



EASTMARK COMMUNITY FACILITIES DISTRICT NO. 1 BOARD

June 15, 2015

The Eastmark Community Facilities District No. 1 Board met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on June 15, 2015 at 5:02 p.m.

BOARD PRESENT

John Giles, Chairman
Alex Finter
Christopher Glover*
Dennis Kavanaugh
David Luna
Dave Richins
Kevin Thompson

BOARD ABSENT

None

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Dee Ann Mickelsen

(*Boardmember Glover participated in the meeting through the use of telephonic equipment.)

1. Items from citizens present.

There were no items from citizens present.

2. Approval of minutes from a previous meeting as written.

It was moved by Boardmember Kavanaugh, seconded by Boardmember Richins, that the minutes from the February 26, 2015 Eastmark Community Facilities District No. 1 Board meeting be approved.

Carried unanimously.

3. Hear a presentation, discuss and provide direction on the proposed modification to the Community Facilities District No. 1 secondary property tax rate based on changes to State laws regarding property valuation.

Chief Financial Officer Mike Kennington introduced Office of Management and Budget Deputy Director Ryan Wimmer and Deputy City Attorney Jim Smith, who were prepared to respond to any questions that the Board might have. He also recognized representatives from DMB, the developer of Eastmark, and the law firm of Gust Rosenfeld, which serves as bond counsel for the Community Facilities District (CFD).

Mr. Kennington reported that typically, the Eastmark CFD issues General Obligation (G.O.) and Special Assessment bonds in order to finance the cost of eligible infrastructure improvements in the District. He explained that with respect to the G.O. bonds, the principal and interest are paid for by an annual secondary property tax levy, which has historically been based on the full cash value (i.e., market value). He stated, in addition, that the primary property tax levy was based on a limited property value, which is generally lower than the full cash value.

Mr. Kennington further remarked that in November 2012, Arizona voters approved an amendment to the Arizona Constitution as it relates to property valuation. He noted that the amendment simplifies the property valuation by reducing the number of assessed valuation from two to one. He said that as a result, both the primary property tax and the secondary property tax would be based on one limited assessed value. He added that for those cities and CFDs that have programmed for a higher fixed rate, such rate would now be a lower net assessed value (limited).

Mr. Kennington displayed a PowerPoint presentation (**See Attachment 1**) and highlighted a chart that illustrates the secondary property tax levy before the changes in the law as compared to after. (See Page 4 of Attachment 1) He explained that in order to maintain the same levy, staff would propose to adjust the \$3.00 property tax rate (per \$100 of net assessed value) annually, increasing that amount to \$3.85 this year. He emphasized that the average homeowner would not see an increase to his or her tax bill, but merely an adjustment of the rate.

Mr. Kennington concluded his remarks by stating that staff was seeking the Board's direction with respect to the proposal. He also highlighted upcoming CFD Board agenda items. (See Page 5 of Attachment 1) He noted that on July 1, 2015, the Board is scheduled to consider several items including, but not limited to, the property tax levy and the G.O. bond resolution.

Boardmember Richins restated that staff's proposal would "change the elements of the equation, but the CFD would still collect the same amount of money."

Mr. Kennington confirmed Boardmember Richins' comment and reiterated that the tax levy would remain the same.

In response to a question from Chairman Giles, Mr. Kennington clarified that staff was seeking the Board's direction with respect to the proposal. He pointed out that such direction would not affect agenda item 4-a, which relates to the special assessment. He noted that the special assessment, which is one dollar per lot, would not be impacted by the proposed rate change as it relates to the G.O. bonds.

City Manager Christopher Brady recounted that when the CFD was formed, a specific formula was established with respect to a determined assessed valuation and a stated tax rate that would be applied to create the tax levy. He explained that staff's proposal was to focus on the amount of secondary property tax that is generated in order to meet debt obligations and also ensure that it is consistent with the previously presumed levy amount. He added that he wanted to be very clear for the record concerning staff's proposal and that the Board was comfortable in moving forward in that regard.

In response to a question from Boardmember Finter, Mr. Kennington stated that the City partnered with DMB to conduct citizen outreach as it relates to the proposed rate adjustment. He indicated that the residents would receive a written notice regarding the Board's July 1, 2015 meeting.

Responding to a question from Mr. Brady, Mr. Smith clarified that the proposed rate adjustment would affect approximately 300 residents.

Mr. Brady further commented that an alternative to staff's proposal was to modify the rate. He noted, however, that in the past, staff had suggested that the rate would remain at \$3.00, with an assessed valuation that they presumed would continue throughout the life of the bonds. He also stated that since the calculation of the assessed valuation has now changed, the rate would have increased significantly higher than \$3.00 (i.e., \$3.70 to \$3.80.) He added that it was staff's position that it would be easier for staff to convey to the residents the issues of the levy and cost and proceed in that manner.

Boardmember Thompson stated that it was important to recognize that staff's proposal will not result in the residents incurring additional costs.

Mr. Brady concurred with Boardmember Thompson's statement.

Chairman Giles thanked staff for the presentation.

4. Conduct a public hearing and consider the following Feasibility Report:

4-a. Conduct a public hearing on and to consider and review a feasibility report relative to a proposed project to be financed by the issuance of special assessment revenue bonds of the Eastmark Community Facilities District No. 1 – Assessment District No. 4.

Chairman Giles announced that this is the time and place for a public hearing regarding a feasibility report relative to a proposed project to be financed by the issuance of special assessment revenue bonds of the Eastmark Community Facilities District No. 1 – Assessment District No. 4.

Responding to a question from Boardmember Richins, Mr. Kennington clarified that the proposed project, which will cost approximately \$1 million, relates to various infrastructure improvements along Crismon Road, as well as the construction of the Ray Road boundary sewer.

There being no citizens present wishing to speak on this issue, the Chairman declared the public hearing closed.

5 Take action on the following resolutions:

5-a. Approving the feasibility report relating to the acquisition and financing of certain improvements within the Eastmark Community Facilities District No. 1 (City of Mesa, Arizona); declaring its intention to acquire certain public infrastructure improvements described in the feasibility report; forming a special assessment district No. 4; determining that special assessment revenue bonds will be issued to finance the costs

and expenses thereof; declaring the improvements to be of more than local or ordinary public benefit and that the costs of said improvements will be assessed upon Assessment District No. 4; and ordering the public infrastructure projects be acquired and performed within the Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) – Resolution No. CFD EM1 RES 21.

(See the Board’s action under item 5-b.)

- 5-b. Approving the Eastmark Community Facilities District No. 1 Fiscal Year 2015/16 tentative budget and setting July 1, 2015 as the date for the public hearing and action on the final budget and tax levy – Resolution No. CFD EM1 RES 22.

Chairman Giles stated that pending no objections from the Board, items 5-a and 5-b would be voted on in one motion.

It was moved by Boardmember Kavanaugh, seconded by Boardmember Luna, that Resolution Nos. CFD EM1 RES 21 and CFD EM1 RES 22 be adopted.

Carried unanimously.

6. Adjournment.

Without objection, the Eastmark Community Facilities District No. 1 Board meeting adjourned at 5:13 p.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Eastmark Community Facilities District No. 1 Board meeting of the City of Mesa, Arizona, held on the 15th day of June, 2015. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, DISTRICT CLERK

Eastmark No.1 Community Facilities District (CFD) - Tax Rate Update

June 15, 2015



Secondary Tax Levy - Background

- The Eastmark CFD issues bonds in order to finance the cost of eligible infrastructure in the district.
- The principal and interest on these bonds is paid for by an annual secondary property tax levy in the district as well as a special assessment of \$3,500 on each property sold.
- In November 2012, Arizona voters approved an amendment (Prop 117) to the state constitution regarding property valuation.

Secondary Tax Levy Changes

- Historically, limited property value has been used to levy primary property tax and full cash value has been used to levy secondary property tax.
- Amendment simplifies the property valuation by reducing the number of assessed valuation from two to one.

Secondary Tax Levy Before Change in Law

Tax Rate x Secondary Net Assessed Value (Full Cash) = Tax Levy

Secondary Tax Levy After Change in Law

Tax Rate x Net Assessed Value (Limited) = Tax Levy

Secondary Tax Rate Comparison

- In order to maintain the same levy, it is proposed to adjust the tax rate used against the lower net assessed value (limited).

| | Pre- Amendment | Post- Amendment | Proposal |
|---|-------------------|--------------------|------------|
| Secondary NAV | 25,337,098 | | |
| NAV (Limited) | | 19,763,210 | 19,763,210 |
| Property Tax Rate (per \$100 of NAV) | \$3.00 | \$3.00 | \$3.85 |
| Property Tax Levy | \$760,113 | \$592,896 | \$760,113 |

Upcoming CFD Board Items

- June 15th Tentative CFD Budget,
SAD No. 4 Feasibility Report
- July 1st Final CFD Budget,
Levy property tax,
GO Bond Resolution,
SAD No. 4 Final Assessment Hearing,
Levying SAD No. 4 Special Assessment
- August 20th SAD No. 4 Bond Resolution
- Aug/Sep Amend CFD development agreement in order to
maintain the tax levy