



**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, November 9, 2017 at 3:30 pm** located at **Phoenix City Hall, 200 W. Washington Street, 20th Floor East Conference Room, Phoenix, Arizona**. The Committee may consider a motion to go into executive session in accordance with A.R.S. § 38-431.03 (A)(3) for Item 5 and (A)(1) for Item 6.

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.

a. October 12, 2017 – Regular Session

2. Financial Audit for period ending June 30, 2017. Presentation, discussion and possible action to ratify the Finance Committee's approval of the Phoenix IDA's financial audit for the period ending June 30, 2017.

3. Financial Statements for period ending September 30, 2017. Presentation, discussion and possible action to ratify the Finance Committee's approval of the Phoenix IDA's financial statements for the period ending September 30, 2017.

4. Home in Five Advantage Program Report.

5. Tax Cuts and Jobs Act. Presentation and discussion regarding proposed federal legislation.

6. Personnel Matters.

7. Chairman's Report.

8. Call to the Public. Comments will be limited to two minutes.

Adjournment

For reasonable accommodations, please call Lydia Lee at Voice/602-534-9655 or TTY: use 7-1-1, as early as possible to coordinate needed arrangements.

Date Posted: November 7, 2017

Item 1

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

October 12, 2017

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, October 12, 2017 at 3:30 p.m., at Phoenix City Hall, 200 W. Washington, 20th Floor, East Conference Room, Phoenix, Arizona.

Board Members present:

Mr. David Lujan (*telephonic*)
Mr. Bruce Mosby (*telephonic*)
Ms. Nicole Ong Colyer
Mr. Lawrence Robinson
Ms. Christa Severns (*telephonic*)
Ms. Charlene Tarver (*arrived 3:45 p.m., telephonic*)

Board Members absent:

Ms. Darcy Renfro
Mr. Sal Rivera
Ms. Barbara Ryan Thompson

Also present for all or portions of the meeting were:

Mr. James Barham, Phoenix IDA
Ms. Jennifer Demoney, Phoenix IDA
Ms. Gina Flores, Phoenix IDA
Ms. Patricia Mielke, University of Phoenix student
Mr. C.W. Ross, Fennemore Craig, P.C.
Mr. Juan Salgado, Phoenix IDA
Mr. Mike Santellanes, Phoenix IDA
Mr. Craig Tribken, Central Arizona Shelter Services

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.

Director Lujan called the Board meeting to order at 3:41 p.m. A quorum was noted.

ITEM 1: Consent Items.

- a. Approval of Meeting Minutes, September 14, 2017 – Regular and Executive Session.
- b. Multifamily Housing Revenue Bonds (Edison-Eastlake Choice Neighborhoods Community Project), Series 2018 and/or 2019.
- c. Multifamily Housing Revenue Bonds (Foothills Village Apartments Project), Series 2018 and/or 2019.

d. Home in Five – Intergovernmental Agreement.

Director Robinson moved to approve the Consent Items for this meeting. Director Mosby seconded the motion. **Motion carried unanimously.** A copy of **Resolution 2017-13** and **Resolution 2017-14** are attached hereto, and by this reference is made a part hereof.

ITEM 2: Personnel Matters.

This item was tabled.

ITEM 3: Real Estate Purchase – 1613 E. McKinley Street, Phoenix, AZ.

Mr. Salgado introduced the item, and asked Mr. Barham to brief the Board.

Mr. Barham briefed the Board on the real estate purchase – 1613 E. McKinley Street, Phoenix, AZ, as reflected in the Phoenix IDA’s records for this meeting, which are available upon request.

Director Robinson moved to approve as presented. Director Mosby seconded the motion. **Motion carried unanimously.** A copy of **Resolution 2017-12** is attached hereto, and by this reference is made a part hereof.

ITEM 4: September 27, 2017 Communications and Government Affairs Committee Report.

Mr. Salgado referred Board members to the Committee’s report, as reflected in the Phoenix IDA’s records for this meeting, which are available upon request.

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

ITEM 5: Board of Directors Election of 2018 Officers.

Mr. Salgado introduced the item, and asked Mr. Ross to brief the Board on the 2018 Board of Directors Election of 2018 Officers.

Mr. Ross briefed the Board on the item, sharing the process and stated there was no contest to the outcome of the nominations, which will become effective January 1, 2018.

Director Robinson moved to approve the slate of officers for 2018 as presented. Director Mosby seconded the motion. **Motion carried unanimously.**

ITEM 6: 2018 Committee Assignments.

Mr. Salgado introduced the item, and asked Mr. Ross to brief the Board on the 2018 Committee Assignments, as reflected in the Phoenix IDA’s records for this meeting, which are available upon request.

Mr. Ross briefed the Board on the item.

Director Robinson moved to approve the 2018 Committee Assignments. Director Mosby seconded the motion. **Motion carried unanimously.**

ITEM 7: Chairman's Report.

Mr. Salgado referred Board members to the Chairman's report, as reflected in the Phoenix IDA's records for this meeting, which are available upon request.

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

ITEM 8: Call to the Public.

Director Lujan made a call to the public. There were no comments.

With no further business to come before the Board, being duly moved and seconded, the Board meeting was adjourned at 3:52 p.m.

Item 2



CliftonLarsonAllen

CliftonLarsonAllen LLP
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Board of Directors
The Industrial Development Authority of The City of Phoenix, Arizona
Phoenix, Arizona

We have audited the financial statements of The Industrial Development Authority of The City of Phoenix, Arizona as of and for the year ended June 30, 2017, and have issued our report thereon dated October 25, 2017. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Industrial Development Authority of The City of Phoenix, Arizona are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2017.

We noted no transactions entered into by the entity during the year for which there was a lack of authoritative guidance or consensus. All significant transactions were recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was management's estimate of allowance for doubtful notes receivable balances:

- Management determines the allowance for doubtful notes receivable by identifying troubled accounts as well as evaluating receivables and considering the entity's financial condition, credit history, and current economic conditions. Our conclusion regarding the reasonableness of the estimate for the allowance for doubtful accounts was based primarily on the entity's history of subsequent collections and current period write-offs.

- Management's estimate of the fair value of investments was based on quoted market prices provided by a third party. We evaluated the key factors and assumptions used to develop the fair market value of investments in determining the reasonableness in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are considered neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that were clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated October 25, 2017.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Audits of group financial statements

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with governance of the group.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

This communication is intended solely for the information and use of the board of directors and management of The Industrial Development Authority of The City of Phoenix, Arizona and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
October 25, 2017



October 25, 2017

CliftonLarsonAllen LLP
20 East Thomas Road, Suite 2300
Phoenix, Arizona 85012-3111

This representation letter is provided in connection with your audit of the statements of assets, liabilities and net position of The Industrial Development Authority of The City of Phoenix, Arizona (Phoenix IDA) as of June 30, 2017 and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of October 25, 2017, the following representations made to you during your audit.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 14, 2017, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.
- We acknowledge and have fulfilled our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions used in making those estimates, and we believe the estimates (including those measured at fair value) and the significant assumptions used in making those accounting estimates are reasonable.
- Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.

- Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
- We have not identified or been notified of any uncorrected financial statement misstatements.
- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments through the date of this letter.
- Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.
- Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements.
- Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
- We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - All communications from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with, or deficiencies in, financial reporting practices.

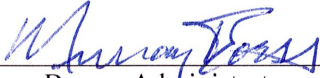
- All communications from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with the provisions of laws, regulations, contracts, and grant agreements.
- Access to all audit or relevant monitoring reports, if any, received from funding sources.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others when the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts and grant agreements, or abuse whose effects should be considered when preparing financial statements.
- We believe that all material expenditures that have been deferred to future periods will be recoverable.
- There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
- We have a process to track the status of audit findings and recommendations.
- We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to, The Phoenix IDA, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- The entity has complied with all aspects of contractual or grant agreements that would have a material effect on the financial statements in the event of noncompliance.
- We have complied with all restrictions on resources and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance.
- We are responsible for determining whether we have received, expended, or otherwise been the beneficiary of any federal awards during the period of this audit. No federal award, received directly from federal agencies or indirectly as a subrecipient, was expended in an amount that cumulatively totals from all sources \$750,000 or more. For this representation, “award” means financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, user grants, or contracts used to buy goods or services from vendors.
- We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- The financial statements properly classify all funds and activities.
- Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.
- We have appropriately disclosed the entity’s policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- We understand that you prepared the trial balance for use during the audit and that your preparation of the trial balance was limited to formatting information into a working trial balance based on management’s chart of accounts.

- As part of your audit, you prepared the draft financial statements and related notes. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.



Juan Salgado, Executive Director



Murray Boess, Administrator

**THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF PHOENIX, ARIZONA
(A COMPONENT UNIT OF
THE CITY OF PHOENIX, ARIZONA)**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
(A COMPONENT UNIT OF THE CITY OF PHOENIX, ARIZONA)
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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Industrial Development Authority
of the City of Phoenix, Arizona
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying statement of net position of The Industrial Development Authority of The City of Phoenix, a component unit of the City of Phoenix, Arizona as of June 30, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Industrial Development Authority of The City of Phoenix, Arizona, as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2017, on our consideration of The Industrial Development Authority of The City of Phoenix's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of The Industrial Development Authority of The City of Phoenix's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Industrial Development Authority of The City of Phoenix's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Phoenix, Arizona
October 25, 2017

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX
(A COMPONENT UNIT OF THE CITY OF PHOENIX, ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

We, The Industrial Development Authority of The City of Phoenix (Phoenix IDA), are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2017. The Management's Discussion and Analysis (MD&A) is intended to provide an objective and easy to read analysis of the Phoenix IDA's financial activities based on currently known facts, decisions, and conditions. This discussion addresses current operational activities, the sources, uses, and changes in resources, service levels, limitations, and significant economic factors. When referring to prior year data in this analysis that data is drawn from last year's audited financial report.

FINANCIAL HIGHLIGHTS

- ◆ The assets of the Phoenix IDA exceeded its liabilities at the close of the most recent fiscal year by \$28,270,098 (net position). All of this amount is unrestricted, of which \$2,045,098 may be used to meet the Phoenix IDA's ongoing obligations to citizens and creditors. The Phoenix IDA Board has designated \$26,225,000 for operating reserves, community development fund awards, and a fund for community investments where a return is expected on those investments.

- ◆ During the fiscal year, net position increased by \$3,713,988 compared to an increase in the previous year of \$4,136,064. As in previous years, sources of revenue include bond fees, which decreased by \$287,565 during the fiscal year and other fees. The major revenue source is residential mortgage program income which decreased by \$184,477 during the fiscal year. The decreases are attributable to a one-time user assessment fee received in the previous year and a reduction in fees earned from the Phoenix IDA's participation in the Home in Five Advantage mortgage origination program in the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the financial statements for the Phoenix IDA consists of this discussion and analysis and the basic financial statements. The basic financial statements include the fund financial statements and notes to the basic financial statements.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, the Phoenix IDA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Unlike most other governments, which have multiple funds, all of the Phoenix IDA's activities are business-type activities and are accounted for in a single proprietary fund.

Proprietary Fund

The Phoenix IDA maintains its accounting records in a single enterprise fund. Enterprise funds are used to report functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Phoenix IDA uses an enterprise fund to account for its operations.

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX
(A COMPONENT UNIT OF THE CITY OF PHOENIX, ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

The statement of net position presents information on the Phoenix IDA's assets and liabilities, with the difference between the two reported as "net position." Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Phoenix IDA is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents information on how the Phoenix IDA's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows in future fiscal periods.

The basic financial statements can be found on pages 8 - 10 of this report.

Notes to Financial Statements

The notes to basic financial statements (pages 11 - 20) provide additional information that is essential to a full understanding of the data provided in the basic financial statements and should be read with the basic financial statements.

Financial Analysis

Net position may serve over time as useful indicators of a government's financial position. The following table reflects the condensed statement of net position of the Phoenix IDA for June 30, 2017 and 2016 showing that assets exceeded liabilities by \$28,270,098 and \$24,556,110 respectively.

The Industrial Development Authority of The City of Phoenix
Net Position

	2017	2016
ASSETS		
Current Assets	\$ 20,409,728	\$ 18,285,303
Other Assets	8,463,157	6,911,531
Total Assets	\$ 28,872,885	\$ 25,196,834
 LIABILITIES		
Current Liabilities	\$ 602,787	\$ 640,724
 NET POSITION		
Unrestricted	28,270,098	24,556,110
Total Liabilities and Net Position	\$ 28,872,885	\$ 25,196,834

All of the Phoenix IDA's net position of \$28,270,098 is unrestricted at June 30, 2017. The \$26,225,000, as discussed above, is designated to meet the Phoenix IDA's ongoing obligations to citizens and creditors.

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX
(A COMPONENT UNIT OF THE CITY OF PHOENIX, ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Overall, net position increased by \$3,713,988. Key elements of this increase are as follows:

The Industrial Development Authority of The City of Phoenix
Changes in Net Position
Fiscal Years Ended June 30

	2017	2016
OPERATING REVENUES		
Early Bond Redemption	\$ 63,692	\$ 334
Bond Fees	1,378,758	1,666,323
Residential Mortgage Program Income	3,851,179	4,035,656
Fee and Other Income	70,756	86,750
Total Operating Revenue	5,364,385	5,789,063
OPERATING EXPENSES		
General and Administration	1,402,722	1,215,581
Bond Administration	1,702	17,114
Other Programs	42,750	44,097
Community Investment	1,138,000	747,276
Bad Debt Expense	83,656	-
Program and Project Development	144,634	165,605
Loan Portfolio Administration	1,072	19,725
Total Operating Expenses	2,814,536	2,209,398
NONOPERATING REVENUE		
Interest Income	204,186	128,384
Gain on Sale of Asset	-	20,000
Net Increase in Fair Value of Investments	959,953	408,015
Total Nonoperating Revenue	1,164,139	556,399
CHANGE IN NET POSITION	3,713,988	4,136,064
Net Position - Beginning of Year	24,556,110	20,420,046
NET POSITION - END OF YEAR	\$ 28,270,098	\$ 24,556,110

The Phoenix IDA's major revenue source is residential mortgage program income which decreased by \$184,477 or 4.6% during the fiscal year. This decrease is attributable to fluctuating volume in the Home in Five Advantage mortgage origination program, in which the Phoenix IDA is a participant.

In 2017, the appraisal of a parcel of real property resulted in recognizing a \$959,953 gain in the fair value of investments.

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX
(A COMPONENT UNIT OF THE CITY OF PHOENIX, ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Early bond redemption income is the result of taking advantage of the marketability of outstanding single family bonds that can be redeemed and resold in the secondary markets. Over the past several years, the Phoenix IDA has identified bond issues that would generate a positive return when redeemed. Consequently, the Phoenix IDA has greatly reduced the total outstanding single family bonds, and each year has produced slightly lower income from the decreasing balance of single family bonds. The early bond redemption income in 2017 increased by \$63,692 or 18,969.5% over the small residual interest income received in 2016 from prior year redemptions.

The operating expenses of the Phoenix IDA for 2017 increased by \$605,138 or 27.4%. This increase is mostly attributable to a \$390,724 increase in community development fund awards made by the Phoenix IDA during the fiscal year and increased payroll costs, including adding one staff position for a total of eight employees.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Economic growth in the Phoenix Metropolitan and Statistical Area (Phoenix MSA), as measured by personal income, grew slightly faster than the national average in the second quarter of 2017, with job growth far outpacing the United States average. The Phoenix MSA outpaces the statewide figures in nearly every economic measure. The state economy continues to expand and growth is likely to continue as long as the nation avoids recession. The forecast calls for state growth to pick up speed over the next five years, with gains across most indicators far exceeding national results (<https://www.azeconomy.org>).
- The United States Census Bureau reports that the City of Phoenix's population increased by 2.0% from July 2015 to July 2016 (www.census.gov). The unemployment rate in the Phoenix MSA in August 2017 was 4.3%, which lies below the state and national averages of 5.1% and 4.4%, respectively (laborstats.az.gov).
- As reported by the U.S. Census Bureau, City of Phoenix's population increased 9.9% from 2000 to 2010, which is higher than the United States' overall population increase of 9.7% for the same time period (www.census.gov).

The Phoenix IDA will continue to generate revenue from the Home in Five Advantage mortgage origination program. The program has experienced great success and continues to be a successful tool for homebuyers in Maricopa County, including the city of Phoenix. The current program has provided down payment and closing cost assistance for low to moderate income homebuyers with government backed (FHA, VA and USDA-RH) loans. The program was expanded in Fiscal Year 2015-16 to provide assistance for similar homebuyers using conventional loans. The program also provides an additional 1% assistance to qualified military homebuyers, first responders, and full-time teachers in pre-K-12 and was expanded in Fiscal Year 2016-17 to include income-qualifying households (below 50% AMI).

The Phoenix IDA anticipates continued growth in bond financings, with a focus on health care, education, and manufacturing. This growth, offset by the regular redemption of bonds, should result in a little or no change in bond fees in Fiscal Year 2017-18. Application and other fees should be consistent with past years. Investment earnings are difficult to predict; however, we expect rates and earnings to be similar during the upcoming fiscal year. The final early single family bond redemptions took place early in Fiscal Year 2016-17, with some residual income expected in Fiscal Year 2017-18.

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX
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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

The operating expenses of the Phoenix IDA continue to be managed in a fiscally prudent manner. Expenses will increase in Fiscal Year 2017-18 due to general cost increases and the full year effect of one additional staff position added in mid-Fiscal Year 2016-2017 to focus on increasing communications with constituents and others with interest in the Phoenix IDA. There will be additional community development fund dollars awarded by the Phoenix IDA in Fiscal Year 2017-18. These dollars are contingent on operating income of the Phoenix IDA during the fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Phoenix IDA's finances for all of those with an interest in the government's finances. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to:

Phoenix IDA
251 W. Washington Street, 9th Floor
Phoenix, AZ 85003
(602) 262-7304

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX
(A COMPONENT OF THE CITY OF PHOENIX, ARIZONA)
STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 2,994,357
Certificates of Deposit	16,970,719
Accounts Receivable	18,196
Notes Receivable, Current Portion	350,000
Interest Receivable	50,437
Deposits	560
Prepaid Expenses	25,459
Total Current Assets	20,409,728

NONCURRENT ASSETS

Community Development Fund, Net of Unrealized Gain/Loss	1,319,414
Investment in Land	3,388,650
Asset Held for Future Investment	2,000,000
Land Sale Receivable	137,593
Long Term Notes Receivable, Net	1,617,500
Total Noncurrent Assets	8,463,157

Total Assets	\$ 28,872,885
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 602,787
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NET POSITION - UNRESTRICTED

	28,270,098
Total Liabilities and Net Position	\$ 28,872,885

See accompanying Notes to Financial Statements.

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX
(A COMPONENT OF THE CITY OF PHOENIX, ARIZONA)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017**

OPERATING REVENUE

Early Bond Redemption	\$ 63,692
Bond Fees	1,378,758
Residential Mortgage Program Income	3,851,179
Fee Income	23,675
Other Income	47,081
Total Operating Revenue	<u>5,364,385</u>

OPERATING EXPENSES

General and Administration	1,402,722
Bond Administration	1,702
Other Programs	42,750
Community Investment	1,138,000
Bad Debt Expense	83,656
Program and Project Development	144,634
Loan Portfolio Administration	1,072
Total Operating Expenses	<u>2,814,536</u>

Operating Income 2,549,849

NONOPERATING REVENUE

Interest Income	204,186
Net Unrealized Gain on Investments	959,953
Total Nonoperating Revenue	<u>1,164,139</u>

CHANGE IN NET POSITION

3,713,988

Unrestricted Net Position - Beginning of Year

24,556,110

UNRESTRICTED NET POSITION - END OF YEAR

\$ 28,270,098

See accompanying Notes to Financial Statements.

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX
(A COMPONENT OF THE CITY OF PHOENIX, ARIZONA)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 1,448,329
Net Cash Receipts from Down Payment Assistance Program	3,851,179
Cash Payments to Suppliers for Goods or Services	(1,667,732)
Cash Payments to Employees for Services	(1,105,407)
Net Cash Provided by Operating Activities	<u>2,526,369</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Issuance of Notes Receivable	(1,267,500)
Interest Income Received	186,874
Purchases of Certificates of Deposit	(17,218,719)
Redemptions of Certificates of Deposit	13,723,000
Purchases of Investments	(549,173)
Sales of Investments	875,000
Net Cash Used by Investing Activities	<u>(4,250,518)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS

(1,724,149)

Cash and Cash Equivalents - Beginning of Year

4,718,506

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 2,994,357

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income	\$ 2,549,849
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Provision for Doubtful Accounts	83,656
Changes in Assets and Liabilities:	
Accounts Receivable	(64,877)
Prepaid Expenses	(4,322)
Accounts Payable	(37,937)
Net Cash Provided by Operating Activities	<u><u>\$ 2,526,369</u></u>

SUPPLEMENTAL INFORMATION

Net Unrealized Gain on Investments	<u><u>\$ 959,953</u></u>
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See accompanying Notes to Financial Statements.

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX
(A COMPONENT OF THE CITY OF PHOENIX, ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Industrial Development Authority of the City of Phoenix, Arizona (Phoenix IDA) is a nonprofit corporation designated a political subdivision of the state of Arizona. The Phoenix IDA was established on July 7, 1981 in order to exercise its broad statutory powers, including the power to issue conduit revenue bonds to finance “projects” as such term is defined by the Arizona Revised Statutes, §35-701(8). All bonds issued by the Phoenix IDA are special, limited obligations of the Phoenix IDA, payable solely from revenues generated by the project being financed, and do not constitute a debt of, a loan of, or credit by, the Phoenix IDA. The Phoenix IDA charges administration fees to bond applicants and uses such fees to cover its administration costs and to support its ongoing community and economic development programs in Arizona. The Phoenix IDA is a special-purpose governmental entity engaged in business type activities. The Phoenix IDA is the primary governmental entity but has no taxing power and is a component unit of the City of Phoenix, Arizona.

The Phoenix IDA has one single blended component unit, the Phoenix IDA Real Estate Holdings Corporation (Corporation). The Corporation is included as a blended component unit because the Corporation is organized for the exclusive purpose of acquiring, holding title to, and collecting income from real property, and remitting the entire amount of income from such property (less expenses) to the Phoenix IDA.

Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Such estimates and assumptions affect the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Phoenix IDA evaluates its estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that its estimates and assumptions are reasonable under the circumstances; however, actual results may differ from those estimates.

Fund Accounting

The Phoenix IDA reports in a manner consistent with proprietary funds for their ongoing operations and activities, which are similar to those often found in the private sector. Enterprise funds are the only type of proprietary funds used by the Phoenix IDA. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX
(A COMPONENT OF THE CITY OF PHOENIX, ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

A significant portion of the Phoenix IDA revenue is derived from issuer fees related to its bond issuances activity and includes assessment fees, program fees, and application fees. Issuer fees are based on executed Trust Indenture/Loan Financing Agreements and are recognized as revenue when earned. Other significant revenue is derived from fees earned from a down payment assistance program through sales of mortgage-backed securities.

Cash and Cash Equivalents

The Phoenix IDA considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Certificates of Deposit

Certificates of deposit are valued at cost including accrued interest which approximates fair value. The Phoenix IDA intends on holding these certificates to maturity.

Investments

Investments are stated at fair value based upon quoted market prices. Limited marketability investments, such as private investments and investments in land, are valued based on the price for underlying marketable securities or an estimate of underlying asset fair values as determined in good faith. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the change in net position.

Assets Held for Future Investment

Real estate held for future investment, consisting primarily of land, is stated at fair value based upon appraisals obtained from third-party real property appraisers and consultants. Any change in fair value (including realized and unrealized gains and losses) is included in the change in net position.

Notes Receivable

Notes receivable consist of amounts advanced to projects financed in whole or in part by the Phoenix IDA and other entities. Interest on notes receivable is recognized as revenue when earned. The Phoenix IDA does not recognize interest income on notes once they are deemed to be impaired or nonperforming. A note is considered impaired when, based on current information and events, it is probable that the Phoenix IDA will be unable to ultimately collect all amounts due. Nonperforming notes include all notes for which payment of principal and/or interest is more than 90 days past due. Cash receipts are first allocated to interest income, except when such payments are specifically designated by the terms of the note as principal reductions or payment of fees.

Allowance for Notes Receivable

The allowance for notes receivable is established as losses are estimated to have occurred through a provision for doubtful accounts charged to earnings on a monthly basis and is based on risk. Notes receivable losses are charged against the allowance when management believes the uncollectibility of a notes receivable balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX
(A COMPONENT OF THE CITY OF PHOENIX, ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Notes Receivable (Continued)

The allowance for notes receivable is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the notes receivable in light of historical experience, adverse situations that may affect the borrower's ability to repay, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Program Receivables

Program receivables are stated at the amount management expects to collect under the terms of the contracts and agreements. Management provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction of the related receivables. Management considers all program receivables to be collectible at June 30, 2017.

Unrestricted Net Position

The Phoenix IDA's reported total net position is entirely comprised of unrestricted net position, of which the board of directors has designated \$26,225,000 of net position for specific uses.

Tax-Exempt Status

As a political subdivision of the state of Arizona, the Phoenix IDA is exempt from federal and state corporate income taxes. Consequently, no provision for corporate income taxes has been included in the accompanying financial statements.

NOTE 2 CASH AND INVESTMENTS

A summary of the Phoenix IDA's cash and investments at June 30, 2017 follows:

Cash	\$ 14,839
Cash Equivalents, Money Markets	2,979,518
Certificates of Deposit	16,970,719
Cash and Cash Equivalents	<u>19,965,076</u>
Investments	1,319,414
Investment in Land	3,388,650
Total Investments	<u>4,708,064</u>
Total Cash and Investments	<u>\$ 24,673,140</u>

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX
(A COMPONENT OF THE CITY OF PHOENIX, ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

The Phoenix IDA's investment policy, as approved by the board of directors, is to match investment maturities with cash requirements.

As of June 30, 2017, the Phoenix IDA had certificates of deposit with the following maturities:

	<u>Credit Quality Rating</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>
Certificates of Deposit	Nonrated	\$ 16,970,719	\$ -

The above certificates of deposit have original maturities of six months or greater, which are not rated, and management intends to reinvest the monies as they mature.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The Phoenix IDA had \$-0- realized gains on investments during 2017 and is reflected in interest income on the statement of revenues, expenses, and changes in net position.

Custodial Risk – The Phoenix IDA places its cash with high credit quality financial institutions and generally limits the amount of credit exposure to the amount in excess of the FDIC insurance coverage limit. At June 30, 2017, all of the Phoenix IDA's cash accounts were covered by FDIC insurance.

Interest Rate Risk – It is the Phoenix IDA's policy to hold investments to maturity and avoid any loss on investments resulting from an early sale or retirement of an investment.

Credit Risk – The Phoenix IDA's investment policies mandate the quality of investments allowable for purchase. Specifically, municipal bonds must be rated AAA or better by Moody's or Standard & Poor's, or an equivalent by a second major rating agency. In addition, investments in U.S. Government Securities carry an implied AAA rating.

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX
(A COMPONENT OF THE CITY OF PHOENIX, ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The Phoenix IDA's Investment Policy limits unreasonable risks inherent in over-weighting in certain financial institutions. In order to comply with its Investment Policy, whereby maturing principal and interest on certificates of deposit (CDs) in any institution should not exceed the \$250,000 FDIC deposit insurance limit, the Phoenix IDA utilizes three types of accounts, the Insured Cash Sweep (ICS), the Certificate of Deposit Account Registry Service (CDARS), and a managed CD account.

The ICS and CDARS services are comprised of a network of member financial institutions that each issue either money market accounts or CDs in increments below the FDIC insurance maximum, thus both principal and interest are FDIC insured. This allows the Phoenix IDA to invest its funds through a wide array of banks by making deposits through ICS and/or CDARS member banks that place the funds through ICS and/or CDARS, while ensuring all of its deposits are federally insured. As a result, the Phoenix IDA has a vastly diverse investment portfolio, and investments in any one banking institution do not exceed 5% of total investments.

Investments through the custodians (KS Bank and Mutual of Omaha Bank) in the ICS, CDARS or managed CD account programs are, in actuality, investments made in multiple financial institutions at a level covered by FDIC insurance and, as such, do not individually exceed 5% of total investments.

Assets in Land

In January 2012, the Phoenix IDA entered into an agreement with the City of Phoenix to purchase a 50% stake in the proceeds of the future, mutually agreed upon development or disposition of a parcel of land owned by the City of Phoenix for \$157,000. At June 30, 2017, the IDA received \$19,407 of the \$157,000 land receivable balance resulting in an ending receivable balance of \$137,593.

Similarly, in September 2013, the Phoenix IDA entered into a separate development agreement with the City of Phoenix to purchase a 50% stake in the proceeds of the future, mutually agreed upon development or disposition of a different parcel of land also owned by the City of Phoenix for \$370,433. In January 2015, the Phoenix IDA entered into a third separate development agreement with the City of Phoenix to purchase a 90% stake in the proceeds of the future, mutually agreed upon the development or disposition of another parcel of land also owned by the City of Phoenix for \$2,667,073. The investment in land is currently held for sale and reported at fair value as of June 30, 2017 for \$3,388,650.

On August 31, 2015, the Phoenix IDA purchased a parcel of land and improvements thereon from the Arizona Department of Economic Security. The Phoenix IDA then transferred title to such land and improvements to its component unit by general warranty deed effective November 30, 2015, to be held for future investment or development and is reported at the total fair value as of June 30, 2017 for \$2,000,000.

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX
(A COMPONENT OF THE CITY OF PHOENIX, ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 FAIR VALUE

In determining fair value, the Phoenix IDA uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The fair value measurements framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The fair value measurements define levels within the hierarchy based on the reliability of inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The Phoenix IDA investments at June 30, 2017, categorized within the fair value hierarchy detailed above were as follows:

	Total	Level 1	Level 2	Level 3
Investment in Land	\$ 3,388,650	\$ -	\$ -	\$ 3,388,650
Asset Held for Future Investment	2,000,000	-	-	2,000,000
Total Investments	5,388,650	<u>-</u>	<u>-</u>	<u>\$ 5,388,650</u>
External Investments Measured at Net Asset Value:				
Arizona Community Foundation	1,319,414			
Total Investments Measured at Fair Value	<u>\$ 6,708,064</u>			

NOTE 4 NOTES RECEIVABLE

Borrower, Terms, and Maturity	Purpose	Original Principal	Outstanding Principal Balance
Original loan was modified on June 30, 2010, in which \$88,984 of interest was added to principal of \$250,000 and the due date accelerated. Interest only at 4%. All principal and interest is due April 7, 2019.	Funds used to assist in the acquisition and construction of an affordable senior housing project, located in the Phoenix metropolitan area.	\$ 338,984	\$ 338,984

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX
(A COMPONENT OF THE CITY OF PHOENIX, ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 NOTES RECEIVABLE (CONTINUED)

Borrower, Terms, and Maturity	Purpose	Original Principal	Outstanding Principal Balance
Loan commencing July 1, 2002, bearing interest at 4%, interest only payments. Interest and any unpaid principal is due December 20, 2040.	Funds used to assist in the acquisition and construction of an affordable housing project, located in the Phoenix metropolitan area.	\$ 250,000	\$ 250,000
Original loan was modified on June 30, 2010, in which \$27,040 of interest was added to principal of \$250,000. Interest only loan at 4%. The remaining interest and principal is due October 15, 2021.	Funds used to assist in the acquisition and construction of an affordable housing project, located in the Phoenix metropolitan area.	277,040	277,040
Original loan was modified at June 30, 2010, in which \$65,000 of interest added to principal of \$250,000 and the due date extended to 2021. Interest bearing loan at 4%. Principal and interest due June 1, 2021.	Funds used to assist in the acquisition and rehabilitation of an affordable housing project, located in the Phoenix metropolitan area.	315,000	315,000
Loan to Espiritu Community Development Corporation commencing December 16, 2014, bearing interest at 5.5%, due December 16, 2017.	Funds used to assist in the predevelopment costs associated with construction, improvement, operation and/or equipping of charter school facilities.	100,000	100,000
Loan to Ridgeline Academy, Inc. commencing April 1, 2016 bearing interest at 12%. Principal and Interest due May 2, 2021	Funds used to finance the cost of acquiring the facilities for continued use in connection with operation of the school and pay certain costs related to the issuance of the bonds	600,000	600,000
Loan to Galvanize, Inc. commencing July 8, 2016 bearing interest at 5%. Principal and interest due July 1, 2021.	Funds used to assist in financing the costs of tenant improvements for a high-tech educational campus.	942,500	942,500

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX
(A COMPONENT OF THE CITY OF PHOENIX, ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 NOTES RECEIVABLE (CONTINUED)

Borrower, Terms, and Maturity	Purpose	Original Principal	Outstanding Principal Balance
Loan to Maricopa County Regional School District #509 commencing November 28, 2016. Bearing interest at 6%. principal and interest due July 7, 2017. Payment was received in full subsequent to year end.	Funds used to assist in the short-term cash flow needs of the school district.	\$ 250,000	\$ 250,000
Loan to Local First Arizona Foundation commencing April 17, 2017. Bearing interest at 4%. principal and interest due May 15, 2020.	Funds used to assist in financing the costs of working capital for a program to encourage local sourcing for purchases	75,000	<u>75,000</u>
Total Notes Receivable			3,148,524
Less Reserve for Uncollectible Accounts			<u>(1,181,024)</u>
Notes Receivable, Net			<u>\$ 1,967,500</u>

As of June 30, 2017, current and noncurrent notes receivable, after applying the reserve for uncollectible accounts, consisted of the following:

Current Portion	\$ 350,000
Long Term	<u>1,617,500</u>
Total	<u>\$ 1,967,500</u>

NOTE 5 CONDUIT BALANCE

The Phoenix IDA issues Private Activity Revenue Bonds that provide capital financing for third parties that are not part of the Phoenix IDA's reporting entity. The aggregate amount of all conduit balance obligations outstanding at June 30, 2017 was \$1,889,326,711. The Phoenix IDA has no obligation for the repayment by the borrower.

NOTE 6 RELATED PARTY TRANSACTIONS

The City of Phoenix City Council appoints the board of directors of the Phoenix IDA. The City of Phoenix also provides certain administrative functions on behalf of the Phoenix IDA. As of June 30, 2017, the Phoenix IDA had reimbursed the City of Phoenix approximately \$267,192 for administrative expenses.

Management believes that the transactions between the Phoenix IDA and the City of Phoenix, Arizona are arm's length transactions.

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX
(A COMPONENT OF THE CITY OF PHOENIX, ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 PHOENIX IDA REAL ESTATE HOLDINGS CORPORATION

The Phoenix IDA has invested in and is the sole and managing member of the Phoenix IDA Real Estate Holdings Corporation (Corporation). The Corporation was organized for the exclusive purpose of acquiring, holding title to, and collecting income from real property, and remitting the entire amount of income from such property (less expenses) to the Phoenix IDA. The Phoenix IDA has consolidated the Corporation's financial statement amounts as a blended component unit. The condensed component unit information for the Phoenix IDA Real Estate Holdings Corporation for the year ended June 30, 2017 and combining financial statements are as follows:

Condensed Combining Statement of Net Position	Phoenix IDA	Corporation	Eliminations	Total
Current Assets	\$ 20,407,369	\$ 2,359	\$ -	\$ 20,409,728
Amounts Due From Related Party	40,000	-	(40,000)	-
Other Assets	6,463,157	2,000,000	-	8,463,157
Total Assets	\$ 26,910,526	\$ 2,002,359	\$ (40,000)	\$ 28,872,885
Current Liabilities	\$ 602,613	\$ 174	\$ -	\$ 602,787
Amounts Due To Related Party	-	40,000	(40,000)	-
Total Liabilities	602,613	40,174	(40,000)	602,787
Unrestricted Net Position	26,307,913	1,962,185	-	28,270,098
Total Liabilities and Net Position	\$ 26,910,526	\$ 2,002,359	\$ (40,000)	\$ 28,872,885

Condensed Combining Statement of Activities	Phoenix IDA	Corporation	Eliminations	Total
Operating Revenues	\$ 5,358,985	\$ 5,400	\$ -	\$ 5,364,385
Operating Expenses	2,797,787	16,749	-	2,814,536
Operating Loss	2,561,198	(11,349)	-	2,549,849
Nonoperating Income	337,868	826,271	-	1,164,139
Change in Net Position	2,899,066	814,922	-	3,713,988
Unrestricted Net Position - Beginning of Year	23,408,847	1,147,263	-	24,556,110
Unrestricted Net Position - End of Year	\$ 26,307,913	\$ 1,962,185	\$ -	\$ 28,270,098

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX
(A COMPONENT OF THE CITY OF PHOENIX, ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 PHOENIX IDA REAL ESTATE HOLDINGS CORPORATION (CONTINUED)

Condensed Combining Statement of Cash Flows	<u>Phoenix IDA</u>	<u>Corporation</u>	<u>Total</u>
Cash Flows Provided (Used) by Operating Activities	\$ 2,538,088	\$ (11,719)	\$ 2,526,369
Inter Entity Transfers	<u>(10,000)</u>	<u>10,000</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	2,528,088	(1,719)	2,526,369
 Net Cash Used by Investing Activities	 <u>(4,250,518)</u>	 <u>-</u>	 <u>(4,250,518)</u>
 Net Decrease in Cash and Cash Equivalent	 (1,722,430)	 (1,719)	 (1,724,149)
 Cash and Cash Equivalents - Beginning of Year	 <u>4,714,988</u>	 <u>3,518</u>	 <u>4,718,506</u>
 Cash and Cash Equivalents - End of Year	 <u><u>\$ 2,992,558</u></u>	 <u><u>\$ 1,799</u></u>	 <u><u>\$ 2,994,357</u></u>
 SUPPLEMENTAL INFORMATION			
Net Unrealized Gain on Investments	<u><u>\$ 145,031</u></u>	<u><u>\$ 814,922</u></u>	<u><u>\$ 959,953</u></u>

NOTE 8 CONTINGENCIES

The Phoenix IDA is periodically involved in various claims arising in the ordinary course of business, none of which, in the opinion of management, if determined adversely against the Phoenix IDA, will have a material adverse effect on the financial condition, results of operations, or liquidity of the Phoenix IDA.

NOTE 9 SUBSEQUENT EVENTS

Management evaluated subsequent events through October 25, 2017, the date the financial statements were available to be issued.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
The Industrial Development Authority
of the City of Phoenix, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of The Industrial Development Authority of The City of Phoenix, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise The Industrial Development Authority of The City of Phoenix's basic financial statements, and have issued our report thereon dated October 25, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we consider The Industrial Development Authority of The City of Phoenix's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Industrial Development Authority of The City of Phoenix's internal control. Accordingly, we do not express an opinion on the effectiveness of The Industrial Development Authority of The City of Phoenix's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
The Industrial Development Authority
of the City of Phoenix, Arizona

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Industrial Development Authority of The City of Phoenix's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Phoenix, Arizona
October 25, 2017

Item 3



MEMORANDUM

DATE: November 9, 2017
TO: Members, Board of Directors
FROM: David Lujan, Treasurer
SUBJECT: Financial Statements for period ending September 30, 2017

Attached for your review and consideration are highlights of the Phoenix IDA's financial statements for the period ending September 30, 2017.

Statement of Net Position (Balance Sheet)

No comments.

Statement of Revenues, Expenses and Changes in Net Position (Income Statement)

Operating Revenue:

Bond Redemption: residual revenue from redeemed single family bonds received in July 2017.

User Assessment Fees (Bond Issuer Fees): fees due for new issues in January 2018 paid at closing.

Residential Mortgage Program Fees: higher than expected Home in Five Advantage Program revenues for the fiscal year to date.

Total operating expenses through September 2017 were below budgeted expense levels. Revenues for the year to date exceed budgeted revenues, as shown on the attached charts.

The Finance Committee during its meeting on October 25, 2017 reviewed and approved the Phoenix IDA's financial statements for the period ending September 30, 2017. Therefore, I am recommending approval by the Board of Directors.

**Statement of Net Position
September 30, 2017**

Assets

Current Assets	
Cash and cash equivalents	\$ 2,085,397
Certificates of Deposit	17,036,453
Receivables	108,555
Other current assets	19,023
Total Current Assets	\$ 19,249,428
Noncurrent Assets	
Investments	\$ 2,411,645
Long term notes receivable, net	1,796,293
Land Receivable	137,593
Fixed Assets	3,388,649
Due from Related Company	50,000
Related Company Stock	2,000,000
Total Noncurrent Assets	\$ 9,784,180
Total Assets	\$ 29,033,608

Liabilities and Net Position

Current Liabilities	
Accounts payable	\$ 48,749
Accrued expenses	133,857
Deferred Loan Fees	28,526
Total Current Liabilities	\$ 211,132
Allocated Funds	26,215,000
Net Assets - Unrestricted	2,607,475
Total Liabilities and Net Assets	\$ 29,033,608

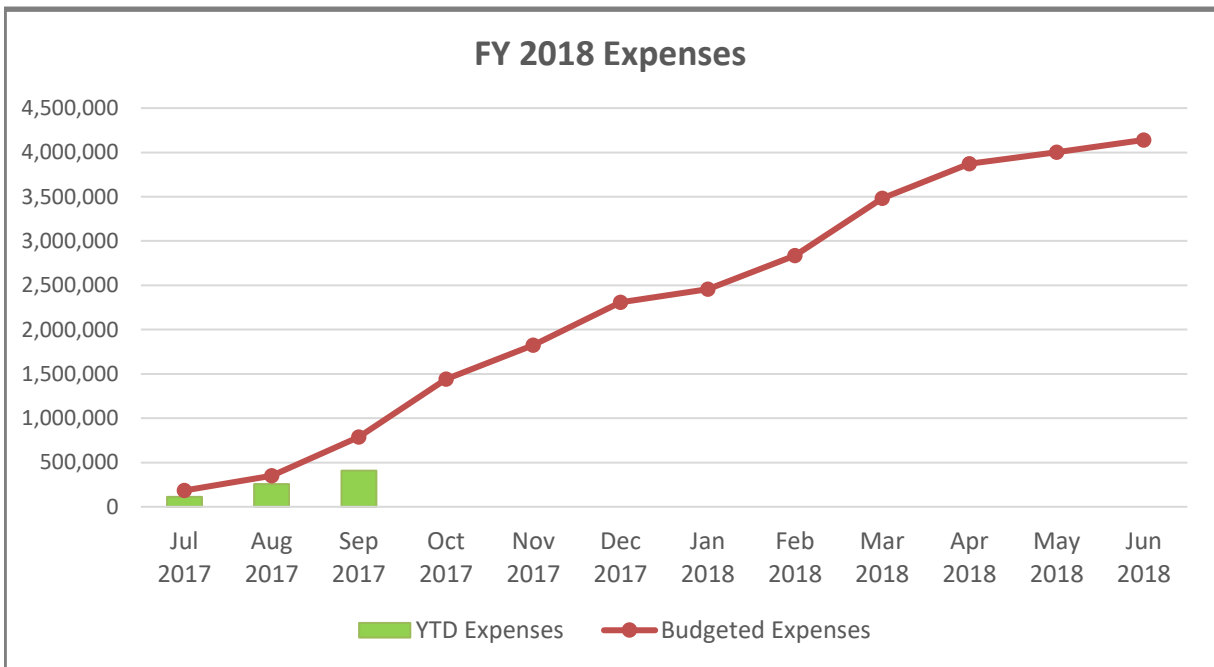
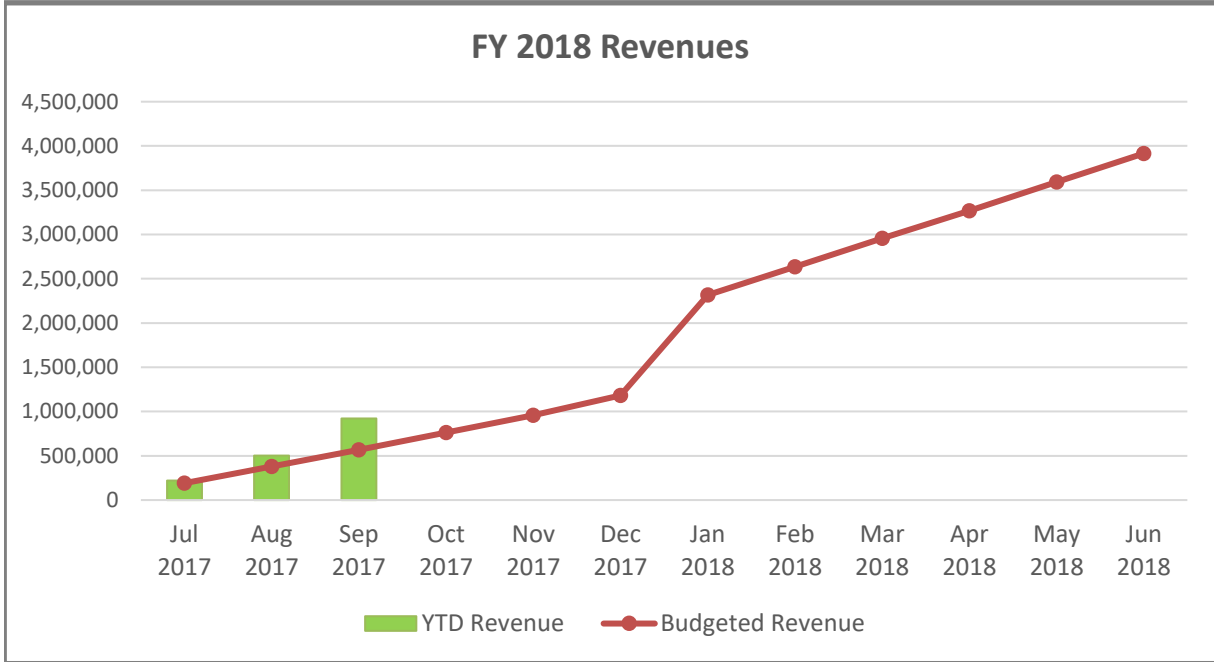


**Statement of Revenues, Expenses and Changes in Net Position
For the Month and Year to Date as of September 30, 2017**

	<u>September-17</u> Current	<u>Actual</u>	<u>Year to Date</u> Budget	<u>Variances</u>	<u>Annual</u> Budget
Operating Revenue					
Bond Redemption	\$ 1	\$ 8,701	\$ 0	\$ 8,701	\$ 0
User Assessment Fees	31,645	35,632	3,500	32,132	1,010,000
Residential Mortgage Program Fees	368,678	804,339	498,000	306,339	2,595,000
Fee Income	(3,000)	4,740	4,500	240	53,000
Total Operating Revenue	<u>\$ 397,324</u>	<u>\$ 853,412</u>	<u>\$ 506,000</u>	<u>\$ 347,412</u>	<u>\$ 3,658,000</u>
Operating Expenses					
General and Administration	\$ 105,264	\$ 311,878	\$ 402,285	\$ 90,407	\$ 1,543,700
Bond Administration	0	1,137	9,350	8,214	19,500
Other Programs	14,718	25,739	48,350	22,611	90,200 ¹
Community Development Fund	10,000	10,000	250,000	240,000	2,250,000
Program and Project Development	17,248	54,955	78,600	23,645	252,700
Loan Portfolio Administration	2,994	3,605	3,900	295	14,500
Total Operating Expenses	<u>\$ 150,223</u>	<u>\$ 407,313</u>	<u>\$ 792,485</u>	<u>\$ 385,172</u>	<u>\$ 4,170,600</u>
Operating Income	\$ 247,101	\$ 446,099	\$ (286,485)	\$ 732,584	\$ (512,600)
Non-Operating Revenue					
Interest income	\$ 23,115	\$ 68,463	\$ 62,250	\$ 6,213	\$ 257,250
Net increase in the fair value of investments	0	0	0	0	0
Total Non-Operating Revenue	<u>\$ 23,115</u>	<u>\$ 68,463</u>	<u>\$ 62,250</u>	<u>\$ 6,213</u>	<u>\$ 257,250</u>
Change in Net Position	<u>\$ 270,216</u>	<u>\$ 514,562</u>	<u>\$ (224,235)</u>	<u>\$ 738,797</u>	<u>\$ (255,350)</u>

¹ Reflects changes to budget approved by Board on September 14, 2017

Phoenix IDA Budget vs. Actual Through September 30, 2017



Item 4

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Mark O'C. O'Brien
Managing Director

J. Robert Coleman
Managing Director

Stacy W. Houston
Vice President

\$275,000,000 (Revolving) The IDAs of Phoenix & Maricopa County Home in Five "Advantage" Mortgage Origination Program

Quarterly Board Summary – Phoenix IDA 11/9/17 (data as of 9/30/17...end Q3 2017)

Program Sponsors: IDAs of Phoenix & Maricopa County

Program Size: \$275 million. Funds are revolving - currently no more than \$275 million in mortgage loans may be reserved at one time...increased over time from the original \$25 million facility size.

Professionals: Counsel – *Ryley, Carlock (MCIDA) & Kutak Rock (PIDA)*, Structuring Agent/
MBS Purchaser – *Raymond James*, Trustee/Custodian & DPA Escrow Agent –
Zions Bank, Servicer – *US Bank*, Online Loan Reservations - *eHousingPlus*

Start/Structure: 9/4/12 – Mortgage loan reservations begin. The program is not funded through traditional tax-exempt single family mortgage revenue bonds, but rather through the Raymond James "Turnkey"/TBA platform...a pioneering "non-bond" mortgage origination & down payment assistance (DPA) program funded by Raymond James, and priced/hedged by us via the taxable forward "to be announced" (TBA) market for GNMA, Fannie Mae & Freddie Mac mortgage-backed securities (MBS).

Rates/DPA: The Phoenix & Maricopa County IDAs *Home in Five Advantage* program mortgage rates change periodically to remain competitive with market, and were **4.625% for the GNMA-eligible loans & 4.875% for the Fannie Mae & Freddie Mac-eligible loans** as of 9/29/17, with a standard **3.5% DPA grant**...when a comparable unassisted "market" rate mortgage was approximately 4.125%. **Qualified Veterans & Military Personnel currently receive an additional 1.00% DPA grant, as do First Responders & Teachers.**

Eligible Loans: FHA/VA/USDA-RD (all 30-year fixed rate & pooled into GNMA MBS). The program launched Fannie Mae "Conventional" loan reservations on 10/1/15 & Freddie Mac on 10/3/16 (also 30-year fixed rate, pooled into FNMA or FHLMC MBS)

Eligible Loan Area: Mortgage loans under the program may be made to qualifying borrowers throughout Maricopa County, including the City of Phoenix.

Program Requirements:

- First-Time Homebuyers:** Because this is not a single family bond program there is no first-time homebuyer requirement, and borrowers are not subject to federal "recapture tax."
- Income Limit:** \$88,340 (140% of Area Median Family Income – AMFI)
- Purchase Price Limit:** \$300,000

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Demographic and Loan Information to Date:

Program Averages:

Loan Amount – \$180,435...up \$972 since 6/30/17
Purchase Price – \$184,197...up \$999 since 6/30/17
Household Income – \$55,283...up \$162 since 6/30/17
Borrower Age – 37
Household Size – 2

Loan Type:

FHA – 94.66%; VA – 1.55%; USDA-RHS – 0.24%; Fannie Mae/Freddie – 3.55%

House Type:

Single Family Detached – 94%; Townhouse – 3%; Condo – 3%; Other – < 1%

Existing/New Home:

Existing Home – 92%; New Home – 8%

Ethnicity:

White – 52%; Hispanic – 35%; African-American – 5%; Asian – 2%; Other – 6%

First-time Homebuyers:

First-time Homebuyer – 99.94%; Non First-time Homebuyer – .06%

Male/Female Homebuyers:

Male – 61%; Female – 39%

Breakdown by City:

	City	No. of Loans
1	Aguila	15
2	Anthem	48
3	Apache Junction	31
4	Avondale	623
5	Buckeye	901
6	Carefree	23
7	Cave Creek	14
8	Chandler	750
9	Chandler Heights	1
10	Coolidge	1
11	El Mirage	375
12	Fountain Hills	12
13	Gila Bend	57
14	Gilbert	969
15	Glendale	1,370
16	Glendale Luke AFB	2
17	Goodyear	416
18	Guadalupe	2
19	Higley	1

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20	Laveen	458
21	Litchfield Park	95
22	Mesa	2,480
23	Morristown	6
24	New River	14
25	Palo Verde	146
26	Paradise Valley	6
27	Peoria	899
28	Phoenix	4,802 (28%)
29	Queen Creek	180
30	Rio Verde	2
31	Scottsdale	171
32	Sun City	197
33	Sun City West	25
34	Sun Lakes	14
35	Surprise	900
36	Tempe	295
37	Tolleson	436
38	Tonopah	6
39	Waddell	64
40	Wickenburg	4
41	Wittman	11
42	Youngtown	78
	Total	16,900

Lender Origination: 16,900 mortgage loans closed or in process from 131 program lenders totaling \$3.049 billion as of 9/30/17...that represents an increase of 776 loans (or 1.35%)/six lenders/\$153 million since 6/30/17. The top five lenders are listed below:

	<u>Leading Lenders</u>	<u># Loans/%</u>	<u>Loan Amount</u>
1	Academy Mortgage Corporation	1,956 (11.50%)	\$ 369,228,503
2	NOVA Financial & Investment Corp.	1,401 (8.28%)	249,382,440
3	LoanDepot.com, LLC, dba iMortgage	1,073 (6.34%)	187,086,646
4	AmeriFirst Financial, Inc.	969 (5.73%)	172,461,186
5	Fairway Independent Mortgage	960 (5.68%)	182,245,662

Takeaways:

1. The Phoenix & Maricopa County IDAs initiated “**Home in Five Advantage**” as an innovative non-bond mortgage loan origination program just five years ago in September 2012 – 1st in Arizona & among the 1st in the nation.
2. Since that time, the program has expanded the business of 131 private sector mortgage lending partners.
3. It has enhanced the housing market & economic recovery throughout Phoenix & Maricopa County.
4. It has produced millions in net revenue per IDA.
5. It has provided more than \$3.04 billion in mortgage funds and \$100 million in DPA grants.
6. Finally & most importantly, the IDAs’ joint Home in Five Advantage program now has assisted some **16,900 low/mod first-time homebuyer families** in Phoenix & Maricopa County to achieve the American Dream of home ownership...an increase of 776 loans (1.35%) in Q3 of 2017!

Item 5

Executive Session

Item 6
Executive Session

Item 7



MEMORANDUM

DATE: November 9, 2017
TO: Members, Board of Directors
FROM: Sal Rivera, Chairman, Board of Directors
SUBJECT: Chairman's Report

A. Non-Discrimination Policies - During its meeting on November 1, 2017, the Executive Committee of the Phoenix IDA Board of Directors considered options regarding a non-discrimination policy for the Phoenix IDA. The Committee reviewed the form and content of the current City of Phoenix non-discrimination policy, and provided direction to the Phoenix IDA Executive Director & CEO, and staff.

B. Real Estate Report -

- 207 E. McDowell - the Phoenix IDA is continuing to work with the Arizona School for the Arts (ASA) as they aim to assemble the necessary partners and financing to purchase the property at the appraised value of \$2MM. ASA submitted a letter of intent to purchase the property to which the Phoenix IDA provided a response on October 27, 2017. A response from ASA is due by November 3, 2017.
- Maricopa County Parcel - a Purchase & Sale Agreement has been fully executed and we are currently in our due diligence period with the aim to close in mid-November 2017.
- 1613 E. McKinley - an agreed-upon Letter of Intent has been completed and we are currently negotiating the terms of the Purchase & Sale Agreement.

C. Community Development Fund – On Wednesday, October 18 and Thursday, October 19, 2017, Councilwoman Gallego and Phoenix IDA staff members participated in two check presentations with recipients from the Community Development Fund's third cycle.

Wednesday's presentation was with the Center for the Future of Arizona (CFA) – CFA received an award of \$110,000 to support the expansion of Phoenix Union High School District's Participatory Budgeting program to an additional five schools, for a total of 10 schools. This program is designed to encourage students to "learn democracy by doing democracy." Throughout the school year, students brainstorm ideas for school improvement projects and develop these ideas into full proposals. Students select winning projects by casting votes at each campus, with more than \$55,000 available for allocation.

Thursday's presentation was with StartupAZ, which received an award of \$75,000 in support of its Founders Collective (FC) – FC is StartupAZ's signature initiative aimed at increasing the success rate and rapid growth of the Phoenix area's highest-potential startups. The goal is to create hubs

of high-performance accountability that become magnets for attracting growth capital, top talent, and other essential ingredients for building successful startups into emerging enterprises, while instilling a “pay it forward” culture of generosity, civic engagement and giving back.

D. Phoenix Community Development Investment Corporation (PCDIC) – At the request of the Chairman of the Board of PCDIC, the Phoenix IDA Executive Director & CEO has engaged in conversations with PCDIC representatives to explore potential options for improving PCDIC’s operational processes, fiscal management, investment strategies, organizational structure and policies and procedures. A Confidentiality and Nondisclosure Agreement with respect to PCDIC information has been executed by the parties. The Executive Director will provide updates on any further developments.