



Minutes
of the
Regular Meeting of Board of Directors of
The Industrial Development Authority of the County of Maricopa
(the "Authority")

Date: June 9, 2015, 9:00 a.m.

Place: Maricopa County Administration Building
Board of Supervisors Conference Room
301 West Jefferson, 10th Floor
Phoenix, Arizona

Presiding: Gregg J. Ghelfi

Present: Gregg J. Ghelfi, Jeremy Stawiecki, Victor D. Vidales, Steven Bales, Jr., William McAllister, Ronald L. Westad, Charles P. Thompson (telephonically), David M. Adame and Lisa A. James (telephonically)

Absent: None

Executive Director: Shelby L. Scharbach

Administrators: Janis L. Larson and Kathleen Jakubowicz

Attorney: William F. Wilder and John J. Fries of Ryley Carlock & Applewhite

Mr. Ghelfi called the Regular Meeting of the Board of Directors of the Authority to order at 9:01 a.m., noting the presence of a quorum.

1. APPROVAL OF MINUTES OF THE REGULAR MEETING OF THE BOARD HELD ON MAY 12, 2015.

On motion made by Mr. Bales and seconded by Mr. Stawiecki, the minutes of the May 12, 2015 Board meeting were approved as submitted.

The motion passed unanimously by a vote of (7-0).

2. DISCUSSION AND ACTION AS DETERMINED REGARDING A GRANT REQUEST FROM ASU FOUNDATION WITH RESPECT TO THE ADVANCED FLEXIBLE HYBRID ELECTRONICS INSTITUTE.

(Mr. Thompson and Ms. James joined the meeting by telephone at 9:03.)

Elizabeth Cantwell and Gregory Raupp representing ASU Foundation and James Candland of Clarus Consulting attended the meeting to make a presentation regarding the grant request.

Mr. Ghelfi explained that this agenda item is supported by Maricopa County Board of Supervisors Chucri, Barney, and Gallardo.

Ms. Cantwell explained that the federal government will be funding 15 manufacturing institutes within the United States which, when fully-funded, are meant to operate as a network together. Five of those institutes have already been funded, the first of which started three years ago. Ms. Cantwell reviewed the previously-funded institutes.

Mr. Raupp explained the importance of flexible electronics, and said some of the uses of flexible electronics will be seen in wearables, infrastructure (including bridges), and airplanes, etc.

Ms. Cantwell said the goal of the flexible technology institute, which will be funded by the Department of Defense ("DOD") is to take state-of-the-art, which is at or about the manufacturing readiness level, and deliver a standardized foundry at the end of five years that will allow companies the ability to test the manufacturability of their ideas and products.

Ms. Cantwell explained that one of the requirements in submitting their application for the federal grant is to focus on how they will be able to coordinate an ecosystem within the area with local economic development organizations and workforce development organizations. ASU will also be expected to make strong ties with community colleges because of their creation of manufacturing workforce training programs. ASU is also looking at high schools to inspire students to get further training for these types of jobs, some jobs which do not require college education.

Mr. Vidales reported the Authority's Community Investment Committee ("CIC") did agree to recommend to the full Board the requested grant, with a number of conditions.

Mr. Ghelfi outlined the CIC's recommended five conditions to the proposal:

- a. The Authority has at least one seat on the board of the Institute if less than 25 members or two seats if 25 or more members.

- b. The Institute commit to coordinating with the Maricopa County Workforce Development Program.
- c. ASU Foundation and other ASU entities use bond financing with the Authority and use its best efforts to refer companies that wish to utilize bond financing to the Authority.
- d. The Institute uses its best efforts to retain companies and business development opportunities within Maricopa County.
- e. The Institute report annually to the Authority on the progress it has made and to such other matters as the Authority requests.

Mr. Ghelfi introduced Bruce Liggett, Director of Maricopa County Human Services Department, who will be working with ASU Foundation on a workforce development program.

Mr. Liggett said ASU has agreed to post jobs on Maricopa County's website, and there will be advanced manufacturing training programs developed. There was a request of ASU to have a liaison position to be funded within the Maricopa County Human Services Department. ASU has committed to explore the possibility but could not make a firm commitment until the grant has been awarded.

Ms. Cantwell said the DOD requires the Institute be run by a standalone 501(c)(3), and although ASU Foundation is the grant bidder, a 501(c)(3) will be established to oversee the Institute.

In response to a question from Ms. James regarding current commitments (either cash or in kind) for the project, Ms. Cantwell said they currently have approximately \$45 million in written commitments and another \$30 million with strong expectations. Commitments include a number of corporations, the State of Florida, the State of Massachusetts, the State of Ohio, a number of universities and some local cities. 20% to 25% of the commitments are cash – on an annual basis.

Ms. James questioned whether the Authority's commitment could be structured more as an investment rather than a grant, whereby the Authority would see a return on the investment once a profit is being made. Ms. Cantwell said if the Institute profits, there may be a possibility to find a mechanism for a return; however, defining profit may be difficult. The Institute will be functioning as a nonprofit and companies will most likely bring their own intellectual property ("IP") to the Institute for manufacturing. Newly created IP will be shared with the Institute, and anything created with government funding allows the government to have walk in rights. Ms. Cantwell said the federal government most likely will not approve a "loan."

Ms. James said if the Authority can't see some type of return on their commitment, she felt the \$5 million grant was too high.

Responding to Mr. Bales, Ms. Cantwell said the proposal for the grant is due June 19, 2015, based on commitments. There will be a site visit on July 8th, and an award is expected by the end of July. They also expect a month long negotiation with the federal government, and stand up before the end of the federal fiscal year – possibly late September.

In response to a question from Mr. Adame regarding the organization of the 501(c)(3) that will be running the Institute, Ms. Cantwell said the 501(c)(3) will be established once an award is given. The Institute is expected to be an arm of the 501(c)(3).

Mr. Adame asked about the economic impact the Institute will bring to the state. Ms. Cantwell said, based on previous models, approximately 60,000 jobs over a 10-year time period.

In response to a question from Mr. Westad regarding collaboration with GPEC, Mr. Raupp said they have been working with GPEC over the past couple of years on the Velocity project, and there is a strong overlap between Velocity and the way the Institute needs to be structured.

After further discussion and upon motion made by Mr. Vidales and seconded by Mr. Westad, the following was adopted:

RESOLVED to approve the Community Investment Committee's recommendation to grant the Advanced Flexible Hybrid Electronics Institute ("Institute") \$5,000,000 (five million dollars) payable in annual installments of \$1,000,000 (one million dollars) each subject to the conditions set forth below:

- a. The Department of Defense awards the Grant to the Institute and the Institute is established.
- b. The Industrial Development Authority of the County of Maricopa ("Authority") having at least one seat on the board of the Institute if less than 25 members or two seats if 25 or more members.
- c. The Institute, ASU Foundation and other ASU entities use bond financing with the Authority and use its best efforts to refer companies that wish to utilize bond financing to the Authority.
- d. The Institute use its best efforts to retain companies and business development opportunities within Maricopa County.
- e. The Institute agrees to pay the Authority 6% (six percent) of any profit or other funds distributed, as repayment to its Investors or Contributors (for its contribution to the Institute) for fifteen (15) years from the initial investment or until the Authority is paid in full for its investment in the

Institute, whichever happens earlier, or some other Plan for repayment of some or all of the grant fund principal that is acceptable to the Authority.

- f. The Institute report annually to the Authority with financial statements on the progress of the Institute, metrics and such other matters as the Authority requests.
- g. The Institute comes to an agreement and enters a *formal partnership* with the Maricopa County Human Services Department on implementing a Maricopa County/Institute workforce plan.

The Authority will prepare and execute a commitment letter consistent with the foregoing motion, to be executed by the Authority's President, and funding pursuant to the commitment will be deferred until a mutually-acceptable funding agreement is agreed upon by the Authority and ASU Foundation.

The motion passed unanimously by a vote of (9-0).

(Ms. James left the meeting at 10:15 a.m.)

3. STATUS REPORT AND UPDATE FROM REPRESENTATIVES OF ARIZONA CHARTER SCHOOLS ASSOCIATION REGARDING THEIR NEW SCHOOLS FOR PHOENIX PROJECT.

Ms. Scharbach reminded the Board that in June 2013 the Authority granted \$50,000 to Arizona Charter Schools Association for their New Schools for Phoenix project.

Eileen Sigmund, president of Arizona Charter Schools Association; Yesenia Fitzhugh, Founding Principal of Eagle College Prep - Maryvale; Andrew Collins, Director of New Schools for Phoenix; and Steven Inman, Executive Director of Eagle Schools, were in attendance to give a presentation on the status of the project.

Ms. Sigmund explained that New Schools for Phoenix was formed in 2013, and their goal was to raise monies to effectuate change from 2015 to 2020 and improve the K-12 experience in urban Phoenix to make a pathway out of poverty. To date, New Schools for Phoenix has raised \$1.8 million.

Ms. Sigmund reported that two schools that were opened as part of the pilot project, one of which serves 97% free lunch students, scored in the top three percent of "all" students in its first year of operation, and has maintained that rating in its second year of operation. The other school has shown close to two years' growth for the students it serves. By fall, there should be 12 schools opened under the program. Ms. Sigmund stated that there is a two-year process of training to open a school, and New Schools for Phoenix will stay with each new school for an additional three years after opening in order to provide assistance to the newly-opened school.

Mr. Collins and Ms. Fitzhugh reported on their background and the success of the program.

Mr. Adame thanked the New Schools for Phoenix representatives for their hard work.

4. DISCUSSION AND ACTION AS DETERMINED REGARDING THE 2012 HOME IN FIVE ADVANTAGE MORTGAGE ORIGINATION PROGRAM.

Ms. Scharbach reported the program continues to thrive and has closed, or is in the process of closing, over 5,500 loans totaling approximately \$929 million.

(Mr. Adame left the meeting at 10:35 a.m.)

5. REPORT FROM THE COMMUNITY INVESTMENT COMMITTEE (“CIC”), AND DISCUSSION AND ACTION AS DETERMINED.

Mr. Vidales reported (a) the CIC is beginning to move forward with a business development plan, and (b) Arizona Community Foundation (“ACF”) has received 13 letters of intent for the first round of grant requests.

Ms. Scharbach said all applicants going through ACF will need to have their applications completed by June 19, 2015. Applications will be available for CIC members to begin reviewing through ACF’s website by June 25th. The CIC will discuss and consider the applications on July 7th, and the full Board will meet on July 14th to go through the CIC’s recommendations.

Ms. Scharbach explained that all 13 organizations that submitted letters of interest were invited to submit full applications; however, 10 of the 13 organizations responded.

13. DISCUSSION AND ACTION AS DETERMINED REGARDING CONTRACTING WITH JACOBSEN & WACHTERHAUSER TO PROVIDE ACCOUNTING SERVICES.

Ms. Scharbach explained that the Jacobsen & Wachterhauser agreement for accounting services expires at the end of June 2015, and recommended the Board consider renewing the contract for another year at the same rate.

After further discussion and upon motion made by Mr. Stawiecki and seconded by Mr. McAllister, the following was adopted:

RESOLVED to continue the engagement of the firm of Jacobsen & Wachterhauser PLC to serve as the accountants for the Authority on the terms set forth in the form of engagement letter presented to the Board, which letter an authorized officer of the Authority is authorized to execute.

The motion passed unanimously by a vote of (7-0).

6. PAYMENT OF INVOICES.

Ms. Scharbach referred to the invoices previously distributed to the Board Members for the month ended May 31, 2015, and reviewed the same.

Mr. Bales moved to approve the payment of invoices as submitted for the period ended May 31, 2015. Mr. Stawiecki seconded the motion.

The motion passed by a vote of (7-0).

7. FINANCIAL REPORT.

Ms. Scharbach distributed the unaudited financial statements for the period ended May 31, 2015, and gave a brief update.

Ms. Scharbach explained that on the category "interest income" on page 3 of the report will be broken out on future statements to reflect the investment held at Arizona Community Foundation.

Mr. Westad asked for a comparative from the previous year on the Statement of Net Position.

8. PRESIDENT'S REPORT.

Mr. Ghelfi thanked the CIC members for their continued work with the grant process.

9. EXECUTIVE DIRECTOR'S REPORT.

Ms. Scharbach also thanked the CIC members and Mr. Ghelfi for their work.

10. LEGAL COUNSEL REPORT.

Mr. Wilder gave an update on the Christian Care Surprise and Coffelt-Lamoreaux projects.

11. COMMENTS FROM BOARD MEMBERS.

Mr. Vidales requested an update on the Men's Overflow Shelter. Ms. Scharbach explained that homeless individuals are being moved through the Rapid Rehousing process. The RFP process to secure providers for the navigation services has been finalized, and Community Bridges and UMOM have been engaged through that RFP process.

Ms. Scharbach added the Welcome Center is also moving forward and should be completed within the next 12 months.

12. CALL TO THE PUBLIC.

No other members of the public responded.

ADJOURNMENT

With no further business to come before the Authority, upon motion made and duly seconded, the Regular Meeting was adjourned at 10:54 a.m., without objection.

A handwritten signature in black ink, appearing to be "D. J. Smith", is written over a horizontal line.