

RIO NUEVO MULTIPURPOSE FACILITIES BOARD MEETING

Tucson, Arizona  
February 21, 2013  
2:04 p.m

REPORTED BY:

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1 CHAIRMAN McCUSKER: We're calling the meeting to  
2 order. It is --

3 MR. COLLINS: 2:04.

4 CHAIRMAN McCUSKER: -- 2:04 Arizona state time.  
5 Thank you very much.

6 Mark, you're on that end. Do you want to lead  
7 the pledge?

8 (Pledge of Allegiance recited)

9 CHAIRMAN McCUSKER: Michele, call the roll,  
10 please.

11 MS. BETTINI: Mark Irvin?

12 MR. IRVIN: Here.

13 MS. BETTINI: Jannie Cox?

14 MS. COX: Here.

15 MS. BETTINI: Jeff Hill?

16 MR. HILL: Here.

17 MS. BETTINI: Fletcher McCusker?

18 CHAIRMAN McCUSKER: Here.

19 MS. BETTINI: Alberto Moore?

20 MR. MOORE: Present.

21 MS. BETTINI: Chris Sheafe?

22 MR. SHEAFE: Here.

23 MS. BETTINI: And Cody Ritchie is out.

24 CHAIRMAN McCUSKER: He's excused. He's at the  
25 Accenture Tournament with the other Conquistadors. They had

1 three inches of snow yesterday.

2 Okay. We have minutes. We have December 12th,  
3 January 22nd and February 4th. The transcripts have all  
4 been distributed to us, they're verbatim, so I'll take a  
5 motion to approve.

6 MS. COX: So move.

7 MR. IRVIN: So move.

8 CHAIRMAN McCUSKER: Mark.

9 And a second?

10 MS. COX: Jannie.

11 CHAIRMAN McCUSKER: Jannie.

12 All in favor, say aye.

13 (Board votes unanimously and motion carries)

14 CHAIRMAN McCUSKER: All right. We have a lengthy  
15 executive session scheduled. I'll take a motion to adjourn  
16 to --

17 MR. IRVIN: So move.

18 MR. MOORE: So move.

19 MR. HILL: Recess.

20 CHAIRMAN McCUSKER: Mark, and Alberto seconds.

21 All in favor, say aye.

22 (Board votes unanimously and motion carries)

23 CHAIRMAN McCUSKER: We are in recess. See you at  
24 3:30.

25 (Recess)

1 CHAIRMAN McCUSKER: Okay. We need a motion to  
2 reconvene.

3 MS. COX: So move.

4 MR. MOORE: Second.

5 CHAIRMAN McCUSKER: All in favor, say aye.

6 (Board votes unanimously and motion carries)

7 CHAIRMAN McCUSKER: We are back in business.

8 MR. SHEAFE: Mr. Chairman, I have a motion.

9 CHAIRMAN McCUSKER: Well, hold your horses.

10 MR. SHEAFE: Oh, sorry.

11 CHAIRMAN McCUSKER: You have to follow the  
12 agenda.

13 MR. SHEAFE: Yeah, I do.

14 CHAIRMAN McCUSKER: Unless you want to change  
15 something on the agenda.

16 MR. SHEAFE: No, I don't. I apologize. I only  
17 looked at the top page.

18 CHAIRMAN McCUSKER: Jim Lovelace is here. I want  
19 to move quickly to get an update from Beach on the audit.

20 Just a couple of quick comments from me. You  
21 know, post settlement, I think things are really  
22 invigorating around here as we separate ourselves from the  
23 city, take charge of our own funds, begin to think about  
24 projects moving forward. Mr. Irvin and I toured the TCC  
25 this week with the idea not to just mope and complain but

1 actually engage into rehabilitating that facility, so it's  
2 nice to be on the doing something side of the equation. And  
3 I think we've communicated to the City that we intend to  
4 move quickly. We've communicated to the public to move  
5 quickly on the renovation of the TCC arena.

6 Our focus there is on the arena proper, the 8,500  
7 square foot arena. There's some other issues with the  
8 entire facility, but we think it would be really nice for  
9 this community to really upgrade and enhance that particular  
10 facility. So that's kind of our first project.

11 We do have a new website, [rionuevo.org](http://rionuevo.org), which is  
12 very simple to find and follow. And literally everything we  
13 own is now posted on that website, the bank accounts,  
14 financial records, budgets. And we will establish a project  
15 page for any time we engage in a go-forward project so the  
16 public will be able to track the approval of the project,  
17 they'll be able to see progress notes, they'll be able to  
18 identify the budget, they'll be able to invoice by invoice  
19 follow the money. We're very committed to full transparency  
20 as we move forward.

21 Our first obligation is to the TCC, our secondary  
22 obligation is to a hotel. And we intend to press as quickly  
23 as we can in both of those endeavors, which will free us up  
24 to engage in other projects that the board believes to be  
25 worthwhile. So we're back in business, I think, suffice to

1 say.

2 So, Jim, you give us a quick update on how we're  
3 doing with the 2012 audit.

4 MR. LOVELACE: Thank you, Mr. Chairman, members  
5 of the board.

6 Since our last meeting, we had informed the  
7 entire board that we were on track to issue a clean opinion,  
8 talked a little bit about that. As of today, we're still on  
9 track to issue a clean opinion. I can tell you that our  
10 work papers are complete, the documentation is on file, but  
11 I would like to just remind the board that, other than what  
12 we call subsequent events and management representations,  
13 our -- our paperwork is complete and, subject to obtaining  
14 the last bit of documentation in that management rep letter,  
15 we're prepared to bind and issue.

16 CHAIRMAN McCUSKER: Have you brought down the  
17 lawyer reps? Are you good there or are you still doing some  
18 work?

19 MR. LOVELACE: And I appreciate the question, Mr.  
20 Chairman. We did update our attorney representation  
21 letters. Again, I had mentioned at the last meeting that,  
22 because of the extension specifically in relation to trying  
23 to get the settlement agreement finalized, we have obtained  
24 those updates. But, again, I would like to mention that in  
25 anticipation of the last management rep letter, we're

1 somewhat as auditors on the clock, the point being is, is  
2 that I would like to think that the last rep letter would be  
3 obtained before I would have to go back to counsel on a  
4 continuing basis to update those rep letters. In our world,  
5 it's the effective date of the report, and so I'm required  
6 to continually update matters that come to your attention  
7 and ours that might be subject to disclosure.

8 CHAIRMAN McCUSKER: Our attorneys have had some  
9 comments on the rep letters which I think they sent over to  
10 Margo today.

11 MR. LOVELACE: Yes, sir.

12 CHAIRMAN McCUSKER: So hopefully we can turn that  
13 quickly and -- so you don't have to constantly be bringing  
14 the reps down. So just --

15 MR. LOVELACE: We've read through those and  
16 we're -- we're comfortable with those changes. Out of  
17 respect for the people that are having to sign those rep  
18 letters, we recognize that they have a need to read through  
19 them and be comfortable with each and every one, but that's  
20 the only open item today.

21 CHAIRMAN McCUSKER: Any questions for Beach?

22 (No oral response).

23 CHAIRMAN McCUSKER: Thank you very much. Thanks  
24 for all your hard work.

25 MR. LOVELACE: Thank you, sir.

1           CHAIRMAN McCUSKER: The TCC, the possible action  
2 on here, I think, if you will indulge us, we have selected  
3 board members to represent our projects. Mark and I were  
4 designated as liaisons to the TCC for renovation purposes.  
5 The City has offered to loan us one of their project  
6 managers, which would save us a substantial amount of money  
7 trying to hire a project manager. And I like that idea a  
8 lot. We would need board approval to do that, but I think,  
9 you know, it's a way that both entities can move forward  
10 cooperatively on that project.

11           We would remain fully in charge. These are our  
12 funds that are being expended. This board will set the  
13 priorities and the budget, but I think it -- it behooves us  
14 to have someone from the city who remains a tenant. They've  
15 identified a young architect that they could assign to us  
16 and I guess I would ask for board approval to do it.

17           MR. SHEAFE: I'll move.

18           MR. MOORE: Second.

19           CHAIRMAN McCUSKER: Chris made the motion,  
20 Alberto seconded that we allow the City of Tucson to appoint  
21 a project manager to the TCC renovation.

22           Any further discussion or questions?

23                           (No oral response)

24           CHAIRMAN McCUSKER: All in favor, say aye.

25                           (Board votes unanimously)



1 CHAIRMAN McCUSKER: Any opposed?

2 (No oral response and motion carries)

3 CHAIRMAN McCUSKER: Thank you.

4 Legislative representation, item number seven on  
5 the agenda, you'll remember at the last meeting we  
6 authorized up to \$20,000 for us to engage a legislative  
7 representative. We were not successful at that level. We  
8 do believe, however, that just a little above that we can  
9 obtain that representation. It would probably need to be  
10 authorized up to \$25,000, but I believe we can probably get  
11 someone at that level.

12 MR. SHEAFE: Mr. Chairman, I would make that  
13 motion.

14 MR. MOORE: I'll second it.

15 CHAIRMAN McCUSKER: Chris Sheafe made the motion.  
16 That's 25,000, so the only change is Chris would be  
17 authorized to spend up to \$25,000 for 2013 expenses for  
18 legislative assistance, and Alberto seconded that.

19 Any discussion about that motion?

20 (No oral response)

21 CHAIRMAN McCUSKER: All in favor, say aye.

22 (Board votes unanimously)

23 CHAIRMAN McCUSKER: All opposed, nay.

24 (No oral response and motion carries)

25 CHAIRMAN McCUSKER: Great.

1 Bill, you ready to go?

2 MR. ALLEN: Good afternoon.

3 Is this on?

4 (Discussion off the record)

5 MR. ALLEN: I do have some cash updates. Can I  
6 approach the --

7 CHAIRMAN McCUSKER: Please.

8 MR. ALLEN: -- board to --

9 CHAIRMAN McCUSKER: And are they available to the  
10 public?

11 MR. ALLEN: They're right here.

12 CHAIRMAN McCUSKER: Michele, maybe if you'd just  
13 hand them to one or two people --

14 THE WITNESS: I'll pass it down except I probably  
15 should have one to look at myself.

16 All right. So the last month I presented in a  
17 very abbreviated form summarizing our cash positions. I  
18 mentioned at the time that sometime in the near future when  
19 the financial statements are current, I would like to  
20 present a broader statement of cash-flow-type documentation  
21 for comparative budgets in more detail, which I think will  
22 be more useful, hopefully, to the board for evaluating cash.

23 However, we're not at that juncture yet because  
24 the statements aren't updated yet, so what I -- at a  
25 minimum, what I thought would be useful to the board is to

1 see what the cash positions both at Rio Nuevo and the City  
2 of Tucson related to the Rio Nuevo board, what those  
3 positions should look like very soon.

4 I say very soon because we're in the process of  
5 moving money around based upon items that were discussed and  
6 agreed to in the settlement agreement. We have performed on  
7 one aspect of that agreement. We've moved back to the City  
8 \$5 million related to the 2008 bond money. That wire should  
9 have happened today. So we no longer have restricted funds  
10 in our cash accounts related to the 2008 bond money. It has  
11 been moved down to the second box or the COT adjusted number  
12 of \$4 million that's reflected.

13 The city has discussed with myself and Fletcher,  
14 we actually had a meeting with them in the last couple of  
15 weeks, moving back -- the TIF money back to Rio Nuevo.  
16 They're in the process of getting that approved so that we  
17 can have that money not only transferred to us in full, but  
18 I'm prepared to work with Cha -- or Wells, excuse me, Wells  
19 Fargo to try to get the TIF money permanently coming to and  
20 from us as opposed to the City.

21 I'm not totally sure whether or not Wells Fargo  
22 will be amenable to that process, but the city seems very  
23 confident they will be, so --

24 CHAIRMAN McCUSKER: And the City was fine with  
25 that. The City was fine --

1 THE WITNESS: Totally fine.

2 CHAIRMAN McCUSKER: Right.

3 THE WITNESS: In fact, they were pushing for it.  
4 That's how fine they were for it, but -- which was great  
5 because that takes them out of the equation entirely, so --

6 And then the other thing that this document  
7 reflects, which has not occurred yet, is that the 2008 bond  
8 money was to be used to pay a \$2.18 million debt obligation  
9 to the City of Tucson which we agreed to in the settlement  
10 agreement to pay out of that money. They have not yet  
11 actually collected that from the cash that presently exists  
12 there, but they will soon.

13 So I thought what would be useful is to show,  
14 once these things all occur, which should be, I'm going to  
15 guess, in about a week's time, where the cash would actually  
16 land, what it would look like. And when we look at Rio  
17 Nuevo itself, our Alliance account should be at or somewhere  
18 near a 9 million-dollar mark. With the TIF money now fully  
19 in our possession and none of it at the City of Tucson, we  
20 maintain a small residual amount in the Bank of Tucson, so  
21 the total combined amount for the two accounts for Rio Nuevo  
22 would be at ordinary \$9 million.

23 The city would have the residual funds left after  
24 paying the 2.18 million back to themselves and that bond  
25 money would then have a residual amount of 4.35 million

1 that's left related for expenditures specific to the 2008  
2 bond money. And that's -- that's where it should be very,  
3 very soon.

4 CHAIRMAN McCUSKER: Now, to connect the dots for  
5 all of us, remember we've committed \$6 million to the TCC.  
6 4.346 of that can come from the '08 bonds. That in fact is  
7 an appropriate use and was identified in the '08 bond use of  
8 proceeds, so we would have to make up any difference above  
9 4.3 to what we invest in the TCC from the other account, so  
10 call it a million seven of that 9 million is committed to  
11 the TCC renovation.

12 The other commitments we made in the settlement  
13 agreement were approximately a million dollars to the  
14 Mission Gardens and \$750,000 to Streetscape, so you've got  
15 another million seven. So, you know, take \$3.4 million off  
16 of that nine, you know, that leaves you five-and-a-half  
17 million bucks roughly of available funds for Rio Nuevo  
18 projects.

19 Now, the way the settlement works, which is  
20 consistent with the '09 legislation, we cannot expend any of  
21 that money until we issue a notice to proceed on both the  
22 TCC, which we are doing, and on a hotel project. So that  
23 would have to occur first, then we can access those other  
24 funds.

25 MR. ALLEN: So is there any question about --

1 about these -- these accounts?

2 (No oral response).

3 THE WITNESS: All right. Moving forward, I  
4 wanted to talk briefly again about the ICS insured cash  
5 sweeps that we discussed a little bit in the last meeting.  
6 Since then, there has been a little research done by our  
7 legal counsel to my left here, Mark, and he has strongly  
8 recommended that -- in order for us to proceed, that we're  
9 going to have to get RFPs in order to bid out or solicit  
10 proper instruments that which we can -- the board can then  
11 review and then approve -- hopefully approve for investing  
12 some of our idle cash so that we can start getting a return.

13 Now, what I haven't heard from that recent  
14 exchange and recent communication which maybe somebody on  
15 the board can address is how we intend to proceed now. Is  
16 there going to be delegated people that are going to  
17 research and start pursuing that. I assume that I would be  
18 involved in that process, but I think right now it's just we  
19 have -- we know what we need to do. Now we have to identify  
20 how to do it.

21 CHAIRMAN McCUSKER: I believe that's as simple as  
22 that we would request proposals from qualified institutions  
23 that could consistent with the law, Mark, manage our --

24 MR. COLLINS: Yes, I believe that's right. The  
25 RFP needs to be crafted in such a way that the people that

1 respond to it recognize that they have to comply with the  
2 applicable regulations, which are not tab A, slot B, but --  
3 but they're out there, so --

4 CHAIRMAN McCUSKER: They would have to be an  
5 eligible --

6 MR. COLLINS: They have to be an eligible  
7 depository, and there are specific requirements for that,  
8 and then they -- and then there are restrictions because --  
9 let's say Chase, Wells Fargo and Alliance Bank, for example.  
10 There are limitations on how much public money can be  
11 invested with any one of those institutions because the  
12 money you're going to be investing is public money, it's  
13 highly regulated, so the RFP would have to take all of that  
14 into account.

15 CHAIRMAN McCUSKER: And I believe part of the  
16 conversation was we wanted to try and maintain that to the  
17 extend we could in FDIC insured accounts, so that could be  
18 incorporated in the RFP.

19 MR. COLLINS: Yeah. And I believe that's  
20 actually required. I don't have all the statutes in front  
21 of me, but I think that's --

22 CHAIRMAN McCUSKER: So we could authorize you to  
23 develop and release a request for proposals from qualified  
24 institutions to manage our investments?

25 MR. COLLINS: I would suggest that, if you do

1 that, that -- that -- that I have the authority to work with  
2 Bill on that.

3 CHAIRMAN McCUSKER: So we can authorize both of  
4 you to proceed?

5 MR. COLLINS: Sure.

6 CHAIRMAN McCUSKER: It could be that simple?

7 MR. COLLINS: Sure.

8 MR. HILL: Do you need a motion?

9 CHAIRMAN McCUSKER: Please.

10 MR. HILL: So move.

11 MS. COX: Second.

12 CHAIRMAN McCUSKER: All right. The motion by  
13 Jeff Hill is that we authorize the CFO and Counsel to  
14 proceed with an RFP to request authorized institutions to  
15 respond to our interest in managing our investment.

16 All in favor, say aye.

17 (Board votes unanimously)

18 CHAIRMAN McCUSKER: Any opposed, say nay.

19 (No oral response and motion carries)

20 CHAIRMAN McCUSKER: All right, Bill, there you  
21 go.

22 MR. ALLEN: Okay. Great.

23 CHAIRMAN McCUSKER: What else have you got?

24 MR. ALLEN: The -- just a very brief reference on  
25 the financial statements, the ever coming, ever promised



1 financial statements. I somewhat feel like Michaelangelo in  
2 the Sistine Chapel where I'm painting the ceiling and the  
3 pope is asking him, you know, when is it going to be done  
4 and he keeps looking down and saying when it's done. We  
5 have had some delays in various ways, largely to do with the  
6 audit for 2012 being finalized, and those delays continue to  
7 cause and create problems moving forward.

8 I have been spending some time digging through  
9 and regrouping a lot of the state information which had to  
10 be done for the whole last year, but now it has to be  
11 completely redone for what's happened in the current year.  
12 It is more time consuming than you might imagine. There's a  
13 lot of things that aren't well described. You have to trace  
14 things down in very awkward ways. We're making a lot of  
15 progress. And that's exciting for me because nobody wants  
16 to be more caught up than me, so -- because I want to show  
17 this stuff to you and say have a big ta-da moment. So I'm  
18 actually hopeful, very hopeful, that by the next meeting --  
19 I know I've said this before, but by the very next board  
20 meeting, I hope to have December's statements.

21 I can't promise anything more current than that  
22 because I don't know what walls I'm going to run into in  
23 regards to it, but that's a half a year and that's a heck of  
24 a lot further than we've ever been before. And my goal is,  
25 before we're actually doing the 2014 fiscal budget, which I

1 would like to include both a income -- income statement type  
2 budget as well as a cash flow budget, that we actually are  
3 current. We're actually current when we're doing that stuff  
4 so we're actually looking at current numbers and not just  
5 doing things for an income statement without also looking at  
6 cash flow numbers. So that's where we stand on that. I'm  
7 drilling through it, we're making some progress, but I have  
8 nothing to present on it today.

9           And finally the last thing I want to comment on  
10 was the capital budget. I'm hard pressed to come up with  
11 anything we really need in fixed assets in the near term.  
12 When you do a cash flow forecast and a cash flow budget, you  
13 look at operating, financing and investing activities in  
14 that budget. And in that investment activity, you're going  
15 to look at all activities related to long-term assets,  
16 things that you might need in the short and long term for  
17 the operation of the district, so I'm going to propose  
18 that -- you know, right now, we don't have anything. We  
19 just don't have anything that we need to get in that  
20 category, but that when I develop that cash flow budget, we  
21 take a look then as to what we'll need in the next 12 months  
22 and develop a 12-month-type forecast and then measure  
23 ourselves against it as we go forward in the next budgeting  
24 process, which is right around the corner because June is  
25 not all that far away. So that's -- that's where I stand on

1 that.

2 CHAIRMAN McCUSKER: That came up as a result of a  
3 request for a printer.

4 MR. ALLEN: Right.

5 CHAIRMAN McCUSKER: So we authorized the printer.  
6 And I think it was Chris's motion that said, if there are  
7 any other capital items, we ought to get them on the table  
8 now. So you're saying you're fine basically with everything  
9 that's --

10 MR. ALLEN: Short term. Yeah, short term.

11 CHAIRMAN McCUSKER: I mean, and if there is any  
12 needs that your office has, you'll include them in the 2014  
13 budget?

14 MR. ALLEN: Right.

15 CHAIRMAN McCUSKER: Anybody -- okay. We're good.

16 MR. ALLEN: All right. Thank you very much.

17 CHAIRMAN McCUSKER: Mark, number nine, legal  
18 report.

19 Let me just say that item B, election of  
20 officers, we had tabled. Just a quick point of reference  
21 there for people that track our sanity. The executive  
22 officers or chairman, myself, Treasurer Jeff Hill, Secretary  
23 Alberto Moore, we are all on different terms, staggered  
24 terms, two-year terms, and Alberto's term has expired, so we  
25 would have the opportunity to nominate -- renominate him or

1 someone else for secretary. We have decided not to do that  
2 without the full board being seated, so we're going to wait  
3 for Cody to do that and have that conversation at a  
4 subsequent meeting.

5 The rest of that I think you can kind of tick off  
6 for us, Mark.

7 MR. COLLINS: Certainly.

8 CHAIRMAN McCUSKER: Pending litigation, we have  
9 two lawsuits still outstanding now that we've settled with  
10 the City, the Garfield Traub matter and the Kromko lawsuit.

11 MR. COLLINS: Actually currently there -- there  
12 are four lawsuits, three of which are addressed in the  
13 settlement agreement with the City. The two lawsuits by the  
14 district against the City, the stipulation and order are  
15 being drafted and I understand that they'll be filed either  
16 this week or next, so those two lawsuits will be dismissed  
17 consistent with the settlement agreement.

18 The Kromko or Thrifty Block lawsuit, the City has  
19 withdrawn its motion for summary judgment and, as we've  
20 discussed, the district is in the process of attempting to  
21 work out an arrangement or an amended development agreement  
22 with Mr. Bourn's entities from the Thrifty Block property.

23 On Garfield Traub, it is currently in the  
24 discovery and motion phase. That -- that particular  
25 lawsuit's being handled by the Rusing Lopez & Lizardi firm

1 and they're in the process of -- of attempting to prepare  
2 some motions that they seem -- or deem to be appropriate.

3 CHAIRMAN McCUSKER: I think all we need for you  
4 to do at this point is to proceed with that case.

5 MR. COLLINS: Yeah. I think -- I think as we've  
6 discussed, there were various instructions or directions  
7 that you gave to me with respect to all of those matters in  
8 executive session and I think that what needs to happen,  
9 should you so desire, is to make a motion to direct me to  
10 proceed with respect to all of these lawsuits as I was  
11 instructed in executive session.

12 MR. IRVIN: So moved.

13 MS. COX: Second.

14 CHAIRMAN McCUSKER: The motion is to allow  
15 Counsel to proceed with the litigation matters. All in  
16 favor, say aye.

17 (Board votes unanimously)

18 CHAIRMAN McCUSKER: Any opposed, nay.

19 (No oral response and motion carries)

20 CHAIRMAN McCUSKER: All right. Just a quick  
21 update on Kromko, which includes the Bourn settlement. I  
22 guess the --

23 MR. COLLINS: Okay.

24 CHAIRMAN McCUSKER: -- public's interested.

25 MR. COLLINS: Well, yes. We -- we've -- what has

1 happened is there's been back and forth between my office  
2 and Mr. Bourn's counsel. We're about on our fourth draft.  
3 The last draft came in yesterday. The intent is to review  
4 that and then have a face-to-face meeting in the hopes of  
5 resolving those differences rather quickly to enter into a  
6 revised development agreement. Upon the execution of that  
7 development agreement, then the Kromko suit would ultimately  
8 be dismissed.

9 CHAIRMAN McCUSKER: The other item under legal,  
10 it has some time urgency to it, is the arena lot due  
11 diligence.

12 MR. COLLINS: Right.

13 CHAIRMAN McCUSKER: We've settled. As part of  
14 that settlement, we've expressed our willingness to take  
15 title to the so-called arena lot. The City has a period of  
16 time to identify the boundaries, the title, any  
17 contingencies with that title, and then we have a period of  
18 time under which to evaluate that, so where is that whole  
19 process?

20 MR. COLLINS: Well, the -- the settlement  
21 agreement with the City was fully executed on the 7th of  
22 February. And by the terms of that, then there are 30 days  
23 the City has to give the district reps and warranties about  
24 known claims and so forth against that property and the  
25 district then has 45 days to make a decision as to whether

1 or not it wants to accept title subject to those -- to  
2 those -- I call them warts. That's where we are on that.

3 I've suggested that -- that I be authorized to do  
4 some independent investigation on what appears of record  
5 with respect to that property and I would need a motion to  
6 do that.

7 CHAIRMAN McCUSKER: Everybody following that?

8 MR. MOORE: So move.

9 CHAIRMAN McCUSKER: Alberto so moves. We need a  
10 second.

11 MR. HILL: Second.

12 MR. SHEAFE: Second.

13 CHAIRMAN McCUSKER: Jeff Hill beat you, Chris.

14 MR. SHEAFE: There you go, Jeff.

15 CHAIRMAN McCUSKER: He's -- he's an experienced  
16 seconder.

17 MR. HILL: Yes.

18 CHAIRMAN McCUSKER: The motion is to allow Mark  
19 to do some further work on -- independent of the city on the  
20 title issues or discrepancies that might be consistent with  
21 that arena lot. All in favor, say aye.

22 (Board votes unanimously)

23 CHAIRMAN McCUSKER: Any opposed?

24 (No oral response and motion carries)

25 CHAIRMAN McCUSKER: Okay. While you're standing

1 up there, I intend -- the conversation at the board level  
2 last meeting was to try and provide the executive officers  
3 some spending authority for items up to, I think, \$5,000. I  
4 think we thought that maybe you would have to amend the  
5 administrative rules, but I believe you've now concluded  
6 that's probably not necessary if we just authorize the  
7 executive officers.

8 MR. COLLINS: That's true. You could -- you  
9 could in fact amend the administrative rules.  
10 Alternatively, upon appropriate motion that is passed, you  
11 could authorize the executive officers to expend up to X  
12 number of dollars, whatever you move, without prior board  
13 approval.

14 Now, keep in mind that the admin rules as they  
15 presently exist say that each check has to be signed by the  
16 treasurer and one of the other executive officers, but if  
17 you -- but there's not -- no limitation in -- in -- in the  
18 current admin rules or no authorization in the current  
19 administrative rules to allow for things like, as you did  
20 last time, authorize expenditure of whatever it was for the  
21 printer, so you could do that by motion.

22 CHAIRMAN McCUSKER: And I'm not necessarily sure  
23 it's actual check writing but authorization of expenditures.

24 MR. COLLINS: Expenditures, true, true. The  
25 check writing protocol is in the admin rules.



1           CHAIRMAN McCUSKER: Got you.

2           MR. COLLINS: It's just a matter of minor  
3 purchases, minor -- minor --

4           CHAIRMAN McCUSKER: So the motion would be that  
5 the board authorizes the treasurer plus one other officer to  
6 expend up to \$5,000 without prior board approval.

7           MR. COLLINS: Perhaps the motion could be that --  
8 that the treasurer consistent with the administrative rules  
9 is authorized to expend up to X number of dollars provided  
10 that there's another signature by one of the executive  
11 officers. That's all -- all you need to do.

12          MR. IRVIN: I've got -- I've got a question.

13          So what happens -- not that we would expect this  
14 to happen, but, you know, let's just say Fletcher and  
15 Alberto have a strong feeling about something and Jeff  
16 decides he doesn't like it. Does that just nullify it?

17          MR. COLLINS: Well, Jeff has to sign.

18          MR. IRVIN: Right. But, I mean, he could be  
19 directed to sign as treasurer. I guess we -- I'd just like  
20 to see us modify that so any two of the three could do that.

21          MR. COLLINS: That -- now, that would require  
22 amending the admin rules.

23          MR. IRVIN: It would?

24          MR. COLLINS: If that's -- if that's -- yeah,  
25 that -- that -- because the rules as they presently sit,

1 Jeff has to be one of the signatories, or the treasurer and  
2 Jeff is the treasurer.

3 MR. IRVIN: No, I'm not -- I'm not arguing the  
4 signatory. I'm just saying, if you had two of the three  
5 officers approve it, they could direct him to sign.

6 MS. COX: Right.

7 CHAIRMAN McCUSKER: I think you get in a slippery  
8 slope where you allow people to overrule the treasurer, so  
9 I'm fine with the treasurer plus one.

10 MR. IRVIN: You're fine with it, I'm fine with  
11 it.

12 CHAIRMAN McCUSKER: Yeah. And if that doesn't  
13 work, then we can bring it to the full board.

14 MS. COX: Then I would like to move that the  
15 treasurer and one additional executive officer be authorized  
16 to expend up to \$5,000 and that expenditure then come to the  
17 entire board at the following board meeting for  
18 ratification.

19 MR. HILL: I'd second that.

20 CHAIRMAN McCUSKER: All right. Any further  
21 conversation? Everybody understand the motion?

22 All in favor, say aye.

23 (Board votes unanimously)

24 CHAIRMAN McCUSKER: Any opposed, nay.

25 (No oral response and motion carries)

1           CHAIRMAN McCUSKER: All right. Thank you.

2           Anything else under the legal report that I might  
3 have skipped over, Mark, or --

4           MR. COLLINS: I -- I don't believe so, Your  
5 Hon -- or -- Your Honor.

6           CHAIRMAN McCUSKER: Your Honor, I like that.

7           MR. COLLINS: A lot of years of saying it that  
8 way, Mr. Chairman.

9           MR. HILL: Yeah.

10          CHAIRMAN McCUSKER: Item 11, I think in your  
11 packet and available for the public is page 53 of the 2010  
12 auditor general audit completed by Crowe Horwath. This is a  
13 triannual audit. The auditor general has released a  
14 proposal soliciting auditors to audit the Rio Nuevo District  
15 for 2013, so before they arrive, I just wanted to kind of  
16 tick back through these recommendations to make certain that  
17 we are doing whatever we can to comply with them before we  
18 see the auditor general again.

19          And, Mark, I may need you on some of these things  
20 because they have legal ramifications, but just in the  
21 order -- you all have page 53 and the order they were  
22 presented.

23          The first recommendation was to recover the  
24 overpaid interest that the City appropriated from us. And I  
25 believe that was settled and identified specifically in the

1 settlement agreement.

2 MR. COLLINS: It -- it was, Mr. Chairman.

3 CHAIRMAN McCUSKER: All right.

4 MR. HILL: I've got a 4:30 appointment. I  
5 thought we were starting at 1:00 and --

6 CHAIRMAN McCUSKER: We've still got a quorum.  
7 Please note Mr. Hill has got another pressing matter.

8 MR. SHEAFE: Is he in agreement with the 442?

9 CHAIRMAN McCUSKER: Yes. It's in the settlement  
10 agreement signed by both parties.

11 MR. SHEAFE: All right.

12 CHAIRMAN McCUSKER: Assure that a new IGA between  
13 the City conveys the appropriate powers and responsibilities  
14 of the district, I would also think that the settlement to  
15 some extent does that. Is there something else, Mark, we  
16 need to do?

17 MR. COLLINS: Well --

18 CHAIRMAN McCUSKER: Because it specifically says  
19 IGA.

20 MR. COLLINS: In all candor, I haven't looked at  
21 this recently, but I will tell you that in March of 2011, a  
22 new IGA was executed between the City and Rio Nuevo. And my  
23 guess without having analyzed it in detail is that you can  
24 check that one off because that 2011 March IGA that the  
25 board entered into with the City I believe satisfied that

1 requirement.

2 CHAIRMAN McCUSKER: So, Bill, let's have that in  
3 the office available because it's going to -- the auditors,  
4 when they come, are going to go straight to the prior  
5 recommendations.

6 I think this may be something we've got to work  
7 on, item three, develop policies and procedures that outline  
8 the district's management and oversight of future projects  
9 including funding decisions, debt and statutory mandates.  
10 You know, given that in the last two years we've had no  
11 projects, I believe we probably wouldn't comply with that,  
12 but I think it's incumbent upon us then to probably develop  
13 those. So, Mark, maybe you and I can work on something we  
14 can submit to the board along with the CFO.

15 More fully complete the capital improvement plan  
16 developed by the City and include all projects. Okay. This  
17 would be -- we discussed this briefly in exec. This would  
18 be kind of our plan going forward on how we intend to spend  
19 TIF money. And I think what we've suggested, Mark, is that  
20 we look into the -- our ability to have a study session that  
21 would allow us to do some strategic work to kind of develop  
22 something along these lines, so that would require some  
23 further action on our part.

24 Develop a short term strategy for the use of the  
25 available funds, we just did that, I think, by authorizing

1 the RFP. I think you can check that one.

2 Establish a district staffing plan to assure  
3 adequate support for the board, I think that will come as  
4 part of one, two -- item four. We believe thanks to  
5 Mr. Sheafe's leadership that you can't staff an organization  
6 until you decide what it is you're going to do.

7 Did I oversimplify that, Chris?

8 MR. SHEAFE: Well, I think you cut right to the  
9 chase.

10 CHAIRMAN McCUSKER: Establish a district fund  
11 account with an approved bank or banks, we've done that,  
12 right?

13 MR. COLLINS: Right.

14 CHAIRMAN McCUSKER: Ascertain the district's cash  
15 flow needs and arrange for investing available funds, we  
16 just did that with the RFP.

17 Create a district website, we have that,  
18 rionuevo.org. Please tell all your friends.

19 District budgets submitted to the Pima County  
20 Clerk, we're doing that, Michelle, right? We did that last  
21 time.

22 Engage an independent CPA to audit. We've done  
23 that.

24 So the only things that appear to require some  
25 additional concentration would be policies and procedures as

1 they relate to future projects, complete a capital  
2 improvement plan and establish a staffing plan.

3 MR. COLLINS: I --

4 CHAIRMAN McCUSKER: I think our hope there would  
5 be try and tackle them in some sort of study session, and  
6 then what would come out of that would be a board direct.

7 MR. COLLINS: Just a point -- comment, Mr.  
8 Chairman. As I recall, the independent CPA to do the annual  
9 audit, I believe Beach had a three-year contract and I  
10 believe that that three-year contract expires this year, so  
11 you may want to be considering what to do for the next  
12 audit.

13 CHAIRMAN McCUSKER: We probably ought to move on  
14 that by getting that RFP out, which would just require, I  
15 think, board action to authorize us to solicit an auditor  
16 for three years. That's what we did the last time.

17 MR. COLLINS: That's what happened in the past,  
18 yeah. I don't know -- I'm not familiar --

19 CHAIRMAN McCUSKER: Would we want to do anything  
20 differently? Normally three years in my experience is  
21 pretty typical. And there is -- as a public company, we are  
22 required to change auditors every six years, but, you know,  
23 three seems to work pretty well for us.

24 If someone wants to make that motion, we can go  
25 ahead and get that RFP going.

1 MS. COX: So move.

2 MR. IRVIN: Second.

3 CHAIRMAN McCUSKER: All right. The motion is  
4 to -- and, Michele, we can go back and look at the old  
5 one -- to release an RFP for an independent audit beginning  
6 for the fiscal year that ends June 30, 2013, for a contract  
7 period of three fiscal years.

8 All in favor, say eye.

9 (Board votes unanimously)

10 CHAIRMAN McCUSKER: Any opposed?

11 (No oral response and motion carries)

12 CHAIRMAN McCUSKER: All right. Mark, thanks for  
13 that. Keep that handy because I expect we'll see the  
14 auditor general sometime this summer.

15 Item 12 in your packet is a really fun proposal  
16 developed to a large extent by our marketing firm, Victory.  
17 You'll remember a couple meetings ago we actually approved  
18 participating in a talk radio show that was specific to  
19 KVOI. We have since been approached by Journal  
20 Broadcasting, the home of 1041 FM, The Truth, to offer us a  
21 Sunday time slot actually at a price substantially lower  
22 than the KVOI proposal.

23 This would be hosted by Rosa Nenniger, who is a  
24 long-time radio and TV talent here in Tucson, and it would  
25 focus on all things Rio Nuevo. We would invite merchants to



1 come on there to talk about what's going on within the TIF.  
2 We could have board members or other interested people. It  
3 really would be our show to produce.

4 The cost is in there. It's less than what we had  
5 previously authorized and we will own the rights to the  
6 advertising revenue. I'm not sure anybody would want to  
7 advertise with us, but you never know.

8 And the proposed name for the show would be The  
9 New Pueblo as opposed to The Old Pueblo. So I think this is  
10 for many of you the first time you're seeing this, but the  
11 idea would be to -- and I think we've talked about this --  
12 to be in a position where we can begin to communicate and  
13 control our own message to get positive information out  
14 about Rio Nuevo to the public. This would be one vehicle.

15 If you go to our website, we have launched a new  
16 newsletter. The first edition of that is available on the  
17 web and that is being both mailed and e-mailed to all of the  
18 merchants within the TIF. That newsletter will also  
19 feature merchants -- new merchants, old merchants, merchant  
20 specials, business-to-business communication and the  
21 merchants have been very responsive to that. I don't think  
22 in the history of Rio Nuevo have we ever really focused on  
23 how we can assist TIF merchants, you know, and these are  
24 opportunities for us to really engage them in how we're  
25 spending their tax dollars.

1 MR. SHEAFE: That would really be attractive, to  
2 be able to feature various merchants.

3 CHAIRMAN McCUSKER: Yeah, because every show  
4 would have some merchant on there to discuss --

5 MR. SHEAFE: I mean, I think that's --

6 CHAIRMAN McCUSKER: -- what they're --

7 MR. SHEAFE: -- terrific. And that's an  
8 absolutely --

9 CHAIRMAN McCUSKER: And the whole TIF. Not just  
10 downtown, but from Parkplace Mall --

11 MR. SHEAFE: All the way down here.

12 CHAIRMAN McCUSKER: All the way to --

13 MR. MOORE: The developers downtown and so forth.

14 MR. IRVIN: Fletcher, did they give you any idea  
15 what they'd sell those spots --

16 CHAIRMAN McCUSKER: \$40. The going rate for a  
17 60-second commercial on that station is about 40 bucks.

18 MR. IRVIN: For -- for a 60?

19 CHAIRMAN McCUSKER: Yeah. We would --

20 MR. IRVIN: And -- and who would actually host  
21 it?

22 CHAIRMAN McCUSKER: Rosa. Rosa Nenniger --

23 MR. MOORE: Rosa Nenniger.

24 CHAIRMAN McCUSKER: -- is her name. She's a  
25 great lady, matriarch.

1 MR. IRVIN: I think -- I think it's a great use  
2 of --

3 CHAIRMAN McCUSKER: She's disarming, I think,  
4 because we don't want to like be John Justiced up. You  
5 know, we kind of want somebody that's a little --

6 MR. IRVIN: I think it's a great idea. I think  
7 it follows along with what our mission is about keeping the  
8 public informed and I'd make a motion that we approve it.

9 MR. MOORE: Second.

10 MR. SHEAFE: Is that weekly?

11 CHAIRMAN McCUSKER: Weekly Sunday. We would  
12 follow Dave Sitton.

13 MR. IRVIN: That's perfect.

14 CHAIRMAN McCUSKER: We have a motion and a second  
15 to approve the proposal.

16 MR. SHEAFE: Second.

17 CHAIRMAN McCUSKER: Any further conversation?

18 (No oral response)

19 CHAIRMAN McCUSKER: All in favor, say aye.

20 (Board votes unanimously)

21 CHAIRMAN McCUSKER: Any opposed?

22 (No oral response and motion carries)

23 CHAIRMAN McCUSKER: Thank you. I'll let Victory  
24 and Rosa know. I think they intend us to start in March.

25 MS. COX: March 3rd.



1 STATE OF ARIZONA )  
 ) ss.  
2 COUNTY OF PIMA )

3 BE IT KNOWN that the foregoing transcript was  
4 taken before me, THOMAS A. WOPPERT, RPR, a Certified  
5 Reporter in the State of Arizona; that the foregoing  
6 proceedings were taken down by me in shorthand and  
7 thereafter reduced to print under my direction; that the  
8 foregoing pages are a true and correct transcript of all  
9 proceedings, all done to the best of my skill and ability.

10 I further certify that I am in no way related to  
11 any of the parties hereto nor am I in any way interested in  
12 the outcome hereof.

13 Dated at Tucson, Arizona, this 6th day of March  
14 2013.

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Thomas A. Woppert, RPR  
AZ CCR No. 50476

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