

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

**9:00 AM
Friday, January 13, 2012**

**400 W. Congress
Tucson Arizona 85701
Meeting Room 222**

A meeting of the Board of Directors of the Rio Nuevo Multipurpose Facilities District was held on Friday, January 13, 2012, in Meeting Room 222, 400 W. Congress, Tucson Arizona, commencing at 9:08 AM.

1. Roll Call.

The meeting was called to order at: 9:08 AM.

	Appointee	Present	Absent/Excused
Jodi A. Bain, Chair	Senate	X	
Tim Bathen	Governor	X	
Jannie Cox	Governor	X	
Carlotta Flores,	Governor		X excused
Rick Grinnell,	Senate	X	
Jeff Hill, Treasurer	Governor		X excused
Mark Irvin, Vice Chair	House	X	
Alberto Moore, Secretary	Governor	X (arrived at 9:15 am)	
Jonathan Paton	House	X	

Executive Director:

Larry Lewis Exec. Director X

Counsel:

Special Counsel Sean Brearcliffe X

2. Discussion and possible approval of minutes.

► Motion to approve the minutes from meetings conducted on December 20, 2011 made by Jannie Cox; seconded by Tim Bathen. Passed 6-0 (Alberto Moore absent.)

3. Announcements from the Chair

a) Mediation Update

The mediation is moving ahead with the next session to take place in the next few weeks.

b) Website and Media Relations

A number of Board members have expressed the need for a more positive outreach by the District to the community through media access. To that end, the Board is working with TagLine to further utilize the website and email outlets for more often (weekly or bi-weekly) information releases from time to time. Some of the topics would include explaining the District oversight responsibilities to the taxpayer's money and assets; cost effectiveness of the Districts actions, overcoming misconceptions about the Districts motives that are disseminated through the community by opponents in negative rhetoric. Also, confirming the District's recognition of the importance of remembering and showcasing the cultural heritage and historical significance of various sites in downtown Tucson.

c) Wells Fargo & Accounting; Public Hearing Update

Approximately two hundred and fifty to three hundred pages of new documents were produced by Wells Fargo and turned over to the District for evaluation. Banker's boxes were expected and this will be addressed later by Special Counsel Brearcliffe.

Jonathan Paton expressed his continued concern and challenge to get this information out to the public as soon as possible. He continues to receive public records requests from the public and press and wants to know how we are responding to this.

Chair Bain explained that it was in the last few days Wells Fargo had responded to the District's request for confirmation that Wells Fargo no longer contended the District was not at liberty to make the Wells Fargo documents received by the District public and placed on the website. Wells Fargo had indicated to Special Counsel Sean Brearcliffe (who would report on this later) that Wells Fargo had indicated that they could not see why the documents would not be acceptable to publish now. Originally, the District had been informed in the fall 2011 that publication of such documents and materials was not at the election of the District because the account documents were for the bondholders not the District.

Based upon this week's follow-up on this matter, the plan going forward is to have redacted copies of the Wells Fargo documents received placed in binders and be available for review by appointment beginning January 27, 2012.

4. Executive Director Report.

a) Accounting Procedures

The District is reviewing our current business relationship with our general accounting CPA firm R&A CPAs. An option is to move the day-to-day accounts payable processing and ledger posting in-house at the District level with some oversight through RCM that would assist with District compliance with acceptable accounting practices and adherence to internal District controls.

b) File Review

We have moved some inherited files to the District office for review and inventory by the executive director at the request of legal to be more cost effective. **Beach Fleishman Audit Update**

We met with Beach Fleishman on Wednesday and are working with them to finalize the audit report. There continues to be an issue of reconciling the cash position and the fixed asset that is being worked through. It appears that this year the financial audit will remain “qualified” as to at least the fixed assets. The final draft should be completed in the next two weeks and submitted to the state.

c) Community Outreach

Jannie Cox and Larry Lewis met with Jodi Bain this past weekend and discussed some new options and opportunities to reach out to within the community with positive initiatives that tap into other community based organization’s to work collaboratively on some small, but visible projects. Recommendation and ideas will be brought to the board in the next few months for this initiative.

d) U of A Internships

Alberto Moore and Larry Lewis have been working with a number of the schools at the U of A to secure several interns to work with the District this spring. The District has posted with the school of Government and Public Policy and is considering others. Interviews for prospective interns are anticipated to begin next week for selected interns to start sometime around Feb 1st, 2012 if there is student interest.

5. Accounting Needs and potential discussion/direction/action from the District

Chair Bain reminded the Board that a motion had been passed at the 12/20/11 Board meeting to pay the contracted rate of \$22,000.00 to R and A CPA’s for service rendered. The board was also informed that R & A had initially accepted the Board’s invitation to come and explain the extra costs and fees being requested from the District but later changed their mind and have decided to disengage as a result of the extra fee matters.

Jonathan Paton asked for clarification.

Larry Lewis and Alberto Moore explained: This matter arose by what appears to be as a result of continued issues with failure to properly post, finalize and complete account reconciliations coupled with apparent billing irregularities and difficulties obtaining information from the City. It ultimately came to a decision to sever the relationship. Alberto Moore agreed to negotiate the separation and assure a proper transfer of records.

- ▶ Motion made to release R and A CPAs as the treasurer servicer accounting firm and to move these responsibilities to RC&M to work with Susan Vos who started with the District while she was at R and A. The day-to-day accounting functions shall be handled at the District level under some oversight by RC&M made by Jonathan Paton. Alberto Moore seconded the motion.

▶▶ A friendly amendment made to the motion to ensure that to cost for the additional RC&M services would be at or below the cost of the current R&A CPAs agreement made by Tim Bathen, seconded by Alberto Moore. The motion passed 7-0.

Original motion as amended Passed 7-0

Chair Bain briefly stated that the Beach Fleishman financial audit looks to again be a “qualified opinion” due to the fixed assets like the prior year. It was hoped that the mediation with the COT might resolve these outstanding issues.

Jannie Cox asked for confirmation of what the District owes R and A CPA’s. It was stated that R & A had been paid according to a December 20, 2011 motion which paid the contracted amount of \$22,000.00. The District also just received an additional invoice not before seen for an additional \$20,000.00 + charges that are in dispute. Alberto Moore has been made lead on closing out this vender and will be meeting with the lead partner as R & A soon.

6. Report from Counsel with potential discussion/direction/action from the District.

i. Rialto Theater.

The updated proposal from the Rialto indicated the Rialto was not pleased with the District’s offer of six month rent abatement. The countered was that the Rialto needed at least one year and expressed concern about agreeing to pay any legal cost incurred by the District.

Mark Irvin stated he had reviewed the financial documents and stated the Rialto was in major financial trouble. The still have money owned to Doug Biggers, investors and had installment payments for the lighting and the sound systems.

Rick Grinnell expressed frustration with the entire process. He reminded the Board that the Rialto had not lived up to their agreements for improvements included in the original IGA as amended in fall 2010. He does not see them as a viable business moving forward. He sees the rent abatement as just another band aid prolonging the inevitable failure of the current operators. He expressed that we should see an economic impact survey of what the Rialto actually brings to the downtown economy before agreeing to any more concessions. He wants to see a financial plan that shows they can come out of their current situation and pay the District and taxpayers back for their investments in the theater.

▶ Motion to delay until March any decision until and economic impact study is done and a real business plan is put forth as a plan for success made by Rick Grinnell; seconded by Tim Bathen.

Discussion ensued.

▶▶ An amendment to the motion by Rick Grinnell to vote on the Rialto at the Feb 9, 2012 Board meeting rather than wait until March 2012 made by Jonathan Paton. He wanted updated information and to continue negotiations in the meantime.

After discussion with Chair Bain facilitating conversation with Rick Grinnell, Mark Irvin, Jonathan Paton Alberto Moore, Jannie Cox and Tim Bathen offering opinions and suggestions, it was agreed Rick Grinnell, Mark Irvin, Jonathan Paton and Alberto Moore would review the existing documents provided to the District by the Rialto again and prepare a list of questions to provide The Rialto Foundation in advance of their appearance.

► Motion to table his motion until the next Board meeting on Feb 9, 2012 by Jonathan Paton, seconded by Alberto Moore. Motion passed 7-0.

Thereafter, an invitation to the Rialto Foundation to attend eh February 2012 meeting shall be extended to answer questions provided to them in advance of the meeting.

Jannie Cox asked for clarification on what had been agreed to. The following was confirmed:

- a) Invite the Rialto Foundation to appear at the 2/9/12 Board meeting to discuss their financials, business plan, etc. in open session.
- b) Rick Grinnell, Mark Irvin, Jonathan Paton and Alberto Moore to review the Rialto provided materials to date and submit the questions and matters that remain pending to the Chair to submit to Curtis McCrary. These folks may also meet with the Rialto folks and work with them based upon their financials, etc. to assist them in planning.
- c) Generally speaking, the following will be requested:
 - a. Economic Impact Study.
 - b. Business Plan.
 - c. Best Practices.

Mark Irvin compared the District interaction with the Fox Theater Foundation and Rialto Foundation.

ii. Bank Matters.

Special Counsel Sean Brearcliffe repeated and confirmed what Bain had previously discussed on receipt of more source documents from Wells Fargo.

Jonathan Paton asked for what the response had been from Wells Fargo regarding his motion at the 12/20/11 Board meeting for a letter demanding authorization to make a public release of these documents. Sean Brearcliffe stated they appear to not have any further issue with the document release and gave no reason why Wells Fargo previously stated they took issue.

Jonathan Paton then asked what the plan was for the District to make these documents available for public requests and more open to the public.

Bain repeated that a set of binders with the information were now being prepared for this purpose. They will be available to look though by appointment at the offices of Rusing, Lopez and Lizardi PLLC.

Regarding a searchable web based system to various District records; this is being addressed as part of the transfer of accounting services from R&A CPAs to RC&M and through the District's contract with TagLine who supports the website. Bain made sure folks knew a searchable data base can be around

\$15,000 plus to effectuate due to the OCR requirements for searching documents. Mark Irvin concurred. It is hoped this data base will be online in the next few months.

iii. Litigation, Claims and Mediation.

No new or additional information to share other than what was reported under the announcements by the Chair.

7. Executive Session. None.

8. Call to the Audience

Ethan Beasley –Wants the historical and cultural factors protected. Also expressed support of keeping the Rialto Theater open.

Guadalupe Barrios - Expressed his concern for the historical and cultural preservation of the lands on the westside and was angry no Rio Nuevo funds had been spend on the west side since the district started. He also expressed support of keeping the Fox and Rialto Theaters open even if it requires new management.

Josefina Cardenas - Expressed her concerns regarding the overall preservation of the land that is the birthplace of Tucson on the Westside. She challenged the Board to take an active role in the protection and preservation of this historical site.

9. Adjournment. Motion made to adjourn at 10:30 am by Jannie Cox; seconded by Alberto Moore; passed unanimously 7-0, no abstentions.