

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

Date: July 16, 2019, 9:30 a.m.

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

Presiding: Ron Westad

Present: Ronald J. Castro, Jr. (telephonically), Rebecca Burnham
(telephonically), Steven Bales, Jr. (telephonically), Lisa A.
James (telephonically), Maria Spelleri (telephonically), Ron
Westad, Jim Rounds, and Andrew M. Cohn

Absent: Jeremey Stawiecki

Executive Director: Shelby L. Scharbach

Administrators: Janis L. Larson and Kathleen Jakubowicz

Business Development
Officer: Absent

Attorney: John J. Fries of Ryley Carlock & Applewhite

Mr. Westad called the Regular Meeting of the Board of Directors of the Authority to order at 9:33 a.m., noting the presence of a quorum.

1. APPROVAL OF MINUTES OF THE REGULAR MEETING OF THE BOARD HELD ON JUNE 11, 2019.

On motion made by Mr. Bales and seconded by Mr. Rounds, the minutes of the June 11, 2019 Regular Meeting were approved as submitted.

The motion passed unanimously by a vote of (8-0).

2. DISCUSSION AND ACTION AS DETERMINED REGARDING THE ADOPTION OF A RESOLUTION GRANTING FINAL APPROVAL FOR THE ISSUANCE AND SALE OF NOT TO EXCEED \$11,500,000 OF THE AUTHORITY'S REVENUE BONDS FOR THE BENEFIT OF ARIZONA AUTISM CHARTER SCHOOLS, INC.

Mr. Fries explained that Arizona Autism Charter Schools, Inc. (the "Applicant") currently consists of a grade school, middle school and a high school, and the Applicant is intending to consolidate these schools into one campus. Plans are to sell one of the campuses currently in use and lease it back until the new construction is complete. The other campus is subject to a lease, and will be canceled when they move into the new facility.

Mr. Fries introduced Diana Diaz-Harrison, Founder and Executive Director of the Applicant, and their legal counsel, Terry Warren of Warren Charter Law, PLC, both of whom were in attendance in support of the proposed project.

Ms. Diaz-Harrison said the school is Arizona's first and only autism-focused charter school, and has been in operation for five years. The original school site on 7th Street south of Camelback opened the fall of 2014 with 90 students. The school was inspired by Ms. Diaz-Harrison's son, who is on the autism spectrum and was having a hard time finding quality school choices geared toward his needs.

Two years after the first school opened, with a high demand for the program, the second campus on 16th street south of Indian School was opened with approximately 100 students. There is currently a wait list of approximately 300 students.

The Applicant is now looking to move to a larger campus to house a K-12 program along with including more resources for staffing and programming.

The Applicant has a strong partnership with ASU in continuing to develop best practices for children on the spectrum. The Applicant was recently approved to serve 350 students, but would also like to train more professionals to work with the growing number of children living with autism and to service the families with wrap-around services needed when faced with autistic children.

Additional relationships/partnerships include Intermountain Healthcare for behavioral health services and Southwest Autism Research & Resource Center (SARRC).

Ms. Diaz-Harrison said the vision of the school is to have an autism center anchored by the K-12 school. Consideration is being given in bringing in a preschool onto the new site, along with facilitating more research with a variety of age groups and sibling groups so the campus can be a one-stop shop for families who now have 1-4 children living with this condition and offer a national and global impact in that it will be a research hub that develops best practices that can be replicated in other places.

Ms. Diaz-Harrison said in order to build out the program, they need to have more qualified professionals that can help take the children to the next level. With ASU's Department of Psychology, they plan to bring into the school a PhD program that is a residency program that will be the first in Arizona, wherein these professionals will be doing a 1-3 year residency where they have hands on experience with 200-300 children on the spectrum in different age groups and different levels of autism.

Ms. Diaz-Harrison said they also license the curriculum for First Place and offer it at the school, tuition free, to their high school students. This gives more students access to the First Place and SARRC programs that wouldn't typically have the means.

After further discussion and upon motion made by Ms. Spelleri and seconded by Ms. James, the following was adopted:

RESOLVED to adopt a Resolution in the form presented to the meeting authorizing and approving the issuance of not to exceed \$11,500,000 The Industrial Development Authority of the County of Maricopa Education Revenue Bonds (Arizona Autism Charter School Project), Series 2019.

The motion passed unanimously by a vote of (8-0).

3. DISCUSSION AND ACTION AS DETERMINED REGARDING THE APPROVAL OF A PREDEVELOPMENT LOAN TO ARIZONA AUTISM CHARTER SCHOOLS, INC.

Mr. Fries referred to a memorandum in the Board packages outlining the terms of the proposed loan, and explained the predevelopment loan would be for an amount not to exceed \$250,000 at 4.75% interest, payable at the close of the bond transaction, which is scheduled for the first week of October. The loan would allow the school to get a jump start on their program, and, in particular, hire the architect for the conversion of the building. If the bond financing fell through, the loan could be converted into a three-year term loan, secured by a state intercept letter whereby the Authority would be paid first.

Mr. Fries explained that The Industrial Development Authority of the City of Phoenix, Arizona ("Phoenix IDA") had originally agreed to provide a predevelopment loan for the benefit of Arizona Autism Charter Schools, Inc. along with the bond financing; however, Phoenix IDA later decided they would no longer be doing bond financings for charter schools.

Mr. Warren explained that he developed this program with Phoenix IDA some years ago because of charter schools need for predevelopment funds. Permitting has become more difficult and it takes the architect more time to get a set of plans approved for construction. Mr. Warren said it used to take four weeks to get plans approved but now takes up to 12 weeks. Charter schools typically only have one year

to get through the architectural process, permitting, construction and be open for classes, wherein district public schools normally have three years to get through the process. If the charter school cannot pay the architect (and subcontractors) and keep them on schedule, they are not able to get through the process within the one year timeframe. Many times charter schools don't have the reserve funding to keep the engineers on schedule.

Ms. James left the meeting.

Mr. Castro pointed out the financial statements in the Board package are for the period ended June 30, 2018, and requested updated financial statements from Arizona Autism Charter Schools, Inc. Mr. Warren said updated statements ending May 31, 2019 are currently with the underwriter, and those statements can be provided to the Board. The underwriter has already approved the Applicant's creditworthiness.

Mr. Warren explained that the need for the predevelopment loan is largely due to the fact that the school is trying to get a credit rating from Standard & Poor's, and because of that, they had to extend their bond closing date.

Mr. Westad reminded the Board this matter is being considered on the bond approval, along with the intercept letter from the State of Arizona and not their financial posture.

Mr. Castro questioned whether the Authority would be in a first position lien on the pledge from the State of Arizona's revenue? Mr. Warren assured the Board the Authority will be in a first lien position.

In response to a question from Mr. Castro regarding the interest rate to be charged on the loan, Mr. Fries explained that the rate was originally determined by the Phoenix IDA. The program Phoenix IDA had agreed to with the Arizona Autism Charter Schools, Inc. was they would match the anticipated rate on the bond issue. Mr. Fries added if the bond issue does not close, the interest rate would adjust up an additional three basis points to 7.75% over the three year term of the loan.

After further discussion and upon motion made by Ms. Spelleri and seconded by Ms. Burnham, the following was adopted:

RESOLVED to authorize the Executive Director to make a pre-development loan of up to \$250,000 to Arizona Autism Charter Schools, Inc. to be repaid from the proceeds of the pending bond financing, or if financing is not obtained within a reasonable time, pursuant to a three year term loan, on such terms and conditions as the Executive Director may approve with due regard to adequate security for the loan, contingent upon (a) the receipt of updated financial statements, with no material change in condition from the previous financial statements previously provided and (b) the Authority receive a first lien position on the pledge from the State of Arizona's revenue.

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

4. DISCUSSION AND ACTION AS DETERMINED REGARDING THE ESTABLISHMENT OF A PREDEVELOPMENT LOAN PROGRAM.

Mr. Fries reminded the Board Members that, over the years, there have been discussions regarding numerous types of lending opportunities for the Authority; however, no specific program has been adopted. Mr. Fries explained that a program like this would be an inducement for charter schools to bring their bond issues to the Authority if the bond issue could be coupled with a predevelopment loan.

Mr. Fries suggested there be an application process, which includes current financials, proposed security, and possibly a support/comfort letter from the underwriter who is participating in the bond financing.

Mr. Fries explained that the timing of making a predevelopment loan will be important. If it takes too long to make the loan, the program will have less value, so it may be beneficial to authorize the Executive Director to advance the funds to applicants if need be.

Mr. Warren explained that in his involvement in the Phoenix IDA's predevelopment loan program over the past 5 or 6 years, there was never an issue where a bond transaction did not close, nor any issue with a predevelopment loan not being paid on time, with interest. Mr. Warren said he has never had a bond transaction default in the past 20 years, mainly because the underwriter does a thorough credit analysis of the applicant/project.

Mr. Warren explained that industrial development authorities have become so competitive, that not only is the professionalism of each IDAs staff important, along with pricing quotes, but having a predevelopment loan program would make it much more attractive to the charter schools in making their decision as to which IDA to choose for their transaction.

Mr. Warren explained that the Phoenix IDA would normally charge interest on the predevelopment loans at an interest rate determined by the underwriter for the bond transaction, in trying to keep the financing consistent.

Mr. Cohn suggested staff draw up guidelines for the Board to review for discussion purposes.

Ms. Spelleri made the following motion, which was seconded by Ms. Burnham:

RESOLVED to authorize the Executive Director to make a pre-development loan of up to \$250,000 to an applicant seeking bond financing from the Authority to be repaid from the proceeds of the pending bond financing, or if financing is not obtained within reasonable time, pursuant to a three year term

loan, on such terms and conditions as the Executive Director may approve with due regard to adequate security for the loan.

Mmes. Burnham and Spelleri voted aye. Messrs. Bales, Castro, Cohn, Rounds, and Westad voted nay.

The motion failed by a vote of (2-5).

There was an agreement that, for the present time and until there is a formal program that allows for the Executive Director to approve a predevelopment loan, applicants can bring their requests to the full Board for consideration.

The Board agreed they were open to reviewing more defined guidelines for the creation of a predevelopment loan program.

Ms. Spelleri left the meeting at 10:30 a.m.

5. DISCUSSION AND ACTION AS DETERMINED REGARDING THE 2019 HOME IN FIVE ADVANTAGE MORTGAGE ORIGINATION PROGRAM.

Ms. Scharbach referred to the documents included in the Board packages, and gave some background on the history of the program from September 2012.

6. FINANCIAL REPORT.

Ms. Scharbach referred to the unaudited financial statements for the period ended June 30, 2019. Copies of the draft unaudited financial statements are attached hereto.

Ms. Scharbach explained that these financial statements will be audited soon, and at that time, there will be a more thorough discussion of the Authority's financial condition as of the end of the fiscal year 2019. Ms. Scharbach mentioned the Authority's net position has decreased from the previous year due to over \$3 million in grants distributed.

7. PAYMENT OF INVOICES.

Ms. Scharbach referred to the invoices previously distributed to the Board Members for the month ended June 30, 2019, and said there were no invoices out of the ordinary.

Mr. Castro moved to approve the payment of invoices as submitted for the period ended June 30, 2019. Mr. Rounds seconded the motion.

The motion passed unanimously by a vote of (6-0).

8. BUSINESS DEVELOPMENT OFFICER.

In the absence of Mr. Ghelfi, Ms. Scharbach referred to the Business Development Officer report in the Board packages.

9. PRESIDENT'S REPORT.

Mr. Westad introduced Andrew Cohn as the Authority's newest Board Member.

10. EXECUTIVE DIRECTOR'S REPORT.

Ms. Scharbach had no report.

11. LEGAL COUNSEL REPORT.

Mr. Fries reported on two recent bond closings – Banner Health and Franmar Manor Apartments.

12. COMMENTS FROM BOARD MEMBERS.

Mr. Rounds asked for clarification on best practices when meeting with members of the Board of Supervisors. Ms. Scharbach suggested one possibility could be each individual Board Member talk to their respective Supervisor and then bring those ideas to a strategic planning session.

It was suggested discussions could also be had at a Community Investment Committee meeting after new members are appointed to that committee, which now only has one member.

13. CALL TO THE PUBLIC.

No members of the public commented.

ADJOURNMENT

With no further business to come before the Authority, upon motion made and duly seconded, the Regular Meeting was adjourned at 10:46 a.m., without objection.

