

Meeting Minutes

Industrial Development Authority

Regular Meeting

May 9, 2023 | 7:30 a.m.
Chandler City Council Chambers
88 E. Chicago Street, Chandler, AZ



Call to Order

The meeting was called to order by President Lee Kroll at 7:30 a.m.

Roll Call

Commission Attendance

President Lee Kroll
Vice President Shannon Wilson
Secretary Chuck Ertl
Treasurer Edward Salanga
Director Bill Nolde
Director John Lok
Director James Baglini, Jr.

Staff Attendance

Dawn Lang, Deputy City Manager | CFO
Tawn Kao, Assistant City Attorney
Kristi Smith, Financial Services Asst Director
Robert Steele, Accounting Senior Manager
Karla Lange, Management Assistant

Absent

None.

Scheduled and Unscheduled Public Appearances

None.

Approval of Minutes

1. Vice President Wilson moved to approve the February 14, 2023, Regular Meeting Minutes. Secretary Ertl seconded the motion. Motion approved unanimously, (7-0).

Briefing Items

2. January 2023 Financials: Mr. Steele presented the January Statement of Net Position that explained a Total Current Assets with Cash in Bank of \$245,733, investments of \$896,979, providing Total Assets of \$1,142,712. The Beginning Net Position is \$999,720 and a Year-to-Date Change in Net Position of \$142,991, providing an Ending Net Position of \$1,142,712. The Statement of Revenues, Expenditures, and Changes in Net Position for January 31, 2023, includes no change to Operating Income or Operating Expenses and Investment Income of \$570, providing a Net Change in Net Position of \$570.

February 2023 Financials: Mr. Steele presented the February Statement of Net Position that explained a Total Current Assets with Cash in Bank of \$100,033, Investments of \$1,044,619, providing Total Assets of \$1,144,651. The Beginning Net Position is \$999,720 and a Year-to-Date Change in Net Position of \$144,931, providing an Ending Net Position of \$1,144,651. The Statement of Revenues, Expenditures, and Changes in Net Position for February 28, 2023, includes no change to Operating Income or Operating Expenses and Investment Income of \$1,940, providing a Net Change in Net Position of \$1,940.

Mr. Steele reported that \$140,700 has been transferred from the JP Morgan Chase cash account to the PFM investment account in February 2023, which is reflected in the decrease in the cash account and increase in the investment account.

March 2023 Financials: Mr. Steele presented the March Statement of Net Position that explained a Total Current Assets with Cash in Bank of \$100,033, Investments of \$1,046,241, providing Total Assets of \$1,146,274. The Beginning Net Position is \$999,720 and a Year-to-Date Change in Net Position of \$146,553, providing an Ending Net Position of \$1,146,274. The Statement of Revenues, Expenditures, and Changes in Net Position for March 31, 2023, includes no change to Operating Income, Operating Expenses of \$43 in bank charges and Investment Income of \$1,666, providing a Net Change in Net Position of \$1,622.

Responding to President Kroll concerns, Mr. Steele reported that the IDA's contracted bank is JP Morgan Chase, the same bank the City uses. Although there is not guarantee, this is a very large banking institution and the City believes the risk of failure is low.

Responding to President Kroll, Mr. Steele noted that the \$1.00 one-time revenue line that appears on the financial reports is the result of a test deposit from Intel to verify the bank account prior to paying their Annual Administrative fee. Additionally, Mr. Steele confirmed that the transfer from the cash account to the investment account of \$140,700 resulted in the decrease of the overall cash balance and increase in the investment account, showing no material change in the overall net position.

Responding to Secretary Ertl, Mr. Steele noted that the IDA follows the City of Chandler's investment policy, which is very conservative. The City of Chandler is AAA bond rated, which it is very careful to maintain. He added that the City meets with their investment advisors quarterly to ensure City policy is being followed and that the investments remain conservative. Ms. Lang added that the City's Investment policy follows Arizona Revised Statutes, only allowing certain investment types and the length to be no more than five years.

Action Agenda

3. Request approval of the FY 2023-24 Budget: Mr. Steele reviewed the proposed Budget for FY 2023-24. The proposed Investment Income for the next fiscal year is conservatively expected to be \$2,500. The Annual Administrative fees have increased due to the addition of the Intel Bond issued in December 2022. The Annual Administrative fees are proposed to be \$142,539, received from Intel, Tri-City Baptist Church and CCAP Fees of \$1,500 providing total Revenues of \$146,539. On the Expenditure side, there are legal fees of \$1,000 and miscellaneous fees of \$500 providing a Fund Balance of \$145,039.

Responding to Treasurer Salanga, Mr. Steele confirmed that the two (2) CCAP Fees are conditional upon the IDA receiving two (2) \$50,000 pledges.

Vice President Wilson pointed out that the investment income for FY 2022-23 is at approximately \$6,000 and inquired whether the proposed \$2,500 investment income in the FY2023-24 budget is always this conservative. Ms. Lang noted that this portion may have not been updated to reflect the recent change in interest rates over the past year. Secretary Ertl concurred with Vice President Wilson that 2.5% return was very conservative for the current market. Mr. Steele noted that the portfolio is currently averaging a 4% return.

President Kroll concurred with Vice President Wilson that the income basis should be higher. He voiced that on the flip side, because the IDA is banking with Chase, the interest income is lower versus banking with a local institution. He asked if the IDA is banking with Chase because of the City's policy? Ms. Lang responded that there are a variety of needs across the various departments of the City that local institutions are not able to meet. She added that the City of Chandler's bank is chosen via Request for Proposal (RFP) and it is typically the large banks that respond, as they offer services that smaller banks are unable to offer. The contract for the City's banking services accommodates the needs of departments like Utility Services. She added that the City does have relationships with the smaller, local banks in the area, and has, in the past, utilized them for smaller, more specified programs.

Responding to Director Lok, Ms. Lang voiced that the City's investments are split between two (2) institutions – Wells Fargo (now All Spring) and PFM/AM Financial. She added that the IDA investments are managed solely by PFMAM Financial, which is a separate company from JPMorgan.

Mr. Steele reported to the Board that the IDA's investments are comprised of 69% in US Treasury Bonds and 31% in Federal Agency Bonds. He continued that he recommended to the Board an updated Investment Income budget of \$7,500, based on this past fiscal year's investment income, the increase in interest rates and on the balance increase of the investment account from the recent cash deposit.

Secretary Ertl motioned to approve the proposed FY 2023-24 budget, to include a revision to increase of the proposed Investment Income from \$2,500 to \$7,500. Vice President Wilson seconded the motion. Motion approved unanimously, (7-0). See Exhibit A for the updated FY 2023-24 approved budget.

4. Election of Officers (President, Vice President, Secretary and Treasurer): Ms. Lange asked for nominations. Treasurer Salanga recommended a rotation of positions moving Shannon Wilson to President; Chuck Ertl to Vice President; Ed Salanga to Secretary; and Bill Nolde to Treasurer, with the remaining as Directors in rotation. Vice President Wilson motioned to approve, and Secretary Ertl seconded the motion, motion approved unanimously, (7-0).

Member Comments/Announcements

None.

Calendar

5. The next regular meeting will be held on Tuesday, June 13, 2023, at 7:30 a.m.

Informational Items

None.

Adjourn

The meeting was adjourned at 7:55 a.m.

Lee Kroll, President



11/14/23

Exhibit A

Chandler Industrial Development Authority Proposed Budget for FY 2023-24

		Proposed Budget FY 2023-24
Revenues		
	Investment Income	7,500
	Annual Admin Fees (1)	142,539
	CCAP Fees (2)	1,500
	Total Income	<u>\$ 151,539</u>
Expenditures		
	Legal Fees - General	
	Admin	\$ 1,000
	Miscellaneous	<u>500</u>
	Total Expenditures	<u>\$ 1,500</u>
Additions to Fund Balance		<u>\$ 150,039</u>

Note 1: Annual Admin Fees will end 12/1/2035 for Intel Series 2005, 12/1/2037 for Intel Series 2007, 6/1/2049 for Intel Series 2019, 6/1/2052 for Intel Series 2022, and 12/1/2037 for Tri-City Baptist Series 2012A&B.

Note 2: Chandler Collateral Assistance Program (CCAP) fees for two \$50,000 pledges.