

Meeting Minutes

Industrial Development Authority

Regular Meeting

November 8, 2022 | 7:30 a.m.

Chandler City Council Chambers

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Call to Order

The meeting was called to order by Secretary Chuck Ertl at 7:33 a.m.

Roll Call

Commission Attendance

Secretary Chuck Ertl

Treasurer Edward A. Salanga

Director William Nolde

Director James Baglini, Jr.

Staff Attendance

Dawn Lang, Deputy City Manager | CFO

Tawn Kao, Assistant City Attorney

Kristi Smith, Financial Services Officer

Robert Steele, Accounting Manager

Karla Lange, Management Assistant

Absent

President Lee Kroll – excused

Vice President Shannon Wilson – excused

Director Jon Lok - excused

Scheduled and Unscheduled Public Appearances

Angela Creedon, Intel Corporation, voiced that on September 8, 2022, Intel closed on its fourth new money bond issue. She relayed that Intel is extremely grateful for the work that the IDA did to support this funding. She continued that Intel was allowed to issue its first tranche of the \$600 Million in bonds authorized by the IDA, and anticipates by the end of 2022, Intel will take out its second issue, which will likely take Intel to its maximum capacity of \$600 Million. She reiterated her appreciation to the IDA.

Approval of Minutes

1. Treasurer Salanga moved to approve the September 13, 2022, Regular Meeting Minutes. Director Baglini seconded the motion. Motion approved, (4-0).

Secretary Ertl moved Item 3. to be discussed after Item 6.

Briefing Items

2. Ms. Lang introduced new IDA Board Member Mr. James Baglini Jr. Mr. Baglini Jr. voiced that he has been a resident of Chandler since 2009, resides close to the downtown area and has witnessed the growth in the community. He noted that he has worked at several engineering firms around the valley and is most currently employed at Northrup Grumman in the aerospace industry.

Ms. Lang conveyed that the other new member is Mr. John Lok, who is employed at NXP and a resident of Chandler for the past four years. We anticipate meeting him in person at the December meeting.

3. Ms. Lang introduced Mr. Micah Miranda, Economic Development Director for the City of Chandler. Mr. Miranda will provide a briefing to the board on how they might utilize the cash and investments collected from fees to support Economic Development in our community.

Mr. Miranda began with an overview, including noting that revenues and growth continue to be very strong in Chandler. In the Industrial sector, operating space continues to be under high demand, with the beginnings of a slowing in this area, which he feels is positive, as current projects are not providing the desired density of jobs. He offered that the City is trying to match the residential to employment growth ratio, which optimally is 1 residential home to 1.5 jobs across the five target industries, including advanced manufacturing, automotive technology, software development and design, and advanced business services and healthcare. He noted that in four of the industries, the City is over surplus, and has been making a significant push in the past five years in healthcare, as the City is currently under the regional average.

Mr. Miranda continued that the last time he presented to the IDA was pre-COVID, and the focused concern at that time was the retail commercial asset class. He voiced that Chandler is currently at an all-time low in retail vacancy. He conveyed that one of the Council's strategic initiatives is to remove some of the antiquated big box retail locations and to take that space and re-purpose it. That could include multi-family or medical office space, which currently only has about a 2% vacancy rate. He offered that general office space is currently at an all-time high and is not expected to slow at any time. He is

aware of large corporations that in the past leased 200,000 sq. feet in office space have reduced their footprint to 50,000 sq. feet. Chandler will have a slow recovery compared to other neighboring communities where businesses consist of smaller professional service companies.

He continued that in the advanced manufacturing arena, including chip manufacturing, the industry continues to grow, but these companies need access to workforce talent. Mr. Miranda noted that this is potentially an area where funding from the IDA might be utilized. This need is particular to hands-on training, and is certificate focused, versus the traditional four-year college track. He noted that the City has been working with both ASU and U of A to determine how to provide certificate-based training to fill these talent voids. The IDA can potentially help with funding for curriculum development for community colleges and trade schools to provide this type of training. He hopes that within the next three to five months to have a more specific ask to bring back to the IDA.

Treasurer Salanga conveyed that prior to COVID, the IDA had been involved in funding curriculum development more specific to small businesses. He noted that it is something the IDA has a history of participating in.

Mr. Miranda reported that large corporate tenants are not coming though – it is smaller organizations, requesting consolidated space. He noted even with the economy on a downward trend, the skillset is still not being developed for the market need, including associate degree and certificate level, which in Chandler, is applicable to the need within its industry clusters. The universities are doing a good job in developing the engineering talent, but there is a gap to educate the workforce at the community college or on the job for the existing need (i.e. manufacturers). He continued that there is a responsibility of the business partners to provide internships, apprenticeships, and funding as part of addressing training for skilled workers. He noted that the City is not an educator, and works mainly to bring the businesses and educators to the table to determine the needs and the path. He conveyed that after a thirty-year decline, apprenticeships are gaining popularity again to fulfill some of the training needs.

Another one of the Council's strategic initiatives is growing the availability of higher education to its residents. From an economic development perspective, this plan is not necessarily to bring another school that would potentially compete with ASU to Chandler but explore a more organic approach that utilizes resources to target demographics that may be underserved relating to access to formal post-high school educational opportunities.

Director Baglini noted that he comes from a manufacturing background and sees the workforce population that are in the skilled labor roles now like soldering, assembly and inspection that require specialized training. One area in high demand is 3D CAD modeling, which as an engineering student, you may not see until your fourth year of a

four-year degree and is limited to a quarter or half of a semester. This training is not currently widely available at the high school or community college level. He voiced that with today's programs, these could be something students could access on their phones or tablets. He continued that there is a huge community of engineers who would be willing to lend their expertise to teach students the basics of 3D modeling at a computer cluster if made available. This is a skill needed across industries. Additionally, providing some sort of open maker space as a resource for students to go and learn to work with their hands and learn skills would be beneficial.

Mr. Miranda concurred with Director Baglini in that the City is exploring marrying these types of curriculums with available resources to create training programs for the desired skills.

Treasurer Salanga voiced that interest rates are going up to levels seen at around 2007 and noted that the IDA financing becomes more attractive as rates rise. He asked Mr. Miranda if he envisions an uptick in IDA financing activity over the next few years, especially in the manufacturing sector.

Mr. Miranda responded that part of the marketing communication strategy within the advanced manufacturing and other applicable sectors is pitching the IDA financing model as part of the incentive package to prospective developers. It is part of the current social media marketing in the target industry cluster, including targeted out-of-state CFOs and site selectors. He noted they will begin to pursue break-even scenarios related to fees with the bond counsel, so they have this as a tool when the time comes. He reported that marketing for IDA funding is currently being done in-house by his team.

4. Ms. Smith introduced Mr. Robert Steele, who was recently promoted to Accounting Manager from within the City of Chandler Accounting division.

July, August, and September 2022 Financials: Ms. Smith presented the July Statement of Net Position that explained a Total Current Assets of \$105,203 with Cash in Bank of \$103,203 and Accounts Receivable of \$2,000. Investments of \$894,713, providing Total Assets of \$999,916. The Beginning Net Position is \$999,720 and a Year-to-Date Change in Net Position of \$195, providing an Ending Net Position of \$999,916. The Statement of Revenues, Expenditures, and Changes in Net Position for July 31, 2022, includes no Operating Revenues, Operating Expenses totaling out to \$7, comprised of miscellaneous bank charges, providing an Operating Loss of \$7. Non-Operating Revenues of \$202, providing a Net Change in Net Position of \$195.

August Statement of Net Position that explained Total Current Assets of \$105,203 comprised of Cash in Bank of \$103,203 and Accounts Receivable of \$2,000, Total Investments of \$894,741 providing for Total Assets of \$999,944 and Ending Net Position of the same amount. The Statement of Revenues, Expenditures, and Changes in Net

Position for August 30, 2022, includes no Operating Revenues or Operating Expenses and Non Operating Revenue of \$28.

September Statement of Net Position that explained Total Current Assets of \$146,704, Total Investments of \$894,714 providing for Total Assets of \$1,041,418 and Ending Net Position of the same amount. The Statement of Revenues, Expenditures, and Changes in Net Position for September 30, 2022, includes Operating Revenues of \$41,501, \$0 in Operating Expenses, providing for Operating Income of \$41,501. Nonoperating Revenues of negative \$26, providing a Net Change in Net Position of \$41,475. For the twelve-months ended, there were Operating Revenues of \$41,501, Total Operating Expenses of \$7, providing for a total Operating Income of \$41,494. Non-Operating Revenue for the three months ended had Investment Income of \$204 providing a Net Change in Net Position of \$41,698.

5. Ms. Smith reported that the annual IRS Form 990 for the Fiscal Year ending June 30, 2022, has been submitted and accepted electronically by the Internal Revenue Service.
6. Ms. Smith reported that the annual Arizona Corporation Commission Report for the Fiscal Year ending June 30, 2022, has been submitted and accepted electronically by the Arizona Corporation Commission.

Action Agenda

7. Retention of Bond Counsel: Ms. Lang reported that the contract with the Bond Counsel is expiring effective December 31, 2022. She noted at the October 27, 2022, Council meeting that the City Council approved a contract with Greenberg Traurig to provide Bond Counsel services for the City. She continued that it is at the Board's pleasure as to whether they would like to retain Gust Rosenfeld or switch to Greenberg Traurig.

Responding to Treasurer Salanga, Ms. Lang reported based on City Code, the City is able to direct select professional services, which includes Bond Counsel. The City did not issue an Request for Proposal (RFP) for Bond Counsel but direct selected Greenberg Traurig, based on experience, credentials and skills in municipal bonds. She conveyed that Zachary Sakas is the Greenberg Traurig attorney assigned to the City. She noted that Mr. Sakas was previously employed at Gust Rosenfeld years ago and was assigned to the City of Chandler as the Bond Counsel and added that he does have previous experience with IDA bond issues.

Ms. Lang added that Gust Rosenfeld has been the IDA's Bond Counsel for several years and that Mr. Jim Giel, currently assigned as the attorney for the IDA, has expressed his desire to continue serving the IDA.

Ms. Lang continued that if the Board opts to move to Greenberg Traurig, an amendment to the City's contract would be completed to add the IDA work, and if the Board opts to retain Gust Rosenfeld, a separate engagement contract would be created and added to the agenda for the IDA's consideration in December.

Responding to Secretary Ertl, Ms. Lang voiced that the contract length in the past was for two years, with up to two, two year extensions for a total of six years.

Responding to Treasurer Salanga, Ms. Lang conveyed that the rate structures are slightly different between the two firms but are very comparable in terms of overall cost. There was a slight savings with Greenberg Traurig, based on their fee structure.

Treasurer Salanga stated that he believes the City of Chandler went through a very detailed due diligence on the choice of Counsel and noted after a brief review of Mr. Sakas' background, whose primary specialty area is as Bond Counsel, combined with the reputation of Greenberg Traurig and with the comparable rates, he would personally be in favor of accepting a change to Greenberg Traurig.

Director Nolde commented that he concurs with the opinion of Treasurer Salanga.

Treasurer Salanga moved to approve the selection of Greenberg Traurig as Bond Counsel for the Industrial Development Authority. Director Baglini seconded the motion. Motion approved, (4-0).

Calendar

8. The next regular meeting will be held on Tuesday, December 13, 2022, at 7:30 a.m.

Adjourn

The meeting was adjourned at 8:23 a.m.

Chuck Ertl, Secretary