

# Eastmark Community Facilities District No. 2

## Board Report

**Date:** May 30, 2019  
**To:** Eastmark Community Facilities District No. 2 Board of Directors  
**Through:** Michael Kennington, Treasurer  
**From:** Ryan Wimmer, Deputy Budget Director  
**Subject:** FY 2019-20 Eastmark Community Facilities District No. 2 Budget

### Purpose

This action tentatively approves the FY 2019-20 proposed budget for the Eastmark Community Facilities District No. 2 (City of Mesa, Arizona) (the "District") and calls a public hearing on the budget for June 27, 2019. These actions are the first steps in the approval process for the District's FY 2019-20 budget. Arizona law ([ARS 48-716](#) and [ARS 48-723](#)) requires that, on or before July 15 of each year, community facilities districts approve a proposed budget and call a public hearing on the budget for the upcoming fiscal year.

### Background

On December 10, 2018, the Mesa City Council formed the District. The District issues general obligation bonds in order to finance the cost of eligible public infrastructure (streets, water lines, wastewater lines, parks, etc.) within the geographical boundaries of the District. The principal of and interest on these general obligation bonds is paid for with revenue generated by the levy of an annual ad valorem property tax on taxable property in the District

The District also issues special assessment bonds secured by special assessments on residential lots within certain designated Special Assessment Districts ("SADs" and each a "SAD").

### Discussion

The FY 2019-20 District budget includes spending for three purposes: (1) operations, (2) capital, and (3) debt service.

#### (1) Operations

##### a. Expenditures

The District pays for accounting, budget, clerk, engineering, legal, and treasurer services provided from City staff time. In addition, the District

pays for publishing costs, audit work, outside legal counsel, and software license costs incurred by the District.

b. Funding Sources

Upon initial formation of the District, property owners approved a \$0.30 per \$100 of assessed valuation ad valorem property tax to fund the operating and maintenance costs of the District (the "O&M tax") per Arizona law ([ARS 48-723](#)). Operating and maintenance costs not funded by the O&M tax are reimbursed by the District's master developer, Brookfield Residential ("Brookfield") per an agreement among the City, the District, and Brookfield. Since the District has not yet been included on the County tax roll, the O&M tax is not included in the FY 2019-20 proposed budget.

(2) Capital

a. Expenditures

Special assessment bond issuances for SADs A & B are included in the FY 2019-20 proposed District budget to finance local infrastructure within each SAD. These SAD special assessment bond issuances would reimburse Brookfield for street improvements. Formation of SADs A and B and issuance of the related special assessment bonds is at the discretion of the District Board.

Each bond sale includes costs of issuance such as legal counsel, financial advice, and other transaction costs that are paid from bond proceeds.

b. Funding Sources

Proceeds from special assessment bonds are the source of District payments made to Brookfield. The FY 2019-20 District budget includes a contingency for budget capacity to provide flexibility in how the special assessment bonds are structured.

(3) Debt Service

a. Expenditures

The FY 2019-20 District budget includes debt service (principal and interest) for special assessment bond issuances being considered for FY 2019-20.

b. Funding Sources

There are two funding sources for District bond debt service, depending on the type of bond:

(1) the District's general obligation bonds are secured by the levy of a secondary ad valorem property tax on taxable property in the District, and the planned secondary tax rate for FY 2019-20 debt service on such general obligation bonds is \$3.85 per \$100 of assessed valuation of

taxable property (since the District has not yet been included on the County tax roll, this tax is not included in the FY 2019-20 proposed budget), and

(2) the District's special assessment bonds are secured by special assessments on residential lots within a designated SAD in an assessment amount not greater than \$10,000 per residential lot. The amount of the special assessment that may be levied on a residential lot is limited by the value of the property in each SAD. Payment of the special assessments by the property owner can be made in annual installments over the life of the SAD bonds, which is typically 25 years. Owners may prepay the special assessments at any time.

### **Budget Adoption - Next Steps**

On June 27, 2019, the Board is scheduled to (1) hold a public hearing on the District budget, and (2) approve the final District budget which would complete the FY 2019-20 District budget process.

### **Alternatives**

The Board may also choose to postpone tentative approval of the proposed District budget until as late as July 15, 2019 to make any desired adjustments.