

Industrial Development Authority Regular Meeting

May 9, 2023 | 7:30 a.m.

Chandler City Council Chambers
88 E. Chicago St., Chandler, AZ
or [Webex](#) 1-602-666-0783
code 2599 552 7010# password mtHKMpWw995



Board Members

President Lee Kroll
Vice President Shannon Wilson
Secretary Charles Ertl
Treasurer Ed Salanga
Director Bill Nolde
Director John Lok
Director James Baglini Jr.

Pursuant to Resolution No. 4464 of the City of Chandler and to A.R.S. § 38-431.02, notice is hereby given to the members of the Industrial Development Authority and to the general public that the Industrial Development Authority will hold a REGULAR MEETING open to the public on Tuesday, May 9, 2023, at 7:30 a.m., at City Council Chambers, 88 E. Chicago Street, Chandler, AZ. One or more Board Members may be attending by telephone.

Persons with disabilities may request a reasonable modification or communication aids and services by contacting the City Clerk's office at (480) 782-2181(711 via AZRS). Please make requests in advance as it affords the City time to accommodate the request.

Agendas are available in the Office of the City Clerk, 175 S. Arizona Avenue.

Industrial Development Authority Regular Meeting Agenda - May 9, 2023

Call to Order/Roll Call

Scheduled/Unscheduled Public Appearances

Members of the audience may address any item not on the agenda. State Statute prohibits the Board or Commission from discussing an item that is not on the agenda, but the Board or Commission does listen to your concerns and has staff follow up on any questions you raise.

Approval of Minutes

1. Minutes of February 14, 2023, Regular Meeting

Move the Industrial Development Authority to approve the minutes from the February 14, 2023, Regular Meeting.

Briefing Items and Discussion

2. January, February and March 2023 Financials - Mr. Steele

Action Agenda

3. Request approval of the FY 2023-24 Budget – Mr. Steele

4. Election of Officers (President, Vice President, Secretary and Treasurer) - Ms. Lange

Member Comments/Announcements

Calendar

5. Next Meeting Date: June 13, 2023

Information Items

Adjourn



Industrial Development Authority Management Services

Date: 05/09/2023
To: Industrial Development Authority
Thru: Dawn Lang, Deputy City Manager | CFO
Kristi Smith, Assistant Director of Financial Services
From: Robert Steele, Accounting Manager
Subject: Minutes of February 14, 2023, Regular Meeting

Proposed Motion:

Move the Industrial Development Authority to approve the minutes from the February 14, 2023, Regular Meeting.

Attachments

Minutes 2-14-23

Meeting Minutes

Industrial Development Authority

Regular Meeting

February 14, 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 Vice President Shannon Wilson at 7:32 a.m.

Roll Call

Commission Attendance

Vice President Shannon Wilson
Secretary Chuck Ertl
Treasurer Edward A. Salanga
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

President Lee Kroll
Director William Nolde
Director John Lok

Scheduled and Unscheduled Public Appearances

None.

Approval of Minutes

1. Secretary Ertl moved to approve the December 13, 2022, Regular Meeting Minutes. Treasurer Salanga seconded the motion. Motion approved unanimously, (4-0).

Briefing Items

2. November 2022 Financials: Mr. Steele presented the November Statement of Net Position that explained a Total Current Assets with Cash in Bank of \$146,693, investments of \$896,706, providing Total Assets of \$1,043,400. The Beginning Net Position is \$999,720 and a Year-to-Date Change in Net Position of \$43,679 providing an Ending Net Position of \$1,043,400. The Statement of Revenues, Expenditures, and Changes in Net Position for November 30, 2022, includes no change to Operating Income, Operating Expenses of \$10 and Investment Income of \$982, providing a Net Change in Net Position of \$972.

December 2022 Financials: Mr. Steele presented the December Statement of Net Position that explained a Total Current Assets with Cash in Bank of \$245,733, Investments of \$896,409, providing Total Assets of \$1,142,142. The Beginning Net Position is \$999,720 and a Year-to-Date Change in Net Position of \$142,421, providing an Ending Net Position of \$1,142,142. The Statement of Revenues, Expenditures, and Changes in Net Position for December 31, 2022, includes Operating Income of \$99,039, Investment Income of (\$297), providing a Net Change in Net Position of \$98,742.

Mr. Steele reported that \$140,700 has been transferred from the cash account to the investment account, leaving a remainder of approximately \$100,000 in the cash account. This transaction will be posted on the February Financial report.

3. Bond Counsel Presentation “Bonds 101 – An Introduction to Public Finance in Arizona”. Mr. Zach Sakas provided a presentation to the Board regarding the basics of Bond Financing and the role and responsibilities of the Industrial Development Authority in the municipal bonding process.

Mr. Sakas introduced himself as a bond counsel attorney for Greenberg Traurig. He started his career as a file clerk that sat next to a Bond Attorney, who took him under his wing and sparked his interest in the career. He went to law school and has practiced in this field since graduating. Additionally, he took a short career break and traded bonds at JP Morgan, and after a short time, he went back to practicing law.

He conveyed that Greenberg Traurig assists several cities in Arizona with their IDA Boards including City of Phoenix, City of Scottsdale, City of Mesa and others across the state.

He offered his sincere appreciation to the members of the IDA Board and their commitment serving on the Board, as he has seen many cities who have limited operations on their IDA Board, due to the lack of citizen participation.

He offered that a bond is essentially a loan, and instead of a single lender providing money to an entity, individual investors can participate in increments to providing

funding to a borrower. The benefit to the borrower, is that because the risk is diversified amongst several investors, the borrower can potentially get a better interest rate on the loan. Additionally, with the bonds the IDA is able to issue, there is a tax benefit to the borrower. Typically, in the municipal IDA space, borrowers make two payments per year, depending on how the payments are scheduled, and are paid through a broker or investment house.

Investors are able trade their bonds on what is known as the secondary market, and maximize their investment, depending on how favorable market interest rates are while remaining in a lower risk investment category. Mr. Sakas noted that the primary market is where the IDA initially issues bonds and subsequent trading takes place in the secondary market.

Mr. Sakas reported that what is most attractive to borrowers related to bond funding by an IDA is that the investor interest income is exempt from both Federal and State income tax. The borrower benefits as they typically qualify to borrow for a lower interest rate. He continued that a AAA rating for a municipal bond is no different than a AAA rating for a corporate bond from the large bond rating houses, however the municipal bond is a much safer, lower risk investment as there is very little chance of default.

He noted that there must be a conduit entity to issue the bonds, and that is the role that the IDA board plays. The federal and state income tax breaks can be viewed as a subsidy to the investor. The Board decides which proposed projects are appropriate for the overall community and it also provide local oversight to these projects and makes sure the financial structure make sense for projects.

Once the bond is issued, the Board can “refund” (or refinance) in order to receive debt service savings if interest rates go down or if the borrower runs into financial trouble and needs to restructure.

Mr. Sakas continued to say there are several representatives and attorneys representing the various parties involved in the bond issuance process, including representation for the IDA, the borrower and bond issuer to ensure all laws and regulations are followed appropriately. The bond issuance process typically takes 60 – 90 days to complete.

Responding to Treasurer Salanga, Mr. Sakas noted that with the continual rise in interest rates, entities like the IDA become a more interesting financing mechanism with the tax incentives. He noted that when interest rate are low, single fund lenders are more attractive, as the funding process is much quicker and fees are lower. When borrowers go through an entity like the IDA, there are more fees and regulatory steps to get through the funding process.

Treasurer Salanga voiced that he has been on the Board for approximately 20 years, and during his early years, the IDA Board funded the Tri-City Baptist Church bond and had done several Intel bonds as well as an Intel refund. He continued that over the past

decade, there has been really no bonding activity through the IDA, and his impression is that getting capital through alternate means is much quicker and cheaper, which makes IDA funding less desirable when interest rates were down.

Responding to Treasurer Salanga, Mr. Sakas agreed that banks were able to create financing that “looked” similar to a bond – a single lender with a bond wrapper, which was, again a quicker and less expensive mechanism to use. Additionally, in many cases there wasn’t a connection between the proposed project and the community, in which case, funding via the IDA didn’t make sense. Additionally, selling land or a development project is much easier when not encumbered by the restrictions around IDA bond financing.

Mr. Sakas continued that IDA Bonding is regulated by Arizona State Statutes, Securities law, and Tax law. The Industrial Development Authority is defined as a political subdivision according to Arizona State law, which means the Board has limited governmental authority and cannot enforce any taxing authority. It is required that the IDA Board be appointed by the City Council and that the board members have overlapping terms to ensure different levels of experience and participation.

Mr. Sakas noted that although this Board is the “Chandler IDA”, there is in no way that the City, the State of Arizona or the Board are responsible for the debt of any bonds issued.

Responding to Secretary Ertl, Mr. Sakas confirmed that the biggest risk to issuing bonds is reputational risk if the project fails or is not perceived as positive for the overall community. He noted that it is important that the IDA Board act as that additional layer of oversight, ensuring that projects they are funding are a positive fit for the community.

He went on to explain that municipal bonds are regulated indirectly from a Securities perspective, however investors themselves and the funding entity are heavily regulated by the SEC. He noted that Board members are regulated by the anti-fraud provisions. He encouraged Board members to speak up when potential projects come through the IDA if they have knowledge about a project from their personal or professional lives in the community, as this is extremely valuable when evaluating potential borrowers. He added that Board members need to disclose any potential conflict of interest in proposed projects.

Mr. Sakas voiced that it is the job of Bond Counsel to determine whether the project and potential borrower are within the appropriate limitations and type of project for IDA Bond funding as well as these projects meeting all public notification and hearing requirements, if applicable. He added that there are special provisions for manufacturing companies like Intel, who utilize wastewater as part of their process, which allows for a higher borrowing threshold for this type of business.

In closing, Mr. Sakas encouraged Board members to read agenda packet material provided to them for review in order to gain an understanding of the projects being proposed for this type of funding. He noted that the Board should feel free to reach out to himself or city staff with any questions when considering bonding projects.

Member Comments/Announcements

None.

Calendar

4. The next regular meeting will be held on Tuesday, March 14, 2023, at 7:30 a.m.

Informational Items

None.

Adjourn

The meeting was adjourned at 8:19 a.m.

Lee Kroll, President



Industrial Development Authority Management Services

Date: 05/09/2023
To: Industrial Development Authority
Thru: Dawn Lang, Deputy City Manager | CFO
Kristi Smith, Assistant Director of Financial Services
From: Robert Steele, Accounting Manager
Subject: January, February and March 2023 Financials - Mr. Steele

Attachments

JAN-23 Financials
FEB-23 Financials
MAR-23 Financials

CHANDLER INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
January 31, 2023

CURRENT ASSETS:

| | | |
|--------------|----------------------|--|
| Cash in Bank | <u>\$ 245,732.78</u> | |
|--------------|----------------------|--|

| | | |
|----------------------|--|----------------------|
| TOTAL CURRENT ASSETS | | <u>\$ 245,732.78</u> |
|----------------------|--|----------------------|

OTHER ASSETS:

| | | |
|-------------|-------------------|--|
| Investments | <u>896,979.12</u> | |
|-------------|-------------------|--|

| | | |
|--------------------|--|-------------------|
| TOTAL OTHER ASSETS | | <u>896,979.12</u> |
|--------------------|--|-------------------|

| | | |
|--------------|--|-------------------------------|
| TOTAL ASSETS | | <u><u>\$ 1,142,711.90</u></u> |
|--------------|--|-------------------------------|

CAPITAL:

| | | |
|------------------------|---------------|--|
| BEGINNING NET POSITION | \$ 999,720.47 | |
|------------------------|---------------|--|

| | | |
|-------------------------------------|-------------------|--|
| Year-to-Date Change in Net Position | <u>142,991.43</u> | |
|-------------------------------------|-------------------|--|

| | | |
|---------------------|--|-------------------------------|
| ENDING NET POSITION | | <u><u>\$ 1,142,711.90</u></u> |
|---------------------|--|-------------------------------|

CHANDLER INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
January 31, 2023

| | January 31, 2023 | 7 Month Ended January 31, 2023 |
|---|------------------|-----------------------------------|
| OPERATING REVENUES: | | |
| Annual Admin Fees (Intel) | | 140,539.12 |
| Annual Admin Fees (Tri-City Babbist Church) | - | - |
| Other Revenue | | 1.00 |
| | <hr/> | <hr/> |
| TOTAL Income | - | 140,540.12 |
| | <hr/> | <hr/> |
| TOTAL OPERATING REVENUES | - | 140,540.12 |
| | <hr/> | <hr/> |
| OPERATING EXPENSES: | | |
| Annual Corporation Report | | 10.00 |
| Miscellaneous (Account Analysis Settlement Bank Charge) | | 6.95 |
| | <hr/> | <hr/> |
| TOTAL OPERATING EXPENSES | | 16.95 |
| | <hr/> | <hr/> |
| OPERATING INCOME (LOSS) | | 140,523.17 |
| | <hr/> | <hr/> |
| NONOPERATING REVENUE: | | |
| Investment Income (LOSS)-Note 1 | 570.14 | 2,468.26 |
| | <hr/> | <hr/> |
| TOTAL NONOPERATING REVENUE | 570.14 | 2,468.26 |
| | <hr/> | <hr/> |
| NET CHANGE IN NET POSITION | \$ 570.14 | 142,991.43 |
| | <hr/> <hr/> | <hr/> <hr/> |

Note 1 - Interest Income (Loss) is as follows:

| | | |
|---|-----------|----------|
| Realized interest to date | \$ 570.14 | 2,467.91 |
| Effect of recording investments at amortized cost | - | |

CHANDLER INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
FEBRUARY 28, 2023

CURRENT ASSETS:

| | | |
|--------------|----------------------|--|
| Cash in Bank | <u>\$ 100,032.78</u> | |
|--------------|----------------------|--|

| | | |
|----------------------|--|----------------------|
| TOTAL CURRENT ASSETS | | <u>\$ 100,032.78</u> |
|----------------------|--|----------------------|

OTHER ASSETS:

| | | |
|-------------|---------------------|--|
| Investments | <u>1,044,618.67</u> | |
|-------------|---------------------|--|

| | | |
|--------------------|--|---------------------|
| TOTAL OTHER ASSETS | | <u>1,044,618.67</u> |
|--------------------|--|---------------------|

| | | |
|--------------|--|-------------------------------|
| TOTAL ASSETS | | <u><u>\$ 1,144,651.45</u></u> |
|--------------|--|-------------------------------|

CAPITAL:

| | | |
|------------------------|---------------|--|
| BEGINNING NET POSITION | \$ 999,720.47 | |
|------------------------|---------------|--|

| | | |
|-------------------------------------|-------------------|--|
| Year-to-Date Change in Net Position | <u>144,930.98</u> | |
|-------------------------------------|-------------------|--|

| | | |
|---------------------|--|-------------------------------|
| ENDING NET POSITION | | <u><u>\$ 1,144,651.45</u></u> |
|---------------------|--|-------------------------------|

CHANDLER INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
February 28, 2023

| | February 28, 2023 | 8 Month Ended February 28, 2023 |
|--|--------------------|------------------------------------|
| OPERATING REVENUES: | | |
| Annual Admin Fees (Intel) | | 140,539.12 |
| Annual Admin Fees (Tri-City Babbist Church) | - | - |
| Other Revenue | | 1.00 |
| | <hr/> | <hr/> |
| TOTAL Income | - | 140,540.12 |
| | <hr/> | <hr/> |
| TOTAL OPERATING REVENUES | - | 140,540.12 |
| | <hr/> | <hr/> |
| OPERATING EXPENSES: | | |
| Annual Corporation Report | | 10.00 |
| Miscellaneous (Account Analysis Settlement Bank Charge) | | 6.95 |
| | <hr/> | <hr/> |
| TOTAL OPERATING EXPENSES | - | 16.95 |
| | <hr/> | <hr/> |
| OPERATING INCOME (LOSS) | - | 140,523.17 |
| | <hr/> | <hr/> |
| NONOPERATING REVENUE: | | |
| Investment Income (LOSS)-Note 1 | 1,939.55 | 4,407.81 |
| | <hr/> | <hr/> |
| TOTAL NONOPERATING REVENUE | 1,939.55 | 4,407.81 |
| | <hr/> | <hr/> |
| NET CHANGE IN NET POSITION | <u>\$ 1,939.55</u> | <u>144,930.98</u> |

Note 1 - Interest Income (Loss) is as follows:

| | | |
|---|-------------|----------|
| Realized interest to date | \$ 1,939.55 | 4,134.63 |
| Effect of recording investments at amortized cost | - | |

CHANDLER INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
MARCH 31, 2023

CURRENT ASSETS:

| | | |
|--------------|----------------------|--|
| Cash in Bank | <u>\$ 100,032.78</u> | |
|--------------|----------------------|--|

| | | |
|----------------------|--|----------------------|
| TOTAL CURRENT ASSETS | | <u>\$ 100,032.78</u> |
|----------------------|--|----------------------|

OTHER ASSETS:

| | | |
|-------------|---------------------|--|
| Investments | <u>1,046,240.90</u> | |
|-------------|---------------------|--|

| | | |
|--------------------|--|---------------------|
| TOTAL OTHER ASSETS | | <u>1,046,240.90</u> |
|--------------------|--|---------------------|

| | | |
|--------------|--|-------------------------------|
| TOTAL ASSETS | | <u><u>\$ 1,146,273.68</u></u> |
|--------------|--|-------------------------------|

CAPITAL:

| | | |
|------------------------|---------------|--|
| BEGINNING NET POSITION | \$ 999,720.47 | |
|------------------------|---------------|--|

| | | |
|-------------------------------------|-------------------|--|
| Year-to-Date Change in Net Position | <u>146,553.21</u> | |
|-------------------------------------|-------------------|--|

| | | |
|---------------------|--|-------------------------------|
| ENDING NET POSITION | | <u><u>\$ 1,146,273.68</u></u> |
|---------------------|--|-------------------------------|

CHANDLER INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
March 31, 2023

| | March 31, 2023 | 9 Month Ended March 31, 2023 |
|---|--------------------|---------------------------------|
| OPERATING REVENUES: | | |
| Annual Admin Fees (Intel) | | 140,539.12 |
| Annual Admin Fees (Tri-City Babbist Church) | - | - |
| Other Revenue | | 1.00 |
| | <hr/> | <hr/> |
| TOTAL Income | - | 140,540.12 |
| | <hr/> | <hr/> |
| TOTAL OPERATING REVENUES | - | 140,540.12 |
| | <hr/> | <hr/> |
| OPERATING EXPENSES: | | |
| Annual Corporation Report | | 10.00 |
| Miscellaneous (Account Analysis | | |
| Settlement Bank Charge) | 43.34 | 50.29 |
| | <hr/> | <hr/> |
| TOTAL OPERATING EXPENSES | | 60.29 |
| | <hr/> | <hr/> |
| OPERATING INCOME (LOSS) | (43.34) | 140,479.83 |
| | <hr/> | <hr/> |
| NONOPERATING REVENUE: | | |
| Investment Income (LOSS)-Note 1 | 1,665.57 | 6,073.38 |
| | <hr/> | <hr/> |
| TOTAL NONOPERATING REVENUE | 1,665.57 | 6,073.38 |
| | <hr/> | <hr/> |
| NET CHANGE IN NET POSITION | <u>\$ 1,622.23</u> | <u>146,553.21</u> |

Note 1 - Interest Income (Loss) is as follows:

| | | |
|---|-------------|----------|
| Realized interest to date | \$ 1,665.57 | 3,860.65 |
| Effect of recording investments at amortized cost | - | |



Industrial Development Authority Management Services

Date: 05/09/2023
To: Industrial Development Authority
Thru: Dawn Lang, Deputy City Manager | CFO
Kristi Smith, Assistant Director of Financial Services
From: Robert Steele, Accounting Manager
Subject: Request approval of the FY 2023-24 Budget – Mr. Steele

Attachments

Budget FY23-24

Chandler Industrial Development Authority
Proposed Budget for FY 2023-24

| | Proposed Budget FY 2023-24 |
|----------------------------|---|
| Revenues | |
| Investment Income | 2,500 |
| Annual Admin Fees (1) | 142,539 |
| CCAP Fees (2) | 1,500 |
| Total Income | <u>\$ 146,539</u> |
| Expenditures | |
| Legal Fees - General Admin | \$ 1,000 |
| Miscellaneous | <u>500</u> |
| Total Expenditures | <u>\$ 1,500</u> |
| Additions to Fund Balance | <u>\$ 145,039</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.



Industrial Development Authority Management Services

Date: 05/09/2023
To: Industrial Development Authority
Thru: Dawn Lang, Deputy City Manager | CFO
Kristi Smith, Assistant Director of Financial Services
From: Robert Steele, Accounting Manager
Subject: Election of Officers (President, Vice President, Secretary and Treasurer)
