

RIO NUEVO MULTIPURPOSE FACILITIES BOARD MEETING

Tucson, Arizona  
December 12, 2012  
1:00 p.m.

REPORTED BY:

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1 (Meeting commenced at 1:03 p.m.)

2 CHAIRMAN McCUSKER: Okay. We're going to call the  
3 meeting to order. The State thinks it's 1:04; we think it's  
4 1:03, so we're closer. So let's do our Pledge of  
5 Allegiance.

6 (Pledge of Allegiance was recited.)

7 (1:04 p.m.)

8 CHAIRMAN McCUSKER: Michele, can you do roll call,  
9 please.

10 MS. BETTINI: Mark Irvin?

11 MR. IRVIN: Here.

12 MS. BETTINI: Jannie Cox?

13 MS. COX: Here.

14 MS. BETTINI: Jeff Hill?

15 MR. HILL: Here.

16 MS. BETTINI: Fletcher McCusker?

17 CHAIRMAN McCUSKER: Here.

18 MS. BETTINI: Alberto Moore?

19 SECRETARY MOORE: Here.

20 MS. BETTINI: Chris Sheafe?

21 MR. SHEAFE: Here.

22 CHAIRMAN McCUSKER: And please note that Cody  
23 Ritchie is in Phoenix and will not be here today. We do  
24 have a quorum.

25 We've received the transcripts for the last two

1 meetings. Anybody have any comments, questions, or changes?

2 If not, I would entertain a motion to approve.

3 MS. COX: So moved.

4 MR. IRVIN: Second.

5 CHAIRMAN McCUSKER: A motion's been made and  
6 approved -- for both of those, Jannie, 9th and the 19th?

7 MS. COX: Yes.

8 CHAIRMAN McCUSKER: All right. All in favor, say  
9 aye.

10 (Ayes.)

11 CHAIRMAN McCUSKER: Any opposed, nay.

12 (The Board voted and motion was passed.)

13 CHAIRMAN McCUSKER: All right. And on the agenda  
14 is Executive Session. We need a motion to --

15 MR. IRVIN: So moved.

16 CHAIRMAN McCUSKER: All in favor of . . .

17 (Ayes.)

18 CHAIRMAN McCUSKER: We'll be in Executive Session  
19 for approximately 60 minutes. Thank you.

20 (Executive Session convened at 1:05 p.m.)

21

22

23 (Meeting ^reconvened at 2:34 p.m.)

24 CHAIRMAN McCUSKER: I'll entertain a motion to  
25 reconvene.

1 MR. IRVIN: So moved.

2 MR. SHEAFE: Second.

3 CHAIRMAN McCUSKER: All in favor, say aye.

4 (Ayes.)

5 CHAIRMAN McCUSKER: Thank you, everyone. Good  
6 afternoon. Welcome to 12/12/12. This is not the day the  
7 Mayans calculate to be the end of the world. That's  
8 12/21/12.

9 MR. HILL: So nine days.

10 CHAIRMAN McCUSKER: Nine days, yeah. So in nine  
11 days.

12 Now, thank you for hanging in there with us. I  
13 think everybody knows that we are dangerously close to  
14 resolving our legal differences with the City of Tucson. So  
15 we've had extensive Executive Sessions over the last couple  
16 of meetings to move that process along.

17 I think in terms of a progress update, for me,  
18 that's going to remain in Executive Session, I think both  
19 with the City Council level and with our level.

20 But in terms of what I can say about progress is,  
21 what we are working on today is a settlement agreement; what  
22 we have been working on prior to that was more of what I  
23 would call, as a business person, a term sheet or a letter  
24 of intent, where both parties sign some general terms and  
25 agree to work on the documents later.

1           We've moved beyond that to -- what we are actually  
2 exchanging today is a full blown settlement contract that  
3 will include exhibits and recitals and it will be a binding  
4 document on both parties. So that's taken a little longer  
5 than if we had just approved the terms. I think we are  
6 generally in agreement on the business terms between the  
7 District and the City. So the lawyers will be instructed to  
8 continue to work on that with the City's representatives.

9           So I'll move quickly through the agenda. Then  
10 we'll pretty much cover item No. 11, but we may want to talk  
11 about that with the full board.

12           So the first thing up for us is an engineering  
13 study. We've been asked to help look at some of the  
14 infrastructure and flood issues on the property west of the  
15 TCC. There are two developable lots on that property,  
16 immediately west of Granada and then the Arena lot  
17 immediately west of that.

18           The Board has, in their packet, and -- Michele, is  
19 it available out there if anybody wants to look at it? Oh,  
20 while I'm thinking about it, if you want to fill out a card,  
21 we will be taking comments from the audience toward the end  
22 of the meeting.

23           So for the Board, what you have here is an  
24 agreement from Stantec, an engineering firm, to look at the  
25 Granada's storm drainage issues. It is under our \$50,000

1 limit that requires agreement from the City of Tucson; I  
2 think it's about \$43,000. That would allow them to do a  
3 study of, particularly, the drainage issues from our TCC  
4 property onto this property, and then subsequently onto the  
5 arena lot.

6 Any questions? Or is someone prepared to move to  
7 approve that?

8 MR. IRVIN: Fletcher, who else has read this?

9 CHAIRMAN McCUSKER: No one else. We did not send  
10 this out for bid. This is a firm that's familiar with that  
11 property and has looked at other flood controls on that. So  
12 we did not submit it to bid.

13 And, Mark, I don't know if you can help us. Since  
14 it's under our \$50,000 floor, do we have any obligation to  
15 procure this competitively?

16 MR. COLLINS: Well, when you get into  
17 construction, Mr. Chairman, that is one of the Title 38  
18 questions that comes up for us, that we would have to put it  
19 out for an RFP. Services, not necessarily.

20 CHAIRMAN McCUSKER: This is a study. We're not  
21 building anything.

22 MR. COLLINS: Okay.

23 CHAIRMAN McCUSKER: This is an engineering study.

24 MR. COLLINS: I haven't had a chance to look at it  
25 long enough. But if you're constructing something, then

1 yes.

2 CHAIRMAN McCUSKER: No.

3 MR. COLLINS: Architects and studies --  
4 engineering studies, in my opinion, would not be restricted  
5 by that statute.

6 CHAIRMAN McCUSKER: This is a proposal to review  
7 and study engineering and drainage issues along those  
8 properties. So we're not building anything; we're not  
9 committing to build anything. They would provide the  
10 research and report back to us.

11 MR. COLLINS: As far as I'm aware, we've never  
12 adopted the State procurement code and as a result, we're  
13 not limited by that.

14 MR. SHEAFE: This is actually not a study in as  
15 much as it's a design to a solution to a drainage problem  
16 that's known to exist.

17 Also, Item 4 on there, which is \$7,500, is really  
18 a-not-to-exceed number. That's billed on an hourly basis.  
19 That's rather high compared to what the number will probably  
20 be, because that's just administrative time to meet and to  
21 guide the process.

22 As somebody who does this fairly often, I will  
23 tell you that the numbers are pretty much in line. And they  
24 don't overly concern me. It seems in the case where you've  
25 got somebody that already has all the background

1 information, quite often it's more efficient to do it this  
2 way.

3 I would move approval of the agreement with  
4 Stantec.

5 SECRETARY MOORE: Second.

6 CHAIRMAN McCUSKER: Any further questions,  
7 comments?

8 All in favor, say aye.

9 (Ayes.)

10 CHAIRMAN McCUSKER: Any opposed?

11 MR. IRVIN: Opposed.

12 CHAIRMAN McCUSKER: Okay. Shall we do -- well,  
13 you're the only nay vote.

14 So Mark's the only one.

15 MR. IRVIN: And if I may -- if I might explain it.  
16 It's just that I -- I'm not against doing the study. I  
17 think we need to do the study. I just don't like the fact  
18 that we only have one group proposing on it.

19 CHAIRMAN McCUSKER: We're waiting for Jim  
20 Lovelace. I'm going to flip the order of 7 and 8.

21 Bill, if you're now prepared?

22 We've asked Bill to update us on the work that  
23 we've done -- we collectively have done to get the position  
24 of seeing a draft and annual audit.

25 Jim Lovelace was coming from across town. We will



1 have his presentation of the actual draft audit here in a  
2 minute.

3 Bill, thank you very much.

4 MR. ALLEN: Good afternoon.

5 It's working? Okay. Couldn't hear it.

6 Good afternoon to the Board --

7 MS. COX: I don't think it's working.

8 MR. HILL: I don't think it's turned on.

9 MS. COX: It's not turned on.

10 MR. HILL: It's not turned on.

11 MR. SHEAFE: I think we can hear you pretty well,  
12 though.

13 MS. COX: I mean, we can hear you fine. It's just  
14 not --

15 CHAIRMAN McCUSKER: It's got to go to the tape.

16 MR. SHEAFE: It's got to go on the tape, though.

17 Okay. Try now.

18 MR. ALLEN: Hello? Hello?

19 CHAIRMAN McCUSKER: Is there a switch on the mike  
20 itself? Is there an on-and-off switch on the mike?

21 MS. COX: It's on. It's working now. It's live.

22 MR. ALLEN: Hello? Now, I have an echo. That's  
23 great. I get to talk with an echo now.

24 Anyway, good afternoon to the Board. And I'm glad  
25 to be up here again. I'm sorry I missed the last meeting.

1 I had a conflict where I couldn't come to the meeting when  
2 it had to be rescheduled.

3 I've been asked to talk about two things, really.  
4 The road on the audit itself and -- for fiscal 2012. And  
5 then also, going forward. You know, what we're going to do  
6 to try to tighten up the processes and to have the kind of  
7 timely records and bookkeeping and financial statements that  
8 this District deserves.

9 So in talking a little bit about the audit, right  
10 from the beginning, my No. 1 priority was trying to get the  
11 June 2012 audit done. I was hired in September to do the  
12 June audit. And I came in, really, blind as to what I would  
13 find in terms of records.

14 I came to discover that there were really three  
15 different sources for records for the District in the  
16 previous 15 months, and actually go down the path of trying  
17 to figure out where they stood. And where largely they  
18 stood is that nothing had really been done in terms of books  
19 for at least an extended period of time from two of those  
20 sources.

21 Our internal records, we had checking activity  
22 pretty accurately detailed. But unfortunately all the City  
23 activity had not been booked for a year. And there was  
24 quite a bit of catch up that needed to be done in regards to  
25 figuring out what had happened during that time period.

1           So I set about trying to figure out how I was  
2 going to get that accomplished, and began to dig into the  
3 records that I had. And the City had to put up with my  
4 continual questioning on a lot of things historic, which was  
5 difficult for them, because they're in the current period,  
6 having to go back historically and nitpicking at older  
7 stuff. But we did go through it and we rebuilt it.

8           In the process, we decided that we needed to come  
9 up with a common platform, something what we could do the  
10 books on going forward that was economically a good option  
11 for the District and hardy enough for us to keep the records  
12 in the fund fashion that we need to keep records for the  
13 District. So we came up with an option to use QuickBooks,  
14 but kind of a more robust version of QuickBooks. So that we  
15 used QuickBooks pretty much to its capacity; but it works  
16 and it's very effective.

17           But to do that we had to change and adopt, put in  
18 place a chart of accounts that had not been used for the  
19 District at the time but was available with the -- as Jeff  
20 pointed out a couple of meetings back -- was available with  
21 -- R&A Accounting was doing the work and in fact was  
22 consistent with what the City structure was. So now we have  
23 that structure in place.

24           But it meant rebuilding everything from scratch.  
25 And to assist in that conversion of all those records, we

1 used RCM's CPAs, under an existing agreement, to help build  
2 that information forward. And at a cost of about \$8700, we  
3 were able to rebuild those 12 months, get all the  
4 information in, and explore all the backup that we could  
5 recover and build that information as accurately and as  
6 detailed as possible into that new set of records. But all  
7 of this took time.

8           So just as a brief summary, I wrote down some of  
9 the highlights and things that we went through that caused  
10 this to be a much longer process than I would have  
11 anticipated upon hire. We had to go on a fact-finding  
12 mission on entries that we didn't understand, and had to  
13 rebuild entries, and rebuild backup to the entries.

14           There were clarifications on multiple fronts. One  
15 of the areas was title, trying to evaluate the assets that  
16 were recorded and whether or not we had titles for specific  
17 assets, asset by asset. We had issues sometimes with assets  
18 that weren't recorded that we suspected maybe should have  
19 been recorded. So we had to go through a lot of back and  
20 forth trying to figure what was maybe out there that needed  
21 to be considered in rebuilding these books.

22           The basis of cost that was recorded was also an  
23 issue of contention. And trying to verify -- through  
24 settlement documents, through HUD documents, closing  
25 documents -- what actually got booked and how it got booked,

1 so we understood the cost basis.

2 We had to look at IGA agreements, rental income,  
3 being both past and future, to try to forecast out what  
4 we're really doing with those agreements to the best of our  
5 ability at this point in time.

6 We looked at the unrecorded liabilities. There  
7 was actually a fairly sizable liability that had not been  
8 recorded, as of the end of the last audit, with the City of  
9 Tucson, that we had to dig into and figure out why it was  
10 there and how to deal with it on the books.

11 Contingent liabilities. We had to evaluate the  
12 outstanding lawsuits and the impact on our books  
13 accordingly.

14 Asset service date verification. We had one asset  
15 that was in CIP that actually got placed in service in the  
16 previous period. But we were having trouble fixing in on  
17 when that asset was put in service and trying to figure out  
18 the exact date so that we could properly depreciate that  
19 asset in fixed assets.

20 And then we had some of the broader issues, big  
21 issues of notes receivable adjustment, as well as asset  
22 valuation, where we were looking at the fixed assets we had  
23 recorded to make sure that there weren't any issues with the  
24 basis we had to fair market value, the impairment-related  
25 issues.

1           Then there were confirmations to get legal  
2 letters; various worksheets that had to be prepared for the  
3 auditors; transactional review with the audits, so they went  
4 through and looked through various transactions through the  
5 year; prior period adjustments to look at; booked missing  
6 entries -- there was some entries booked in one of the set  
7 of books but not all of them, so we had to piece together  
8 the missing entries; adjusting entries, all leading to a set  
9 of 12/31 -- 12/30, rather, of 2012 financials that are in  
10 draft form now.

11           So with a lot of effort and a lot of fortitude and  
12 help from a lot of people, we've finally gotten to the point  
13 where there is a draft that we hopefully will be able to  
14 discuss and move forward.

15           Now, as far as the future is concerned, the very  
16 next step for me is to -- I believe, is to -- my No. 1  
17 priority now is to try to make sure that these books are  
18 maintained properly and kept current.

19           And at the expense of trying to look back at all  
20 this history, the current books have not received the level  
21 of attention I would have given them. So I have a level of  
22 catch up that I need to do on the current books, the current  
23 fiscal year, 2013. And my goal is to try to have all that  
24 caught up by the end of January so that we are getting to  
25 the point -- for the month ending December -- and maybe by

1 mid-January or so, having January done.

2           The extended goal of all that is to have financial  
3 statements that I can share with the treasurer; and then,  
4 upon his approval, extend out to the Executive Board, and  
5 then to the extended Board in general. So monthly we're  
6 looking at clean, tight, well-run, reconciled financial  
7 statements.

8           And the next time an audit comes around, we won't  
9 be looking at a September date or an October date or a  
10 November date to get an audit started. We'll be looking at  
11 more like a July 15th date hopefully with a completion maybe  
12 in the middle of August. That would be a huge plus for the  
13 District because these last two years have been a bit  
14 painful. And completely doable. Should have been done all  
15 along. And so that would be my number one goal.

16           I also want to look at the systems that we have  
17 for internal controls, how we process transactions, how we  
18 get approvals, how we do check requests, and document  
19 processes in such a way that we make sure everything's done  
20 monthly that should be done, and we are cross-referencing  
21 and checking it off so that we make sure that everything is  
22 kept current, and everything is complete and accurate in  
23 terms of the things that feed into those financial  
24 statements.

25           So those are the top two priorities -- as soon as

1 I can leave the audit mode -- that I want to dive into for  
2 the District. And that's basically it; that's where I  
3 stand.

4 CHAIRMAN McCUSKER: When you catch up in January,  
5 will we issue monthly statements for July, August,  
6 September, October, and November so we can see each month?  
7 Or are you going to do a 6-month statement?

8 What are you thinking about the current year?

9 MR. ALLEN: I think the fastest way to get to the  
10 present is for me just to simply do a 6-month statement to  
11 move it all forward; and then if we need to go back, we can  
12 go back.

13 I suspect that once we look at 6 months, we're  
14 going to find out that we pretty much understand all the  
15 things that are on those statements and we don't need to  
16 look at individual months. And it will be much faster than  
17 to do month-by-month-by-month statements. So that would be  
18 my recommendation, but go month-to-month after that.

19 CHAIRMAN McCUSKER: And going forward, how much  
20 time would you need to close so that in our February meeting  
21 we can be looking at January financials -- is that two  
22 weeks, three weeks? -- so that we can schedule a meeting so  
23 that we can actually see financials in realtime?

24 MR. ALLEN: Right. There's no reason to not be  
25 able to have financials done within the first 10 days of a



1 month. Bank reconciliations slow you down a little bit, but  
2 other than that -- and those usually come right at the  
3 beginning of the month -- but other than that, there's no  
4 reason not to have your accounting statements. Ten days is  
5 generous usually to what you would need to do for any  
6 companies. Small or large ones like I've worked with  
7 before, we've gotten them out pretty quickly.

8 MR. HILL: I get those Wells Fargo statements on  
9 the 10th. And they're not too complicated.

10 MR. ALLEN: Right.

11 MR. HILL: They may take a day or two.

12 MR. ALLEN: No, they can be booked I think pretty  
13 quickly, basically if they're done monthly. Plus, I can  
14 look online on a lot of that stuff, so...

15 MR. SHEAFE: Bill, in preparing all this, do you  
16 have any concern about any area of the statements,  
17 particularly the income stream, that may present a problem  
18 as far as the accuracy of the numbers that you're working  
19 with?

20 MR. ALLEN: One of the things I'd like to get into  
21 -- that actually got worked on a little bit by Michele and  
22 also with Fletcher's assistance -- is the TIF revenue, and  
23 trying to figure out the whole encompassing body of: Are we  
24 receiving the revenue we should be getting? It turns out to  
25 be a bit of a -- a bit of a complicated issue to work

1 through that and figure out how we can get information. But  
2 we have a process in place we're presently using. And I  
3 would consider that a dominant extension of what I need to  
4 be working on in this fiscal year, to see if I can help to  
5 find better ways to capture information about what may be  
6 out there that isn't being reported or captured by the  
7 District for revenue.

8 So that would be a No. 1 example --

9 MR. SHEAFE: Will that require that you go back  
10 and rebuild some of the income streams from earlier times to  
11 double check the numbers that you get in the statement?

12 MR. ALLEN: Once the State has been --  
13 acknowledges that there's a problem in the collection, of  
14 course, they go back and they try to remedy the collection.  
15 And I think that even resulted, in this last year, with a  
16 pretty sizable collection by the District. But we kind  
17 of -- sometimes we find out this stuff because the State  
18 gets around to auditing something. And I would -- that's  
19 kind of the -- in my opinion, that's the tail wagging the  
20 dog. What I'd like to do is be the dog wagging the tail and  
21 trying to be more proactive.

22 Once you find those things, then there is the  
23 chance for recovery, which is rather critical for the  
24 District to recover lost funds that are not being reported.

25 CHAIRMAN McCUSKER: Part of what we discovered in

1 this, Chris, to my amazement, is that we're not privy to the  
2 information regarding taxpayers, taxpayer delinquency,  
3 because it's confidential to the State. So if there is a  
4 merchant that is not paying, they're not allowed to tell us  
5 that. So we literally have to find our information directly  
6 from the merchants.

7           And I think we're going to step up our  
8 communication tools to -- so we can be visiting with  
9 merchants, educating them about how the TIF forms --  
10 where -- surely, for our own satisfaction, that they're  
11 sending them to the State.

12           We can notify the State when we find a merchant  
13 who's not in compliance, but we will never know if they've  
14 actually caught up because that piece of it is confidential.  
15 You know, we see it in TIF receipts, you might see a spike,  
16 but you don't necessarily know if that was related to this  
17 particular merchant or, in fact, any particular merchant.  
18 So it's the little piece of the law that we really didn't  
19 know until we got into this. And we've had extensive  
20 meetings with the City and State staff is -- there are ways  
21 that we can help, but we don't get to see the results, or at  
22 least on a taxpayer-by-taxpayer basis.

23           MR. ALLEN: I would like to believe that there are  
24 options we haven't explored there. It just seems logical to  
25 me that there's got to be other options that we can somehow

1 get better information more timely.

2 And the other thing we talked about during the  
3 audit was cash investments and some of the obstacles there,  
4 getting idle money invested and getting some return on that  
5 money. We really haven't pursued anything there. It got  
6 kind of back-burnered in deference to getting this audit  
7 finalized and all the issues surrounding what we had to get  
8 done to get the audit done.

9 MR. SHEAFE: Let me just ask one other question  
10 that ties to that. Do we have now a comprehensive list of  
11 who we think should be paying into the system? Do we know  
12 all the business that are within the District?

13 MR. ALLEN: (Shook head.)

14 CHAIRMAN McCUSKER: Yes. We have names, contacts,  
15 physical addresses, emails, when we can. And we're  
16 enhancing that list every day. Again, we can't get it from  
17 any source --

18 MR. SHEAFE: That's why I asked the questions.

19 CHAIRMAN McCUSKER: -- except our own devices. So  
20 Michele is constantly driving up and down Broadway, you  
21 know, knocking on people's doors to confirm that they're on  
22 our list. We've had a number of new merchants move into the  
23 area -- Stein Mart, you know, Hobby Lobby, and others.

24 So we've taken it upon ourselves to gather that  
25 list because we're really not allowed to get it from the

1 State or from the City. Ultimately, we should have a very  
2 comprehensive list of every merchant, their contact  
3 information, a way to reach them. And we will know if  
4 they're current only because we asked them. We're not going  
5 to get that information any other way.

6 MR. SHEAFE: At least if we know who they are we  
7 have a better chance to ask them.

8 CHAIRMAN McCUSKER: Right.

9 MR. SHEAFE: And we have a good sleuth in Michele;  
10 She's checking carefully.

11 CHAIRMAN McCUSKER: When we asked the State for a  
12 list of merchants, we got a list of the merchants, their  
13 names. Yeah, 1100 names. And that's apparently all they  
14 can give us.

15 So you're pretty close now, Michele, right? You  
16 feel pretty confident that you've identified them all or  
17 rounded up their contact information.

18 MR. ALLEN: Part of the problem though is related  
19 to how the merchants actually report. And if they're  
20 reporting it properly, that process isn't visually visible  
21 to us. So I'd like to be able to be more proactive in  
22 figuring out the ones that maybe are not reporting properly.

23 CHAIRMAN McCUSKER: We had met with Kelly and her  
24 staff and they have someone assigned to this at the City as  
25 well. And they can get information from the State.

1 MS. COX: But they can't give it to us.

2 CHAIRMAN McCUSKER: Can't give it to us.

3 MR. ALLEN: Which is sort of illogical because  
4 we're the beneficiary of the money, so it shouldn't be  
5 invisible to us; but that's how it feels.

6 CHAIRMAN McCUSKER: Any other questions to Bill  
7 about the process, how we got here and go forward? Any  
8 other requests that the Board might have that you would like  
9 to see going forward?

10 MR. SHEAFE: Just a quick note. I noticed that  
11 the Chairman was particularly noting of the excellent work  
12 Bill had done in a memo recently that I received a copy of,  
13 and wanted to compliment Bill for the hard work and  
14 exceptional work that he had done. I just thought I'd  
15 acknowledge that that went out from your office.

16 MR. ALLEN: Thank you. Thank you, Chris. I  
17 appreciate it.

18 Thank you, Board.

19 Any other questions of me?

20 CHAIRMAN McCUSKER: It does not appear so. Thank  
21 you very much.

22 MR. ALLEN: All right.

23 CHAIRMAN McCUSKER: We're still waiting for Beach.  
24 I'll come back to him when he arrives.

25 Item No. 9, we did vote on and authorized Michele

1 to procure proposals for a new public relations and website  
2 firm. We received six of those. You have a summary of  
3 those in your packet.

4 The Executive Officers have reviewed those and  
5 it's our recommendation that we go with the local firm,  
6 Victory Image and Information Marketing.

7 So we'd like to discuss how the Board would prefer  
8 to move forward in that regard. We can bring them in and  
9 have them present. There is some urgency, I think, on all  
10 of our part to get a better communication to the community.  
11 I can tell you that among the three of us, it was a  
12 consensus decision about the most qualified firm of the six  
13 proposals that we received.

14 MR. SHEAFE: Would it be appropriate to move that  
15 your conclusion be executed and we move forward; and then we  
16 can pick a time in the future to have them come in and  
17 present as a successful bidder who's already on the job?

18 CHAIRMAN McCUSKER: I'm at your disposal. I think  
19 we can certainly use the Executive Officers for what we're  
20 chartered to do, which is to work on your behalf. But I also  
21 don't want to presume that you're not interested in seeing  
22 these people for yourself before we would make a hiring  
23 decision.

24 MS. COX: Mr. Chairman, I would just say that I  
25 would not have been in favor of going outside of the

1 community because I think we have the resources here. So if  
2 you have reviewed all the proposals, and because you have  
3 selected someone from Tucson, I have faith that the three of  
4 you have probably made a very good decision. And I'd be  
5 glad to support that, that we go forward with your  
6 selection.

7 CHAIRMAN McCUSKER: So you can make that a motion.  
8 Chris was going to move something to that effect.

9 MR. SHEAFE: Yeah. I mean, I will second Jannie's  
10 motion.

11 MS. COX: So moved, then.

12 CHAIRMAN McCUSKER: All right.

13 So the motion would be that we retain Victory  
14 Image and Information Marketing and that the Executive  
15 Committee negotiate that agreement.

16 Chris, are you going to second that?

17 MR. SHEAFE: I did.

18 CHAIRMAN McCUSKER: Any further discussion or  
19 comment?

20 All in favor, say aye.

21 (Ayes.)

22 CHAIRMAN McCUSKER: Any opposed?

23 Thank you very much. We will get them busy, and  
24 they will be a regular of our meetings going forward.

25 Mark, Item 10, you've got an update for us on a



1 couple of non City of Tucson litigation issues.

2 MR. COLLINS: Taking them in order.

3 The Kromko litigation. As you all recall, earlier  
4 this year, Judge Kearney ruled that the District was not  
5 subject to the gift clause. Because her ruling was not  
6 subject to immediate appeal, we asked her to make it subject  
7 to appeal. Last Thursday, she granted that and was  
8 called -- well, an appealable judgment was entered.

9 Mr. Kromko has until January 7th to file a notice  
10 of appeal. If he doesn't, he'll be out of that case. It  
11 still leaves all the questions among the three parties to  
12 the agreement -- the development agreement, which are the  
13 District, the City, and Mr. Bourn's entities.

14 With respect to the 2008 bond proceeds -- anybody  
15 have any other questions about -- any questions about  
16 Kromko?

17 CHAIRMAN McCUSKER: And the date?

18 MR. COLLINS: January 7th.

19 CHAIRMAN McCUSKER: January 7th.

20 MR. COLLINS: Actually it's January 5th, but  
21 that's a Saturday, so he really gets until the 7th.

22 (Secretary Moore left the proceedings.)

23 MR. COLLINS: With respect to the bonds, as --  
24 again, just quickly review: When the bonds were issued, an  
25 attorney had -- they were issued with an opinion from an

1 attorney that the bonds qualified for tax exempt status.  
2 There have been questions coming up about some things to  
3 help wind up those bonds. We have now received guidance  
4 from that same attorney, which will allow the District to  
5 proceed forward with those bonds.

6 CHAIRMAN McCUSKER: We probably should discuss  
7 that since it's been an issue we've often discussed in the  
8 meeting. The question specifically was: Can we expend  
9 those unused proceeds on bond projects?

10 MR. COLLINS: Yeah. The heart of the direction  
11 was -- there are some qualifications, but the heart of the  
12 direction was that, yes, we can.

13 There's some options that the District has. It  
14 can make a choice. I think that the District is going to be  
15 in a position to want to make those choices quickly. But  
16 again, we just got that direction two days ago.

17 MR. SHEAFE: And just to be clear, the alternative  
18 would be to pay the bonds spent.

19 MR. COLLINS: Correct. And that, in fact, was one  
20 of the options that the attorney indicated.

21 CHAIRMAN McCUSKER: Do you have the projects  
22 handy? Could you identify for us and the public what were  
23 the '08 bond-approved projects?

24 MR. COLLINS: I don't have that list. It is --

25 CHAIRMAN McCUSKER: I think I've got one.

1 MR. COLLINS: If you've got one, it is Exhibit B,  
2 as I recall, to the tax certificate that was part of the  
3 2008 bond transcript.

4 (Mr. Moore returned to the proceedings.)

5 MR. COLLINS: It's a list of several projects that  
6 most all of you are familiar with.

7 MR. SHEAFE: It was a pretty comprehensive list.  
8 And the bonds were \$80 million --

9 MR. COLLINS: Correct.

10 MR. SHEAFE: -- if I recall. And of the  
11 80 million, about 67 million was to be used on projects.  
12 And the rest went to the fine people that put the bonds  
13 together.

14 MR. COLLINS: Well, and -- yeah. Reserves and  
15 that sort of things, yes.

16 But I'm sorry I don't have that, Mr. Chairman, and  
17 members of the Board. But we have discussed them before and  
18 they're the projects that you're all familiar with within  
19 the District -- actually within the TIF site.

20 MS. COX: You circulated this. Did it stop at  
21 somebody's -- did it end up in somebody else's packet? I  
22 know it's not marked.

23 CHAIRMAN McCUSKER: Do you think it would be  
24 worthwhile --

25 MR. HILL: To the left. It's probably still

1 sitting there.

2 MS. COX: Alberto, you saw it, right?

3 SECRETARY MOORE: I saw it and I passed it on to  
4 Jeff.

5 MS. COX: And you passed it on?

6 MR. HILL: Yeah, I passed it that way.

7 MS. COX: Okay.

8 MR. COLLINS: Mr. Chairman, we could certainly  
9 post that on the website if you --

10 CHAIRMAN McCUSKER: Yeah. I think it would be  
11 good for the public that's following this issue that they  
12 see exactly what it is that we are considering. But my  
13 recollection is that it's about 4.1-or-so-million dollars --  
14 in the four and a half million dollar range.

15 MR. COLLINS: Well, that appears to be the amount  
16 of money that would be left, approximately. Some of that  
17 money is going to be going to the City; some of it would be  
18 on the bond projects. But as I said, there's -- there are  
19 several choices that the attorney indicated.

20 I thought what you were talking about is you  
21 wanted to have posted the exhibit list of those projects so  
22 that people can see it. I would not recommend that the  
23 attorney's opinion --

24 CHAIRMAN McCUSKER: Yeah. I wasn't going there.

25 MR. COLLINS: Okay.

1           CHAIRMAN McCUSKER: But the fact that -- maybe a  
2 little cover letter from us that we have received  
3 confirmation from bond counsel that we can spend the unspent  
4 portion of the 2008 series bonds along the lines of the  
5 projects that were approved as part of that original issue,  
6 and/or pay the debt down. We have that option.

7           MR. COLLINS: Right.

8           CHAIRMAN McCUSKER: All right. Any other  
9 questions for Mark?

10           Now, while you're standing there, let's just talk  
11 about the City of Tucson settlement. We're instructing you  
12 to continue your negotiations with the City Attorney. I  
13 think it's highly likely that things move quickly. We would  
14 opt to hold a special meeting in that regard so that we can  
15 respond quickly if you make significant progress over the  
16 next few days.

17           SECRETARY MOORE: Mr. Chairman, are we going to  
18 try to meet that City council meeting on the 18th?

19           CHAIRMAN McCUSKER: We would have to meet by the  
20 17th in order to do that. So that's going to be --

21           SECRETARY MOORE: I don't know if --

22           CHAIRMAN McCUSKER: -- a charged few days.

23           MR. COLLINS: I can assure you, I spent a great  
24 deal of time on this in the last week and ten days. I'll  
25 continue to do that. I understand the urgency, and the

1 18th.

2 Is that a motion instructing me to proceed?

3 CHAIRMAN McCUSKER: No. I think we have a  
4 standing motion. Do we need to do anything else?

5 MR. COLLINS: I'm going as fast as I can.

6 CHAIRMAN McCUSKER: We don't need to do anything  
7 now. We don't need to get another action. You're still  
8 directed and continue to direct you to negotiate on our  
9 behalf.

10 MR. COLLINS: Understood.

11 CHAIRMAN McCUSKER: All right.

12 I saw Beach walk in.

13 Jim Lovelace, thank you very much. The Board has  
14 received the draft of the audit. I do have a technical  
15 issue with the agenda that I think we can amend by a motion.

16 Item No. 7, you'll see that BeachFleischman will  
17 present the audit for the period ending June 30, 2011.  
18 That's a typographical error. That should be read for the  
19 period ending June 30, 2012.

20 So if someone would move to amend the agenda.

21 MR. HILL: I move that we amend the agenda to  
22 reflect the actual date on the audit of 2012. That's an  
23 nonsubstantive issue and technical nature and therefore  
24 amendable on the agenda.

25 CHAIRMAN McCUSKER: I need a second for that.

1 MS. COX: Second.

2 MR. IRVIN: Second.

3 CHAIRMAN McCUSKER: Jannie beat you to it.

4 All in favor, say aye.

5 (Ayes.)

6 CHAIRMAN McCUSKER: All right. So what we're  
7 discussing today -- and, Jim, I will tell you, we probably  
8 will not seek approval today if we're going to have a  
9 special meeting here in a few days on the settlement.

10 What I'd like to do is give everyone a chance to  
11 kind of digest and read again through the audit.

12 MR. LOVELACE: Okay.

13 CHAIRMAN McCUSKER: If they have any questions of  
14 you, they can call you directly. And then we can approve it  
15 officially in a subsequent meeting. It just feels better  
16 than to try and rush through it today just for the sake of  
17 approving it.

18 So with that, we do have a draft. And the public  
19 does not. So this will not be something that we release  
20 prior to you finishing your audit. But if you could walk  
21 through and keep in mind that nobody behind you has anything  
22 to refer to.

23 MR. ALLEN: Mr. Chairman, and members of the  
24 Board, we appreciate the opportunity to speak on behalf of  
25 the current year 2012 audit. I believe I understand you

1 have had a chance, briefly, to take a peek at those drafts.  
2 What I would like to do is to talk about the more salient  
3 points of the document you have in front of you.

4 Historically, you know the District -- the prior  
5 two years, the audit opinions have been qualified.

6 In the current year, the Board strategized with  
7 our firm on means to resolve that matter, and so  
8 specifically, going from a qualified to an unqualified  
9 opinion. Now, I'm going to you layman's terminology for  
10 folks who may not understand that. In our world -- or  
11 rather in yours, that's referred to as a clean opinion.

12 Again, historically it's been qualified. Why has  
13 it been qualified? Predominantly because of who has title  
14 to what and who has those costs on their books between the  
15 City of Tucson and the District.

16 Now, I want to back up and digress one more time.  
17 Under the current reporting model, GASB 34, you have both  
18 modified and full accrual. The modified are for the fund  
19 financials versus the full accrual.

20 Please understand that historically the  
21 qualification had no impact to the modified, the fund  
22 financials. So historically, and in 2012, the  
23 qualification, historically and presently, has no impact.  
24 It's only in the full accrual. In the full accrual is where  
25 you have recorded assets; capitalized costs for assets,



1 either titled or not titled in your name.

2           And again, for folks who are new to the Board,  
3 that's the reason for the prior qualification. Okay? So  
4 specifically in the current year, we are in a position,  
5 based upon some loose ends, some open items, we are prepared  
6 to issue a clean opinion. That's very important to this  
7 District, first and foremost.

8           Again, as it relates to the fixed assets and the  
9 qualification, predominantly there was construction in  
10 progress and some other miscellaneous assets on your books  
11 that, again, were recorded that -- which were not titled in  
12 the name of the District. These items are specifically  
13 disclosed in the drafts you have in front of you. They were  
14 disclosed both in the prior period adjustment. They're  
15 disclosed in the claims in the settlement with the City of  
16 Tucson, et cetera. So I would encourage you to take a look  
17 at those.

18           Again, that's the status of the current year  
19 engagement. And the current position is, is that we have  
20 some open items. Auditing standards require us to update  
21 our subsequent events, and there were a couple of open  
22 items. We are still pending the management representation  
23 letters, both from the Board, the chief financial officer,  
24 and the City of Tucson. Those are standard items.

25           But our auditing standards based on

1 professional judgment also require us to update attorney  
2 response letters. And our current response letters from  
3 counsel of record, both Gust Rosenfeld and Rusing Lopez, are  
4 stale in our interpretation. And we will be updating those  
5 request letters as well. With that --

6 CHAIRMAN McCUSKER: They're all here.

7 So, gentlemen, you heard that, right? So you get  
8 to do them again.

9 MR. LOVELACE: That is a standard procedure --

10 CHAIRMAN McCUSKER: What you're looking for is if  
11 anything's new, kind of thing. So will you send out  
12 something that they will respond to?

13 MR. LOVELACE: That is correct.

14 CHAIRMAN McCUSKER: All right.

15 MR. LOVELACE: In reality, there's a footnote that  
16 discloses that through the date of the audit report, no  
17 other matters came to your attention or our attention which  
18 would require subsequent event disclosure. And so we're  
19 dotting our "I"s and crossing our Ts every job we do.

20 CHAIRMAN McCUSKER: So you'll do that today?  
21 Tomorrow?

22 MR. LOVELACE: Absolutely. We'll get those  
23 requests out ASAP; that is correct, Mr. Chairman.

24 CHAIRMAN McCUSKER: All right. And so if you get  
25 those back, you get the rep letters, you'll be in a position

1 to publish in a few days. Is that --

2 MR. LOVELACE: As soon as we have those documents  
3 in our hand, we could do a 24-hour turn around. I will  
4 preface it by saying, the lady that does the binding in my  
5 office probably has PTO scheduled for the Christmas  
6 holidays. Not being privy to that but to be certain, again,  
7 if we get those open items documented, we would expect  
8 ourselves to have a 24-hour turn around.

9 MR. SHEAFE: I'm sure you can rely on the lawfirms  
10 to respond very quickly.

11 MR. LOVELACE: Mr. Sheafe, I appreciate that. The  
12 folks behind me, hopefully, have heard that as well. But  
13 they understand. Again, it's a very common technique in the  
14 world of auditing to update an attorney's response letter.  
15 Okay?

16 CHAIRMAN McCUSKER: We asked Bill before you got  
17 here, he gave us kind of an update on the challenges getting  
18 to a clean opinion, the opportunities going forward in terms  
19 to better manage this. Anything you'd like to say to us  
20 particularly that we need to attend to so that we're not  
21 producing audits in December for the period that ended in  
22 June?

23 MR. LOVELACE: There will be a management letter  
24 forthcoming. And in general, good old-fashioned accounting  
25 policy and procedure, it's generally accepted that you post,

1 close, and reconcile on a timely basis. And yes, sir, we  
2 would expect that those books would be reconciled on a  
3 timely basis.

4 We recognize, again, in the transition with the  
5 current -- I'll call it -- folks in place, employees of the  
6 District, hopefully that would be the case going forward and  
7 issuance could be more timely. Okay?

8 CHAIRMAN McCUSKER: This is Beach's third year of  
9 a third-year engagement. So we acknowledge the hard work  
10 that you've done for us. I think we're obliged to  
11 re-procure this.

12 MR. LOVELACE: Okay.

13 CHAIRMAN McCUSKER: So it's my hope that you would  
14 be a bidder. But again, thank you for everything you guys  
15 have done, particularly over the last several months. I  
16 know it's been quite chaotic.

17 MR. LOVELACE: That's the nature of the beast  
18 sometimes.

19 CHAIRMAN McCUSKER: Thanks.

20 Any questions for Jim?

21 All right. Thank you.

22 MR. LOVELACE: Thank you.

23 CHAIRMAN McCUSKER: Thank you, everyone at Beach.

24 MS. COX: That is huge.

25 CHAIRMAN McCUSKER: I think we've ticked through

1 the agenda items. Anything you see that I've missed? No?

2 Any call to the audience? I see none.

3 I'll entertain a motion to adjourn.

4 MS. COX: So moved.

5 CHAIRMAN McCUSKER: All in favor, say aye.

6 (Ayes.)

7 CHAIRMAN McCUSKER: We stand adjourned.

8 (Meeting concluded at 3:17 p.m.)

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C E R T I F I C A T E

I, John Fahrenwald, certify that I took the shorthand notes in the foregoing matter; that the same was transcribed under my direction; that the preceding pages of typewritten matter are a true, accurate, and complete transcript of all the matters adduced to the best of my skill and ability.

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John Fahrenwald