

MINUTES OF THE
MARICOPA ASSOCIATION OF GOVERNMENTS
ECONOMIC DEVELOPMENT COMMITTEE

February 7, 2017

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

MEMBERS ATTENDING

Mayor W.J. "Jim" Lane, Scottsdale, Chair
Mayor Greg Stanton, Phoenix, Vice Chair
Mayor Gail Barney, Queen Creek
Steve Betts, GPEC
Tony Bradley, Arizona Trucking Association
#Mayor Cathy Carlat, Peoria
*Dr. Joseph Carter, Thunderbird
Councilmember Eddie Cook, Gilbert
Angela Creedon, Arizona State University
Superintendent Greg Donovan, West-MEC
Mark Dreher, East Valley Partnership
Councilmember Michael Farrar, Carefree
*Neil Giuliano, Greater Phoenix Leadership
Sintra Hoffman, WESTMARC
Mayor Linda Kavanagh, Fountain Hills
Councilmember Randy Keating, Tempe
Jim Kenny, El Dorado Holdings, Inc.

Dr. Randy Kimmens, Maricopa Community
Colleges
Mayor Michael LeVault
Mayor Georgia Lord, Goodyear
#Vice Mayor David Luna, Mesa
Councilmember Ray Malnar, Glendale
*Mayor Jackie Meck, Buckeye
#Mayor Christian Price, Maricopa
Floyd Roehrich Jr., ADOT
*Jim Rounds, Rounds Consulting Group
*Todd Sanders, Greater Phoenix Chamber
of Commerce
Mayor Thomas L. Schoaf, Litchfield Park
Councilmember Lorenzo Sierra, Avondale
Dan Spitz, Achen-Gardner Construction
*Sandra Watson, ACA
*Mayor Sharon Wolcott, Surprise

* Not present

Participated by video or telephone conference call

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

Anubhav Bagley, MAG
Len Becker, Buckeye
Melissa Bettis, MAG
Tony Cani, City of Phoenix
Natalia Cuneo, MAG
Dan Davis, City of Avondale
Thomas Doyle, City of El Mirage
Rene Guillen, Town of Gilbert
Alana Langdon, MAG
Ryan Lee, Glendale
Jennifer Lindley, Queen Creek
Vladimir Livshits, MAG

Brad Lundahl, Scottsdale
Hank Marshall, City of Phoenix
Denise McClafferty, MAG
James Orloski, City of Phoenix
Michelle Pierson, Phoenix
Scott Powell, Tempe
Nathan Pryor, MAG
Judy Scalise, ESI Corp.
Jack Sellers, Chandler
Dennis Smith, MAG
Amy St. Peter, MAG
Tim Strow, MAG

Bob Tunis, City of Scottsdale
Lauren Valencia, City of Goodyear
Marisa Walker, ACA

1. Call to Order

The Economic Development Committee (EDC) meeting was called to order by Chair Lane at 11:33 a.m.

2. Pledge of Allegiance

The Pledge of Allegiance was recited. Mayor Carlatt, Mayor Price and Vice Mayor Luna joined the meeting by teleconference.

Chair Lane welcomed City of Chandler Vice Mayor Kevin Hartke to the committee. It is anticipated that Vice Mayor Hartke's membership to the EDC will be approved by the Regional Council at its meeting on February 22, 2017.

Chair Lane said that for those using transit to come to the meeting, the RPTA has agreed to provide transit tickets for your trip. He added parking validation was available for the MAG parking facilities for those who parked in the garage. Chair Lane stated public comment cards were available for those members of the public who wish to comment.

3. Call to the Audience

Chair Lane noted 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.

4. Approval of the January 10, 2017, Economic Development Committee Meeting Minutes

Chair Lane asked members of the committee if they had any questions or comments regarding the January 10, 2017, meeting minutes. There were none. Mayor Lord moved to approve the January 10, 2017, Economic Development Committee meeting minutes. Mayor Kavanagh seconded the motion and the motion carried unanimously.

5. Economic Growth Through Cybersecurity International Headquarters

City of Phoenix Director of Community and Economic Development Chris Mackay introduced Mark Beariault, Kudelski Group's legal counsel, and said he would be sharing with the committee why Kudelski selected Phoenix to locate its North American headquarters. Ms. Mackay said Phoenix Mayor Greg Stanton worked closely with Kudelski, in partnership with the Greater Phoenix Economic Council (GPEC), meeting with the CEO and providing the company with information about what Phoenix has to offer.

Mr. Beariault said Kudelski opened its Phoenix office last December, but made the decision to move to the region about two years ago. He described Kudelski as a family-owned Swiss security company with offices in 32 countries around the globe and more than 3,500 employees. Mr. Beariault said the company has three core pillars of product base, which include digital media, focused on television encryption technology, cyber security, and public access that focuses on access cards. He stated that cyber security is Kudelski's newest business line and will be headquartered in Phoenix.

Mr. Beariault told the committee the company looked at various locations around the world, but chose to be close to its largest market in the U.S. Mr. Beariault explained Kudelski wanted to have access to the IT technology cluster in Phoenix and tap into its talent pool. He said the move was also focused on improving the company's cost structure and reducing sensitivity to the volatility in exchange rates.

Mr. Beariault said Kudelski's new Phoenix headquarters will target more than 300 highly skilled jobs, including engineers and management personnel. He stated one of the most critical factors in its decision to select Phoenix was the welcome the company received from the State, City of Phoenix, GPEC, and Arizona Commerce Authority (ACA). Mr. Beariault noted companies do not get this type of reception in the California Bay Area. He said other factors included financial incentives, quality of life issues, such as affordable housing and good schools, quicker commute times, an employee base, and availability of resources for the future. Mr. Beariault stated company leadership was also impressed by Arizona State University (ASU) and its reputation for innovation.

Mr. Beariault said Kudelski has employees in the Bay Area asking to be transferred to Phoenix due to this region's availability of affordable housing and access to good schools. He explained that Phoenix is a place people want to come to and that is very important to a multi-national company that wants to draw from a global talent pool. Mr. Beariault noted that it is just a short plane ride from Phoenix to technology centers and customers in Denver, California and Texas. He said another key factor in locating to Phoenix was that it is fifth in fiber optics capacity in the nation.

Mayor Stanton thanked Mr. Beariault for choosing Phoenix. He asked what local elected officials should know about where cyber security is heading and what kinds of things they

should be aware of. Mr. Beariault said what the public hears about in the media is just the tip of the iceberg. He stated Kudelski believes there is a lot of private company espionage and the scale is getting worse. Mr. Beariault encouraged all organizations to have a cyber security plan and be audited for weaknesses.

Mayor Stanton said that as companies in the Bay Area expand and open offices in Phoenix and other cities, people may think they are the back office jobs. He stated what often occurs is the decision makers at high income and technical skill levels decide to make the move to Phoenix, in part driven by cost of housing and other factors.

Mr. Beariault said the office here is not a back office, and is staffed with a senior management team from Switzerland. He noted that because Kudelski is a conservative, family-owned company, it cannot offer things like stock options, and employees in the Bay Area end up getting poached by Google, Facebook and others who can offer more competitive option packages.

Mayor Michael LeVault asked how many employees Kudelski has in its Phoenix office. Mr. Beariault said right now there are about 30 employees. He stated he expects within the first quarter, the company will have more than 50 employees in Phoenix.

Mark Dreher said he knew of some great resources in the Valley for cyber security. He mentioned the Arizona Tech Council, the non-profit organization Arizona Cyber Threat Response Alliance, and the Arizona Laboratories for Security and Defense Research, a research laboratory with top level security. Mr. Dreher asked if Kudelski is currently engaged with any of these organizations. Mr. Beariault said he was not sure at this point, but would work with Mr. Dreher to make sure the right people on his security team are aware of the organizations.

Councilmember Mike Farrar said he enjoyed hearing about the parallels between Phoenix and San Francisco. He asked if Kudelski utilized site selectors in its headquarters search and for any other details on how the company selected Phoenix. Mr. Beariault said that site selectors were not used in the decision to move to Phoenix. He stated the company did research in-house and then turned to state and local authorities for information.

Steve Betts encouraged Mr. Beariault to tell this story as often as he can to get out positive messages about our region. Mr. Betts said our region often gets criticized for not having the greatest package of incentives compared to other areas.

Mr. Beariault said that a business-friendly environment, and not incentives, were the deciding factor for Kudelski locating to Phoenix. Mr. Betts asked if Kudelski located to an existing space and if there is enough available product for growth going forward. Mr. Beariault said the company moved into an existing space in Phoenix, which should be able to house the headquarters for the next three to five years. He commented that beyond that, Kudelski may

look to build a facility. Mr. Beariault noted that another advantage of this area is there continues to be ample spaces to build to suit if that is the way the company chooses to go.

Chair Lane said one thing Mr. Beariault noted that he thinks is very important is that the region has developed some industry clusters that may have been lacking in the past. He noted there is a talent pool that is generated with these clusters that has become an attraction unto itself. Angela Creedon who is an Associate Vice President for Community and Municipal relations at ASU said she appreciated that Mr. Beariault highlighted the school's talent pool. She stated that ASU has a Center for Cybersecurity as well as an Information Assurance Center.

Chair Lane thanked Mr. Beariault for his presentation.

6. Report on the City of Surprise Communication Between Departments

The City of Surprise has developed a process that enables the City to enhance communication between departments. City of Surprise Economic Development Manager Mike Hoover provided the committee with an overview of their efforts, and said he planned to make similar presentations to finance groups, Arizona Association of Economic Development (AAED), GPEC, and MAG's Planners and Economic Development Partnership Exchange (PEPE).

Mr. Hoover said that about two years ago, he began documenting the way his city staff engaged with each other. He said the City of Surprise focused on improving the communication among the Chief Financial Officer, city planners and the Economic Development Department. Mr. Hoover stated the process included sharing each departments' goals and identifying shared values. He said employees concentrated on better understanding different personalities and perspectives, and worked hard on cultivating relationships. He noted an effective and continuous internal communication makes a great difference in the advancement of economic development projects.

Mr. Hoover said some advice for economic developers includes being aware of how they are being perceived internally, and knowing their objectives, strengths and weaknesses. He also said economic developers should be aware of the perspectives of planning groups to understand them and better communicate project objectives and goals, and to collaborate with the finance group so a project is successful through its completion.

Mr. Hoover said that during the downturn, the City of Surprise located its economic development group with the planning department and the staff learned that being in close proximity with colleagues internally provided a tremendous amount of value for a project. He commented that economic developers are usually extroverts, but should work on communicating more effectively with internal partners that may be introverts. Mr. Hoover said he heard the planning director say he cared more about internal customer service than about external customer service. He explained that if people in an organization are happy, that will be communicated to an external client. Mr. Hoover said the cities should focus their energy on department to department relationships.

Mayor Linda Kavanagh said the benefit of being in a small town like Fountain Hills is there is a very small Administration Department, which is right next to the Parks and Recreation Department. She commented that she finds being able to be in a break room together, drinking coffee can sometimes lead to some of the cities' best collaboration. Mayor Kavanagh said she realizes this may be tougher in a large city department environment. Mr. Hoover said it comes down to trusting an individual from another department to have his department's interest in mind as well. Mayor Kavanagh encouraged people to get to know each other on a personal level and start to look at them as more than just the guy that works in the office.

Ms. Sintra Hoffman said she has always found Mr. Hoover to be very responsive. She said she thought the information he provided would be helpful through the cities' development agreement processes.

Chair Lane thanked Mr. Hoover for his presentation.

13. Sun Corridor Exporting Initiatives

Chair Lane moved to Agenda Item 13, which was an addendum to the meeting agenda. He called upon MAG Assistant Director Amy St. Peter to give the committee a report on the Sun Corridor Exporting Initiatives.

Ms. St. Peter thanked the Chair and committee members for the opportunity to share information about this new program. She said she would be open to feedback as MAG prepares to launch the Sun Corridor Export Recognition Program. Ms. St. Peter stated that the recession underscored the importance of exporting, and said businesses that export are more resilient than others.

Ms. St. Peter said that when Mayor Stanton became Chair of the MAG Regional Council, he identified exporting as a focus for the region and this agency. She encouraged EDC committee members to become ambassadors of the Sun Corridor Export Recognition Program by letting more businesses know about the opportunities and benefits of exporting. Ms. St. Peter said businesses would be recognized at the Joint Planning Advisory Council meeting scheduled for May 19, 2017. She stated application materials would be available in the next week for an event, entitled the Sun Corridor EDGE (Economic Development for the Global Economy) that will feature speakers on international trade and leaders from throughout the Sun Corridor.

Ms. St. Peter explained this new effort is designed to celebrate the businesses that are exporting successfully and to connect businesses with available resources. She said this will result in higher-end jobs for residents and increased revenue for businesses. Ms. St. Peter stated that one example of a resource is the regional boot camp that MAG is offering in partnership with the ACA.

Ms. St. Peter said Sun Corridor EDGE is being developed in partnership with the Central Arizona Governments, District Export Council, East Valley Partnership, Global Chamber Phoenix and Global Chamber Tucson, Greater Phoenix Economic Council, Maricopa

Association of Governments, Metro Phoenix Export Alliance, Partnership for Economic Innovation, Pima Association of Governments, Sun Corridor Metropolitan Planning Organization, Sun Corridor Inc., U.S. Commercial Service, and the Western Maricopa Coalition (WESTMARC). She noted that MAG is also working with the Arizona Commerce Authority and hopes to confirm them soon as a formal partner.

Ms. St. Peter said the impact of this program will be to grow exporting in our communities, which will provide higher paying, more stable jobs for our residents and a more prosperous future for our region. She stated MAG is thankful for its partners support in this effort and hopes to have the EDC's support as well. Ms. St. Peter noted more information about the program and initiatives will be available soon at www.jpac.org. She invited EDC members to join MAG and its partners at the May event and said members are welcome to call her for additional information about the initiative.

Mayor Stanton encouraged committee members to identify businesses in their communities that are ready to start exporting and encourage them to participate in the ExporTech program that MAG is organizing in cooperation with the ACA. He commented that the boot camp provides training that would otherwise cost ten of thousands of dollars in consulting services. Mayor Stanton said that through ExporTech, companies will have access to legal advice, advice on what marketplaces they should be looking at, and how to take their curiosity about exporting and make it a reality. He stated that when he became MAG Regional Council Chair, he wanted to make the ExporTech program available region wide.

Mayor Stanton said he also wants to help identify businesses that have taken that next step and recognize them at the EDGE event. He stated that elected officials will also recognize leaders from these export companies onsite, in front of their employees, and thank them on behalf of the leaders of the region. Mayor Stanton commented that he wants to tell these companies that we appreciate them and what they are doing is good for the region.

7. Update on Outreach for Regulation A+

MAG Regional Program Manager Denise McClafferty recalled that at January's EDC meeting, Caliber co-founder Chris Loeffler presented information on how Arizona businesses could take advantage of Regulation A+ (Reg A+). Reg A+ is a new federal regulation tool that levels the playing field for small businesses that want to grow and access capital from individual investors, allowing private companies to raise up to \$50 million from the public.

Ms. McClafferty said at that meeting, it was requested that MAG staff work on how to get this information out to the community to enable more businesses to utilize this tool. She stated since that time, MAG staff has been working with several agencies on opportunities to inform the business community. Ms. McClafferty said that in discussions with Mr. Loeffler, he suggested structured talks or presentations, or breakfasts with mayors and businesses would be the best way to get the information out. She noted that Mr. Loeffler offered to develop a one-pager on Reg A+ that could be distributed.

Ms. McClafferty told the committee that other possible opportunities to reach the business community include asking Chris to speak at the upcoming Sun Corridor event in May that Ms. St. Peter spoke about, working in partnership with the Arizona Business Incubation Association to reach their members, and working with the Arizona Technology Council on a business roundtable event in collaboration with Congressman David Schweikert's office and with the participation of businesses that have utilized the Reg A+ tool. She noted that Congressman Schweikert was one of the authors of the bill containing Title IV of the JOBS Act, also known as Reg A+. Ms. McClafferty said that Mr. Loeffler plans to meet with Congressman Schweikert later this month.

Ms. McClafferty is requesting approval for MAG staff to move forward with the suggested opportunities that include working with the Sun Corridor Export Recognition Program, the Arizona Business Incubation Association, and the Arizona Technology Council to inform the business community on the Reg A+ tool.

Chair Lane said this effort is outstanding and not far removed from efforts on the export side of things in that this is also getting businesses informed on some of the mechanisms available to them to succeed. He noted that Caliber has been recognized as the second fastest growing real estate company in part because of the mechanisms used with Reg A+ in the funding and financing of the business. Chair Lane acknowledged Mr. Loeffler for his willingness to offer his services. He said although this is not the focus of his business, Mr. Loeffler realizes how important this tool is and how important it could be for others in our region.

Chair Lane asked members of the committee if they had any questions or comments regarding the outreach efforts for Reg A+. There were none. Councilmember Farrar moved to approve the committee's outreach efforts for Reg A+. Councilmember Keating seconded the motion and the motion carried unanimously.

8. Freight Viewer Update

In the interest of time, the committee did not hear Agenda Item 8. This item will be heard at a future meeting.

9. Update from the Arizona Commerce Authority (ACA)

ACA Senior Vice President Marissa Walker said the ACA has 225 opportunities currently in the pipeline, which would bring 47,000 jobs and more than \$8 billion in capital investment to the state. Ms. Walker noted that the first series of the CEO Forums recently concluded. She said the forum was held during the Phoenix Open, which provided a great opportunity to showcase the region. Ms. Walker stated that ACA CEO Sandra Watson and Arizona Governor Doug Ducey attended the Phoenix Suns game in Mexico City and had the opportunity to meet the new Secretary of Foreign Relations in Mexico. She noted that ACA's five-year anniversary is coming up, and a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis is being developed, which will be utilized to establish the next five-year plan.

Ms. Walker encouraged EDC members to attend the Venture Madness innovative startup competition. She said that 16 finalists will pitch to a panel of judges and the public will determine the best of the best. Ms. Walker also mentioned that Governor Ducey has established a link on ACA's website regarding unnecessary regulations. She said that RedTape.AZ.Gov encourages feedback, and input from the committee would be helpful to those efforts.

Chair Lane thanked Ms. Walker for her presentation.

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

Mr. Betts informed the committee that a market intelligence report on the aerospace and defense industry was presented on January 30, 2017. He encouraged EDC members to review the report on GPEC's website, called the Future of the Aerospace and Defense Industry in Greater Phoenix. Mr. Betts said on February 15, 2017, GPEC will be presenting its Foreign Direct Investment plan at SkySong. He noted that GPEC has attracted 22 companies and 5,000 jobs for the period and there is a tremendous pipeline going forward.

Chair Lane thanked Mr. Betts for the update.

11. Request for Future Agenda Items

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

12. Comments from the Committee

Chair Lane asked if there were any comments from the committee. There were none.

There being no further business, the Economic Development Committee meeting was adjourned at 12:39 p.m. The next meeting of the EDC will be on Tuesday, March 7, 2017, at 11:30 a.m. at the MAG Office, 302 N. First Avenue, Phoenix, Second Floor, Saguaro Room.

Chair

Secretary