



EASTMARK COMMUNITY FACILITIES DISTRICT NO. 1 BOARD

April 23, 2012

The Eastmark Community Facilities District No. 1 Board met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on April 23, 2012 at 4:31 p.m.

BOARD PRESENT

Scott Smith
Alex Finter
Christopher Glover
Dennis Kavanaugh
Dave Richins
Scott Somers

BOARD ABSENT

Dina Higgins

OFFICERS PRESENT

Christopher Brady
Alfred Smith
Linda Crocker

1. Items from citizens present.

There were no items from citizens present.

2-a. Hear a presentation and discuss the structure and the governance for the Community Facilities District.

Economic Development Project Manager Scot Rigby advised that two weeks ago the City Council entered into a Development Agreement for the establishment of Eastmark Community Facilities District (CFD), formerly the Mesa Proving Grounds. He said that the next step in this process would be for the District Board to consider the appointment of certain officers such as District Manager, District Clerk, District Engineer and District Treasurer. He added that Scott Ruby of Gust Rosenfeld would serve as District Counsel.

Mr. Rigby explained that the Board would have certain responsibilities and oversight separate from the City of Mesa such as ensuring that the CFD is administered correctly and complies with the Title 34 bidding processes. He introduced Scott Ruby, of Gust Rosenfeld, the City's bond counsel, who provided an overview of how a CFD operates.

Mr. Ruby described the CFD as a special taxing district and separate political subdivision within the boundaries of the community. He said that the CFD would be governed by the Mayor and Council, who sit as the District's Board of Directors along with various City officials who would

be appointed to serve in a District capacity. He said that those officials could change from time to time with the adoption of a resolution appointing someone else. He outlined some of the governing factors that would apply to a CFD, which included but were not limited to:

- Conflicts of interest
- Open meeting laws
- Separate budget
- Operates independently from the City
- Councilmembers serve as Boardmembers
- Debt limit (60% of Fair Market Value of land as improved by financed infrastructure)
- Public bidding pursuant to Title 34

Mr. Ruby explained that the CFD would hold an election to authorize the issuance of bonds, particularly General Obligation (G.O.) bonds. He advised that Revenue and Assessment Bonds could also be issued however, outside of taxes and assessments CFDs do not have any revenues. He noted that an election would not be required for the issuance of Assessment Bonds.

Mr. Ruby advised that G.O. Bonds are supported by ad valorem property taxes and levied only against the taxable property within the District. He added that the CFD would be governed by State law in connection with its debt and activities.

Mr. Ruby stated that the Development Agreement would be incorporated into the resolution. He also said that in order to qualify for District reimbursements all eligible public infrastructure must be publicly bid in accordance with Title 34 and the City's public bidding provisions.

Mr. Ruby advised that only infrastructure less than 10 years old could be financed and that the operation and maintenance costs paid by the tax levy would be capped at .30¢ per \$100 of the assessed value. He noted that the tax rate would dictate how much debt would be issued.

Mr. Ruby said that through the Development Agreement the Board would be able to maintain absolute discretion regarding the issuance of debt. He explained that this type of transaction was a tool that assists developers in financing the infrastructure through the issuance of debt and is paid by the taxpayers in that District. He stated that the language in the Development Agreement preserves the Board's legislative discretion and indicates that the developer is not relying upon the issuance of bonds.

He described a pending lawsuit where a developer was suing a CFD Board, claiming that there was reasonable expectations to believe that the CFD would continue to issue debt for all time. He noted that because of this lawsuit, the language in the Development Agreement has been "beefed up" and that DMB has an appreciation for the Board's discretion.

Mr. Ruby stated that CFDs are most commonly utilized by developers to finance infrastructure that has already been built. He said that CFDs typically do not issue bonds for infrastructure that is expected to be built as those projects might not be completed. He advised that in order for the bonds to maintain their tax-exempt status the IRS requires that the proceeds be spent within three years. He added that the CFD will ensure that projects are completed and that developers are reimbursed.

Mr. Ruby briefly summarized the CFD bond issuance process and said that G.O. bonds must have a National Credit Rating score of BBB or above in order to be sold publically. He noted that unrated G.O. Bonds could be sold through a private sophisticated investor. Mr. Ruby explained that the developer would submit a feasibility report to the Board that outlines the description of the public infrastructure to be financed, costs to construct and maintain the project, plan of finance, as well as other information related to the location of the improvements. He advised that if G.O. Bonds were used to finance the project the Board would need to adopt a bond resolution.

Mr. Ruby reported that if Assessment Bonds were used to finance a project the process would require the adoption of the following resolutions:

- Resolution forming the assessment district
- Resolution ordering the work
- Resolution approving the assessment
- Resolution ordering the bond sale

Mr. Ruby reiterated that a CFD is a special district designed to finance infrastructure when the Board decides it is appropriate.

Mr. Rigby advised that staff was recommending approval of the resolution.

3. Take action on the following resolution:

- 3-a. Approving a Resolution of the District Board of Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) appointing District Officers; approving the General Plan; taking certain other actions with regard to organization of the District and ordering and calling a Special Bond and Operation and Maintenance Ad Valorem Tax Election for the District and entering into a Development, Financing Participation, Waiver and Intergovernmental Agreement with the City and owner – Resolution No. CFD EM1 RES1.

It was moved by Boardmember Somers, seconded by Boardmember Kavanaugh, that Resolution No. CFD EM1 RES1 be approved.

Mr. Ruby briefly summarized a number of findings regarding the boundaries of the District. He advised that the County Assessor has reported that DMB is the sole property owner and that there are no qualified, registered voters in the district, therefore, the developer will be the only one to vote in the election. He explained that the developer would be voting on the issuance of G.O. Bonds in an amount not to exceed \$435 million, as well as the levying of a .30¢ Operation and Maintenance Tax. He added that the \$435 million would be available to cover the cost of infrastructure.

Mr. Ruby stated that the resolution includes the following:

- Appointment of District Officers
- Directs the preparation of a budget
- Approves a General Plan required by statute (indicates District was formed to finance listed infrastructure)
- Calls for the election
- Establishes the City Clerk's office as the polling location (notice will be posted)
- Approves the Development Agreement

The Mayor called for the vote and the motion carried unanimously by those present.

4. Adjournment.

Without objection, the Eastmark Community Facilities District No. 1 Board meeting adjourned at 4:48 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 23rd day of April 2012. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

bdw