



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

Date: December 9, 2014, 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, Gary M. Sundberg, Charles P. Thompson,
Victor D. Vidales, Steven Bales, Jr., William McAllister,
David M. Adame (by telephone), Lisa A. James, and Merwin
D. Grant

Absent: None

Executive Director: Shelby L. Scharbach

Administrators: Janis L. Larson, Joyce A. Gott 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 9:04 a.m., noting the presence of a quorum.

**1. APPROVAL OF MINUTES OF THE REGULAR MEETING OF THE BOARD
HELD ON OCTOBER 14, 2014.**

On motion made by Mr. Grant and seconded by Mr. Bales, the minutes of the October 14, 2014 Board meeting were approved as submitted.

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

2. STATUS REPORT FROM CLIFTONLARSONALLEN REGARDING THE AUTHORITY'S AUDITED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014.

Ms. Scharbach introduced Jean Dietrich of CliftonLarsonAllen, the audit manager for the Authority's June 30, 2014 audit.

Ms. Dietrich said the audit went well, and CliftonLarsonAllen will be issuing a clean, unmodified opinion. She explained that the focus areas of the audit were on the cash investments, notes receivable, and revenue recognition of the fee income. Ms. Dietrich said there was no fraud identified and there were no significant issues discussed with management prior to their retention as auditors. Based on their communication with management, CliftonLarsonAllen was not made aware of any consultations with other accountants, and there were no changes to the accounting policies.

The most significant estimate is the allocation for the doubtful accounts, so additional procedures are performed to ensure there is no bias by management in their estimate. Ms. Dietrich said they determined the estimate was reasonable for the year. There were no disagreements with management, and there were no significant or minor audit adjustments as a result of the audit procedures. No errors were discovered. There were also no past audit differences. There were no difficulties in dealing with management and no management letter comments that needed to be issued and no deficiencies identified.

Ms. Dietrich said she communicated with Mr. Adame as the Authority's Board representative for this audit.

Mr. Adame suggested additional comments that might be added to the Management's Discussion and Analysis letter prepared by Ms. Scharbach for future audits might include current trends and why the Authority has not done a mortgage revenue bond program in the last 6 or 7 years.

Ms. Dietrich then reviewed the Authority's net position, revenue, expenses, and cash flow, along with the notes to the financial statements.

4. LEGISLATIVE REPORT, DISCUSSION AND ACTION AS DETERMINED.

Courtney LeVinus was present to give an update on legislative matters.

Ms. LeVinus reported there is a current \$500 million deficit in the State's budget and an estimated \$1.5 billion budget deficit for fiscal years 2015 and 2016. The incoming Governor is beginning to work on a plan for budget solutions with the support of both the House and Senate leadership.

Mr. Sundberg reported that two of the members of the Governor's transition finance team are Tom Manos and Alan Maguire.

Ms. LeVinus said The Industrial Development Authority of the City of Phoenix, Arizona is still considering the legislation they presented last year.

Ms. LeVinus said the affordable housing community is very interested in restoring the Affordable Housing Trust Fund; however, this may not be the time to ask the Legislature for funds. In the past the Affordable Housing Trust Fund was funded with unclaimed property, which has now been diverted to the State's General Fund.

3. STATUS REPORT FROM THE COMMUNITY INVESTMENT COMMITTEE AND DISCUSSION AND ACTION AS DETERMINED REGARDING THE GUIDELINES FOR THE AUTHORITY'S COMMUNITY INVESTMENTS.

Mr. Sundberg made the following comments/suggestions to the draft Guidelines for the Authority's Community Investments:

- A. Section II(f) – Mr. Sundberg said the Board might want to consider not requiring all reports be given on August 1 but spreading them out in case there are a large number of grants. He also questioned whether the Board would follow through with requiring the grant recipients to give an update if the requirements is added to the Guidelines.
- B. Section III(a) – Mr. Sundberg questioned whether the last sentence of that paragraph regarding interest rates should be included in the Guidelines.
- C. Section IV(a) – Mr. Sundberg questioned who could bring a grant request to the Board.
- D. Section VII – Mr. Sundberg said there should be some clarification as to when the Board will consider grants rather than just saying grants will be approved twice a year. He said the Board may also want to add some language that might say an application may be considered by a majority vote of the Board if requested at any time other than the two times a year.

Mr. Sundberg also suggested that the language stating that “incomplete applications may be rejected” be changed to incomplete applications shall be rejected.”

Mr. Sundberg said he also felt the sentence in Section VII regarding the number of times an application would be reviewed by the Authority was unclear and could use clarification.

- E. Mr. Sundberg requested that loans and grants be made only if approved by a majority of all of the Board Members (not a majority of the quorum present at a meeting). It was noted that if this request was to be approved in the Guidelines, then the Authority's Articles of Incorporation would

also need to be amended. Mr. Vidales said the Community Investment Committee (“CIC”) will consider this request and come back to the full Board with a recommendation.

Ms. James said she felt Section V put too many limits on application funding and may need to be revised.

Mr. Ghelfi questioned Section II(a) as to the public purpose areas and requested the language be revisited.

Mr. McAllister distributed a PowerPoint presentation and reviewed the same.

Mr. McAllister explained that the CIC has narrowed down the areas that the Authority may want to consider for loans/grants with those areas being: (a) job growth/economic development, (b) affordable housing, (c) education (STEM and workforce development), and (d) veterans.

Mr. McAllister explained that members of the CIC and Ms. Scharbach have met with Jacky Alling of Arizona Community Foundation (“ACF”) to help establish a program to administer grants. If the Authority enters into an agreement with ACF, the Authority would still have control of the program as far as what organization would receive the Authority’s grant monies and in what areas the Authority would like to invest, i.e. job creation, affordable housing, education, veterans, etc. Mr. McAllister referred to the services that could be provided by ACF.

Mr. McAllister explained that ACF is an investment house, so the Authority would be investing its funds with ACF. The Board will need to decide if they are willing to take on that risk.

Mr. McAllister said the idea would be to use this as a pilot program for the first year and evaluate the partnership with ACF.

Ms. James questioned how the Authority would determine which requests would come directly to the Authority as compared to going directly through ACF.

There was then a discussion regarding whether all grant requests would go through the ACF or to have the Authority consider grants that may have time restrictions, and whether to use the proposed Guidelines on all grant requests that would not go through the ACF process.

Mr. Thompson suggested all grant applicants that don’t go through ACF should have to go through the same process – whether they come from a Board Member or the Supervisors.

Mr. Sundberg said he would prefer to use the Authority’s staff to handle grants rather than using ACF.

Mr. Grant left the meeting at 10:30 a.m.

Mr. McAllister reviewed the fees to be charged by ACF, explaining that there will be a 1% management fee on the amount deposited into the grant fund, along with an administrative fee, which is generally less than 1%.

Mr. McAllister explained that the CIC is also attempting to put together a business development plan to be more proactive.

Mr. Vidales said the CIC has agreed to focus only on grants at this point, rather than loans, and then possibly include loans into the business development plan.

Ms. Scharbach then distributed four community investment scenarios all of which were based on a 5% growth of interest earnings and a 1% management fee. Ms. Scharbach reviewed each scenario to determine the Authority's balance sheet after a period of approximately 5.5 to 6 years.

In response to a question from Mr. McAllister regarding administering grants in house rather than using ACF, Ms. Scharbach explained that the amount that has been estimated for administrative fees by ACF (\$33,000) is less than the cost of hiring an additional staff person, and she did not feel the current staff had the time to administer a grant program. Ms. Scharbach said another benefit in using ACF is the community connections ACF has that would benefit the Authority for partnering opportunities.

Mr. McAllister said there may also be the opportunity for matching funds through ACF and its partners.

Messrs. Vidales and Adame left the meeting at 10:55 a.m.

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

Ms. Scharbach reported that as of December 9, 2014, the program has closed, or is in the process of closing, over 3,700 loans totaling over \$600,000,000. The program continues to be a great source of revenue for the Authority.

6. PAYMENT OF INVOICES.

Ms. Scharbach referred to the invoices previously distributed to the Board Members for the months ended October 31, 2014 and November 30, 2014, and reviewed the same.

Mr. Bales moved to approve the payment of invoices as submitted for the periods ended October 31, 2014 and November 30, 2014. Ms. James seconded the motion.

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

7. FINANCIAL REPORT.

Ms. Scharbach distributed the unaudited financial statements for the periods ended October 31, 2014 and November 30, 2014, and gave a brief update.

8. PRESIDENT'S REPORT.

Mr. Ghelfi thanked the members of the Community Investment Committee for their continued work in creating the loan/grant policy and procedures.

Mr. Ghelfi reported that District 1 will be replacing Mr. Sundberg with a new Board Member. He thanked Mr. Sundberg for his service and dedication.

9. EXECUTIVE DIRECTOR'S REPORT.

Ms. Scharbach reminded the Board of the Marc Community Resources open house and ribbon cutting ceremony on December 12, 2014.

Ms. Scharbach then referred to the bonded indebtedness report for the period ended June 30, 2014, previously provided to the Board Members, and explained the document shows the Authority's outstanding bond issues.

Mr. Sundberg suggested, in view of the declining number of the Authority's bond issues, it may be prudent to attempt to find more bond projects.

In response to a question from Mr. Thompson regarding a business development plan, Mr. Ghelfi said he felt the CIC was doing a great job, and he would prefer the CIC members continue working on a business development plan, rather than outsourcing that project.

10. LEGAL COUNSEL REPORT.

There was no legal counsel report.

11. 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 11:09 a.m., without objection.

