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MEMORANDUM

TO: City of Apache Junction Mayor and City Council
City Manager

FROM: Zach Sakas, Sherman & Howard L.L.C. *ZS*

DATE: February 16, 2021

RE: City Council Resolution to Adopt Policy Guidelines and Application Procedures for the Establishment of Community Facilities Districts

In light of the recent auction of State Trust Land, the City of Apache Junction (the "City") anticipates the winning bidder to request the formation of one or more community facilities districts ("CFDs", or, individually, a "CFD") after the annexation of the State Trust Land into the City's boundaries.

Formation of a CFD is at the sole and absolute discretion of the Mayor and City Council of the City (the "Council"). Once formed, per statute a CFD is a municipal corporation and political subdivision of the state, separate and apart from the City. Although City staff may function from time to time as staff for the CFD, a CFD formed by the City is not a division or department of the City.

The Arizona statutes pertaining to the formation of CFDs were amended in 2017, 2018 and bills are currently pending that would affect the formation of the CFDs.

Council is asked to consider and adopt Policy Guidelines and Application Procedures for the Establishment of Community Facilities Districts (the "CFD Policy"). The CFD Policy serves several purposes. For example, the CFD Policy provides potential applicants information on the City's preferred process for considering the formation of a CFD, including the application fee. This also provides City staff guidance on the CFD formation process to ensure consideration of any CFD application is addressed in a consistent manner by City staff instead of on an ad hoc basis, and that City staff does not unintentionally provide preferential treatment to any CFD applicant. In addition, the CFD Policy provides guidance to potential applicants regarding the type of infrastructure or improvements that may be financed by a CFD, and how such financings would be completed. Furthermore, the CFD Policy provides information regarding the composition of a potential CFD's board of directors that conforms to the recent statutory changes described above.

Many Arizona counties and municipalities have adopted policies and guidelines very similar to the CFD Policy presented for Council consideration and adoption.