

Eastmark Community Facilities District No. 2

Board Report

Date: June 26, 2025
To: Eastmark Community Facilities District No. 2 Board of Directors
Through: Michael Kennington, District Treasurer
From: Mark Hute, City Treasurer
Subject: Fiscal Year 2025-26 Property Tax Levy

Purpose

This action approves the Fiscal Year 2025-26 property tax rate for the Eastmark Community Facilities District No. 2 (City of Mesa, Arizona) (the "District") as shown in Figure 1 below.

Figure 1. FY 2025-26 Property Tax Rate and Corresponding Levy

Purpose	Rate (per \$100 of taxable value)	Corresponding Levy
Operations	\$ 0.30	\$ 44,563
Debt Service	\$ 2.36	\$ 350,562
Total	\$ 2.66	\$ 395,125

Highlights

- The total levy of \$395.1 thousand is an increase of 6% from the prior fiscal year.
- The total rate remains unchanged.

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.) benefiting the land within the boundaries of the District. The principal of and interest on these general obligation bonds is paid for with revenue generated by an annual ad valorem levy on all taxable property within the District.

State law also allows for a portion of the property tax levy to support the operations

and maintenance costs of the District.

Discussion

Property tax is calculated as follows:

$$\text{taxable property value} * \text{tax rate} = \text{tax levy}$$

A property's taxable value is provided annually by the Maricopa County Assessor's Office. The property tax rate is set by the District Board as a dollar amount per \$100 of taxable value. The property tax levy is the dollar amount of property tax owed.

The District's ad valorem property tax has two components:

- (1) a rate of up to \$0.30 per \$100 of taxable value to fund the operations and maintenance costs of the District.

The District pays for accounting, budget, clerk, engineering, legal, and treasurer staff time. In addition, it pays for publishing costs, audit work, and software license costs incurred by the District. It may also pay for infrastructure maintenance costs in the District. Operations and maintenance costs not funded by the tax are reimbursed by the District's master developer, DMB Mesa Proving Grounds LLC ("DMB").

- (2) a levy/rate sufficient to pay the debt service on general obligation bonds issued by the District to pay for public infrastructure reimbursement.

The District uses general obligation bond proceeds to reimburse DMB for the cost of eligible public infrastructure. The debt service (principal, interest, and administrative costs) on these general obligation bonds is funded by a property tax levy on all taxable property in the District. The proposed rate for the debt service portion of the property tax rate is \$2.36 per \$100 of taxable value. No new general obligation bonds are contemplated in FY 2025-26.

Property Valuation

Each property in the District is assigned a full cash value ("FCV") and a limited property value ("LPV"). The annual increase in a property's LPV is restricted to 5% and cannot exceed its FCV. Property taxes are levied on a value derived from the property's LPV.

Impact to Property Owners

The owner of the average (mean) value residential property in the District would pay \$737 of District property taxes in FY 2025-26.

Alternatives

To pay existing general obligation bond debt, the District Board must adopt a property tax levy sufficient to pay the principal of and interest on existing bonds sold previously by the District. The proposed rate and levy are sufficient to pay debt service on the existing general obligation bonds, as well as the operational costs of the District. At this levy and rate, no additional debt service could be paid in FY 2025-26.