

RIO NUEVO MULTIPURPOSE FACILITIES BOARD MEETING

Tucson, Arizona
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9:00 a.m.

REPORTED BY:

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1 (Meeting commenced at 9:04 p.m.)

2 CHAIRMAN McCUSKER: Okay. We're going to call the
3 meeting to order. We do have some more chairs coming. It
4 might thin out a little bit as we start the session. So
5 let's start with the pledge.

6 Cody?

7 (Pledge of Allegiance recited.)

8 CHAIRMAN McCUSKER: Michele, will you call the
9 roll.

10 MS. BETTINI: Jannie Cox?

11 MS. COX: Here.

12 MS. BETTINI: Chris Sheafe?

13 TREASURER SHEAFE: Here.

14 MS. BETTINI: Fletcher McCusker?

15 CHAIRMAN McCUSKER: Here.

16 MS. BETTINI: Mark Irvin?

17 SECRETARY IRVIN: Here.

18 MS. BETTINI: Jeff Hill?

19 MR. HILL: Here.

20 MS. BETTINI: Cody Ritchie?

21 MR. RITCHIE: Here.

22 MS. BETTINI: And Alberto is on his way.

23 CHAIRMAN McCUSKER: And Mr. Moore, we think is on
24 his way. We haven't heard otherwise. But we have a quorum,
25 so we'll get started.

1 You've all seen the transcript from the
2 October 1st meeting. Any comments, questions, changes?

3 If not, we need a motion to approve it.

4 SECRETARY IRVIN: So moved.

5 TREASURER SHEAFE: So moved.

6 CHAIRMAN McCUSKER: All in favor say aye -- wait a
7 minute. I got two motions, not a second.

8 SECRETARY IRVIN: I'm happy to be second.

9 TREASURER SHEAFE: It was your motion, my second.

10 CHAIRMAN McCUSKER: Okay. So all in favor, say
11 aye.

12 (Ayes.)

13 (Mr. Moore entered the proceedings.)

14 CHAIRMAN McCUSKER: We just approved the minutes,
15 Alberto. You haven't missed a thing.

16 Thank you for coming. This is a new format for
17 us, I think the first time we've done a study session. The
18 hope is that we will be a little bit more communicative and
19 interactive, particularly with the presenters.

20 This is an open meeting. And by law, everything
21 we say and do will be transcribed. If we take any action,
22 Members, it will require a motion, second, and majority
23 vote.

24 So even though it's designed as a study session,
25 we can still take Board action on any of the items we've so

1 indicated in the agenda.

2 We're going to provide our presenters to come sit
3 with us, conference style. And then we'll be able to listen
4 to your presentation and ask questions and opt to take
5 action or not.

6 So first up's the Rialto Theatre. Do you want to
7 come up and have a seat? Come on down.

8 TREASURER SHEAFE: You guys all come down.

9 CHAIRMAN McCUSKER: And before you start, if you
10 will introduce yourself and title. And make sure that our
11 transcriptionist gets it correctly since he's -- backs will
12 be to you.

13 MR. PARKER: I'm Hubert Parker, I'm president of
14 the Rialto Theatre Foundation.

15 CHAIRMAN McCUSKER: The mics are fine. You don't
16 need to reach to them.

17 MR. McCRARY: Curtis McCrary. I'm the executive
18 director of the Rialto Theatre Foundation.

19 MR. VOLPE: Kip Volpe, treasurer of the Rialto
20 Theatre Foundation.

21 MR. McGRATH: Good morning. Michael McGrath,
22 counsel for the Rialto Theatre.

23 MR. MARTINEZ: My name is Justin Martinez,
24 commercial lender at National Bank of Arizona and the
25 Foundation's banker.

1 CHAIRMAN McCUSKER: Thank you. So we do have an
2 advance proposal. Do you want to walk us through that? I
3 think you have kind of an update to give us. You know, last
4 meeting, we heard the presentation. We had a couple of
5 questions.

6 So if you want to just pick up, maybe, where you
7 left off?

8 MR. PARKER: Well, I would like to -- you have our
9 proposal, and I would like to give just a few minutes --

10 CHAIRMAN McCUSKER: And are there copies, Michele,
11 for the audience?

12 MS. BETTINI: No.

13 CHAIRMAN McCUSKER: Since there are none in the
14 room, go ahead and walk through it so the public can follow
15 it.

16 MR. PARKER: I'll just -- I'll read you our
17 proposal.

18 On the 10th anniversary of the party's lease and
19 IGA, the Rialto Theatre Foundation, called the Foundation,
20 proposes to the Board of the Rio Nuevo Multipurpose
21 Facilities District, Rio Nuevo, that the Foundation, along
22 with Rio Nuevo, jointly explore the possibility of a
23 purchase by the Foundation of the historic Rialto Theatre,
24 known as the Theatre.

25 And this goes -- a little bit background. In 2004

1 with financing from Rio Nuevo, the Foundation undertook the
2 rehabilitation of Tucson's long-neglected and sorely
3 underutilized Rialto Theatre. Rio Nuevo modernized the
4 Theatre's air-conditioning system while the Foundation was
5 equipping the Theatre with state-of-the-art sound and
6 lighting equipment.

7 Today, under the Foundation's stewardship, the
8 Theatre has been restored to a fully functional,
9 appropriately comfortable venue attracting musical tours, as
10 well as local and out-of-town patrons to our resurgent
11 Downtown.

12 More importantly, with critical funding from Rio
13 Nuevo, the Foundation has implemented programming at what is
14 now a nationally acclaimed music venue. Rio Nuevo's
15 sponsorship of the Theatre is an unqualified demonstration
16 for Rio Nuevo's performance in driving economic development
17 in Downtown Tucson.

18 With the unveiling of the R Bar during the summer
19 of 2014, the Foundation has developed an additional source
20 of income and attraction to the Herbert Alley area which
21 furthers our joint mission of increased programming and
22 traffic for business in the Downtown redevelopment district.

23 In the last year, the Rialto's hosted more than
24 200 nights of entertainment in the Theatre, as well as other
25 venues like the Fox and the TCC. The Theatre consistently

1 ranks among the top 60 venues of its kind worldwide.

2 The lease provides that the District can, at any
3 time, deed the Theatre to the Foundation. Alternatively,
4 the Foundation has the option to purchase the Theatre at the
5 end of the lease with the price reduced to zero after 40
6 years of lease payments.

7 A sale of the Theatre to the Foundation would be a
8 signature accomplishment for before both parties. Ownership
9 of the Theatre will be vested in a private, not-for-profit
10 entity. Rio Nuevo will have completed redevelopment of an
11 historic asset, fulfilling it's mandate to revitalize
12 Downtown Tucson. The Theatre asset will thus be monetized,
13 allowing Rio Nuevo to redeploy the funds toward other
14 priorities.

15 Our proposal, the Rialto will secure third-party
16 financing for a purchase. The amount that can be borrowed
17 for such a purchase is not known at this time. But the
18 Foundation is regarded as credit worthy by its bank,
19 National Bank of Arizona.

20 Should Rio Nuevo have an interest in this option,
21 we suggest it be undertaken as a joint exploration of the
22 financing possibilities. While the parties explore the
23 feasibility of a purchase, the Foundation requests a
24 continuation of the existing monthly rent amount of \$3,690.

25 And if you'd like, I'd like to walk through a

1 little information.

2 You know, I think it's important we talk about
3 where we've been, where we are, and where we're going. And
4 all of this leads directly into the Rialto Theatre's
5 economic impact on Downtown Tucson's vitalization.

6 No. 1, I want to discuss where we've been, what
7 we've overcome, and the results of our efforts.

8 Since the first amendment to the IGA, we've
9 restructured our management team. We've expanded our board
10 to emphasize fundraising. We've established a strong
11 banking relationship with a line of credit. All this was
12 accomplished during probably the worst economic conditions
13 of our lifetime.

14 Oh, by the way, in case my memory serves me, there
15 was a little construction going on at the time.

16 CHAIRMAN McCUSKER: Downtown?

17 MR. PARKER: Downtown. Yeah. I've been accused
18 of --

19 CHAIRMAN McCUSKER: Read something about that.

20 MR. PARKER: You did?

21 You know, accomplishing all of this allowed us to
22 focus directly on our mission which is bringing quality
23 entertainment to the Tucson community and more patrons to
24 Downtown.

25 Since the first amendment to the IGA, we've

1 increased the number of shows by 50 percent, to 210 this
2 year.

3 The last four years, the Rialto Theatre has
4 brought over 382,000 people to Downtown Tucson. This
5 translates into an economic impact of over 13 and a half
6 million dollars being the spent in Downtown Tucson.

7 We increased our revenue from just over 2 million
8 to almost 3 million. Our highest ever -- 3 and a half
9 million. Sorry.

10 So where are we now? We consistently rank in the
11 top 60 of Pollstar's top 100 club venues worldwide. And
12 every year since 2004, with the help of Rio Nuevo, we have
13 been voted Tucson's best place to see a show by the Tucson
14 Weekly.

15 This increase in the number of shows has also led
16 to an increase in Rialto's employees. Currently, we employ,
17 both full and part time, around hundred pleas. What does
18 this do? People live close to where they work, and they
19 spend their entertainment dollars close to where they live.

20 So where are we going?

21 Our vision. In 2020, the Rialto Theatre will be
22 100 years old. We want to be a destination venue, a tourist
23 attraction for Tucson.

24 We have goals. We have a five-year plan leading
25 up to our 100-year anniversary.

1 We want to be self-contained. And let me explain
2 a little bit about what that means. Currently, we rent the
3 building behind the Rialto for our office and our green
4 room. We would like to build out a green room below the
5 stage area -- below the stage in the Rialto. Also, we want
6 to build a modular office off stage side. All of these are
7 doable.

8 What that would do? That would eliminate the need
9 for us to rent the building saving us around \$3,600 a month.

10 And we want to capture our share of the growing
11 but underappreciated concert music venue tourism. We are
12 working on that, and we will stay ahead of the curve. And
13 that will dovetail perfectly with our 100-year anniversary
14 celebration.

15 So I'd like to just -- if I can paraphrase a
16 little of the work of Richard Florida, which, our success
17 helps bring in the creative class. That in turn helps
18 Tucson attract businesses and entrepreneurs leaving a
19 lasting legacy for Rio Nuevo and the Rialto Theatre.

20 Thank you.

21 CHAIRMAN McCUSKER: Questions for the group?

22 MR. PARKER: And if you have questions on our
23 finances, we have Justin Martinez with --

24 MR. RITCHIE: Mr. Chairman?

25 CHAIRMAN McCUSKER: Go ahead.

1 MR. RITCHIE: A comment. I think you guys are the
2 true success story of Downtown. I -- I -- I'm here 220
3 nights a year. I drive by there, and I see that marquee
4 sign. I've been to concerts there myself.

5 I think the board's fantastic. I think that you
6 guys cast a wide net, you know, shows for the 18-year-olds
7 and the shows for the 70-year-olds. I think it's fantastic.
8 I think our whole goal and mission has been to get people
9 Downtown and fill up the restaurants.

10 And I want to thank you personally. Because I
11 have some experience from the guys who started before you,
12 Curtis and with Jeb and Paul. And those guys worked really
13 hard and you guys just took the torch. And it's just an
14 unmitigated success story.

15 MR. PARKER: Thank you.

16 CHAIRMAN McCUSKER: Jannie.

17 MS. COX: And I would like to echo what Cody had
18 to say. And I met with Hubert the other day to learn more.
19 And I'm really impressed with what you've accomplished.

20 And I can't tell you how many Monday nights I
21 drive into Downtown at 4:30 in the afternoon and the line is
22 around the corner to get into the Rialto on Monday nights.
23 And I know that's not the only place they're spending their
24 money.

25 So I really commend you for what you're doing,

1 what you aspire to do. I have the same question that I --
2 maybe Curtis could address, or anyone, that I asked Hubert
3 the other day, is, to my knowledge, there are very few music
4 venues such as your own across the country who are able to
5 survive without subsidy. And if one or two of you could
6 speak to that, I would really be interested.

7 MR. McCRARY: Well, I can address that. We're
8 unique in the sense that there's not a venue like ours
9 that's a nonprofit that does the kinds of things that we do.
10 Typically, our type of venue is something along the lines of
11 a House of Blues which is owned by Live Nation, the largest
12 concert promoter in the world or, you know, the similar club
13 venues of that -- of our size. And that seems to be sort of
14 the sweet spot between 1,000 and 2,000 capacity.

15 And as opposed to a beautiful venue, like the Fox,
16 which is more akin to a performing arts center and does the
17 performing arts center style programming, which is a sort of
18 different system than when we operate under.

19 But what I can say about that is that the --
20 the -- in my opinion, the live music business is very
21 robust. And there's been lots of disruption in the rest of
22 the music business in general. We talk about recorded
23 product and downloading music and how music essentially is
24 free now as far as recorded music is concerned. But we
25 aren't seen anything like that in the live music business.

1 People want the authentic experience of being
2 there in person to see their favorite artist perform. And,
3 if anything, we've seen the opposite of -- of -- I mean,
4 we -- you know, we struggled quite a bit, as you all are
5 well aware, in recent years. But over the last two and a
6 half years, with the rebound of the economy, the headwinds
7 turned into tailwinds, essentially.

8 And the basic model of live music as a -- or live
9 entertainment as a viable going concern I think is fully in
10 tact and will be into the future because it's something that
11 cannot be artificially reproduced. It's the only way that
12 you can have that experience, is by going to venues like
13 ours where the artists appear in person.

14 And so, having weathered the headwinds, I feel
15 like going forward that we have a bright future and, in
16 general, the business itself is very strong.

17 MS. COX: And are you aware of other venues -- I'm
18 sure you have communication with others --

19 MR. McCRARY: Sure, yes.

20 MS. COX: -- in your field. And are they thriving
21 as well? Do they have the same tailwind that you do?

22 MR. McCRARY: Yes. That's my general sense with
23 discussions that I have with colleagues. You know, we --
24 there's a lot of note comparing that we do with some of the
25 venues. I talk to people at, for example, Cain's Ballroom

1 in Tulsa, Oklahoma. Coach House, I'm a friend of the
2 programmer there.

3 There's the Hard Rock Cafe on the strip in Las
4 Vegas. And they're an interesting entity because there's so
5 much competition and they recently opened up a venue in Las
6 Vegas called the Brooklyn Bowl Las Vegas and -- with a
7 really, really aggressive attention to live music. And it
8 seems clear that what they're trying to do is attract
9 tourism, musical tourism.

10 People in -- people go to Las Vegas for, you know,
11 the big Vegas style shows. And live music has kind of
12 traditionally been an afterthought. And now with the
13 opening -- and I encourage you to check it out because it's
14 actually a really cool venue. It's a bowling alley with a
15 great restaurant, but it's a 2,000 capacity concert venue.
16 So you can bowl and see a show at the same time.

17 MS. COX: No, thanks.

18 MR. McCRARY: But -- but, you know, I mean, it's
19 like chocolate and peanut butter in my opinion.

20 But anyway, to me that's an example of the faith
21 in live music. I mean, they're -- they're -- you know,
22 we'll have the same acts at the Rialto, but they'll be
23 programming them for two nights or four shows. They'll
24 do -- they'll do four shows consecutive. And it seems to me
25 that their goal is to attract tourism based on live music.

1 And as a matter of fact, I'm going there in
2 November to see a band called Tame Impala from Australia
3 with a friend of mine. And bands from out of the -- you
4 know, we'd love to get them at the Rialto, but they have
5 limited visas for when they can be here. So usually they
6 skip over smaller markets.

7 So it's generally my sense, in talking with
8 colleagues and colleagues at the Echo and the Echoplex in
9 Los Angeles, colleagues in Seattle, San Francisco, that
10 basically everywhere, the live music business, especially at
11 our level, is thriving.

12 MS. COX: Thank you.

13 MR. McCRARY: You're welcome.

14 CHAIRMAN McCUSKER: Mark?

15 SECRETARY IRVIN: So, Curtis, first, I just want
16 to say thank you for your efforts over the last
17 four-and-a-half-plus years that I've had the chance to work
18 with you.

19 You know, I was asked to kind of be the liaison
20 with the Board with the Foundation. I think you guys have
21 done a really, really good job.

22 I support the proposal. I think it's a smart move
23 for us to take and repurpose that money. I don't think we
24 need to be in an ownership position. I'd love to see you
25 guys on the pathway to success. And I just really

1 appreciate what you guys have done from before you started,
2 where you're going. Now you have a lot of other challenges.

3 And I think back to four and a half years ago when
4 we had to put on some boxing gloves, and that wasn't a lot
5 of fun. So I think it's nice to see what you guys have
6 done, the way that you have built your board.

7 And really just, every time I turn around, I'm
8 reading another really good article about how you guys are
9 positioned, not just in our community, but nationally. I
10 think you've done a super job. And I'd love to take the
11 money and repurpose it and set you guys to the path of
12 success.

13 So I appreciate, also, you taking the time to
14 educate the Board individually on what you guys are trying
15 to do because I'm not able do that for you except in open
16 session. So I think it's great that you had a chance to
17 reach out and explain to people, you know, kind of what you
18 guys are all about and really educate those people that
19 don't know a lot about you.

20 Just a question for Justin. So you know, we
21 haven't gotten to price; we haven't gotten to those kinds of
22 things. Walk us through, kind of in your mind, what the
23 process would be for you guys to step up and make a solid
24 commitment and what those timetables would be.

25 MR. MARTINEZ: Well, yeah. That's why I thought

1 it was important that I come down here and David Lyons as
2 well.

3 But you know, we've had the opportunity to do some
4 credit with Rialto over the past couple of years. I've seen
5 them go through the construction period. I've seen the
6 trends. We find them creditworthy and bankable.

7 As far as arriving at, you know, purchase price,
8 which is the first step and for us then backing into a
9 commitment, in my opinion, it would make sense for Rio Nuevo
10 Board to probably order an independent appraisal as a first
11 step. It's probably -- that's just my opinion.

12 SECRETARY IRVIN: Is that going violate any of
13 your regulatory requirements? I mean, you're not going to
14 be able to take an appraisal that we order and do anything
15 with it. Seems like that's a process that you as a bank
16 should handle, not us as a Board.

17 MR. MARTINEZ: And we also -- well -- yeah. We
18 also have to order our own appraisal before we can do the
19 commitment. But the first step is for you guys to negotiate
20 a purchase price. And that's not for me to do.

21 CHAIRMAN McCUSKER: And in that regard, it seems
22 like it would make sense for the bank to appraise it and,
23 then, we operate off of that value. I guess if we had any
24 questions about the independence of that appraisal, we might
25 order our own appraisal for comparative purposes.

1 But let's talk about the economics for a moment,
2 as I understand it. If you just continued to lease this
3 theater, you will own it in 40 years.

4 MR. PARKER: That is correct.

5 CHAIRMAN McCUSKER: So it's not a matter of if
6 you're going to own it, it's a matter of when you're going
7 to own it.

8 And if you purchase it early, we get the present
9 day value of that money. And then we can do something else
10 with that money. So all we're really talking about is
11 accelerating the option to purchase.

12 And then the question would be, and to your point,
13 is how do you determine the value?

14 So I guess the first question for us, is there
15 anybody on the Board that would not want to sell the Rialto
16 to the foundation?

17 SECRETARY IRVIN: One other question I might also
18 have is -- Curtis, you talked about this as well -- there
19 are some things that need to occur there, you know,
20 repositioning out of the green room, trying to bring as much
21 as you can back to the theater so that you're not renting
22 space and spending, you know, 3- or \$4,000 doing that.

23 So obviously, I'm assuming, that when you go to
24 the bank and you talk about money, it's not just a purchase
25 price but probably there's some monies that you need to have

1 allocated to doing the repurposing of some other spaces in
2 there to utilize for a green room and back office and that
3 kind of stuff.

4 So am I correct in, when you guys looking at that,
5 that you're thinking about those improvement, as well, going
6 forward?

7 MR. PARKER: We would look at that. That would be
8 one of the options. We would certainly consider all of
9 them. There's a -- we can do a capital campaign while we
10 stay renting the office space we have. So have a lot of
11 options. We certainly want to explore everything that we
12 can.

13 CHAIRMAN McCUSKER: Any other questions for the
14 Foundation?

15 What's your pleasure, Mr. Hill?

16 MR. HILL: Obviously, the value's important to
17 determine the asset. But also, I was curious as to if there
18 is any way of knowing how much money Rio Nuevo has actually
19 invested in the theater as a figure for us to weigh against
20 what we settle for and covering our losses for breaking
21 even.

22 As I remember, the rent schedule, you mentioned
23 doesn't it ratchet up in steps?

24 MR. PARKER: Yes, it does.

25 MR. HILL: And that type of thing? I think those

1 are pertinent to the discussion.

2 CHAIRMAN McCUSKER: Do you know today, here an
3 know, what the Rio Nuevo investment to date is?

4 MR. McCRARY: Yeah.

5 CHAIRMAN McCUSKER: Go ahead.

6 MR. McCRARY: It's 2.2 million. And that's
7 1.5 million for the purchase price, several hundred thousand
8 that was provided in matching funds for the renovation that
9 we did. And then I don't know exactly how that parcels out.
10 And then, I think about 300,000 for air-conditioning in
11 2006. And so all those things collectively add up to
12 2.2 million.

13 The strike price, according to the IGA, the
14 original IGA, is just reduced over the next 40 years --

15 CHAIRMAN McCUSKER: To zero.

16 MR. McCRARY: -- by -- yeah -- by \$4,300 a month.
17 And all that is, is 2.2 million divided by 480.

18 And then as far as the rent escalation, that's
19 something that we had sort of had preliminary discussions.
20 We knew that it was coming to where it was going to change
21 to where it was 3 percent of our gross revenues. And there
22 was some things that were excluded and things that were
23 included in that. From -- from what is, actually, a
24 gross -- there'd have to be an adjusted gross number to make
25 that determination.

1 What we would -- what we would point out is that
2 there's no guarantee -- the -- the IGA calls for the greater
3 of 3690 or 3 percent of our revenues. But I guess the idea
4 that -- is there that there's -- there's inherent risk in
5 that circumstance.

6 CHAIRMAN McCUSKER: But all that's moot if we opt
7 to sell.

8 MR. McCRARY: That's true. All of that -- all of
9 that is irrelevant.

10 MR. RITCHIE: Mr. Chairman?

11 CHAIRMAN McCUSKER: Go ahead.

12 MR. RITCHIE: Can I make the motion to honor the
13 request to keep the rent at 3690 while we explore all these
14 other options?

15 MS. COX: Second.

16 CHAIRMAN McCUSKER: Okay. So we have a motion and
17 a second to stand still on the rent. I guess we can deal
18 with that first.

19 All in favor say aye.

20 (Ayes.)

21 CHAIRMAN McCUSKER: Any opposed, nay.

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

24 CHAIRMAN McCUSKER: Okay. So the big question
25 then is, how do you want to proceed on determining the

1 value?

2 So we need a motion to proceed on that course.

3 And we can either order our own appraisal, or we could wait
4 and see the bank's appraisal.

5 MR. McGRATH: Mr. Chairman, the Rialto is prepared
6 to underwrite the expense if the bank does the appraisal if
7 that's of assistance to the District.

8 CHAIRMAN McCUSKER: Yeah. I think the question to
9 for is, do we view that as independent enough to arrive at a
10 fair value; or would we want to see two appraisals, ours and
11 theirs.

12 Go ahead.

13 TREASURER SHEAFE: In trying to look at this from
14 your perspective, are we talking about a net present value
15 discounted to present value dollars kind of a . . .

16 CHAIRMAN McCUSKER: No. You're talking about a
17 hard asset appraisal and negotiated sale.

18 TREASURER SHEAFE: Well --

19 CHAIRMAN McCUSKER: We can look at the present day
20 value of the lease. But that's not what they're proposing.

21 MR. VOLPE: Well, I -- excuse me. We -- we would
22 look at -- I think any appraisal is going to look at two --
23 they're going to look at the income stream and the value of
24 the real estate measurement. And then you've arrived.

25 As you may understand, this is a limited-use

1 property. You may have a higher value based on the net
2 present value of the base payments.

3 In -- back in 2000-and-whatever, when you
4 originally purchased it for a million-five, I think that it
5 didn't have the tentacles it has now. I mean, it's not
6 going to be the expansion of the cadence. You know, this is
7 going to remain a theater. It's a historical designation.

8 So I think that an appraiser will tell you that
9 the most valid value probably is a net present value with
10 your lease payments. So -- but I'll leave that up to them.
11 Usually they do both, and then they decide on number.

12 SECRETARY IRVIN: They're going to have a hard
13 time -- I agree. They'll look at both of those. And
14 they'll have a hard time finding comparable sales and data.

15 MR. VOLPE: Exactly.

16 SECRETARY IRVIN: So I think they're going to look
17 at those two methods (sound interference -- coughing) to
18 value that.

19 You know, it would seem to me -- and I, you know,
20 don't want to jump in your stuff, Justin, because I know
21 your stuff has to be independent. Typically, you go to
22 these guys and say, we've got 3 appraisers, A, B, C. This
23 guy's a dollar, this guy -- you know, so they don't know who
24 the people are. They just pick them.

25 So I'm not sure what sort of issues -- and, Dave,

1 maybe you want to chime in on this -- that you guys have
2 with that. I do agree with Fletcher, that I think we almost
3 have to kind of get two snapshots of value. And then, you
4 know, have maybe you guys do one independently, we do one
5 independently, and then we kind of get together and compare
6 notes and maybe have the appraisers get together as well.

7 I mean, I think it's an open and transparent way
8 to do it. And then ultimately, you guys can decide if the
9 two appraisers we've got are enough.

10 CHAIRMAN McCUSKER: Why don't we do that? Why
11 don't we -- we'll order an appraisal; let them order an
12 appraisal; and, you know, we'll sit down and compare the
13 two.

14 SECRETARY IRVIN: Yeah. I'll make that motion.

15 TREASURER SHEAFE: I'll second.

16 CHAIRMAN McCUSKER: The motion is that both
17 parties will order an appraisal. We'll look at the
18 comparative appraisal, and we'll sit down and negotiate a
19 purchase agreement with you guys.

20 MR. HILL: Mr. Chairman, I would speak the
21 opposition. I think that it's premature when we can see
22 what their proposal says and weigh that if we need to do
23 another one rather than spending the taxpayer dollars if, in
24 fact, it just duplicates or nears what they come up with.
25 It makes for a premature expenditure. And I don't know if

1 that's value for the taxpayer.

2 CHAIRMAN McCUSKER: You surprised me there. Okay.

3 TREASURER SHEAFE: That's the first time.

4 MR. HILL: I'd make a substitute motion,
5 Mr. Chairman, to the one that's on the table. The proposal
6 for us, at this point in time, to be able to revisit
7 certainly in the future, on our experts on the Board to exam
8 said appraisal from the Rialto and to explore the issue at
9 that time.

10 CHAIRMAN McCUSKER: Somebody can substitute Jeff's
11 substitute motion which would mean we would not order an
12 appraisal.

13 MR. RITCHIE: I substitute Jeff's motion.

14 CHAIRMAN McCUSKER: So we have a motion and a
15 second on the substitute motion that we would not order the
16 appraisal; we would first review the Rialto Foundation
17 proposal.

18 MR. HILL: Call for the question.

19 CHAIRMAN McCUSKER: Call for the role, Michele,
20 please.

21 MS. BETTINI: Alberto Moore?

22 MR. MOORE: Supportive.

23 MS. BETTINI: Jannie Cox?

24 MS. COX: Aye.

25 MS. BETTINI: Chris Sheafe?

1 TREASURER SHEAFE: Aye.

2 MS. BETTINI: Mark Irvin?

3 SECRETARY IRVIN: Aye.

4 MS. BETTINI: Jeff Hill?

5 MR. HILL: Aye.

6 MS. BETTINI: Cody Ritchie?

7 MR. RITCHIE: Aye.

8 MS. BETTINI: Fletcher McCusker?

9 CHAIRMAN McCUSKER: Aye.

10 (The Board voted and the motion
11 carried.)

12 CHAIRMAN McCUSKER: Okay. Go get an appraisal.

13 TREASURER SHEAFE: I've got one question before
14 you leave. How'd the Clowns work out last night?
15 Interesting venue.

16 MR. McCRARY: Yeah. You know, we -- the -- voiced
17 mixed feelings when the Insane Clown Posse comes to town.

18 MS. COX: Insane Clown Posse?

19 MR. McCRARY: Yeah, yeah.

20 (Inaudible crosstalk.)

21 MS. COX: I will next time.

22 MR. McCRARY: You know, some of that show, they
23 paint their faces in clown makeup. So you must have been
24 wearing a clown makeup disguise. That's how you got in with
25 me knowing.

1 MS. COX: And you think you know me.

2 MR. McCRARY: No. Everything went well. We
3 actually had real great cooperation with the Tucson Police
4 Department. We take great pains to make sure that our
5 neighbored aren't impacted when we have a show like that.

6 And so we rented fencing to kind of contain them
7 when they were in line. We rented portable toilets so that
8 they wouldn't be bothering our neighboring businesses to
9 uses their bathrooms and, you know, just cause them any
10 trouble. And everything went off without a hitch, at least
11 for the most part.

12 I was a little worried. I heard a -- we hired
13 some additional security in beyond our own stuff from A-Team
14 Security. And actually, a gentleman that worked for A-Team
15 had a heart attack last night. But it turns out he was
16 working a different event, he was working at a fashion show
17 that was taking place at Connect. And I haven't heard
18 how -- how he is, and so I shouldn't make fun of it. But I
19 heard that a security person had a cardiac arrest and the
20 ambulance came. And I was like, oh, no. I hope that's not
21 at the Rialto.

22 And as it turns out, it was not.

23 TREASURER SHEAFE: The purpose of the question,
24 frankly, is to complement you guys.

25 One of the things that the Rialto has done is

1 created a really diverse venue. And last night it was sort
2 of like you had oil and water going on at the same time.
3 And you pulled it off.

4 MR. McCRARY: Yeah. It's true.

5 TREASURER SHEAFE: And there was no disturbance
6 next door, which was really a good thing because that also
7 was an important event for Tucson.

8 MR. McCRARY: Yes.

9 TREASURER SHEAFE: And I think it speaks -- I
10 didn't realize that you had done some of the prep that you
11 were saying.

12 MR. McCRARY: Yes.

13 TREASURER SHEAFE: But that just shows one more
14 way that you have added a great deal to the downtown. Both
15 the economics, but also the ambience.

16 CHAIRMAN McCUSKER: They actually had it -- they
17 booked the Insane Clown Posse on the second Saturday a year
18 or two years ago.

19 MR. McCRARY: Yeah, yeah.

20 CHAIRMAN McCUSKER: So you had a real mix of
21 things going on.

22 MR. McCRARY: And that was actually -- that
23 Saturday there was the pride parade happening as well. And
24 we were successful again, successfully able to contain
25 diversity at its max.

1 TREASURER SHEAFE: All right.

2 CHAIRMAN McCUSKER: Mr. Irvin?

3 SECRETARY IRVIN: Just real quickly.

4 And, Mike, I don't know if you're the best to
5 answer this or not. Do you have a sense of timing on the
6 appraisal, and do you have a sense of who you're going to be
7 asking to do that?

8 MR. McGRATH: We have been having discussions with
9 Dave Lyons and Justin Martinez on that very topic. I would
10 hope that before the end of the year we could be back with a
11 proposal to set in front of you for further study.

12 Dave, Justin, is that realistic?

13 MR. MARTINEZ: Yep.

14 MR. McGRATH: That's our goal, to get this moving
15 as promptly as possible.

16 SECRETARY IRVIN: Agenda's up for December.

17 MR. McGRATH: That would probably be fine, and we
18 can contact you if there's going to be any delay. But I
19 think a December date with you again would be terrific.

20 CHAIRMAN McCUSKER: If there are any issues, the
21 executive officers can work through that with you before
22 they bring it back.

23 All right. Appreciate everything you do. Thank
24 you very much.

25 MR. PARKER: Thank you.

1 CHAIRMAN McCUSKER: All right. The January 8th
2 Memorial folks, come on down.

3 We do have an advance packet from them.

4 Michele, are they out there? We're going to go
5 through a PowerPoint presentation.

6 Don't forget names and titles for the transcriber.

7 MS. CHRISTENSEN: We will do that. We're about to
8 lose one of our board members. She's at the door. I'll
9 have her identify herself.

10 MS. SIDLES: Good morning. I'm sorry I have to
11 depart early. My name is Darla Sidles. And my day job is
12 (inaudible). Thanks for hearing us today.

13 MS. SIMON: I'm Pam Simon, survivor of
14 January 8th, former staff member of Congressman Giffords and
15 board member since the inception of this January 8th
16 Foundation.

17 MR. ROWLEY: I'm Jim Rowley. I am a board member
18 of the Memorial Foundation.

19 MS. CHRISTENSEN: And very active in the
20 development committee.

21 My name is Karen Christensen. I am the president
22 of the Memorial Foundation as of June of this year. And
23 sitting next to me is --

24 Michelle?

25 MS. CROW: Michelle Crow. And I'm serving as the

1 Foundation manager.

2 MS. SMITH: Angie Smith from Smith and Dale
3 serving as campaign counsel.

4 MS. KRET: Dot Kret with DK Advocates. And I'm
5 honored to be on the January 8th Memorial Foundation board.

6 MS. CHRISTENSEN: Also sitting in the audience is
7 Jodi McCloskey who is with the County and sits on the
8 January 8th Memorial Board and Jacquelyn Jackson who has
9 been working as a volunteer with us.

10 We have a huge number of volunteers. And not all
11 the other board members were able to come, but they would
12 have been delighted to be here to respond to your questions.

13 I'm sorry the we weren't here -- that I wasn't
14 here for the first presentation, but I understand that there
15 were a number of questions. I'm not going to repeat what
16 was presented already.

17 You know, obviously, what January 8th means in
18 Tucson terms. It's a historic event and something that the
19 Memorial Foundation was created both to memorialize what
20 happened on that they but also to celebrate the way Tucson
21 came together afterwards and the way in which our vision has
22 stated to be, together we thrive.

23 And coming out of that, we have done a lot of
24 study looking at other tragic situations -- Oklahoma City,
25 Flight 93, part of the 911 events, and other places -- where

1 we looked at how did other cities deal with these tragedies
2 and what did they do.

3 The answer is they've created memorials. There's
4 something deep within us that, as a community, we want to go
5 to remember, weep, heal, and maybe inspire some people
6 afterwards to know that tragedy is going to lead to
7 something bigger and better for the community.

8 CHAIRMAN McCUSKER: If I might, to help focus
9 today's conversation, we love the idea of the memorial. You
10 can relax. However, we're not a charitable foundation.

11 MS. CHRISTENSEN: We understand.

12 CHAIRMAN McCUSKER: The questions were around our
13 role in participating in economic development, the return on
14 investment we could anticipate from the traffic that you'd
15 create. And in today's Rio Nuevo world, we're syndicators.
16 So we're very eager to know who the partners are and what
17 level they're contributing. And the days of Rio Nuevo being
18 the sugar daddy for all projects are long gone.

19 So that's kind of the focus and the sentiment of
20 the Board.

21 MS. CHRISTENSEN: Absolutely.

22 CHAIRMAN McCUSKER: So that's really why we
23 (inaudible) not out of lack of interest or respect for the
24 idea. But really, how do you see our role, vis-a-vis
25 economic development, and who are the other participants and

1 what is their level of participation.

2 MS. CHRISTENSEN: I --

3 CHAIRMAN McCUSKER: You've given us some
4 background --

5 MS. CHRISTENSEN: And I've given -- I've given you
6 a snapshot, and I'll go through a brief presentation.

7 Because, absolutely, your goal of creating a
8 vibrant downtown is exactly consistent with what it is that
9 we are proposing to have done here. And that's why the City
10 and the County stepped up because this is both about the
11 memorial as well as a renovation of Presidio Park, which is
12 an historic civic center of downtown.

13 And our plan, which is to have a master plan
14 concept for that park as well as the memorial, will
15 absolutely animate that part of the Downtown. We're
16 convinced of it because we've studied other memorials in
17 part of what we've done in the past two years.

18 One of the things that we've looked at is, what --
19 based on those other memorial sites, what can we say to you
20 about the number of visitors. And we believe, looking at
21 other memorial sites, we anticipate approximately a hundred
22 thousand visitors a year.

23 We think that that would result in a minimum of 2-
24 to \$3 million. And that would be in sales from beverages,
25 food, shopping in the downtown areas, which would mean, in

1 terms of revenue back to Rio Nuevo, something in the area of
2 112- to \$168,000 a year.

3 We looked at -- and we didn't just pull that
4 number out of a hat -- or those numbers out of a hat. We
5 looked at the other memorials. The average visitor spending
6 in those memorials is \$53 a visitor. We also looked in --
7 at recent and local economic data.

8 The Fox -- which you'll be hearing from in a
9 little bit, you're probably very familiar with the economic
10 impact study that they've had done -- shows that the average
11 person coming to the Fox spends between 20 and \$35 during
12 that Downtown visit.

13 The Tucson Pima Arts Council has participated for
14 years in Americans for the Arts. They have extensive
15 economic data on their website. Their website -- and that
16 economic impact, it's, arts means business, in their
17 terms -- also show something about expenditures about people
18 participating in those events of 25 to \$30.

19 And there's a recent Visit Tucson study showed
20 that travelers here spend, on the average, \$488 a day. And
21 that, of course, includes the lodging in addition to the
22 other expenditures.

23 We think that a hundred thousand visitors a day --
24 a year -- excuse me -- a hundred thousand visitors a year
25 for coming to this renovated El Presidio Park, which will

1 include the January 8th memorial, is a very conservative
2 estimate at \$53 million -- \$53 a person, it will be a very
3 substantial return for Rio Nuevo.

4 Looking at Oklahoma City, the city there -- and
5 there were obviously federal funds involved because it was a
6 federal building -- invested \$29 million in creating that
7 memorial. It's had a return of \$276 million. To that local
8 economy, the return there is something like 9, point --
9 \$9.50 for every dollar invested. They've had, since the
10 memorial opened, 4.4 million visitors and they average about
11 350,000 visitors every year, an estimated, say, \$50 million
12 annual impact on that.

13 There's something about -- there are tourists who
14 come here to come to the Rialto. There are tourists who
15 come to areas for the cultural tourism, and historical
16 tourism is as part of that. What we're talking about is
17 creating a cultural destination that people will want to
18 come to.

19 We already hear about people going to the Safeway
20 wanting to see where these events happened. And we know
21 from our conversations that people are going to want to come
22 to Downtown. We're not overestimating these numbers.

23 In Shanksville, Pennsylvania -- a very, very rural
24 area where Flight 93 went down -- in the first two years
25 since they created a memorial there, they've had \$17 million

1 in visitor spending. It's a little more than 150,000
2 visitors every year. You really have to want to go to
3 Shanksville to see that memorial, and people do. We believe
4 that -- in a similar way, that people are going to want to
5 come and see the memorial here.

6 We've made a request for \$75,000. I'd love you to
7 vote today and hand me a check for that amount. We are also
8 suggesting that another way of doing this would be to break
9 that into two pieces. To -- what we're asking you to do is
10 support the selection and the design process for the -- for
11 the renovation, the master plan concept, as well as for the
12 memorial.

13 We did -- as part of our thinking about where the
14 memorial would be placed, we looked at a number of other
15 places. We considered the Loop. We considered the Ina and
16 Oracle intersection. It was suggested to us it shouldn't be
17 Downtown because Downtown is where people want to come.
18 It's -- it references, for us, the Congress on your Corner,
19 that civic engagement.

20 In fact, when we talked to Councilwoman Regina
21 Romero, she got it immediately. She said, this is a First
22 Amendment celebration. This is a celebrating of people
23 coming together, the right to deal with their elected
24 officials. And of course with the -- in the El Presidio
25 Park, you have the historical courthouse, where we would be

1 adjacent to, as well as the City offices.

2 It represents the kind of place, like Congress on
3 your Corner, where people come together whether they agree
4 with each other or not, they come there because this is the
5 place, it is the center and the soul of the City. And I
6 guess, I could say it's sort of a eat, shop, learn
7 experience.

8 We believe that -- in addition, we didn't set out
9 to -- to make this an economic attraction. But we
10 understood, with the work that we're doing, that, in fact,
11 this is the way that memorials function and why we feel very
12 comfortable coming to Rio Nuevo and asking you for that kind
13 of investment.

14 The slide here shows -- and I believe that you may
15 all have a map -- what the master plan concept area is, the
16 El Presidio Park area. And the yellow dotted line shows the
17 area in which the memorial itself would be located. The RFQ
18 which we had issued indicates that the master plan concept
19 creates that planning concept for the memorial.

20 It's a refinement of the public spaces there.
21 That area's used now. Some of you went down to Tucson Meet
22 Yourself a weekend ago and just see how that area's being
23 used and how -- probably how it can be enhanced. Anybody
24 who looks at this will say, I'm sure we can do it better.
25 And it could be improved so that there really is a much more

1 engaged and more animated use of that space.

2 The master plan concept will provide for the
3 future renovations of the park, which are planned by the
4 City and the County. And as you've seen from the letters
5 that we've submitted, both the City and the County have
6 committed funds to doing that.

7 And then, we say in the RFQ -- and this will be
8 part of what we talk to the designers about -- this is an
9 important link between the park and the other urban downtown
10 areas, including the Stravenue, connecting up to -- with
11 that pedestrian pathway over -- going past the Garrett Eckbo
12 landscape design, to the Convention Center to The Music
13 Hall.

14 It is really that cultural corridor that is going
15 to be vitalized by the work that you've already authorized
16 at the Convention Center and the Eckbo, as well as the --
17 this northern bookend, if you will, in that area. And then
18 connecting on to the historic warehouse arts district as
19 well.

20 Here's a slide that shows what our involve in this
21 has been. I don't think I need to go over exactly how we
22 got here. Our strategic time line though is that we are
23 launching the capital campaign. And I'll describe that in a
24 couple of minutes who those partners are going to be.

25 We will present next February. The master plan

1 concept that has been chosen and the design will take place
2 during 2015. We hope to begin the construction of the
3 memorial in February of 2016 and have the dedication of it
4 in 2017. And I think that those are all very realistic
5 timelines.

6 Our campaign goal is \$4 million. This is a very
7 conservative goal. We estimated there -- we know what the
8 expenses of the selection and design process are. We
9 indicated that for the designers, the fees there and the
10 travel expenses. So we know that that will be up to
11 \$50,000. And then the \$90,000 commission for the designer
12 who is selected. The -- in the RFQ we have indicated that
13 the memorial expense we believe, to construct it, will be up
14 to \$2 million.

15 And then we've laid out where our revenue sources
16 are. You'll see that it's a very well-rounded and a very
17 diverse set of revenue goals, both corporate, private
18 donations, state, and federal. We do have an application
19 pending now before the National Endowment for the Arts for
20 part of that design commission fee. And then, we have the
21 commitments from Pima County and the City to help in this
22 phase of the process. So the seed money, if you will, the
23 investment of Rio Nuevo is more than matched by other public
24 funds as well as private donations which we're seeking.

25 We are looking to also establish -- and I'll

1 describe, in a second, the fundraising plan. We have a
2 number of community partners that we have involved in this.
3 The University of Arizona, we've worked with a number of the
4 humanities scholars there as well as the special collections
5 division.

6 The Arizona Historical Society is very involved
7 with some of the tribute materials that we have. They will
8 be having special Dia de los Muertos exhibition using the
9 tribute materials that have been left. And that will open
10 on October 29th, and I invite you all to go there. They
11 have been very excited about working with us.

12 The Sundt Corporation has provided the space for
13 our archives to be kept at this point. And Archive
14 Advantage, working with Dot Kret, they have been helping us
15 to create digital inventories of those materials.

16 Your Community Foundation of Southern Arizona has
17 been very helpful with us strategizing and helping us. Jim
18 Rowley, one of our board members is on the Community
19 Foundation board.

20 I had hoped that Clint Mabie would be here this
21 morning. Clint, when Pam and I met with him to present a
22 proposal two weeks ago, he was so -- speaking so
23 enthusiastically about the importance of this civic center,
24 the large vision for what El Presidio Park and the
25 January 8th memorial component, I wish that we could bottle

1 it and tape it and bring it with us.

2 Clint's authorized me to say that the Community
3 Foundation of Southern Arizona is interested in the memorial
4 and larger vision for creating a civic center that would
5 bring people to the center of Tucson as well as spur greater
6 economic development. The Community Foundation will share
7 this opportunity with donors.

8 And, in fact, we have already spoken with one of
9 the major donors. The Community Foundation has supported
10 January 8th in the past and is indicating that a six-figure
11 donation would be -- would be very forthcoming.

12 I should say Mary Ellen Wooten from the Tucson
13 Pima Arts Council is also here.

14 I think you -- it was -- we knew at time of the
15 last meeting, we've had 60 designers submit their
16 applications for -- for this master plan concept and for the
17 memorial. 30 of them are from Arizona. 27 of them are from
18 12 other states. And there were, in fact, 3 international
19 designers.

20 We know, just from the fact that those designers
21 have submitted those kind of applications, we're being
22 looked at. This memorial and the park will be looked at and
23 will become the kind of significant cultural attraction
24 that -- that we believe it's going to be.

25 We are very confident that we are going to be able

1 to raise the funds. We have a very diverse plan. We're
2 looking at major gifts and foundations. We will have a
3 grassroots component as well as the public sector funds and
4 corporations.

5 One of the things that's hard -- and we've been
6 very careful about how we've approached this. It's been a
7 very thoughtful board. We haven't come to you until this
8 time even though when we talk to people, they say, well,
9 what about Rio Nuevo? They're interested in Downtown. This
10 is something that they should be interested in.

11 We weren't ready yet. We've been putting together
12 the building blocks to be ready. We are now at that stage.
13 And so we are ready to have you help us. You understand
14 that seed money is sometimes necessary. When we go out and
15 do that public sourcing campaign, it's going to be helpful
16 to have that design the designer is going to be showing us
17 some sometime in February. We're going through a very
18 comprehensive, thoughtful process to choose that design.
19 And we know that once we have it that will also be helping
20 us launch that next very public phase of the fundraising
21 campaign.

22 I hope that I described why we believe that what
23 your goals are, to create that kind of vibrant Downtown, is
24 in direct line with exactly what we're doing with the master
25 plan concept and with the memorial within that.

1 We believe that we will be bringing both tourist
2 dollars as well as other dollars into this downtown area.
3 And we are totally convinced that this is going to be a very
4 successful project. It's going to result in increased use
5 of that area.

6 The -- I'm sure if you ask El Charro and La Cocina
7 and Cafe a la Carte and the Little Cafe Poca Cosa and all
8 the restaurants in that area, would you -- would you like to
9 have a hundred thousand more visitors coming down to this
10 area, I can't imagine that any of them wouldn't say yes, to
11 say nothing of the businesses in the other area.

12 Pam and I sometimes talk about how, in 2017 or
13 2018, we're going to be sitting in that -- in that park and
14 what it's going to be like. And I was just -- I was
15 imagining people, for example, being at the Convention
16 Center and having their bags. And they'll have this little
17 walking map of downtown.

18 Tucson is a very walkable downtown. And given all
19 the development that has happened here, it's going to be
20 exciting. They're going walking around. I can also see
21 them picking up their -- their smart phones and listening to
22 an audio tour that describes the -- this is what the area
23 was like; this is the urban revitalization that happened;
24 this is the history of the Garret and Eckbo design. And
25 here, at the El Presidio Park, one of the first historic,

1 most deeply layered historic areas of the City now includes
2 also the January 8th memorial.

3 School kids coming down. And I'd like to say that
4 at some time it would be a special celebration. We'll all
5 be sitting there and toasting each other and saying, thank
6 you to Rio Nuevo for investing in this. Because this is --
7 really has the potential to be a historic civic center of
8 Tucson that you have helped to -- to renovate and is part of
9 this public-private partnership that we've developed. We're
10 really a major capital improvement project in the City of
11 Tucson.

12 I'm happy to answer any questions. And any of the
13 other board members would be pleased to respond to you also.

14 CHAIRMAN McCUSKER: Mark?

15 SECRETARY IRVIN: So, Karen, first of all, thanks
16 for coming down to visit with us and spending some time kind
17 of addressing what (coughing interference) from the last
18 meeting. As you know, I also appreciate that you've reached
19 out to the other board members because they're not all -- I
20 mean, obviously everybody's up to speed with the thought
21 process on the memorial. But I don't think they had the
22 history that maybe I do since I've been involved and working
23 with Steve Brigham trying to identify sites for a long time.

24 MS. CHRISTENSEN: Right.

25 SECRETARY IRVIN: And, you know, I asked Fletcher

1 some time ago, several years ago, to help brainstorm. And I
2 know we've walked and talked about a lot of stuff. So I,
3 personally, am ecstatic to see you folks downtown.

4 And, you know, I think a \$75,000 investment by the
5 District generates, you know, a \$4 million memorial. It
6 also generates, the best I can tell, you know, some serious
7 money coming back into the District every year. And I
8 support it.

9 And I'm glad that you've taken the time to
10 assemble an all-star cast to come down and visit with us.
11 And I look forward to other Board Members questions. But I
12 just appreciate you coming down.

13 And I'm really tickled to see that, all the places
14 that the memorial could have been, that you guys really
15 thought it through. And I know you spent a long time trying
16 to figure out where it should be, why it should be there,
17 and what have you. And so I just commend you on getting to
18 that decision.

19 MS. CHRISTENSEN: Well, thank you.

20 And it was -- we did look at other places. But
21 the place that really resonated with us was the El Presidio
22 Park because of that civic center and the historic nature of
23 it. So we feel very strongly that this was absolutely the
24 right decision and are very excited about the process.

25 Jannie?

1 MS. COX: Karen, thank you for an outstanding
2 presentation. And I think you've made it very clear, the
3 economic impact, which is what we're about.

4 So you've done a really good job. I appreciate
5 all the work that all the board has done and the
6 partnerships that you put together with the other entities.
7 And I'm very impressed. And I, too, feel very positive
8 about supporting this endeavor to make sure it happens.

9 I do have one question. Let's -- can we look, for
10 a moment, at worst case scenario, that you launch a capital
11 campaign and you get a great start and you're all excited
12 for a \$4 million goal, and you get to 2 and a half million
13 dollars, and something happens and it doesn't happen.

14 What -- what if?

15 MS. CHRISTENSEN: That's a perfect -- that's a
16 perfect storm of -- we haven't mentioned, I -- we -- some of
17 the construction money, there is actually, at this point,
18 \$1.5 million for the construction of the exterior memorial
19 in the bond package. So let's say the perfect storm is that
20 either the bond isn't put forward or the bond, if put
21 forward, doesn't pass, so we don't have that County money.

22 We feel very confident, in the -- in the revenue
23 and sources that we've looked at, that it can happen. We've
24 created \$4 million over, basically, an 18-month campaign.
25 So if it doesn't -- we have to extend that, we well. There

1 are also other places that we can cut back.

2 But one of things that will absolutely happen is
3 the memorial will be built. The dollars will go to
4 construction of that memorial. And we feel confident, in
5 terms of the numbers of people that we've talked to, people
6 that we've gone to for seed money and understand now that we
7 may be coming back to them for very significant capital
8 campaign gifts, I can tell you that we are very confident
9 that the funds will be there to create the exterior
10 memorial.

11 We'll be -- will we be able to fully fund an
12 endowment that -- to -- for operations and management
13 immediately? That might be something that we'll have to
14 continue to build on.

15 One of the things that we've talked about with the
16 fundraising council on a number of occasions is the fact
17 that we are -- we're going to create this gift to the City,
18 create the endowment for the management of it, and then it's
19 not an every year, coming out to -- to you or to private
20 donors and saying, please support us, please support us.

21 It will exist there. The City and the County will
22 manage that, that property. And we feel it will take care
23 of itself. So I think we've been very cautious in coming up
24 with the expenses that we put forward. And we could cut
25 back if we needed to. I don't believe we're going to have

1 to.

2 CHAIRMAN McCUSKER: What's your pleasure?

3 MR. HILL: Mr. Chairman?

4 CHAIRMAN McCUSKER: Mr. Hill?

5 MR. HILL: I still think that there's some
6 unresolved issues. And rather than give you the whole lot
7 of them, I think that recent news stories about the Pima
8 County supervisors expending their office accounts to
9 501(c)(3) charities has been presented with a lawsuit by the
10 Goldwater Institute, who has a very enviable record, and I
11 think they've never lost any such effort in protecting the
12 taxpayer dollars.

13 So I think, if not today, down the road we would
14 be sued, appropriately so. And this money would have to
15 come back or some other sanctions would happen to us as
16 Board members.

17 What we're all talking about here is the City of
18 Tucson -- and I'm talking about their \$30,000 accounting,
19 our 75,000, it's not our money. It's not the City's money.
20 It's the taxpayers' money. That's why the constitution says
21 we cannot give gifts to private entities. A very strong
22 concept from 1912.

23 As far as the financial comparisons, you're doing
24 apples and oranges. You know, I've been to Oklahoma. And,
25 you know, I went there for a convention. But, frankly --

1 and I don't mean to insult the people from Oklahoma City,
2 there's not much else going on unless you're an oilman so --
3 or a Will Rogers fan. So I can see why that would be a
4 great source of tourism, their memorial.

5 And the site out in the middle of a corn field
6 also is devoid of other attractions. I would suggest this
7 location is not a primary site for tourism. It's an
8 auxiliary site, at best. So that's, I think, a specious
9 argument that we'll get all this extra money.

10 But the crux of this issue is, Rio Nuevo -- and
11 reading the newspapers over the years prior to my coming on
12 the board -- went through \$260 million of the taxpayers'
13 money, not Rio Nuevo. Actually it's State sales tax funds.
14 The only thing that I can recall that was built to fruition
15 was the illegally constructed fire station with Rio Nuevo
16 money.

17 The rest of it was all seed money, startup money.
18 Did you hear the similarity here? Seed money, startup keeps
19 coming back and forth. That is what Rio Nuevo invested in.
20 And they have nothing to show for it except an illegally
21 built fire station.

22 We have got to stop the trend of funding every
23 type of organization that comes here looking for revenue.
24 We are no longer, as the Chairman said, a sugar daddy.

25 And, in fact, the letter from the City of Tucson

1 is signed by Kelly Gottschalk. Why isn't it the mayor?
2 Kelly Gottschalk cost the taxpayers millions of dollars in
3 legal and accounting fees when she headed the finance
4 department and obfuscation of the records before they turned
5 them over to them. It took a two-year process. And that's
6 who they have sign the letter wanting to -- they said they
7 spent \$30,000 of the City of Tucson's money.

8 The City of Tucson has no money. It's the
9 taxpayers' money. And it's unconstitutional. And the
10 Goldwater Institute I think will make that a permanent case
11 against the country as it does in the past whenever
12 anybody's trying to violate the constitution and give
13 taxpayer money to private entities. It's just not legal.

14 Notwithstanding the fact that it's a goal, a good
15 project. Although I think it's -- it's a jive and shuck for
16 the County and the City to build El Presidio Park and this
17 is how they lead into it and to get the money and they don't
18 have it, obviously for reasons of their past behavior. But
19 still, it is just not doing to work. We have no business
20 giving this money. And, in fact, if we do, my feeling is,
21 it will come back to haunt us from the attorney general, via
22 a lawsuit from the Goldwater Institute.

23 CHAIRMAN McCUSKER: Let's address the
24 constitutional issue, Mark. I'm going to need you to help
25 me here.

1 We've, in fact, been to court over the
2 constitutional clause issues. And I believe the Court held
3 that we are, in fact, exempt from the constitutional gift
4 clause.

5 Mark, will you address that?

6 MR. COLLINS: Certainly.

7 Mr. Chairman, Members of the Board, there was
8 the -- what I'll call the Kromko case. And the trial court
9 held that we were not subject -- we, the District, was not
10 subject to the gift clause. That's -- the amendment to the
11 Arizona constitution specifically excludes tax-levying
12 improvement districts, and that's what the District is. So
13 the gift clause doesn't apply to the District.

14 That said, and I -- in light of Member Hill's
15 comments, you ought to be mindful of a couple things.

16 There are two revenue streams, really, that you
17 folks have. One of them is the TIF revenue pursuant to
18 42-5031. And then some other revenue that you get from
19 rental of the Depot Garage and that sort of thing.

20 Both of those revenue streams are subject to
21 limitations. They are -- they both can only be spent -- and
22 I'm quoting the relevant portion of the applicable
23 statute -- to finance and promote the use of multipurpose
24 facilities and other structures necessary for the full use
25 of multipurpose facilities and to do all things necessary or

1 convenient to accomplish those purposes.

2 That's kind of broad. Kind of broad.

3 And it's not only limited to the primary
4 component, which is the Tucson Community Center, but -- or
5 Convention Center, but your secondary component.

6 The TIF funds -- I believe, as Mr. Hill has said
7 in the past, TIF funds the only be utilized on public
8 property. And so there's that additional limitation on that
9 revenue stream.

10 Finally, based on the 2011 amendment to the IGA,
11 if you were to commit \$50,000 or more, you would need City
12 approval because any expenditure of more than \$50,000
13 requires City approval. So you do have --

14 MR. MOORE: Not just City approval, but mayor and
15 council approval.

16 MR. COLLINS: Yes.

17 By that, I mean mayor and council. Agreed. So
18 it's a little bit broader than you asked, but there you are.

19 MR. HILL: I just want to address the point on the
20 constitution. I understand there was a court case that said
21 we're exempt. However, usually judges and legislation
22 cannot change the constitutional provision.

23 I think that the Goldwater Institute also would
24 have good standing to have that case overturned. Judicial
25 law is judicial law. It's good at that time, maybe perhaps

1 that circumstance. Circumstances are different.

2 I think, broadly speaking, the constitution is
3 very clear. No gifts are allowed. And I certainly, in good
4 conscious -- and I took an oath to uphold the constitution
5 for 12 years. I don't think we had to do that. But as far
6 as I'm concerned, that oath is binding on me. And I think
7 it's just wrong for us to give taxpayer money to a
8 501(c)(3).

9 MR. RITCHIE: Mr. Chairman, I hear what Mr. Hill
10 is saying. And when I joined the Board, I was outraged at
11 some of the past actions, where some of the money went for
12 bridges to nowhere, millions and millions of dollars to
13 consultants and what have you.

14 However, since my time on the Board, I didn't take
15 an oath to the constitution because I was never an elected
16 member of the legislature, but I have to look myself in
17 mirror as a citizen of Tucson, Arizona and this community.

18 So since I've been on the Board, I was very
19 adamant and vocal about reducing some costs internally that
20 we were paying. And I think we accomplished that. I think
21 that I've -- on other issues, that I've tried to protect the
22 taxpayer money. I look at this as a worst-case scenario
23 that I think in your report you said it will generate up --
24 well, your report said it will generate 120-some-thousand
25 dollars back in taxpayer money.

1 MS. CHRISTENSEN: 112 to 168.

2 MR. RITCHIE: 112.

3 So in my business, what I usually do is I forecast
4 out worst case -- even a worst case scenario than that. So
5 if we were to reduce that 30 percent or something, we could
6 get back at least our \$75,000 seed money investment for
7 economic activity back to a public area.

8 So I believe that the \$75,000 would be well spent.
9 I think that it's something that we, as community members --
10 maybe it won't be the driving force of tourism, like a
11 Saguaro National Park. But I do know that I've driven down
12 to Tombstone on several occasions and there's a curiosity
13 factor about a gunfight that went on over about a hundred
14 years ago -- or over a hundred years ago.

15 So I make a motion that we grant the seed money of
16 \$75,000 and limit it to \$75,000. That you wouldn't come
17 back and ask us for anymore money.

18 MS. COX: Second.

19 CHAIRMAN McCUSKER: Mr. Collins, let's deal with
20 the legality of this. I certainly don't want to preside
21 over something is that might, in fact, be illegal or subject
22 to Goldwater scrutiny.

23 Is there a way to better confirm for all of us,
24 the constitutional issues? I think it's beyond even this
25 particular conversation because we have a number of

1 not-for-profits that we have relationships with. We've
2 done, you know, arrangements with particular developers.
3 And you know, the Pima County taxpayer suit was not about a
4 gift to a not-for-profit. It was about a gift to a
5 developer --

6 MR. COLLINS: Correct.

7 CHAIRMAN McCUSKER: -- which has even further
8 implications to us, I think, in the future.

9 MR. COLLINS: Correct.

10 CHAIRMAN McCUSKER: But I believe the case was
11 specific to the gift clause.

12 Is there precedent there that we can rely on? Can
13 we seek an AG's opinion? How better can we protect
14 ourselves legally?

15 MR. COLLINS: To Mr. Hill's point, that decision
16 was a trial court level. It was not appealed. Different
17 judges have different opinions. Different levels of judges
18 have different opinions.

19 Is there a way to absolutely, finally determine
20 that? I don't know that there is.

21 You can request an attorney general's opinion.
22 That can be done. But that's simply -- and the case law
23 talks about it -- just another lawyer's view. I mean, so
24 you can do that. We can do that. We can try to expedite
25 that. I mean, the AG is in this building. So you can

1 certainly do that.

2 CHAIRMAN McCUSKER: One of the things you might
3 add to the motion is that we confirm its legality before we
4 write any checks. So almost that the motion is subject to
5 some sort of legal --

6 MR. RITCHIE: I would like to amend the motion,
7 subject to the legality of the issue.

8 CHAIRMAN McCUSKER: That would require us to have
9 some third-party objectivity.

10 You seconded that?

11 TREASURER SHEAFE: Yeah. I'd second that.

12 CHAIRMAN McCUSKER: Who seconded that?

13 MS. COX: Second. I did.

14 CHAIRMAN McCUSKER: And that's okay with you?

15 MS. COX: Yes.

16 CHAIRMAN McCUSKER: Okay. So we have a motion on
17 the table to grant the Foundation's request for \$75,000
18 subject to confirmation that it's, indeed, not illegal for
19 us to do.

20 Michele, call the roll.

21 MS. BETTINI: Alberto Moore?

22 MR. MOORE: No.

23 MS. BETTINI: Jannie Cox?

24 MS. COX: Yes.

25 MS. BETTINI: Chris Sheafe?

1 TREASURER SHEAFE: Yes.

2 MS. BETTINI: Mark Irvin?

3 SECRETARY IRVIN: Yes.

4 MS. BETTINI: Jeff Hill?

5 MR. HILL: No.

6 MS. BETTINI: Cody Ritchie?

7 MR. RITCHIE: Yes.

8 MS. BETTINI: Fletcher McCusker?

9 CHAIRMAN McCUSKER: Yes.

10 (The Board voted and the motion was
11 carried.)

12 CHAIRMAN McCUSKER: So don't go spending the money
13 just yet.

14 MS. CHRISTENSEN: Well, the process will continue.
15 The selection panel is going to be looking at those 60
16 applications and coming up with the five finalists. Those
17 finalists will be coming in to the City to meet with
18 interested people and to tour the site, to develop it, to
19 come back. After that, we'll apply the concepts and appoint
20 the selection panel to make a final determination.

21 TREASURER SHEAFE: Okay. Quick question. Can you
22 say, what is the criteria that you're going to use to select
23 the finalists out of the very large number of applicants you
24 have?

25 MS. CHRISTENSEN: I actually have what is listed

1 in the RFQ -- and I'm happy to read this -- it's the
2 capability of achieving aesthetic excellence, inventiveness
3 and creativity, ability to address the opportunities and
4 limitations of the El Presidio master plan, the capability
5 of designing an original and unique memorial, responsiveness
6 to the Foundation mission, responsiveness to the goals of
7 honoring the individuals, involved in designing a space for
8 contemplation and conversation and for the use of
9 festivals --

10 It's a big challenge.

11 -- and capable of designing of memorial space that
12 is distinct but still a part of El Presidio Park, and
13 sensitivity to the unique historic considerations of the
14 overall site.

15 And I believe that the selection panelists were
16 named the last time. So you can see that we really found
17 people who have the sort of professional credentials to be
18 making those kinds of judgments and applying this criteria.

19 It's a challenging space. We really do want to
20 honor the historic nature of it and at the same time create
21 a space that has meaning for remembrance, for inspiration,
22 for education, and for January 8th.

23 And I envy, in some ways, the people on that
24 selection panel. It's going to be a fascinating process.
25 And we'd be happy to come back as we have those finalists

1 and report to you on that and show you what the process is
2 going to result in.

3 We very much appreciate your support. In some
4 ways, Congress on your Corner was meant as a place for
5 people to get together to have a kind of civil discussion
6 even though they may not always, each of us, agree with each
7 other. And we appreciate the conversation this morning and
8 your level of support. Thank you very much.

9 CHAIRMAN McCUSKER: Thank you.

10 Okay. Fox Theatre. I saw Craig, Mr. Holmes.

11 So once again, please introduce yourself. Make
12 sure the transcriber gets your name and title.

13 MR. SPEAR: Tony Spear, board member of the Fox
14 Theatre Foundation and chairman of the marketing committee.

15 MR. PIERSON: Nick Pierson, member of the Fox
16 Board Foundation, and also cochair on the development
17 committee.

18 MR. HOLMES: Bill Holmes, chair of the Fox Theatre
19 Foundation.

20 MR. SUMBERG: Craig Sumberg, executive director of
21 the Fox Tucson Theater Foundation.

22

23 MR. CAVANAUGH: Dan Cavanaugh, member of the board
24 of directors of the Fox Theatre Foundation and former
25 liaison for Rio Nuevo at the Fox Theatre.

1 MR. FORD: Bill Ford, member of the Fox board and
2 the building committee.

3 MS. MARCH: Nancy March, member of the Fox board.

4 CHAIRMAN McCUSKER: Thanks for coming down.

5 We do have a proposal that I think you handed out.
6 Everybody got one of those?

7 Mr. Holmes?

8 MR. HOLMES: I'll read for you what we prepared.
9 And I'm here to answer questions to it.

10 So, Dear Chairman McCusker, as instructed at the
11 last Rio Nuevo Multipurpose Facility District Board, Rio
12 Nuevo meeting, we have prepared what we think is a fair and
13 equitable plan that will allow us to exit our tax credit
14 relationship with the NTCIC as well as the bank of America,
15 and that will, in the long run, benefit both the Fox Tucson
16 Theatre Foundation, the Fox Foundation and the Rio Nuevo.

17 As we presented a couple weeks ago, the Fox
18 Foundation has, in the past two to three years, made
19 significant strides in turning around our operation of the
20 theater. This is true whether one looks at earned income,
21 contributed dollars, number of attendees, annual cash flows
22 from operations, and other measures.

23 Our seven-year relationship with NTCIC is
24 scheduled to wind down no later than next spring. And we're
25 coming to the Rio Nuevo this morning to request that the Rio

1 Nuevo Board cover the costs of our exit from the tax credit
2 relationship.

3 We're currently waiting for a final determination
4 from our representatives at the NTCIC regarding the amount
5 necessary to terminate the relationship but have received a
6 preliminary determination from them that the amount will be
7 in the 330- to \$360,000 range. We now hereby request the
8 Rio Nuevo Board to make this payment on behalf of the Fox
9 Foundation.

10 And in return, we suggest is the following:

11 One, the Fox Foundation will be granted a period
12 of three years during which no payment would be due to Rio
13 Nuevo. This would allow us to continue our positive
14 financial and programmatic trends and contribute to the
15 Foundation's overall fiscal health.

16 And, two, beginning in 2018, the Fox would begin
17 to pay Rio Nuevo \$89,045 annually for a period of not longer
18 than 30 years. That total would be \$2,671,351. This is the
19 amount we are currently responsible to pay the NTCIC each
20 year, the priority return, and of course would go towards
21 paying down our debt to Rio Nuevo.

22 And we look forward to your positive response.

23 And we're ready to answer questions now.

24 CHAIRMAN McCUSKER: I think we should clarify that
25 this comment that our relationship is winding down.

1 In the event the put or call are not exercised,
2 they maintain a lease for another 30 years, 35 years.

3 MR. SUMBERG: That is correct.

4 CHAIRMAN McCUSKER: So if we don't take the amount
5 or we don't have the money to take that amount, they remain
6 a tenant of that theater well beyond our lifetime.

7 MR. HOLMES: That is correct.

8 CHAIRMAN McCUSKER: Mr. Collins, that's your
9 understanding?

10 MR. COLLINS: Yes.

11 Mr. Chairman, Members of the Board, if the Trust
12 is not removed through the put/call process, they will stay
13 part of the structure, which I believe you all have seen,
14 throughout the rest of approximately 35 years left, I think.

15 If you were to take the Trust out, it would -- it
16 would result -- you'd have to put it into a contract -- but
17 it would result in a simplification of the various
18 structures that operate the Fox.

19 MR. SUMBERG: Yeah. I spoke with our
20 representative yesterday and confirmed that that obligation
21 to pay them continues until we're able to exit the
22 relationship.

23 CHAIRMAN McCUSKER: And that's a window, right,
24 from now through September --

25 MR. SUMBERG: Well, that's the -- that's the

1 contractual window. But if we don't pay, the obligation
2 would continue.

3 CHAIRMAN McCUSKER: Right.

4 Mr. Hill?

5 MR. HILL: Mr. Chairman, obviously, this letter
6 has to be short. And I just -- Mark, if I'm missing
7 something chime in.

8 But it talks about the three years of no payment.
9 I'm assuming that three years of no payment is geared to the
10 330,000 or 360,000 we'd have to front fund to buy out this
11 entity. That's correct? Wouldn't relieve you of any other
12 current obligations to Rio Nuevo or anything like that.

13 MR. SUMBERG: Correct. We're asking you for -- to
14 fund this exit. And then we're asking you for a three-year
15 standstill to begin paying you just being we're on -- our
16 trends are all positive.

17 MR. HILL: Right. I just didn't want us to be
18 mucking with the current contract because this really didn't
19 address that because of the verbiage.

20 MR. SUMBERG: Sure.

21 MR. HILL: Unfortunately, the lawyer and I have to
22 read the law.

23 MR. SUMBERG: Right.

24 MR. HILL: And what is it? Something in the
25 detail -- the devil's in the details, Mr. Lawyer?

1 MR. COLLINS: I concur with that.

2 MR. HILL: Okay. So I just want to be sure we
3 weren't mucking with that.

4 Okay. And then -- so then we start receiving
5 89,000 that would normally have gone into the other
6 entity --

7 MR. SUMBERG: Correct.

8 MR. HILL: -- would come to us. Now, I know that
9 we had the issue some -- some years ago, you had a payment
10 of one-point-something million and you didn't have it.

11 So I would hope -- and I think we're -- I think
12 this is a good idea, Mr. Chairman. I don't think we have
13 any other choice.

14 But I would hope that when the first 89,000 is
15 due, somebody doesn't come down here and say, we don't have
16 it.

17 It would kind of rankle --

18 CHAIRMAN McCUSKER: One of the advantages we would
19 have, Jeff, of putting ourself in first position, is if
20 there's a future that they didn't pay, we can kind of
21 enforce that.

22 MR. HILL: Oh, I like that, Mr. Chairman. All
23 right.

24 CHAIRMAN McCUSKER: Now, we have zero
25 enforceability.

1 MR. HILL: Understood that.

2 Mr. Chairman, I would move the -- this motion to
3 this proposal.

4 SECRETARY IRVIN: I second.

5 CHAIRMAN McCUSKER: All right.

6 Mr. Moore.

7 MR. MOORE: I was just going to ask, what is the
8 payment now to the . . .

9 MR. HOLMES: It's the 89,000.

10 MR. MOORE: It is.

11 CHAIRMAN McCUSKER: This is the exact amount.

12 MR. SUMBERG: Yes, yes.

13 MR. RITCHIE: So you're basically offering to give
14 us that money instead of them after a three-year period.

15 MR. HOLMES: Correct.

16 MR. MOORE: Why can't you give us this now? Once
17 the put is called, just continue making the payment?

18 MR. HOLMES: Well, as we stated here, what this
19 does, it gives us that ability to continue to move the Fox
20 forward. Although, we are showing very positive in trends,
21 we're still digging out of a very deep hole that we've had
22 over the last few years.

23 CHAIRMAN McCUSKER: Let's be a little more blunt.
24 What would you do with the money?

25 MR. MOORE: That you save.

1 MR. HOLMES: That we save.

2 Well, initially, we -- what we have is a lot of
3 payables that we want to bring everything current. And I
4 think Craig can speak to where else we'd --

5 MR. SUMBERG: Yeah. Well, there are building
6 needs that we need to continue. For example -- little
7 things -- our air conditioning went out this summer. We had
8 to get that covered. Our rugs needed to be -- there's
9 building operations. There's the ceiling in the lobby that
10 needs to be painted. I mean, there's significant building
11 needs we've not been able to do because we've been digging
12 out of a financial hole.

13 So we feel great about our trends and where we
14 come from. But there are needs of the building that we need
15 to do right now.

16 MR. HOLMES: Also it provides some financial
17 backstop for us. Then, when we look at booking an act that
18 we think is appropriate for the Fox and would generate
19 considerable revenue for us is, oftentimes, we can't book
20 them because we don't have the financial resource to put it
21 up for them.

22 CHAIRMAN McCUSKER: Mr. Collins, I believe if this
23 motion's approved, it would need a new set of documents, a
24 new written relationship with the Fox.

25 MR. COLLINS: I concur with that. Absolutely.

1 CHAIRMAN McCUSKER: And that would address the
2 debt, the rent, whatever relationship we want to have. We
3 could also, then, identify the use of proceeds for this
4 forgiven amount.

5 MR. COLLINS: Absolutely, Mr. Chairman.

6 TREASURER SHEAFE: I was going to add that as a
7 substitute motion. So is that essentially --

8 CHAIRMAN McCUSKER: All we got to do is to direct
9 counsel to include that in the negotiations with the Fox.

10 As Mr. Hill suggested, and I think Mark's
11 concurred, what we would do is approve this item. The devil
12 is in the details. We would have to take out the Trust.
13 But when the Trust goes away, there would have to be an
14 entire new relationship that come back to us for approval as
15 to a permanent relationship with the Fox.

16 Also, is there an issue with the District's
17 sunset? As we're committing, can we commit to terms beyond
18 2025? I think we've resolved this issue. That somehow,
19 someplace --

20 MR. COLLINS: I think you can commit to that at
21 this point in time.

22 CHAIRMAN McCUSKER: Let's confirm that.

23 MR. COLLINS: Okay.

24 But if -- to accomplish what you're talking about
25 doing, there's going to be a lot of documents done and

1 analysis done to unwind this deal or to simplify this deal.
2 And we can address that in that process.

3 CHAIRMAN McCUSKER: The first step would be you
4 would notify the Trust that you're exercising the put.

5 MR. SUMBERG: They are working on a --

6 CHAIRMAN McCUSKER: And they would calculate --

7 MR. SUMBERG: -- now, on an actual exit analysis.

8 I want to just clarify the timing. There will be
9 some savings, needs to be confirmed exactly how much.
10 They'll figure it out before the end of the year. That
11 could be between 5- and \$25,000.

12 CHAIRMAN McCUSKER: That's why you have a range.

13 MR. SUMBERG: Yeah.

14 MR. HOLMES: Correct.

15 CHAIRMAN McCUSKER: And I think the motion
16 approves the range.

17 MR. HILL: Yes. The motion is inherent with the
18 other discussion.

19 CHAIRMAN McCUSKER: Ms. Cox?

20 MS. COX: I -- I think it's good that you want to
21 use these funds to bring all your accounts current. How --
22 what is -- what are those accounts? I mean, how large a
23 debt do you have right now that you need to get out these
24 payables to vendors, or . . .

25 MR. SUMBERG: It's in the -- our debt, in two

1 places, other than your debt to Rio Nuevo, it's in accounts
2 payable and it's in our TIGDA liability account, booking
3 shows in the future that we are paying current bills with.
4 That's around \$400,000 altogether. It hovers between 300
5 and \$400,000. It's tightest in the summer.

6 And we're committed to erasing that debt and
7 trying to build in some other funds with a campaign within
8 the next year.

9 TREASURER SHEAFE: At any given time, how much
10 money do you have out in seed capital to buy the shows to
11 assure that you have the bookings going forward?

12 MR. SUMBERG: Between 50 and 150.

13 TREASURER SHEAFE: Okay.

14 MR. SUMBERG: It depends on the size of the shows
15 we're bringing.

16 TREASURER SHEAFE: I mean, is that per show?

17 MR. SUMBERG: No, no, no. That's all together.
18 All those deposits.

19 TREASURER SHEAFE: Okay. That's not -- you put 20
20 out to this and 10 out to that and whatnot.

21 MR. SUMBERG: Yep.

22 TREASURER SHEAFE: Have you lost good venues
23 because you didn't have enough money to --

24 MR. SUMBERG: You mean, lost the shows?

25 TREASURER SHEAFE: Yeah.

1 MR. SUMBERG: Sure.

2 I mean --

3 TREASURER SHEAFE: Is that common or not common?

4 MR. HOLMES: We -- there's a lot of other venues
5 here that we compete with. And so, for instance, the
6 casinos can write a check at, you know, any amount. And if
7 we get into a bidding competition with them, oftentimes we
8 lose.

9 MR. SUMBERG: I want to clarify my "sure."

10 We, by and large, don't lose a show because we
11 can't put down a deposit. And I negotiate the lowest
12 deposit I can. Sometimes the deposit is a certain amount.
13 Two deposits, one when we sign a contract and one 30 days
14 out from the show when we have more cash from the show.

15 So we've managed to accommodate our schedule.
16 Were we financially healthier, we could do more shows and
17 be, I think, more successful.

18 CHAIRMAN McCUSKER: All right. We have a motion
19 and a second on the floor.

20 Michele, call the role.

21 MS. BETTINI: Alberto Moore?

22 MR. MOORE: Yay.

23 MS. BETTINI: Jannie Cox?

24 MS. COX: Yes.

25 MS. BETTINI: Chris Sheafe?

1 TREASURER SHEAFE: Yes.

2 MS. BETTINI: Mark Irvin?

3 SECRETARY IRVIN: Yes.

4 MS. BETTINI: Jeff Hill?

5 MR. HILL: Aye.

6 MS. BETTINI: Cody Ritchie?

7 MR. RITCHIE: Yes.

8 MS. BETTINI: Fletcher McCusker.

9 CHAIRMAN McCUSKER: Yes.

10 So by 7 to 0, the motion passes.

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

13 CHAIRMAN McCUSKER: Let's get notification to the
14 Trust. And then get back to us -- or get back to
15 Mr. Collins, I would say, on the amount that it would
16 require.

17 If it's in that range, it's pretty easy to manage
18 it. If it's outside that range, you'll have to come back to
19 the board.

20 MR. HOLMES: Okay. Thank you.

21 MS. COX: Mr. Chairman, I would just like to say
22 before -- we are going to have a -- obviously a long term
23 relationship with the Fox.

24 And I don't feel like I know a whole lot about the
25 Fox and how it operates. And I would appreciate some

1 time -- maybe with you, Craig -- to --

2 MR. SUMBERG: You weren't here when I --

3 MS. COX: I was not. I was listening on the
4 phone.

5 MR. PIERSON: We'd love to invite you to our event
6 this Tuesday. We've reached out several times to the Rio
7 Nuevo Board to attend our events. And it's partly just
8 getting acquainted with each other. So we can get you to --

9 MS. COX: And I have attended them.

10 MR. SUMBERG: We'll be doing an update on the Fox
11 on Tuesday evening if anybody is available. The event is
12 from 5:30 to 7:30.

13 CHAIRMAN McCUSKER: And we'll make sure that
14 you're here more regularly.

15 TREASURER SHEAFE: At least quarterly.

16 MS. COX: I think a quarterly report would be
17 really helpful for me. And I would appreciate some personal
18 time with you over the next few months just to look into
19 some of the details. We want you to be successful. But I
20 feel like we have a big responsibility here too. And I
21 don't know enough about it -- and I'd like to learn more.

22 MR. SUMBERG: Thank you.

23 CHAIRMAN McCUSKER: Thank you very much.

24 We're going to monkey with the agenda a tad just
25 because we're going to lose some Board members. Cody's on

1 his way out. Alberto needs to leave. We clearly need to
2 take some action on the TCC stuff.

3 (Mr. Moore left the proceeding.)

4 CHAIRMAN McCUSKER: So, Elaine, if you can just --
5 we'll just stay right here where we are. And we'll come
6 back to -- where is she?

7 While Elaine's setting up, just, I think for us to
8 acknowledge and celebrate, the Arena is probably 80 percent
9 complete. Disney on Ice was really the first artist to
10 appreciate the new venue, sound, lights, concessions,
11 restrooms. The reviews were ecstatic, not only from the
12 promoter and fans, but the end users of the TCC.

13 We did a media preview of the venue. All the TV
14 stations were there. All the print media was there. I
15 think to a person, they were very complementary. In fact,
16 one of the articles I think that Michele's passed around,
17 they used the word we were striving for a year or so ago
18 when we started, is that it does have, indeed, the wow
19 factor.

20 So we're very appreciative, Elaine, of the work
21 that's gone in there. And we know we're very close.

22 Today we're going get an update from Elaine with
23 some photos. There are a couple of items that are above our
24 authority regarding change orders that have to do with
25 things that we've discovered during the process, including

1 some asbestos. But we remain well within our contingency
2 budget. We should finish the project with some extra funds,
3 which we can decide, then, on what we might want to do with.

4 Elaine, we're ready.

5 MS. BECHERER: Yes. I'm just opening a couple
6 more documents. Sorry.

7 Okay.

8 MR. MOORE: There's more than one of you?

9 MS. BECHERER: No.

10 CHAIRMAN McCUSKER: No. Elaine's equal to about
11 four.

12 MS. BECHERER: Good morning. Elaine Becherer, Rio
13 Nuevo TCC Arena project manager.

14 And I first wanted to thank you, Mr. Chairman, for
15 the opening remarks on the project.

16 I would like to share with the Board, as well as
17 the audience, some really spectacular photos. There's only
18 14 so I'll go quickly.

19 And I think, for the most part, these speak for
20 themselves. But I saw this photo and, you know, some
21 initial comments were, you know, it looks like a real arena.
22 So this is ice that was going in for Disney on Ice.

23 All new -- the 4,923 fixed seats in the bowl,
24 those are all in.

25 As Mr. McCusker stated, we're approximately

1 80 percent done with construction. You can see on the spot
2 booths, towards the ceiling, we have new video boards that
3 will be used for upcoming events. Menus. A close up of the
4 photographs. To the left, you can see the Arena ceiling
5 which has been blacked out. So it's no longer white. It's
6 not an eyesore. All new ceiling tiles and lights.

7 The new concession stands. In coordination with
8 SMG, we also have cat 6 cables at all points of service in
9 all five concession stands. And we're getting new point of
10 sale machines. So Disney on Ice was the first event to
11 actually take credit cards at the TCC, which is a huge step
12 in the right direction. So they -- previously, they were
13 only accepting cash. So revenues were increased just off of
14 the one event.

15 Another photo of the Arena. These are the
16 restrooms. You can see the floors have been redone, all new
17 partitions, accessories, plumbing fixtures. The escalator
18 treads from the original escalator, back lit with LED
19 lights. This is the mezzanine restroom.

20 This is the new arena entrance with full glass
21 doors so you can see into the Arena. This is going
22 downstairs to the mezzanine level.

23 An overall of the concession stands. The digital
24 signage -- or the illuminated signage identifying that it's
25 a concession stand is not up yet. But you can see the new

1 video board that also has the digital menus on it.

2 That's another photo of the restrooms. And that's
3 a close up.

4 And then I just want to show you one last photo.
5 And so, now, it looks like a hockey arena. We're getting
6 set up for ice hockey, as we speak. And I believe there's,
7 if not a game, practice this week.

8 SECRETARY IRVIN: I was down there yesterday,
9 Elaine. And the -- had a chance to -- they were cranking up
10 the sound system. And our Woodstock system was gone and the
11 new thing was in. And I was in the outside area. And they
12 only had it cranked up 50 percent. And it was crystal
13 clear. And you could hear it perfectly sitting outside in
14 the little repurposed foyer. It was excellent.

15 CHAIRMAN McCUSKER: Yeah. I think it was a great
16 example of wise money spent. We're already seeing returns
17 for this, not only in terms of the reputation of the Arena.
18 And SMG announced globally that they're now the management
19 to a rounding applause. We expect to see bookings increase
20 and expect to see revenue increased.

21 Of course, anything that's there is a TIF payer.
22 So this is clearly coming back to Rio Nuevo.

23 So there are a couple of items. I think you want
24 to update us on the budget and then go into the change
25 order.

1 MS. BECHERER: I do. I want to go through the
2 project tracking sheet.

3 Is it the Board's pleasure to hear a brief update
4 on the signs since it is one component of the change order?

5 CHAIRMAN McCUSKER: Yeah. Let me touch on some of
6 the controversy that's associated with our signage.

7 I think you all know that we've always anticipated
8 and planned for monument signs on Granada and Church.
9 There's never been any way to know what's going on in the
10 TCC, historically. You drive by and you see a full parking
11 lot, but you don't have any idea what's going on there.

12 So we designed and bid out monument signs. They
13 are outside the sign code authority. So we've sought a
14 variance for those. They did come in at a little more
15 expensive than what we had budgeted. That's one of the
16 change orders.

17 But we've also attracted a lot of attention from
18 the -- what I'm going to call the stargazer community,
19 objecting to the new light that the monument signs would
20 throw out.

21 So we have a sign commission hearing that was
22 postponed for this week. Next week, we're starting the
23 variance request. So this money that we would approve for
24 the additional signage will be subject to us getting through
25 the sign commission and ultimately the City Council.

1 Staff have recommended approval of our request.
2 But there is a lot of opposition. And I don't think it's
3 specific to our project. But I think the professional and
4 amateur astronomy communities object, generally, to anything
5 that emits light and interferes with our ability to gaze at
6 the stars. So we will work our way through that.

7 So I think, Elaine, the message is that if somehow
8 that gets disrupted, it will affect these numbers. Correct?

9 MS. BECHERER: Mr. Chair, I missed that. Sorry.

10 CHAIRMAN McCUSKER: So in the event we don't get
11 approval, we cant -- we would spend less than what we're
12 asking for today because we've had to downsize the sign.

13 MS. BECHERER: That is correct. So the hearing
14 has been postponed to November 12th at 2:00 p.m. And if the
15 variance as Rio Nuevo as the owner has submitted, if it is
16 not approved by SCAAB, the Sign Code Advisory and Appeals
17 Board, then Rio Nuevo would have one of two options.

18 They could accept the variance as approved by the
19 board or the appeals process would be to go to mayor and
20 council.

21 TREASURER SHEAFE: Let me ask a question. Can I?

22 CHAIRMAN McCUSKER: Mm-hmm.

23 TREASURER SHEAFE: The dark sky ordinance does
24 not, in any way, eliminate the ability to do the kind of
25 sign -- you're an architect, so you've go to help me here --

1 it has to do with the direction that the light is directed.

2 So is it not possible to have a design that does
3 everything we need for the person coming by, by lifting it
4 up a little bit so that it's message can be downcast, and
5 then you comply with dark sky?

6 MS. BECHERER: So the --

7 TREASURER SHEAFE: So our variance would be more
8 the location of it rather than actually it's adding the
9 light.

10 MS. BECHERER: So to answer your question, it
11 depends on who you ask that question, that there's some
12 subjectivity to it. And those electronic message boards
13 that we have in the project, they are code complaint. And
14 that is one of the most important messages that I am sharing
15 with you and with also the staff and the community. The
16 sign code allows these type of electronic message boards.

17 The dark skies community, it might be fair to say
18 that they don't appreciate or value any type of signs, any
19 type of electronic message boards. So it may not matter
20 what or how big the electronic message board is, the dark
21 skies community would never support it.

22 So, yes, through good design -- which I think this
23 monument sign is good design -- it can minimize the light to
24 the dark skies.

25 TREASURER SHEAFE: Well, yeah. Let me just be

1 more specific because this issue comes up quite a bit.

2 MS. BECHERER: It does.

3 TREASURER SHEAFE: And light pollution is a big
4 deal because, in the astronomy community here, which is a
5 real economic piece of our overall economic base, is an
6 important consideration.

7 However, the technology now is well understood.
8 And, you don't get light pollution if you downcast the
9 light. That's what we're doing all over the place.

10 So I'm just asking the question, is this not an
11 easy problem to solve technologically? You know, the
12 technology is certainly available. Are we kind of in a --
13 you know, a popularity contest here where some people just
14 aren't going to be reasonable? In which case there's
15 mechanisms in place to maybe not give them as big a voice as
16 they would like to have. The realty is we can't shut off
17 everything just because . . .

18 CHAIRMAN McCUSKER: We've also talked about a
19 curfew on the lights. So we are trying to find ways to
20 accommodate the astronomy community.

21 I think Elaine is right. They would object to a
22 flashlight pointed at the sky. So we can address the
23 technology and shield the night sky. We can turn the lights
24 off.

25 We're removing one sign, putting in two new signs.

1 So the net light effect is probably not significant. And
2 that's ultimately the commission's role, is to look at those
3 facts and determine if, in fact, they want to approve a
4 variance.

5 We are oversized, which is the only reason we have
6 to go through the sign board.

7 TREASURER SHEAFE: Okay. Well, I'm -- and I'm
8 just asking because each time when I come in contact with
9 the dark sky ordinance and really try to accommodate it,
10 it's always been a technical question. It's never been a
11 zoning-type question where you're trying to just get people
12 to agree.

13 CHAIRMAN McCUSKER: The opposition here is more
14 concerned about the precedent.

15 TREASURER SHEAFE: Yeah. I was wondering if it
16 was a precedent. Okay.

17 CHAIRMAN McCUSKER: Right. That the -- a variance
18 would accomplish would establish for the entire community
19 and then invite others to build oversized signs. So that is
20 ultimately what the variance -- so we're not trying to
21 railroad it.

22 We are meeting with the stargazer community. We
23 are working with the board. We will try and accommodate
24 them. Ultimately they'll make a decision. We can appeal
25 that to the mayor and council.

1 The budget request is for the signs at our
2 variance request. In the event we choose to downsize those,
3 it would only be cheaper.

4 TREASURER SHEAFE: And is that the 150.

5 CHAIRMAN McCUSKER: That's the 150.

6 So, Elaine, walk through the four items on the
7 change order request.

8 MS. BECHERER: Sure.

9 This is the change order that I reviewed at last
10 night's board meeting. The one -- the first item is Change
11 Order 6 -- Change Order Request 6. And that is for
12 \$61,349.24.

13 So the same application that you saw in the
14 restroom floors -- the concrete overlay, epoxy, polyurethane
15 wax -- I am proposing that we apply that same technique to
16 the floor of the breezeway to add it -- to add to that wow
17 factor and give it a sense of a new look, some color, and
18 just some visual interest.

19 I think with all of the wall/ceiling treatment of
20 the north and south wall and the new ceiling and the new
21 light fixtures, it's only going to take us so far.
22 Similarly to the restrooms. So that's \$61,000.

23 If the Board does not feel that that -- you know,
24 that we should proceed with that, then the existing concrete
25 floor would stay as is.

1 The site signage is as Mr. McCusker just stated.
2 That amount, the 153,000, that also includes additional
3 campus signage. So after two iterations of trying to value
4 engineer the entire signage package, we get it down to as
5 lows as we could.

6 (Mr. Moore returned to the proceeding.)

7 CHAIRMAN McCUSKER: And these are -- this is a bid
8 amount not an estimate. So this --

9 MS. BECHERER: This is a bid amount. So this is a
10 change order for Concord's contract.

11 The third item is for some new automatic door
12 openers and panic hardware. So the new Arena doors, with
13 the full glass, those are new doors. It came with all of
14 this new hardware. But there are four sets -- five sets of
15 exterior doors that have old hardware. And I think that it
16 would be an added benefit to replace those doors and get the
17 new automatic door openers.

18 And then the 49,000, that is for asbestos
19 abatement in the escalator lobby.

20 CHAIRMAN McCUSKER: Not really something you have
21 a choice with.

22 MS. BECHERER: Correct.

23 MS. COX: I have a question about the site
24 signage. \$153,000 in addition to what you had planned for
25 signage?

1 MS. BECHERER: In addition to, yes.

2 CHAIRMAN McCUSKER: So what's the total signage
3 budget with the changes?

4 MS. BECHERER: I don't have that number right in
5 front of me. That's a really good question. I apologize.

6 MS. COX: It just seems like a lot of money. I
7 mean, how does it compare with --

8 CHAIRMAN McCUSKER: It's not just the monument
9 signage. It's every sign.

10 MS. COX: Right.

11 MS. BECHERER: So what it is, is it's a total of
12 four -- two monument signs, two directories, five or six
13 different rewrap of parking identification lots, as well as
14 exits. And then, all of the interior signage. And I --

15 CHAIRMAN McCUSKER: These -- these are high
16 definition video. So not just

17 MS. COX: I guess I'm just -- my question --

18 CHAIRMAN McCUSKER: But it is expensive. In fact,
19 we bid it three times.

20 MS. BECHERER: We did. We got a bid. And then it
21 just was just way too high. We redesigned the monument
22 signs and scaled them down in the height and size,
23 everything. And we removed signs. And our initial
24 estimate, Jannie, was just too low for the site package.

25 MS. COX: Okay. That was my question, really.

1 Okay. So it was just your initial --

2 MS. BECHERER: Our initial number was just --

3 MS. COX: -- prediction on what that would cost
4 was just off.

5 MS. BECHERER: It was. It was off.

6 MS. COX: Thank you. That's what I wanted to
7 know.

8 MS. BECHERER: So that is Change Order No. 7.

9 And then I think that prior -- before I go through
10 the next change order, I would like to review this document
11 with you before you make any motions so you know you have a
12 very clear understanding of what's going on.

13 MR. HILL: I want to warn Mr. Chairman, we're
14 going to lose a member.

15 CHAIRMAN McCUSKER: Yeah. Let's deal with that
16 change order. Just -- if there's any further conversation
17 or someone would make a motion to approve.

18 SECRETARY IRVIN: So moved.

19 MS. COX: Second.

20 TREASURER SHEAFE: Second.

21 CHAIRMAN McCUSKER: Motion and a second to approve
22 the change order for \$301,074.17.

23 All in favor, say aye.

24 (Ayes.)

25 CHAIRMAN McCUSKER: Any opposed, nay.

1 (The Board voted and the motion
2 carried.)

3 CHAIRMAN McCUSKER: Okay. So there you go.

4 MS. BECHERER: Great.

5 CHAIRMAN McCUSKER: Now, overall, where are --

6 MS. BECHERER: What about -- there's a second
7 change order before we lose another Board member.

8 So the second change order is for the escalator
9 lobby renovations. So we always had intended to renovate
10 the escalator lobby because it's critical to how you enter
11 the lower level Arena. As one of the value-engineered
12 items, we recommended that scope.

13 About three or four months ago, in this document
14 that I'll review with you afterwards, I started to, as a
15 part of the owner's contingency, set aside some potential
16 money that could be used to renovate the escalator lobby.
17 This change order is to do that.

18 CHAIRMAN McCUSKER: This is the entrance to the
19 Arena from the north.

20 MS. BECHERER: Right.

21 CHAIRMAN McCUSKER: So if you come in from the
22 north, you go into that lobby, you go down the escalator.
23 This would be the primary entrance to the Arena other than
24 into the breezeway.

25 MS. BECHERER: Correct.

1 So we received the design drawings late last week.
2 And then we have -- this is the estimate from Concord.

3 CHAIRMAN McCUSKER: And these are bid numbers
4 again.

5 MS. BECHERER: These are bid numbers. The change
6 order would be that it would not exceed \$50,000. This is
7 just over. And I have to go through this estimate with a
8 finer . . .

9 CHAIRMAN McCUSKER: Just quickly, while Cody's
10 here, if we approve these \$350,000, where are you on the
11 contingency and the overall budget?

12 MS. BECHERER: So in the owner's contingency,
13 there would be approximately \$30,000. And in the remaining
14 GC contingency for number -- GMP1 and GMP2 as well as the
15 GC -- general contractor's contingency, there would be an
16 additional \$70,000. So the project still has \$100,000 in
17 terms of funds.

18 TREASURER SHEAFE: For more cushion if you need
19 it.

20 MS. BECHERER: Yes. Right.

21 CHAIRMAN McCUSKER: All right. Anybody want to
22 move to --

23 MR. HILL: Yes. I move the change order for
24 50,000.

25 MS. COX: So moved.

1 SECRETARY IRVIN: Second.

2 CHAIRMAN McCUSKER: Mr. Hill's motion, second from
3 Mark. All in favor, say aye.

4 (Ayes.)

5 (The Board voted and the motion
6 carried.)

7 (Mr. Ritchie left the proceeding.)

8 CHAIRMAN McCUSKER: All right. Anything else you
9 need to do or say?

10 MS. BECHERER: That was my point of this document.
11 So if there's not any other questions, no, I'm done.

12 CHAIRMAN McCUSKER: Timingwise, we're still on
13 schedule?

14 MS. BECHERER: We are on schedule to be complete
15 by the end of December. We have the Beach Boys coming in on
16 the 3rd. And one of the last items will be the new video
17 boards. And we are making sure that we'll have enough
18 cushion to vent them out, training, and --

19 Yes?

20 TREASURER SHEAFE: Yeah. What is your hearing
21 date on the sign?

22 MS. BECHERER: So we go back -- we go to the board
23 on November 12th at 2:00 p.m.

24 TREASURER SHEAFE: Okay.

25 MS. BECHERER: Yep. And what we'll be doing in

1 the next month is that we'll be meeting with the dark skies
2 community. And we'll be reassessing, you know, what we can
3 do, what are some option for us.

4 CHAIRMAN McCUSKER: I think we should mention that
5 all the neighbors that are directly adjacent have supported
6 the sign.

7 TREASURER SHEAFE: That would be a real nice
8 addition.

9 MS. BECHERER: So this document, if you want to
10 just look at it on your own later, the second page does
11 spell out the 12 adjacent neighbors. And no one has come
12 out, to date, to oppose the signs. So I think that is
13 critical to the messaging.

14 And I think Cushing -- pardon me -- Church is a
15 different story in terms of can an electronic message board
16 be on the south. But I think what is critical to the
17 success of the TCC is Granada. And with the streetcar, we
18 need an electronic message board on both sides.

19 CHAIRMAN McCUSKER: Thank you, again, Elaine.
20 Great job.

21 MS. BECHERER: Great. Thank you.

22 Thank you all.

23 MS. COX: Yeah. Great job.

24 CHAIRMAN McCUSKER: Mr. Keith, you ready?

25 MR. KEITH: Yes, sir.

1 CHAIRMAN McCUSKER: If you'll remember from the
2 last meeting, we had a presentation regarding the
3 streetscape. This is the money we're allocated to spend as
4 part of the global settlement with the City.

5 There are some questions about the project and its
6 benefits and kind of improve the businesses. And, Michael,
7 we asked you to come back. And reintroduce yourself to the
8 transcriptionist.

9 MR. KEITH: My name is Michael Keith. I'm the CEO
10 of the Downtown Tucson Partnership. And with me today is
11 Elaine Becherer, as you know quite well, with the City of
12 Tucson and the project manager. Elaine's going to talk
13 first about the organizational chart.

14 MS. BECHERER: So I have some extra copies of the
15 org chart. And the org chart is up on the screen as well.

16 So as Mr. Keith mentioned, he and I will be
17 comanaging this project together. And in working together,
18 what we've laid out for you is we wanted to show you --
19 before the project starts, we wanted to show you the level
20 of organization and how we plan to proceed as a team.

21 MS. BECHERER: So as coproject managers, we will
22 be reporting to the City of Tucson, as well as to Rio Nuevo.
23 If your expectations are that we come to you monthly to give
24 you an update, that's what we'll do, just as I've been doing
25 on the TCC Arena. And then also to the Downtown Tucson

1 Partnership, we'll be reporting back to.

2 To the left of the org chart, there's the City
3 departments that we'll be working in coordination with the
4 improvements. So every one from transportation, economic
5 initiatives, as well as procurement, through contracts,
6 things like this.

7 And then, we'll also be coordinating with property
8 owners, merchants, and special events in terms of when we
9 have to shut down a street, if a sidewalk is closed, sharing
10 that information with the community and the downtown
11 businesses. That's critical.

12 And then, to the far right, the consultants. And
13 that will consist of some type of architect or landscape
14 architect and then a general contractor.

15 Michael and I are in the center. And you can see
16 to the -- off to the right, project information and
17 communication will be coming through us. And then we will
18 both be signing off on invoices.

19 In terms of the project tracking, we can do
20 something similar. It's probably not going to be as
21 complicated as this. But in terms of a level of
22 transparency and rigor for, not only you, but the community.

23 With that . . .

24 MR. KEITH: Yeah. Any questions on the
25 organizational chart part?

1 I'm going to talk a little bit about the cost once
2 again. And I'm looking at the budget sheet.

3 We have met with the City of Tucson. And they
4 have suggested some things for us to consider, changes that
5 they would like to see.

6 The first part of the budget, the top bracket, the
7 Scott Avenue, Pennington to Congress, section remains pretty
8 much unchanged. You'll see the total amount there plus a
9 contingency of 65,000 for the total amount of 473.

10 The second item on that list, which was the next
11 section of Scott Avenue on the east side between -- between
12 Congress and Broadway, it's also still as we presented to
13 you.

14 The Arizona Alley portion, I'm going skip down first to
15 there. The City asked if we'd consider as much as \$50,000
16 to put into that pot for their negotiations with TEP, Scott
17 Stiteler, Gibson Market for the final solution Arizona
18 Alley. I feel pretty strongly about Arizona Alley. I think
19 most of you know, I've been pushing for a solution for that
20 for more than a decade, but certainly the four and a half
21 years of the Partnership.

22 But we would like to see, and I would like to see,
23 in particular, what those negotiations are with TEP, exactly
24 how that money would be spent. That 25,000 that we had in
25 there initially was for the undergrounding of the poles in

1 that alley so that we could create a picture somewhat
2 similar to one that you'll remember for the presentation.

3 And we don't expect the current owners and people
4 in that -- in that alley to honor this drawing or to execute
5 this drawing. But you get a sense. But there's holes in
6 how active and how important a north-south corridor this
7 could be.

8 So I'm going to ask for some flexibility here on
9 this budget. That called into question the Broadway -- the
10 stretch of Broadway between 6th and Arizona Alley as to
11 whether that could still be funded if Arizona Alley was
12 completely funded.

13 And if you skip all the way down to additional
14 suggested projects, you'll see that the City was also
15 interested in eleven shade structures. That would be at
16 intersections, key intersections downtown that would allow
17 some respite from the sun, crossing -- kind of a longer,
18 delayed crossing times at intersections. We will take this
19 into consideration as well as we move forward.

20 But this is -- the scope of work is primarily
21 unchanged except for the addition of the sidewalk structures
22 and a little bit more money for Arizona Alley. But we'll
23 work through that as we move forward.

24 CHAIRMAN McCUSKER: Michael, this is in priority
25 order, so you would start with Scott Avenue, and then . . .

1 MR. KEITH: Kind of yes and kind of no. Because
2 the smaller items on the bottom, as you see, some of those,
3 which can go quite quickly, say, the banners for TCC and the
4 Mercado, we can start that right away. We would probably
5 work back and --

6 CHAIRMAN McCUSKER: For the money, that seems to
7 have unbelievable visibility, you know, versus some of these
8 other larger projects that are on less visible streets.

9 MR. KEITH: I'm sorry?

10 CHAIRMAN McCUSKER: The Arizona Avenue.

11 MR. KEITH: The Arizona Avenue, I think is a key
12 component to that entire quadrant. And as we talked about,
13 once Ronstadt Transit Center -- if that does go forward and
14 get redeveloped, then that's a continuation of Arizona Ave.
15 It goes right through Ronstadt Transit Center. So that
16 north-south, bike-ped, that ability to do festivals and
17 events, to do economic development for the restaurants. You
18 know, there's a distillery going on in that alley, a
19 microbrewery right around the corner. So it's an important
20 corridor.

21 I just -- if you don't like committing money until
22 I see what the plan is for that alley and that all of us are
23 in agreement, that that's well spent. I have no problem
24 with the 25,000. But that additional 25 would be expensive.

25 CHAIRMAN McCUSKER: What we could do is -- is

1 we're suggesting here is that Rio Nuevo contract with the
2 Downtown Partnership to manage these streetscape funds.
3 That's one action.

4 MR. KEITH: Correct.

5 CHAIRMAN McCUSKER: And then the budget, not
6 unlike the TCC budget, we could approve the budget. And
7 then it may move --

8 MR. KEITH: Right.

9 CHAIRMAN McCUSKER: -- depending on what you see
10 as you -- as both of you get started.

11 MR. KEITH: As all of you know from the exercise
12 that you just went through -- I must add my compliments --
13 you've already heard me during the walk through the other
14 day -- but what you did on that Arena is astonishing.

15 And if I had any concerns about Elaine Becherer is
16 the perfect partner for this, that was dissolved immediately
17 when I saw the treadmill light fixture in the bathroom. I
18 mean, this -- I think we have the perfect team here to move
19 forward.

20 But you know we're going be in a design, build,
21 design, build process. We're going to find problems on
22 Scott that we can't anticipate. We're going to realize that
23 we could do something a little bit different for a shade
24 structure for a lighting option.

25 So we would like to be able to set this up to

1 start with the Scott Avenue project. And then, as we move
2 forward and do additional additions and subtractions from
3 this workload as we go forward.

4 But, yes, Arizona Avenue is a key piece. And that
5 money would probably need to be distributed fairly early in
6 this process.

7 MS. BECHERER: So in addition to the scope of work
8 being presented to you today, as a part of the settlement,
9 we will also be seeking approval from the City of Tucson
10 mayor and council. And if legal can make sure that I'm, you
11 know, stating that accurately, but --

12 MR. COLLINS: That's correct.

13 CHAIRMAN McCUSKER: What they have to do is
14 concur.

15 MS. BECHERER: That's what I asked prior to this
16 and --

17 MR. MOORE: That's a very important word from our
18 perspective.

19 MS. BECHERER: That's what I said to legal, and I
20 was corrected. So I'm not -- is it concur?

21 CHAIRMAN McCUSKER: What does it say exactly?

22 MR. COLLINS: City approved.

23 CHAIRMAN McCUSKER: Approved.

24 MR. COLLINS: City-approved streetscape
25 improvements within the downtown --

1 CHAIRMAN McCUSKER: How did we let that slip by,
2 Mark?

3 MR. MOORE: Does that include matching funds,
4 then?

5 CHAIRMAN McCUSKER: They have much every dollar
6 that we spend.

7 MR. MOORE: Well, I just wanted to make sure of
8 that.

9 CHAIRMAN McCUSKER: There's nothing specific in
10 this settlement language as to matching this particular
11 project.

12 MS. BECHERER: And I will say that the scope of
13 work has been vetted out with the City and with economic
14 initiates and working with Michael. And so the next step
15 would be that we would, you know, take the scope as we're
16 presenting it to you today to mayor and council.

17 MR. KEITH: Oh, sorry. Just one more thing just
18 to add to this soup. One thing you won't find is a
19 management fee for the Partnership.

20 I would propose that there be a 5 percent
21 management fee added to this contract as a performance -- as
22 a performance standard. Which is to say that if we were to
23 perform and do this project to your satisfaction, that you
24 would come back and award the Partnership a management fee.

25 I can tell you that we will be intimately involved

1 in this from start to finish and we will have to lay off --
2 we will have additional costs to do that, to the
3 Partnership. So we would like to see -- we'd like to
4 perform first and ask for that compensation after. And that
5 if that's . . .

6 CHAIRMAN McCUSKER: Does that mean it would --
7 you'd have to bring the project in under the budget?

8 MR. KEITH: We'd have to bring it in under the
9 750. But it might be 750, and you might be asked to come
10 with -- what would that be? -- thirty-seven-five additional
11 to the 750,000 that would be paid directly to the
12 Partnership.

13 CHAIRMAN McCUSKER: Mr. Moore?

14 MR. MOORE: Two things. How about the merchants
15 in the corridor, have they approved what you want to do?

16 MR. KEITH: We've talked to a good deal of them
17 already. They -- this has been an ongoing subject forever
18 about that street, about the darkness, about the narrowness
19 of the sidewalks.

20 We have talked to -- I've talked to four of them
21 already. But this is a -- sort of a Downtown impact
22 corridor since the number of -- Pennington Garage is the
23 largest garage downtown. People that walk out of that walk
24 all through Downtown to go to festivals and events. We have
25 a huge safety --

1 MR. MOORE: Who owns the Pennington Garage?

2 MR. KEITH: The City owns the Pennington Garage.

3 We had a hundred thousand people down here last weekend.

4 And that garage was sold out. It is used all the way up to
5 two, three o'clock in the morning. In is probably the most
6 underserved corridor in Downtown.

7 As we mentioned in our overview last week, we can
8 do a number of things here really well, including make that
9 street ADA compliant, do economic development, sustain
10 investment on that street, provide a safe corridor for
11 people coming out of the garage, and then begin to actually
12 activate Pennington. And this is, of course, the corridor
13 that people are going to use to get to Library Plaza and the
14 item you saw earlier today the, you know, January . . .

15 MR. MOORE: One other question. I notice that the
16 City is now increasing their charges for parking on the
17 street with meters and everything to a dollar.

18 MR. KEITH: Correct.

19 MR. MOORE: Are we going to see any of that
20 revenue go towards the street enhancements and so forth? It
21 sames to me that that kind of money should be applied to --

22 MR. KEITH: I can't speak for the City, as you
23 know, since I am with the Partnership. Donovan Durband is
24 here. And he can answer that question. But I would expect
25 that that money would go back into ParkWise's budget for

1 other improvements.

2 MR. MOORE: It seems to me it should go on to what
3 we're all trying to do, to enhance downtown.

4 MR. KEITH: Yeah. That's way past my grade code.

5 MR. MOORE: Well, how do we get that?

6 CHAIRMAN McCUSKER: This -- I think this is
7 particular to the settlement. This was negotiated with the
8 City primarily between myself and the mayor. You know, part
9 of our negotiation strategy was, you know, you pay us the
10 money for the garage, you deed these lands over to you.
11 We'll do a couple of things. We'll do some work on the
12 Arena. We'll invest in some street improvements for the
13 City of Tucson. And I think this is consistent with that.

14 I think there's an ongoing conversation, Alberto,
15 with the City on how they use the bid money, how they use
16 ParkWise money, you know, whatever to continue. Because
17 this is -- the \$750,000 is going to go pretty quickly. And
18 there is still a lot of things, I think, that we would like
19 to accomplish together. And I think it's appropriate that
20 we have some conversation with the City above and beyond
21 this particular settlement.

22 Now, we should also mention that I think it's not
23 entirely clear where we left things off with Scott Stiteler
24 and streetscape obligations to him. That conversation never
25 came up in the context of the settlement. And like many

1 things that -- from the old Rio Nuevo Board that predate us,
2 it's not entirely clear what our obligations are to the
3 geography around his projects regarding previous commitments
4 that have been made to him regarding streetscape.

5 But I would argue that that's an entirely separate
6 conversation as well. But one we're going to have to have.
7 And Mark's there. He's nodding.

8 MR. COLLINS: Mr. Chairman, Members of the Board,
9 yes, I think you will ultimately have to have that just to
10 fill in the blanks.

11 Back in 2008 the Rio Nuevo Board entered into an
12 amended agreement for the development of the Depot Plaza.
13 That agreement includes language such as, City-constructed
14 public infrastructure improvements to support the use of the
15 project shall include full City and/or District funding for
16 sidewalk, street, open space, and plaza improvements at the
17 Depot Plaza.

18 CHAIRMAN McCUSKER: And this is -- this is
19 specific to the Depot Garage surface level geographies.

20 MR. COLLINS: It -- it --

21 CHAIRMAN McCUSKER: And, Michael, is there any
22 overlap in your --

23 MR. KEITH: No. We're not near -- both of
24 those -- in fact, I can't any of anything on this project
25 that's going to get close to that except possibility some

1 banners and maybe some shade structures at the intersection
2 some distance away from there. But, no.

3 TREASURER SHEAFE: Okay. So is the point of your
4 question that --

5 CHAIRMAN McCUSKER: You're going to spend --

6 TREASURER SHEAFE: -- at the end of the day, we're
7 going -- we will satisfy all those other requirements along
8 with completion of this?

9 CHAIRMAN McCUSKER: I think you have two issues
10 that we have one very clear obligation toward, a signed
11 settlement with the City and the District. That's what this
12 proposal addresses.

13 There's a very vague misunderstanding regarding
14 how things were left between Rio Nuevo, the City, and
15 Stiteler that may, in fact, obligate us for some further
16 streetscape work.

17 I think Mr. Irvin's point was, can we put all that
18 together in one package and deal with it at once?

19 I don't think you can because they are totally
20 separate geographies. And, you know, I don't know that we
21 would get City approval if we try to satisfy the District's
22 obligations to Stiteler by using streetscape money for that.

23 MR. MOORE: Mr. Chairman, the other thing is a
24 little bit off this particular topic. But we still -- have
25 we gotten deed for the West Side property from the City?

1 MR. COLLINS: No.

2 MR. MOORE: I mean, it seems to me that that's
3 also part of the settlement agreement. We're supposed to go
4 forward with spending 750,000 --

5 CHAIRMAN McCUSKER: I'd be happy, if you wanted to
6 make that a condition of this.

7 MR. MOORE: I do.

8 CHAIRMAN McCUSKER: All right. So we need a
9 motion of some sort with a little string attached, then.

10 TREASURER SHEAFE: I think we're getting close.

11 MR. MOORE: Well, I'd like to make a motion
12 that --

13 TREASURER SHEAFE: I just want to ask Mark if --
14 Mark, could you just quickly assess -- we've had
15 the documents going back and forth. Are they back on Mike's
16 desk, or are they --

17 MR. COLLINS: No. They're -- they're in WLB's
18 hands right now. They're finish up the -- the ALTA so that
19 we'll have the right exhibits to attach.

20 TREASURER SHEAFE: We must be within days of
21 getting that back because they've had that, for what, almost
22 30 days.

23 MR. COLLINS: I couldn't tell you, Mr. Sheafe.
24 But that's about right.

25 CHAIRMAN McCUSKER: Wouldn't hurt to put a little

1 fuel in the fire.

2 TREASURER SHEAFE: Yeah.

3 SECRETARY IRVIN: So I guess my point in all of
4 that, Mr. Chair, was I just wanted to ensure -- I hadn't
5 looked at that agreement for a long time. But I sure
6 remember it from my memory that there was some, you know,
7 potential contingent liability there.

8 And so I guess what I would ask of any motion -- I
9 think this is a great bit of work, Michael, that you put
10 together.

11 But I just would hate to see us all of the sudden
12 spend this and then all of the sudden find out we have to go
13 spend about this amount as well on Stiteler's project. And
14 I think any motion we ought to make should just, you know,
15 address the fact that we probably need to spend a few
16 minutes sitting down with Scott Stiteler and the folks of
17 the City to ensure that we're all on the same page as far as
18 any liability in that area.

19 CHAIRMAN McCUSKER: Mr. Moore, were you going to
20 make a motion?

21 MR. MOORE: Well, I make a motion that we add that
22 provision regarding the deed to the West Side property.

23 CHAIRMAN McCUSKER: And approve the --

24 MR. MOORE: And approve --

25 CHAIRMAN McCUSKER: -- the contract and budget

1 with the Downtown Partnership.

2 TREASURER SHEAFE: Second.

3 CHAIRMAN McCUSKER: Any further discussion?

4 MR. HILL: Mr. Chairman, just verification.
5 Approving the budget and acting on these projects does
6 satisfy our \$750,000 commitment under the settlement.

7 MR. COLLINS: I would suggest to the Board that if
8 you go forward with this motion that it be memorialized in a
9 tri-party agreement so that you are assured that the City
10 has approved what it is you're doing. Because you do need
11 City involvement in this. It would be the District,
12 Downtown Tucson Partnership, and the City.

13 Yes?

14 SECRETARY IRVIN: So how would you also suggest
15 that we address this potential other issue as it relates to
16 the Stiteler's property.

17 MR. COLLINS: Well, I -- it's my opinion that you
18 folks have limited resources. And I respectfully disagree
19 with the view that the language of the settlement agreement
20 is somehow different from the risk that the District has
21 under the old Depot Plaza improvements.

22 I would suggest to you that you'd want to deal
23 with both of those things, at least explore it. That
24 agreement that I quoted from specifically has a provision
25 for trying to work out any last minute problems and to sit

1 down at a table like you're doing now and resolve it.

2 So I would suggest that it might be prudent for
3 you folks to at least explore that before finalizing the
4 contract that you're talking about now.

5 CHAIRMAN McCUSKER: All right. So the motion,
6 however, is to approve the contract and the amount. It's
7 not linked to the Stiteler project.

8 TREASURER SHEAFE: Not yet.

9 CHAIRMAN McCUSKER: It would take an amendment or
10 something to do that. Counsel suggests that we would also
11 enter into a written agreement with the City so there could
12 be no question that they've approved this.

13 MS. BECHERER: After we go to mayor and council.

14 MR. KEITH: Mr. Chairman, would it -- is it also
15 appropriate at this time with this motion to -- to include a
16 performance payment to the Partnership in excess of the 750?

17 CHAIRMAN McCUSKER: Mr. Moore, it's your motion.

18 MR. KEITH: This will be -- this will be totally
19 based on this Board's discretion that we have executed this
20 to the standards that we say we will and this -- and the
21 problem here for the Partnership is that --

22 MR. MOORE: I think it should be part of the
23 budget, the 750.

24 MR. KEITH: Well, the City may or may not agree
25 with that assessment.

1 MR. MOORE: So, well, I mean, you know, that's up
2 to them to make that decision.

3 TREASURER SHEAFE: He's saying we need to take a
4 position first, and then the City, then, would match it. So
5 he's asking you to maybe amend your motion to say that the
6 motion can include a fee to the Downtown Partnership as long
7 as it doesn't exceed the overall budget at the discretion of
8 a performance review.

9 MR. MOORE: The overall budget being 750,000.

10 TREASURER SHEAFE: Yes. Whatever we do is going
11 to require City approval.

12 MR. MOORE: That's fine.

13 TREASURER SHEAFE: Have you amended your budget --
14 your motion?

15 MR. MOORE: Just what you just said, my friend.

16 TREASURER SHEAFE: So I second that amendment.

17 SECRETARY IRVIN: And then is there any discussion
18 about the issue relative to potential liability to Stiteler,
19 or are we just going to pass that over.

20 TREASURER SHEAFE: I would like to handle that in
21 a separate motion.

22 SECRETARY IRVIN: Okay.

23 CHAIRMAN McCUSKER: All right. So the motion, to
24 paraphrase, that's on the table is that we approve the
25 Downtown Partnership's proposal to engage them,

1 contractually, to manage the streetscape improvements from
2 the settlement; we approve the budget, subject to the City
3 concurring; and we direct council to draft the documents.

4 MR. MOORE: And the deed. And the deed.

5 CHAIRMAN McCUSKER: And it's tied into our receipt
6 of the deed of the West Side.

7 TREASURER SHEAFE: And Elaine wants to
8 address . . .

9 CHAIRMAN McCUSKER: You don't get a vote.

10 Any other questions, comments, regarding the
11 motion as it stands?

12 All in favor, say aye.

13 (Ayes.)

14 CHAIRMAN McCUSKER: Any opposed, nay?

15 (The Board voted and the motion
16 carried.)

17 CHAIRMAN McCUSKER: Okay. So we now know where
18 we're going.

19 Elaine?

20 MS. BECHERER: When -- when the motion states that
21 it's a contract with the Downtown Tucson Partnership,
22 contracts, we were anticipating to go through City of Tucson
23 procurement. So just --

24 CHAIRMAN McCUSKER: But then how do you . . .

25 MS. BECHERER: Execute the process?

1 CHAIRMAN McCUSKER: How you execute it is left up
2 to your devices.

3 MS. BECHERER: Okay. I just wanted to make clear
4 so that --

5 CHAIRMAN McCUSKER: And counsel can address that
6 if we end up with a tri-party agreement, you should be
7 allowed to use your open contract.

8 MS. BECHERER: I didn't want to proceed and then
9 you be surprised. So that's just for clarification.

10 CHAIRMAN McCUSKER: No.

11 MS. BECHERER: Okay. Great. Thank you.

12 MR. HILL: We're never surprised, just
13 disappointed.

14 MS. BECHERER: Well, I hope not to disappoint you.

15 CHAIRMAN McCUSKER: Now, while you're on the
16 subject, you want to do anything specific with the
17 Stiteler -- the Stiteler contingent liability?

18 MR. MOORE: Table that?

19 MR. HILL: Is that on the agenda?

20 CHAIRMAN McCUSKER: Okay. Well, it's really not
21 agendized, is it, Mr. Collins?

22 MR. COLLINS: Correct. It's not on the agenda.

23 MR. HILL: We best avoid it, Mr. Chairman.

24 CHAIRMAN McCUSKER: I do whatever Jeff tells me.

25 He's my --

1 MR. HILL: I'm the law.

2 CHAIRMAN McCUSKER: Okay. Annual audit, Jim,
3 thanks for hanging around.

4 Let's get Dan up here to do the quick chief
5 financial officer report. And then Beach is ready with
6 their annual audit. And if everybody's fine, we just stay
7 right here and keep up.

8 MR. MEYERS: I'm Dan Meyers. And I'm the CFO for
9 Rio Nuevo. This will be our monthly cash update as of the
10 end of September.

11 So in our Alliance Bank operating account we've
12 got \$5.5 million. Our Alliance Bank account, we just kind
13 of let that sit there and accumulate. We got a little over
14 \$5 million.

15 In the Bank of Tucson operating account, we've got
16 approximately \$286,000 in that.

17 The City of Tucson still has some of our funds
18 that are being used to make payments on the TCC renovation.
19 The balance in there now is a little under \$1.1 million. I
20 anticipate that money being gone and spent this month.

21 So the total cash on hand at this particular time
22 is 11.9 million.

23 We've got about \$10.7 million in remaining
24 commitments, one of which is about \$4.3 million for the
25 parking garage which isn't going to happen for a couple

1 years.

2 So that would leave us with approximately
3 \$6.3 million of commitments.

4 CHAIRMAN McCUSKER: You'll see that item, we have
5 historically not considered that a commitment. But you'll
6 see that item addressed in the audit. They do believe the
7 Board's action committed us to those funds. So it will show
8 up in the audit as committed funds. So we're going to start
9 including it in the presentation that Dan makes. It's
10 committed.

11 We're not obligated to expend those funds until
12 that project is completed. So it is probably a couple of
13 years out. But this is probably the proper accounting
14 treatment.

15 MR. MEYERS: Right.

16 I just want to point out, as far as the TCC
17 renovations go, our costs incurred to date are about
18 \$5.2 million. However, there'd be 240,000 and some -- the
19 last two pay applications from Concord should be paid this
20 month. And that's 1.7. So we only really expended about
21 \$3.3 million on that project thus far.

22 Any questions?

23 CHAIRMAN McCUSKER: Jimmy?

24 BeachFleischman has done our audit for the last
25 three years. They always present it to the Board before

1 it's published. Do today we'll go through it. We can ask
2 any questions.

3 If we're okay with it, we would accept the audit.
4 And then it would become a matter of public record.

5 MR. LOVELACE: Mr. Chairman, Members of the Board,
6 we appreciate the opportunity to be your independent
7 auditors. As so noted in your agenda, you are statutorily
8 required to have an annual audit.

9 We are prepared to issue a clean opinion. I would
10 just like to say congratulations to the District and the
11 Board. This is your third year in a row for a clean
12 opinion.

13 Just in summary, I would add to that, the current
14 year engagement was a pretty straightforward engagement,
15 unlike in prior years where we certainly had our challenges.
16 To render that clean opinion, again, it will be your third
17 year in a row.

18 Again, I'll just add a couple of quick comments.

19 There was no significant audit adjustments that
20 were proposed. We did book some financial statement
21 reclassifications.

22 For example, your land held for resale, we carved
23 that out and itemized that on the statement balance sheet.
24 Presumably, if that does sell, that would be a gain in the
25 subsequent year.

1 But, again, there was no major adjustments to
2 propose as your independent auditors to get to your --

3 CHAIRMAN McCUSKER: Let's talk about that for a
4 minute. It's on page -- the balance sheet, which is page,
5 what?

6 MR. LOVELACE: I believe that would be page 3.

7 CHAIRMAN McCUSKER: So what he's talking about is
8 the Arena Lot which was transferred to us as part of the
9 settlement, which we value as \$973,000, right? That's the
10 correct item?

11 MR. LOVELACE: That is the value on the books,
12 yes.

13 CHAIRMAN McCUSKER: So the current proposal to
14 sell that, you'll remember, is for \$5.6 million. So,
15 indeed, we will record a gain of four and a half million
16 dollars when we close the sale of that property.

17 MR. LOVELACE: In the full accrual financials, not
18 the fund financials -- but in the full accrual, yes, sir,
19 that would be correct. You would report that gain.

20 CHAIRMAN McCUSKER: Go ahead.

21 TREASURER SHEAFE: I'm not sure I quite understand
22 the difference.

23 MR. LOVELACE: Well, in the world of governmental
24 accounting, sir, you have two measurement models. One is
25 the fund account, which is what's referred to as resources

1 available. And it's modified accrual as opposed to full
2 accrual. So it's really just liquid assets, current assets,
3 current liabilities, per se.

4 As opposed to the full accrual, which, again,
5 would have long-term assets, long-term liabilities. And
6 it's more of a for-profit model.

7 GASB 34's been on the books for a number of years
8 now. But, again, when we talk about the gain, that would be
9 on Page 3 of the full accrual financials.

10 On a cash flow basis, it's still the same thing
11 irrespective of the modified accrual or the full accrual.
12 Upon sell, assuming it's an all-cash deal, it would wind up
13 in your bank account.

14 So, again, I just wanted to emphasize, it was a
15 very straightforward year. Again, in prior years, that's
16 not always -- we've not always had that luxury. But it is
17 the third year in a row for a clean opinion other than some
18 financial statement reclassifications, that being one of
19 them.

20 We are prepared to issue a clean opinion. We will
21 need to update our subsequent events, both Dan and legal
22 counsel, loose ends of that nature.

23 We will need to obtain our management
24 representation letter, which again would include the Chair;
25 the treasurer; and Dan, the CFO.

1 I would like to just, in closing, make one quick
2 point. Due to the size of the District, and I'll just say
3 the staff available for the District as large, while we are
4 required under the Yellow Book auditing standards to look at
5 your internal control, we didn't issue any material
6 weaknesses. But I would like to remind the Board and
7 emphasize the importance of your role in overseeing the
8 financial affairs.

9 Again, we did not issue any material weaknesses
10 under that responsibility. But, again, I'm just reminding
11 the Board, because of the size of your staffing
12 operationally, again, I'm emphasizing the importances as it
13 relates to your governance and fiduciary responsibility to
14 oversee the affairs of the District.

15 TREASURER SHEAFE: But along that line, are you
16 reviewing the process under which we're now setting up our
17 ability to understand what our income stream is?

18 MR. LOVELACE: We look at it, sir, from, I will
19 say, all the internal controls around revenue, receivables,
20 cash receipts, purchases payable, cash disbursements. You
21 don't really have inventory. Although, you do have
22 property, plant, equipment, fixed assets. You don't have a
23 lot of payroll, but we look at the controls around payroll
24 as well.

25 Again, we're not reporting any material weaknesses

1 in you policy and procedures --

2 TREASURER SHEAFE: The question goes to the fact
3 that we've now set up or are in the process in -- I think
4 you probably made some overture of how you're getting the
5 information from the State as to what the total revenue base
6 is, potentially, available to the District.

7 And in the audit, I would assume that you got
8 involved in that, in making sure that we have a good
9 tracking mechanism for our ability to really know where
10 those dollars are coming from and do they represent the full
11 potential of the dollars actually received by the State
12 through their tax revenue.

13 MR. LOVELACE: I will tell you that we do look at
14 the processes around these streams of revenue. And as it
15 relates to our opinion, sir, we believe it's reported in our
16 annual GAP financial statements. They are materially
17 accurate. And that is part of our responsibility when we
18 render that opinion.

19 Could there be a different model? Absolutely.
20 But as it relates to the policies and procedures around
21 those revenue streams, yes, sir, we do look at them.

22 CHAIRMAN McCUSKER: What they confirm, which is
23 really not auditable, is that the money the State sends us
24 ends up in our bank.

25 MR. LOVELACE: And is reflected in those

1 statements --

2 TREASURER SHEAFE: That's actually why I was
3 asking.

4 CHAIRMAN McCUSKER: They really don't --

5 TREASURER SHEAFE: -- because right now, it's
6 handed out of a black box.

7 CHAIRMAN McCUSKER: Right. They really don't
8 review or speak to the accuracy of those wires.

9 That's -- but I think the broader point -- and
10 it's important, specifically, to you and I -- we've escaped
11 Sarbanes-Oxley kind of challenges by having a very involved
12 Board in the financial procedures of the organization with a
13 two-person company. It's very hard to provide the checks
14 and balances and oversight that an auditor would require.

15 So if, for some reason, you or I or some future
16 Board members decided not to provide the level of oversight
17 that we do -- two signatures on every check; you know,
18 review of the invoices and procedures -- this organization
19 would have some challenges meeting those standards. So we
20 serve in a quasi staff role that made it a lot easier for
21 them to audit this business than if we didn't follow that
22 oversight.

23 And I think it's an important message for our
24 voluntary member members that we have to engage in the
25 financial oversight of this organization, or it makes it

1 really hard to be audited.

2 MR. LOVELACE: I would say all material receipts
3 are pretty much wired to books. And so the primary concern
4 we have ensuring that the statements are, again, in
5 accordance to GAP in all material respects is -- as
6 Mr. Chairman spoke to, is your oversight for the
7 expenditures.

8 And, again, because of the limited size of your
9 staff, we're reminding the District and the Board of record
10 to continue -- it's very important to continue that
11 governance role.

12 TREASURER SHEAFE: Well, I think we're committed
13 to that, Jim. And we know that money isn't filtering away
14 without two of us being very aware of where it is.

15 So the issue really -- where the District has a
16 wide open vulnerability in the past has been we had no idea
17 whether we were getting our appropriate fair share of the
18 tax revenue that was paid over to the State or not.

19 Now, we're in the process of getting that.
20 Because of the legislation, we have the ability to go see
21 those records. Probably in the next round it will be a
22 review process to make sure that that actually reflect --
23 accurately reflects the full volume of income the District
24 is entitled to.

25 MR. LOVELACE: As it relates to the revenue

1 stream, I absolutely believe that that new ability will
2 certainly enhance the District's comfortability of knowing
3 that the completeness of these receipts are even better
4 ensured. I do.

5 TREASURER SHEAFE: Well, it's a compliment to the
6 current County staff of one and the excellent job being
7 done. Efficient, really.

8 MR. LOVELACE: It is, in that regard, yes, sir.

9 CHAIRMAN McCUSKER: Okay, any questions for Beach?

10 We can take this home and ponder on it. But then
11 it wouldn't get published until the next meeting. Or if you
12 don't have any reason not to --

13 TREASURER SHEAFE: I'd like to move for approval.

14 CHAIRMAN McCUSKER: -- move to approve.

15 MS. COX: Second.

16 CHAIRMAN McCUSKER: I have a motion to approve the
17 audit as presented and a second.

18 All in favor, say aye.

19 (Ayes.)

20 CHAIRMAN McCUSKER: Any opposed, nay.

21 (The Board voted and the motion was
22 carried.)

23 CHAIRMAN McCUSKER: Okay. So we'll sign the rep
24 letter, Jim.

25 TREASURER SHEAFE: You'll get us a rep letter?

1 CHAIRMAN McCUSKER: We have it. There you go.

2 MR. LOVELACE: Lydia and Michele are on top of it
3 as usual.

4 CHAIRMAN McCUSKER: Jim, thank you very much.

5 MR. LOVELACE: Thank you, sir.

6 CHAIRMAN McCUSKER: Lydia, thank you.

7 Okay. The Arena Lot, Mr. Collins, just an update
8 on where we are with the protest and negotiations. And then
9 we also have an item on here as action. But I don't believe
10 we, in fact, have any action. So just update us on the
11 status of the Arena Lot procurement.

12 MR. COLLINS: The -- Mr. Chairman, Members of the
13 Board, there was a protest, as you all know. There was a
14 decision by the contract officer finding against the
15 protester. There was no appeal. So the protest is over.

16 We are now awaiting an outline, at least, of what
17 the -- what Nor-Gen wants so that we can proceed with the
18 negotiations.

19 Any questions?

20 CHAIRMAN McCUSKER: West Side Parcel, we discussed
21 it, but it's on the agenda. I guess that's really not
22 related to the deed as it is to the hydro chem.

23 MR. COLLINS: Right, right.

24 CHAIRMAN McCUSKER: So in your packet, we actually
25 approved this in the last meeting, but as part of the WLB

1 request, WLB has come back to us and said they really don't
2 have the expertise or equipment to do an adequate job
3 testing the Arena landfill and soil issues.

4 They referred us to Hydro Geo Chem. And that
5 proposal's in the packet. Since we've not had a
6 relationship with them, we would need the Board to approve
7 that contract.

8 Again, this is to drill and test the status of the
9 landfill on the West Side Parcel, both the depth and type of
10 material in the landfill, and then the current production of
11 methane, which we can't do anything with that property
12 without knowing both of those items.

13 Mr. Sheafe?

14 SECRETARY IRVIN: Mister --

15 TREASURER SHEAFE: May I ask a question?

16 CHAIRMAN McCUSKER: Go ahead, sir.

17 SECRETARY IRVIN: Go ahead.

18 TREASURER SHEAFE: Well, I have not had a chance
19 to look at this. But I see they are giving us an
20 approximate cost of \$61,000 to run these tests. And the --
21 I guess I'm amazed that we don't have this information.

22 The City has spent an awful lot of time and money
23 out there running the exact same tests.

24 CHAIRMAN McCUSKER: It's not current. So if you
25 don't do it in realtime, we can't provide any assurances

1 that what we want to do over there is doable today.

2 We know what it was ten years ago. We know what
3 it was five years ago. There's no current information on --

4 TREASURER SHEAFE: You mean -- do we absolutely
5 know there's no current information?

6 SECRETARY IRVIN: Well, I'll tell you what I
7 did -- and, Alberto, chime in here.

8 But I think four years ago or three and a half
9 years ago, we got a report. That report was ten --

10 Was it ten years old?

11 MR. MOORE: Yeah.

12 SECRETARY IRVIN: At least ten years old. At
13 least ten years old. I don't think there's anything -- I
14 haven't seen anything current since.

15 MR. MOORE: Well --

16 CHAIRMAN McCUSKER: There's nothing --

17 MR. MOORE: -- had to do something.

18 CHAIRMAN McCUSKER: Yes. Well, that's well north.
19 I mean, this is just exclusively on the southern tip.

20 MR. MOORE: But they had the same problems.
21 That's all I'm saying.

22 CHAIRMAN McCUSKER: And this would be exclusive
23 to --

24 MR. MOORE: -- have to do with the railroad --

25 CHAIRMAN McCUSKER: -- and it would be current.

1 MR. MOORE: -- the streetcar.

2 CHAIRMAN McCUSKER: So there's really no way you
3 can advance the project without a current one.

4 MR. MOORE: Could I ask that we defer this to the
5 next meeting just to do a little bit of exploratory question
6 of the staff over there?

7 CHAIRMAN McCUSKER: Make a motion to table it.

8 TREASURER SHEAFE: I would put forth a motion to
9 table this issue.

10 SECRETARY IRVIN: Second.

11 CHAIRMAN McCUSKER: We have a motion to table this
12 item and a second.

13 All in favor, say aye.

14 (Ayes.)

15 CHAIRMAN McCUSKER: Any opposed, nay.

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

18 CHAIRMAN McCUSKER: Okay. We'll put it back on
19 the agenda for the next meeting.

20 And the only thing left, Michele, is call to the
21 audience. Do you have any?

22 MS. BETTINI: No.

23 CHAIRMAN McCUSKER: I'll entertain a motion to
24 adjourn.

25 SECRETARY IRVIN: So moved.

1 CHAIRMAN McCUSKER: All in favor, say aye.

2 (Ayes.)

3 (The meeting concluded at 11:40 a.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