

**Minutes for Meeting  
of the Board of Directors of the  
Rio Nuevo Multipurpose Facilities District**

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**Wednesday, June 23, 2010**

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**Tucson Convention Center, Greenlee Room  
260 South Church Avenue  
Tucson, Arizona**

A meeting of the Board of Directors of the Rio Nuevo Multipurpose Facilities District was held on Wednesday, June 23, 2010 in the Tucson Convention Center, Greenlee Room, 260 South Church Avenue, Tucson, Arizona commencing at 2:00 pm.

**Bond Counsel Presentations: 12:30**

1. Roll Call (Quorum of Board may not be present during presentation/Discussion).
2. Presentation/Discussion with potential bond counsel firms.

**Regular Meeting: 2:00**

**1. Roll Call**

The meeting was called to order at 2:26 pm.

	<b>Appointee</b>	<b>Present</b>	<b>Absent/ Excused</b>
Jodi A. Bain, Chair	Senate	x	
Dan Cavanagh, Member	Governor	x	
Jeff DiGregorio, Member	Tucson	x	
Scott Egan, Member	House	x	
Carlotta Flores, Member	Governor	x	
Mark Irvin, Vice Chair	House	x	
David N. Jones, Member	Governor	x	
Alberto Moore, Secretary	Governor	x	
Anne-Marie Russell, Member	Tucson	x	
Victor Soltero, Member	South Tucson	x	
Alan F. Willenbrock, Treasurer	Governor		x

**2. Discussion and possible action with regard to bond counsel services for the District – Jodi Bain.**

Chair Jodi Bain indicated that she and Board Member Alan Willenbrock reached out to a variety of firms, some responded and others did not. During today's Bond Counsel

Presentations, Ballard Spahr, Lewis and Roca, Greenberg Traurig, and Gust Rosenfield gave presentations. She indicated that the Board may need more than one firm for Bond Counsel to serve as Special Counsel, because of the items that we are moving through, we will need a tax opinion, which is different than the transactional structure of a deal. She is still collecting information on fee structures.

Chair Jodi Bain indicated that this item will be continued to a future agenda to allow time to review the information the Board has received and make a decision on who they will hire as Bond Counsel

**3. Interim Executive Directors Report - Richard Miranda**

Mr. Miranda indicated that after the discussion and action of the Board from last week's agenda, he met with the City Attorney, the Mayor, and the City Manager to convey the feelings of the Board, and subsequent to that there was a meeting between the Mayor and the City Attorney, Board Members Mark Irvin and Jodi Bain and Mr. Miranda. The Mayor has committed to meeting with each of the Board Members individually to convey the commitment and partnership between the Rio Nuevo Board and the City of Tucson. City Manager, Mike Letcher, is here today to provide some remarks to you relay the importance of a partnership between the City of Tucson and the Board to make the District work.

City Manager Mike Letcher thanked the Board for the opportunity to address them. He indicated that there are three very important things that need to be done from the City of Tucson's perspective. One is the IGA between the Rio Nuevo Multipurpose Facilities District and the City of Tucson. He indicated that the attorneys from the District and the City of Tucson are working on that now and when resolved, it will set a great foundation to move forward in a relationship where we can move as one unit as apposed to two. He also indicated that he hopes the IGA will clear up the issue regarding the Depot Garage.

Mr. Letcher also indicated that this will also allow us to jointly agree on a timeline on the Hotel Project and the due diligence that we need to do to make sure we all have the information to make an informed decision for this community. And three, Mr. Letcher is planning to meet every couple of weeks with the Chair, and/or one of the Board Members as the Chair determines, Richard Miranda, Sean McBride, Assistant City Manger, and himself, to really talk and build a foundation on where we go into the future. We are the only City in the State that has a TIF District, this is a huge resource and what we do now, for the next year, and even months, will greatly impact the future of the TIF and the ability to improve our downtown and all of the improvements needed in the TIF District. To provide jobs, a vibrant downtown, and to honor this very special downtown. He ended by saying that he was looking forward to working with the District and their future partnership.

**a. Discussion and possible action with regard to a schedule for decision-making on the hotel.**

Interim Executive Director Richard Miranda indicated that in respect to the timeline that the City is looking forward and is anxious to work with the subcommittee in

developing a timeline. Mr. Miranda indicated that Chair Jodi Bain should contact him to set up a time for the Board's Subcommittee made up of Board Members Jodi Bain, Mark Irvin, David Jones, and Dan Cavanagh and the City's team. Mr. Miranda indicated that two separate City negotiating teams were created. The team to discuss the timeline is himself, Kelly Gottschalk, and Mike Rankin, and the team to discuss the Hotel Project is Sean McBride, Kelly Gottschalk, Hector Martinez, and Mike Rankin.

**b. Discussion and potential action on 2011 draft budgets.**

Ms. Silvia Amparano, Deputy Finance Director, discussed the draft budgets. She indicated that she distributed a copy of the Budget in the format as required by the Arizona Revised Statute, and is now down to one scenario, based on comments from the Chair and other Board Members. The back up shows details and a summarized version.

Board Member Mark Irvin indicated that he would like to have a better understanding of the projects and asked that at a future meeting Jessie Sanders give another presentation. Chair Jodi Bain indicated that at the meeting after the Budget is approved she will schedule the presentation.

After some discussion regarding the Pre-Opening budget, Steve Moffett from Garfield Traub indicated that every hotel project has a pre-opening budget. It is used to only pay actual expenses to get the Hotel ready for Opening Day. He indicated that there is an extremely detailed budget available for review and that the owner always pays the pre-opening budget.

Greg Shelko indicated that this pre-opening budget is not income to Starwood, it is only a budget to pay actual expenses, and they will be working for two years before the hotel is ready to open. As a property manager they only earn a management fee, they don't share in the bottom line profits.

Jim Sult from Piper Jaffray, indicated that Starwood's roll comes in two phases, one during the development and then the actual operations. During the operations phase, there is the management fee and the hotel operating agreement. There will be two other agreements that will be executed with the owner and Starwood. Those are the Pre-Opening Services Agreement and the Technical Services agreement. In those documents they will clearly layout all responsibilities of Starwood, which include all of the services they provide and all of the costs, they are not making a profit. So in addition to hiring marketing services staff, they are hiring employees, training them, working with the development team to get IT systems in place to get them linked to the Central Reservation System for Starwood Preferred Guests. Board Member David Jones said that he understands that the numbers can be negotiated and that a disclosure of where the money is spent will be provided. Chair Jodi Bain indicated that she has been told that this is standard, but why does it have to be in this case. Board Counsel indicated that the fee to the Sheraton is not fixed.

**After some discussion, the Board went to Item 4.**

**4. Discussion and potential direction on payment of insurance broker for services - Mark Irvin**

Board Member Mark Irvin indicated that it will be next week before David Lovitt will be able to come and speak to the Board. He is still waiting on several responses, it has been more involved than we expected. He had several people who initially were not interested, but after being provided additional information, some firms will be rebidding. They will be ready next week.

Mr. Irvin refreshed everyone's memory when the Board initially brought DM Lovitt in, it was to place DMO insurance. We negotiated a fee of \$1,500, which placed about \$42,000 in DMO insurance, due to the way the fee was structured we saved about \$3,000-\$3,500. We then asked DM Lovitt to make an analysis relative to our IGA and make recommendations for coverages, and they did so without compensation. Normally that would have cost about \$2,000.

We have talked to them about working on our General Liability Insurance and have them looking at the coverages we have on the Fox Theatre, the Rialto Theatre, convention center, parking garage, and other properties. And we have them looking at everything relating to the Hotel insurance and coverage.

If we decided to continue using his services, do we want to go to a fee structure, and have him paid 10% of every policy that he writes, or he has offered us a situation where he would handle our insurance needs and whatever we need him to for the next 6 months and charge us a monthly fee of \$1,000. We looked at this option and it turns out to be a wash. We are looking direction from the Board on how we want to compensate DM Lovitt for the work they are doing. Do we want to put them on a 6-month retainer, in which time we should have most of our insurance work done, or do we want to back off of that and say we will pay your normal fee from the policies that you write.

A motion to retain DM Lovitt for the next 6 months at a fee of \$1,000 per month to help us with our insurance, then 6 months from now we revisit to see what we need to do at that time. The fee would be retroactive to the beginning of the contract to begin June 1, 2010 with them was made by Board Member Mark Irvin, seconded by Board Member Alberto Moore. Motion passed 10-0.

**5. Update on Auditor General's office and Crowe Horwath on the audit - David Jones and Dan Cavanagh**

**a. Discussion and approval of payment agreement with Auditor General - Keri Silvyn**

Board Member David Jones indicated that Board Counsel have had conversations with the Auditor General's Office and a meeting will take place on July 14, 2010, at 3:00 pm at Board Counsel Keri Silvyn's office.

Board Counsel Keri Silvyn indicated that she has received a copy of the contract with the Auditor General's office and Crowe Horwath. We had negotiated with the Auditor General's office for the District paying the audit in the same incremental payments that they are paying Crowe Horwath, 5 payments depending on the work being done. It states that the District would be responsible for any penalty due for late payments, Crowe Horwath has none, but if we are late in making the payment there is interest that will be due. The Auditor General's office has agreed that the District has 15 days to pay the invoice. As soon as she receives a fully executed electronic version she will provide it to the Board for their review.

Ms. Silvyn indicated that drafts of the audit will be available to allow extensive review by the District on September 7, 2010. The final report is due on October 29, 2010.

**6. Status report and possible direction regarding convention center/hotel based activities –David Jones and Greg Shelko.**

Mr. Greg Shelko gave the following report:

East Entrance - Reported last week that building is in the punched list process. Inspections have been done by the City of Tucson, the builder, the architect, and the developer. There is about a 1 page list that remains to be completed which is ongoing as we speak. There is approximately \$513,000 remaining in contract balance, after the pending payment is made, of that, there is \$258,000 in retainage. Issues affecting final completion are the fire alarm system sign-off by the Fire Marshal and the State elevator inspector. This has to do with wiring systems within the existing facility vs. the contract work. The punch list does not include any major mechanical work. There remains a polished concrete floor area issue at the escalator base. There is ongoing discussion between the builder and the City of Tucson regarding door hardware specifications. Testing and commissioning has been postponed until alarm issues are resolved, this is required for Certificate of Occupancy. A report on the final punch list close out will be at the next meeting.

Hotel / TCC Expansion pre-construction and design - When pending payments are made, the preconstruction balance in the budget will be approximately \$182,000, about \$119,000 is an architectural balance. A meeting was held with Garfield Traub and Turner/Sundt yesterday to review the status of GMP preparation. This did not involve negotiation, but rather to make follow-up review for completeness and assembly of deliverables. When delivered, Board can expect document organized generally like this:

Summary presentation of cost for each component

- Hard construction by division;
- FF&E,
- OS&E;
- Contingencies;
- Indirect costs
- Development fees, entitlements and owner costs (with cost expressed as a

percentage of total and cost per square feet)  
Back up detail with unit pricing and product and material itemization  
Delineation of general requirements and general conditions  
Bid tab analyses

Delivery date is June 30, 2010. A copy in book form will be provided for the Chair and Vice-Chair, and the Counsel, the other Board Members will get a CD. Mr. Shelko suggested the Board receives the proposed GMP presentation in Executive Session to get displayed walk-thru for background and to discuss means and methods of commencing negotiations. He indicated that the Design-build agreement will be provided at the same time. He mentioned to expect the developer to provide not only recommendations, but also comparative data to facilitate process.

Mr. Shelko introduced Gary Worthy and Tom O'Neill from DLR, and Kay Long and Brandt Gordon from Kay Long and Associates. Mr. Shelko indicated that the design presentation was critically important as a preamble to the GMP evaluations.

An overview of the design presentation was as follows:

- Site organization and site plan
- Exterior structural and architectural design
- LEED goal and scoring
- Floor plates
- Brand room standards
- Interior design, lobby level up

- 7. Report from Legal Counsel – Keri Silvyn and Bob Gugino.**
- a. Report on negotiations of City of Tucson IGA.**
  - b. Update on Administrative Rules revisions.**
  - c. Report regarding Depot Plaza Parking Garage.**
  - d. Report regarding Arena site.**
  - e. Report on 351 S. Brickyard (West side hole in ground).**

Board counsel Keri Silvyn indicated that a report on these items had been given previously, but had an update on Item 7.b. She indicated that she had a discussion with the City Attorney Mike Rankin about extricating the Administrative Rules from the IGA for the purpose of making amendments in the future. Mr. Rankin indicated there would not be a problem. She also did some legal research, and found that as a public body, the Board Members can not proxy their vote. It could also violate the open meeting laws.

**Item No. 9 and 10 were taken out of order.**

**9. Call to the Audience:**

Todd Scholer from Sun Mechanical Contracting addressed the Board in favor of the downtown hotel.

Ann Charles from Ward 6 Council Office addressed the Board regarding the process of posting the public hearing.

**10. Future Meeting Dates and Agenda Items.**

June 30, 2010, 2:00 pm.

**8. Executive Session**

At 4:42 pm, a motion to go into Executive Session was made by Board Member David Jones, seconded by Board Member Scott Egan, approved 10-0.

**a. Negotiations with City of Tucson on IGA.**

**b. Depot Plaza Parking Garage.**

At 6:22 pm, a motion to come out of Executive Session was made by Board Member Mark Irvin, seconded by Board Member Alberto Moore, approved 10-0.

**11. Adjournment.**

The Rio Nuevo Board formally adjourned the Regular meeting after the executive session at 6:23 p.m.

**Public Hearing: 6:15 pm**

The Public Hearing was called to order at 6:25 pm.

**1. Roll Call**

**2. Public Hearing on Rio Nuevo Multipurpose Facilities District Budget.**

No response.

**3. Presentation/Discussion with potential bond counsel firms.**

The following addressed the Board.

Richard Underwood, AAA Landscape – In Favor

Ron Michaels – Opposed

Paul Parisi, Tucson Metropolitan Chamber of Commerce – In Favor

Lynn Strauss – Opposed

Steve Kozachik, City Council Ward 6 – Neither In Favor nor Opposed

Jerry Vlach, Southwest Regional Council of Carpenters – In Favor

Ken Scoville – Opposed

Wally Johnson, Charles Court Construction – In Favor

Jim Kazal, Kazal Fire Proction – In Favor

Rick Grinnell, Smarth United Business Strategies – Not Yet

Todd Scholer, Sun Mechanical Contracting – In Favor

Ted Hinderaker, Pueblo Center Partners – In Favor

Dana Cooper – In Favor

Jim Kuliesh, Alliance of Construction Trades – In Favor

Boyd Gertsch, Applied Rite Doors and Docks – In Favor

Rick Williams, SOS Exterminating – In Favor

Rudy Jr, Garcia, RG & Sons Plumbing – In Favor  
David Pittman, Arizona Builders Alliance – In Favor  
Ben Buehler-Garcia – Not Yet  
Michael Crawford – In Favor  
John Kromko – Opposed  
John Cesar – Opposed  
Charles Heller – Opposed  
Barney Brenner – In Favor  
Aaron Crandell – In Favor  
**COMMENT CARD ONLY**  
Nicholas Czirrola – In Favor  
Ian Johnson – Opposed  
D’Herrera Tapia - Neither In Favor nor Apposed  
Emily Yetman – Opposed  
Anne Gomez – No sure  
David Guillen – In Favor

**The Meeting was adjourned at 7:36 pm.**

*NOTE: It is the intent of these meeting minutes to get the general meaning of the discussion, summarize what happened, and record official actions. The minutes are not intended to be a verbatim transcription of all that was said. Audio files of the meetings are available for review at City Hall, Finance Department, 255 West Alameda, 5<sup>th</sup> Floor West.*