

RIO NUEVO MULTIPURPOSE FACILITIES BOARD MEETING

Tucson, Arizona
June 24, 2015
2:00 p.m.

REPORTED BY:

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1 (Meeting commenced at 2:03 p.m.)

2 CHAIRMAN McCUSKER: Let's call the meeting to
3 order. The official Verizon time is 2:03 p.m.

4 We'll do the pledge first. Oh, there I am.

5 And, Edmund, since you're the rookie, you get to
6 lead us in the Pledge of Allegiance.

7 MR. MARQUEZ: Oh, it's my pleasure.

8 CHAIRMAN McCUSKER: For the next year.

9 (Pledge of Allegiance was recited.)

10 CHAIRMAN McCUSKER: Michele, call the roll.

11 MS. BETTINI: Jeff Hill?

12 MR. HILL: Here.

13 MS. BETTINI: Chris Sheafe?

14 TREASURER SHEAFE: Here.

15 MS. BETTINI: Fletcher McCusker?

16 CHAIRMAN McCUSKER: Here.

17 MS. BETTINI: Mark Irvin?

18 SECRETARY IRVIN: Here.

19 MS. BETTINI: Jannie Cox?

20 MS. COX: Here.

21 MS. BETTINI: Edmund Marquez?

22 MR. MARQUEZ: Here.

23 CHAIRMAN McCUSKER: And, Edmund, welcome to the
24 Board. Thank you for your service.

25 MR. MARQUEZ: Thank you.

1 CHAIRMAN McCUSKER: Whatever we do, you are
2 certain to be criticized for it.

3 MR. MARQUEZ: I'm sure. Looking forward to it.
4 Looking forward to it.

5 CHAIRMAN McCUSKER: You have the Board meeting
6 minutes from May 14th that are transcribed. Any questions,
7 comments, or changes?

8 SECRETARY IRVIN: Motion to approve.

9 MS. COX: Second.

10 CHAIRMAN McCUSKER: All in favor, say aye.

11 (Ayes.)

12 (The Board voted and the motion
13 carried.)

14 CHAIRMAN McCUSKER: And we have Executive Session
15 on the agenda. We need a motion to recess to Executive
16 Session.

17 SECRETARY IRVIN: So moved.

18 CHAIRMAN McCUSKER: Need a second for that.

19 TREASURER SHEAFE: Second.

20 CHAIRMAN McCUSKER: All in favor, say aye.

21 (Ayes.)

22 (The Board voted and the motion
23 carried.)

24 CHAIRMAN McCUSKER: Okay. And we'll see you here
25 in about 60 minutes.

1 (The Board adjourned to Executive
2 Session at 2:04 p.m.)

3 (Meeting reconvened at 2:49 p.m.)

4 CHAIRMAN McCUSKER: We need a motion to reconvene.

5 SECRETARY IRVIN: So moved.

6 MR. HILL: Second.

7 CHAIRMAN McCUSKER: All in favor, say aye.

8 (Ayes.)

9 CHAIRMAN McCUSKER: Thank you.

10 Good afternoon, everyone. I'll make my remarks
11 brief. We'll try to get to the agenda pretty quickly. I
12 know everybody's kind of got a 4 or 4:30 hard stop.

13 Couple things that I wanted to pass on -- I've
14 been working on since the last meeting over the summer. I
15 did meet with the City of Tucson leadership as it relates to
16 the presentation that our architects made at the last
17 meeting regarding the TCC.

18 Just a brief summary. The City's amenable to
19 discussing with us some increased rent at the TCC that would
20 allow us to raise some additional funds to continue its
21 renovation.

22 So we'll see, later in the agenda, we actually
23 have a conversation regarding our current bond status and
24 what we might be able to do to refinance those and create
25 some room in that package that could result in better plans

1 to renovate the aging TCC.

2 The Arena Site's on the agenda, so I don't need to
3 talk about that. Just keep in mind it looks like both of
4 the projects that we've been involved with that involve
5 sales of Rio Nuevo properties --

6 It seems pretty loud. Michele, if you could turn
7 it down. It's kind of echo-y here.

8 We should collect something in the neighborhood of
9 \$7 million that can be repurposed. So we don't have any
10 idea yet on what to do with that. We've had some
11 presentations. And I expect we're going to have several
12 more presentations over the summer about how that money,
13 both on the sale of the Rialto and sale of the Arena Lot can
14 be repurposed.

15 We're very grateful to Governor Ducey for our new
16 appointment, Edmund Marquez, who's been appointed to the
17 Board -- as of Friday, I believe. So he's drinking water
18 from a fire hose here over the last couple days. But we
19 worked pretty hard to orient him to our current activities.
20 So -- and of course, people that know Edmund know he's been
21 very connected to our community for a long time and
22 passionate about how we live, work, and play.

23 So, Edmund, if you'd like to make some remarks
24 about your hopes for all this, we'd love to hear from you.

25 MR. MARQUEZ: Thank you very much for having me.

1 I'm excited to be serving on this Board. I'm born and
2 raised in Tucson, Sabino High School, UofA. I love Tucson.
3 I love this community.

4 I'm really impressed by the -- how this Board has
5 been able to get Rio Nuevo back on track. I intend to
6 really be a positive influence in the Tucson community as I
7 discuss with people where Rio Nuevo is today and where we're
8 going and put our past behind us. And just very excited.
9 So thank you for having me.

10 CHAIRMAN McCUSKER: Thank you. Welcome aboard.
11 Dan?

12 MR. MEYERS: I'm Dan Meyers, the CFO of Rio Nuevo.
13 Okay. We'll go over our cash position as of the
14 end of May.

15 As of the end of May, we had about \$7.1 million in
16 our bank accounts consisting of 1.7 million in Alliance Bank
17 operating; 5 million, approximately, in the Alliance ICS
18 account; and \$420,000 in the Bank of Tucson.

19 During -- actually, just last week we got the
20 report from the City of Tucson regarding accrual funds. And
21 they made some accruals at the end of 2014 -- June 2014.
22 And there was some accrued interest that was in our account.
23 So we kind of got a surprise of \$18,000 coming our way that
24 should be in the bank in the next couple of days.

25 So our total cash on hand is a little over

1 7.1 million.

2 As far as existing commitments that are still
3 outstanding, we've got 1.1 million outstanding for Mission
4 Gardens. The AC Marriott Hotel garage, which is still over
5 a year away, is 4.29 million. Approximately \$40,000 remain
6 for the Tucson January 8th Memorial. \$750,000 on
7 Streetscapes. And we've got about \$370,000 remaining to be
8 paid out for the Tucson Community Center Arena. 105 of that
9 is retention and a pay application that we have on our hands
10 now that will be going out in the next day or so as well.

11 The amount we received for our TIF increment for
12 March, which we received in early June, was less than
13 \$300,000. I consider it a disappointing number. I
14 contacted Arizona Department of Revenue, tried to set up a
15 meeting with them, and they gave me good news.

16 They said the month that we'll be getting paid for
17 April's TIF -- will be received in July -- they picked up 45
18 new businesses that weren't on our rolls. And she said
19 there would be many amendments to prior reports.

20 As we've talked about the last few meetings, one
21 of our large box stores has, for some reason, changed their
22 reporting. It's cost us about \$150,000 a month for four
23 months now.

24 So I -- she didn't disclose which things have been
25 amended, and I'll see those probably in the next two weeks.

1 So I'm looking forward to a pretty good-sized revenue hit
2 for April.

3 CHAIRMAN McCUSKER: What did we budget? 7- to
4 \$10 million range, Dan, for TIF proceeds for next --

5 MR. MEYERS: Yeah. We do 9.9 million.

6 So -- and then following up on that, now that we
7 have that disclosure from the Department of Revenue, Michele
8 and I have been tracking who's paying, who doesn't seem to
9 be paying. We pass that information on to the Arizona
10 Department of Revenue, and they take it from there.

11 So obviously we're headed in the right direction
12 here. But I think we still have a long ways to go. And I
13 think there's a lot of money that's still sitting out there
14 that several merchants aren't filling the forms out
15 completely.

16 I also set up a meeting with the City of Tucson in
17 a couple weeks to go over what they can do to help us
18 enhance out TIF collection as well. So we're trying hard to
19 stay on top of that. And that's obviously the key component
20 to our revenue stream. And we'll continue to do so.

21 Anybody have any questions?

22 SECRETARY IRVIN: Dan, just one thing. And I'll
23 obviously address this later when we talk about the hotel.

24 But my guess is -- and Mark Collins can chime in
25 on this as well -- but I'm thinking we'll -- that's probably

1 really early in '17 when we need that. Under the footnote
2 then for '16, I just want to do that, just taking the math
3 backward, it's probably going to be early quarter of '17.

4 And another thing I think would be really helpful,
5 especially for Edmund since he's not really familiar, maybe,
6 with some of the things we did relative to collecting the
7 taxes, can you just walk through really quickly, when you
8 guys discover a merchant and you provide that information to
9 the Department of Revenue, what happens from that point and
10 what kind of success do you think we have had or we can
11 expect to have?

12 MR. MEYERS: What I do is, each -- this has been
13 going on for about probably six or seven months now. We
14 actually know who pays what each particular month.

15 So I started up a spreadsheet where I can track
16 who gets -- who pays whatever each month. I can see if
17 somebody misses a month. And I see when it's caught up. So
18 if somebody just files their returns late, it gets deferred
19 from that. So we watch that.

20 And then we watch to see, you know, if somebody
21 doesn't pay for a prolonged period of time, we send a note
22 to the Department of Revenue and asked them do they know
23 what's going on.

24 I'm not allowed to make contact with those
25 merchants. We have to work through them and the City of

1 Tucson. So I'm really anxious to see what this next report
2 is going to show and, you know, who kind of came out of the
3 blue.

4 Michele sent an email out to the Sunshine Mile
5 merchants to make sure they're all filling them out
6 properly. We're going to do the same with El Con and Park
7 Mall as well and just -- you know, kind of just keep staying
8 on people.

9 CHAIRMAN McCUSKER: The history of this, Edmund,
10 is we discovered, some time ago, that to identify yourself
11 within the Rio Nuevo District, the merchant has to self-code
12 the return. So if they don't put that three-letter code on
13 there, they still pay their taxes, it still go to the State,
14 but it doesn't come back to us.

15 When we first started to dialogue with the
16 Department of Revenue and the City, they advised us we were
17 not privy to that information because it was confidential
18 taxpayer information.

19 It took us about a year. But we negotiated an
20 intergovernmental agreement with the Department of Revenue
21 that we now share the same database that they have regarding
22 the -- 1100 merchants, Michele? 1140 merchants?

23 So Dan and Michele have begun to track that. And
24 we've identified a number of issues as it relates to who's
25 paying and who is not paying.

1 And our job is not to enforce that -- we don't see
2 ourselves as tax enforcers -- but to educate both the City,
3 the State, and the merchant. Because I think, at the end of
4 the day, they would want to see that money come back to
5 Tucson. Otherwise it will stay in --

6 MR. MARQUEZ: So if Dan discovers a merchant that
7 hasn't -- hasn't been coding correctly and three months go
8 by, will they go retroactive and return those monies to us
9 back three months or --

10 MR. MEYERS: They -- they can actually go back
11 four years to file amendments.

12 MR. MARQUEZ: Oh, wow.

13 MR. MEYERS: So if we discover somebody has not
14 been filing, our next step is to try to get them to go back
15 and amend their returns for four years.

16 Now if they do it themselves, it's not too big a
17 deal. If they've got to pay their CPA or an accountant to
18 do it, then it might become a bigger issue. But the
19 Department of Revenue has been very willing to assist them
20 in doing that. So you know, if we can identify and then
21 turn it over to either the State or the City of Tucson, I
22 think we've still got some money we can go back and recover,
23 so . . .

24 MR. MARQUEZ: Great job.

25 MR. MEYERS: And Elaine's words to me was --

1 were -- my contact at the Department of Revenue said this
2 adjustment's going to be sizable. So she wouldn't elaborate
3 further than that. But I'm pretty anxious to see what our
4 next -- next collection is going to be like.

5 MS. COX: And when do we get that, Dan?

6 MR. MEYERS: We usually get that between the 5th
7 and 10th of the month. So, you know, we'll get --

8 MS. COX: Of July?

9 MR. MEYERS: -- we'll it in July.

10 MS. COX: Okay.

11 MR. MEYERS: And that will be for April's --

12 CHAIRMAN McCUSKER: It's about a three-month lag
13 on it.

14 MR. MEYERS: Yeah. We're always almost three
15 months behind. They file the report and they pay their
16 taxes. And it goes through each process. And it takes
17 three months.

18 TREASURER SHEAFE: Mr. Chairman?

19 CHAIRMAN McCUSKER: Go ahead.

20 TREASURER SHEAFE: This is really -- pardon me --
21 Dan, you didn't have anything to do with this, so I don't
22 want to put it like it came to you.

23 But when I sign checks, you know, I am aware of
24 what's being spent. And this Board passed and approved
25 75,000 for the January 8th Memorial for the purpose of

1 having five bidders come out and figure out what they were
2 going to put in there. And we did that.

3 And well, I got the bills and saw the bills, what
4 they were charging to fly out here and where they were
5 staying. And frankly I was really offended. And it wasn't
6 anybody on our side that had anything to do with that.

7 But I'm just saying for my fellow Board members'
8 benefit, in the future when we do that, we need to add
9 something about what the level of expense is gonna be.
10 Because I'm not a pauper, and I don't spend that kind of
11 money when I travel.

12 And it just really angered me that we're taking
13 public money and they're coming here to apply for a job and
14 spending like drunken sailors, in my view. So it's a small
15 item. But over time, these things add up.

16 CHAIRMAN McCUSKER: Let's make sure we share that
17 with the --

18 MS. BETTINI: I have.

19 CHAIRMAN McCUSKER: January --
20 You have?

21 MS. BETTINI: I have.

22 MR. MEYERS: Any other questions?

23 CHAIRMAN McCUSKER: Dan, thank you very much.

24 The Rialto, Mark, do you have an update on the
25 closing of the theater?

1 MR. COLLINS: Mr. Chairman, Members of the
2 Board --

3 CHAIRMAN McCUSKER: And just to regress for a
4 minute to just get -- help Edmund get oriented, the
5 District's owned Rialto forever. We've leased it to the
6 Foundation. Under our tutelage, they've become very
7 successful, one of the 40 top concert venues -- in fact, in
8 the country.

9 They approached us a few months ago to see if we
10 had any interest in selling them the theater. We asked for
11 an appraisal. They actually offered us more than the
12 appraised amount, \$1.3 million. So we have voted, several
13 months ago, to sell the theater to the Foundation.

14 MR. MARQUEZ: That's great.

15 CHAIRMAN McCUSKER: Now.

16 MR. COLLINS: And to follow up on that,
17 Mr. Chairman, Members of the Board, the purchase and sale
18 agreement has been fully executed. Escrow was opened and
19 then moved at the request of the lender -- of the lender
20 that was providing the purchase money, which is
21 \$1.3 million.

22 A great deal of effort was spent to close that
23 last week. It hasn't closed yet. There are problems on the
24 Rialto side. I keep being assured that they will -- they --
25 the problems will go away shortly. But they have not gone

1 away yet. So you don't have the 1.3 yet.

2 CHAIRMAN McCUSKER: Is there any cause for alarm?
3 Do you think there's any reason it won't close?

4 MR. COLLINS: I'm -- no cause for alarm other than
5 the fact that it hasn't closed. I asked Mr. McGrath, who
6 represents the Rialto, in an email this morning for an
7 update.

8 They're trying to get -- apparently, there was a
9 loan that was taken out on their leasehold interest. And
10 they have two signatures to release that loan; but the third
11 they haven't gotten.

12 My position has always been for you guys that --
13 that, Don't care. Give us the 1.3. You can have your
14 property.

15 But I will tell you that everything is ready to go
16 except for one signature. And I keep hoping that will
17 happen.

18 SECRETARY IRVIN: Was there a drop-dead date on
19 the contract?

20 MR. COLLINS: Less than 30 days.

21 SECRETARY IRVIN: That's what I thought.

22 And are they still current on the rent?

23 MR. COLLINS: No. The rent is part of the
24 closing. If it closes this month, we'll get paid for this
25 month pro rata, prorated.

1 CHAIRMAN McCUSKER: It comes out of the escrow,
2 won't it?

3 MR. COLLINS: Yeah. I'm . . .

4 CHAIRMAN McCUSKER: Any further questions on the
5 Rialto?

6 Thank you very much.

7 Elaine, do you have an update for us on the
8 Streetscapes?

9 MS. BECHERER: I do. Good afternoon. Elaine
10 Becherer, project manager with the City of Tucson.

11 So it's a quick update. But it contain a lot of
12 information. We've made great progress over the past month
13 and a half.

14 CHAIRMAN McCUSKER: Give Edmund a little primer on
15 the Streetscape Project.

16 MS. BECHERER: Sure.

17 So just to recap, this is a Streetscape Project at
18 \$750,000. And it runs from Pennington to Congress. It
19 includes landscape, ADA renovation, lighting, hardscape,
20 signage, things like that. Site amenities as well.

21 UNIDENTIFIED SPEAKER: Was it part of the
22 settlement agreement?

23 MS. BECHERER: Yes.

24 And it was part of the settlement agreement with
25 the City of Tucson.

1 So these are Rio Nuevo funds. And the project was
2 scoped into four phases. And it is through Rio Nuevo's
3 approval and Mayor and Council's approval that the scope was
4 settled and decided. And the direction is that Phase I is
5 to be executed prior to moving to Phase II through III or
6 any additional scope.

7 CHAIRMAN McCUSKER: And we're blessed that
8 Elaine's the project manager. Elaine was our project
9 manager for the TCC.

10 MS. BECHERER: Thank you. Thank you.

11 MS. COX: In fact, we insisted on that.

12 MS. BECHERER: I'm excited. And I'm looking
13 forward to working with all of you again. I genuinely mean
14 that. And so I think it's going to be another great
15 project, another award-winning projects.

16 So in the past month what we've done is we've
17 selected a landscape architect and the engineers. And
18 that's Norris Design in addition to Stantec.

19 I am finalizing and pushing back a little bit on
20 the design fee. So the initial estimate that was shared
21 with you all preliminarily, that did not include the
22 engineering fees. And so we do need civil; we do need all
23 of that as a part of the construction document. So I'm
24 working with Norris and Stantec to address that.

25 The design is anticipated to take, at the most,

1 three months. And next month's meeting, I will be able to
2 present to you a full design schedule as well as an
3 anticipated construction schedule.

4 I've started to meet with stakeholders. I've got
5 to the Downtown Tucson Partnership meetings and will
6 continue to go to those meetings as well as your monthly
7 meetings. And now that we have a design team, we'll be
8 meeting with the property owners and additional
9 stakeholders.

10 As it's important to note that our goal -- not
11 only the City but Rio Nuevo's -- is to use our on-call
12 contractors to perform all of the work. So although we will
13 bid it in the sense that we will look for the lowest price,
14 we do not have to go through the competitive bidding process
15 because we have -- the City of Tucson has a list of
16 contractors for landscaping, hardscape, things like that to
17 actually execute the project.

18 And then just to bring it -- to conclude, in terms
19 of the invoices -- I was just talking the Dan -- so
20 everything that we did on the Arena Project, we, I think,
21 were very successful in the transparency and the
22 communication and also our sense of rigor and how we
23 documented things. This is going to be a hundred times
24 easier and simpler.

25 So it's Rio Nuevo funds. I will review and

1 approve all invoices. And then I will give them to Dan and
2 Michele. And they will pay them.

3 I will be tracking the budget. And making sure
4 that we're on budget, we're on schedule. The two
5 transportation staff members that will be working with me,
6 they will be billing the project. I will not be billing the
7 project. And the transportation staff, with the City of
8 Tucson, they will have a weekly budget that they can bill to
9 project. And I will be monitoring that and making sure that
10 they do not exceed that. And that's all been reviewed and
11 endorsed by the City manager.

12 So any questions?

13 Mark?

14 SECRETARY IRVIN: First, I'm tickled you're on
15 this project. We're really lucky to have you. I want you
16 to keep us on -- track on budget, the whole 9 yards.

17 So I keep hearing the name Patricia Schwabe, and
18 all that, kind of pop up. And I know she was not what
19 she -- and I'm not really sure of the scope of her project,
20 but I know that she has been wanting to have something she's
21 doing included in this project. And obviously, you know,
22 we've already made our decision on what we're going to spend
23 money and so has Mayor and Council, all that kind of stuff.

24 But since I'm not familiar with that, can you give
25 us just a little snapshot of what she's wanting to do and

1 what the cost, just overall scope of that is?

2 MS. BECHERER: I'm familiar with the scope. I am
3 not familiar with the cost.

4 But basically what Mrs. Schwabe is trying to do
5 is, right outside of her business, Penca, they have -- I
6 think it's three to four parking spaces. And their goal is
7 to build an outdoor patio. And so they would eliminate the
8 parking spaces and build an outdoor patio that you would
9 enter from the restaurant, similar to the HUB and other
10 restaurants along Congress.

11 CHAIRMAN McCUSKER: There's a little wine bar
12 there, Mark, that actually did it on their --

13 SECRETARY IRVIN: Right.

14 CHAIRMAN McCUSKER: -- in the street.

15 SECRETARY IRVIN: Yeah. Very, very nice.

16 CHAIRMAN McCUSKER: Yeah. It's a little wooden
17 platform that takes parking.

18 MS. BECHERER: Right.

19 CHAIRMAN McCUSKER: And they've got -- it's liquor
20 licensed so it can be an outdoor patio.

21 MS. BECHERER: So that is her scope. I'm not sure
22 what her costs are. I do know that she is further along in
23 the process. So she has a design. I do believe that she
24 has a permit.

25 And what I have shared with her, as well as

1 others, is that my direction as staff from Mayor and Council
2 and Rio Nuevo is that the two entities approved a scope of
3 work. And that property and that outdoor area is not in the
4 approved scope of work.

5 And so we cannot proceed -- I cannot proceed with
6 that scope of work, one, until Phase I through IV is
7 executed; and, then, if there are funds remaining, it would
8 be -- I would come back to you as well as Mayor and Council
9 and give you that update and say, If we have money left
10 over what is -- you know, I would have a recommendation.
11 But we would -- we would cross that hurdle when we get
12 there.

13 SECRETARY IRVIN: Thank you. Well, I wasn't
14 trying to micromanage it or even suggest that we were
15 supporting that as something we should add or do. I just
16 was trying to understand what it was. So I don't know
17 enough about it to about support it. But what I kind of
18 thought is we had already spent what we're supposed to
19 spend.

20 MS. BECHERER: Yeah. It's currently not in the
21 approved scope of work.

22 SECRETARY IRVIN: Thank you.

23 CHAIRMAN McCUSKER: I think all of the people,
24 Janos, anything they've done is under a TRE. And the
25 restaurateurs are paying for the cost themselves. So I

1 think it would -- it wouldn't be appropriate for us to --

2 SECRETARY IRVIN: Yeah. It's actually the same
3 thing we did when we put the TRE together for the Rialto.

4 MR. COLLINS: Correct.

5 SECRETARY IRVIN: And they funded it and granted
6 it and off it went. Thank you.

7 MR. MARQUEZ: So this, mile-high view, 750,000,
8 that's for all four phases?

9 MS. BECHERER: It is. And because it was a very
10 high level estimate that we put together in working with the
11 Downtown Tucson Partnership, it was my recommendation that
12 we needed to phase the project because I thought, if we went
13 out saying, We can execute all four phases or this entire
14 scope of work for the 750,000, I thought that it was a
15 little ambitious. And so we've broken it up into the four
16 phases. We'll execute Phase I then proceed to II, III, and
17 IV.

18 MR. MARQUEZ: I like the on-call contractors. Is
19 there an effort to use local contractors?

20 MS. BECHERER: There definitely is.

21 MR. MARQUEZ: Okay.

22 MS. BECHERER: And so all of that has been vetted
23 out through procurement through the City of Tucson and
24 through IGAs. Rio Nuevo has the ability to use any on-call
25 professional services for architects, engineers, as well as

1 for contractors.

2 MR. MARQUEZ: Okay.

3 CHAIRMAN McCUSKER: And through our IGA, we have
4 access to those same people.

5 MS. BECHERER: Yes.

6 CHAIRMAN McCUSKER: Elaine, thanks.

7 MS. BECHERER: So just as a -- on a separate note,
8 I did want to deliver the award to you and the Board. It
9 has the correct title and name. I picked it up today, so I
10 thought it was perfect timing that I wanted to give this to
11 you.

12 CHAIRMAN McCUSKER: She's out of order, right,
13 Counsel?

14 MS. BECHERER: Sorry, Mark.

15 MR. COLLINS: In my opinion, she's fine.

16 CHAIRMAN McCUSKER: This is the Southern Arizona
17 Public Works Project of the year for the work we all did
18 collectively on the TCC arena. It's the only time -- the
19 only time, I think, Rio Nuevo has received an award for
20 anything.

21 MS. BECHERER: Thank you.

22 CHAIRMAN McCUSKER: Thank you very much, Elaine.

23 SECRETARY IRVIN: Thanks, Elaine.

24 CHAIRMAN McCUSKER: Okay. In my opening remarks,
25 I said we were going to talk a little bit about our bonds,

1 our capacity, our current bond.

2 Mark, we may want to start with Dan.

3 If you could kind of tell us -- and maybe between
4 the two of you -- what -- what bonds do we have today? You
5 know, how much is left on them? When do they turn out?
6 What's the interest rate?

7 Just to give all of us, but particularly Edmund,
8 kind of a snapshot of our current debt.

9 TREASURER SHEAFE: He may not have any idea of how
10 the bonds originated.

11 CHAIRMAN McCUSKER: Can you -- can you do on the
12 fly?

13 MR. COLLINS: Well, we --

14 MR. MEYERS: I can try.

15 MR. COLLINS: We can try.

16 Mr. Chairman, Members of the Board, Mr. Marquez in
17 particular, we currently have, outstanding, an obligation
18 for the 2008 revenue bonds. Those revenue bonds are one of
19 the primary obligations that this Board has. In fact, the
20 monthly obligation to service that debt is probably the
21 largest single obligation that this Board has.

22 I believe there -- there are still COPS, which
23 are --

24 CHAIRMAN McCUSKER: The original amount of that, I
25 think, was \$80 million.

1 MR. COLLINS: \$80 million.

2 It netted roughly \$64 million of that.

3 CHAIRMAN McCUSKER: And the yield, Dan, do you
4 remember what the coupon is? Is it --

5 MR. MEYERS: I think it -- I think it ranges up to
6 6-and-a-half percent, I think. It keeps creeping up a
7 little bit.

8 MR. COLLINS: Right.

9 MR. MEYERS: It -- it --

10 MR. COLLINS: And, Mr. Chairman, perhaps it would
11 be beneficial, you have in front of you -- and there are
12 copies out here for the audience -- there is a June 16th run
13 of -- of -- that Piper Jaffray, that you previously
14 retained, that shows what some of that is, some of the
15 interest rates and so forth.

16 The refinancing that would be considered today
17 would be to reduce that interest.

18 CHAIRMAN McCUSKER: So that's a floating rate.
19 It's probably something over prime or something.

20 MR. COLLINS: Yes.

21 CHAIRMAN McCUSKER: I think it's been as high as
22 7-and-a half, 8, which is --

23 MR. COLLINS: Yes. The -- the only reason that
24 you would consider refinancings those bonds is because
25 interest rates currently are less than some of those

1 interest rates.

2 CHAIRMAN McCUSKER: And is that a ten-year bond?
3 Does that turn out, then, in 2018? Or does it --

4 MR. COLLINS: I -- I -- I did not prepare for
5 that.

6 TREASURER SHEAFE: Look on Page 2, if anybody
7 wants to know. This is on June '16.

8 MR. COLLINS: Yeah. There's -- there's two of
9 them. It says --

10 CHAIRMAN McCUSKER: It runs all the way to 2025?

11 MR. COLLINS: Right. I believe it does.

12 TREASURER SHEAFE: Then you got a second page.

13 MR. MEYERS: Let -- one -- Page 2 is the refunding
14 bond. So that would be the new --

15 MR. COLLINS: Yes.

16 CHAIRMAN McCUSKER: And that's -- okay. So -- and
17 then we do have a certificate of participation still
18 outstanding.

19 MR. MEYERS: Yes, you do.

20 MR. COLLINS: Well, certificate of participation
21 is a form of debt. It is generally prepayment of which is
22 pledged by a revenue stream. The existing certificates of
23 participation are based upon the rent that the City of
24 Tucson pays the District for the TCC.

25 And what you have before you --

1 CHAIRMAN McCUSKER: When did we issue those.

2 MR. COLLINS: '9? 2009.

3 CHAIRMAN McCUSKER: And that was 12.5 million?

4 MR. COLLINS: That sounds right, yes.

5 And the two -- the two proformas that you have in
6 front of you --

7 CHAIRMAN McCUSKER: And those are the only two
8 bonds that we currently have.

9 MR. COLLINS: Correct.

10 CHAIRMAN McCUSKER: So we -- originally Rio Nuevo
11 had four. So we've retired --

12 MS. BETTINI: Two of them.

13 MR. COLLINS: Two of the them.

14 CHAIRMAN McCUSKER: Two of them.

15 MR. COLLINS: And these are the revenue bond --
16 2008 revenue bonds and the 2009 COPS, certificate of
17 participation, are the two principle -- or the two
18 obligations.

19 CHAIRMAN McCUSKER: Do you know the yield on the
20 COPS?

21 MR. COLLINS: Currently? No, I do not.

22 TREASURER SHEAFE: It's about 8.4 -- 8.54 percent.

23 CHAIRMAN McCUSKER: That a boy, Chris.

24 He's done this before.

25 MR. COLLINS: Yeah. There's -- there are a couple

1 of Board members that know this rather well.

2 And what you have in front of you --

3 CHAIRMAN McCUSKER: So if we do -- if we do
4 nothing, we have ten years or more of debt service on the
5 2008 general obligation bonds and \$12.5 million. And
6 they're both at very high interest rates.

7 So with that background, we had asked Piper
8 Jaffray, who's on a retainer to us as a bond adviser, we
9 talked to our bond counsel, what is the current market for
10 bonding? And couldn't we do something to refinance these
11 bonds and reduce our overall costs?

12 Our credit rating was just upgraded so that helps
13 us in the bond market. They indicated it's conceivable that
14 we could maybe issue these in our own right. All the
15 historical Rio Nuevo bonds were guaranteed by the City
16 because Rio Nuevo had no credit on it's own. But they
17 believe now we actually are capable to stand alone on bond
18 issues. I'm not sure. And we probably wouldn't know that
19 until you went forward with an underwriter.

20 But what they've prepared for us -- and what
21 Mark's going to kind of walk through -- is some scenarios
22 that, if we were so inclined, that we could refinance and,
23 in fact, reduce our monthly and annual obligations and at
24 the same time, spin out some cash that could be used to
25 renovate the TCC.

1 Did I oversimplify that or overcomplicate it?

2 MR. COLLINS: It's -- it's hard to oversimplify.

3 CHAIRMAN McCUSKER: Okay. So the first bond, they
4 called it a refund bond only because it deals with the 2008
5 revenue obligations which some money is still due to those
6 investors.

7 MR. COLLINS: Right. And it's -- and it's --
8 those bonds are currently available. You can refund them.

9 And what you're seeing, if you have two -- you
10 have two proformas in front of you. The one that the
11 Chairman is talking about says, Table of contents, and then
12 it says, Revenue refunding bonds.

13 That's what the chairman is talking about.

14 And let me give you some context for this. The
15 reason that you go through this refunding exercise would be
16 to obtain some benefit for a reduced interest rate and to
17 free up some of the debt service reserve fund that is
18 presently in the bank.

19 When these bonds were issued, a debt service
20 reserve fund was created. And it's roughly \$80 million.
21 It's sitting in the bank.

22 CHAIRMAN McCUSKER: 8 million.

23 MR. COLLINS: Excuse me.

24 TREASURER SHEAFE: 8 million.

25 MR. COLLINS: I'm sorry.

1 SECRETARY IRVIN: We wish.

2 MR. COLLINS: We wish, yeah.

3 I'm sorry about that. Too many zeros and I didn't
4 have my glasses on. My apologies.

5 It's roughly \$8 million sitting in a bank. And it
6 has to stay there unless you refunded this issuance.

7 And what a refunding would do is -- and it -- I
8 can walk you through it. But I will tell you that
9 Mr. Sheafe is probably even better at it than I am. But if
10 this proforma was accurate at the time that the bonds were
11 issued, the -- there would still need to be a debt service
12 reserve fund.

13 But the debt service reserve fund, if you look on
14 the second page, Sources and uses of funds, close to the
15 bottom, you see DSRF, debt service reserve fund. And
16 there's a \$6.485 million amount. This proforma assumes that
17 you would put 6.485 in a new reserve fund.

18 Now, if you flip, then, to Page 3, where it says
19 Savings. At the top it says, Savings -- I guess it's Page
20 4, but it has Page 3, the number on it -- you will see the
21 very bottom number. Net present value savings.

22 Now, it's little more complicated than this, but
23 if you did this refunding and if this proforma turned out to
24 be true, then you would free up \$2.541 million for use on
25 the TCC.

1 Just to anticipate, perhaps, some questions, the
2 second page behind the table of contents walks you through
3 the cost that -- that would be associated with this
4 issuance.

5 CHAIRMAN McCUSKER: And they're assuming a yield
6 rate of 5 percent --

7 MR. COLLINS: Correct. That --

8 CHAIRMAN McCUSKER: -- which is certainly better
9 but maybe not as aggressive as we thought.

10 MR. COLLINS: Well, there's no way to be sure what
11 the market is going to bear.

12 If you choose to go forward with this -- and let
13 me jump in a little bit -- if you choose to go forward with
14 this, you're going to need a written resolution. I learned
15 that this morning.

16 But the way it would work is, if you decided you
17 wanted to do this, you would -- you would resolve to direct
18 Piper Jaffray and your bond counsel to prepare and get ready
19 to issue these bonds upon a couple of conditions that -- for
20 example, if we look at this -- if we look at the third page,
21 back to the savings that you could -- you might say, Look,
22 we don't want to go through this exercise if we're not going
23 to generate at least \$1.5 million. And you could authorize
24 the issuance provided that the net present value to savings
25 is 1.5 million or better. Okay?

1 And then you'd also want to have a resolution that
2 says we got to issue them by the end of the year, for
3 example.

4 That written resolution would say those things.
5 And then you would turn -- then you would have -- the
6 lawyers and the financial people would have the authority
7 they need to get it ready; talk to the underwriters; do
8 everything, write the opinion letters and all that sort of
9 thing.

10 And then there would be a decision that would be
11 made to issue these bonds. And that is a decision that is
12 going to be market driven. What's the market doing? Okay?

13 You don't want to have to come back afterwards and
14 have to micromanage, to use Mr. Irvin's comment a moment
15 ago. You want to give direction that authorizes the
16 professionals that you have engaged to issue at that point.

17 CHAIRMAN McCUSKER: So the savings to us are
18 driven by the interest rate and the reduction in the
19 reserve.

20 MR. COLLINS: Correct.

21 CHAIRMAN McCUSKER: And those are really the
22 two --

23 MR. COLLINS: Correct.

24 CHAIRMAN McCUSKER: -- things it creates.

25 MR. COLLINS: Correct.

1 There's -- Mr. Chairman, Members of the Board, the
2 proforma that you have here is based upon best guess, if you
3 will, by Piper Jaffray. I mean, they know what they're
4 doing. And they also believe that there is a shot that you
5 can do this without a guarantee by the City of Tucson.

6 And as you all know -- maybe you all know -- the
7 2008 bonds and, for that matter, the 2009 COPS are
8 guaranteed by the City of Tucson. The City of Tucson's
9 rating has taken a hit, as you all know.

10 There is some hope that we could issue these, as
11 the Chairman indicated --

12 CHAIRMAN McCUSKER: In our intergovernmental
13 agreement with the City, the City has to concur on any
14 expenditure over \$50,000.

15 MR. COLLINS: Correct.

16 CHAIRMAN McCUSKER: Would this scope into that?

17 MR. COLLINS: Correct.

18 CHAIRMAN McCUSKER: So ultimately, even though
19 they may not guarantee it, Mayor and Council would have to
20 concur to our issuance of the debt.

21 MR. COLLINS: That's my opinion.

22 CHAIRMAN McCUSKER: All right. Go through the
23 COPS.

24 MR. COLLINS: Well, the -- put my glasses on, see
25 if I can avoid making a mistake again.

1 The COPS, I think the most important thing to look
2 at, if this is going to be borrowing an additional
3 20 million bucks. Okay? And the -- if you look at the
4 third page -- if all of these assumptions are accurate,
5 there's an anticipation that there would be some premiums on
6 these issuances based on the numbers that you see in front
7 of you.

8 And If you went through this exercise, you would
9 generate, roughly, net proceeds of \$22 million. You would
10 obviously have to repay this. There'd obviously have to be
11 a change in the revenue stream. The City of Tucson would
12 have to sign off on that because they're the ones paying the
13 rent.

14 But the cost of generating that money is on the
15 second page. The cost of issuance has to do with lawyers
16 writing opinion letters, the work by Piper Jaffray, that
17 sort of the thing. The underwriter's discount is what the
18 underwriter gets for underwriting this and for their
19 efforts. DSRF, that we've already talked about, is the debt
20 service reserve fund.

21 And bond insurance, we haven't talked about that.
22 But that's true in both of these instances. To do this,
23 you've got to have an insurance company that's willing to
24 take the risk that you will repay these debts.

25 This is a complicated process. It's not rocket

1 science, but it's a complicated process. But if these
2 projections are accurate, it could free up some money for
3 you folks to utilize on the TCC. I haven't analyzed whether
4 you could use it elsewhere. But certainly since the revenue
5 stream and the bonds were issued, that's where I believe it
6 ought to be going.

7 CHAIRMAN McCUSKER: The -- Dan, Mark, what's the
8 annual savings, debt service savings, on the general
9 obligation refund bond? This shows debt service of roughly
10 \$7.7 million. And aren't we paying about a million more
11 than that right now?

12 Dan, do --

13 MR. MEYERS: I want to say -- I want to say it's
14 like 4- or \$500,000 a year for the general obligation ones.

15 CHAIRMAN McCUSKER: The savings?

16 MR. MEYERS: Yeah.

17 CHAIRMAN McCUSKER: The savings, the monthly -- or
18 are you annual --

19 MR. MEYERS: Annual.

20 CHAIRMAN McCUSKER: -- payments there?

21 MR. MEYERS: And the present value of that gets it
22 down to the \$2-and-a-half million, I believe.

23 CHAIRMAN McCUSKER: But just in terms of what
24 we're paying today versus what we'd be paying if we issued
25 the refund bond.

1 MR. MEYERS: Yes. It's 400 and -- 400 -- it
2 starts at 513 and works it's way down to --

3 CHAIRMAN McCUSKER: So basically we save, on an
4 annual basis, a half a million dollars --

5 MR. COLLINS: Yeah.

6 CHAIRMAN McCUSKER: -- on the refund. The debt
7 service on the COPS, I think I saw, was right at a
8 million-six. So the net difference would be a million
9 dollars.

10 MR. COLLINS: If you -- for your benefit, if you
11 look at the Revenue Bond 1 -- it says revenue refunding
12 bond -- if you flip to the one that says Page 3, Dan
13 identified the present value of the savings -- if you look
14 at the savings -- and the second column from the right shows
15 some of that.

16 CHAIRMAN McCUSKER: So in terms of how the Board
17 looks at this, we kind of need to think about them
18 separately.

19 MR. COLLINS: Yes, you do.

20 CHAIRMAN McCUSKER: The refund bond is just taking
21 advantage of the market and our credit rating to reduce our
22 cost of debt. It's not going to reduce the principal. It's
23 not going to do anything other than reduce the yield and
24 reduce the requirements for reserve. And we pick up about a
25 half a million bucks a year in savings.

1 And if we wanted to combine that with a new
2 certificate of participation, we could raise an additional
3 \$20 million. But that would involve negotiating an
4 additional rent with the City of Tucson.

5 So -- yeah. And we may -- and they're not
6 mutually exclusive. We can do one or both or none.

7 Comments? Everybody understand the presentation?

8 MR. COLLINS: Mr. Chairman, Members of the Board,
9 regardless of how you choose to go, you're going to need a
10 written resolution for either one that you do. And that's
11 going to --

12 CHAIRMAN McCUSKER: Today, it's basically just a
13 temperature check.

14 MR. COLLINS: Yes.

15 CHAIRMAN McCUSKER: If we don't want to do this,
16 we can stop this right now.

17 MR. COLLINS: Absolutely, absolutely.

18 CHAIRMAN McCUSKER: If we wanted to proceed, we
19 would probably authorize you to get with bond counsel, Piper
20 Jaffray and present the resolution at the next meeting.

21 MR. COLLINS: Correct. Correct. And the -- and
22 just for your benefit, they're both going to be very
23 similar, both resolutions. They would have all the language
24 that the bond folks need. You actually have blanks to fill
25 in, the X and Y that I've talked to you about. You guys --

1 they would -- they would do a full-blown presentation. And
2 you would decide at that point. Once you made that
3 commitment, you're on your way. Okay?

4 Now obviously, if you ended up not being able to
5 get insurance, it would be dead on arrival. But that would
6 be the jumping off point where you'd authorize proceeding
7 forward.

8 But, yes, you could -- you could ask that I
9 proceed and bring them back.

10 CHAIRMAN McCUSKER: Mr. Irvin?

11 SECRETARY IRVIN: I think -- again, just
12 restating -- I think it makes a lot of sense. We've had --
13 and we've looked at Phase II and III and IV for the TCC. It
14 seems silly to me that we could reduce the amount of
15 interest that we're paying and reposition some money -- kind
16 of like we've been talking about going forward -- kind of
17 silly not to -- not to look at this thing if we can make all
18 the other Xs and Os fit into that.

19 And I do like the whole discussion on taking that
20 discussion and having a bigger discussion with the City,
21 Mr. Chairman, relative to those other phases that we're
22 heavily engaged in right now at the TCC.

23 I also think, since most of this the bond money in
24 the COPS went specifically to the TCC -- not that we've had
25 discussion where those proceeds should go -- it would seem

1 very realistic and reasonable to me that that's where that
2 money would be spent. So for whatever it's worth, I think
3 it's a -- I think it's something we should explore.

4 MR. MARQUEZ: I just have one point that needs
5 clarity. So how does it create additional rents with the
6 City of Tucson?

7 CHAIRMAN McCUSKER: We'd have to negotiate an
8 additional rent with the City. It wouldn't be mandatory.
9 We have to basically sit down and say, We can do this if
10 you'll -- the debt service right now is at total capacity.

11 MR. MARQUEZ: Okay.

12 CHAIRMAN McCUSKER: So whatever our debt service
13 is, that's what we'd lease the TCC to the City at.

14 MR. MARQUEZ: Okay.

15 CHAIRMAN McCUSKER: So they would have to be
16 willing -- at the end of the day, this can't cost Rio Nuevo
17 any state money.

18 MR. MARQUEZ: Right.

19 CHAIRMAN McCUSKER: There's nothing in here that's
20 going to cost us. We're going to reduce our payment
21 obligations on the big bond. And if the City wants to play
22 ball with us, we could raise some money. But it would have
23 to be shared with the City of Tucson. And I think that's
24 why they almost need to be looked at independently.

25 I think the first thing you ought to talk about is

1 are we, as a Board, interested in doing a refund bond that
2 reduces our cost on the 2008 general obligation bonds,
3 because we can do that without any conversation with the
4 City. We don't have to apply the savings to anything that
5 has to do with the City. We can repurpose that money.

6 And the other one is symbiotic.

7 See, I got my big word in, symbiotic.

8 MS. COX: Not as good a pedantic.

9 CHAIRMAN McCUSKER: No. That was really a good
10 one.

11 But we would have to sit down with this.

12 TREASURER SHEAFE: All of this depends on a couple
13 of things. One, if the market comes in within the range
14 that we're talking about. And the second thing is, that
15 there is an agreement that the revenue stream would
16 increase.

17 CHAIRMAN McCUSKER: Right. You're talking more
18 about the COPS.

19 TREASURER SHEAFE: You could do the one. You have
20 to secure finding people to figure out whether or not we can
21 take advantage of the low interest rates, however long they
22 last.

23 CHAIRMAN McCUSKER: And what you described was a
24 resolution that has some parameters around it.

25 MR. COLLINS: Correct.

1 CHAIRMAN McCUSKER: So basically they could shop
2 it, but we're not obligated to do anything that they --

3 MR. COLLINS: No. You could put in the
4 resolution --

5 SECRETARY IRVIN: I think the resolution --

6 TREASURER SHEAFE: Just put caps.

7 MR. COLLINS: Sheafe is correct. What -- what --
8 let's assume -- let's fast forward and assume we're at the
9 July meeting. We'd have Tim Stratton and Bill Davis here
10 with a written resolution that you all have an opportunity
11 to review. That written resolution, if it passed, then
12 becomes part of the bond package. That's one of the reasons
13 for it.

14 And at that point in time, you folks can decide
15 what the floors are, if you will. That would then be
16 inserted. That is what you'd vote on. And if that passed,
17 then the horse is leaving the barn. And assuming that you
18 can get insurance and all that stuff, then Davis and
19 Stratton would make the decision when to issue if the -- if
20 the requirements are met.

21 CHAIRMAN McCUSKER: But we would have to have
22 Mayor and Council concurrence to issue that.

23 MR. COLLINS: If it's the COPS, yes.

24 CHAIRMAN McCUSKER: But not on the other one?

25 MR. COLLINS: Well, I think that both of these

1 require an expenditure of money. And I would urge you all
2 to do two things if you're going to go forward with this.
3 One --

4 CHAIRMAN McCUSKER: Notify our appointed --

5 MR. COLLINS: Yes. Yes. It's going to be a net
6 savings. But you're talking about expending -- I mean, the
7 numbers in here are easily north of the half a million
8 dollars that you need to give to your -- to your appointing
9 authorities, and certainly the \$50,000.

10 Now, logically it seems the \$50,000 that you need
11 approval from the City. But logically speaking, for the
12 refund bonds, if the refund bonds did not require the City's
13 guarantee, my logic tells me that the City would be happy
14 with that because we would be taking them off the hook.

15 Now, if, in fact, it did require City guarantee,
16 different story.

17 MS. COX: I have two questions.

18 What -- once the resolution passes, we are
19 obligated -- what is the downside to us?

20 MR. COLLINS: Well, there really isn't --

21 MS. COX: I mean, what are the reasons to not do
22 this?

23 MR. COLLINS: Well, the -- some of the things,
24 just as an example, Ms. Cox, if you look at the Revenue
25 Bond 1, you'll see on Page 2, it has -- it's the second

1 page -- and if you go -- uses, and you see cost of issuance.
2 You see delivery date expenses, cost of issuance. There's
3 \$475,000 pegged in there.

4 You -- if you authorize it and ultimately you go
5 and the market tanks, if you will, just before the issuance
6 and so there's no issuance, you will have incurred some
7 expenses by that. Okay? So you will incur expenses. But
8 that's the only downside. You're going to incur more
9 expenses.

10 CHAIRMAN McCUSKER: Poo-poo happens.

11 MR. COLLINS: Poo-poo happens.

12 CHAIRMAN McCUSKER: We could go to issue this and,
13 you know, we don't get the rating that we want, we would
14 have to be rerated. And the interest rate comes back, not
15 unlike we have today, and we would want the ability to stop.

16 MR. COLLINS: Right.

17 CHAIRMAN McCUSKER: So it assumes a market
18 circumstances that exists today. And it assumes that they
19 will continue to exist for 60 days or 90 days.

20 MR. COLLINS: Right. Right. These assumptions,
21 by the way -- these assumptions -- these proformas are based
22 upon the issuance in October or November of this year. And
23 this is the -- this is clairvoyance here, by the way. And
24 that's a hard thing to find or to be -- to tie down. But
25 these are based upon the assumptions that Piper Jaffray

1 thinks makes sense now and think are realistic.

2 But if you put a floor, that your savings on the
3 revenue bonds is going to be no less than 1.5 million bucks,
4 and it turns out that when they're getting ready to issue it
5 it's only going to be a million bucks, they're not going
6 issue. They're going to pull the plug. And you would have
7 incurred some expenses back to you.

8 MR. MARQUEZ: Okay. The cost is like refinancing
9 a house basically, the refund bonds, to a point. So I mean,
10 the costs incurred I guess would be taken out of the amount
11 that we receive after we issue the bonds?

12 MR. COLLINS: If the bonds are issued, that's
13 accounted for in this proforma.

14 In other words, when that -- again, if we go back
15 to the revenue bond portion of this, if you look at the
16 third page, it says, Savings. The bottom number is net
17 present value savings. That \$2.5 million number, that
18 assumes that all of those things have been spent. So
19 that's -- you paid your points and this is what you get.

20 CHAIRMAN McCUSKER: We've got some other stuff on
21 is the agenda and so --

22 MR. COLLINS: Does that make sense?

23 CHAIRMAN McCUSKER: -- why don't we move on.
24 What's your pleasure?

25 MR. HILL: Mr. Chairman, I'll move that we direct

1 staff to investigate, or whatever the word is, to put
2 together a package for the July meeting so -- to refinance
3 the outstanding general obligation bonds for that savings.

4 CHAIRMAN McCUSKER: I have a motion.

5 SECRETARY IRVIN: I'll second.

6 CHAIRMAN McCUSKER: Any further discussion?

7 Michele, call the roll.

8 MS. BETTINI: Jeff Hill?

9 MR. HILL: Aye.

10 MS. BETTINI: Cody Ritchie?

11 MR. RITCHIE: Aye.

12 MS. BETTINI: Chris Sheafe?

13 TREASURER SHEAFE: Aye.

14 MS. BETTINI: Mark Irvin?

15 SECRETARY IRVIN: Aye.

16 MS. BETTINI: Jannie Cox?

17 MS. COX: Aye.

18 MS. BETTINI: Edmund Marquez?

19 MR. MARQUEZ: Aye.

20 MS. BETTINI: Fletcher McCusker.

21 CHAIRMAN McCUSKER: Your first vote.

22 Aye.

23 MR. MARQUEZ: Yes.

24 CHAIRMAN McCUSKER: 7-0. Thank you for that.

25 (The Board voted and the motion

1 carried.)

2 (Mr. Hill left the proceeding.)

3 CHAIRMAN McCUSKER: Now as it relates to the COPS.
4 Do you want to -- that would require a conversation with the
5 City. So what? Do we -- we really don't need to take any
6 action other than to sit down with the City.

7 MR. COLLINS: You don't have to take any action at
8 all. If you were to proceed in the same way that you did
9 with the revenue bonds, I would say that that discussion
10 would have to happen right now.

11 TREASURER SHEAFE: Mark, when you give that
12 instruction with Piper Jaffray, would you make sure that we
13 don't have any defeasance in our existing bonds?

14 MR. COLLINS: Understood. My understanding of the
15 process, Mr. Sheafe, is that there would be none of that
16 until that resolution would be passed. And that's a point I
17 will take up with them.

18 TREASURER SHEAFE: I notice they don't have
19 anything in here that would be unusual.

20 MR. COLLINS: Right. I believe, at this point in
21 time, that's not a problem because of the age of these
22 bonds.

23 TREASURER SHEAFE: All right.

24 MR. COLLINS: Okay?

25 CHAIRMAN McCUSKER: Are you comfortable we've done

1 everything we need do as a Board as it relates to the bonds?

2 MR. COLLINS: If you're going to -- if you're not
3 going to take any action on the COPS. Okay.

4 CHAIRMAN McCUSKER: Okay. So the Arena Site, you
5 have an update for us on that?

6 MR. COLLINS: You've just exhausted my knowledge
7 about bonds, so let me see if I can tell you something.
8 It's one of the nice things about having partners.

9 Mr. Chairman, Members of the Board, as you all are
10 aware, the District has entered into an agreement with
11 Nor-Generations to sell the Arena Site for development by
12 Nor-Generations.

13 The issue before the Board today is -- it's an
14 estoppel certificate. And the estoppel certificate has been
15 drafted by Nor-Generations' counsel, Mr. Lopez. And it has
16 been in discussion with the City, Mike Rankin, Mr. Lopez,
17 and myself.

18 And as of earlier this month, the estoppel
19 certificate, I understood, had been agreed to by the City;
20 certainly by me, on your behalf -- it doesn't bind you --
21 and as I understood it, by Nor-Gen.

22 That estoppel certificate that we discussed in
23 Executive Session actually accelerates the development
24 period for Nor-Generations.

25 The purchase and sale agreement provides that --

1 that the one-year clock for the Greyhound bus station -- if
2 anybody's not aware, the Arena Site has -- is encumbered by
3 a lease in favor of the Greyhound bus station. In the
4 settlement agreement we have with the City and the resulting
5 purchase agreement, there's a one-year period of time that
6 the District has to give notice to the City so it has to
7 move the -- simply put, has to move the bus station.

8 The estoppel certificate, as it currently reads,
9 says that the one-year clock does not wait to run until the
10 first development plan is submitted but rather commences
11 upon closing. So in other words, the estoppel certificate,
12 as it currently sits, accelerates the one-year clock.

13 It's my understanding that City has agreed to
14 that. It hasn't by presented to Mayor and Council. So
15 that's not binding yet.

16 But my recommendation is that I see no reason why
17 this Board wouldn't authorize the execution of the current
18 draft of the settlement agreement -- or excuse me -- the
19 estoppel certificate today. And you could do it in a way
20 that would say, authorize the execution of the estoppel
21 certificate as it currently is drafted provided that there
22 are no material changes.

23 In my judgment, if the estoppel certificate
24 reverted back to the language in the purchase agreement,
25 that would not be a material change because that's the

1 language of the agreement right now.

2 SECRETARY IRVIN: I think you framed that motion
3 perfectly for me. So I would like to make that a motion.

4 MS. COX: Second.

5 CHAIRMAN McCUSKER: Does that work? He can just
6 move what you said?

7 MR. COLLINS: It's beginning to happen more and
8 more.

9 SECRETARY IRVIN: You said it well. And I can
10 restate it.

11 TREASURER SHEAFE: The motion is as drafted
12 subject to no material changes.

13 CHAIRMAN McCUSKER: All in favor, say aye.

14 (Ayes.)

15 CHAIRMAN McCUSKER: Opposed, nay.

16 MR. RITCHIE: Abstain.

17 (The Board voted and the motion
18 carried.)

19 MR. COLLINS: Thank you, Mr. Ritchie.

20 Mr. Ritchie is a diligent man.

21 CHAIRMAN McCUSKER: So we have similar closing
22 issue with the Fox?

23 MR. COLLINS: Actually, we do not.

24 CHAIRMAN McCUSKER: So it's -- you're going to
25 tell us it's done.

1 MR. COLLINS: Mr. Chairman, Members of the Board,
2 I'm happy to tell you that the -- that the Fox has signed
3 the first amendment to the ground lease and loan
4 modification agreement. There are two originals here for
5 signature by the Board that's been authorized.

6 There's still some housekeeping to do. Recall, if
7 you will, that the ground lease and loan modification
8 document was done in a rather hurried fashion. There's some
9 minor cleanups. Counsel for the Fox and I will clean that
10 up. The authority, you guys have ratified that. The
11 authority for any cleanup has already been granted. It's
12 really in the lawyers' hands. But right now, folks, it's
13 all over to the shop.

14 CHAIRMAN McCUSKER: As it relates to our Board
15 commitments, we have the opportunity to nominate five
16 members to the Fox Theatre Board.

17 We had asked that you submit those nominations to
18 Mark. I don't know that you have any today. But we should
19 do -- we shouldn't do that to each other or with each other.

20 MR. COLLINS: No, no.

21 CHAIRMAN McCUSKER: It creates some open meeting
22 issues.

23 MR. COLLINS: Yes.

24 CHAIRMAN McCUSKER: But if any of us have a
25 recommendation, you can submit them to --

1 MR. COLLINS: You can submit them to me. And I
2 believe that needs to be an agenda item for next month. We
3 have to be very cautious about this, about how we go about
4 this. I don't want you talking with each other about who
5 you think.

6 We can do it a couple of ways. At the next
7 meeting, if you've each thought about somebody and we got
8 five -- we got too many members here -- you can -- you can
9 nominate seven. And then you can vote. And whoever gets
10 the most votes, that's who you put on the Board.

11 But I do think you need --

12 CHAIRMAN McCUSKER: And it seems to me that the
13 easiest way to proceed, as long as we're not colluding with
14 one another, is to submit names to you. Now, we may send
15 seven of the same names. But you know, at least you would
16 have an idea that if -- if we could even fill out the five
17 seats.

18 MR. COLLINS: Correct, correct.

19 CHAIRMAN McCUSKER: And then we can agendize it
20 for the July meeting.

21 MR. COLLINS: Appropriately.

22 CHAIRMAN McCUSKER: Mark?

23 SECRETARY IRVIN: Related, can we also agendize a
24 discussion -- because we have one Board seat left on the
25 Rialto as well. So we could think about that.

1 (Mr. Hill re-entered the proceedings.)

2 CHAIRMAN McCUSKER: Now, does that go away with
3 the sale? Is there anything in there about --

4 MR. COLLINS: Yeah.

5 SECRETARY IRVIN: That does go away with the sale?

6 MR. COLLINS: Yeah. It goes away.

7 SECRETARY IRVIN: They --

8 MR. COLLINS: Yeah.

9 SECRETARY IRVIN: Okay. All right.

10 MR. COLLINS: I mean, they own it at that point in
11 time. Your appointment to that Board had to do with you
12 owning it.

13 SECRETARY IRVIN: Okay.

14 MR. COLLINS: Yeah. If we get our one, point --
15 if you get your \$1.3 million.

16 SECRETARY IRVIN: No. It's when. When, not if.

17 I didn't know if we needed to worry about that or
18 not?

19 MR. COLLINS: No.

20 SECRETARY IRVIN: Thank you.

21 CHAIRMAN McCUSKER: While we're talking about it,
22 there's been a conversation about Rio Nuevo Board members
23 sitting on the Fox Board.

24 There's no reason any of us can't be one of those
25 five --

1 MR. COLLINS: You -- that's true.

2 CHAIRMAN McCUSKER: -- members.

3 MR. COLLINS: That's true. There's no reason.

4 It's voluntary. That is one of the exceptions. That's one
5 of the remote interests, if you will. You could do that,
6 sure.

7 CHAIRMAN McCUSKER: We clearly couldn't have four
8 of those five seats because we quorum them up.

9 MR. COLLINS: Correct.

10 CHAIRMAN McCUSKER: But I guess what I would ask,
11 then, if you're interested, as a Rio Nuevo Board member, in
12 sitting on the Fox Board, to just so indicate that to
13 counsel.

14 And if you're not interested, we probably ought to
15 know that too. So I think it would be good for a couple of
16 us to sit on that Board for a while. Okay.

17 Mission Garden temporary easement, Mr. Collins,
18 you're on a roll.

19 MR. COLLINS: Mr. Chairman, Members of the Board,
20 as we've discussed, the Mission Garden has requested a
21 temporary easement around the outside of Mission Garden
22 development.

23 What they have requested is roughly 150 feet south
24 of the southern boundary of the wall, roughly 120 feet up
25 the eastern side, and 50 feet on the southern portion of

1 Mission Lane.

2 They're -- the requests have been in the form of
3 an easement. Before I started working for you guys, I did
4 mostly dirt law. And because the property that they're
5 developing is owned by Pima County, we could give them --
6 you could give them a license rather than an easement.

7 But the request is for something temporary. There
8 has been some indication of a desire for a permanent
9 underground utilities. But the principal request has been
10 for this 150 feet, 120 feet, and 50 feet.

11 CHAIRMAN McCUSKER: Could we give the County an
12 easement?

13 MR. COLLINS: You could absolutely give the County
14 an easement. In fact, if you're going to do that, then
15 that's the way to play it because the County owns the
16 property.

17 MR. HILL: Mr. Chairman, I will move that we grant
18 the County the temporary easement agreement as discussed by
19 counsel.

20 CHAIRMAN McCUSKER: As requested by -- as
21 discussed in exec.

22 MR. COLLINS: I can draft that. I can bring it
23 back to you for final approval, if you wish.

24 Mr. Hill, I don't know whether you were thinking
25 about bringing it back, or . . .

1 MR. HILL: I'm ready to give you that power with
2 the language about material changes or something.

3 TREASURER SHEAFE: That's the other one.

4 MR. HILL: That's the other one. Okay. I don't
5 have to put that in there.

6 CHAIRMAN McCUSKER: We have a motion on the
7 floor --

8 MR. HILL: Temporary. I did say temporary.

9 MR. COLLINS: Temporary.

10 SECRETARY IRVIN: So -- just so I'm clear, so when
11 you say temporary, you're thinking like a 30-day right to
12 revoke that on our behalf?

13 MR. HILL: That's what counsel indicated.

14 CHAIRMAN McCUSKER: This is a temporary, revocable
15 easement run from the District to the County.

16 SECRETARY IRVIN: I'll second that.

17 CHAIRMAN McCUSKER: Any further question or
18 conversation?

19 MS. COX: Well, I just have -- does -- do you feel
20 like the Mission Gardens people understand that if we end up
21 developing that property -- I don't know exactly what we
22 would do with that property at this point obviously -- but
23 that it is temporary and they are not assuming that it's
24 never going to be revoked?

25 Because I would just want to make sure they

1 understand that completely and that they aren't intending
2 for it to be permanent.

3 MR. COLLINS: Most of the communications have been
4 between the Friends of Tucson's Birthplace and the Chairman.
5 The email that I saw specifically used the word "temporary."

6 MS. COX: Okay. Thank you.

7 CHAIRMAN McCUSKER: I mean, Bill's here if you
8 want to ask him straight up.

9 MS. COX: That's right. Bill's here.

10 CHAIRMAN McCUSKER: Bill, come on up. Get your
11 name on the record for the transcriptionist.

12 MR. O'MALLEY: Yeah. Bill O'Malley with Friends
13 of Tucson's Birthplace.

14 Yes, we do understand that it's temporary.

15 SECRETARY IRVIN: Okay. There you go. Thank you.

16 CHAIRMAN McCUSKER: Okay. We have a motion and a
17 second.

18 All in favor, say aye.

19 (Ayes.)

20 CHAIRMAN McCUSKER: Any opposed, nay?

21 That passed enormously.

22 (The Board voted and the motion
23 carried.)

24 CHAIRMAN McCUSKER: Okay. Mark, you're going to
25 give us an update -- do you want to take the Action Item

1 No. 15 first? So while you are here, let's deal with the
2 Presidio request.

3 MR. COLLINS: Mr. Chairman, I'm not leaving until
4 you do. Until you all do.

5 Yeah, Mark, you -- if we're going to do the
6 Presidio, as you folks know, you own what's called the
7 Duplex on Washington and Council.

8 Recently, you authorized the payment of \$150, or
9 something, to assistance the efforts of the Presidio group
10 to freshen up the outside with the help of Cox people who
11 donated their shall time.

12 There is a move to rehab at a time that building
13 in its entirety. And you have been requested, as we
14 discussed, to authorize the expenditure of \$1900 to test the
15 inside of this building for whether or not there's any
16 asbestos.

17 CHAIRMAN McCUSKER: Is it the Chairman's
18 prerogative just to table this?

19 MR. COLLINS: It is.

20 CHAIRMAN McCUSKER: Would anybody object?

21 SECRETARY IRVIN: No.

22 MS. COX: No.

23 MR. COLLINS: Absolutely not.

24 CHAIRMAN McCUSKER: We'll consider the item
25 tabled.

1 Okay, Mark, tell us what's going on with the hole
2 in the ground.

3 SECRETARY IRVIN: So this -- real quickly. So I
4 talked with Scott earlier in the week. It was kind of a
5 quick little update. We -- he just had -- is finishing up
6 his archaeological studies on the site. Those should be
7 done probably some time next week. They found a couple of
8 things but nothing earth-shattering.

9 About a month or so ago, they decided it was time
10 for the office building at 131 East Broadway to go away. So
11 they had a little paintball party and gave people hammers
12 and paintballs and let them just go and have all the fun
13 they wanted to at the building and then knocked it down.

14 The fence is up and around. And the current
15 thought is, is that about July 8th -- it's either the second
16 of the third week in July -- Monday in July, they will
17 actually break ground and start. It's about an 18-month
18 project. This is the latest rendering that I just got late
19 last night. And I wanted everybody to kind of see. It's
20 changed quite a bit from that initial conceptual drawing.
21 But everything is on target. And everything looks like it's
22 on time.

23 Master Collins has been great to work with.

24 And, Mark, anything you want to add to that? I
25 know we've got a couple of I's and Ts to dot. But nothing

1 that I see that's any issue of concern. You?

2 MR. COLLINS: No. Mr. Irvin, no. Nothing that
3 concerns me.

4 But, Mr. Chairman, Members of the Board, sometime
5 ago you authorized, and it was executed, a purchase and sale
6 agreement and a lease agreement. That has been between the
7 developer and the District.

8 Since that time, the construction lender has
9 become involved, some changes have been requested to these
10 documents. After some interesting negotiations, those
11 changes have been reduced to a point where I don't see they
12 are material to you at all. There's nothing that materially
13 impacts your rights, your duties, your obligations now as
14 opposed to what you approved before.

15 It -- there are some things that Mr. Stiteler and
16 his group need to complete. But as I see it now, this looks
17 like a go to me.

18 SECRETARY IRVIN: Agreed. Mark, thanks for all
19 your efforts.

20 CHAIRMAN McCUSKER: And just in terms of that
21 picture, the first floor, Mark, is retail.

22 SECRETARY IRVIN: Yes. So --

23 CHAIRMAN McCUSKER: The garage is the next floor?

24 SECRETARY IRVIN: Correct. The ground floor is
25 retail, check-in, a little bit of guest services. There

1 will be about -- oh, roughly 8,000 square feet that will be
2 left over that is undefined use right now. I think
3 everybody knows how particular Scott is about some of the
4 retail things that he does downtown, wanting that scripting.

5 And then obviously the ramp going upstairs to
6 Floors 2, 3, 4 and 5, which will be all parking. And then
7 the hotel sits at the top three floors.

8 And I also got from him a couple other drawings.
9 But they -- they're just different perspectives of the
10 building. I'll get those over to Michele and get them
11 posted on the website. But they were kind of hard to read.
12 And I thought this was the best of all the photos. And what
13 I liked about it, it kind of shows where the entrance is and
14 the garage and how that's delineated.

15 So pretty tickled with how this project is going.
16 And it's -- I was over there today at lunch and snapped a
17 few photos of the lot that's now been landscaped.

18 MR. MARQUEZ: For clarity, rookie question again:
19 So we own four floors of parking. We receive the income
20 from the parking garage?

21 SECRETARY IRVIN: Yeah. So the basic structure
22 at -- is the District, when we -- when the hotel is
23 completed and the certificate of occupancy has been issued,
24 we will then go in and write a check for \$4,900,000 --
25 excuse me -- we owe them \$4.3, we got 10,000 down. So

1 almost 4.3 we'll write a check for. And at that time, we
2 will sign back a lease with us leasing all those places in
3 market. We got a short little window, as you can see, with
4 those things to get them wrapped up. So there's a couple
5 months of this -- but once he gets ramped up, he gets to a
6 certain thing and off he goes, so . . .

7 MR. MARQUEZ: So he's leasing spaces. It's not
8 contingent on how many actual people park there. We don't
9 care.

10 SECRETARY IRVIN: Not only that. He manages the
11 entire process.

12 MR. MARQUEZ: Great.

13 SECRETARY IRVIN: So it's -- to us, it's a --
14 basically a kind of a triple-net investment structure for
15 the District. And our \$4.3 million generated this
16 development that, if you look at the whole pieces of it,
17 it's north of \$40 million.

18 MR. MARQUEZ: Wow. Great job, guys.

19 SECRETARY IRVIN: Yeah. So our goal was to try to
20 take one of our dollars and turn it into 5 or 6. This one
21 obviously exceeded that and hopefully will be a model for
22 going forward.

23 TREASURER SHEAFE: We also generate about 200
24 jobs.

25 SECRETARY IRVIN: Yeah. Also generated 200 jobs.

1 Plus we've also given us a return to the District. So it's
2 not just flowing money into it. It's a nice return that's
3 under what we're allowed to do for the arbitrage rule.

4 MR. MARQUEZ: That's awesome.

5 CHAIRMAN McCUSKER: You haven't been on Arizona
6 Avenue, which is the alley that runs west of that. We're
7 already the beneficiary of this project. The Dumpsters are
8 gone. There's a new bar whose entrance is off of that,
9 Arizona Avenue, called HighWire.

10 And that will be the back entrance to the Gibson
11 Market. So that -- what used to be an alley of Dumpsters is
12 now a thoroughfare between Broadway and Congress. There's
13 some really cool stuff being developed there with the front
14 entrance on Arizona Avenue.

15 SECRETARY IRVIN: They'll collect all the trash
16 for that block at the hotel.

17 MR. MARQUEZ: Very cool.

18 SECRETARY IRVIN: Just kind of like what happens
19 over at the Rialto block.

20 CHAIRMAN McCUSKER: Okay. This is the time we've
21 reserved for call to the audience.

22 Michele, do you have any?

23 MS. BETTINI: No.

24 CHAIRMAN McCUSKER: Okay. Take a motion to
25 adjourn.

1 SECRETARY IRVIN: So moved.

2 CHAIRMAN McCUSKER: All in favor, say -- I didn't
3 get a second.

4 MS. COX: Second.

5 CHAIRMAN McCUSKER: All in favor, say aye.

6 (Ayes.)

7 (The meeting concluded at 4:01 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.

John Fahrenwald