

Meeting Minutes

**ARIZONA INDUSTRIAL DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING**

Location: In-Person Meeting at
Sonesta Suites Scottsdale Gainey Ranch
7300 East Gainey Suites Drive, Scottsdale, Arizona 85258
In Gainey Ballroom A/B

Date and Time: Thursday, March 16, 2023
3:00 p.m.

Board Members Present (Appearing Telephonically):

Ken Burns
Paulina Vazquez Morris
Gary Naquin

Board Members Absent:

Lea Márquez Peterson
Brad Vynalek

Executive Director Present (In Person):

Dirk Swift

Chief Financial Officer (In Person):

Dan Dialessi

Meeting Facilitator:

Kelly McGuire – Kutak Rock LLP

Presenters:

Brian Swanton, Gorman & Company
Rick Needham, Domain Financial Advisors, LLC
Ken Burns, AZIDA Director
Dirk Swift, AZIDA Executive Director

Actions:

1. **Call to Order:**

The meeting was called to order by Gary Naquin, President of the Board of the Arizona Industrial Development Authority (AZIDA), at 3:00 p.m. Participating telephonically were Ken Burns, Paulina Vazquez Morris and Gary Naquin. Lea Márquez Peterson and Brad Vynalek were absent. A quorum was declared present.

2. **Adoption of Minutes of the February 16, 2023, AZIDA Board Meeting**

Board member **Paulina Vazquez Morris** moved to adopt the minutes of the February 16, 2023, AZIDA Board Meeting. Board member **Ken Burns** seconded the motion.

The Board Members were individually polled – Ken Burns (yes), Paulina Vazquez Morris (yes), Gary Naquin (yes), and by a vote of 3-0 the motion passed.

3. **Agenda Items Considered:**

Presentation, Discussion & Adoption

Approval of Resolution No. 2023-8 – Authorizing an amendment to previously adopted Resolution 2023-2, which granted final approval of not-to-exceed \$35,000,000 of Multifamily Housing Revenue Bonds (Centerline on Glendale Project), to be issued in one or more tax-exempt and/or taxable series for the benefit of Centerline on Glendale, LLC.

and

Presentation, Discussion & Adoption

Approval of Resolution No. 2023-9 – Authorizing an amendment to previously adopted Resolution 2023-3, which granted final approval of not-to-exceed \$35,000,000 of Multifamily Housing Revenue Bonds (Centerline on Glendale Two Project), to be issued in one or more tax-exempt and/or taxable series for the benefit of Centerline on Glendale Two, LLC.

Agenda items 2 and 3 (considering Resolutions 2023-8 and 2023-9) were considered together since the developments are “sister” projects.

Brian Swanton, President and Chief Executive Officer of Gorman & Company, explained to the board that the amendments are necessary to reflect a change in co-lender from Chase Bank to Cedar Rapids Bank & Trust. Continuing with Chase Bank would have resulted in a significant reduction in loan proceeds with a significant impact on the capital stack. Cedar Rapids Bank & Trust quickly approved the project under the same terms and on the same closing schedule as U.S. Bank, who had already approved the project. Mr. Swanton invited the board members to the groundbreaking scheduled for Friday, March 24th. He then offered to entertain questions from the Board.

President Gary Naquin asked Mr. Swanton to verify that there is no cost increase in the proposed financing changes. Mr. Swanton confirmed there will be no cost increase. Mr. Naquin then congratulated Mr. Swanton on putting this exciting project together.

Board member **Ken Burns** then motioned to approve Resolution Nos. 2023-8 and 2023-9, as presented. Board member **Paulina Vazquez-Morris** seconded the motion.

The Board Members were individually polled – Ken Burns (yes), Paulina Vazquez Morris (yes), Gary Naquin (yes), and by a vote of 3-0 the motion passed.

Presentation, Discussion & Adoption

Approval of Resolution No. 2023-10 – Authorizing an amendment to Resolution 2021-71 (as extended by Resolution 2022-28), which granted final approval of not-to-exceed \$640,000,000 of revenue current interest bonds and convertible capital appreciation bonds to be issued in one or more tax-exempt and/or taxable series to assist in the financing of behavioral healthcare facilities in Las Vegas, Nevada, and San Antonio, Texas. The amendment identifies the borrowing entity as QCF Behavioral Hospitals I, LLC and approves revised forms of the related financing, sale and offering documents to reflect the changes made since final approval.

Rick Needham from Doman Financial Advisors, LLC, explained to the Board that the amendment to the final approval resolution consists of a change in the borrowing entity from QCF/I, Inc. to QCF Behavioral Hospitals I, LLC. They simply inserted a holding company, which is wholly owned by the original borrower, to separate the nonprofit entity at a higher level, providing greater flexibility in the structure of the project. Mr. Needham offered to entertain questions from the Board.

Board member **Paulina Vazquez Morris** then motioned to approve Resolution No. 2023-10, as presented. Board member **Ken Burns** seconded the motion.

The Board Members were individually polled – Ken Burns (yes), Paulina Vazquez Morris (yes), Gary Naquin (yes), and by a vote of 3-0 the motion passed.

4. **Executive Director Update**

Dirk Swift, AZIDA Executive Director, updated the Board on the ongoing response to findings in the sunset audit, Accenture’s review and recommendations, and the implementation, changes and processes that will result. Mr. Swift stated that AZIDA received a memo from the Governor’s Office in which they expressed their appreciation for what AZIDA does and they look forward to working with AZIDA more closely. The Governor’s Office has some priority projects that they would like AZIDA to focus on. Some of those projects revolve around affordable housing developments, home ownership, renewable energy, broadband, etc. Nothing AZIDA already does has been deleted, they simply would like additional focus on these projects. They have also requested a public benefits statement issued regarding projects. AZIDA will continue to work with the Governor’s Office so it has a firm understanding of what is expected.

Mr. Swift informed the Board that the first six-month response to the Auditor General’s sunset review progress report is due next week. AZIDA’s response will include an update on the items that have been completed and the initiatives that are in process relating to delineating roles within AZIDA operations, roles of leadership, standard operating policies, and new technology. Mr. Swift then introduced Dan Dialessi, as the newly hired Chief Executive Officer of AZIDA, to describe proposed policies that are ready for consideration and adoption.

5. **Adoption of Various Operating Policies**

Dan Dialessi, the Chief Financial Officer of AZIDA, provided an overview of the various operating policies developed in response to the sunset audit and informed by Accenture’s

analysis and recommendations. Policy 1.1 – Operating Policies and Procedures is simply a policy about setting and approving policies. Policy 1.2 – Conflict of Interest, is almost identical to the AFA Conflict of Interest policy that was put through during WIFA’s sunset audit. Policy 2.2 – Vendor Invoice and Expense Approval provides internal controls describing the segregation of duties and levels of expense authorization. Policy 3.1 – Conduit Revenue Financings Selection Review and Approval, incorporates some of the feedback AZIDA received from the sunset audit, but also incorporates some of the administrative priorities suggested by the new Governor. Policy 3.2 – Conduit Revenue Bond Financing Fees, governs setting the fee schedule, charge conditions, methods for waiver and negotiation of fees, and requirements for documentation and approval executed on those activities. There are more policies being developed regarding general internal controls, invoicing and revenue recognition.

Mr. Naquin thanked Messrs. Dialessi and Swift, as well as the entire team for their work related to the sunset audit and analysis of Accenture’s recommendations. He asked if the policies that have been developed address the findings of the sunset audit and incorporate some of the appropriate Accenture recommendations. Mr. Dialessi indicated they do. Further, Mr. Swift added that the policies have been developed to respond to the performance audit, as had the hiring of CFO. Some of the challenges from the sunset audit relate to staffing and memorializing of processes.

Mr. Naquin then asked if some of the shared services with OEO have been incorporated into the policies. Ms. McGuire responded that this is a work in progress and that the policies Mr. Dialessi presented for consideration are the policies applicable to the AZIDA. Additional policies will be developed as we figure out what obligations land where, but OEO is preparing separately their portions of the six-month performance audit response, which primarily relate to state accounting processes.

Mr. Naquin asked if any of the policies had been presented to the Auditor General for review and feedback to ensure their concerns are being adequately addressed. Mr. Swift responded that the policies would be provided in the six-month response to the Auditor General.

Board member **Paulina Vazquez Morris** then motioned to approve the adoption of the various operating policies, as presented. Board member **Ken Burns** seconded the motion.

The Board Members were individually polled – Ken Burns (yes), Paulina Vazquez Morris (yes), Gary Naquin (yes), and by a vote of 3-0 the motion passed.

6. **Call to the Public**

Kelly McGuire announced a call to the public for comments.

No comments were made.

7. **Announcements**

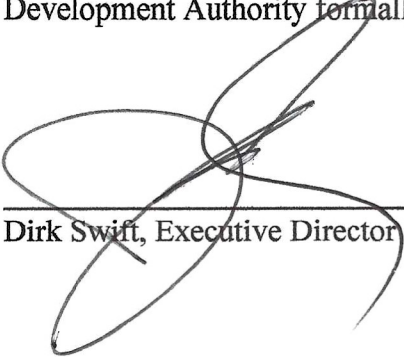
Gary Naquin announced that the next meeting of the Arizona Industrial Development Authority would be held on Thursday, April 20, 2023, at 3:00 p.m., and said to please consult the Arizona IDA website for any changes and/or meeting details.

8. **Adjournment**

Board member **Ken Burns** motioned for adjournment of the AZIDA Board Meeting at 3:28 p.m. Board member **Paulina Vazquez Morris** seconded.

The Board Members were individually polled – Ken Burns (yes), Paulina Vazquez Morris (yes), Gary Naquin (yes), and by a vote of 3-0 the motion passed.

Approval: The undersigned hereby certifies that the Board of Directors of the Arizona Industrial Development Authority formally adopted these Minutes on the date shown below.



Dirk Swift, Executive Director

April 20, 2023

Date of Board Action