

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

BOARD MEETING

Tucson, Arizona

December 12, 2017

1:00 p.m.

REPORTED BY:

John Fahrenwald, RPR

Certified Reporter No. 50901

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KATHY FINK & ASSOCIATES

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2           BOARD MEMBERS PRESENT:

3           Fletcher McCusker, Chair

4           Chris Sheafe, Treasurer (by telephone)

5           Mark Irvin, Secretary

6           Jeffrey Hill

7           Edmund Marquez

8

9           ALSO PRESENT:

10          Mark Collins, Board Counsel

11          Brandi Haga-Blackman, Operations Administrator

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15           BE IT REMEMBERED that the meeting of the Board of  
16          Directors of the Rio Nuevo Multipurpose Facilities District  
17          was held at the Arizona State Building, in the City of  
18          Tucson, State of Arizona, before JOHN FAHRENWALD, RPR,  
19          Certified Reporter No. 50901, on the 12th day of December,  
20          2017, commencing at the hour of 1:00 p.m.

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P R O C E E D I N G S

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(1:00 p.m.)

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CHAIRMAN McCUSKER: We'll call this meeting to order.

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Mr. Marquez, do you want to do the pledge?

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MR. COLLINS: You've got a quorum.

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CHAIRMAN McCUSKER: Call the roll.

8

MS. HAGA-BLACKMAN: Edmund Marquez.

9

MR. MARQUEZ: Here.

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MS. HAGA-BLACKMAN: Fletcher McCusker.

11

CHAIRMAN McCUSKER: Here.

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MS. HAGA-BLACKMAN: Mark Irvin.

13

MR. IRVIN: Here.

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MS. HAGA-BLACKMAN: Jeffrey Hill.

15

MR. HILL: Here.

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CHAIRMAN McCUSKER: And we understand Chris Sheafe is going to call in. And Jannie is at the hospital. Jannie's not at the hospital -- her husband is at the hospital and Jannie is of course with her husband where she should be.

21

You received the transcript from the October 31st meeting; they are verbatim.

23

MR. MARQUEZ: Motion to approve.

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MR. IRVIN: Second.

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CHAIRMAN McCUSKER: We approve those. This

1 is the time we set for Executive Session.

2 MR. IRVIN: So moved.

3 MR. MARQUEZ: Second.

4 CHAIRMAN McCUSKER: All in favor say aye.

5 MR. HILL: Aye.

6 It should only take us 30 minutes. Anybody  
7 that's hanging around -- we'll be back.

8 (Board recessed to Executive Session at 1:02 p.m.)

9 (Board reconvenes at 1:47 p.m.)

10 CHAIRMAN McCUSKER: We have a motion to  
11 reconvene.

12 MR. IRVIN: So moved.

13 MR. MARQUEZ: Second.

14 CHAIRMAN McCUSKER: All in favor.

15 MR. HILL: Aye.

16 CHAIRMAN McCUSKER: You can see from our  
17 agenda there are no real action items, save the calendar.

18 We indeed have a lot of stuff going on, which I'll try and  
19 update in my remarks. And then we will have an update on  
20 the Caterpillar project.

21 I think there's a really nice article. I  
22 don't know if everyone's seen it the front page of the Trend  
23 Report. It talks about the 2017 successes of Rio Nuevo and  
24 it's really quite an extraordinary year. All you got to do  
25 is drive around. We've toured a number of people in the

1 last several months and literally almost any direction you  
2 go downtown you see a Rio Nuevo project.

3                           Quick update on the status of many of those.

4 We are in the procurement phase of the Broadway Parcel  
5 across the street from TEP. That process is such that we  
6 identify an awardee. We negotiate with that awardee if we  
7 can a development an agreement. That's going well.

8 Hopefully by January we might have something we can present  
9 to the public on that parcel.

10                         The Marriott as everybody knows is up and open and  
11 doing very well. You probably saw the City Council approved  
12 the zoning for what we call the TCC Hotel. That's the 120-  
13 bed hotel that will go on the southeast corner of the  
14 Exhibition Hall. So that's now been approved by the City  
15 and for the developer to come back to us with their plans.

16                         We're continuing to negotiate with the Flores family on  
17 the projects that he introduced to us a couple of meetings  
18 ago. We have ordered the economic study on the restaurant  
19 that the Fenton's are involved with on the corner of 7th  
20 Avenue and Toole.

21                         We can advise you now that the IDA has opted  
22 to sell Block 175; that was the news from them last week.  
23 We own the parking lot immediately east of that, so there  
24 may be an opportunity depending on who bids on that property  
25 that we could do something jointly with them on the north

1 side.

2 And Tom Warren's group is now involved in what people  
3 call the platform block, which is the most northern section  
4 of property there.

5 So we're working with the Presidio staff on a little  
6 piece of the duplex we own there. You may, in the next  
7 three or four months, see a lot of activity in the Presidio  
8 section of downtown, from our little duplex to the IDA block  
9 to our parking lot to the warpath, the Tom Warren project.

10 West Side, the Mercado annex, if you haven't  
11 driven by there lately, the containers are in place.  
12 They're rusted out, they look quite striking. They're  
13 completing the construction on that and hope to open that to  
14 the public right after the first of the year. I'm sure I'm  
15 missing something.

16 The Moxy. Mr. Collins, what's the status on the Moxy?  
17 Still negotiating triparty stuff?

18 MR. COLLINS: Yes, Mr. Chairman, Members of  
19 the Board. It's principally the discussion between the City  
20 and the developer right now.

21 CHAIRMAN McCUSKER: That's the hotel there by  
22 the Hotel Congress and the Depot, right next to MLK  
23 Building.

24 So lots going on and I think you will see  
25 more from us in the coming months. And hopefully in January

1 we'll talk about our status with a couple of County owned  
2 lots.

3 So with that, Dan, you want to give us your  
4 financials?

5 MR. COLLINS: Mr. Chairman, did you call Mr.  
6 Sheafe?

7 CHAIRMAN McCUSKER: No, we'll do that right  
8 now.

9 (Mr. Sheafe joins the Board via telephone.)

10 MR. IRVIN: We just got back from executive  
11 session and called the meeting to order and you are our  
12 first piece of business.

13 CHAIRMAN McCUSKER: So Dan's up with his  
14 financial report, Chris. Let us know if you are having  
15 trouble hearing.

16 MR. SHEAFE: All right. Thank you.

17 MR. MEYERS: Dan Meyers, CFO, Rio Nuevo.

18 Nothing too exciting to report this month. As you can see  
19 we've got about \$7 million sitting in our cash accounts  
20 available for use. We've got about \$6.3 million in  
21 commitments. So there's about \$600,000 buffer there.

I guess the disappointing news is September's sales tax revenue we received was only \$650,000.

24 We budget a million a month we're about \$600,000 down  
25 for the first three months of basically the third quarter.

1                   We studied the collections. We've found some  
2    people that, for one reason or another, have not paid. I've  
3    been in touch with the City of Tucson -- our contact over  
4    there -- and she's working on all these things. She pretty  
5    much gets to it before I alert her. But I'm confident we're  
6    we'll recover that. But I just wanted to let you know that  
7    that was going on.

8                   We recently set up two sinking funds at  
9    Compass Bank. Those are accounts that we put TIF revenue  
10   from certain merchants aside so we can reimburse them for  
11   some of their costs. That's in lieu of putting the money  
12   out of our pocket at the front stage of the project. That's  
13   for 5 North 5th, and for Brings -- those two projects.

14                  We spent about \$17.2 million so far through  
15   November 30th on the Caterpillar, not counting the land and  
16   the incentives. We've got a system set up with Caterpillar  
17   to get financing from them as needed on a monthly basis. I  
18   make a request for funds of what was paid the previous month  
19   and typically the upcoming contracts with Sundt that are  
20   paid the first half of the following months.

21                  So anyway, we collected \$4.7 million through  
22   November, and I expect this upcoming request will be  
23   somewhere in the million, million 1-1.

24                  That's pretty much it. Any questions?

25                  CHAIRMAN McCUSKER: On the Streetscape

1 project, that's the Scott Avenue project?

2 MR. MEYERS: Yes.

3 CHAIRMAN McCUSKER: Have we been billed by  
4 the City?

5 MR. MEYERS: I haven't seen anything lately  
6 from the City on that.

7 CHAIRMAN McCUSKER: Mark, did you know  
8 anything how that works?

9 MR. COLLINS: We have a process in place.  
10 The agreement provides the methodology and the protocol for  
11 the City to provide the invoice to the District and for the  
12 evaluation of it.

13 CHAIRMAN McCUSKER: That's done. I didn't  
14 mention that in my opening remarks, but Scott Avenue  
15 streetscape's done. And what's really neat about it is they  
16 winnowed the street, which will allow the restaurants on the  
17 west side to pop up outdoor seating. So that's also  
18 additional -- aesthetically, really nice. They're going to  
19 hang cafe lights across the street. If you haven't been  
20 down Scott Avenue -- if you were there when the sidewalk did  
21 this -- walk down it now; it's really a neat job that's  
22 going to allow the restaurants to go outdoors.

23 So they're going to bill us. And that's part  
24 of what you've identified as the money that's committed.

25 Mr. Marquez?

1                   MR. MARQUEZ: Dan, with regards to the  
2       \$653,000 received in September, with the few companies that  
3       haven't paid into September that you've discovered, is that  
4       \$400,000 worth of income we're missing?

5                   MR. MEYERS: Well, this number fluctuates.  
6       It's not a million bucks set every month, the numbers go up  
7       and down pretty heavily. I've not uploaded up to our  
8       database yet the month that we just collected -- which I'll  
9       be doing tomorrow -- and then I'll be able to better analyze  
10      where September stands.

11                  But we've got one significant store that's  
12      about five months behind. They've been contacted, we're  
13      working on me solving it, so I'll keep you all posted on  
14      what's going on with that.

15                  CHAIRMAN McCUSKER: How does construction  
16      sales tax work? Because that comes back to us now. We've  
17      got a lot of construction. Is that delayed until the  
18      project is over?

19                  MR. MEYERS: No, they pay as you go. As a  
20      matter of fact, I was looking at the Sundt invoice today and  
21      I've been in touch with them to make sure they file properly  
22      as well.

23                  CHAIRMAN McCUSKER: So they file quarterly  
24      based on amounts that they've --

25                  MR. MEYERS: Yeah. I think they file monthly

1 as well. I think most of these people file monthly.

2 CHAIRMAN McCUSKER: And that's true of the  
3 other work that's going on downtown? Are we tracking all of  
4 the construction?

5 MR. MEYERS: We're doing the best we can to  
6 track all that stuff. We've still got some merchants that  
7 have not signed up and are filing properly yet. So Brandi  
8 and I talk about it every day to go back and I find these  
9 people and we got to walk in and have a conversation with  
10 them. We've been doing emails and phone calls but --

11 CHAIRMAN McCUSKER: Construction tax would be  
12 paid by the contractor, right?

13 MR. MEYERS: Yes.

14 MR. MARQUEZ: What does September of '16 look  
15 like?

16 MR. MEYERS: I think it was close to a  
17 million dollars if I'm not mistaken.

18 MR. MARQUEZ: Okay.

19 MR. MEYERS: We were down a little bit for  
20 July and August and it went further down in --

21 CHAIRMAN McCUSKER: As you get an update on  
22 that will you give that to Mr. Collins so we can distribute  
23 it to the Board? We're going to want to watch that and make  
24 sure that number's coming back up.

25 MR. MEYERS: Sure. I will do that.

1 CHAIRMAN McCUSKER: Any other questions for  
2 Dan? Dan, thanks a lot.

3 A lot going on over on the Caterpillar site.

4 Remember, we've approved the foundation, the  
5 pads are done. We're actually getting to build the  
6 building. It's quite striking. There was some dirt thrown  
7 around yesterday, no pun intended, that was not the Rio  
8 Nuevo project, but the City, remember, is grading and  
9 excavating and remediating the landfill south of that.

10 So I had kind of a panicky call in the  
11 morning from some of the neighbors that looked like some of  
12 the heavy equipment had moved on to some of the historical  
13 sites. Sundt was great. The City of Tucson was really  
14 great. We basically stopped the work, dispatched everybody  
15 over there. We think the landfill is pretty well marked so  
16 everyone's agreed to fence that now so there just can't be  
17 any inadvertent -- even driving onto the Convento or the  
18 Chuk Shon sites.

19 They are literally remediating all the way  
20 around the historical sites. That's the City's part of that  
21 project.

22 Phil, do you want to give us the update on  
23 Caterpillar?

24 MR. SWAIM: Good afternoon. Phil Swaim,  
25 Swaim Associates Architects, 7350 East Speedway.

1                   I was pleased that the excitement yesterday  
2    was not on the Caterpillar site. But as you said, I think  
3    teams worked together well with the City and Sundt with the  
4    neighbors to be able to -- hopefully be able to have that  
5    under control.

6                   Things are proceeding very well on the  
7    Caterpillar site. As you said, with October's approval of  
8    foundations, if you were out there today -- we were trying  
9    to be able to get some photographs sent over from the  
10   contractor, didn't quite get that done. But what you would  
11   see is some very large pieces of Caterpillar equipment  
12   drilling caissons that are anywhere from 4 to 6 feet in  
13   diameter and 40 feet deep. They are nearing completion of  
14   those foundations and grade beams and are getting ready to  
15   installing below slab plumbing and electrical and even have  
16   our steel packages and things that you've approved in  
17   October.

18                  That steel is starting to show up at the  
19   plant and starting to fabricate and getting ready to go. So  
20   significant progress.

21                  One of the things I'm pleased as well about  
22   that is we really managed the site preparation work for  
23   about four or five months. And now the design and  
24   engineering team from SmithGroup and WSM are taking over  
25   that really the lion's share of managing the construction

1 project, which is nice for me to be able to try and minimize  
2 my time associated with the project. But it's great to have  
3 that team support.

4 Tomorrow is actually our big coordination  
5 kick off meeting at the site with folks from Caterpillar and  
6 the architectural engineering teams. So things are moving  
7 very well there. So you will start to see things come out  
8 of the ground here pretty quickly.

9 The final Guaranteed Maximum Price phase of  
10 the project is out to bid as we speak. And that's for the  
11 remaining portions of interior finishes and some minor  
12 things like that. The goal is to have that GMP number come  
13 back to you in January, which I believe is January 23rd,  
14 currently scheduled.

15 Other than that things are moving very well.  
16 Sewer's done, the landfill remediation. The last little is  
17 being completed. They completed actually on the site there  
18 now down through the bike path and right up to the riverbank  
19 and are just completing that piece and should actually be  
20 able to get things back filled and come back out.

21 Mr. Irvin?

22 MR. IRVIN: So I know that Fletcher might  
23 get -- and I know Chris does as well -- we get a link from  
24 the contractor showing what is going on on the site. And  
25 I'm not sure the rest of the Board gets that, but there's

1 not anything to see other than seeing dirt being moved  
2 around, as we're starting to go vertical.

3 Do you have that link?

4 MR. MARQUEZ: (Nods head.)

5 MR. IRVIN: Do you have that link as well,  
6 Jeff?

7 Brandi, we might want to check and see who on  
8 the Board has that link and if not, give it to them.

9 CHAIRMAN McCUSKER: Is there any reason that  
10 can't be public? Can we pose that so people can watch the  
11 work in real time?

12 MR. SWAIM: I'll confirm with Sundt. There's  
13 nothing to hide from that standpoint. We have a camera  
14 that's mounted out there on one of the poles so it's keeping  
15 track -- so absolutely.

16 CHAIRMAN McCUSKER: Let's go live with that.

17 MR. IRVIN: I like it, absolutely.

18 MR. SWAIM: I will talk to Sundt about that.

19 MR. MARQUEZ: With regard to the historical  
20 sites, which we're all sensitive to -- I'm just curious  
21 because I don't know the math that well. So just take the  
22 Convento, which is now being fenced off, was that -- because  
23 we know that was also a hole. There's a landfill there  
24 created by the City of Tucson decades ago -- was the  
25 Convento area, was that landfill? And does that landfill

1 have to be remediated where the Convento was?

2 MR. SWAIM: The major portion of that of the  
3 Convento was landfill and was actually remediated  
4 previously.

5 There's some more landfill that wraps around that that  
6 is now being completed by Sundt and the City of Tucson.

7 There is some small portion on the west edge of that  
8 site, along with -- the old line up was called brickyard  
9 lane, the back of those residences apparently where some of  
10 that area was not landfill and so should not be touched. So  
11 there are potentially some aspects of that from the original  
12 sites.

13 MR. MARQUEZ: That's completely separate from  
14 our land.

15 MR. SWAIM: That's right.

16 CHAIRMAN McCUSKER: We know exactly where the  
17 archaeology is on our maps. It may not have translated to  
18 the site. So what they've got to do is somehow mark it,  
19 fence it, so that no one is even literally driving over it.  
20 So I think that's the piece that was just missing.

21 And we can help them do that because we have  
22 literally engineered and mapped and done heat mapping to  
23 know exactly where the landfill dip is. So they could go  
24 out with a spray can literally and spray exactly where the  
25 landfill stops. And it does go around the Convento. And

1       then it's really a problem south of Mission land, that's the  
2       land that we own. It gets really deep there and there's a  
3       huge cap.

4                     But what the City is currently remediating is  
5       all north of Mission, so south of Caterpillar to Mission,  
6       and west of Caterpillar -- is the City's roughly \$8 million  
7       project.

8                     MR. MARQUEZ: Okay.

9                     MR. SWAIM: Correct. Great.

10                  CHAIRMAN McCUSKER: Anything else for Phil?

11                  Keep it rocking. Let's go live with that  
12       camera. That will be fun.

13                  MR. SWAIM: Great.

14                  CHAIRMAN McCUSKER: Brandi, do you have some  
15       dates for us? I think we need to approve the calendar.  
16       Someone does? Mark does?

17                  MR. COLLINS: Mr. Chairman, Members of the  
18       Board, I think the dates have been circulated. I'll recite  
19       them for the record: January 23rd, February 27th -- and  
20       these are dates for the 2018 regular meetings of the  
21       Board -- January 23, February 27th, March 27, April 24,  
22       May 22, June 26, July 24, August 28, September 25,  
23       October 23. Those are all at 1 p.m.

24                  November 13 at 2 p.m. December 11 at 2 p.m.

25       Those are the proposed dates.

1 CHAIRMAN McCUSKER: None of those conflict  
2 with the City council?

3 MR. COLLINS: I do not believe any of them  
4 do.

5 MS. HAGA-BLACKMAN: That's correct.

6 CHAIRMAN McCUSKER: We need a motion to  
7 approve the calendar.

8 MR. IRVIN: So moved.

9 MR. MARQUEZ: Second.

10 CHAIRMAN McCUSKER: All in favor say aye.

11 MR. HILL: Aye.

12 CHAIRMAN McCUSKER: Call to the audience.

13 Brandi, do you we have anybody? Josefina's  
14 got a card.

15 Josefina, come on up.

16 ATTENDEE: Buenas tardes.

17 First of all, I'd like to give my  
18 appreciation for all your work --

19 CHAIRMAN McCUSKER: State your name for the  
20 record.

21 ATTENDEE: Josefina Cardenas, Barrio Kroger  
22 Lane, 902 W 21st.

23 So, Gracias. Thank you for all of your work  
24 this year and look forward to what brings us this coming  
25 year. And we especially invite the Board that if we could

1 take a tour of the site so that we in person we can see the  
2 land and appreciate the land. Our Barrio, Barrio Kroger  
3 Lane, has some questions for you. And we would especially  
4 like to walk and pray and ask for permission of the land of  
5 Chuk Shon.

6                   In September 26 2012, you were supportive of  
7 Rancho Chuk Shon since it's a very sacred land, especially  
8 because it is our birthplace of Tucson, our first people of  
9 Tohono O'odham people are also looking for your direction on  
10 these lands.

11                  But I think it takes a lot of dialogue and  
12 communication and understanding so that we do the correct  
13 for this land. We have been oppressing it for so long. And  
14 knowing that you have done great work in downtown, I'm also  
15 looking forward that we do even better for our birthplace.  
16 So I look forward to us getting together in the new year and  
17 I wish you a merry Christmas and Happy New Year and your  
18 great work. Gracias.

19                  MR. MARQUEZ: Thank you.

20                  CHAIRMAN McCUSKER: I have some things that I  
21 can add for the record; is that appropriate?

22                  MR. COLLINS: In the nature of remarks?

23                  CHAIRMAN McCUSKER: Yes.

24                  MR. COLLINS: Yes.

25                  CHAIRMAN McCUSKER: As it relates to the West

1 Side lands, which we touched on a little bit about  
2 Caterpillar and the City-owned, we were deeded those  
3 properties as part of the settlement with the City. I don't  
4 think anyone knew -- I know the mayor and I did not know --  
5 the extent of the challenges that land faces.

6 Shortly after it was deeded to us, we had a number of  
7 "what if" conversations given the location, the history, the  
8 culture, the proximity to downtown, the relationship to the  
9 streetcar.

10 One of the first things we approved years ago  
11 was for WLB to do some engineering and sampling of that  
12 property. It's the first time I recollect -- long before I  
13 think you got on the Board -- that they identified the  
14 methane production of that landfill and the depth of the  
15 landfill.

16 I think I was caught by surprise, I think we  
17 were all caught by surprise. We had some interesting flyby  
18 estimates of what it would cost to remediate that, some from  
19 \$3 million to \$45 million. We never had a hard bid. We  
20 just knew it was going to be expensive.

21 So we tabled pretty much any conversation  
22 about what could happen over there. And once the  
23 Caterpillar project was approved and we knew that there was  
24 going to be hard bid remediation, we asked Sundt to bid out  
25 this portion of the landfill. That bid was \$22 million.

1 Now that's a real number. It's not a made up number; that's  
2 a contractor -- same people that are working on the Cat  
3 site, same people that are working on the Tucson sites --  
4 would go in and remediate that land for \$22 million. We had  
5 \$7 million.

6 So it became even more exacerbating to think about what  
7 could ever become of those properties. There are some  
8 things that maybe could go on top of the landfill, the  
9 lienzo is one of those. The current proposal about the  
10 biking venue is one of those. Doing nothing is certainly an  
11 option. Remediating is probably not likely, the funding  
12 coming from us. We did talk to the Tohono O'odham about  
13 that. And once they heard the remediations costs, they also  
14 acknowledge they can't afford that property. So we're all  
15 stuck. We're stuck with a piece of property that the  
16 original Rio Nuevo Board should have and could have  
17 remediated when they had \$250 million. I'm still baffled on  
18 why they didn't remediate all of that land. A lot of  
19 promises were made to a lot of people that we now are trying  
20 to recover from.

21 Short of doing something on the surface, I  
22 don't know how we ever develop it. And we've also said  
23 publicly -- and I'll restate it now for the record: We're  
24 not going to do anything over there that doesn't have  
25 stakeholder approval. The neighbors deserve the right to be

1 involved, the City deserves the right to be involved, native  
2 tribes, our nations, deserve the right to be involved. And  
3 any proposal frankly has been controversy.

4                         And my concern is that it stays dirt and  
5 methane producing dirt for the rest of our lives because of  
6 the cost of remediating. So there is some proposals bouncing  
7 around. One of those is a bicycling/cycling venue. We'll  
8 see where that goes, if it's even conceivable. I think if  
9 we get more interested, obviously, if there's something that  
10 could be done retail, or something that contributes to the  
11 tax base, but I don't see how we ever get that land  
12 remediated unless other jurisdictions are prepared to help  
13 us.

14                         MR. IRVIN: I might just say, I concur.

15                         CHAIRMAN McCUSKER: And we appreciate those  
16 people who continue to remind us of the forty four hundred  
17 year legacy on those properties. It's not forgotten.

18                         Entertain a motion to adjourn.

19                         MR. IRVIN: So moved.

20                         MR. MARQUEZ: Second.

21                         CHAIRMAN McCUSKER: All in favor say aye.

22                         MR. HILL: Aye.

23                         (2:15 p.m.)

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C E R T I F I C A T E

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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.

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John Fahrenwald, RPR

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