as districts to put the structure together for the issuance of bonds, adding they don't issue bonds; they just work a lot with the formation of the district. Mr. Froelich then stated between Dana Belknap and himself, they have been involved in about 80% of all the CFDs in the state. Mr. Froelich then stated he practices not only in Arizona, but in Nevada, Texas, Colorado, Idaho and he came from California originally, adding in his practice, he gets to go to a number of different states. Mr. Froelich then stated as Council can see in the graphs given out, there are some states that issue bonds much better than it's being done in the state of Arizona, adding as a resident of Arizona and coming to Arizona since the 70s, the process is really frustrating in Arizona compared to other states like Texas. Mr. Froelich then stated he has worked a number of times with the team the Council has before them and he thinks they have fresh ideas on not reinventing the process, but on taking the template being used in other states and bringing it to Benson to advance and stimulate growth. Mr. Froelich then stated everything his firm does relates to finance provisions and payment of public infrastructure.

Councilmember Cook asked if Mr. Froelich could give a name or label for their function with Mr. Froelich stating his firm works on everything from helping clients go through the public bidding process, to managing the accounting, budgets, making sure the taxes get on the tax rolls and that the money is collected and distributed properly, adding there are a lot of different things they can do, and will do as much or as little as the client would have them do. Mr. Froelich then stated his firm has worked on backend accounting and worked with land developer clients to establish a district, adding everything they do is finance and accounting based. Councilmember Cook then asked if Mr. Froelich's firm worked on behalf of the district, the developer or the City with Mr. Froelich stating his firm can play a number of different roles, adding roles include helping their clients understand what kind of abilities they might have to issue debt, identifying financial options,

working with underwriters to put together the bond structure and working with the bond attorneys and the underwriter attorneys. Mr. Froelich then stated once the bonds are issued, they work with the district and can be the accounting staff of the district, helping to prepare budgets, making sure meetings are held correctly, that the taxes are recorded correctly and being distributed correctly, serving as the back office of the district and handling all the account functions. Councilmember Cook then stated Mr. Froelich referred to doing this for his firm's clients and asked who their client is with Mr. Froelich stating in this case, his firm's client would be the district.

Councilmember Konrad asked if Mr. Froelich could tell the Council why the process is easy in other states and what the hurdles are in Arizona with Mr. Froelich stating some states have more special districts, noting they have a myriad of different names and they actually use the tools to issue debt. Mr. Froelich stated in Texas, for a project of this size, it almost goes without saying that when a developer requests a public improvement district, a municipal utility district or a tax improvement district generating additional property taxes, the City Council tells the developer to talk to City Staff to get one, adding they make it very easy to finance infrastructure and the process is one that is very collaborative. Mr. Froelich then stated one of the other big issues that makes Arizona different from Colorado, Texas and Florida is that all of those states use appointed boards, adding one of the things being discussed tonight is having an appointed board. Councilmember Konrad asked if the Board would report back to Council with Mr. Froelich stating the Board could, but typically it stands on its own and is a standalone board appointed by Council.

Mr. Reinbold stated he would like to clarify that the gentlemen here this evening would all be representing the City or the district and the board, adding only Dana Belknap would be representing El Dorado. Mr. Reinbold then stated as Mr. Froelich mentioned there is the option in state legislation to have an appointed board, adding this has been very effective across the nation because developers inundate the Board with all sorts of things coming along with the development. Mr. Reinbold then stated the statutes allow the creation of a Board that is responsible and tasked with the administration of that Board so it's focused on its task. Mr. Reinbold then stated it's also a very effective way because since the Board's function is that specific role, Council can appoint people who have financial backgrounds and development backgrounds who are well-suited for that process, adding it does make it far more efficient in terms of things being processed, because their sole role is that as opposed to Council who has to deal with a myriad of things and multiple issues on a regular basis. Mr. Reinbold then stated again, an appointed Board's focus is purely to accomplish their tasks and this is one of the reasons they are more efficient and more effective in many states, adding the Board's task is fairly significant, but it is the Board's focus.

Councilmember Konrad asked who the Board is accountable to with Mr. Reinbold stating the Board is accountable to Council, adding ultimately Council appoints them so they're responsible for their actions. Mr. Reinbold then stated the formation of a district is a process of the City and the district is accountable to the bond holder. Mr. Dennis Krahn of El Dorado then added that the district is ultimately accountable to the bond holders and noted the bond holders and the developers have the most at stake. Mr. Reinbold then stated the sole collateral for any debt issued is the property, so there is no recourse to the City, adding the City doesn't have any obligation for payment of the bonds and the obligation rests with the property that is being improved and with El Dorado. Mr. Reinbold then stated since El Dorado will be there for many, many years, they share the same concerns that what is done is responsible and achieves objectives, adding they are also concerned about having the tools they need to use to be able to accomplish their objectives. Mr. Reinbold then stated the process is very difficult under the current scenarios, adding it's like running with one leg and is horribly inefficient, horribly expensive, it builds half the infrastructure that should be built and sets projects up potentially for greater failure by doing so. Mr. Reinbold then stated he never understood underfunding something and the mentality of building half and then figuring out how to get the other half later, adding he feels that is a very bad approach and he would prefer to build it all or not at all, instead of half-way.

Councilmember Konrad asked if for whatever reason, the development goes belly up, what happens with the partially developed infrastructure and what the City exposure was with Mr. Reinbold stating he would first be trying to find his scalp because of El Dorado's investor partners. Mr. Reinbold then stated they wouldn't allow that to happen, adding they have done this for a long time. Mr. Reinbold then stated the recourse is to the property, adding their capital is at risk and if they mess up, all of their investment is gone. Mr. Reinbold

then stated generally in planning infrastructure, you plan it to be able to fund the completion of each phase, adding they wouldn't start the next phase without knowing they're going to be able to complete it which is both conscientious and responsible when developing. Mr. Reinbold then stated he has done CFDs before, adding he did the very first one in California. Mr. Reinbold then stated CFDs have performed well and have served their purpose very well allowing proper planning financially. Mr. Reinbold then stated without a CFD, the proposed development is not an attractive project because it requires so much infrastructure and capital to do the improvements that they need to use a vehicle like the CFD. Mr. Reinbold stated generally the City has assurances on completion, whether that's a bonded assurance or something else, to complete whatever the developer is doing, adding the City has requirements for guarantees for completion and those types of things will each be dealt with on a phase basis.

Councilmember Konrad then asked how long it takes to develop a CFD with Mr. Reinbold stating right now under the current players in Arizona, it would be extremely fortunate to get the process done in 12-18 months, adding 2 years would be more likely, but with the team of people who are in to get it done, 6-9 months is attainable and should be the normal timeframe. Mr. Reinbold then stated 6-9 months matches El Dorado's schedule, adding if the project is going to be development ready by the 1st quarter of next year, they've got to be working with a team of people who will get them there. Mr. Reinbold then stated it wouldn't matter if El Dorado ran like crazy to make the quarter start if the CFD process lags by another 18 months, adding that would be horrible.

Councilmember Konrad then asked who would be responsible for that lag or holding the process up with Mr. Reinbold stating he thinks the current players in the industry locally are their own worst or best enemies, adding time is money and when you equate 2 years to 9 months, you see something is wrong and someone is making too much money doing something that can be done very efficiently and very quickly. Mr. Reinbold then stated that is why when El Dorado looked at CFDs, they looked for and found many players in this country who have expertise far beyond what is currently in Arizona. Mr. Reinbold then stated for El Dorado to accomplish their goals, they want that expertise; they want the A team, not the B+ team, adding it requires the best they can find. Mr. Reinbold then stated El Dorado is investing a tremendous amount of money and they don't want to bet on anyone except the A+ team.

Vice Mayor McGoffin asked if El Dorado was bringing in people from Denver to help direct the people in Arizona on how it should be done in 9 months instead of 2 years with Mr. Reinbold stating the team they are presenting is a combination of people from both Denver and Arizona who would be representing the district, adding it's teams of players that have both local and national experience vs. isolated local experience.

Councilmember Lambert referred to the document El Dorado gave Council, stating the graphs indicate that California and Texas are the easiest to work with and asked how long the process takes there with Mr. Reinbold stating Mr. Froelich knows better, but it's safe to say it takes under 9 months. Councilmember Lambert then stated the proposed development has been discussed being completed in phases over a 20-year period and asked how many phases were in those 20 years with Mr. Reinbold stating it's hard to say, but given the number of units with an average of 2,000 a year, it would probably have 10 to 15 different phases, noting the proposed development is a big project. Councilmember Lambert noted the subject property at 20 sq. miles is almost the same size of the city now with Mr. Reinbold stating in terms of square miles, that was correct.

Councilmember Cook stated it was indicated that the Board would be appointed by the City Council and that bond holders and the developer have an interest in the process, but stated one of his interests is that sometimes the people the Council appoints don't have a real political interest, but have real working backgrounds such as banking and construction and other times a Council will appoint a board that has very thin working experience, but has a very thick political motivation or drive. Councilmember Cook then asked how everyone would deal with that with Mr. Reinbold stating he would say that El Dorado and the Council should come up with a number of names that they collectively think are qualified candidates and from that group, the Council would make a determination of which of those members should be appointed, adding ideally most Board members would be local. Mr. Reinbold then stated the developer can't be on that Board in Arizona, as opposed to many other states, adding in many other states the Board is the developer, which is an ideal world for the developer because it puts them in a position of controlling their own destiny and when they need to get things done, they

have no one to look at but themselves. Mr. Reinbold then stated a developer doesn't have that luxury here. Mr. Reinbold then stated he didn't know if the overlap could ever be totally avoided, adding there are people who will have expertise in a number of areas and they may have political differences, but he thinks the job as a Council and as a developer is to find people whose goals are to implement and accomplish what the task is and will be responsive to the City's needs and the developer's needs to get infrastructure built and not create impediments for getting that infrastructure built.

Councilmember Lambert asked if El Dorado had any idea on how many people they wanted on the Board, noting quorum issues with too few Board members and too many differing opinions and directions with too many Board members. Mr. Reinbold suggested a 5 member Board, stating 3 members is a horrible idea and 5 members seems to be a manageable level where there is enough members to have diversity, but the ability for decision making is at an efficient level, adding with 5 members, there is also a tiebreaker, which he thinks is important. Councilmember Lambert then asked if El Dorado would like to be part of the selection process for Board members since El Dorado would be working directly with the Board with Mr. Reinbold stating he views everything being done as a team, adding it's "sink or swim together" and he would like to know it's being done collectively. Mr. Reinbold then stated if 12 or so candidates can be identified that everyone can have input on and say why they feel comfortable with them, that kind of makes the playing field neutral, adding both have vetoes, but it makes sure there is a balance because at the end of the day, everyone lives and dies by this joint effort so harmony is a good thing. Councilmember Lambert asked how soon El Dorado needed this Board put together with Mr. Reinbold stating El Dorado's goals would be that once Council gets through their questions and is comfortable with the consultants they've recommended and if those consultants are acceptable, they would engage them and start immediately because it's a 9 month process and they are at the 9 month window right now, noting to make a January completion, they would start on it immediately.

Councilmember Lambert stated he knew the Council couldn't take action but asked City Attorney Gary Cohen if this was something the Council needed to put on the next agenda to call for a vote, Mr. Cohen stated the Council could, but he wouldn't recommend it, adding the Council might want to wait and talk to counsel beforehand. Vice Mayor McGoffin asked why the Council might want to wait with Mr. Cohen stating there are a lot of reasons, adding Council may want to talk to the City Attorneys and depending on information Council receives from their own independent study, their own thoughts and conversations with Staff, attorneys and others, they may want to wait.

Councilmember Konrad stated he didn't mean to offend anyone who spoke, but the people Mr. Reinbold introduced to Council are candidates and there are probably other candidates to consider, adding for due diligence, he would think the Council would need to consider others as well. Councilmember Konrad then stated he thought it would be premature to go into the next meeting with this as an agenda item. Vice Mayor McGoffin stated the people who addressed Council tonight wouldn't be on the Board and she was referring to looking for local people to appoint to the Board. Councilmember Konrad stated he didn't think the Council could have 12 names of candidates to consider for the Board by the next meeting. Mr. Reinbold stated there is an organizational process and the first step is for the developer to identify the district boundaries, adding the next steps are to do what is required to form the district, then actually forming the district followed by the appointment of the Board members.

Mr. Cohen agreed, stating appointing the Board first would be putting the cart before the horse, adding there are other things that have to be done first. Councilmember Cook stated in addition, he thought the Council would need to have some sort of selection process for legal counsel for the City, adding he was certain all the legal counsel the developer is getting for the developer and the district is competent, but they represent the developer. Mr. Reinbold stated the only person who represented the developer was Dana Belknap, adding everyone else is people El Dorado interviewed and thinks would be a good team for the City. Mr. Reinbold then stated the City would engage them for the purposes of the creation of the Board, bond counsel and district counsel, adding they would all be City representatives, not the developer's.

Councilmember Cook thanked Mr. Reinbold for the clarification and then stated he still thought the Council needs to have some legal representation for the City who is experienced with CFDs. Councilmember Cook then stated the Council was essentially going through an interview process right now with the people presented

and what works best for him is to go through the interview process and then have time to think about the information presented and have questions for a second interview. Mr. Reinbold then stated the purpose of tonight's discussion was not to have the Council leave with a decision, but was to introduce the Council to who El Dorado thinks are great candidates, get their bios, firm bios and to understand why El Dorado thinks they are great candidates. Mr. Reinbold then stated if El Dorado has done a decent job in finding these candidates, hopefully Council will find the same value in them, adding at the end of the day, the call belongs to Council. Mr. Reinbold then stated El Dorado went through this process because it's important to them, it's something they've done in the past and it gives them the opportunity to find the best possible team, but if the Council has a better team, El Dorado has no problem with better people, adding his concern is the team and the ability to serve both the City and El Dorado's purposes.

Mr. Froelich then spoke stating statutorily to form a district, a landowner first submits a petition to the City requesting the formation of a district and as part of that, would provide a legal description and a title report showing that the entity submitting the petition does own the land, adding it would include an accounting assessor's report. Mr. Froelich stated there would also be a list of registered voters within the boundaries of the district, adding generally a district is formed over raw land with no qualified electors, so the only vote that has to occur is a vote of the landowners, noting in essence the proposed property would have 100% of the landowners requesting the formation and all public hearing requirements could be waived. Mr. Froelich then stated at that point, the Council could form the district and appoint the 5 member Board, adding for all practical purposes, other than appointing future Board members, the Council's role would be over. Mr. Froelich then stated all of the liability related to the issuance of debt would be solely on the district and the land within the district, adding the existing residents within the City of Benson that are not included within the project boundaries would not be responsible for any of the debt obligations of the district. Mr. Froelich then stated once the district is formed and the Board is appointed, the Board would go forward, conduct public hearings and meetings to carry on the business of the district, which would be the issuance of bonds from time to time. Mr. Froelich then stated one other thing he wanted to mention was that the Board was a 5 member board by statute, adding 3 of those board members would have a 6-year term and 2 members would have a 4-year term, adding when the terms are up, the Council would appoint other qualified board members to take their place, but again, other than that, the role of the Council at that point would be basically done. Mr. Froelich then stated what they would like to begin to do is to start putting together the information to begin the formation of the district, which goes fairly quickly once there is a legal description. Mr. Froelich then stated they would begin to put that information together so they could begin dialogue with City Staff and Council to hopefully get the district formed within that 9 month window.

Councilmember Lambert stated Mr. Froelich mentioned the statute says 5 members and once a term is up, the Council appoints someone else, then asked if the same Board member could continue to serve or if a new Board member must be appointed with Mr. Froelich stating he would let the attorneys opine on that question, adding when he reads the statute, he believes it doesn't specify that it must be a new person, it just says the Council will appoint members to replace other members, again stating he would leave it up to the attorneys to give their opinion on that. Mr. Stephens asked if that meant that active sitting Councilmembers cannot be Board members with Mr. Froelich stating the it did mean that and then stated the employees and/or agents of the City or of the developer could not be on the Board, adding it goes both ways.

Councilmember Konrad stated there was no provision on the agenda to take any action, but asked if it would be appropriate to schedule an agenda item for the upcoming meeting next week to seek legal advice in an executive session. Vice Mayor McGoffin stated that could be done with Councilmember Konrad stating he didn't want to be the first hurdle in the project, but this is all new to the Council. Councilmember Lambert stated the Council could enter into an executive session for legal advice any time there was an open meeting.

Councilmember Boyle asked for bios and information on the team El Dorado presented to study and review, adding it sounded like El Dorado was pretty confident and was ready to roll on this with Mr. Reinbold stating he feels the Council needs to look at bios, backgrounds and expertise the same way he did, adding he is hopeful the Council will draw the same conclusions he did. Mr. Reinbold then stated that may or may not be the case, but his goal was to bring the best they could find to fill those roles, adding if the Council can find someone better, he would be more than happy. Mr. Reinbold then stated there are other people out there, it's

just getting familiar and comfortable with people. Councilmember Boyle stated he thought El Dorado was expediting things the way they ought to; bringing in a good team of people and the Council will probably think they're great, but the Council does need to look at it and do due diligence. Vice Mayor McGoffin stated she was sure there would be a lot of information prepared for Council at the next meeting and giving the attorneys a week to prepare information would be better than holding an executive session tonight.

Vice Mayor McGoffin then asked who pays for these services with Mr. Reinbold stated some of the people present are paid on performance and are paid on sale of bonds, noting investment bankers generally get paid on the sale of bonds; bond counsel gets paid on the issuance of their opinions or whatever their aspect is relative to a bond issue and the district counsel is paid out of bond proceeds. Councilmember Cook asked who paid them with Mr. Reinbold stating when they are paid on performance, it's the issue of debt and the district counsel would be paid by the district. Vice Mayor McGoffin then verified that no fees would come from the City with Mr. Reinbold stating generally, the cost of issuance is paid at the time of bond closing, depending on the size, adding a normal rate for 10+ million dollar bond issues is 3% and in Arizona part of El Dorado's issue is that the cost of issuance has been double, triple and quadruple that, because taking a 9 month process and making it a 24 month process, things tend to follow. Mr. Reinbold then stated that is only the cost of issuance side, adding the developer side is also paid so the developer has costs associated through this process, noting the longer the process, the more it costs the developer in terms of their counsel and in terms of delays, 24 months in a project this size is just about equivalent of a lifetime, adding when a developer has many millions of dollars invested, they need to move forward and want to do it as efficiently as they can.

Councilmember Cook asked the City Attorneys what experience they had in CFDs and if the Council needed to go outside and get additional legal counsel with City Attorney Paul Loucks stating the City Attorneys would not be serving as bond counsel and were not qualified to do so, but would be assisting with the creation of the CFD, adding a lot of the heavy lifting would be done by the CFD's counsel. Councilmember Cook then asked Mr. Loucks if the City Attorney's had experience and background needed to represent the City with Mr. Loucks indicating they did.

Councilmember Cook then stated he knew there were multiple phases discussed for the project and asked if there would be separate CFDs or if there would be one district that includes all the phases for the project with Mr. Reinbold stating a single district that covers the entire property could be done or multiple districts could be layered over the property, noting over time, conditions change and a developer can use a second or third district in that function as well. Mr. Reinbold then stated El Dorado is still working through what they think they would like to see, adding the short answer is that a single district could be created encompassing the entire boundary of the property. Councilmember Cook asked what El Dorado intended to do with Mr. Reinbold stating they are looking at whether they add additional districts within that boundary, adding as they move through time, there may be advantages to do that. Mr. Reinbold then stated once a district is created and homeowners move in, at a certain point, the developer no longer has votes to make changes, so if the developer forms second or third districts to begin with, they can do so without engaging homeowners or engaging some of the more complex issues, noting once there are a few thousand people living there, there are a few thousand opinions and it gets far more complicated, which is why the developer tries to structure the district or districts at the beginning so they have a 20-year plan that they are going to be positioned to implement throughout that process without having 20,000 opinions.

Councilmember Cook then stated he had the existing development agreement for the property as it exists under Whetstone Ranch emailed to him so he could review them and he didn't like some of the provisions and it would please him to get rid of the agreements, he then asked Mr. Reinbold what their plans were with the agreements. Mr. Reinbold stated El Dorado would like to change the development agreement, adding there are things in it they don't think are applicable today and they expect to go through and create a new development agreement that will incorporate what they are doing moving forward, but noted some of the history needs to remain in the agreement. Mr. Reinbold then stated he knew there were some obligations of the City and El Dorado is looking at ways to finance those obligations independent of the City doing so, adding a CFD or a special purpose revenue bond can facilitate those things so that the costs of the project are borne by the project and not by general tax paying people.

Councilmember Cook stated he wanted everyone to know that part of what the development agreement says is that the City is going to be paying for certain things that happen on the property, then stated if what Mr. Reinbold is saying is that the CFD can bear the entire cost, then he thinks it's beneficial to the City. Mr. Reinbold then stated it is El Dorado's goal to have the development costs associated with the development borne by the development. Councilmember Cook stated that is what he wants also.

Mr. Stephens asked how the State land fits into the proposed development with Mr. Reinbold stating the State land is excluded and the boundary for the district would go around the State land.

Councilmember Lambert stated at this point, it sounded like it was on El Dorado's shoulders to get the bios to the Council and to create the district with Mr. Reinbold stating he would have the bios emailed to the Council. Mr. Reinbold then stated in creating the district, El Dorado would need to first generate a legal description and stated it would take approximately 30 days. Councilmember Lambert asked about the desired 9 month timeframe with Mr. Reinbold stating everything fits, from start to finish, within the 9 months they are hoping for. Vice Mayor McGoffin stated 30 days would also give the Council time to consider people for the Board. Councilmember Lambert then asked the City Attorneys if they had any legal opinions or anything else for the Council tonight or if they would at the next meeting with Mr. Loucks stating they would have information at the next Council meeting.

ADJOURNMENT:

Councilmember Lambert moved to adjourn at 7:13 p.m. Seconded by Councilmember Konrad. Motion passed 5-0.

ATTEST:

Toney D. King, Sr., Mayor

Vicki L. Vivian, CMC, City Clerk