

MINUTES OF THE
MARICOPA ASSOCIATION OF GOVERNMENTS
ECONOMIC DEVELOPMENT COMMITTEE

August 4, 2015

MAG Offices, Saguaro Room
302 North 1st Avenue, Phoenix, Arizona

MEMBERS ATTENDING

Mayor John W. Lewis, Gilbert, Chair
Mayor Michael LeVault, Youngtown, Vice Chair
#Mayor Gail Barney, Queen Creek
Steven Betts, GPEC
Tony Bradley, Arizona Trucking Association
Mayor Cathy Carlat, Peoria
Dr. Joseph Cavinato, Thunderbird
Angela Creedon, Arizona State University
Mark Dreher, East Valley Partnership
#Thomas Franz, Greater Phoenix Leadership
*Mayor John Giles, Mesa
Sintra Hoffman, ADOT
Mayor Linda Kavanagh, Fountain Hills
Jim Kenny, El Dorado Holdings, Inc.
Supervisor Kunasek, Maricopa County
Mayor W.J. "Jim" Lane, Scottsdale
Mayor Georgia Lord, Goodyear
Mayor Jackie Meck, Buckeye

Mayor Mark Mitchell, Tempe
#Mayor Christian Price, Maricopa
Jim Rounds, Elliott D. Pollack & Company
*Todd Sanders, Greater Phoenix Chamber
of Commerce
Mayor Thomas L. Schoaf, Litchfield Park,
Councilmember Jack Sellers, Chandler
Bill Sheldon, WESTMARC
#Dan Spitz, Achen-Gardner Construction
*Mayor Greg Stanton, Phoenix
*Sandra Watson, ACA
Mayor Jerry Weiers, Glendale
*Mayor Kenneth Weise, Avondale
#Mayor Sharon Wolcott, Surprise

* Not present

Participated by video or telephone conference call

OTHERS PRESENT (from sign-in sheet(s)):

Mahlet Akl, Harvard University
Anubhav Bagley, MAG
Frank Beltran, Trade Base Mexico
Len Becker, Buckeye
Alan Carey, Global Business, Inc.
Alana Chávez Langdon, MAG
Terri Clark, Read On Arizona
Natalia Cuneo, Phoenix Resident
Dan Davis, Avondale
Mike Farrar, Carefree
Jennifer Graves, Gilbert

Walt Gray, West Side Town Hall
Sapna Gupta, Morrison Institute
Sally Harrison, Mesa Chamber
John Lenio, CBRE
Rob Marth, CBRE
Denise McClafferty, MAG
Lora Mwaniki-Lyman, MAG
Jessi Pederson, Goodyear
Linda Priano, MAG
Nathan Pryor, MAG
Lorenzo Sierra, Avondale

Rachel Smetana, Scottsdale
Dennis Smith, MAG
Amy St. Peter, MAG
Tim Strow, MAG
Kelly Taft, MAG

Marc Valenzuela, ASU
Marisa Walker, ACA
Vern Wolfley, MAG

1. Call to Order

The Economic Development Committee (EDC) meeting was called to order by Chair Lewis at 11:37 a.m.

2. Pledge of Allegiance

The Pledge of Allegiance was recited. Mayor Barney, Tom Franz, Mayor Price, Dan Spitz and Mayor Wolcott joined the meeting via teleconference.

Chair Lewis recognized audience member Mahlet Aklu, Director of the Innovation for Economic Development Program with Harvard University's Kennedy School of Government Executive Education to the meeting. Chair Lewis also welcomed Mayor Cathy Carlat, from the City of Peoria, as a new member of this committee.

Chair Lewis noted public comment cards were available for those members of the public who wish to comment. Chair Lewis stated that transit tickets were available from Valley Metro for those using transit to come to the meeting. Parking validation was available for the MAG parking facilities for those who parked in the garage.

3. Call to the Audience

Chair Lewis noted that the Call to the Audience provides an opportunity to members of the audience who wish to speak on items not scheduled on the agenda that fall under the jurisdiction of MAG, or on items on the agenda for discussion but not for action. Citizens are requested to not exceed a three minute time period for their comments. A total of 15 minutes is provided for the Call to the Audience agenda item, unless the Economic Development Committee requests an exception to this limit. Those wishing to comment on agenda items posted for action will be provided the opportunity at the time the item is heard. Chair Lewis recognized public comment from Alan Carey.

Alan Carey, Managing Director of Global Business, Inc., announced the Association for Unmanned Vehicle Systems International (AUVSI), Saguaro Chapter, was meeting on Thursday, August 6, 2015, from 6 p.m. to 8 p.m at KinetX in Tempe. He added Representatives Krysten Sinema and Duncan Hunter have introduced bipartisan legislation to leverage innovative technologies for Arizona fire fighters that will reduce risks for first responders and improve the effectiveness of wildfire fighting strategies. Discussions will also include airspace and virtual test range facilities in our region. Mr. Carey noted Arizona should be in the forefront of this growing industry and invited committee members to show their support by sending someone from their economic development departments to this meeting.

4. Approval of the June 2, 2015, Economic Development Committee Meeting Minutes

Chair Lewis asked members of the committee if they had any questions or comments regarding the June 2, 2015, meeting minutes. There were none. Jim Kenny moved to approve the June 2, 2015, Economic Development Committee meeting minutes. Councilmember Sellers seconded the motion and the motion carried unanimously.

5. Becoming Globally Competitive by Better Understanding Economic Development and Site Selection

Chair Lewis stated the next speaker made a presentation in Gilbert regarding the site selection process and how site selectors view Arizona as a business location. Chair Lewis added he believed this was important information to share with members of this committee.

John Lenio, Senior Vice President/Economist of CBRE, Inc., discussed site selection from their client's perspective and how chief executive officers (CEO's) are making decisions as to what locations they decide to look at. Once the client narrows the selection down to two or three cities or states, Mr. Lenio's job is to present the opportunity to the municipalities. He explained there is a "dance" that goes on between what the company wants, what the wants are locally, and what the state wants. Then we begin to find out where that middle ground is, in terms of who is leading and who is following.

Mr. Lenio provided insight of what goes on behind the scenes. The perception that CEO's make decisions largely based on business rankings is inaccurate. He explained companies consider it, but then they move on. Mr. Lenio noted regions are still trying to figure out how to be frugal with their dollars in business development, funding of agencies and incentive programs. From a community perspective, it is important to know what you do well and what you do not do well. He added trying to understand what opportunities are good from a community and regional prospective takes vision from the top, and if your staff is not given clear direction on what industries you are going after or how you are pre-certifying opportunities, then how can they figure out who needs the money?

Mr. Lenio discussed the selection process from the CEO's perspective. He stated the CEO is looking at profitability and location. For example, if they are looking for a corporate headquarter or labor intensive facility, CEO's look at regional labor markets that have good availability and a high quality of the skill sets they need to hire, at a good cost, relative to competition. In regards to office operations, labor accounts for 70-80 percent of total operating costs, so if the labor costs in Phoenix are one dollar an hour cheaper compared to the competition, and the company needs to hire 500 employees, they are saving one million dollars per year. This dynamic is crucial to understand. In terms of looking at logistics and manufacturing, which is more capital intensive, these companies tend to want to be near their customers and/or supply chain.

Mr. Lenio stated you must also take into consideration needs of the chief financial officers, human resources managers, and operations managers. These may include utility availability, geography, talent, and real estate. He explained that in order to stay on the selection list, you need to know who your competition is, maintain high customer service, and return phone calls within 24 hours. You must also know and understand your regional and community attributes

from a labor market perspective, your market from a real estate perspective, and your infrastructure.

Mr. Lenio also discussed incentives. He explained that incentives are brought up to level the playing field with your competition or to sway the company completely. You must do this smartly, because not all companies have competition. He added that cities need to ask themselves if there is a cost disadvantage between your community and the competitions, and how much tax revenue are you generating from the activity. You must know your return.

Chair Lewis thanked Mr. Lenio for the report and asked if there were any comments or questions from the committee. Mayor Wolcott stated Surprise would like to have Mr. Lenio come and present this information to her city. Chair Lewis asked what should municipalities be promoting and what do they need to work on.

Mr. Lenio commented that labor market dynamics are very important and cities must know their labor market and how costs compare to other communities. From a business development perspective, cities should keep their message simple. He explained when clients are asking for information on a particular community and they receive a 50 page document, it will not be read. Having a one or two page document that highlights labor, transportation, infrastructure, and taxes is all that is needed. He added municipalities need to do a better job focusing on real estate and personal property taxes and how they will affect the company. You should also know your competitors tax rates.

Steve Betts, Greater Phoenix Economic Council, asked about performance based incentives versus up front incentives, as well as job training funds. Mr. Lenio stated there are still budget deficits that are occurring and some states are moving away from significant up front funding, and are instead turning to a payroll or performance refund program. He discussed performance based incentives in North Carolina and how that state will refund between 20-50 percent of state withholding taxes or personal income taxes. He explained that as a company grows and their payroll expands, they get a reward. In terms of selling this region and state, Mr. Lenio indicated that a job training grant is nice to have, but not a need to have. He explained that this will not sway business decisions. Mr. Betts added that Texas is currently being investigated for giving cash up front and not getting the return they expected.

6. Report on an Early Literacy Mapping Pilot Project with Read On Arizona

Terri Clark, Arizona Literacy Director, with Read On Arizona, discussed a new statewide public/private partnership. This partnership includes over 500 agencies, foundations, non-profits and community stakeholders who are committed to improving language and literacy outcomes for Arizona children from birth through age 8, for the next ten years. She noted Read On Arizona is committed in helping to create an early literacy system that delivers the right programs at the right time for every child. Ms. Clark stated there are currently twenty-four Read On communities across the state, with eleven in Maricopa County. She explained studies show third grade is the pivotal turning point and when children are reading grade level in third grade, there is a higher success rate of high school graduation and college success.

Ms. Clark explained how this initiative was created. She stated early education data, primary education data, including chronic absences, benchmark data, health data and family

engagement data systems needed to be integrated so that efforts could be aligned and shared with all stakeholders. Ms. Clark indicated that the intended use for this data is so communities could have the ability to identify gaps and needs within their communities. She noted local municipalities will be able to use this data to assist in guiding programs and services for children ages 0-8 years old, while community libraries will be able to identify the needs of target populations. These viewers will also help inform school districts of the challenges to readiness factors, and local childcare and preschool sites can also use this data to be informed of what programs they should offer.

Ms. Clark explained once all of these organizations and agencies agreed to share their data sets, they found that they had a massive amount of information, but did not know how to make it easily accessible to the public. After attending a MAG transportation mapping conference, Ms. Clark approached MAG for their assistance and staff took on this project. She added that the MAG team has been fantastic to work with.

Anubhav Bagley, MAG Information Services Manager, stated there are eight viewers that are now live. He recognized Vern Wolfley, MAG GIS Analyst, who led this project. Mr. Wolfley provided a demonstration of the viewers. He noted that these viewers included preschools and grades K-3 for the entire state of Arizona. The viewer demonstrations included current grades as rated by the Arizona Department of Education, demographics, income levels, race, number of students enrolled, Title I schools, national test score rankings, district information, and library locations. Information on health data, including the total number of births, number of low birth weight rates, number of births paid by Medicaid, chronic absences (which is 18 or more missed days in a school year), and asthma emergency room visits are also available on this site. Mr. Smith stated some of the findings were very surprising. He noted that one would think that the higher the income, the better the school. The data shows that this is not always the case. He added that this will also put accountability on the schools and districts. Mr. Bagley stated this viewer is the first of its kind.

Chair Lewis asked if there any comments or questions from the committee.

Mayor Carlat, City of Peoria, stated this is a wonderful resource and she cannot wait to have access to it. She asked if this was current information and will it be continually updated with new data as it becomes available. Ms. Clark responded that part of the Memorandum of Understanding with the stakeholders is to keep sharing any new data, so the information stays up to date. Mayor Carlat asked if there is an option on these viewers to see what has specifically been done in the areas that show improvements, so that other communities could possibly implement those changes within their communities. Ms. Clark stated after the initial launch, they would like to highlight various case studies to point out what is being done to cause improvements in the early literacy education areas. Mr. Bagley added census data is also included on these viewers, which will assist in a better understanding of the story being told.

Chair Lewis asked when would this site be available to the public. Ms. Clark responded that it is being unveiled at the Read On Arizona Literacy Summit, Tuesday, August 25, at 2:15 p.m., at the Phoenix Convention Center. She added the event will highlight the importance of early literacy, its long-term impact on Arizona and our communities, and the critical steps to making third grade reading proficiency a reality for Arizona's children.

Ms. Clark stated opening remarks will be made by Governor Ducey and there will also be a Mayors Panel that include Mayor Stanton (Phoenix), Mayor Mitchell (Tempe), Mayor Giles (Mesa) and Mayor Nicholls (Yuma) on why early literacy is a critical local issue. Ms. Clark invited all EDC committee members to attend this event and provided a handout with detailed information.

Tom Franz commended MAG staff and Read On Arizona for the work that has been done and added this is wonderful data that can really help solve some of Arizona's education problems. Mr. Smith commented that Dr. Crow, President of Arizona State University, recently spoke to this committee regarding the importance of early literacy. Mayor Kavanagh echoed the importance of this tool and asked if Read On Arizona will be partnering with other agencies when a specific factor, such as employment or health issues are recognized. Ms. Clark stated the partners will support whatever areas need the help, whether it is a school, community, or health issue. Mr. Betts asked if there are enough resources to constantly input current information so this stays updated. Ms. Clark responded that there are a number of agencies and partners that are committed to funding and maintaining this tool if it is seen as effective and is used by the communities.

7. Commemoration of a National Collaborative Partnership to Promote BIEN in Mexico

Alana Chávez Langdon, MAG International Economic Development Analyst III, presented a report regarding an opportunity for collaboration between MAG and CANACINTRA, Mexico's largest industrial organization, to promote BIEN in Mexico. She explained that CANACINTRA includes companies that present economic development opportunities to enhance business-to-business growth in sectors in Arizona, Mexico and Canada. With 78 chapters across Mexico, CANACINTRA represents 102 industries grouped in 13 sectors, with approximately 50,000 members.

Ms. Chávez Langdon stated staff is seeking approval of a partnership agreement and to also coordinate a press conference and commemorative signing of a national collaborative partnership between MAG and its partners with CANACINTRA to promote BIEN in Mexico. She informed the committee that guest presenters would include Christopher Wilson, Deputy Director, Mexico Institute, Woodrow Wilson International Center for Scholars; Ing. Rodrigo Alpízar Vallejo, President of CANACINTRA; as well as an elected official/practitioner panel that would include Mayor Bob Jackson, City of Casa Grande; Mayor Danny Ortega, City of Douglas; Mayor John W. Lewis, Town of Gilbert; Councilwoman Kate Gallego, City of Phoenix; Mayor Marlin Kuykendall, City of Prescott; Mayor Sharon Wolcott, City of Surprise; Mayor Jonathan Rothschild, City of Tucson; Mayor Michael LeVault, Town of Youngtown; as well as David Farca, President, Arizona Mexico Commission, and Glenn Williamson, Founder/CEO, Canada Arizona Business Council. A copy of this agreement was provided to committee members. If approved, this event will take place at the League of Arizona Cities and Towns annual conference on August 20, 2015.

Chair Lewis asked if there were any comments or questions from the committee. There were none.

Councilmember Sellers moved to approve the partnership agreement and to coordinate a press conference and commemorative signing of a national collaborative partnership between MAG and its partners with CANACINTRA to promote BIEN in Mexico. Mayor Lane seconded the motion and the motion carried unanimously.

8. Report on Local Economic Development and Industry Trade Mission to Hermosillo and Guaymas, Sonora, Mexico

Alana Chávez Langdon, MAG International Economic Development Analyst III, discussed the statewide delegation trip to Hermosillo and Guaymas, Sonora on June 3-5, 2015. MAG member agency elected officials, chamber representatives, businesses, economic development and education professionals attended this trip. She explained the purpose of this trade mission was to meet key business and policy leaders to build relationships and discuss trade and business development opportunities.

The delegation experienced the Querobabi Military Checkpoint and Road Infrastructure Improvements on Federal Highway 15, as well as a meeting and welcoming reception with the CANACINTRA Board of Directors in Hermosillo. The event included presentations by Dr. Luis Nuñez Noriega, Delegado Federal (Federal Delegate in Sonora), Mexico Secretariat of the Economy, David Gil, representing ProMexico, and Lyzeth Salcedo Salinas, Director of Economic Development, City of Hermosillo.

Ms. Chávez Langdon reported on other trade mission activities that included a tour of Applied Technical Services (ATS), which is part of the Collectron Shelter Industrial Park. ATS manufactures a wide variety of circuit designs and integrated final assemblies for a variety of customers in the medical, energy, military and industrial sector. ATS maintains two main production facilities, their headquarters are located in Everett, Washington with 200 plus employees and the other in Hermosillo, Sonora, Mexico with 160 plus employees. She explained that ATS chose Hermosillo because of their low crime rates, low employee turnover (one percent), the close proximity to the airport, and the highly educated, English speaking workforce.

The delegation had the opportunity to tour Autoneum, which is also part of the Collectron Shelter Industrial Park. This company is a global market and technology leader in acoustic and thermal management solutions for vehicles. Autoneum provides multi-functional and lightweight technologies and components for noise and heat protection. They also develop and produce systems and components for the engine bay, underbody, interior floor and body-in-white of vehicles. Autoneum's main headquarters is located in Winterthur, Switzerland and they have 50 locations in over 20 countries. They service leading automobile manufacturers in the key markets of Europe, North America, South America and Asia with a workforce of more than 10,000 employees worldwide. Autoneum's newest location will be in San Luis Potosi, Mexico, which is five to six times bigger than Hermosillo.

The participants met and had lunch with Karen Ogle, U.S. Consul General in Hermosillo and Ricardo Pineda, Mexico Consul for Tucson. They also had the opportunity to tour the Port of Guaymas, which many felt was the highlight of the trip. Participants were welcomed by Port Director, Edmundo Chavez and discussions included current operations and expansion projects. Ms. Chávez Langdon reported on the Rocafuerte Manufacturing Community in

Guaymas, operated by The Offshore Group. This included a tour and informational presentation on the technical programs they are involved with.

Chair Lewis thanked Ms. Chávez Langdon for her report and asked participants to comment on their experience. Sally Harrison, President and CEO of the Mesa Chamber of Commerce, stated she had participated in this trade mission. She added Mesa has a number of chamber members that currently do exporting and her goal was to go and see what additional opportunities were available to the members.

Councilmember Luna from Mesa stated this was his second trip organized by MAG and he was extremely impressed with the Port of Guaymas. He added he would like to promote the export and import opportunities this port has to offer. Councilmember Farrar, Carefree, stated this was also his second trade mission with MAG and indicated this really was an eye-opening experience. He stated Mexico is doing all the right things by investing in education, infrastructure, and vocational training and because of these investments, Mexico is attracting foreign direct investment. He commented that he also felt the Port of Guaymas was the highlight of the trip, and it holds tremendous economic development opportunities for the state of Arizona. He also thanked Ms. Chávez Langdon for organizing such an incredible event.

Chair Lewis asked if there were members of the EDC that participated on this trip that would like to comment. Councilmember Sellers stated this was an amazing trade mission and recognized Ms. Chávez Langdon for her hard work in making this trip so successful. He stated this was such an educational experience for him. He also complimented John Halikowski, Arizona Department of Transportation Director, for the progress and work ADOT has been doing in partnership with Mexico.

Mayor LeVault stated this was his fourth trip to Mexico and he is seeing an economic transformation occurring there. He discussed initiatives, such as ConnectBIEN.com and how these tools can assist businesses in Arizona to better connect with Mexico, as well as other international supply chains. Mr. Betts asked if rail expansion was discussed on the trip. Councilmember Luna responded that they were shown future plans and there is a plan and commitment in place from the Mexican federal government, but it will take some time.

9. Update from the Arizona Commerce Authority

Marisa Walker, Senior Vice President of Strategic Planning & Infrastructure with the Arizona Commerce Authority (ACA), stated Kevin O'Shea, Vice President of International Trade, ACA, also participated on the delegation trip to Hermosillo and Guaymas, Sonora that took place in June. She discussed a recent report completed by the U.S. Trade Development Agency profiles the top 25 infrastructure projects in Mexico, with Guaymas being one of them.

Ms. Walker indicated that two of the largest shipping lines, APL and Hanjin Shipping, are located in the Greater Phoenix area and noted as we cultivate relationships with Mexico, it would be interesting to know what these companies see as trends and opportunities for Arizona. She added that the ACA is currently working with the Morrison Institute on how Arizona companies are interacting with Mexico in the sectors of aerospace and defense, medical supplies, energy, water and food production. Lastly, Ms. Walker commented that ACA was proud to be chosen as one of three organizations from Arizona that received an

exclusive distinguished invite to the White House to discuss best practices in Arizona, in the areas of international development, infrastructure and manufacturing.

10. Update from the Greater Phoenix Economic Council (GPEC)

Steve Betts provided a brief update on the fiscal year end highlights, which included 32 new company relocations that will add more than 6,200 jobs across the region during the first year of operation, and generate nearly \$900 million in capital investment. He noted GPEC President, Chris Camacho, was also chosen to speak at the White House Forum on Economic Development, hosted by the International Economic Development Council, as well as the Cities of Tomorrow Conference in New York City.

11. Request for Future Agenda Items

Chair Lewis asked if there were any requests for future agenda items. There were none.

12. Comments from the Committee

Chair Lewis stated this was his last meeting as Chair of EDC and it has been a pleasure. He welcomed Mayor LeVault as the new Chair of this committee.

Mr. Smith informed the committee that Denis Leclerc, Ph.D. from the Thunderbird School of Global Management is holding a lecture event focused on global negotiations that is being held on Tuesday, August 11, 2015. There is no charge for this event.

Adjournment

There being no further business, the Economic Development Committee meeting was adjourned at 1:08 p.m.

Chair

Secretary