



EASTMARK COMMUNITY FACILITIES DISTRICT NO. 1 BOARD

February 14, 2013

The Eastmark Community Facilities District No. 1 Board met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on February 14, 2013 at 7:30 a.m.

BOARD PRESENT

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

BOARD ABSENT

Dina Higgins

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Dee Ann Mickelsen

1. Items from citizens present.

There were no items from citizens present.

2-a. Hear a presentation and discuss the upcoming meetings on February 25th and March 4th pertaining to the adoption of a feasibility report relating to the acquisition and financing of certain improvements within Eastmark Facilities District No. 1.

Senior Executive Manager Chuck Odom and Scott Ruby, of Gust Rosenfeld, District Counsel for the Eastmark Community Facilities District (ECFD), addressed the Board.

Mr. Ruby displayed a PowerPoint presentation (**See Attachment 1**) and provided a brief summary of various actions that the ECFD Board will be asked to take at the upcoming meetings on February 25 and March 4, 2013. (Note: The PowerPoint mistakenly reflects the date of March 5, 2013.) He explained that there are two resolutions for consideration, the first of which is the Resolution of Intention.

Mr. Ruby stated that the Resolution of Intention will establish the boundaries of an Assessment District, which is a sub-district to the overall CFD. He noted that it represents the properties that are benefited by a particular improvement, and indicated that in this case, the Assessment

District will finance two roads (Eastmark Parkway and Everton Terrace) that benefit four to five subdivisions.

Mr. Ruby reported that the Resolution of Intention would also establish an estimate of the cost. He advised that the master developer does not want to assess any residential lot more than \$3,500. Mr. Ruby stated that there are construction costs and issuance costs of the bonds which, if allocated evenly over the number of lots, would have resulted in a slightly higher assessment than \$3,500. He added that the developer is actually contributing an amount of cash to this particular financing in order to lower the assessment so that each of the 775 lots in the Assessment District will bear a \$3,500 assessment.

Mr. Ruby further indicated that prior to the Board's consideration and adoption of the Resolution of Intention, they will be presented a Feasibility Report that has been prepared by the developer. He explained that the document reflects the project, when and what the developer intends to finance, and a plan of finance. Mr. Ruby said that in this case, the method of financing is the issuance of Assessment Bonds which, unlike General Obligation (G.O.) Bonds, are secured by a finite dollar amount lien that is placed on every benefited parcel. He noted that it has been determined that the benefited parcels consist of the 775 lots situated within the boundaries of the Assessment District.

Mr. Ruby remarked that the Assessment Bonds would be financed for 25 years and noted that it was "a pretty secure deal" in that such bonds are secured by the value of the land. He said that in the event of a failure to pay the assessment, the land is sold (similar to a foreclosure sale) and the amount that is allowed to be bid at the sale is the amount of the assessment only. He also stressed the importance of ensuring that the assessment amount on the parcel is far less than the fair market value of the property so that it provides some assurance that if there were a foreclosure, the value of the lot would "spur some interest" in the sale.

Mr. Ruby additionally commented that the ECFD guidelines state that if bonds are offered publicly, that the value of the lot is at least six times greater than the assessment. He stated that based on the Assessment District appraisal, the assessment lien represents a value-to-lien ratio, per lot, in excess of 14 to 1. He added that he was fairly comfortable in the fact that if there were ever an issue on any lot, there would be sufficient value to attract bidders to bid the \$3,500 amount.

Mr. Ruby briefly restated that the Resolution of Intention will establish the Assessment District, the \$3,500 assessment amount, and approve the Feasibility Report.

Mr. Ruby advised that a second resolution that is required by State Statute is a "Resolution Ordering the Work." He pointed out that the ECFD will not sell bonds, collect money and pay the contractor in monthly installments as the improvements are built. He noted, however, that it is an Acquisition District and said that efforts are made to take the construction risks out of this type of financing.

Mr. Ruby explained that in this case, it is intended that the bonds will be issued, the cash received and the developer reimbursed for the completed infrastructure. He said that with respect to such infrastructure, the developer has completed all of the Title 34 bidding requirements in order to meet State law as an eligible project to be reimbursed with public

funds. He added that the Resolution orders that the completed projects/infrastructure, as described in the Resolution of Intention, be acquired.

Mr. Ruby said that a few weeks after the February 25th meeting, the Board will be asked to adopt another resolution that authorizes the issuance of the bonds.

Responding to a question from Chairman Smith, Mr. Ruby clarified that the City's Engineering Department will make the determination regarding the completion of the infrastructure and file a Certificate of Substantial Completion.

Mr. Ruby stated that he is always sensitive to the timing of the financing relative to completion of the infrastructure. He also noted that the ECFD would not want to sell bonds and then hope that the developer receives bids and builds the infrastructure. He added that he would prefer to see activity occurring at the site to demonstrate a certain level of assurance that the bonds have not been prematurely issued.

Mr. Ruby concluded his remarks by commenting that in this case, the contracts have been awarded and said he would expect completion of such contracts in April or early May. He added that he was confident that the ECFD was not too far ahead of the actual completion of the improvements with the issuance of the bonds.

Chairman Smith thanked Mr. Ruby and Mr. Odom for their presentation.

3. Approval of minutes of previous meetings as written:

3-a. Eastmark Community Facilities District No. 1 Board meetings held April 23, May 21, and June 25, 2012.

It was moved by Boardmember Somers, seconded by Boardmember Glover, that the above-listed minutes be approved.

Chairman Smith declared the motion carried unanimously by those present.

4. Adjournment.

Without objection, the Eastmark Community Facilities District No. 1 Board meeting adjourned at 7:40 a.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 14th day of February 2013. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, INTERIM DISTRICT CLERK

Eastmark Community Facilities

District No.1

Study Session

February 14, 2013

Summary of Eastmark Community Facilities District No. 1

- City Council formed the Community Facilities District (CFD)
- City Council is designated the Governing Board of the CFD
- CFD has approved the General Plan submitted by the Developer

Summary of Eastmark Community Facilities District No. 1

- CFD held a special bond and operations and maintenance election
- CFD entered into a Development Agreement with the City and the Developer

Eastmark Community Facilities District No. 1

The CFD Governing Board will be asked to take actions in meetings to be held on February 25th and March 5th

Eastmark Community Facilities District No.1 – February 25th Meeting

The CFD has received a Feasibility Report prepared by the Developer.

- It describes public infrastructure to be financed with special assessment revenue bonds.

The Board is required to hold a public hearing regarding the Feasibility Report.

The Board may reject, amend or approve the Feasibility Report.

Eastmark Community Facilities District No.1 – February 25th Meeting

Approval of the Feasibility Report will be considered through a Resolution of Intention.

The resolution will also approve the financing of the described public infrastructure and declares the CFD's intention to acquire the infrastructure.

Eastmark Community Facilities District No.1 – February 25th Meeting

In this case, the public infrastructure to be financed is comprised of two roads –

Eastmark Parkway and Everton Terrace, both of which are expected to be completed by April 2013.

Eastmark Community Facilities District No.1 – February 25th Meeting

The Governing Board will also be asked to approve a “Resolution Ordering the Work” that:

- orders the projects be acquired,
- approves an assessment diagram,
- levies an assessment to secure the special assessment revenue bonds, and
- provides an estimate of the costs and expenses of the projects.

Eastmark Community Facilities District No. 1 – February 25th Meeting

The costs and expenses shall not exceed the number of lots within the assessment district (775) multiplied by the assessment lien of \$3,500 per lot (\$2,712,500).

Based on the appraisal of Assessment District No. 1: the assessment lien represents a value-to-lien ratio, per lot, in excess of 14-to-1.

Eastmark Community Facilities District No.1 – March 5th Meeting

The Governing Board will be asked to consider the adoption of a bond resolution authorizing special assessment revenue bonds of the Assessment District No.1 in the amount of \$2,712,000.

Eastmark Community Facilities District No.1

Questions?