

INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF GILA, ARIZONA

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Fred Barcón, President
William Long, Vice President
Mark Marcanti, Secretary/Treasurer
William Byrne, Member

Gerald Kohlbeck, Member
Cliff Potts, Member
Ray Pugel, Member
Mickie Nye, Member

The Board of Directors of the Industrial Development Authority of the County of Gila (hereinafter "IDA") held a meeting at 3:00 P.M. on Wednesday, July 18, 2012, at the Gila County Small Conference Room, 1400 E. Ash Street, Globe, Arizona.

President Barcón called the Special Meeting of the Board of Directors of the Industrial Development Authority of Gila County to order at 3:04 P.M.

Attendance was noted for the record by roll call as follows: Present for the IDA Board of Directors: Fred Barcón, President; Bill Long, Vice President; Mark Marcanti, Secretary /Treasurer; Gerry Kohlbeck, Member; Bill Bryne, Member; Mickie Nye, Member. Present telephonically: Ray Pugel, Member. Guest Present: Tom Irvine, Polsinelli Shugart. Member Absent: Cliff Potts.

ITEM I: NEW BUSINESS

A. INFORMATION/DISCUSSION/ACTION regarding policies, applications, fees, costs and related matters and consideration of the Authority's adoption of policies concerning applications, fees, costs and related matters.

Fred: This is the question that you brought up at the last meeting, Ray.

Ray: My concern was with all the people requesting donations were not consistent with our Mission Statement. We're not an Industrial Donation Authority; we're an Industrial Development Authority. We need to have some sort of policy on that.

Fred: We discussed with the group in Pine-Strawberry that they needed to prove that they would develop economic growth through their function-- the bike race—which they did. And their follow-up presentation was the most professional and detailed presentation I've heard. When we had the Pleasant Valley Fire Department here with the request for the heart monitor, I knew that one didn't qualify.

Ray: Since that meeting I have found out that the Mogollon Health Alliance, here in Payson, should be able to help. That falls within their charter, they should probably apply to them.

Fred: You will contact them, Sandy? They will donate, is that what you're saying?

Ray: That is their Mission. It's a Health Alliance to make sure people are healthy. They actually hold the lease on the hospital up here. They have funds.

Fred: That's good. I don't know if Daisy Flores ever did anything about it, but they definitely needed help. Anyway, it is my understanding that we are only to give money out when they can demonstrate that they can provide economic growth or contribute to the economy of the communities. Am I correct?

Gerry: That sounds about right. Do we need to document that? Get that into our policies or by-laws?

Ray: So people don't have to give a presentation like they did, maybe some kind of flyer so they can understand who we are, and that their appeal has to fit within that. Rather than having them drive from Young for something like that.

Fred: We have our attorney here with us, Tom Irvine. Tom was on the Maricopa County IDA for ten – twelve years. Tom, the money that we charged ASACRO as a user fee, we have been giving out to different organizations to promote economic development. We're setting some policies because people are coming to us for anything. Did the Maricopa IDA do things like that?

Tom: Yes, and as a matter of fact this fits under the discussion of the first item. It would be easy to put a policy on donations in the procedural pamphlet we are going to discuss. There are different ways to do it. In Maricopa County, I can't remember if it was when I was President or just on the Board, we had an application process. We only accepted applications a couple times a year so that you could make judgments. If something sounds great this month, but there may be something better next month. To make it fairer and more open, things like that. There could be an application process, there could be a schedule, there could be a simple process so people don't have to hire a consultant to write something up, or a mock lawyer, or something like that. That could be put right in as a section in a procedural pamphlet, if you decide to do a procedural pamphlet.

I have examples here for you of what other IDAs do on the processes of applications and instructions to people. Maricopa has a big, giant thing that has been developed; because of course, they get the broadest range of applications. Pima County is much narrower and much skinnier. Then I have the State Health Authority because that fits in with the hospital and other things to show you what those are. I certainly think it would be wise for you to have a procedural pamphlet that the donations can just fit right in. If somebody asks for something, you can say you have a procedure that the Board has adopted.

If it's an emergency, you always want to leave yourself an out so you wouldn't have to do it twice a year. For example, in Maricopa County, we made a donation for a big community-wide economic development effort to get a big business to locate. The Board of Supervisors had thrown in money, the local Chamber of Commerce threw in money, everybody threw in money—you want to be able to off-cycle like that.

Fred: That's what is in this packet?

Tom: Yes, if you want to go to that and roll in donations, I can pass this out and walk you through some things. Basically the concept is that right now, first off if it is okay, my firm has been representing you for years. We did ASARCO. I haven't been here, Marty Harper has been around. With this latest notion of an application we started talking about what is your procedural pamphlet? What is your application? That led to today's meeting.

As the economy comes back it's a good thing to be ready. To have an application you can point to, to have procedures you can point to, and also to have a fee structure. What will you charge for an application fee? What will you charge for annual fees? How will they be computed? In here there are two examples of that. For example all three of the examples that I brought with me today charge the same application fee: Pima County, Maricopa County, and the Arizona Health Facilities Authority. That fee is \$3,000, but they do it a little different. Pima for example, you pay the \$1,000 when you apply, but then you pay the \$2,000 if you get preliminary approval from the IDA Board. The others charge an upfront \$3,000 application fee. That is a policy decision for you to think about.

Then there is the annual fee. It's a percentage based on the size of the bond issue for Maricopa County IDA and Arizona Health Facilities Authority. For Pima County it's the way Maricopa County IDA used to do it when I got on the Board in the mid 80's which is a pro rata share of the IDA's annual expenses. Well, that doesn't provide any certainty. If you only have one bond issue, that one bond issue has to pay your whole expenses. That's not very fair. Maricopa County and the State have moved away from that. Pima County still has that old language, that proportionate language, which I think does create problems.

What somebody wants is they want certainty, if they're going to pay \$25,000 per year; they may or may not like that—but they know its \$25,000 per year. That amount would descend based on the amount of outstanding bonds. Then it could also vary depending on the amount of work you have to do. For example housing issues are much more labor intensive for IDAs than a regular commercial-type development loan. With housing you have set-asides under the federal tax code; you have to monitor those set-asides. They take more effort, so there might be a slightly different fee structure for housing. Maricopa County does a lot of housing they have it set up based on percentage. It depends on whether or not you think you might get into housing. Then you'd discuss whether or not there would be a fee structure that would deal with your real costs every year for monitoring a housing issue.

What I have with that sort of a predicate, let me hand out these things that I brought. I decided to give you everything. We can walk through this and you can go back and read it at your leisure, if you like reading IDA procedural pamphlets.

The first page is the fee structure for the Arizona Health Facilities Authority with Pima County following. The application fees and annual assessment, Pima has that proportionate share, which is difficult for an

applicant to deal with. On the Arizona Health Facilities Authority: \$3,000 is their application fee, but then they charge 7.5 basis points on the outstanding principle balance of the bond with a minimum fee of \$2,500 and a maximum of \$75,000. For example, a 30 million dollar bond would have an annual fee of about \$22,500. That's how the 7.5 basis points would work. The 7.5 basis points are 7.5 out of 1%, so you multiply by .0075 because 100 basis points equal 1 percentage. That's an illustration.

The next thing that I have for you and these are straight from the pamphlets given by the IDAs. Next is what Maricopa charges, which is \$3,000 then 25 basis points for public purpose. Depending on the public purpose, they might charge more for the public purpose fee. Then the annual fee is this computation based upon the size of the bond issue. The next page shows that they charge you for all of the costs, which as I said, everybody does. After we get through the fees we get down to the applications. The application of the Health Facilities Authority, so for example if the hospital were to apply to the State, this is what they would fill out—this rather small application. Then we get to the monsters: the Maricopa County application and the Maricopa County procedural pamphlet—they're very hefty. They illustrate all of the things that you might face; they're encompassed in the Maricopa. What might land on the IDA's table, the Table of Contents of the Maricopa procedural pamphlet is a good thing to look at.

The one that may be best for Gila County IDA to consider, or if you direct us to use this kind of a model, is Pima County. Because Pima County has a little _____ about the application process, this is the last one. They've got an application that is not very daunting. Then they have a procedural pamphlet. If you compare the Maricopa procedural pamphlet with the Pima pamphlet they are quite different. So what the agenda item does is a couple of things, the agenda item says we are going to discuss these issues, which is what we've just done. Then we're going to talk about whether or not you, the Gila County IDA, should consider adopting a policy. I can tell you from a legal counsel point of view, a staff point of view, in fact your point of view as Board Members, it is better to have an application and a policy than to make it up as you go which is what you are talking about with the donations.

It would be easier when the President gets asked a question like, "What do you charge?" or "How do we apply?" it's better to have something to point to. We've prepared a draft Resolution for your consideration, which basically says you would resolve to direct staff and legal counsel to come back to you within 90 days with suggested applications, procedural pamphlets and fees. In the meantime, if you get an application or somebody wants to apply, any applicant could use any of these applications; we'll accept it and make changes as reasonable. If somebody calls and says, "Well this doesn't apply" I could say, Sandy could say, the President could say, "Okay, we'll leave that out." Just apply common sense to it.

We'll also use the fee schedule; the \$3,000 application fee and for the annual assessment with an ability to consider changing that to lower the fee a little bit so you could deal with whatever you're faced with. On health issues: if a health issue comes in, which of course would be the hospital; we'll use the Health Facilities Authority's application. It's already custom tailored to healthcare. All that would do is put you

in business. If somebody wanted to make an application tomorrow, you would have adopted a process so there could be an application tomorrow—there would be an application. And within a couple of months, maybe less, we could come back and what I think would be most appropriate would be to use the Pima County form and skinny it up a little bit. Use the Pima County procedural pamphlet and skinny it up a little bit. Present it to you; give you a week or two to read it, and then come to a meeting, answer questions and see if you want to adopt it as your on-going form.

On the fee structures there would be the three elements to a fee. The three elements are always the same: 1.) Initial application fee (if you want to charge it). 2.) Every IDA and Authority in the State that lends does the same thing: Any applicant has to pay all of your expenses and costs. 3.) The annual assessment. With the annual assessment there are different ways to do it. Two are illustrated here: Pima County, I certainly wouldn't recommend their way because if you had a low volume it will drive away anyone who would want to apply. It's kind of scary; they could get a \$100,000 assessment as their proportionate share one year. If somebody were to sue you for example and you were to have legal costs that weren't insured. Hopefully that won't happen, there should be indemnifications and there should be insurance, all sorts of things. As you know from ASARCO they can be entangling. When you adopt a fee structure then somebody can say, I'm going to pay \$20,000 per year to the Gila County IDA.

This would put you in business. There is a motion to that, I said Resolution earlier, but the motion to that would instruct us and give you the ability to accept an application tomorrow and give you an on-going process that hopefully you'll adopt in a few months to be in business. From my point of view, when I get a call from Fred or Sandy that says somebody wants to apply, they would have already had the application packet, they would already have the procedural packet, and I could probably talk to their bond counsel and get it rolling as quickly as possible. I think that will make you more inviting to users who want to come and knock on your door. It's always harder to negotiate from the ground up—figure it out as you go—rather than have a process that would be recognizable.

Anybody who applies for IDA financing, they are going to have bond lawyers from Phoenix or Tucson, they are going to have people who are real experts and they are all going to know what an application looks like. This will not be daunting to them at all. The certainty of the process will make you more desirable as somebody to provide funding.

Bill Long: We don't necessarily have to maintain Gila County's boundaries as where we can lend. We can lend outside the County. We can lend in Chicago, I think.

Tom Irvine: I'd have to look into Chicago, but the rest of the State, yes. Laughs.

Fred: Ray, I know you and Cliff don't have the handouts that we're reviewing today. We'll be sure to have Sandy send you and Cliff a copy.

Ray: Okay.

Mark: Are there only three IDAs that write bonds in the state?

Tom Irvine: There's more. I picked Arizona Health Facilities Authority as an example because you have a health issue knocking on your door now. I picked Maricopa and Pima since they're the two biggest and there is a contrast. Maricopa has this very expansive pamphlet and Pima is more of the old way, which is to use common sense and to have some rules that help out.

Bill Long: You're not the firm that represents Arizona Health Facilities Authority, are you?

Tom Irvine: No, we do not.

Bill Long: You just happen to know their fee schedule?

Tom Irvine: I know who they are and when we started talking about this I just picked samples for you.

Bill Long: They (Arizona Health Facilities Authority) have the ability to reduce or negotiate their fees, I assume.

Tom Irvine: Their by-laws don't say they can, but the answer is they probably can. Their Boards can probably vary things. Ultimately with a policy, just like with the motion here, the policy would allow you to make some individual decisions. In a sense, the higher the public purpose the lower the fee you might be willing to charge, that kind of a balance. Every application and every Board makes different decisions based on your discussion. You wouldn't want to be hammered in it. One of the points you're raising, which is a good one is, you don't want to be so structured that nothing can change.

Mark: So we would be competing against some of these other Authorities?

Tom Irvine: Yes.

Mark: CVRMC could actually go to the Arizona Health Facility for a bond?

Tom Irvine: Yes, they could. What would be nice for you to be able to offer is a speedier, less bureaucratic process and I think we can provide that. It takes an application form and a procedure, so the speedier, less bureaucratic process would be a good way to compete. Before a couple of you arrived there was a discussion about CVRMC using local subs and purchasing local supplies. You can offer to lower a fee based off having local participation; construction, materials and other things.

Fred: Right now we're looking at passing this resolution?

Tom Irvine: The motion, I'm sorry that's the next agenda item. The resolution is for agenda item III. The motion is for the first agenda item.

Fred: On item A, under new business, I would like to table it to allow us all a chance to go through the different policies. I don't know how the rest of the Board feels.

Mark: Could we word this motion as far as these three policies are concerned, as counsel has suggested, and come up with a ninety percent application process of our own? That way if we have someone come to us we would have an application to give to them, as counsel has suggested.

Fred: We can do that, right?

Tom Irvine: Yes, in fact let me read the draft that I prepared.

I move that the Board direct the President to work with staff and counsel to develop and prepare appropriate applications, policies and fees to be used by applicants seeking the Authority's assistance.

I further move that the suggested applications, policies and fees be presented to the Board within ninety days for consideration.

I further move that pending adoption of applications, policies and fees, the Authority accept applications that are in reasonable conformity with the applications and standards used by the Pima County IDA, the Maricopa County IDA or the Arizona Health Facilities Authority. Staff and counsel are authorized to determine if an application is in conformity and are directed to apply Gila County common sense to such determinations.

I further move that pending adoption of applications, policies and fees, that the Authority apply the fee structures of the other Authorities listed. As to health care applications, the fees and costs of the Arizona Health Facilities Authority shall apply. The Board shall consider reductions in fees of up to twenty percent based on factors including local involvement and other factors to be developed by the President, staff and counsel, and approved by the Board.

Mickie: My hope is if you move forward with that type of a motion that should you generate an application, I would rather get the documents as they come along rather than one big document. You have three different documents that I think you are going to generate; when you get done with the first one will you go ahead and send that to us, so that we don't have to...

Mark: This motion, I take it, allows us to do that.

Tom Irvine: Yes this motion lets us work on it and in the meantime, for example the hospital, wants to apply there is a hospital application already out there with the State. They can just use this, we'll accept this and we can get started with the fee structure.

Ray: That's a lot fancier motion than we're used to.

Board: Laughs.

Ray: I think you called Fred the President, I think he's Chairman.

Tom Irvine: I'm using Maricopa terms, I apologize.

Fred: We've all heard the motion read. Would anyone like to make a motion?

Mickie: I will make the motion and this does say President, by the way.

Tom Irvine: It does, that's where I got it from.

On motion made by Mickie Nye and seconded by Gerry Kohlbeck, the motion as read by Tom Irvine was approved unanimously by a vote of (7-0).

B. INFORMATION/DISCUSSION/ACTION regarding request for Bonds by Cobre Valley Regional Medical Center.

On motion made by Gerald Kohlbeck and seconded by Bill Byrne, the recommendation to enter into Executive Session passed unanimously by a vote of (7-0).

On motion made by Bill Long and seconded by Gerry Kohlbeck, motion to adjourn from Executive Session passed unanimously by a vote of (7-0).

Tom Irvine: Now we're back in Open Session.

B: INFORMATION/DISCUSSION/ACTION regarding request for bonds by Cobre Valley Regional Medical Center.

Fred: Getting to item B: Mickie asked the right question, do we need a motion on this to start moving on this?

Tom Irvine: No, I don't believe so. You have notified the Board that there has been an inquiry and there may be an application. Now there is a process for all of that in place. Based on the direction that the President is allowed to give if there is an application, we will respond promptly. That is what I believe the Board wishes us to do.

Bill Long: We will use that application form.

Mark: Yes, the motion was made on item A.

Fred: Any other questions for the attorney? Going on to item C, administrative matters.

C. ADMINISTRATIVE MATTERS

INFORMATION/DISCUSSION/ACTION regarding the Authority's legal counsel changing its firm name from Shughart Thomson & Kilroy to Polsinelli Shughart and authorizing the President to execute an updated agreement with Polsinelli Shughart.

On motion made by Mickie Bye and seconded by Mark Marcanti, the adoption of the Resolution as presented by Tom Irvine was approved unanimously by a vote of (7-0).

D. ADJOURNMENT

On motion made to adjourn by Mickie Nye and seconded by Gerry Kohlbeck, motion to adjourn passed unanimously by a vote of 7-0. Meeting adjourned at 4:26 P.M.