

**NOTICE OF PUBLIC MEETING  
THE INDUSTRIAL DEVELOPMENT AUTHORITY  
OF THE CITY OF PHOENIX, ARIZONA  
BOARD OF DIRECTORS**

Pursuant to A.R.S. Section 38-431.02, notice is hereby given to the members of **THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA, BOARD OF DIRECTORS**, and to the general public, that **THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA, BOARD OF DIRECTORS** will hold a meeting open to the public on **Thursday, May 14, 2015 at 3:30 PM** located at **Calvin C. Goode Municipal Building, 251 West Washington Street, 9<sup>th</sup> Floor, Conference Room 910, Phoenix, Arizona.**

One or more board members may participate via teleconference.

The agenda for the meeting is as follows:

**Call to Order**

- 1. Approval of Meeting Minutes for April 9, 2015 Board of Directors**
- 2. Redemption of Single Family Mortgage Revenue Bonds.** Presentation, discussion, and possible action for approval of the purchase of tendered single family mortgage revenue bonds with the proceeds from the sale of designated mortgage-backed securities that secure the tendered bonds and any or all further actions in connection therewith.
- 3. Finance Committee Report—May 1, 2015.** Presentation, discussion, and possible action to approve the Finance Committee Report including Committee recommendations regarding:
  - a. Financial Statements for Period Ending March 31, 2015
  - b. Operating Budget for Fiscal Year 2015-2016
  - c. Amendments to Financial Policy and Investment Policy
- 4. Periodic Review of the Phoenix IDA's Governance Policies.** Presentation, discussion and possible action to ratify amendments to Phoenix IDA's Governance Policies, as recommended by the Executive Committee.
- 5. Government Affairs Report**
- 6. Open Meeting Law and Ethics Policy**

**7. President's Report**

**8. Executive Director's Report**

**9. Call to Public**

**Adjournment**

For reasonable accommodations, please call Wendy Gutierrez at Voice/602-534-8679 or TTY/602-534-5500, as early as possible to coordinate needed arrangements.

**Date Posted:**

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**MINUTES OF PUBLIC MEETING  
THE INDUSTRIAL DEVELOPMENT AUTHORITY  
OF THE CITY OF PHOENIX, ARIZONA  
BOARD OF DIRECTORS**

**April 9, 2015**

A public meeting of the Board of Directors of The Industrial Development Authority of the City of Phoenix, Arizona (the “Phoenix IDA”) was convened on Thursday, April 9, 2015 at 3:30 p.m., at the Calvin C. Goode Building, 10<sup>th</sup> Floor, Conference Room 10-West, Phoenix, Arizona.

**Directors present:**

Ms. Judy Bernas (*Telephonic*)  
Mr. Tommy Espinoza  
Mr. Don Keuth  
Mr. Sal Rivera  
Ms. Barbara Ryan Thompson  
Ms. Christa Severns (*Telephonic*)  
Ms. Charlene Tarver (*arrived at 3:48 p.m.*)  
Ms. Marian Yim

**Directors absent:**

Mr. Bruce Mosby

**Also present for all or portions of the meeting were:**

Mr. Gary Aller, EFDS, LLC  
Mr. Paul Blue, City of Phoenix  
Mr. Murray Boess, Phoenix IDA  
Ms. Sarah Cline, Phoenix IDA  
Mr. Greg Cross, Zions Bank  
Mr. Richard de Uriarte, Maricopa County  
Mr. Moises Gallegos, City of Phoenix  
Ms. Wendy Gutierrez, Phoenix IDA  
Ms. Deanna Jonovich, City of Phoenix  
Ms. Lydia Lee, Phoenix IDA  
Mr. Bruce Liggett, Maricopa County  
Mr. Tom Manos, Maricopa County  
Mr. Mike McQuaid, J.M. Management Co.  
Ms. Vicki Negbee, USI Insurance Svcs.  
(*Telephonic*)

Mr. Steve Nielsen, EFDS, LLC  
Mr. Mark O’Brien, Raymond James  
Mr. Patrick Ray, Kutak Rock LLP  
Mr. Lawrence Robinson, City of Phoenix  
Mr. C.W. Ross, Fennemore Craig, P.C.  
Mr. Juan Salgado, Phoenix IDA  
Ms. Shelby Scharbach, Maricopa County IDA  
Ms. Debbie Scherer, BNY Mellon  
Ms. Amy Schwabenlender, VSUW  
Mr. John Snider, RBC Capital Markets  
Mr. Brian Spicker, VSUW  
Mr. Michael Traylor, Arizona Dept. of Housing  
Mr. Ed Zuercher, City of Phoenix

Any member of the public that was present during the meeting was able to hear all discussions and actions taken by Board Members that were present, in person and over the phone, via a teleconferencing phone system.

Mr. Espinoza called the Board Meeting to order at 3:32 p.m. A quorum was noted.

**ITEM 1:      Approval of Meeting Minutes**

Meeting minutes for the February 19, 2015 and March 12, 2015 Board of Directors meetings were presented for approval.

Mr. Keuth moved to approve the minutes for the February 19, 2015 and March 12, 2015 Board of Directors meetings. Ms. Ryan Thompson seconded the motion. **Motion carried unanimously.**

**ITEM 2:      Valley of the Sun United Way Rapid Re-Housing**

Mr. Salgado introduced the Valley of the Sun United Way's (VSUW) request for the Phoenix IDA's financial support for its Rapid Re-Housing (RRH) initiative, as reflected in the Phoenix IDA's records for this meeting, which are available upon request.

Mr. Tom Manos, provided a summary of the initiative and introduced the partners working on the program. He commented that the Maricopa County IDA and Phoenix IDA have a 15 year history of working well together toward common goals. Mr. Manos further stated the initiative was a good solution in an effort to move 250 homeless individuals to permanent housing.

*(Director Tarver arrived at 3:48 p.m.)*

Mr. Spicker of VSUW briefed the Board on the closing of the Men's Overflow Shelter and VSUW's initiative to address the emergent situation created by the closing of the shelter. Discussion ensued. Ms. Schwabenlender briefed the Board on the Rapid Re-housing initiative and provided a broad overview of the source of funds and budget.

Mr. Salgado recommended approval of the initiative and further advised that the funds would come from the Community Development Fund, which is funded by revenues from non-Arizona bond projects.

In response to Ms. Ryan Thompson's inquires, Mr. Spicker stated that there was a 90% success rate in ending homelessness through RRH for both individuals and families.

Mr. Rivera asked if the June 1, 2015 rollout date was soon enough. Ms. Schwabenlender stated that June 1<sup>st</sup>, was a worst-case scenario and that the hope is to start moving individuals into housing as early as May 2015.

In response to Mr. Keuth and Ms. Severns inquires, Mr. Spicker stated that the Phoenix IDA was welcome to participate in the procurement, reporting and monitoring processes.

Mr. Rivera moved to approve \$1,000,000 of the Phoenix IDA's Community Development Fund monies to support the Valley of the Sun United Way's Rapid Re-housing initiative. He

further moved to allocate \$400,000 from the Community Development Fund and advance \$600,000 from the Phoenix IDA's Administrative Fund. The advance of \$600,000 is to be reimbursed to the Phoenix IDA's Administrative Fund over the course of fiscal years 2016 and 2017 in the amount of \$300,000 per year from future revenues received from non-Arizona bond projects. Mr. Keuth seconded the motion and asked how the funds would be disbursed. Mr. Salgado advised that the funds would be wired in full on Tuesday, April 14, 2015, pending the Maricopa County IDA's approval. **Motion carried unanimously.**

### **ITEM 3: Phoenix IDA Loan Fund**

Mr. Salgado advised the Board that staff was recommending that the Education Loan Fund be renamed to the "Phoenix IDA Loan Fund" and that the parameters be expanded so the fund could make loans to a wider range of potential applicants. He stated that terms would be similar to the existing loan programs as reflected in the Phoenix IDA's records for this meeting, which are available upon request. Mr. Salgado further stated that no additional funds were being requested.

Mr. Keuth moved to approve the Phoenix IDA Loan Fund and to authorize the Executive Director to make all lending decisions for the program. Ms. Yim seconded the motion. **Motion carried unanimously.**

### **ITEM 4: Annual Liability Insurance Policy**

Mr. Salgado introduced the item as reflected in the Phoenix IDA's records for this meeting, which are available upon request and asked Mr. Boess to provide a summary of the request.

Mr. Boess provided a summary of the current insurance coverage and advised that there was a slight increase in annual premium for the Directors and Officers (D&O), Employee Practices Liability (EPL) and Errors and Omissions (E&O) liability insurance coverages from the previous year. He further stated the total quote for this combined coverage is \$1,444, up by approximately 12% from the current premium of \$1,290.

Mr. Rivera moved to approve the renewal of coverage offered by Darwin & RSUI for D&O, EPL, and E&O liability insurance and Essex for general liability, and auto insurance for the annual period beginning April 26, 2015. Ms. Tarver seconded the motion. **Motion carried unanimously.**

### **ITEM 5: District School Financing Structure**

Mr. Salgado introduced Messrs. Aller and Nielsen and Mr. Ray to report on their efforts to refine bond financing structure, which could be used by all public (district & charter) schools. A flow chart of proposed financing structures was provided to the Board, as reflected in the Phoenix IDA's records for this meeting, which are available upon request.

Mr. Nielsen provided a summary of the structure used to finance the Higley Unified School District project and efforts to refine the process.

Mr. Ray reported that, although not created for this purpose, the recently created Phoenix IDA 501(c)(25) entity could be used to reduce land costs to the schools and overcome the limitation regarding leases with an intergovernmental agreement, which is allowed by state law.

Mr. Ray also advised that there would be no financial risk to the IDA, as in all of its bond financings. The only area of additional liability he could possibly foresee would be as land owners.

Mr. Rivera expressed support for the possibility of new financing opportunities and requested that, as the Phoenix IDA gets closer to making this financing structure available, staff evaluate the need for separate liability insurance for the 501(c)(25).

Mr. Salgado thanked Messrs. Aller and Neilsen for their presentation.

This report was for information only. No action was taken.

## **ITEM 6: Home in Five Advantage Report**

Mr. Salgado introduced Mr. O'Brien who provided a quarterly progress report on the Home in Five Advantage Mortgage Origination Program, as reflected in the Phoenix IDA's records for this meeting, which are available upon request.

As noted in the Board report, Mr. O'Brien presented information on the program totals, including loan production statistics and averages, and borrower demographics as of March 31, 2015. Mr. O'Brien thanked the Phoenix IDA Board and staff for a successful program.

Discussion ensued and Mr. O'Brien addressed questions posed by the Board.

Mr. Salgado thanked Mr. O'Brien for his update on the Home in Five Advantage Program.

This report was for information only. No action was taken.

## **ITEM 7: Government Affairs Report**

Mr. Salgado introduced Mr. Ray , who reported on behalf of Dr. Osborn, the Phoenix IDA's government affairs consultant.

Mr. Ray advised the Board that HB 2323 passed unanimously and was signed by the Governor on March 30, 2015. The bill will become effective July 2, 2015. Mr. Ray recalled that the bill expanded the type of projects IDAs can finance to "any commercial enterprise." He further noted that the tax status of bonds (exempt vs. taxable) is determined by the federal tax code, not state law.

Mr. Salgado thanked Mr. Ray and his firm for their continued efforts.

This report was for information only. No action was taken.

**ITEM 8:      Open Meeting Law and Ethics Policy**

Presentation tabled. Mr. Ross advised the Board Members that he is always available to answer any questions they may have regarding Board and/or ethics matters.

At the request of Mr. Espinoza, Mr. Ross briefly discussed the duties required regarding disclosure of potential conflicts.

This item was for information only. No action was taken.

**ITEM 9:      Call to the Public**

Mr. Espinoza made a call to the public. There were no comments.

With no further business to come before the Phoenix IDA, being duly moved and seconded, the Board Meeting was adjourned at 4:47 p.m.



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## MEMORANDUM

**DATE:** May 14, 2015  
**TO:** Members, Board of Directors  
**FROM:** Juan Salgado, Executive Director  
**SUBJECT:** Single Family Mortgage Revenue Bond Redemptions

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### BACKGROUND

From May 2005 through May 2007, the Phoenix IDA and the Maricopa County IDA (collectively, the “Authorities”) jointly issued their Single Family Mortgage Revenue Bonds, Series 2006-1, Series 2006-2 & Series 2006-3, Series 2007-1, Series 2007-2 & Series 2007-4 (collectively, the “Phoenix Maricopa Bonds”), and as of July 1, 2007, the Phoenix IDA, the Maricopa County IDA and the Pima County IDA (collectively, the “Authorities”) jointly issued their Single Family Mortgage Revenue Bonds, Series 2007A-1 & Series 2007A-2 (together with the Phoenix Maricopa Bonds, the “Bonds”), pursuant to separate indentures for each series of Bonds in the total amount of \$349,995,000. The proceeds were used to provide below-market rate mortgages to qualifying low and moderate-income, first-time homebuyer families in Arizona. The Bonds are secured by, among other things, fully modified pass through mortgage backed certificates guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation (collectively, the “Certificates”).

As of April 2015, the cost to fully redeem the Bonds is expected to be approximately \$4,746,038; however, this calculation will change based on the number of prepayments that occur. Pursuant to the terms of each indenture, the Authorities are authorized to sell the Certificates and use the proceeds from the sale thereof to redeem the outstanding Bonds. As a result of the current condition of the financial markets, the secondary market value of the Certificates is expected to be in excess of the amount needed to redeem the Bonds in full under their respective indentures at their earliest redemption date, pay transaction costs incurred in connection therewith and remit a balance of unrestricted funds, in their proportionate shares, to the Authorities. If the sale of such Certificates and redemption of Bonds is authorized, such sale and redemption will only be executed for those series for which the proceeds are sufficient to redeem the outstanding Bonds in full and remit a balance of at least \$1,000, in total, to the Authorities. Staff estimates the sale of the Certificates should be completed and the Authorities should receive proceeds by the end of December 2015.

### PROGRAM SUMMARY AND SOURCES AND USES

The program summary and proposed sources and uses of the funds are described in Exhibit A, attached hereto.

### RECOMMENDATION

Kutak Rock LLP, as legal advisor to the Phoenix IDA, and I recommend that approval be granted subject to the terms and conditions contained in the Board approval resolution, as reviewed by same.



It is further recommended that the approval be subject to the following terms and conditions:

1. All agreements, certificates, documents, or instruments requiring the execution or consent of the Phoenix IDA are in a form and substance acceptable to the Phoenix IDA's counsel.
2. The Phoenix IDA shall have received such opinions, certificates, and consent letters in connection with the Bonds as the Phoenix IDA's counsel may deem necessary or appropriate, in form and substance satisfactory to the Phoenix IDA's counsel.
3. Each bond issue, for which Certificates are sold and the bonds redeemed, shall produce a minimum residual of \$1,000, in total, to the Authorities.



**Industrial Development Authorities of the City of Phoenix  
& Counties of Maricopa and Pima, Arizona  
Single Family Mortgage Revenue Bonds  
Series 2006-1, 2006-2, and 2006-3**

Combined Sources and Uses of Funds

<b>Series</b>	<b><u>2006-1</u></b>	<b><u>2006-2</u></b>	<b><u>2006-3</u></b>	<b><u>Total</u></b>
<b>Sources</b>				
Estimated Sale of MBS Certificates (1)	\$404,920.34	\$1,024,550.63	\$801,933.63	<b>\$2,231,404.59</b>
Certificate Accrued Interest	\$1,557.39	\$3,828.43	\$2,915.51	<b>\$8,301.33</b>
May MBS Payments (Principal & Interest)	\$2,541.67	\$6,068.68	\$4,621.64	<b>\$13,231.99</b>
Fund Balances (As of May 4, 2015) (2)	\$61.85	\$178.24	\$67.88	<b>\$307.97</b>
Estimated Escrow Earnings (3)	\$850.52	\$4,603.64	\$5,772.41	<b>\$11,226.57</b>
<b>Total Sources</b>	<b>\$409,931.76</b>	<b>\$1,039,229.62</b>	<b>\$815,311.07</b>	<b>\$2,264,472.45</b>
<b>Uses</b>				
Bond Payoff Requirements	\$375,642.16	\$956,600.82	\$780,583.36	<b>\$2,112,826.35</b>
Transaction Fees (4)	\$20,000.00	\$20,000.00	\$20,000.00	<b>\$60,000.00</b>
Gross Surplus (5)	\$14,289.60	\$62,628.80	\$14,727.71	<b>\$91,646.10</b>
<b>Total Uses</b>	<b>\$409,931.76</b>	<b>\$1,039,229.62</b>	<b>\$815,311.07</b>	<b>\$2,264,472.45</b>
<b>Other Information</b>				
Total Certificates	\$358,019.75	\$905,080.06	\$715,373.44	<b>\$1,978,473.25</b>
Total Bonds Outstanding	\$345,736.00	\$867,534.00	\$701,254.00	<b>\$1,914,524.00</b>
Weighted Average MBS Rate	5.800%	5.640%	5.434%	
Optional Redemption Date	5/1/2016	9/1/2016	12/1/2016	
Call Premium	\$103.00	\$103.00	\$103.00	

(1) MBS Pricing based on indications as of 5/7/2015. Subject to change.

(2) Balances provided by Wells Fargo, as trustee, as of 5/4/2015.

(3) Based on Treasury rates as of 5/7/2015. Subject to change.

(4) See Table 1 below for detailed transaction fees.

(5) See Table 2 below for distribution of gross surplus among the IDAs.

**Table 1: Transaction Fees**

	<b><u>2006-1</u></b>	<b><u>2006-2</u></b>	<b><u>2006-3</u></b>	<b><u>Total</u></b>
George K. Baum & Company (Bidding Agent)	\$12,500.00	\$12,500.00	\$12,500.00	\$37,500.00
Kutak Rock (Bond Counsel)	\$4,000.00	\$4,000.00	\$4,000.00	\$12,000.00
Wells Fargo (Trustee)	\$2,000.00	\$2,000.00	\$2,000.00	\$6,000.00
Rebate	\$1,500.00	\$1,500.00	\$1,500.00	\$4,500.00
<b>Total</b>	<b>\$20,000.00</b>	<b>\$20,000.00</b>	<b>\$20,000.00</b>	<b>\$60,000.00</b>

**Table 2: Distribution of Gross Surplus**

	<b><u>2006-1</u></b>	<b><u>2006-2</u></b>	<b><u>2006-3</u></b>	<b><u>Total</u></b>
Phoenix IDA (33.33%)	\$4,763.20	\$20,876.27	\$4,909.24	\$30,548.70
Maricopa IDA (33.33%)	\$4,763.20	\$20,876.27	\$4,909.24	\$30,548.70
Pima IDA (33.33%)	\$4,763.20	\$20,876.27	\$4,909.24	\$30,548.70
<b>Total</b>	<b>\$14,289.60</b>	<b>\$62,628.80</b>	<b>\$14,727.71</b>	<b>\$91,646.10</b>

**Industrial Development Authorities of the City of Phoenix  
& Counties of Maricopa and Pima, Arizona  
Single Family Mortgage Revenue Bonds  
Series 2007-1, 2007-2, and 2007-4**

Combined Sources and Uses of Funds

Series	2007-1	2007-2	2007-4	Total
<b>Sources</b>				
Estimated Sale of MBS Certificates (1)	\$306,628.06	\$936,931.40	\$1,039,322.63	\$2,282,882.10
Certificate Accrued Interest	\$1,112.10	\$3,535.20	\$4,167.83	\$8,815.14
May MBS Payments (Principal & Interest)	\$1,770.84	\$5,606.57	\$6,418.08	\$13,795.49
Fund Balances (As of May 4, 2015) (2)	\$127.61	\$336.35	\$3,782.47	\$4,246.43
Estimated Escrow Earnings (3)	\$2,799.73	\$9,362.37	\$13,745.21	\$25,907.32
<b>Total Sources</b>	<b>\$312,438.35</b>	<b>\$955,771.90</b>	<b>\$1,067,436.22</b>	<b>\$2,335,646.47</b>
<b>Uses</b>				
Bond Payoff Requirements	\$273,478.05	\$855,401.93	\$953,425.00	\$2,082,304.98
Transaction Fees (4)	\$20,000.00	\$20,000.00	\$20,000.00	\$60,000.00
Gross Surplus (5)	\$18,960.30	\$80,369.97	\$94,011.22	\$193,341.49
<b>Total Uses</b>	<b>\$312,438.35</b>	<b>\$955,771.90</b>	<b>\$1,067,436.22</b>	<b>\$2,335,646.47</b>
<b>Other Information</b>				
Total Certificates	\$272,074.59	\$826,947.40	\$913,288.78	\$2,012,310.77
Total Bonds Outstanding	\$243,362.00	\$755,044.00	\$825,000.00	\$1,823,406.00
Weighted Average MBS Rate	5.450%	5.700%	6.085%	
Optional Redemption Date	3/1/2017	4/1/2017	7/1/2017	
Call Premium	\$102.75	\$102.75	\$103.00	

(1) MBS Pricing based on indications as of 5/7/2015. Subject to change.

(2) Balances provided by Wells Fargo, as trustee, as of 5/4/2015.

(3) Based on Treasury rates as of 5/7/2015. Subject to change.

(4) See Table 1 below for detailed transaction fees.

(5) See Table 2 below for distribution of gross surplus among the IDAs.

**Table 1: Transaction Fees**

	2007-1	2007-2	2007-4	Total
George K. Baum & Company (Bidding Agent)	\$12,500.00	\$12,500.00	\$12,500.00	\$37,500.00
Kutak Rock (Bond Counsel)	\$4,000.00	\$4,000.00	\$4,000.00	\$12,000.00
Wells Fargo (Trustee)	\$2,000.00	\$2,000.00	\$2,000.00	\$6,000.00
Rebate	\$1,500.00	\$1,500.00	\$1,500.00	\$4,500.00
<b>Total</b>	<b>\$20,000.00</b>	<b>\$20,000.00</b>	<b>\$20,000.00</b>	<b>\$60,000.00</b>

**Table 2: Distribution of Gross Surplus**

	2007-1	2007-2	2007-4	Total
Phoenix IDA (2007-1: 40.00%, 2007-2: 40.00%, 2007-4: 41.29%)	\$7,584.12	\$32,147.99	\$38,817.23	\$78,549.34
Maricopa IDA (2007-1: 40.00%, 2007-2: 40.00%, 2007-4: 41.29%)	\$7,584.12	\$32,147.99	\$38,817.23	\$78,549.34
Pima IDA (2007-1: 20.00%, 2007-2: 20.00%, 2007-4: 17.42%)	\$3,792.06	\$16,073.99	\$16,376.75	\$36,242.81
<b>Total</b>	<b>\$18,960.30</b>	<b>\$80,369.97</b>	<b>\$94,011.22</b>	<b>\$193,341.49</b>



**Industrial Development Authorities of the City of Phoenix  
& County of Maricopa, Arizona  
Single Family Mortgage Revenue Bonds  
Series 2007A-1 and 2007A-2**

**Combined Sources and Uses of Funds**

<b>Series</b>	<b><u>2007A-1</u></b>	<b><u>2007A-2</u></b>	<b><u>Total</u></b>
<b>Sources</b>			
Estimated Sale of MBS Certificates (1)	\$1,089,866.52	\$2,049,138.23	<b>\$3,139,004.75</b>
Certificate Accrued Interest	\$4,285.25	\$8,179.48	<b>\$12,464.73</b>
May MBS Payments (Principal & Interest)	\$6,616.70	\$11,985.33	<b>\$18,602.03</b>
Fund Balances (2)	\$2,673.45	\$2,987.56	<b>\$5,661.01</b>
Estimated Escrow Earnings (3)	\$17,535.54	\$40,132.40	<b>\$57,667.94</b>
<b>Total Sources</b>	<b>\$1,120,977.45</b>	<b>\$2,112,423.00</b>	<b>\$3,233,400.45</b>
<b>Uses</b>			
Bond Payoff Requirements	\$1,111,779.17	\$2,091,500.00	<b>\$3,203,279.17</b>
Transaction Fees (4)	\$22,000.00	\$22,000.00	<b>\$44,000.00</b>
Gross Surplus (5)	(\$12,801.71)	(\$1,077.00)	<b>(\$13,878.71)</b>
<b>Total Uses</b>	<b>\$1,120,977.45</b>	<b>\$2,112,423.00</b>	<b>\$3,233,400.45</b>
<b>Other Information</b>			
Total Certificates	\$960,234.82	\$1,805,408.13	<b>\$2,765,642.95</b>
Total Bonds Outstanding	\$955,000.00	\$1,780,000.00	<b>\$2,735,000.00</b>
Weighted Average MBS Rate	5.950%	6.041%	
Optional Redemption Date	9/1/2017	11/1/2017	
Call Premium	\$103.00	\$103.00	

(1) MBS Pricing based on indications as of 5/7/2015. Subject to change.

(2) Balances provided by Wells Fargo, as trustee, as of 5/4/2015.

(3) Based on Treasury rates as of 5/7/2015. Subject to change.

(4) Detailed transaction fees for each series below.

(5) The Phoenix and Maricopa IDAs would each receive 50% of any gross surplus.

**Transaction Fees**

	<b><u>2007A-1</u></b>	<b><u>2007A-2</u></b>	<b><u>Total</u></b>
George K. Baum & Company (Bidding Agent)	\$12,500.00	\$12,500.00	\$25,000.00
Kutak Rock (Bond Counsel)	\$6,000.00	\$6,000.00	\$12,000.00
Wells Fargo (Trustee)	\$2,000.00	\$2,000.00	\$4,000.00
Rebate	\$1,500.00	\$1,500.00	\$3,000.00
<b>Total</b>	<b>\$22,000.00</b>	<b>\$22,000.00</b>	<b>\$44,000.00</b>

**RESOLUTION NO. 2015-09**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA AUTHORIZING (I) THE SALE OF ALL OR A PORTION OF THE GNMA/FANNIE MAE/FREDDIE MAC CERTIFICATES SECURING THE SINGLE FAMILY MORTGAGE REVENUE BONDS, SERIES 2006-1, SERIES 2006-2, SERIES 2006-3, SERIES 2007-1, SERIES 2007-2, SERIES 2007-4, SERIES 2007A-1, AND SERIES 2007A-2, OF THE PHOENIX AUTHORITY ISSUED JOINTLY WITH THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF MARICOPA AND/OR THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF PIMA; (II) THE USE OF THE PROCEEDS FROM THE SALE THEREOF TO PURCHASE A CORRESPONDING PORTION OF OUTSTANDING BONDS; (III) THE ENGAGEMENT OF FINANCING PARTICIPANTS IN CONNECTION THEREWITH; (IV) THE PAYMENT OF TRANSACTION COSTS RELATED THERETO; AND (V) THE DELEGATION TO THE EXECUTIVE DIRECTOR OF THE POWER TO TAKE ALL SUCH ACTIONS AS ARE NECESSARY OR APPROPRIATE TO ACCOMPLISH THE FOREGOING.**

**WHEREAS**, The Industrial Development Authority of the City of Phoenix, Arizona (the “Phoenix Authority”) is a nonprofit corporation designated as a political subdivision of the State of Arizona (the “State”) incorporated with the approval of the City of Phoenix, Arizona (the “City”), pursuant to the provisions of the Constitution of the State and under Title 35, Chapter 5 of the Arizona Revised Statutes, as amended (Section 35-701 through 35-761, inclusive) the (“Act”); and

**WHEREAS**, the Phoenix Authority is authorized and empowered, among other things, (a) to issue revenue bonds and use the proceeds thereof in accordance with the Act, (b) to contract with and employ others to provide for and to pay compensation for professional services and other services as the Phoenix Authority shall deem necessary for the financing of “projects” as defined in the Act, and (c) to pledge its property and revenues to secure the payment of the principal of and premium, if any, and interest on its revenue bonds; and

**WHEREAS**, the Phoenix Authority, The Industrial Development Authority of the County of Maricopa (the “Maricopa Authority”), and The Industrial Development Authority of the County of Pima (the “Pima Authority” and together with the Phoenix Authority and the Maricopa Authority, the “Authorities”) have established programs to take advantage of opportunities designed to alleviate the shortage of single family housing and mortgage credit for housing within the means of persons and families of low and moderate income; and

**WHEREAS**, the Authorities have entered into a Cooperative/Intergovernmental Agreement for the Phoenix and Maricopa County, Arizona Single Family Mortgage Revenue Bond Program of 2006, No. 118828, dated as of May 1, 2006 (the “Series 2006 Cooperative Agreement”) and a Cooperative/Intergovernmental Agreement for the Phoenix and Maricopa County, Arizona Single Family Mortgage Revenue Bond Program of 2007, No. 120719, dated as

of March 1, 2007 (the “Series 2007 Cooperative Agreement”), and the Phoenix Authority and the Maricopa Authority have entered into a Cooperative/Intergovernmental Agreement for the Phoenix and Maricopa County, Arizona Single Family Mortgage Revenue Bond Program of 2007-A, No. C-18-08-011-A-00, dated as of August 29, 2007 (the “Series 2007A Cooperative Agreement” and together with the Series 2006 Cooperative Agreement and the Series 2007 Cooperative Agreement, the “Cooperative Agreements”), each providing for their cooperation in issuing bonds to finance a joint program for the purpose of financing directly or indirectly the acquisition, construction, improvement or equipping of projects that are owner-occupied single-family dwelling units to be occupied by persons of low and moderate income; and

**WHEREAS**, the Authorities have issued multiple series of single family revenue bonds including but not limited to their (i) Single Family Mortgage Revenue Bonds, Series 2006-1 (the “Series 2006-1 Bonds”), pursuant to a Trust Indenture, dated as of May 1, 2006, by and between the Authorities and the Trustee as amended by a First Supplement to Trust Indenture dated as of August 1, 2011; (ii) Single Family Mortgage Revenue Bonds, Series 2006-2 (the “Series 2006-2 Bonds”), pursuant to a Trust Indenture, dated as of September 1, 2006, by and between the Authorities and the Trustee, as amended by a First Supplement to Trust Indenture dated as of August 1, 2011; (iii) Single Family Mortgage Revenue Bonds, Series 2006-3 (the “Series 2006-3 Bonds” and together with the Series 2006-1 Bonds and the Series 2006-2 Bonds, the “Series 2006 Bonds”), pursuant to a Trust Indenture, dated as of December 1, 2006, by and between the Authorities and the Trustee, as amended by a First Supplement to Trust Indenture dated as of August 1, 2011; (iv) Single Family Mortgage Revenue Bonds, Series 2007-1 (the “Series 2007-1 Bonds”), pursuant to a Trust Indenture, dated as of March 1, 2007, by and between the Authorities and Wells Fargo Bank, National Association, a national banking association, as trustee (the “Trustee”), as amended by a First Supplement to Trust Indenture dated as of August 1, 2011; (v) Single Family Mortgage Revenue Bonds, Series 2007-2 (the “Series 2007-2 Bonds”), pursuant to a Trust Indenture, dated as of May 1, 2007, by and between the Authorities and the Trustee, as amended by that certain Supplement to Trust Indenture, dated as of September 1, 2008, as amended by a First Supplement to Trust Indenture dated as of August 1, 2011, by and between the Authorities and Wells Fargo Bank Arizona, N.A., a national banking association, as trustee; and (vi) Single Family Mortgage Revenue Bonds, Series 2007-4 (the “Series 2007-4 Bonds” and together with the Series 2007-1 Bonds, the Series 2007-2 Bonds and the Series 2007-3 Bonds, the “Series 2007 Bonds”), pursuant to a Trust Indenture, dated as of July 1, 2007, by and between the Authorities and the Trustee, as amended by a First Supplement to Trust Indenture dated as of August 1, 2011; and

**WHEREAS**, the Phoenix Authority and the Maricopa Authority have issued multiple series of single family revenue bonds including but not limited to their (i) Single Family Mortgage Revenue Bonds, Series 2007A-1 (the “Series 2007A-1 Bonds”), pursuant to a Trust Indenture, dated as of September 1, 2007, by and among the Phoenix Authority, the Maricopa Authority and the Trustee, as amended by a First Supplement to Trust Indenture dated as of August 1, 2011; and (ii) Single Family Mortgage Revenue Bonds, Series 2007A-2 (the “Series 2007A-2 Bonds” and together with the Series 2007A-1 Bonds, the “Series 2007A Bonds”), pursuant to a Trust Indenture, dated as of November 1, 2007, by and among the Phoenix Authority, the Maricopa Authority and the Trustee, as amended by a First Supplement to Trust Indenture dated as of August 1, 2011; and

**WHEREAS**, the various Trust Indentures and supplements thereto referenced above are collectively referred to herein as the “Indentures”; and

**WHEREAS**, the Series 2006 Bonds, the Series 2007 Bonds and the Series 2007A Bonds (collectively, the “Bonds”) are secured by, among other things, fully modified pass-through mortgage-backed certificates guaranteed by the Government National Mortgage Association (the “GNMA Certificates”), the Federal National Mortgage Association (the “Fannie Mae Certificates”) and/or the Federal Home Loan Mortgage Corporation (the “Freddie Mac Certificates” and together with the GNMA Certificates and the Fannie Mae Certificates, the “Certificates”); and

**WHEREAS**, as a result of the current condition of the financial markets, the secondary market value of the Certificates is well in excess of the amount needed to purchase an equal par amount of outstanding Bonds; and

**WHEREAS**, in order to maximize the economic benefits arising from the current trading prices of the Certificates, the Authorities may sell all or a portion of their respective Certificates and use any such proceeds from the sale thereof, together with other available monies, to purchase a corresponding portion of their respective outstanding Bonds (the “Bond Purchase Program”); and

**WHEREAS**, the Bond Purchase Program may be carried out as to any of the Bonds in any such manner or manners as the Authorities may direct, including but not limited to a bond tender program or such other program as the Authorities may direct, any one or more of which may be carried out as to any or all of the Bonds; and

**WHEREAS**, after due consideration, the Board of Directors of the Phoenix Authority desires to approve (a) the sale of all or a portion of the Certificates, (b) the use of the proceeds from the sale thereof to purchase a corresponding portion of outstanding Bonds on or about May 28, 2015, pursuant to the Indentures, (c) the engagement of financing participants in connection therewith, (d) the use of a portion of the excess proceeds from the sale of such Certificates to pay transaction costs arising from the transaction, with the remainder of such proceeds to be paid to the Authorities pursuant to the Cooperative Agreements, and (e) the delegation to any officer of the power to take all such actions as are necessary or appropriate to accomplish the foregoing;

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of The Industrial Development Authority of the City of Phoenix, Arizona, as follows:

**Section 1.** Subject to and conditioned upon the satisfaction of the conditions listed in Section 4 hereof, this Board of Directors hereby approves (a) the sale of all or a portion of the Certificates, (b) the use of the proceeds from the sale thereof to purchase a corresponding portion of outstanding Bonds on or about May 28, 2015, pursuant to the Indentures, (c) the engagement of financing participants in connection therewith, and (d) the use of a portion of the excess proceeds from the sale of such Certificates to pay transaction costs arising from the transaction, with the remainder of such proceeds to be paid to the Authorities pursuant to the Cooperative Agreements.

**Section 2.** The Executive Director of the Phoenix Authority (the “Executive Director”) is hereby authorized to do all such acts and things necessary to accomplish the actions detailed in Section 1 hereof.

**Section 3.** George K. Baum & Company is hereby appointed as tender agent in connection with the Bond Purchase Program; and Kutak Rock LLP is hereby appointed as bond counsel in connection with the transaction.

**Section 4.** The approvals and authorizations granted in this resolution are subject to the condition that the Phoenix Authority receive such legal opinions, certifications, and other documents and proceedings as are necessary or advisable, in the sole opinion of the Phoenix Authority’s legal counsel, to evidence compliance by participants in the transactions contemplated by this Resolution with the Phoenix Authority’s policies and procedures and applicable state and federal laws.

**Section 5.** Neither the Executive Director, the members of the governing body of the Phoenix Authority nor any director, officer, official employee or agent of the Phoenix Authority is subject to any personal liability or accountability by reason of the transaction described herein.

**Section 6.** In the event of the inability or unavailability of any official of the Phoenix Authority to perform any duty assigned to such official by the terms of this Resolution, any officer or employee of the Phoenix Authority authorized to act for such official is hereby authorized and directed to so.

**Section 7.** All acts and doings of the officers of the Phoenix Authority which are in conformity with the purposes and intent of this Resolution are in all respects approved, ratified and confirmed.

**Section 8.** The provisions of this Resolution are hereby declared to be separable, and if any action, phrase or provision is for any reason declared to be invalid, such declaration does not affect the validity of the remainder of the sections, phrases and provisions.

**Section 9.** Notice of Arizona Revised Statutes Section 38-511 is hereby given. The provisions of said statute are by this reference incorporated herein to the extent of their applicability to matters contained herein under the laws of the State of Arizona.

[Signature page follows.]



Adopted and approved this 14<sup>th</sup> day of May, 2015.

THE INDUSTRIAL DEVELOPMENT AUTHORITY  
OF THE CITY OF PHOENIX, ARIZONA

By: \_\_\_\_\_  
Juan Salgado, Executive Director



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**MEMORANDUM**

**DATE:** May 14, 2015  
**TO:** Members, Board of Directors  
**FROM:** Judy Bernas, Treasurer  
**SUBJECT:** Finance Committee Report – May 1, 2015

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Below is the report of the May 1, 2015 Finance Committee meeting in which each of the items below were reviewed in detail and approved by the Committee.

**ITEM A – MARCH 2015 FINANCIAL STATEMENTS**

Attached for your review and consideration are highlights of the Phoenix IDA's financial statements, dated March 31, 2015.

**Statement of Assets, Liabilities and Net Assets**

- Accrued Expenses, approved Community Development Fund Awards, not yet paid.

**Statement of Revenues, Expenses and Changes in Net Assets**

- Operating Revenues, Fee Income, includes revenue from Guam Facilities Project in December 2014 and JMF-ECVA Convention Center Expansion Project in March 2015.
- Operating Revenues, Down Payment Program Assistance Fees, higher than expected loan volume in Home in Five Advantage Program resulted in increased revenues for the fiscal year.
- Operating Expenses, Community Development Fund Awards: new award approved in March 2015 budget increased by \$25,000 for fees received from bond closing in March 2015 and issuer fees in excess of budget received during the fiscal year from non-Arizona transactions.

Total operating expenses through March 2015 were below budgeted expense levels. Revenues for the year to date exceed budgeted revenues, primarily due to Down Payment Program Assistance fees and annual user assessment fees.

The Finance Committee during its meeting on May 1, 2015 reviewed and approved the Phoenix IDA's financial statements for the period ending March 31, 2015. Therefore, I am recommending approval by the Board of Directors.

**ITEM B – OPERATING BUDGET FOR FISCAL YEAR 2016**

The proposed summary budget for FY 2016 projects a net fund increase of approximately \$1,496,000 on total revenues of \$3,033,000 and expenses of \$1,537,000. The FY 2016 budget increases projected revenues by approximately \$1,120,000 from the FY 2015 budget, primarily from growth in our bond portfolio and the very successful Home in Five down payment assistance program. The FY 2016 budget

decreases projected expenses by approximately \$592,000, primarily due to a reduction in Community Development funds available to local nonprofits, partially offset by expected increases in compensation and health care costs. When factoring in one-time assessment fees received and allocated over the expected bond life of 10 years, the net change for FY 2016 is expected to be over \$1,622,000.

The Finance Committee during its meeting on May 1, 2015 reviewed and approved the Phoenix IDA's operating budget, in detail, for FY 2016. Therefore, I am recommending approval by the Board of Directors.

**ITEM C – AMENDMENTS TO THE FINANCIAL POLICY AND INVESTMENT POLICY**

The Board of Directors has established a policy of reviewing all Governance Policies at least every 24 months. Both the Financial Policy and Investment Policy have been reviewed, with a recommendation for only one change to the Financial Policy. Both policies are attached for your review with the proposed amendment redlined in the Financial Policy, and a change to the effective date for both policies following final decision by the Board.

On January 16, 2014, the Board approved adding the Phoenix IDA's Community Relations Administrator as a signer on the Phoenix IDA's operating bank account. There are now sufficient members of staff, including the Executive Director, to prepare financial records and issue checks with a proper segregation of duties. Accordingly, the Financial Policy is submitted with the amendment to delete the requirement for the Treasurer and President to be signers on the operating bank account. This change would not prevent an officer or other member of the Board from being an authorized signer if that is the Board's desire.

As part of our due diligence on this item, the Phoenix IDA's general corporate counsel and financial auditing firm were consulted. Both parties concurred independently that the proposed amendment to the Financial Policy does not pose any concern from a legal or accounting standpoint given the financial controls currently in place.

The Finance Committee during its meeting on May 1, 2015 reviewed and approved amendments to the Phoenix IDA's Financial Policy and Investment Policy. Therefore, I am recommending approval by the Board of Directors.



**Statement of Net Position  
March 31, 2015**

Assets

Current Assets		
Cash and cash equivalents	\$	4,824,286
Receivables, net		
Accounts receivable, net		9,300
Notes receivable, current portion		6,970
Prepaid expenses		4,752
Total Current Assets		<u>4,845,308</u>
Noncurrent Assets		
Investments		12,520,632
Long term notes receivable, net		131,002
Fixed Assets		3,189,760
Total Noncurrent Assets		<u>15,841,394</u>
Total Assets	\$	<u><u>20,686,702</u></u>

Liabilities and Net Position

Current Liabilities		
Accounts payable	\$	38,202
Accrued expenses		124,997
Total Current Liabilities		<u>163,199</u>
Allocated Funds		9,090,153
Net Assets - Unrestricted		<u>11,433,350</u>
Total Liabilities and Net Assets	\$	<u><u>20,686,702</u></u>



**Statement of Revenues, Expenses and Changes in Net Position  
For the Month and Year to Date as of March 31, 2015**

	March-15 Current	Actual	Year to Date Budget	Variances	Annual Budget
<b>Operating Revenues</b>					
Fee income-single family, application & other	\$ 60,681	\$ 212,070	\$ 55,260	\$ 156,810	\$ 74,250
Down Payment Assistance Program Fees	222,739	2,208,433	684,000	1,524,433	910,000
User assessment fees	67,870	906,665	770,000	136,665	815,000
Interest income	8,956	82,496	82,200	296	114,000
Other income - non-recurring fees	0	100	-	100	-
Other income-bond redemption	0	1,201	-	1,201	-
Net increase in the fair value of investments	0	-	-	-	-
<b>Total Operating Revenues</b>	<b>360,245</b>	<b>3,410,965</b>	<b>1,591,460</b>	<b>1,819,505</b>	<b>1,913,250</b>
<b>Operating Expenses</b>					
Accounting Services	\$ 355	\$ 2,520	\$ 2,550	\$ 30	\$ 3,500
Administration	11,844	44,307	43,100	(1,207)	63,000 <sup>2</sup>
Audit	0	14,557	14,900	343	14,900 <sup>2</sup>
Board of Directors	3,584	34,474	42,600	8,126	56,500 <sup>2</sup>
Bond Administration	1,624	6,712	9,800	3,088	13,000
Bond Administration - Single Family	0	1,500	4,900	3,400	5,000 <sup>2</sup>
Director and Officer Insurance	1,553	13,973	14,340	368	19,300
General Expenses	5,276	51,953	63,711	11,758	83,975 <sup>2</sup>
Loan Portfolio Administration	0	1,710	3,500	1,790	3,500 <sup>2</sup>
Program Development	1,775	2,682	7,500	4,818	10,000
Project Development	(80)	3,470	6,000	2,530	8,000
Business Development	7,898	67,087	82,650	15,563	84,650 <sup>2</sup>
Home in Five Advantage Program	312	7,383	9,750	2,367	9,750 <sup>2</sup>
Legislative Affairs	2,500	22,500	22,500	0	30,000 <sup>2</sup>
Mortgage Credit Certificate Program	20,977	20,977	26,250	5,273	40,000 <sup>3</sup>
Salaries and Wages	53,677	575,569	590,400	14,831	791,500 <sup>2</sup>
Staff Development	953	3,155	4,500	1,345	5,000 <sup>2</sup>
Technology	1,074	8,174	27,130	18,956	35,500
Community Development Fund	75,000	161,847	852,500	690,653	852,500 <sup>1</sup>
<b>Total Operating Expenses</b>	<b>188,322</b>	<b>1,044,548</b>	<b>1,828,581</b>	<b>784,033</b>	<b>2,129,575</b>
<b>Other Expenses</b>					
Bad Debt Expense	0	0	0	0	0
Fee Waiver	0	0	0	0	0
<b>Change in Net Position</b>	<b>171,924</b>	<b>2,366,416</b>	<b>(237,121)</b>	<b>2,603,537</b>	<b>(216,325)</b>
Revenues Moved to Restricted Assets	43,000	(370,153)			
<b>Unrestricted Net Position, beginning</b>	<b>11,218,426</b>	<b>9,437,086</b>			
<b>Unrestricted Net Position, end</b>	<b>\$ 11,433,350</b>	<b>\$ 11,433,350</b>			

<sup>1</sup> Reflects changes to budget approved by Board on October 19, 2014

<sup>2</sup> Reflects budget reallocations approved by Finance Committee on January 28, 2015

<sup>3</sup> Reflects changes to budget approved by Board on March 12, 2015

**The Industrial Development Authority of the City of Phoenix, Arizona**  
**Summary Budget FY 2016**  
as of March 31, 2015

	<u>FY 2015 Budget</u>	<u>FY 2015 Est</u>	<u>FY 2016 Budget</u>
<b>Revenue</b>			
40000 Assessment Fees	\$ 815,000	\$ 926,700	\$ 1,010,000
40100 Single Family Fees	5,250	6,000	4,500
40200 Application/Extension Fees	39,000	39,000	42,000
40250 Loan Fees	0	2,800	0
40300 Interest Income	114,000	105,900	99,000
40400 Closing Fees	30,000	51,200	33,000
40410 Down Payment Assistance Program Fees	910,000	2,938,000	1,800,000
40411 MCC Program Income	0	0	45,000
40450 Other Operating Income	0	300	0
<b>Total Operating Revenue</b>	<b>\$ 1,913,250</b>	<b>\$ 4,069,900</b>	<b>\$ 3,033,500</b>
40500 Other Income	\$ 0	\$ 126,951	\$ 0
<b>Total Other Revenue</b>	<b>\$ 0</b>	<b>\$ 126,951</b>	<b>\$ 0</b>
<b>Total Revenue</b>	<b>\$ 1,913,250</b>	<b>\$ 4,196,851</b>	<b>\$ 3,033,500</b>
<b>Expenses</b>			
60000 Accounting Services	\$ 3,500	\$ 3,342	\$ 3,500
60100 Administration	63,000	62,000	48,000
60200 Audit	14,900	13,900	17,700
60300 Board of Directors	56,500	49,222	61,300
60400 Bond Administration	13,000	12,642	14,500
60500 Bond Administration-Single Family	5,000	4,500	5,000
60600 Insurance	19,300	14,810	20,300
60700 General Expense-Operating	83,975	80,653	80,325
60800 Loan Portfolio	3,500	3,500	6,500
60900 Program Development	10,000	15,000	20,000
61000 Project Development	8,000	8,000	8,000
61100 Business Development	84,650	89,650	146,150 <sup>1</sup>
61130 Home in Five Advantage Program	9,750	10,750	25,250 <sup>1</sup>
61140 Legislative Affairs	30,000	30,000	30,000 <sup>1</sup>
61150 Mortgage Credit Certificate Program	40,000	40,000	5,000 <sup>1</sup>
62000 Salaries and Wages	791,500	791,500	974,000
63000 Staff Development	5,000	5,000	6,000
64000 Technology	35,500	35,500	35,500
66000 Community Development Fund	852,500	1,452,500	30,500 <sup>1</sup>
<b>Total Expenses</b>	<b>\$ 2,129,575</b>	<b>\$ 2,722,469</b>	<b>\$ 1,537,525</b>
<b>Total Other Expenses</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Net Position</b>	<b>\$ (216,325)</b>	<b>\$ 1,474,382</b>	<b>\$ 1,495,975</b>
One-time Assessment Fees, allocated over 10 years	126,500	126,500	126,500
<b>Adjusted Net Position</b>	<b>\$ (89,825)</b>	<b>\$ 1,600,882</b>	<b>\$ 1,622,475</b>
<b>Net Operating Revenue Calculation</b>			
<b>Total Expenses (above)</b>	<b>\$ 2,129,575</b>	<b>\$ 2,722,469</b>	<b>\$ 1,537,525</b>
<b>Expenses excluded for 3 Year Operating Expense Reserve</b>	<b>(1,008,750)</b>	<b>(1,614,750)</b>	<b>(227,250)<sup>1</sup></b>
<b>Total operating expenses</b>	<b>\$ 1,120,825</b>	<b>\$ 1,107,719</b>	<b>\$ 1,310,275</b>
<b>Net Operating Revenue (Total Revenue - Total operating expenses)</b>	<b>\$ 792,425</b>	<b>\$ 3,089,132</b>	<b>\$ 1,723,225</b>

<sup>1</sup> Expenses excluded in full, or in part, from operating expenses for 3 year reserve calculation

**3 Year Operating Expense Reserve**  
**Based on FY 2016 Budget**

	FY 2016 Budgeted	FY 2017 Projected*	FY 2018 Projected*	3 yr Total	Reserve
Total operating expenses (excludes non-recurring expenses)	\$ 1,310,275	\$ 1,376,000	\$ 1,441,000	\$ 4,127,275	\$ 4,125,000

\* Projected based on 5% & 10% increase from FY 2016

# The Industrial Development Authority of the City of Phoenix, Arizona

<b>GOVERNANCE POLICY</b>	<b>No. 201</b>
SECTION 200 <b>FINANCIAL, INVESTMENT AND LENDING</b>	Original Effective Date: <b>May 12, 2011</b>
SUBJECT <b>FINANCIAL POLICY</b>	<b>Page 1 of 4</b> Effective Date: <del>April 30, 2013</del> <b>May 15, 2015</b>

This document sets forth the financial policy (the "Policy") of The Industrial Development Authority of the City of Phoenix, Arizona (the "Phoenix IDA"). The Policy is intended to guide the Phoenix IDA's Board of Directors, Executive Director and employees in establishing financial goals and objectives, making financial decisions, reporting the financial status of the Phoenix IDA, and managing the Phoenix IDA's funds to achieve the highest level of transparency and accountability with respect to the Phoenix IDA's financial operations.

## A. GENERAL POLICIES

1. Accounting Method: The AuthorityPhoenix IDA operates on the accrual basis of accounting and in accordance with generally accepted accounting principles.
2. Accounting Procedures: It is the policy of the AuthorityPhoenix IDA that accounting procedures will be reviewed and maintained by the Executive Director to ensure that accounting principles generally accepted in the United States of America as applied to a governmental entity are followed in support of this Financial Policy. These procedures cover accounting for all assets, liabilities, equity, income and expenses, and allow for accounting entries, summaries, reconciliations and reporting to be performed by AuthorityPhoenix IDA staff, an outside accounting firm or a combination of both.
3. Chart of Accounts: It is the policy of the AuthorityPhoenix IDA to maintain a chart of accounts. All employees, staff or advisors involved with account coding or budgetary responsibilities will be issued a chart of accounts, and the chart of accounts will be updated as needed.
4. Separate Program Funds: It is the policy of the AuthorityPhoenix IDA that from time to time the AuthorityPhoenix IDA may designate separate funds for its programs. The authorityPhoenix IDA to designate such funds is vested in the Board. Separate funds may be restored to the AuthorityPhoenix IDA's administrative fund either upon termination of the program or Board action.

## B. COLLECTIONS AND LOAN LOSS RESERVES

# The Industrial Development Authority of the City of Phoenix, Arizona

<b>GOVERNANCE POLICY</b>	<b>No. 201</b>
SECTION 200 <b>FINANCIAL, INVESTMENT AND LENDING</b>	Original Effective Date: <b>May 12, 2011</b>
SUBJECT <b>FINANCIAL POLICY</b>	<b>Page 2 of 4</b> Effective Date: <del>April 30, 2013</del> <b>May 15, 2015</b>

1. Collections: It is the policy of the [AuthorityPhoenix IDA](#) to ensure that all available means of collecting accounts receivable have been exhausted before write-off procedures are initiated.
2. Loan Loss Reserves: Loans will be treated as zero percent (0%) in reserve if under 180 days in arrears, fifty percent (50%) in reserve if between 180 and 365 days in arrears, and one hundred percent (100%) in reserve if over 365 days in arrears. The Executive Director may reserve additional amounts related to other loans as needed. If a loan is deemed by the Executive Director to be uncollectible, interest will no longer be accrued.

## C. CHECK APPROVAL AND SIGNING AUTHORITY

1. Check Approval: It is the policy of the [AuthorityPhoenix IDA](#) that all requests for checks are approved by the Executive Director and documentation of approval is kept on record. In the absence of the Executive Director, or for reimbursements to the Executive Director or for payment of the Executive Director's credit card expenses, the Treasurer, the President of the [AuthorityPhoenix IDA](#) or any other Board member designee of the President may approve check requests.
2. Check Signing Authority: It is the policy of the [AuthorityPhoenix IDA](#) to give check signing authority to the Executive Director, ~~and other employees of the Phoenix IDA as designated by the Board~~ the Treasurer, the President and any other Board member designee of the President. Checks can only be signed by a person not requesting the check. Checks issued for payment of the [AuthorityPhoenix IDA](#)'s debts over \$15,000 will require two signatures of individuals with current check signing authority. Individuals responsible for check preparation and bank reconciliation are prohibited from having check signing authority. The [AuthorityPhoenix IDA](#) shall be responsible for keeping signature cards granting check signing authority current.

## D. CREDIT CARDS



# The Industrial Development Authority of the City of Phoenix, Arizona

<b>GOVERNANCE POLICY</b>	<b>No. 201</b>
SECTION 200 <b>FINANCIAL, INVESTMENT AND LENDING</b>	Original Effective Date: <b>May 12, 2011</b>
SUBJECT <b>FINANCIAL POLICY</b>	<b>Page 3 of 4</b> Effective Date: <del>April 30, 2013</del> <b>May 15, 2015</b>

1. Credit Card Holder: It is the policy of the [AuthorityPhoenix IDA](#) to issue a credit card to the Executive Director. Additional credit cards will be issued to the [AuthorityPhoenix IDA](#) staff at the discretion of the Executive Director.
2. Credit Card Use: The Executive Director shall remit a detailed description of all credit card expenses each month to the [AuthorityPhoenix IDA](#).
3. Credit Card Limit: The maximum credit card line of credit shall be \$5,000.00.

## E. FINANCIAL STATEMENTS

The Executive Director will distribute the monthly financial statements to the Board following review by the Treasurer. An outside accounting firm may be engaged, at the Executive Director's discretion, to assist in preparation of a monthly financial statement compilation.

## F. ANNUAL AUDIT

An audit will be performed at the close of the fiscal year by an independent accounting firm. The results of this audit will be presented to the Board by the Executive Director.

## G. ANNUAL BUDGET

Annually, prior to the beginning of its fiscal year, the [AuthorityPhoenix IDA](#)'s Executive Director shall prepare a forecast of the [AuthorityPhoenix IDA](#)'s annual operating budget for the forthcoming fiscal year and present the forecast for Board approval. The forecast will include estimates and sources of income, operating expenses, and other expenses.

## H. THREE YEAR OPERATING EXPENSE RESERVE

It is the policy of the [AuthorityPhoenix IDA](#) to reserve, against the assets of the [AuthorityPhoenix IDA](#), an amount equal to three years of operating expenses. The purpose of this policy is to provide for ongoing expenses in the event of the [AuthorityPhoenix IDA](#)'s inability to collect any fees for up to three years.

# The Industrial Development Authority of the City of Phoenix, Arizona

<b>GOVERNANCE POLICY</b>	<b>No. 201</b>
SECTION 200 <b>FINANCIAL, INVESTMENT AND LENDING</b>	Original Effective Date: <b>May 12, 2011</b>
SUBJECT <b>FINANCIAL POLICY</b>	<b>Page 4 of 4</b> Effective Date: <del>April 30, 2013</del> <b><u>May 15, 2015</u></b>

As part of the annual budget process, the ~~Authority~~Phoenix IDA's calculation of the upcoming year's operating expenses will be used to project expenses for the two succeeding years, adjusting for possible changes in costs or other identifiable factors. The Executive Director shall present this three year total for Board approval with the annual budget. On Board approval, this total will create a reserve against the net assets of the ~~Authority~~Phoenix IDA in the next fiscal year.

## **I. PROCEDURES**

~~Below is a key procedure to maximize the effectiveness of this policy:~~

- ~~1. Review: No later than 24 months after the last review period, the Board of Directors shall, upon action of the Finance Committee, review and act to continue and/or amend, or terminate this Policy.~~

### **APPROVED:**

\_\_\_\_\_  
Sal Rivera  
Secretary  
The Industrial Development Authority of  
the City of Phoenix, Arizona

# The Industrial Development Authority of the City of Phoenix, Arizona

<b>GOVERNANCE POLICY</b>	<b>No. 202</b>
SECTION 200 <b>FINANCIAL, INVESTMENTS AND LENDING</b>	Original Effective Date: <b>May 12, 2011</b>
SUBJECT <b>INVESTMENT POLICY</b>	<b>Page 1 of 4</b> Effective Date: <b>April 30, 2013</b>

## **A. PURPOSE**

This document sets forth the investment policy (the "Policy") of The Industrial Development Authority of the City of Phoenix, Arizona (the "AuthorityPhoenix IDA"). The Policy is intended to guide the AuthorityPhoenix IDA's management in investing the AuthorityPhoenix IDA's administrative funds and to guide the AuthorityPhoenix IDA's Board of Directors in the oversight of such investments, thus achieving the highest level of transparency and accountability with respect to the AuthorityPhoenix IDA's investment operations. The scope of the Policy is limited to investment of the AuthorityPhoenix IDA's administrative funds and is not intended to cover investment of any funds held in trust accounts containing proceeds of bonds issued by the AuthorityPhoenix IDA.

## **B.A. BACKGROUND**

The AuthorityPhoenix IDA earns income from bond issue fees, ongoing assessment fees, extensions of credit, bond redemptions, investments, and administrative fees.

## **C.B. STANDARD OF CARE**

The Executive Director, and his/her designee, as administrators of the AuthorityPhoenix IDA's monies, shall adhere to the "prudent person" standard when managing the AuthorityPhoenix IDA's funds. Their duties must be performed with the care, skill, prudence and diligence that a prudent person acting in a like capacity would use in the conduct of an enterprise with like character and goals of the AuthorityPhoenix IDA.

The Executive Director, and his/her designee, shall refrain from engaging in any activity that impairs (or has the potential to impair) his or her ability to make impartial investment decisions for the AuthorityPhoenix IDA. The Executive Director, and his/her designee, shall disclose in writing to the Board of Directors any material financial interests as well as personal relationships existing with employees and/or officers of financial institutions conducting business with the AuthorityPhoenix IDA.

# The Industrial Development Authority of the City of Phoenix, Arizona

<b>GOVERNANCE POLICY</b>	<b>No. 202</b>
SECTION 200 <b>FINANCIAL, INVESTMENTS AND LENDING</b>	Original Effective Date: <b>May 12, 2011</b>
SUBJECT <b>INVESTMENT POLICY</b>	<b>Page 2 of 4</b> Effective Date: <b>April 30, 2013</b>

## D.C. GOALS

The following are the [AuthorityPhoenix IDA](#)'s goals as they relate to its investments in marketable securities, listed in order of priority:

1. Safety of principal: Safety of principal is the [AuthorityPhoenix IDA](#)'s most important investment policy goal. Investments shall be made with the primary aim of avoiding loss of principal.
2. Liquidity: An adequate amount of funds shall remain liquid in order to meet anticipated cash disbursement requirements.
3. Rate of return: The [AuthorityPhoenix IDA](#) seeks a rate of return consistent with its safety of principal and liquidity goals.

## E.D. CASH MANAGEMENT

The [AuthorityPhoenix IDA](#) shall meet its annual operating cash needs by depositing funds in insured bank accounts. To ensure maximum safety, the [AuthorityPhoenix IDA](#) shall deposit, in aggregate, no more than the FDIC insurance limit (currently \$250,000) in any one insured institution that does not offer a program, or programs, such as that described in Section F. of this Policy. To the extent the FDIC, or other, insurance limit is reduced, the [AuthorityPhoenix IDA](#)'s aggregate deposit with any one insured institution shall be adjusted accordingly.

## F.E. INVESTMENTS IN SECURITIES

Given the priority of safety of principal, the [AuthorityPhoenix IDA](#) shall invest only in the following securities:

1. U.S. Treasury bills, notes and bonds.
2. Securities guaranteed, insured, or backed by the full faith and credit of the U.S. Government.

## The Industrial Development Authority of the City of Phoenix, Arizona

<b>GOVERNANCE POLICY</b>	<b>No. 202</b>
SECTION 200 <b>FINANCIAL, INVESTMENTS AND LENDING</b>	Original Effective Date: <b>May 12, 2011</b>
SUBJECT <b>INVESTMENT POLICY</b>	<b>Page 3 of 4</b> Effective Date: <b>April 30, 2013</b>

3. U.S. Government Agency Securities (Government Sponsored Enterprises) exclusive of mortgage-backed and commercial-backed securities.
4. Repurchase Agreements – All repurchase agreements require that a fixed rate of interest be paid and further require that related collateral be delivered versus payment to the AuthorityPhoenix IDA's custodian. Delivery price of collateral shall be at least 102% of the dollar price with collateral marked-to-market daily. Maximum maturity shall be one year.
5. Certificates of Deposit where maturing principal and interest do not exceed the \$250,000 FDIC deposit insurance limit (total deposits and maturing values of CDs in any institution should not exceed \$250,000 in aggregate, except as delineated in this section).
6. Private fixed-income obligations fully guaranteed by the United States (such as FDIC-backed assets).
7. Municipal obligations – Issuer must be a city, county, state, or other political subdivision created by a government act. If the obligation is short-term debt, then it must have a minimum "P1" rating by Moody's and a minimum "A1" rating by S&P. If the obligation is long-term, then it must have a minimum "A1" unsecured rating by Moody's and a minimum "A+" unsecured rating by S&P. Purchases will not be allowed for those issuers who are currently under review by either rating agency for possible downgrade of their debt rating.
8. Money Market Mutual Funds must be U.S. Government, U.S. Government Agencies, or Municipal Money Market Mutual Funds registered with the Securities and Exchange Commission pursuant to the Federal Investment Company Act of 1940. By prospectus or other fund statement of additional information, the funds shall only invest in investments that comply with this Policy's requirements for authorized investments.
9. Bank deposits backed with a letter of credit (LOC) from a Government Sponsored Enterprise, such as a Federal Home Loan Bank (FHLB), that insures the funds in excess of the FDIC limit. The LOC would serve as the mechanism

# The Industrial Development Authority of the City of Phoenix, Arizona

<b>GOVERNANCE POLICY</b>	<b>No. 202</b>
SECTION 200 <b>FINANCIAL, INVESTMENTS AND LENDING</b>	Original Effective Date: <b>May 12, 2011</b>
SUBJECT <b>INVESTMENT POLICY</b>	<b>Page 4 of 4</b> Effective Date: <b>April 30, 2013</b>

by which the trustee would draw the insured funds to remit to the bank's insured account holders.

## **G.F. PROCEDURES**

Below are key procedures to maximize the effectiveness of this Policy:

1. Reporting: The Executive Director should receive bank statements and securities holdings and performance reports not less than monthly.
2. Audit: A review of the AuthorityPhoenix IDA's banking and investment activities shall be included in the AuthorityPhoenix IDA's annual financial audit.
3. Oversight: Administration of banking and investment relationships shall be handled by the Executive Director and his/her designee. The Executive Director and the AuthorityPhoenix IDA's Treasurer shall provide regular oversight of banking and investment activities. At least annually the Finance Committee shall receive a written and verbal report on investments and banking activities from the Executive Director, or his/her designee.
4. ~~Review: No later than 24 months after the last review period, the Board of Directors shall, upon action of the Finance Committee, review and act to continue and/or amend, or terminate this Policy.~~

## **APPROVED:**

Sal Rivera  
Secretary  
The Industrial Development Authority of  
the City of Phoenix, Arizona



**MEMORANDUM**

**DATE:** May 14, 2015  
**TO:** Members, Board of Directors  
**FROM:** Tom Espinoza, President  
**SUBJECT:** Governance Policy Review

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The Board of Directors amended the Governance Policies in April 2013, to ensure their review at least every 24 months.

The Policies currently set forth a procedure for the Board to approve, at least every 24 months, to “continue and/or amend, or terminate” the Governance Policies. Moving forward, staff recommends the following procedural change:

If after a staff review of the Policies, there are no recommended amendments or terminations to the Policies, document that a review was completed and that the Policies will continue in their current form and that no further action is required by the Board.

Amendments and/or terminations of Governance Policies will continue to require full Board approval.

The Policies are attached for your review with the proposed amendments redlined, and an effective date for the updates to the Policies following Board approval.

As part of the due diligence performed on this item, the Phoenix IDA’s general corporate counsel was consulted and concurs that the proposed procedural change does not pose any legal concern.

The Executive Committee during its meeting on May 6, 2015 reviewed and approved the Phoenix IDA’s Governance Policies. Therefore, I am recommending approval by the Board of Directors.



## **Governance Policies**

**Effective Date: ~~June 9, 2014~~ May 14, 2015**



## GOVERNANCE POLICIES HANDBOOK

### Index

Effective Date: ~~5/29/2013~~ May 15, 2015

No.	Title	Committee Assignment
100	Conflict of Interest <u>Policy</u>	Executive
101	General Ethics <u>Policy</u>	Executive
200	Fair Lending <u>Policy Statement</u>	Finance
201	Financial Policy	Finance
202	Investment Policy	Finance
203	Community Impact Fund Investment Policy	Community Impact Fund
300	Expense Reimbursement <u>Policy</u>	Executive

**The Industrial Development Authority of the City of Phoenix, Arizona**

<b>GOVERNANCE POLICY</b>	<b>No. 1004</b>
SECTION 100  align="center"> <b>ETHICS</b>	Original Effective Date: <b>March 11, 2008</b>
SUBJECT  align="center"> <b>GENERAL ETHICS POLICY</b>	<b>Page 1 of 8</b> Effective Date: <b>February 6, 2013</b>

This document sets forth the general ethics policy (the "Policy") of The Industrial Development Authority of the City of Phoenix, Arizona (the "Phoenix IDA"). The Policy is intended to clarify our standard of conduct. It makes clear that the Phoenix IDA expects its Board of Directors, Executive Director, and employees to understand the ethical considerations associated with their actions and to conduct business with integrity and without deception.

~~The Industrial Development Authority of the City of Phoenix, Arizona ("the Authority") was established in 1981 by the City of Phoenix under the Industrial Financing Act, Arizona Revised Statute Section 35-701 et. seq. The Authority is an Arizona non-profit corporation and political subdivision of the State of Arizona possessing the corporate powers set forth in Section 35-706 of the Arizona Revised Statutes.~~

The City of Phoenix adopted the "City of Phoenix Ethics Policy" codified in the City Code, Ch. 2, Art. II, Section 2-52. Upon appointment to the ~~Authority~~Phoenix IDA, each member of the Board of Directors of the ~~Authority~~Phoenix IDA agreed to comply with the City of Phoenix Ethics Policy. The ~~Authority~~Phoenix IDA formally adopts the following policies:

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**A. ATTENDANCE**

If a member fails to attend three consecutive regular meetings, or more than 50% of all meetings of the Board of Directors held over a calendar year period, the City Council may declare the seat vacant and appoint a replacement. See City Code, Art. 1 § 2-40.

**Comment:** Members of the Board of Directors are expected to attend all regularly scheduled meetings and should make every effort to do so. The City Council appointed each member of the Board for each member's experience, background and perspective in a particular policy area, and wants the benefit of each member's consideration and judgment. Moreover, the Board of Directors shall not conduct any business unless a quorum is present. Accordingly, if a member of the Board of Directors must miss a meeting because of business, vacation or illness, please advise the chairperson of the Board of Directors or Committee of the Board of Directors and the Executive Director in advance of the meeting.

**The Industrial Development Authority of the City of Phoenix, Arizona**

<b>GOVERNANCE POLICY</b>	<b>No. 1004</b>
SECTION 100	Original Effective Date: <b>March 11, 2008</b>
<b>ETHICS</b>	
SUBJECT	<b>Page 2 of 8</b>
<b>GENERAL ETHICS POLICY</b>	Effective Date: <b>February 6, 2013</b>

**B. CONFLICTS OF INTEREST**

As a political subdivision of the State of Arizona, the AuthorityPhoenix IDA is subject to and must comply with Arizona's Conflict of Interest Laws. Conflicts of Interest a very important ethical consideration that requires its own detailed policy. (See Governance Policy No. 101)

~~**Comment:** The Authority, members of the Board of Directors, the Executive Director and employees of the Authority must be constantly on guard against conflicts of interest. In short, a member of the Board of Directors, the Executive Director or an employee of the Authority should not be involved in any activity which might be seen as conflicting with the responsibilities of his or her position with the Authority. The people of Phoenix have a right to expect that members of the Board of Directors, the Executive Director and employees of the Authority act with independence and fairness toward all groups and will not favor a few individuals or themselves. The Authority considers Conflicts of Interest a very important ethical consideration that requires its own detailed policy.~~

**C. CONTRACTS WITH THE CITY**

Arizona law prohibits any member of the Board of Directors, the Executive Director or employee of the AuthorityPhoenix IDA who has, or whose relative has, "a substantial interest in any contract, sale, purchase, or service to" the AuthorityPhoenix IDA from participating in any way with the transaction. See A.R.S. § 38-503 (A).

**Comment:** As with other conflicts of interest, any member of the Board of Directors, the Executive Director or employee of the AuthorityPhoenix IDA in such a situation must (i) make known the substantial interest involved, and (ii) refrain from voting upon or otherwise participating in the transaction or the making of such contract or sale.

**D. DISCLOSURE OF CONFIDENTIAL INFORMATION**

Arizona law provides that, during an individual's employment or service with the AuthorityPhoenix IDA and for two years thereafter, no such individual may disclose

**The Industrial Development Authority of the City of Phoenix, Arizona**

<b>GOVERNANCE POLICY</b>	<b>No. 1004</b>
SECTION 100  align="center"> <b>ETHICS</b>	Original Effective Date: <b>March 11, 2008</b>
SUBJECT  align="center"> <b>GENERAL ETHICS POLICY</b>	<b>Page 3 of 8</b> Effective Date: <b>February 6, 2013</b>

or use confidential information without appropriate authorization. See A.R.S. § 38-504(B). "Confidential information" means any and all information which is not generally known but which becomes known as a consequence of the individual's employment or service with the AuthorityPhoenix IDA, whether relating to the AuthorityPhoenix IDA or a third party, whether oral or in writing, and whether or not marked "confidential", "proprietary" or "private." "Confidential information" does not include: (i) information that was generally available to the public at the time of disclosure; (ii) information that later becomes publicly known other than through the individual's actions; or (iii) information that was already known to the individual before he/she learned it from or through his/her relationship with the AuthorityPhoenix IDA. Moreover, if during the individual's employment or service with the AuthorityPhoenix IDA, such individual learns information that constitutes a trade secret, he/she shall be obligated to maintain the secrecy of the information for so long as the information constitutes a trade secret, but in no case for less than two years after the employment or service ends, unless the AuthorityPhoenix IDA authorizes him/her to reveal information.

**Comment:** Members of the Board of Directors, the Executive Director and employees of the AuthorityPhoenix IDA may have access to important non-public information regarding the property, operations, policies or affairs of the AuthorityPhoenix IDA and/or of the City of Phoenix. Such information may concern real estate transactions, expansion of public facilities or other City projects. The leaking of this inside information may benefit a few at the expense of a possible monetary loss to the AuthorityPhoenix IDA or the City and a deterioration of public confidence. If a member of the Board of Directors, the Executive Director or employee of the AuthorityPhoenix IDA are privy to confidential information, such individual may not disclose that information to any private citizen and should disclose it to other public employees only on a "need to know" basis.

**E. DISCRIMINATION**

Chapter XI, Section 2 of the City Charter provides: "No person shall be appointed to, removed from or in any way favored or discriminated against with respect to any city position because of race, color, ancestry, national origin, sex, political or religious opinions or affiliations." Illegal discrimination on the basis of sexual orientation, age, marital status, pregnancy, disability, citizenship status, veteran

**The Industrial Development Authority of the City of Phoenix, Arizona**

<b>GOVERNANCE POLICY</b>	<b>No. 1004</b>
SECTION 100  align="center"> <b>ETHICS</b>	Original Effective Date: <b>March 11, 2008</b>
SUBJECT  align="center"> <b>GENERAL ETHICS POLICY</b>	<b>Page 4 of 8</b> Effective Date: <b>February 6, 2013</b>

status, or military obligation or any other basis prohibited by law is also forbidden. Harassment on the basis of sex is a violation of Title VII of the U.S. Civil Rights Act of 1964, as amended. The United States Equal Employment Opportunity Commission (EEOC) defines sexual harassment as “unwelcome” sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature when: 1) submission to such conduct is made wither explicitly or implicitly a term or condition of an individual’s employment; 2) submission to or rejection of such conduct is used as the basis for employment decisions affecting an individual; or 3) such conduct has the purpose or effect of unreasonably interfering with an individual’s work performance or creating an intimidating, hostile or offensive work environment.

**Comment:** All people must be recognized, honored and mutually respected. The United States and Arizona Constitutions, as well as numerous federal, state and local laws, outlaw various forms of discrimination. The [AuthorityPhoenix IDA](#) should make available to every person – whether they are applying for a Board position or employment position of the [AuthorityPhoenix IDA](#) – every consideration, treatment, and advantage or favor that is the general practice to make available to all citizens. The equality of opportunity to enter into public service, besides being the object of various federal, state and local laws, is a central factor in achieving efficient public service and good morale. The [AuthorityPhoenix IDA](#) promotes an environment where all members, employees and citizens are respected and valued.

**F. EMPLOYMENT**

1. Representing Private Interests Before the [AuthorityPhoenix IDA](#): For twelve months following the termination of a person’s service as a member of the Board of Directors, or employment with the [AuthorityPhoenix IDA](#), Arizona law prohibits such individuals from representing another person for compensation before the [AuthorityPhoenix IDA](#) concerning any matter with which that individual, during their time of service to the [AuthorityPhoenix IDA](#), was directly concerned and personally participated in by a substantial and material exercise of administrative discretion. See A.R.S. § 38-504(A).

**Comment:** Members of the Board of Directors, the Executive Director and employees of the [AuthorityPhoenix IDA](#) may appear before the [AuthorityPhoenix](#)

**The Industrial Development Authority of the City of Phoenix, Arizona**

<b>GOVERNANCE POLICY</b>	<b>No. 1004</b>
SECTION 100	Original Effective Date: <b>March 11, 2008</b>
<b>ETHICS</b>	
SUBJECT	<b>Page 5 of 8</b>
<b>GENERAL ETHICS POLICY</b>	Effective Date: <b>February 6, 2013</b>

IDA on behalf of constituents in the course of performing duties as a representative of the electorate or in the performance of public or civil obligations, as long as they are not representing any private person, group or interest for compensation that is contingent on such activity.

2. Employment of Relatives: Arizona law prohibits members of the Board of Directors, the Executive Director and employees of the AuthorityPhoenix IDA from being involved in the appointment, hiring or supervision of a relative. See A.R.S. § 38-481 and A.R. § 2.91.

**Comment:** Because hiring and supervising a relative is a special type of a conflict of interest, it must be avoided.

**G. GIFTS, FAVORS AND EXTRA COMPENSATION:**

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Neither any member of the Board of Directors, the Executive Director or any employee of the AuthorityPhoenix IDA shall accept any gift, service or favor that would lead toward favoritism or the appearance of favoritism in any way.

**Comment:** Board Members or employees of the AuthorityPhoenix IDA should not accept gifts (monetary or otherwise, such as a service, loan, thing or promise), gratuities, or favors from anyone for the performance of acts within the regular course of official duties. Board Members and employees of the AuthorityPhoenix IDA should refuse any gifts or favors that reasonably may be interpreted to have been offered in order to influence an AuthorityPhoenix IDA decision. Compensation for an AuthorityPhoenix IDA employee performing that employee's duty is limited to salaries, fringe benefits and any personal satisfaction that such person may derive from doing a good job. While a Board Member or employee of the AuthorityPhoenix IDA is the first to decide whether to accept any gift, such person must recognize that others will decide if there is "the appearance of favoritism" for such person having accepted a gift. Finally, Board Members and employees of the AuthorityPhoenix IDA should be wary of accepting any gifts or benefits from individuals doing business with the AuthorityPhoenix IDA or the City or whose financial interests are affected by AuthorityPhoenix IDA action.

**The Industrial Development Authority of the City of Phoenix, Arizona**

<b>GOVERNANCE POLICY</b>	<b>No. 1004</b>
SECTION 100	Original Effective Date: <b>March 11, 2008</b>
<b>ETHICS</b>	
SUBJECT	<b>Page 6 of 8</b>
<b>GENERAL ETHICS POLICY</b>	Effective Date: <b>February 6, 2013</b>

1. Board Members and employees of the [AuthorityPhoenix IDA](#) must consider ethical principles before accepting personal gifts of entertainment and sports/athletic activities.

**Comment:** After the above gift policy is applied, if a Board Member or employee of the [AuthorityPhoenix IDA](#) accepts the entertainment or sports/athletic activity gift and does not pay for it, such Board Member or employee must declare the gift with the President of the Board, within two working days, using a "Declaration Form." Gifts must be declared regardless of whether the gifts are actually used by the Board Member or employee. If the President of the Board accepts the entertainment or sports/athletic gift and does not pay for it, the President must declare the gift with the Vice President of the Board.

There are three examples of gifts that do not require declaration:

- a. A personal gift from a friend or relative, unless that friend or relative has done business with the [AuthorityPhoenix IDA](#), is doing business with the [AuthorityPhoenix IDA](#) or is seeking to do business with the [AuthorityPhoenix IDA](#).
- b. Winning or receiving a promotional gift from a community business, where the opportunity to win/receive the gift is open to the community in general.
- c. Board Members or employees of the [AuthorityPhoenix IDA](#) who pay for a ticket or elect to make a charitable contribution in the name of the donor for the face value of the gift do not need to file a declaration.
- d. Acknowledgements of voluntary service from the [AuthorityPhoenix IDA](#).
- e. All other gifts accepted must be declared regardless of whether the Board Member or employee of the [AuthorityPhoenix IDA](#) personally used the gift.

**H. POLITICAL ACTIVITY**

As citizens, Board Members and employees of the [AuthorityPhoenix IDA](#) can and should exercise their rights to register and vote in all elections including City elective offices. The City Attorney, in opinion No. 60-012, determined that the provisions of Chapter XXV, Section 11 of the City Charter, do not apply to citizen members of City

**The Industrial Development Authority of the City of Phoenix, Arizona**

<b>GOVERNANCE POLICY</b>	<b>No. 1004</b>
SECTION 100	Original Effective Date: <b>March 11, 2008</b>
<b>ETHICS</b>	
SUBJECT	<b>Page 7 of 8</b>
<b>GENERAL ETHICS POLICY</b>	Effective Date: <b>February 6, 2013</b>

boards and commissions and, therefore, Board Members may participate in political campaigns for City elective officials.

**I. PUBLIC ACCESS: OPEN MEETINGS AND PUBLIC RECORDS**

Numerous Arizona and City laws require that meetings of public bodies be open to the public and that public records be available for inspection. See Open Meeting Laws (A.R.S. §§ 38-431 through 431.09 and City Charter Ch. 4 & 5) and Public Records Laws (A.R.S. §§ 39-121 through 121.03 and City Charter Ch. 4 & 21).

**Comment:** As declared in state statute, it is the official public policy of Arizona that meetings of public bodies be conducted openly. Also, Arizona law allows broad access to public records. Open government gives the public confidence that public affairs are being performed properly.

**J. USE OF EQUIPMENT, FACILITIES, OR PERSONNEL FOR PRIVATE GAIN**

Members of the Board of Directors, the Executive Director and employees of the AuthorityPhoenix IDA should not use AuthorityPhoenix IDA or City facilities, equipment, personnel or supplies for private purposes, except to the extent they are lawfully available to the public.

**Comment:** Public respect for its government is weakened when AuthorityPhoenix IDA-owned or City-owned facilities and equipment are used by members of the Board of Directors, the Executive Director or employees of the AuthorityPhoenix IDA for personal gain. AuthorityPhoenix IDA or City office supplies, work materials and equipment are to be used only for the AuthorityPhoenix IDA work. Taking AuthorityPhoenix IDA or City goods for private use is not a “fringe benefit,” it is stealing. See A.R.S. §13-1802. Also, it is improper (and maybe unlawful) for supervisors to use subordinates for their personal benefit. Finally, members of the Board of Directors, the Executive Director and employees of the AuthorityPhoenix IDA should avoid waste of public supplies and equipment.

**K. WHISTLEBLOWER POLICY**



**The Industrial Development Authority of the City of Phoenix, Arizona**

<b>GOVERNANCE POLICY</b>	<b>No. 1004</b>
SECTION 100	Original Effective Date: <b>March 11, 2008</b>
<b>ETHICS</b>	
SUBJECT	<b>Page 8 of 8</b>
<b>GENERAL ETHICS POLICY</b>	Effective Date: <b>February 6, 2013</b>

The AuthorityPhoenix IDA promotes ethical conduct, transparency and compliance with the law. Should any individual know of, or have a suspicion about, illegal or unethical conduct in connection with the finances or other aspect of the AuthorityPhoenix IDA's operations, that individual should inform the President of the Board of Directors. If the alleged wrongdoing concerns the President, then another officer or director of the AuthorityPhoenix IDA should be notified instead.

Should the President or another officer or director of the AuthorityPhoenix IDA receive information regarding alleged illegal or unethical conduct in connection with the finances or other aspect of operations, those officers or directors shall inform the full Board of Directors. The Board of Directors shall investigate all credible allegations at all times respecting the privacy and reputation of individuals involved.

There will be no punishment or other retaliation for the reporting of conduct pursuant to this policy. If the person providing the information requests anonymity, this request will be respected to the extent that doing so does not impede any investigation.

**L. PROCEDURES**

~~Below is a key procedure to maximize the effectiveness of this policy:~~

- ~~• No later than 24 months after the last review period, the Board of Directors shall, upon action of the Executive Committee, review and act to continue and/or amend, or terminate this Policy.~~

**APPROVED:**

Sal Rivera  
Secretary  
The Industrial Development Authority of  
the City of Phoenix, Arizona

# The Industrial Development Authority of the City of Phoenix, Arizona

<b>GOVERNANCE POLICY</b>	<b>No. 10<del>10</del></b>
SECTION 100 <b>ETHICS</b>	Original Effective Date: <b>March 11, 2008</b>
SUBJECT <b>CONFLICT OF INTEREST <u>POLICY</u></b>	<b>Page 1 of 3</b> Effective Date: <b>February 6, 2013</b>

This document sets forth the conflict of interest policy (the “Policy”) of The Industrial Development Authority of the City of Phoenix, Arizona (the “Phoenix IDA”). The Policy is intended to guide the Phoenix IDA’s Board of Directors, the Executive Director, and Phoenix IDA employees whenever a director, officer or management has a financial or personal interest in any matter coming before the board of directors, thus achieving the highest level of transparency and accountability.

## A. CONFLICT OF INTEREST AND INDUCEMENT

Members of the Board of Directors of the ~~Industrial Development AuthorityPhoenix IDA, of the City of Phoenix, Arizona (the “Authority”)~~, the Executive Director, and employees of the ~~AuthorityPhoenix IDA~~ are prohibited from receiving compensation of any kind from vendors, realtors, brokers, contractors, mortgage lenders, clients, or any similar entities or individuals for the purpose of receiving preferential treatment of any kind.

“Kickback” means any money, fee, commission, credit, gift, gratuity, object of value, offer of employment, or compensation of any kind which is provided, directly or indirectly, to any member of the Board of Directors, the Executive Director or ~~AuthorityPhoenix IDA~~ employee for the purpose of improperly obtaining or rewarding favorable treatment in connection with grant assistance programs, client referrals or contacts.

The ~~AuthorityPhoenix IDA~~ prohibits members of the Board of Directors, the Executive Director and any ~~AuthorityPhoenix IDA~~ employee from soliciting, accepting, or attempting to accept any kickbacks. The ~~AuthorityPhoenix IDA~~ also prohibits vendors, realtors, brokers, contractors, mortgage lenders, clients, or any similar entities or individuals from providing or attempting to provide any kickbacks to members of the Board of Directors, the Executive Director or ~~AuthorityPhoenix IDA~~ employees.

~~AuthorityPhoenix IDA~~ employees will be immediately terminated from employment if it is determined that they are soliciting, accepting, or attempting to accept any kickbacks. Any vendors, realtors, brokers, contractors, mortgage lenders, clients, or any similar entities or individual in violation of this ~~P~~policy will be prohibited from doing business with the ~~AuthorityPhoenix IDA~~. Finally, individuals or entities determined to be engaging in kickback practices may also be subject to additional

# The Industrial Development Authority of the City of Phoenix, Arizona

<b>GOVERNANCE POLICY</b>	<b>No. 10<del>10</del></b>
SECTION 100 <b>ETHICS</b>	Original Effective Date: <b>March 11, 2008</b>
SUBJECT <b>CONFLICT OF INTEREST <u>POLICY</u></b>	<b>Page 2 of 3</b> Effective Date: <b>February 6, 2013</b>

civil or criminal penalties as provided under Arizona State Revised statutes and U.S. law.

## **B. CONFLICT OF INTEREST**

Situations of actual or potential conflict of interest are to be avoided by all members of the Board of Directors, the Executive Director and employees of the AuthorityPhoenix IDA. A conflict of interest may exist when any such individual's personal activities or financial affairs adversely influence such individual's judgment or performance of duties for the AuthorityPhoenix IDA. An actual or potential conflict of interest occurs when such an individual is in a position to influence a decision that may result in a personal gain for that individual or for a relative or friend as a result of the AuthorityPhoenix IDA business dealing. Personal involvement with a competitor, supplier or subordinate employee of the AuthorityPhoenix IDA, which impairs an employee's ability to exercise good judgment on behalf of the AuthorityPhoenix IDA, creates an actual or potential conflict of interest.

Except for gifts allowed under subsection G of the "General Ethics Policy: Gifts, Favors, and Extra Compensation," no gifts or gratuities, unless deemed to be of minimal value, shall be accepted by the Executive Director, staff or any member of the Board of Directors from any individual or businesses that is in any way associated with the AuthorityPhoenix IDA. For purposes of this paragraph, minimal value shall be deemed as \$25.00.

## **~~C. PROCEDURES~~**

~~Below is a key procedure to maximize the effectiveness of this policy:~~

- ~~• No later than 24 months after the last review period, the Board of Directors shall, upon action of the Executive Committee, review and act to continue and/or amend, or terminate this Policy.~~

The Industrial Development Authority of the City of Phoenix, Arizona

<b>GOVERNANCE POLICY</b>	<b>No. 10<del>10</del></b>
SECTION 100 <b>ETHICS</b>	Original Effective Date: <b>March 11, 2008</b>
SUBJECT <b>CONFLICT OF INTEREST <u>POLICY</u></b>	<b>Page 3 of 3</b> Effective Date: <b>February 6, 2013</b>

**APPROVED:**

\_\_\_\_\_  
Sal Rivera  
Secretary  
The Industrial Development Authority of  
the City of Phoenix, Arizona

# The Industrial Development Authority of the City of Phoenix, Arizona

<b>GOVERNANCE POLICY</b>	<b>No. 200</b>
SECTION 200 <b>FINANCIAL, INVESTMENTS, AND LENDING</b>	Original Effective Date: <b>March 11, 2008</b> <del>Effective Date:</del> <b>June 9, 2014</b>
SUBJECT <b>FAIR LENDING <u>POLICY</u> STATEMENT</b>	<b>Page 1 of 1</b> <del>Review Effective</del> Date: <b>June 9, 2014</b>

This document sets forth the fair lending policy statement (the "Policy") of The Industrial Development Authority of the City of Phoenix, Arizona (the "Phoenix IDA"). The inclusion of this Policy in our Governance Policies, reinforces our dedication to providing equal access to credit and equal treatment of all credit applicants.

## A. OBJECTIVE

The ~~Industrial Development Authority of the City of Phoenix, Arizona~~ Phoenix IDA is committed to ensuring that all loan applications are treated fairly, without unlawful regard to race, color, national origin, gender, religion, age, marital status, sexual orientation, disability, familial status, citizenship status, veteran status or military obligations or any other basis prohibited by law.

## APPROVED BY:

\_\_\_\_\_  
Sal Rivera, Secretary  
The Industrial Development Authority of  
the City of Phoenix, Arizona

# The Industrial Development Authority of the City of Phoenix, Arizona

<b>GOVERNANCE POLICY</b>	<b>No. 203</b>
SECTION 200 <b>FINANCIAL, INVESTMENT AND LENDING</b>	Original Effective Date: <b>June 14, 2012</b>
SUBJECT <b>COMMUNITY IMPACT FUND INVESTMENT POLICY</b>	<b>Page 1 of 3</b> Effective Date: <b>May 29, 2013</b>

## **A. PURPOSE**

This document sets forth the community impact fund policy (the “Policy”) of The Industrial Development Authority of the City of Phoenix, Arizona (the “Phoenix IDA”). The Policy is intended to guide the Phoenix IDA’s Board of Directors, Community Impact Fund Committee (“Committee”) and management in investing the Phoenix IDA’s community impact funds and to guide the Phoenix IDA’s Board of Directors in the oversight of such investments, thus achieving the highest level of transparency and accountability with respect to the Phoenix IDA’s operations.

This Policy provides for investment in the community outside the Investment Policy. The scope of the Policy is limited to investment of the Phoenix IDA’s funds allocated from the administrative fund to the community impact fund (“Fund”) by the Board of Directors.

## **B.A. GENERAL**

Community impact funds are to be directed for a public purpose to maximize community or social impact, while seeking a return on capital. Returns may be measured in traditional return on investment, such as interest on loans, or in other impacts, such as education, job creation, innovation, improving social services and similar non-traditional effects, or any combination of returns.

The Phoenix IDA may make impact investments directly or in collaboration with other lenders, nonprofit organizations, educational institutions, foundations, economic development groups or other governmental agencies. Recipients of community impact funds may be businesses, 501 (c) nonprofit corporations or other organizations whose mission is in keeping with the Policy.

## **C.B. GUIDELINES**

Impact investments will follow these guidelines:

1. One hundred percent (100%) of the Fund's investments will be directed to organizations with projects in Arizona, at least 60% of which projects shall be in the city of Phoenix.

## The Industrial Development Authority of the City of Phoenix, Arizona

<b>GOVERNANCE POLICY</b>	<b>No. 203</b>
SECTION 200 <b>FINANCIAL, INVESTMENT AND LENDING</b>	Original Effective Date: <b>June 14, 2012</b>
SUBJECT <b>COMMUNITY IMPACT FUND INVESTMENT POLICY</b>	<b>Page 2 of 3</b> Effective Date: <b>May 29, 2013</b>

2. No more than 10% of the Fund's total allocation shall be actively invested with one organization.
3. Impact investments will be for no more than a seven (7) year period before the capital is to be returned.
4. Loan fees and interest rates are to be at market rates, with adjustment possible for social impact up to a 100% waiver of loan fee and/or a 50% reduction in the interest rate.
5. Collection of receivables and loan loss reserves for impact investments are governed by those provisions in the Financial Policy.
6. Proceeds from the Fund's impact investments will be treated as operating revenues and maintained in the administrative fund.
7. Exceptions to any requirements of the Policy may be made on a case-by-case basis by the Committee.

### D.C. PROCEDURES

Below are key procedures to maximize the effectiveness of this Policy:

1. Multiple similar impact investments ("Programs"), such as the loan participation program, shall be approved by the Board of Directors. The Board of Directors may delegate approval of individual Program investments to the Committee or to the Executive Director.
2. The Board of Directors shall approve all individual non-Program impact investments over \$100,000.
3. The Committee may approve any individual non-Program impact investment up to \$100,000 and may delegate approval of individual non-Program impact investments up to \$50,000 to the Executive Director.
4. The Executive Director is delegated signing authority for all related documents on approved impact investments. No authorization is given in this Policy to conflict with the check signing authority provided by the Financial Policy.

# The Industrial Development Authority of the City of Phoenix, Arizona

<b>GOVERNANCE POLICY</b>	<b>No. 203</b>
SECTION 200 <b>FINANCIAL, INVESTMENT AND LENDING</b>	Original Effective Date: <b>June 14, 2012</b>
SUBJECT <b>COMMUNITY IMPACT FUND INVESTMENT POLICY</b>	<b>Page 3 of 3</b> Effective Date: <b>May 29, 2013</b>

5. Administration of impact investment relationships shall be handled by the Executive Director and his/her designee. The Executive Director and the Committee chairperson shall provide regular oversight of Fund impact investments. At least annually the Committee shall receive a written and verbal report on Fund impact investments from the Executive Director, or his/her designee.

~~6. Review: No later than 24 months after the last review period, the Board of Directors shall, upon action of the Community Impact Fund Committee, review and act to continue and/or amend, or terminate this Policy.~~

**APPROVED:**

Sal Rivera  
Secretary  
The Industrial Development Authority of  
the City of Phoenix, Arizona



## The Industrial Development Authority of the City of Phoenix, Arizona

<b>GOVERNANCE POLICY</b>	<b>No. 300</b>
SECTION 300 <b>BUSINESS AND TRAVEL EXPENSES</b>	Original Effective Date: <b>March 11, 2008</b>
SUBJECT <b>EXPENSE REIMBURSEMENT <u>POLICY</u></b>	<b>Page 1 of 2</b> Effective Date: <b>February 6, 2013</b>

This document sets forth the financial policy (the "Policy") of The Industrial Development Authority of the City of Phoenix, Arizona (the "Phoenix IDA"). The Policy is intended to guide the Phoenix IDA's Board of Directors, Executive Director and employees in establishing financial goals and objectives, making financial decisions, reporting the financial status of the Phoenix IDA, and managing the Phoenix IDA's funds to achieve the highest level of transparency and accountability with respect to the Phoenix IDA's financial operations.

### A. GENERAL POLICIES

The Industrial Development Authority of the City of Phoenix, Arizona (the "AuthorityPhoenix IDA") is made up of a Board of Directors (the "Board") which consists of not less than three or more than nine members with a term of six years each. The AuthorityPhoenix IDA also employs an Executive Director and additional employees.

All reasonable expenses incurred by the Executive Director or AuthorityPhoenix IDA employees while representing the AuthorityPhoenix IDA are reimbursable at the discretion of the AuthorityPhoenix IDA or appropriate officer. These include restaurant-type expenditures while meeting members of the Board, staff, or otherwise conducting AuthorityPhoenix IDA business. This also includes mileage for trips taken while acting on behalf of the AuthorityPhoenix IDA.

Travel expenditures are reimbursable for members of the Board, the Executive Director or AuthorityPhoenix IDA employees, and do not include any personal expenditures incurred while attending events on AuthorityPhoenix IDA business. Travel expenses for accompanying spouses, friends, etc. are not reimbursable.

Commuting expenses to AuthorityPhoenix IDA Board or Committee meetings or to the workplace are not reimbursable. Otherwise, mileage is reimbursable at the standard mileage rates published by the IRS from time to time. Members of the Board, the Executive Director and AuthorityPhoenix IDA employees are required to provide information about auto insurance coverage and update such information annually or whenever changes are made to such coverage. No reimbursement will be made for auto insurance expenses.

The Industrial Development Authority of the City of Phoenix, Arizona

<b>GOVERNANCE POLICY</b>	<b>No. 300</b>
SECTION 300 <b>BUSINESS AND TRAVEL EXPENSES</b>	Original Effective Date: <b>March 11, 2008</b>
SUBJECT <b>EXPENSE REIMBURSEMENT <u>POLICY</u></b>	<b>Page 2 of 2</b> Effective Date: <b>February 6, 2013</b>

Requests for travel advances may be made, but generally must be estimated by budget line item if in excess of \$500.00. To the extent advances exceed actual expenditures (receipts must be submitted upon return from the trip), the member of the Board the Executive Director or the AuthorityPhoenix IDA employee must reimburse the AuthorityPhoenix IDA the difference. Actual expenses incurred in excess of any advance will be reimbursed by the AuthorityPhoenix IDA.

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**B. PROCEDURES**

~~Below is a key procedure to maximize the effectiveness of this policy:~~

- ~~• No later than 24 months after the last review period, the Board of Directors shall, upon action of the Executive Committee, review and act to continue and/or amend, or terminate this Policy.~~

**APPROVED:**

\_\_\_\_\_  
Sal Rivera  
Secretary  
The Industrial Development Authority of  
the City of Phoenix, Arizona

## Policy Review History

- May 6, 2015: Executive Committee reviews and approves minor revisions to policies: 100, 101, 200, 203 and 300
- May 1, 2015: Finance Committee reviews and approves minor revisions to policies: 201 and 202
- **June 9, 2014:** Executive Committee reviews and approves minor revisions to policy: 200
- **May 29, 2013:** Community Impact Fund Committee reviews and approves minor revisions to policy: 203
- **April 30, 2013:** Finance Committee reviews and approves minor revisions to policies: 201 and 202
- **February 6, 2013:** Executive Committee reviews and approves minor revisions to policies: 100, 101 and 300
- **June 14, 2012:** Board of Directors adopts new policy: 203
- **May 22, 2012:** Community Impact Fund Committee reviews draft of new policy: 203
- **February 9, 2012:** Board of Directors approves amended policies: 100, 101, 201, 202 and 300
- **February 1, 2012:** Executive Committee and legal counsel review policy changes. Committee recommends Board of Directors approval of amendments to policies: 100, 101, 200, 201, 202 and 300. No changes recommended: 200

## PROCEDURES

Below is a key procedure to maximize the effectiveness of these policies:

- No later than 24 months after the last review period, administrative staff shall evaluate policy(ies) and make recommendations, if any, to the respective Committee(s) regarding amendments or terminations. Material amendments to, or termination of, policy(ies) require action of the assigned Committee(s) and ratification of the Board of Directors. Governance Policies shall remain in effect until terminated by the Board of Directors.

## **APPROVED BY:**

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Lydia Lee Date  
Community Relations Administrator  
The Industrial Development Authority of  
the City of Phoenix, Arizona

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Juan Salgado Date  
Executive Director  
The Industrial Development Authority of  
the City of Phoenix, Arizona

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Sal Rivera Date  
Secretary  
The Industrial Development Authority of  
the City of Phoenix, Arizona

**KUTAK ROCK LLP**  
**SUITE 300**  
**8601 NORTH SCOTTSDALE ROAD**  
**SCOTTSDALE, ARIZONA 85253-2738**  
**480-429-5000**  
**FACSIMILE 480-429-5001**  
**www.kutakrock.com**

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SPOKANE  
WASHINGTON, D.C.  
WICHITA

MARCUS B. OSBORN  
marcus.osborn@kutakrock.com  
(480) 429-5000

## MEMORANDUM

TO: John Salgado

FROM: Dr. Marc Osborn

RE: End of Session Report

DATE May 5, 2015

The first regular session of the 52<sup>nd</sup> Legislature adjourned *sine die* on April 3, 2015, marking the 81<sup>st</sup> day of session and one of the shortest sessions in nearly fifty years. The Legislature approved 344 of the 1163 bills introduced, and the Governor vetoed 20 pieces of legislation. The Governor had ten days from *sine die* to sign the bill into law, veto the bill or allow the bill to become law without his signature. Unless a bill was enacted with an emergency clause or another specified effective date, the general effective date for enacted legislation is 90 days after the Legislature adjourns. This year's general effective date is July 3<sup>rd</sup>, 2015.

This legislative session began on January 12<sup>th</sup>, 2015 with the swearing in of all ninety House and Senate members, and the new Governor, Doug Ducey, delivering his State of the State address to a joint session of the Legislature. The new session welcomed a total of 21 freshmen legislators.

The following is a legislative summary of the priority bills tracked this year.

### **Access to Our Best Public Schools Fund**

The Governor made reducing waiting lists in high performing K-12 schools a major part of the State of the State Address. The Governor received approximately \$23.9 million in the FY 2015/2016 which was appropriated to the School Facilities Board to create Access to Our Best Public Schools Fund. The legislation did not detail how the funds were to be spent as the budget legislation provided the Governor with little guidance on how to craft a system that met

the goals of reducing wait lists in high performing schools. Details of how the appropriated monies will be used to improve charter schools and district schools access to capital will be forthcoming in the next few months as the Governor explores options.

**H.B. 2323 (Jobs; Finance Bonds)**

Representative Jeff Weninger introduced H.B. 2323 (Jobs Finance Bonds) on behalf of the Phoenix IDA. The legislation was based on the legislation the Phoenix IDA proposed last session that passed the House of Representatives but was held in the Senate. After some input from the Maricopa County IDA, a new and simpler legislative approach was developed. The new approach did not create a stand-alone Jobs Bonds statute as originally proposed. Instead, the current definition of authorized project in the IDA Act was expanded to allow all types of commercial projects to be covered by the Act. The process for approving the expanded list of projects will remain the same as provided for in current law. The new types of authorized projects are still exempt from state income tax. In addition to the expansion of the authority of IDAs, the bill requires that an IDA to notify their Governing Body if there is formal Securities and Exchange Commission investigation or a lawsuit related to the issuance of an IDA's bonds. The Legislation easily passed the House of Representatives and the Arizona Senate without a "No" vote. H.B. 2323 was signed by the Governor and is now Chapter 114, Laws 2015.

**H.B. 2482 (Student Loan Bonds)**

This legislation was sponsored by Rep. David Livingston on behalf of Midwestern University. The legislation was generated out some challenges that Midwestern University had with the Arizona Department of Administration in approving their student loan bond program. The legislation provides increased flexibility to approve bonds utilized for student loan refinancing. The bill also provides for Executive approval of the loan program when the bonds are issued consistent with the same governing documents and the issuance of the bonds is consistent with a previously approved student loan financing plan. H.B. 2482 statutorily designates that bonds with at least an "A" rating are to be considered by the state as acceptable when evaluating whether there is proof of adequate provision of payment. This is designed to streamline the approval process by the state. The bill passed out of the House and the Senate unanimously and was signed by the Governor (Chapter 311, Laws 2015).

**MEMORANDUM**

**DATE:** May 14, 2015

**TO:** Members, Board of Directors

**FROM:** Tom Espinoza, President

**SUBJECT:** President’s Report

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- A. **Local First Arizona Foundation / Fuerza Local.** On May 6, 2015, the Executive Committee approved a \$10,000 grant to Local First Arizona Foundation for its Fuerza Local, 2015 Business Accelerator Program. The program provides technical assistance to small under-served business owners by helping them establish credit that will allow them to borrow capital at market rates to expand their business operation. Fuerza Local delivers a series of 24 business education classes to 12 businesses every six months. The program has successfully graduated 36 businesses from the Accelerator Program to date. They plan to expand the program in the future to accommodate 30 entrepreneurs per year.
- B. **Board of Directors Administrative Handbook – Quarterly Update as of March 2015.** The Board of Directors Handbook is updated quarterly and can be found on the Board Intranet. The only change made to the Handbook last quarter was to the Board of Directors Roster.
- C. **Bonds Issued by Council District as of March 2015.** From January 2009 through March 31, 2015, the Phoenix IDA has issued \$1,478,093,764 in revenue bonds. Below is a listing of the bonds Issued by Phoenix City Council District as of March 31, 2015; showing the number of transactions and total amount funded per district. The full report is updated quarterly and is available on the Board Intranet.

District	# of transactions	Par amount of the bonds
1	1	\$ 15,945,000
2	4	\$ 233,100,000
3	2	\$ 20,000,000
4	1	\$ 9,590,000
5	0	
6	3	\$ 33,960,000
7	4	\$ 45,760,000
8	6	\$ 51,091,000

- D. **Mayor Stanton State of the City.** On Wednesday, April 8, 2015, I along with fellow board members, Charlene Tarver, Marian Yim and Don Keuth attended the Greater Phoenix Chamber of Commerce Mayor’s State of the City Address. Since taking office in 2012, Mayor Greg Stanton

reported he has put Phoenix on track to build an innovation-based, export-focused economy designed to lead in today's global marketplace. The Mayor updated attendees on the City's progress and his vision for the future.

- E. Valley of the Sun United Way – Rapid Re-Housing.** On Thursday, April 9, 2015 the Board of Directors approved a grant totaling \$1 million in support of the Valley of the Sun United Way's Rapid Re-Housing Initiative. An additional \$1 million grant was approved by the Maricopa County IDA Board of Directors the following week. Valley of the Sun United Way will provide \$500,000 from private philanthropy sources for a total pool of \$2,500,000 to assist in housing 250 homeless individuals from the Men's Overflow Shelter and adjacent parking lot. Housing placement and services are anticipated to begin as soon as possible but no later than June 1, 2015.

**MEMORANDUM**

**DATE:** May 14, 2015  
**TO:** Members, Board of Directors  
**FROM:** Juan Salgado, Executive Director  
**SUBJECT:** Executive Director's Report

---

**A. ADMINISTRATION**

- **Finance, Efficiency, Economy and Sustainability Subcommittee.** On Wednesday, April 15, 2015, Paul Blue and I presented the Subcommittee with a brief overview of the Phoenix IDA and its 2015 Public Finance Plan. The presentation was well received by the Subcommittee members (Councilman Gates, Chair; Councilman Waring, Councilman Nowakowski and Vice Mayor Valenzuela). Subcommittee members were very complimentary of the work we have done and publicly recognized the Board of Directors and thanked them for their service and ongoing support. A special thank you to Director, Mr. Keuth who attended the presentation and thanked the Subcommittee for their support of the Phoenix IDA's efforts. A recommendation was made by a member of the public that the presentation presented to the Subcommittee is presented to the full Council at a future Council meeting. The recommendation was duly noted by the Subcommittee.
- **Records Management.** Staff continues to make progress in the reorganization of the Phoenix IDA's records management system, as well as monitoring and maintenance of the records retention schedule. Transfer to State Archives of the Phoenix IDA's permanent records for 2009 will take place in the 1<sup>st</sup> quarter of FY 2015-2016. It is anticipated that non-permanent records having met their retention period will be processed and scheduled for destruction in the fall of 2015.

**B. BOND FINANCING PROJECTS**

**Prospects**

- **District School Financing Structure.** Since December of 2014, staff has met regularly with school facilities development experts and counsel to the Phoenix IDA to refine a unique model for district school financing in Arizona that will allow district schools to readily access Phoenix IDA bond financing. As you may know, Arizona school districts and the municipalities they serve are very limited in their ability to issue bonds for school facilities construction, expansion, or rehabilitation. The contemplated model provides district schools with an additional option beyond the traditional, voter-approved bonds that districts pay back with property tax assessments. Work continues on finalizing the model, and meetings have been, and will continue to be, held with district school administration groups and City of Phoenix



representatives in order to ensure the ultimate success of the model. The intent is to eventually implement this model around the country.

- **Small Manufacturing Program.** In an effort to diversify the Phoenix IDA's revenue streams, staff recently met with the City's Community and Economic Development Department and a representative of a local bank to discuss creation and implementation of a program geared toward ramping up tax-exempt financing for small, qualified manufacturers. This sector has historically been difficult to serve given the relatively stringent bond issuance parameters, leading to challenges in identifying potential, qualified borrowers. The combined effort will focus initially on identifying qualified manufacturers located in Phoenix, although the program will also be available nationwide. The program is expected to be rolled out sometime in May 2015.

**Table 1: Bond Financing Update – Approved Projects as of April 30, 2015**

Project	Approval Dates		Status	Closing Date	Financing Amounts (In Millions)	
	Final Board	City Council			Approved	Closing Amount
Pointe Educational Services	2/12/2015	3/18/2015	Closed	3/30/2015	\$ 19.0	\$ 18.13
Legacy Traditional Schools	3/12/2015	3/25/2015	Closed	4/09/2015	\$ 41.5	\$ 40.66
Freedom Academy	3/12/2015	3/25/2015	In Progress	5/06/2015*	\$ 6.9	\$ 6.00*
Villa Montessori	3/12/2015	3/25/2015	In Progress	5/27/2015*	\$ 9.0	\$ 9.00*

\*Anticipated

### Other

- **Arizona Christian University Project, Series 2014.** On January 29, 2014, the Phoenix IDA issued \$10 million of tax-exempt bonds for use by Arizona Christian University (ACU) to refinance certain outstanding indebtedness, and to pay the costs to acquire, construct, improve, and equip certain improvements to the campus, located in Phoenix, Arizona. The bonds were purchased in January 2014 by JP Morgan Chase Bank, N.A., who remains the sole bondholder. Although ACU has not missed any bond payments, there have been covenant defaults under the bond documents. However, JP Morgan and ACU have worked out a mutually satisfactory solution, including modification to the Financing Agreement pursuant to which the bonds were originally issued. After review by counsel to the Phoenix IDA, it was determined that the modification did not affect the Phoenix IDA, and it did not require formal Board action in order to execute the same. As such, the paperwork has been processed and the modification was finalized and in effect in late April 2015.
- **Brighter Choice Foundation Project, Series 2012.** On March 29, 2012, the Phoenix IDA issued approximately \$15 million of tax-exempt bonds for use by the Brighter Choice Foundation (BCF) to finance the acquisition, construction, improvement, and equipping of two charter middle school campuses located in Albany, New York. Earlier this year, the charter approving body in the State of New York determined that the middle school campuses were not performing up to the state's academic standards, thus a decision was made to revoke the schools' charters, resulting in a pending shuttering of the schools at the end of May 2015. Unfortunately, the school closures will trigger an immediate event of default under the

provisions of the bond documents. However, there are plans afoot to address bondholder payments and maintain the financial integrity of the bonds. Staff has been closely monitoring this, including having various conversations with most of the parties involved in the transaction, including current and former BCF representatives. The indication is that BCF has approximately two years of bond debt service reserves, and that this should give it time to implement a strategy that will allow it to continue to hold the properties, repopulate the schools (under expanded charter contracts), and continue to service the bonds for the long term. Counsel to the Phoenix IDA has indicated that there is no action required on the part of the Phoenix IDA at this time. Staff will continue to observe developments and updates will be provided to you as the parties work through the process.

- **Vieste project, Series 2013.** On April 23, 2013, the Phoenix IDA issued approximately \$29 million of tax-exempt bonds for use by Vieste SPE, LLC (Vieste) to finance the acquisition, installation, construction, improvement, equipping, and operation of a materials recovery facility located in Glendale, Arizona. Construction on the project was completed in March 2014. During the commissioning stage required prior to declaration of full commercial operations, it was found that the waste stream supplied by the City of Glendale (Glendale) was not within the parameters of the waste supply agreement central to the operation of the facility. In an attempt to find a solution to the issue, the Vieste team proposed an approximately \$6 million retrofit that would address the matter of the allegedly contaminated waste supply stream, and came before the Phoenix IDA Board on November 10, 2014 for approval to issue additional bonds to fund the proposed project. Staff has been closely monitoring this, including holding regular calls with Vieste representatives, and will continue to observe developments and provide updates to you as the parties work through the process.

### C. PROGRAMS

- **Home in Five Advantage Program.** Through the end of March 2015, the Home in Five Advantage Program has assisted more than 4,500 individuals, veterans and families. Additionally, the program has reserved over \$762 million in loans resulting in more than \$37 million in down payment assistance to local residents, which includes approximately \$275,000 of additional assistance to qualified military personnel. In the first quarter of 2015, the program was responsible for more than 20% of all FHA loans closed in Maricopa County.
- **Mortgage Credit Certificate Program.** Since approval in March 2015 of a program to issue Mortgage Credit Certificates (MCCs), we have been working with our professionals on the framework and meeting all legal requirements to start the program this summer. The Phoenix IDA allocation of \$53.1 million has been confirmed and paid for. We are working with Maricopa County IDA in regards to partnering or being able to offer MCCs throughout the county. There will be reportable progress by the July Board meeting.

### D. REAL ESTATE INVESTMENTS

- **artHAUS.** The developer of the property near the Arizona Opera, Jason Boyer of artHAUS, has a proposal from a realty capital firm to fund a \$5,000,000 construction loan at the approximate equivalent of 75% loan to cost with the balance in sponsor equity. Mr. Boyer states that he is in the process of sourcing a final \$425,000 of equity to complete a total project capital stack of approximately \$6,730,000. Once the remaining equity funds have been secured, a final term sheet will be shared, along with a proof of funds statement from the artHAUS, LLC operating account. Completing this milestone will then allow artHAUS to

complete the close of escrow on the land transaction. While no date has been set for the final sourcing of equity, the City has extended the close of escrow deadline to June 30, 2015.

- **Downtown Planning RFP.** On March 25, 2015, the City Council approved issuing a Request for Proposals (RFP) including evaluation criteria, selecting a master development team, and beginning negotiations for the disposition and development of City-owned property located between 4<sup>th</sup> and 6<sup>th</sup> Avenues, south of Fillmore Street in downtown Phoenix. This Property includes two properties in which the Phoenix IDA has made investments: 1) the West Fillmore Property, approximately 2.82 acres in size, located south of Fillmore Street, between 4<sup>th</sup> and 5<sup>th</sup> Avenues, and 2) the Beeline Property, comprised of six contiguous parcels of improved land (totaling approximately 1 acre) located south of the southeast corner of 6<sup>th</sup> Avenue and Fillmore Street. These properties, together with an additional 3.6 acres owned by the City, form the 7.4 acres that are the subject of the RFP.

The City expects to have issued the RFP by the time of the May 2015 Board meeting. The initial plan is to work towards a review panel recommendation by late August. The Phoenix IDA will be a participant on the review panel and the Board will vote on the final award selection. More details will become available when the project schedule is finalized.

- **DES Building.** In March 2015, I reported that the City of Phoenix requested that the Phoenix IDA consider the potential purchase of a property that the Department of Economic Security has for sale. The property is located at 207 East McDowell Road, and includes an approximately 13,000 square foot, two-story office building. Since then, an updated appraisal has been completed and a letter of intent to purchase the property has been fully executed. The purchase and sale agreement is currently being prepared, and it is expected that close of escrow will occur sometime in July 2015

#### **E. OTHER.**

- **CO+HOOTS Community Development Fund Request.** On March 12, 2015, Ms. Lydia Lee and I met with Ms. Jenny Poon and Ms. Kristin Romaine to follow-up on the grant approved by the CIF Committee and Board of Directors in February 2015. CO+HOOTS staff continues to work with the building management at their new location to work out the tenant improvements for the new space. As they get closer to completing the improvements, CO+HOOTS will provide the Phoenix IDA with an update and request funding of the \$75,000 grant.
- **ASU Entrepreneurship & Innovation Ecosystem Planning – CREATE Phoenix.** A presentation by Ms. Christine Mackay, Community Economic Development Director is scheduled for the next CIF Committee meeting scheduled for May 27, 2015. It is expected that the grant approved by the CIF Committee totaling \$49,997 will be funded in the next few weeks upon notification from Ms. Mackay.
- **Sunnyslope Art Walk.** On March 4, 2015, the Executive Committee approved a sponsorship of \$10,000 for the 2015 Sunnyslope Art Walk in support of the Sunnyslope Village Alliance. The Art Walk was held on Saturday, April 11, 2015 and is recognized as a “point of pride” for the business and artist community in Sunnyslope. Councilman Bill Gates along with Mayor Greg Stanton thanked the Phoenix IDA for its lead sponsorship. They also held a special dedication and acknowledgement for the Hatcher Road Art and Street Improvements, a major project in the Sunnyslope area over the past year.