



REAL AZ Development Council

Minutes of meeting held on
February 10, 2011
at the Northern Arizona Training Center
1840 W. Papermill Road
Taylor, Arizona

Present:

Cindy Nicolds, Eric Ritz, Hank Rogers, Debbie Rogers, Eric Duthie, Rick Evans, Nolan Larson, Tracy Mancuso, Mark Abram, Jeff McCormick, Molly Pitts, Karalea Cox, Mike Cole, Paul Esparza, Liz Flake, Paul Watson, Gus Lundberg, Don Cosgrove, Bill Greenwood, Jim Ferguson, Steve North, Kelly Jones

1. Welcome / introductions – Eric Duthie

Eric Duthie called the meeting to order at 12:21. Introductions were made.

Don Cosgrove advised those in attendance that this will be his last meeting as he is moving from the area. Eric thanked Don and stated that he has been involved with RADDC since it started, has done a good job and will be missed.

2. Approval of minutes from January 6, 2011 meeting - Eric Duthie *

A motion was made by Cindy Nicolds, seconded by Hank Rogers

To approve the minutes of the January 6, 2011 REAL AZ Development Council meeting

Eric Duthie made an amendment to the comments he made on the ACA grant on page two of the January 6, 2011 minutes, second paragraph under the "Arizona Commerce Authority grant application approval" section. Eric talked to Lori Martinek and she asked to have added to the minutes:

"He said Lori wrote the ACA grant application at no charge, with the understanding Presentations Plus would produce the project(s) applied for, in the amounts outlined if the grant is successful. Presentation Plus was not asking for a 3% management fee on top of the outlined program cost. A management fee (approx. 5%) was built into the ACA proposal, but that is for RADDC to use to pay for grant-related administrative costs (e.g. copying, data,

events). The management fee for RADC, not Lori Martinek or Presentation Plus, who, in effect, are investing in the Corridor's future and betting on a positive outcome".

Cindy Nicolds and Hank Rogers agreed to amend their motion to add the paragraph as requested by Lori Martinek.

The vote was unanimous

3. NPC SBDC overview – Tracy Mancuso

Tracy Mancuso addressed the attendees providing information on what the Small Business Development Center (SBDC) actually does and what they have to offer. They have two objectives, they help businesses get started and they help them stay opened. They are State funded by the Small Business Administration who provides matching grants to SBDC's all over the country including ten in Arizona. They provide money because small businesses cannot become big or sustainable businesses without a little bit of help. These businesses can then help stimulate the economy and create jobs. The SBDC's are kind of a standard pre-incubator model for small businesses to get started all over the country. The SBDC receives calls on a daily basis with inquiries that include but are not limited to, marketing in their community, the feasibility of their business, how much it will cost, how do they find the resources, determining the best location, how much inventory they will need and employee related questions. The services they provide save businesses lots of time and money on consultant fees. The SBDC offers a start-up list for guidance on needs and information for those who want to become entrepreneurs. The clients they help have to prove they have the intent to be a solid business and must participate in the program. They are expected to grow and move on in three years. Tracy concluded her presentation stating that they have booklets available for those interested. The SBDC is a free service and is valuable to our community.

Jim Ferguson asked how they get this information to business in the community. He said Winslow has had SBDC representatives come in but he does not feel the businesses in his community are getting the information to be able to use it effectively. Tracy replied stating that SBDC staff and budget is limited. Their objective is to get the word out on what they offer and to work with the library department to set up counseling stations. She added that information is spread through groups like RADC.

Tracy reported on a five credit hour seminar Northland Pioneer College (NPC) will be holding presented by Steve LeFevere who has twenty five years of experience in financial training and consulting. He will present a proven method for maximizing profits with the seven secrets of highly profitable small businesses. The seminar can benefit businesses that want to earn a profit. Those interested can previewed the presentation on You Tube. The two day seminar will be held February 25th and 26th at the NPC Show Low campus.

4. Arizona Commerce Authority grant application update – Jim Ferguson

Jim Ferguson reported the Arizona Commerce Authority formed a committee and was able to spread the awarded grant money around to over 20 applications out of the 75 submitted but we were not one of them. The choice was made by a smaller group who used certain criteria and our application did not match up as well. There were some market types of applications approved. From the state perspective they tried to distribute reasonably well, Jim feels some funds should have been in our portion of state. Commerce authority itself with the legislative part of the process is winding down the current Department of Commerce and there will be another one starting July 1st. The Rural Business Advisory Committee is getting a little more involved in other areas to try and insure that rural voices are heard. There are lots of different thoughts on what can still occur but the important thing is to stay on it, give our input and hopefully the ACA will understand the need to hear the rural voice. There is too much emphasis on high tech jobs that won't settle in our area anytime soon. This is a battle we will have to continue fighting.

Paul Esparza asked where we go from here on our proposed project. Jim explained that the project itself is not funded so there is no money there unless one of them falls out. Hank Rogers asked if Apache County is represented and Jim answered that as far as he knows it is not. Hank said this puts us at a disadvantage. Jim said that there was supposed to be one representative from each county and he does not know what occurred but he will ask. He added that the appointment has to come from the Governor. Paul Watson noted that the grant they applied for through the Northern Arizona Council of Governments (NACOG) was approved for less than the full amount. That grant included our counties and targeted on economic gardening targeted on certain businesses that meet certain criteria and are at a point where they need to grow but really aren't able to take that next step. We were hopeful to find one business in each community as well as the four counties that would qualify to receive that assistance. He said it is a great program and can be beneficial to businesses that meet those criteria. They need a specified amount in gross revenue a year and certain levels of employees. Paul stated that therefore there is a program and he feels we need to have the due diligence that a portion of that still comes to Navajo and Apache counties. He noted that it was written in such a way that certain allocations are made on the county level. If they don't have someone who qualifies it goes back and the others can add to it but he is hopeful there was enough discussion and input into the process itself that there are allocations to our two counties. Karalee Cox said that essentially it was based on membership and the contributions that the municipalities and the counties make to EDC so based on that contribution each county got so many slots. Because the grant was for less than we originally asked for we will be in the position to decide if we will trim hours or business served but there is still plenty of room to receive some of that money and make a difference in our counties. Jim said we did have an application and hopes we will get some value out of that and were part of that group. Karalee said the agreement of the grant was that they would take it back to their individual communities and work with their counties' that is essentially where that went. If they could not find companies that would meet the criteria they would give that slot up. Eric Duthie said NACOG got \$105,000 and Flagstaff received \$80,000 and the Economic Collaborative of Northern AZ, which is Flagstaff also. So the city of Flagstaff received \$105,000. This economic gardening promotion was put forward by the City of Flagstaff in addition. We need to make sure our voices are heard.

5. *Northeastern Arizona Sustainable Consortium (NASC) update – Hank Rogers*

Hank Rogers reported that the Northeastern Arizona Sustainable Consortium had its first meeting and elected officers to do an overview of the grant. Brian Cole, the consultant for the project, will be doing the facilitation for communities. Hank gave an overview of the project and the purpose. A reporter has done two articles that will come out Friday. He spoke with her on the phone and she claims she has some sources in the eastern part of the United States and they want to stop the HUD projects. The Attorney General of Virginia is suing the government over it. I told her I could not find anything in opposition to the program that supports what she is going to write, so we will have to see what she comes up with. On her first article she talked about the United Nations plan, I could not find anything where there was a thing called sustainable development talking about the United Nations in 1992, a conference they had in Brazil, so I could not find anything. He asked her if she has any phone calls and she said she had a few questions about it. Her main concern is that if we take this government money the strings that are attached to it would be something that we just don't want to be tied down to the Federal Government. He feels he pays a lot of taxes each year and would like to see some of that money coming back and yes there will be some strings attached. Over the last year and a half has been administrating several grants and he does not see strings attached people that qualify for grants you go in and help them. Sharon Adams asked if there is a United Nations Development Program and Hank said yes but it is not the same. Overall the consortium is up and running and they have excellent attendance. Hank said that Navajo County Manager Jimmy Jayne is Chairing, Bill Greenwood is the Vice Chair and the Secretary-Treasurer is Cliff from the Hopi Reservation.

6. *Coordination between RADC and NASC – Jim Ferguson*

Jim said he asked to have this item on the agenda to help him get a better understanding of what we are trying to accomplish. There are players in both organizations and at first he understood these sustainable consortiums, which he is totally supportive of, and what they are trying to accomplish. They were basically going through an 18 month planning process and would all have a plan and essentially that's it. After talking to Brian Cole the other day he is not sure that is the case. It's like we are creating another organization that's going to have a life of its own, and if it is, how can we bring these two groups together a little better? If they are going for the same purposes, economic development, how do we achieve this with a little bit better cooperation? Hank said he is not at liberty to say much but there is talk between the counties about bringing things together. Debbie Rogers said everyone sitting in their own circles in their own area will not bring this all together, specifically as your own community and the county. The region will to have all the individual goals to grow as a regional benefit. Jim sensed this was the intent but with two different organizational structures, groups of officers and two sets of bylaws. Jim noted that Brian Cole said there needs to be a way to find who does the planning and who does the marketing. This group needs to give input as well on how we think these two programs can come together. Bill Greenwood noted that because of grant the way it is administered there had to be correlation. They were interviewed before they went to boot

camp and one of the questions was how do you see sustaining the effort that's done in this planning process and his answer was there is a newly formed REAL AZ Corridor and he sees that as the entity to take the plans developed by the consortium and move it for the next twenty years. Because of the grant requirements there has to be certain things in place for the planning process and then it can all be incorporated into one. Paul Watson said that one thing he is still fuzzy on, he understands that the program if funded through HUD, Brian's program seems to be on economic development but, is this program as it comes into our community and creating a vision of where we want to go and how we get there is the focus on economic development or is it much broader than that. Hank said it is on what the communities want. Bill explained there are 6 principles that the plan is supposed to revolve around. Brian's model is strictly economic development. He had to expand his model but his emphasis is on economic development, but while you are in that planning process you need to look at other things. Hank went on to say we got notice for rural America \$25,000,000 grant in the next few months they have talked to us about possibly setting up and using this consortium as a poster child for rural America. There is a possibility of a training center going somewhere in Northeastern Arizona asked us to apply for a certain amount of money for that grant to set a training area for Western United States. They were very impressed with the consortium and how we are willing to work together across reservation and county lines. It might put us in a position for some others thing coming down the road. They want us to teach other entities in rural America and the Western United States, how we did and we could be a consultant for others to come here. Hank said they will be putting in an application for that money. They will pass more information on this as they get it. As far as the HUD grant it should take care of it to, they are moving along. Bylaws are critical asking for input as soon as possible, before the next consortium meeting.

7. RADDC By-Laws review and possible adoption – Steve North *

Steve said the draft is essentially the same document discussed last month with a few adjustments. Number one, he said that in Article III, page 2, section 2, verbiage on investment levels for the private sector they are proposing four levels of investments. Platinum would be \$2000, Gold \$1000, Silver \$500 and Bronze \$250. They also included some benefits associated with the different levels. Four seats are assigned for each level and depending on how many come in, Steve did receive some feedback that maybe that is too many board members. Because of that some suggestions were to limit the board seats to just the platinum and gold level and then adjust the board seats accordingly. Paul Watson stated if this is going to be a private, public partnership he does not have an issue with it. As far as a split between public and private sectors if we are trying to create a partnership we should show them that they don't take a back seat. Don Cosgrove asked why every city and town gets seats automatically but the private sector has to buy in. Jim Ferguson said to keep the organization going well there will be some investments. If we are truly trying to create a partnership we should show them that. Jim said if the public sector thinks they won't be able to step up to the plate they need to make some sort of a minimum commitment now. Steve the other issue is that all the investments so far have all been made by the public sector and we need to recognize that. Eric Duthie stated he is wondering about the level and what it took to get here. Three plus years in

this movement and we have made baby steps to get where we are now and we know we are ahead of where we were three years ago. We have done that on the back of the public sector with them getting a lot of the work done without having to come up with the investment. The money we have used so far at this point has been a little bit from project basis a little bit from whatever the communities are putting in all the way to where Navajo County is footing the bill on their own not the money left over from White Mountain Regional Development Corporation to bring Eric Ritz and have him there in the position as coordinator to have Rod Ross and Lori Martinek to be here and David Tenney is committed to this from a county stand point so he thinks we need to reflect back on how we got to where we are and then the real question becomes the dollars and cents that's always going to be the issue where do they come from how much are they who gets what and what is the impact of that. When we are talking about the dollars and cents of this he would just keep in mind that we have all talked before and agreed that we have seen in our experiences that when we start getting that level of funding or money being put in by this group or that city or town it almost always ends up in a spat over what did I get for my money. Let's continue to be careful about that and keep that in mind as we go because the conversations right now you can how quickly it can become a "what am I paying for and what am I going to get for that and can we get a guarantee that we will get a return on that investment. That's the difficult part. Steve said that with many of these economic development corporations individuals are asked to contribute money without a list of benefits. The way they tried to get over that is through listing out some specific benefits the private sector would get for that, mostly in the way of advertising. There are some concrete benefits associated with their investments. Paul Watson said the benefit will be that they actually get a say in the process. This is where being a member is a benefit. Mark Abrams noted that he is new but are they discounting the people who can't afford the platinum or gold member and what would be the problem with a 50 – 50 split regardless if your public or private would have equal presentation on the board. Paul Watson said he does not have an issue on how we split it out but as we continue there seems to be more public funding than private in being good stewards we may need to have one more vote on the public side. Don Cosgrove stated that if two companies come in and 4 seats are already filled, they get two in each and asked how that can be controlled. Eric Duthie said Article Four Section 3 talks about public seats on the board. That's 11 seats on a 21 seat board. He has a bit of a problem on the level of community government participation. Not all communities are participating. So do they just automatically get a position on the board if they don't participate or have anything to do with it? That's a question on the public side as well. Keep that in mind for the kind of board we want to have. It needs to be manageable. This is the initial implementation as we continue we can always expand, shrink, change whatever we modify in here that can happen but he has that concern on the public side we are not getting everybody to the table. Jim the simple fix we say no more than one representative. On public side more difficult but I'm prepared to put money in then they don't want to be a player. He thinks the public sector needs to make a commitment also. Until they are willing to pay they won't have a seat on the board. Eric said when he was involved with the EDAC Board it seems like every year someone was pulling out it that still an issue they are dealing with. Bill said there is a level of commitment, they need to pay and if they don't pay public or private they don't get a seat at the table. He likes the structure and fees it will work and to keep the lower levels instead of the top two. Nolan if they

want more seats he feels would be to their advantage to have more people on there but would there be a conflict of interest at that time that would keep them from voting. If some business came in that would benefit Larson Waste if he has somebody on the board would that exclude me from those discussions at that point. Jim said that because of his interest there would be conflict of interest. Where ever that company decides is best, you might have ten votes but it would not make any difference in where the business would go. Steve said the leads are going out to individual communities won't matter who is in the board. Eric Ritz stated he feel there is enough anonymity built into the lead process up until there is such a point that he appreciates his perspective but from a private standpoint if you are on the board once the need suggests to us as a group and the confidentiality is no longer important you as businessmen you know shouldn't be able to access that need directly wherever you land I think the lead would be accessed from private interests as well as public. It should be handled the same way on the board whether you are private or businessmen. Eric Duthie from a financial standpoint we have been relying on the money from White Mountain Regional we just authorized a payment of \$595 for our data so we can keep it current on our inventory and such. That takes the total bank account to under \$2000. Navajo County has been really good and paying things and doing things to help but that well is running dry just like everything else. We need to keep that in mind. Debbie Rogers stated that just because the proposal to the ACA is turned down and that means we won't be able to do anything she would assume that somebody in this group is going to go out after that grant and that means possible match money, has that been budgeted. That financial part, to her would play into how many people would be needed on the board because we are going to have to need that money. Jim said that in the past we have chipped in. Steve mentioned that we can market on anything we want. Eric Duthie stated that on a project by project we have come to each other, find out how much we need and divvy it through the communities, or the communities can do this on their own. This has worked and may continue to work but there are clamps every time you need money, you need to ask. Paul Watson said we have not had the money and if we want to get back to where we used to be we are going to have to get a strong commitment. Bill added that he feels we might have to continue to operate through our fiscal year but we need to get a budget established next month so we can get it in our budget. We need to move forward on next year's plan. Steve said the second issue is on the last page, Article 10 Section 7, insurance for the board. The public sector are covered through their government bodies but private sector would not be covered the question is do we want to provide insurance for board. Steve consulted with his city attorney who suggests doing this. He also suggested that we in the future incorporate for additional protection for the board. Debbie said that for a new corporation to plan on allowing around \$2000 for the budget. It was the consensus of the group that insurance for the private sector would be a good idea. Eric Duthie said they need to look at the dollar issue as well as the actual structure of the organization. Nolan stated he feels participants have not seen representation from being at the meetings. Eric Duthie said as far as the dollars and cents he does not see that there is a clear consensus either way and this still needs serious discussion. Sharon Adams said she feels the levels are fine but there is confusion on the \$2000, four seats and different levels. Steve said that regarding Sharon's concerns it is simply a matter of wording and they can just reword the verbiage. He continued stating that more than one board seat can go to one entity. Jim informed the group that this model has worked out extremely well, they

all have a say and members know what is going on all the time. Eric Duthie recommended having Steve get his committee together one more time knowing what has been discussed today and try to come up with something again. Paul Watson said that there has not been much discussion on the total size of board. Input on that will help them with the rest of the structure. They will also address the dollar amount. (Jim) said they need to put in it the recommended dollar amount needed to be done on population since it is a population issue. Karalea asked what is going to be considered public and what is going to be considered private. Eric Duthie said this needs to be defined and Paul Watson said they will also address this issue.

8. RADC Coordinator update– Eric Ritz

Eric Ritz reported that there has not been much going on. He has received a few inquiries but none on site selection. He has been invited to a meeting with one of the Wind Farm firms and is assuming this is because we have already endorsed these efforts.

9. Legislative update-

a. State budget – Eric Duthie;

Eric Duthie reported that there are things going on with the State budget that will impact what this group is trying to accomplish. Among the several proposals to balance the State budget some of the discussion has been to cut Medicare eligible coverage to single adults and those married without children or dependents and also to cut transplants. This request has gone before the feds for review and would waive a half billion dollars. If not approved they will need to find other places to cut. The draft also proposes cuts to colleges and universities. Twenty one million has been requested from cities, towns and counties out of state shared revenues. The proposal is requesting cities and towns come up with money to help fund the Arizona Department of Water Resources which would come out of Highway User Funds in an amount over \$10,000. They are asking for 14 million from cities, town and counties.

b. Jobs bill - Jim Ferguson / Steve North;

Jim Ferguson reported that the jobs bill put out by EDD is not getting much attention. There is a lot of debate and emphasis to refocus their approach. From the rural side we need to hang in there. State wide, this may not benefit many in the rural areas. He will try to keep up on it. Steve said he has not seen anything new introduced. Pieces introduced 6 – 8 different bills bits and pieces going through.

c. Model City Tax Code – Gus Lundberg;

Gus Lundberg reported there is a bill out right now in the Senate that repeals the Model City Tax Code. Gus explained that every city and town in the State of Arizona is able to handle their

own sales tax rates. There are lots of things that are taxed to cities that are not to the State. This would have a devastating effect on cities and towns if it is put through.

Eric Duthie reported there is a house bill out that has the ability to try to allow college to four year program. Karalea stated that if they have the money but ration of funding about 500 a student university 5000. Realistically how would you institute a 4 year program? Eric Duthie stated if an ordinance or law is adopted by a city or town it is ambiguous and shall be interpreted against the city or town in factor of the person challenging. Steve said one bill proposed a 4% tax on sweetened beverages. Another one would add a 1 cent per mile on electric bills. And yet another would require regulations on watering landscapes in all cities and towns in Arizona.

d. Corporate taxes – Gus Lundberg;

Gus reported briefly on the potential impact of other related bills.

e. Other – All

Karalea reported briefly on secondary educational funds and the lack of funding for 2 year colleges to provide 4 year degrees.

10. Community/Partner updates

Eric Duthie thanked Mark Abrams, Mike Cole, Karalea Cox for attending the meeting today.

Eric said that National Bank wants to participate with the Real AZ Corridor.

Jeff McCormick reported he set up his own LLC Business and is concentrating on rural Arizona development. He is here today to listen and participate.

Jim Ferguson reported Winslow is going to have a submittal from Arizona Prisons which will allow 5000 beds. This would mean 150 to 200 jobs

Debbie Rogers reported that Monday the State Capitol will hold a kick off for Arizona's Centennial for Arizona's 90th Birthday. Representatives from White Mountain magazine will attend to try to draw people to the White Mountains.

Hank Rogers reported they are working on their ATV centennial event. They are also working on a incubator grant feasibility study

Mark Abrams with Frontier Communications thanked everyone for inviting him to the meeting today. His goal is to be a part of the community and he is excited to join in since our success is their success.

Mark said there will be a change of policy at Frontier to improve customer service. Their policy is to be community involved with and to be part of the solution. They have a local sales office in Show Low and will create a number so when customers call in they will speak to a representative in Show Low.

Karalea said that with the budget proposals NPC's budget will get hit. Administration has taken some early initiatives so they won't feel things as deeply as some other colleges. She does not think it will affect them as badly

Molly Pitts recommends this group to look at the 4 initiative. It is important for this area to know what is going on and what would happen in this area

Tracy Mancuso said if you are a small business to attend the seminar they are holding to help keep your business healthy.

Liz Flake reported her goal is to help provide training to businesses in area

Eric Duthie encouraged attendees to contact their legislatures with their concerns as it is critical right now. Hank suggested when bills come up to have the group file emails and let our concerns be known. Eric said we are outnumbered significantly and we need to speak out.

11. Next meeting:

The next meeting will be held March 10th at noon at the Northern Arizona Training Center in Taylor.

12. Adjourn:

The meeting adjourned at 2:27 p.m.

REAL Opportunity in Northeast Arizona. Right Now.

