RIO NUEVO MULTIPURPOSE FACILITIES BOARD MEETING

Tucson, Arizona
April 15, 2013
1:00 p.m.

REPORTED BY:
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(Meeting commenced at 1:17 p.m.)

CHAIRMAN McCUSKER: We'll call this meeting to order. I have 1:17.

It should be noted that Cody Ritchie indicated that he is on his way. And Mr. Hill and Mr. Irvin are both -- have excused absences. So the five of us chickens is all you're gonna have.

Michele volunteered to lead us in the Pledge of Allegiance.

MR. COLLINS: Okay. Do you want to do roll before you do that?

CHAIRMAN McCUSKER: Yeah. Let's do the roll call first. Well, actually the Pledge is first.

(The Pledge of Allegiance was recited.)

CHAIRMAN McCUSKER: Now you can call the roll.

MS. BETTINI: Chris Sheafe.

MR. SHEAFE: Here.

MS. BETTINI: Fletcher McCusker.

CHAIRMAN McCUSKER: Here.

MS. BETTINI: Jannie Cox.

MS. COX: Here.

MS. BETTINI: Alberto Moore.

MR. MOORE: Present.

CHAIRMAN McCUSKER: All right. You should have a transcript of the March 18th meeting. And barring any
issues with that, if someone will move to approve those minutes.

MR. SHEAFE: So moved.

MS. COX: Second.

CHAIRMAN McCUSKER: All in favor, say aye.

(Ayes.)

(The Board voted and the motion carried.)

CHAIRMAN McCUSKER: All right. We have an Executive Session scheduled.

We need a motion to convene to Executive.

MS. COX: So moved.

CHAIRMAN McCUSKER: We need a second.

MR. SHEAFE: Second.

CHAIRMAN McCUSKER: Second.

All in favor, say aye.

(Ayes.)

(The Board voted and the motion carried.)

CHAIRMAN McCUSKER: And we should -- we'll try and speed this up so that we're back here, maybe, 2:30. What time's the public meeting supposed to start?

MR. COLLINS: 2:30.

CHAIRMAN McCUSKER: Okay. We can do that.

We can do that.
We are temporarily adjourned.

(The Board adjourned for Executive Session at 1:18 p.m.)

(Meeting reconvened at 2:26 p.m.)

CHAIRMAN McCUSKER: If someone will move, we'll reconvene the public meeting.

MS. COX: So moved.

CHAIRMAN McCUSKER: Somebody second?

MS. BETTINI: Second.

CHAIRMAN McCUSKER: All in favor, say aye.

(Ayes.)

(The Board voted and the motion was carried.)

CHAIRMAN McCUSKER: Mr. Moore is here. He's just in the back of the room. We'll proceed with the agenda.

Mr. Hill and Mr. Irvin are excused.

Let me just touch on some of the things we're going to cover today. We are going to press to make certain we're done at ten minutes to four because today is the thirtieth anniversary of --

MS. COX: Third -- fourth.

CHAIRMAN McCUSKER: How many?

MS. COX: Fourth.

CHAIRMAN McCUSKER: Fourth. Thirty -- we've been doing them for a long time.
-- fourth anniversary of Meet Me at Maynards, so a huge crowd expected for that.

You have how many bands, Jannie?

MS. COX: They have 11 bands and the U of A cheerleaders.

CHAIRMAN McCUSKER: So we expect all of you, right after this, to go over and run Meet Me at Maynards.

MR. COLLINS: Are you going to walk your full four miles?

MS. COX: We're shortening the route tonight because we tightened in the music so everybody could enjoy it without rushing.

CHAIRMAN McCUSKER: On the agenda today, we're going to talk about the TCC Arena. I think you all know that we've committed to a major renovation there as part of the global settlement. We have our project manager and architect here to give us a brief update and ask for some approval on some of the expenses associated with that.

Jim Lovelace is here from Beach. And sorry, it's tax day. We forgot. We're going to try to get him in and out of here quickly. I am pleased to announce, for the first time since 2010, legislative intervention. The Rio Nuevo District will be issuing an unqualified audit. It's not been without a lot of work from Jim and the folks at Beach. We're going to talk about that.
We have some opportunities to really begin to focus on the West Side, particularly the Arena Lot and the parcels west of the freeway. I'll remind everyone that, in order to do that, there are two conditions that we have to meet regarding Notices to Proceed. We have to issue a Notice to Proceed on the Convention Center, which we're doing as we speak; we also have to issue a Notice to Proceed on a hotel.

You'll notice, for those of you that are following us, that the -- Scott Stiteler or the 5th Congress proposal is not on today's agenda. Mr. Sheafe and I have recused ourselves from those conversations for different reasons that are identified in our agenda. But if we step out with Mark and Jeff gone, it only leaves three members on the board, so we would not have a quorum to discuss the Stiteler project. Hopefully in the main meeting we'll have some updates for you as to where we are with the opportunity to develop a downtown area hotel.

We are going to talk about the Arena Lot today. And we confirmed that the Auditor General will be selecting an auditor for tri-annual audit here in the next couple of weeks. One of the recommendations three years ago was that the District should have a capital plan. That's basically a pretty loose piece of theory on how we might spend the capital available to us. We're going talk about that.
And then, as always, we welcome your comments. So if you do want to say something to us, please fill out a Call to the Audience card.

First up on the agenda is the annual audit. Let me kind of summarize for you, from my perspective, the challenges with this year's audit and the end result of this year's audit. We do have copies -- a few copies available for the public. After today's meeting it will be posted on our website. Assuming the Board approves it, this is no different for our Board than the drafts that we've seen; however, the Board does have the opportunity to review and approve the annual audit.

Revenue for the TIF district is pretty straightforward. We get revenue from the State; they get sales tax from merchants; anything over the 1990 base -- the 1999 base, we split that with the State of Arizona. So they tell us what our revenue is.

Our expenses are pretty straightforward. We have administrative expense, which we develop a budget every year for; we have significant debt service expense, which is retiring the debts of our predecessor boards.

The challenge -- and I think the reason we've had qualified opinions in the past -- is not revenue and expenses. It's been on the asset side of Rio Nuevo's assets. And we've done a lot of work this year to clean up
the balance sheet. And as a result of that, you'll note it in the agenda, we will write down about $19 million of assets.

All of those are in what's called construction-in-progress assets. When a government entity goes out to build something and starts spending money on a project, it books it into what's called a CIP account, or a construction-in-progress account. Eventually that project gets built, that item becomes capitalized, is removed from the construction-in-progress account, is capitalized, and then depreciated. If for some reason that project is abandoned, it should be immediately expensed at the time the project was discontinued.

For the Rio Nuevo District, neither of those things happened as a routine occurrence. So we had a number of assets on our books that were either completed -- for example, the east entrance of the TCC -- or long abandoned -- for example, the TCC hotel. And as part of a balance work for this year -- balance sheet work for this year, we've adjusted those assets, which will affect our balance sheet negatively by about $19 million.

We also had, on the books, 13 million and change -- about $13.7 million of construction-in-progress assets for the Depot Garage. Because that's been converted to a receivable from the City, we've not been compelled to
write that off. So you'll actually see about $32 million of
adjustments in the CIP account, the construction-in-progress
account, but 13 and change of that is coming back to us in
the form of a receivable from the City of Tucson.

The other thing that we were compelled to do this
year is address the issues of the Fox Theatre. Those of you
that have been following that for the last couple of years,
the District, in 2006, loaned the Fox Theatre $5.8 million
plus interest. We were advised, over a year ago, that the
Fox had no capacity to settle that. The respective boards
at both organizations did work out new terms related to that
indebtedness; however, those terms were rejected by the
National Historic Trust, who basically is in first position
on that property and has an annual dividend associated with
that lease and didn't want to risk any payment to their
dividend. So that project, the settlement of that, has
languished.

Under GAAP, when you have a bad loan, you have to
address it. What we did this year was write off the
interest associated with that indebtedness and reduced the
principal to half of the initial $5.8 million. We're still
hopeful that when the Fox can get clear of the Trust that
they can continue to make payments to the District for the
remaining debt. And we've been able to convince the
auditors that we have a good chance of doing that.
It's important to remember that the superior court has determined that the Rio Nuevo District is exempt from the gift clause. So there's not a gifting issue associated with the forgiveness of debt to anyone. That was part of the Kromko lawsuit against the District as it related to the Bourn lot. The Rio Nuevo TIF District is, in fact, exempt from the gift clause -- Arizona constitutional gift clause. And that's kind of it in a nutshell.

Jim, I don't know if you wanted to kind of summarize it based on the work that we've done. If there are any questions for Jim, he's here. What I would need to do is have the Board act on the audit as presented by BeachFleischman.

MR. RITCHIE: Mr. Chairman, I have a quick question. What kind of assurances do we have that the Fox Theatre will -- Fox Foundation will indeed pay back the other portion of it, that they don't just get a complete free ride on this?

MR. LOVELACE: Well, it's an estimate by management -- in this case, the Board -- as it relates to the -- I'll just say the ability of the Fox to collect the 5.8 going forward. In the meantime, the note has been allowed for. The principal's not been written off, technically, but in full accrual accounting under GASB 34, it's been allowed for 50 cents on the dollar. Okay?
CHAIRMAN McCUSKER: We could have them, maybe even at the next meeting, Cody.

The Fox is much healthier than it was two years ago. And I think, except for the Trust, we would have been able to renegotiate this debt. The Fox revenue last year was about $2 million. Two years ago, the Fox revenue was about $500,000. So they certainly have the means under which to continue to pay out this debt.

However, because of the cockamamie deal that was done back in 2006, the first position, as it relates to the Fox Theatre, belongs to the National Trust for Historical Preservation. And they have the right to approve or disapprove of any new debt that the Fox enters into. And from their perspective, this was deemed new debt, so they stopped it. There is a clause in the contract that provides that the Fox can take the National Trust out in the year --

MR. COLLINS: -- 14.


MR. COLLINS: For a period of six months.

MR. MOORE: So what the Fox has to do is renegotiate its deal with the National Historic Trust. And then I think we can sit down with them and work out the remaining terms. The Fox has never expressed any interest to dodge this indebtedness. In fact, they actually had an
agreement made with us that would work. Our issue is with the National Historic Trust.

And the deal's really complicated. And when you go back and look at it, you -- everyone walks away going, what the hell were they thinking? Because it -- someone equated it to if you gave the first mortgage on your house to the people that built your pool. You've got someone with a very little investment now controlling --

MR. RITCHIE: You're talking the Fox Board.

MR. MOORE: -- you know, controlling the Fox Board and the Rio Nuevo Board.

MR. RITCHIE: Right, right.

CHAIRMAN McCUSKER: You know, this was a City-proposed negotiated transaction that had multiple facets, multiple entities, a loan that they had no means to pay back.

And then, the tenant of the Fox Theatre -- most people don't appreciate this -- is not the Fox Theatre. It's the National Historical Trust for Preservation.

MR. LOVELACE: It's a master lease.

CHAIRMAN McCUSKER: They're the master tenant, and they sublease it to the Fox. So that's the 900-pound gorilla. It's not the Fox Theatre.

MR. LOVELACE: And that put option, I think, lapses very -- in the very near term. And then I think the
District is probably in a better position to assess the projection and the likelihood of that debt being serviced and prompt payments being made.

MR. RITCHIE: Well, if I could add one more thing in that is that, I just don't want to be, as a Board, in a position to pick -- be picking winners and losers, you know, in the development downtown, helping them, give them a hand up, not a hand out. And hopefully that this -- this will help us get paid back with what you were talking about, Fletcher.

CHAIRMAN McCUSKER: Well, I think the lesson there is -- and I hope we apply this as we look at other developments -- we should not be lending anybody money. You know, it's just way too risky. That should be not be the role of a TIF. You know, our job should be to help participate in development. We're tasked to create economic development, not return on loan dollars. So I think the whole thing was flawed.

It's consistent with a lot of the decisions that were made, you know, in the middle of the tenure of the TIF. And I hope we never loan anybody money again, Cody, because what we should be doing is finding a way that our investment creates other investments.

MR. RITCHIE: Yes.

CHAIRMAN McCUSKER: And, you know, the TIF has
never thought like that, I think, until this board was seated.

Chris?

MR. SHEAFE: Just a quick question. I know that we spend money for facilities and whatnot over here. And I'm familiar because I was -- a long time ago as chairman of the advisory committee -- upstairs at the Fox in the offices of the original Rio Nuevo, which I'm guessing are sitting there empty. If we were to work some of that debt off by using office space there rather than here, would that be something that is practical from your --

CHAIRMAN McCUSKER: We've approached them sometime ago. I think the Board elected to come to this building. They have since leased that space out, other people have leased the space.

MR. SHEAFE: Are they -- oh, they're occupied.

CHAIRMAN McCUSKER: Yeah.

MR. SHEAFE: Okay.

MR. LOVELACE: In the account reporting, I'm going to call that a noncash transaction. But if, in fact, there was some arrangement or structure to that effect, it could be reported appropriately, I do believe.

CHAIRMAN McCUSKER: What we need to do is to keep the Fox's feet to the fire to take out the Trust and then sit down with us on negotiating the remainder of this term.
Alberto?

MR. MOORE: Mr. Chairman.

Mark, you mentioned something about six months. Does that mean that that put that the City -- that the Fox Theatre has six months in 2014 to exercise that put? Or what?

MR. COLLINS: Mr. Moore, I'd have to go back and look. As you all know, I've talked about this at great length. My recollection is that in September of 2014 is when the put-call period begins. I can confirm that for you.

At that point in time, there is -- the ball is in, as I recall, the --

CHAIRMAN McCUSKER: Foundation.

MR. COLLINS: -- Foundation's court. And the Foundation can say buy me out for -- and I think our -- the estimated numbers a year or so ago was about a quarter million bucks.

And if -- if the Fox didn't do that, then the District had the right to step in and do that. And the plan would be -- and had been discussed -- would be that the Trust would say X, and the Fox would accept -- pay that off, and we'd get the 600-pound gorilla out of the room. That would place us in a position to be able to sue Fox and restructure the deal.
It's -- the existence of the National Trust is what creates the complexity.

MR. MOORE: Sure, sure.

MR. COLLINS: But my recollection, Mr. Moore, is that it was a quarter of a million bucks.

MR. MOORE: Is that necessary to be represented within the audit, or is that --

MR. LOVELACE: Not in the context -- from the District's perspective because that's by and between the Fox Foundation and their business partner, shall we say. I don't want to get too much into details, but when you have a tax credit at risk, you never want those credits to lapse, because then -- they being a 501(c)(3), would have other challenges themselves as well. Okay?

So again, that put option belongs to the Foundation not to the District. We, the District, simply have a note receivable between the Foundation and the District.

MR. MOORE: But we can -- we can take that option, right?

MR. LOVELACE: I don't think it's our decision.

CHAIRMAN McCUSKER: No. The only documents that exist between the Rio Nuevo District and the Fox Theatre is a lease.

MR. LOVELACE: Right.
CHAIRMAN McCUSKER: And that's a sublease. The National Historic Trust is the master tenant. They have a 35-year lease. There's a put clause in there that allows the Foundation to remove them. If they don't exercise that, the Trust can stay in place for 35 years.

MR. MOORE: Yeah.

CHAIRMAN McCUSKER: Now, the Fox has committed to us that they will exercise that. And that gives us then the opportunity to --

MR. MOORE: But do we have anything in writing from them to say that they would exercise --

CHAIRMAN McCUSKER: All that was rejected --

MR. COLLINS: -- by the Trust.

CHAIRMAN McCUSKER: -- by the Trust because they're not going to jeopardize nor negotiate their position. So they became the 900-pound gorilla. And that's really what forced the writeoffs, is that we had no way to renegotiate that.

MR. COLLINS: There is an incentive to take the Trust out of the equation, as I recall, because of the rent that has to be -- rent, if you will -- that has to be paid to the Trust by the Fox.

CHAIRMAN McCUSKER: And on top of that, they have a dividend, a $90,000-a-year dividend --

MR. COLLINS: Well, that's what really -- right.
CHAIRMAN McCUSKER: -- for 32 more years. So I think -- and we'll invite them to the May meeting to kind of update us on what --

MR. SHEAFE: But this all got put in place when they were trying to raise that critical quarter of a million dollars, right?

CHAIRMAN McCUSKER: The transaction was that the District would put up $5.8 million in the form of the loan subject to the National Trust putting up, you know, $3.6 million in the form of tax credits. But in order to structure that, they had to create these for-profit entities and this lease back.

And you know, it's -- Mark and I often remark -- we were at different places then -- that it was probably the most complicated insane transaction that either one of us had ever witnessed. And we thought we had a way out of it. We actually thought we could -- and they -- they vetoed that. And that's kind of what pushed the issue into the aisle.

MR. LOVELACE: And, Mr. Chairman, I can, again, just emphasize, there's been no factual, actual write-off. In full accrual accounting, it's an allowance, a reservation. Okay? The 5.8 is still in place, but there's --

CHAIRMAN McCUSKER: We've not forgiven anything.
MR. MOORE: Right.

MR. LOVELACE: That's correct. There's an allowance against it, but there's been no forgiveness of debt, thus far.

MR. SHEAFE: Well, we have that in our nonperforming asset category now, right?

MR. LOVELACE: If folks are familiar with the banking industry, it's called nonaccrual, on your watch list, if you're familiar with those terms.

CHAIRMAN McCUSKER: Any other questions for Jim?

Somebody move to approve the audit.

MR. SHEAFE: So moved.

CHAIRMAN McCUSKER: Second?

MS. COX: Second.

CHAIRMAN McCUSKER: Jannie. That's Chris Sheafe and Jannie.

All in favor, say aye.

(Ayes.)

CHAIRMAN McCUSKER: Anybody opposed?

MR. MOORE: I oppose.

CHAIRMAN McCUSKER: The motion passes 4 to 1. Jim, thank you very much. This is the third year in their three-year engagement. We're very appreciative of the work that Beach has done on our behalf. Thank you very much. Go file some tax returns.
MR. LOVELACE: I have a few more extensions to do.

CHAIRMAN McCUSKER: Okay. The TCC Arena.

We've had a number of meetings with a number of different stakeholders. And it's an exercise for me -- and translated to all of you -- in patience because I think we all want to move quickly on the arena remodel. But there's gonna to have to be some work done in advance of that. We're also going to have to work around the very busy arena schedule, which didn't dawn on me initially, but they're booked relatively consistently.

With us today is a Elaine Weaver and Phil.

Elaine, so if you'll give us just a quick update on what you guys have been doing.


So, first, I want to give just a quick project update, then talk about the project schedule, and then talk about the consultant fees that we would like to present to you today.

In the past month, we've been meeting weekly with the project team. And that includes Mark Irvin, Fletcher McCusker, myself, some other City staff members, as well as Phil and his team, and then the new interim director of the TCC, Marty Carey. He's now on our design team as well. So we're coming together weekly to talk about the project, give each other updates, and move the project forward.
As of last week on Friday, we concluded two weeks of programming meetings, where we met with all of the end users at the TCC. Everyone from their lighting, the rigging, staging, security, concessions, and advertisement. And we sat through fact-finding meetings where we sat and we asked them questions and we listened to them to say, what is it that you need? What's working? What's not? And where do we need to go from here?

It is important to note that I don't know to what extent that's ever been done at the TCC. And it was just a wealth of information that the design team was able to document. And so that, as we're moving forward, we have the right information in front of the us. We're not making those decisions as to what they need. They're telling us, and then we're taking that information to the design team and doing the right improvements that they actually need.

I've also been meeting with the TCC to get a sense of their event schedule all the way through 2014. They are booked. And I've presented that to the design team. I have it all the way through May of 2014.

So last week I met with Bill Allen and the City of Tucson finance. And we worked through how the project intends to report and track for the Board as well as for Bill, and so how we can track expenditures. And then in the following -- in the upcoming week, I'll be meeting with
Chris and Bill Allen and procurement so we can flush out how to get these contracts in place because, to date, we don't actually have a contract in place for Phil or any of the consultants, even though we've been doing work. So we need to move quickly on the procurement side of it.

Regarding the project schedule, predesign, we will be wrapping up in middle of June. And so what that means is that I will be coming back to you -- I'll be here in May -- but in June I will be presenting to you the costs associated with all of those line items on the needs and repair list.

Between now and then, the design team, myself, and Phil, and the consultants, will be working on their scope narratives, their costs and their options.

And today, specificity to move the project forward and to get approval, hopefully for the architectural fees for the project as well as a scan, a 3D scan of the arena, and then a third-party cost estimating.

CHAIRMAN McCUSKER: You may need to give Michele some in case anybody in the public wants to look at it.

MS. WEAVER: Yeah.

CHAIRMAN McCUSKER: A side note here as it relates to procurement. Elaine is a City employee. She is on loan to us. She's unbelievably good at her job.

The City runs a process every year to select architects, contractors, engineers, and others for small
items. It's competitively procured. Because we're an affiliate of the City, we're allowed to use that open-contract process.

Phil was the architect who competitively won that open contract. So that allows us to use Phil without having to compete for or solicit architectural proposals. However, his fees are capped, a hundred thousand dollar cap with a waiver, maybe $150,000; so if the -- architecturally, it looks like it's going to be more than that, we would have to solicit proposals from architects.

And I'll let Elaine continue then. But I just wanted to touch base on how procurement -- how we got started so quickly, and then the limits we would have before we would have to competitively procure.

MR. SHEAFE: Mr. Chairman, just quickly. We're talking about a $12 million project, 6 from us and 6 from --

CHAIRMAN McCUSKER: Yeah. The only thing we are responsible for is our money, is the 6 million.

MR. SHEAFE: Yeah.

CHAIRMAN McCUSKER: So the City has their own process, their own procurement, their own timing. But they've dovetailing that with us, and they're coordinating the timing.

MR. SHEAFE: Well, like this Phase 1 predesign, is that paid half by us and half by the City or is that --
CHAIRMAN McCUSKER: This is all ours.

MS. COX: It's all ours.

MR. SHEAFE: So it's a $6 million project.

CHAIRMAN McCUSKER: That's correct.

MS. WEAVER: The fees in front of you, they are for a $6 million project.

So Item No. 1, the architectural design fees, we're currently in predesign. And we have our fees from Phil and his team, which includes structural, electrical, plumbing. That's for $51,348. That's based on a $6 million project.

Phase 2, 3, and 4 of the entire project would consist of construction documents. We'll take whatever the scope is, whatever we decide as a team we can move forward on, there'll be a short documentation phase. We'll then move into construction. And then there'll be construction administration.

All of that, those four phases, for the design fees, what I'm presenting to you today is that those fees will not exceed $150,000. To date, I have fees from Phil Swain for 51,348.

Item 2 is the scan of the arena. So the City does currently have as-builts of the arena, but they're all two-dimensional and they're all PDFs. So we don't have architectural backgrounds in the computer, nor do we have
anything that is a hundred percent accurate. And so we have proposed to Mr. McCusker, as well as Mr. Irvin and the team, that we would like to move forward on a three-dimensional scan of the arena and all the spaces. And the outcome of that would be a 3D digital model that the consultants could use.

And then Item 3 is $4,760. And that's to have a third-party cost estimator.

Those three items equal 204,278.

CHAIRMAN McCUSKER: And, Elaine, that gets to where? That gets us to bids, and then everything beyond that would be bid out?

MS. WEAVER: That gets us to -- if we -- we know we're not going exceed the 150,000 until then. From there, we would just go to construction. We would go into the documenting phase, and then we would start looking at construction.

CHAIRMAN McCUSKER: We've talked about how we might do that, and the need for a general or not having a general. How do you think, right now, we would proceed with -- you know who would we be soliciting proposals from?

MS. WEAVER: We think that we have, potentially, four different packages on the table. One is a scoreboard of some sort. We think that we can go straight to a vendor for that package where we would not need a general
contractor. If we need any electrical work, we could hire a
City of Tucson job contractor. So they could come in,
facilitate, give us the power that we need, and then the
vendor could install the scoreboard.

A second -- Package 2, 3 and 4 could be anywhere
from the restrooms; it could be a security package; and then
a signage, way-finding package.

What was --

CHAIRMAN McCUSKER: Seating.


So seating, restrooms, let's call it interiors and
security, those potentially could be separated out into
three separate packages.

Another approach could be that those three are
combined into one. And we have one general contractor, and
we take advantage of -- when you're taking down existing
signs, which we'll need to do -- you need to come back and
patch and repair. And a general contractor could help
facilitate that coordination. And they could also help to
work with us and the TCC event schedule. So we could give
them timeframes. We could say, we need you to get this work
done in the arena on these date. And the general
contractor, it would become their responsibility to do that
and make that happen, rather than have four separate
packages.
So we're looking at potentially four, but all the way -- potentially as low as two. We could streamline it a little bit.

CHAIRMAN McCUSKER: And, Mark, in terms of our authority to approve, we're operating under the settlement agreement which has committed us to $6 million; the Board's approved that. You know, am I outside of kind of the $50,000 limit under the IGA? Can we approve these items?

MR. COLLINS: Well, Mr. Chairman, I frankly haven't considered those issues and would need to get back to you on that particular topic. But let me address a couple of things.

First, there is -- you're working with the City on this, and the City has gone through procurement process so far, I guess.

MS. WEAVER: We have.

MR. COLLINS: Yeah. Okay.

Because the biggest thing that comes up for me on this is we're obligated by statute to comply with Title 34. I'll tell you that if the City procurement has been followed, we are in good shape, so that gets us over that hump.

No. 2 is, you're right, we have a $50,000 safe harbor in the amended IGA with the City, which would allow you folks to spend up to $50,000 on the primary component or
on a hotel without approval of the City. From what I'm hearing, however, this is not just with approval with the City, but it's in cooperation with the City. So I don't see a problem with the $50,000 part.

Keep in mind, also, that you have funds that -- from a 2008 bond -- that have not been expended. And that's really where a lot of this money is --

CHAIRMAN McCUSKER: All of it's coming out of this.

MR. COLLINS: -- coming out of that. So you've -- and you've got an obligation to spend that money on the TCC. So, Mr. Chairman, those are my thoughts on the subject. As far as being able to authorize --

CHAIRMAN McCUSKER: I think the only issue there, it shouldn't affect how we proceed. The only issue as it relates to the $50,000 limit is that we have to have the City concur --

MR. COLLINS: Yes.

CHAIRMAN McCUSKER: -- if we spend more $50,000.

MR. COLLINS: Agreed.

MR. MOORE: So there may be another step in this --

MR. COLLINS: Right.

CHAIRMAN McCUSKER: -- that we approve this --

MR. COLLINS: Subject to the City's approval.
CHAIRMAN McCUSKER: Subject to the City's concurrence.

MR. COLLINS: Right.

MS. WEAVER: And I've actually -- just this afternoon, I posed that exact question to Sylvia Amparano, and we're confirming what that actually means.

MR. COLLINS: Okay. And I would -- frankly would want to confirm that with the City attorney as well.

MS. WEAVER: And she's doing that, yes. Yeah.

She's going to ask Mr. Rankin.

MR. COLLINS: Once that's confirmed, subject to your approval, then you're -- I think you're a go.

CHAIRMAN McCUSKER: Can we do all of this in one motion? Are you okay with that? Or should break it into the components of the three different items?

MR. COLLINS: I think you ought to break it into three items.

CHAIRMAN McCUSKER: Item No. 1, as it relates to architectural fees, we cannot exceed $150,000. This is going to Phil Swain who has won a competitive procurement under the City's code, so we're perfectly fine with procurement.

You're watching these carefully so we're going to know month in and month out how close we get to that amount, right?
MS. WEAVER: Well, currently we have the 51,000, that's for predesign. The fees that Phil submits for construction documents and construction administration -- and then I'll be monitoring conduction -- it will not exceed the 150,000.

CHAIRMAN McCUSKER: So I would need a motion to authorize those, not to exceed $150,000.

MS. COX: So moved.

CHAIRMAN McCUSKER: Someone second that, please.

MR. SHEAFE: Second.

CHAIRMAN McCUSKER: Any conversation? Any reservations?

MR. MOORE: I have a question.

CHAIRMAN McCUSKER: Go ahead.

MR. MOORE: Now, as far as Phil's concerned, what specifically -- you're going to design the facilities and -- I just want to get clear on what your participation is.

MR. SWAIN: We are -- yes. We are in charge of the design and -- as well as coordinating the engineering team within our services. And once we determine exactly what the final scope is, that would be completed. Again, we will -- we'll then coordinate with you and Elaine in terms of exactly how we need to be involved in each one of those packages.

CHAIRMAN McCUSKER: If you go back to our wish
list, most of this is aesthetic. We're talking about at the bathrooms, the concessions, the seating, the paint, the color scheme, the signage. You know, you're not talking about an infrastructure kind of remodel.

So our hope, Alberto, is we have very limited architectural concerns with this project. Now, as we get into it deeper, we may find that that's not the case. But right now, you know, Phil's been tasked with coordinating all of those elements of design to the point that we can solicit bids.

MR. MOORE: My question, have you already spent 51,000, or is that what you're anticipating just for this first phase?

MR. SWAIN: That's what we anticipate during this first phase, through June.

MS. WEAVER: We have not spent that.

MR. MOORE: Okay.

MS. WEAVER: We're coming to you to ask for approval of those fees.

MR. SWAIN: That's correct.

MR. MOORE: Okay. And then as far as the -- my understanding that the City's going forward with designing the escalators and the elevator system; is that correct?

MS. WEAVER: That's correct. Right now we're in Phase 1 of a multiphase project. And I'm the project
manager for that project. And the Elevator No. 2, by the admin suite, that currently down; it's out of service. And it should be complete by the end of the month.

And then the escalators by the admin suite, those are also down and those will be under construction through September.

MR. MOORE: Okay. Is it possible to get those costs included as a separate column of what those fees are going to be in order to put in -- remodel the escalators and so forth just so we can look at the sharing of this cost of improving the TCC?

MS. WEAVER: Yes. Is the intent, Mr. Moore, that you'd like to see how the City is doing the matching funds, and so --

MR. MOORE: Yeah.

MS. WEAVER: -- you can see where we are with that?

MR. MOORE: Yeah. That would be very helpful.

MS. WEAVER: Yes. Would you like that -- for me to update that on a monthly basis?

MR. MOORE: Sure.

MS. WEAVER: Okay. Yes, I can do that.

MR. MOORE: That'd be great. Thank you.

MS. WEAVER: Okay.

CHAIRMAN McCUSKER: Okay. We have a motion and
second on the architectural fees not to exceed $150,000.
And that's not been spent, that's proposed.

All in favor, say aye.

(Ayes.)

CHAIRMAN McCUSKER: Any opposed?
(The Board voted and the motion carried.)

CHAIRMAN McCUSKER: Okay. The scan. Does anybody not know what we're talking about doing and why it costs $50,000?

MS. COX: If -- could I just -- the way I understand what you're saying is that this scan would provide a measurement and -- of all of the spaces within the TCC so that architects could design based on what you've learned from that. But right now, there is nothing to do that.

MS. WEAVER: There's nothing digital.

MS. COX: Oh.

MS. WEAVER: And it would include all of the spaces associated with this project at the TCC.

MS. COX: Okay.

MS. WEAVER: So although the north ex hall is a part of the TCC, this scan will not include the north ex hall because we know that this $6 million will not be renovating the north ex hall.
And your description is exactly -- it's exactly accurate.

MS. COX: Okay.

CHAIRMAN McCUSKER: And it would allow the team then to fiddle with the three-dimensional design. So if you want to add a wall, take out a wall, or move something, you can do all of that now on the computer.

MS. WEAVER: Correct. And it will allow us to look at options. For example, the scoreboard on the south wall. There's more than one solution. And we will be able to look at the different solutions and say, well, this one costs 250,000; this one costs 150; or this one costs 500,000. What do we want to do?

MR. SHEAFE: And this is adjustable? As changes are made, the scan is easily updated so that we don't have to do it again.

MS. WEAVER: Well, we won't have do it again. And it will be Phil's job, and his team, to give to the Rio Nuevo Board an accurate as-built model. So once all of these renovations are done, part of Phil's deliverable will be, he'll turn over a file. And it will be a digital 3D model of the arena that you can use for the next project and for the next project, ideally.

CHAIRMAN McCUSKER: It's basically a CAD drawing, right?
MS. WEAVER: It's a 3D Revit model.

CHAIRMAN McCUSKER: So it's a Revit drawing.

MR. SHEAFE: So you can transfer it to a consultant.

Can I ask one other question? If you don't know the project, who were you thinking of on the 4,760? That's a pretty tightly defined number. Not knowing what it is, he's going to ask.

MR. SWAIN: That's based upon the original list that was developed of all sorts of items. And it may end up adding up initially to $10 or $12 million of potential project costs. And so that's based upon the estimated time of what -- or the proposed time of what he's -- what he said. And it's a fixed fee, so --

MR. SHEAFE: Well, is that -- wait a minute. Is that the 6 million or is that the 12 million?

MS. WEAVER: The 6. All of the fees in front of you are based on a $6 million --

MR. SHEAFE: So in other words, that's a portion of the total.

CHAIRMAN McCUSKER: And our 6 million includes all soft costs. So it's not 6 million plus 204,000. It's 6 million total.

MR. SWAIN: Correct. And maybe I confused mentioning 12 million. The initial list, we're assuming
it's certainly going be more than $6 million, which is why we're doing this complete estimate, so you can then discern which of those items you want to be able to proceed with. So whatever that proportion is, that estimator would do that.

MS. WEAVER: If I may, just to clarify one other thing. Item No. 3, that is our consultant's fee to give a -- give us a cost estimate for the project. So that's RLB. They're a local cost estimator. And that's their fee that they're saying, you need to pay us $4,700 and we'll estimate the project for you, all of those needs and repair items on the list.

MR. SHEAFE: But that number has to then be flexible, right? For example, if you decide the number one priority is putting up a scoreboard, you contract with the scoreboard manufacturing. You don't need somebody else to estimate anything other than some electrical, and that's a whole different thing.

MS. WEAVER: Right. And that -- they won't be doing that.

MR. SHEAFE: And taking on a major, so that number ought to adjust way down, right?

CHAIRMAN McCUSKER: We want to see these estimates before we green light anything.

MR. SHEAFE: Yeah.
CHAIRMAN McCUSKER: Because we know what we want to do is going to cost more than $6 million. So we're going to try and identify for you how to prioritize these projects.

MR. SHEAFE: That's so we can make our choice.

Once we bid something out, we'll find out the real number.

MR. SWAIN: That's correct. But -- so the scoreboard is an interesting example. Based upon our programming meetings, we may have two or three different options of types of scoreboards or video systems that could -- and so this estimator will come back with the costs, the estimated costs of each one of those so you can then determine which, if any of those, you want to actually proceed with.

But you're correct, once you actually decide we're going to go with this scoreboard system, they are no longer involved in that, and it goes on to the contractor.

CHAIRMAN McCUSKER: And let's go --

Go ahead, Albert.

MR. MOORE: Question. On the 3D model, that -- one of the things that I've understood over the years is that, the TCC, we only own a portion of that building; is that correct?

There's a -- seems to me that some of those conference facilities on the north end is actually under the
City of Tucson. And the arena and the exhibition areas are under Rio Nuevo. And I'm just trying to remember, but I think that particular building has two different owners as far as the way it was laid out.

MS. WEAVER: I thought that -- Mr. Moore, that the Rio Nuevo Board currently owns the TCC, which includes the arena. But the Leo Rich Theater and the Music Hall, those are City.

MR. MOORE: Right. But I also thought that part of the TCC, those conference rooms on the north end, were separate.

MS. WEAVER: The north ex hall and the meeting rooms?

MR. MOORE: Yeah. Those meeting rooms are separate?

MS. WEAVER: I would have to check.

MR. MOORE: I don't -- I'm just asking if you'd look into it.

MS. WEAVER: I will.

MR. MOORE: Because I would be interested in knowing -- if that's the case, how we're adjusting those costs in doing the 3D and some of these other expenses.

MS. WEAVER: We're not -- the 3D scan will not be of the meeting rooms on the north or the ex hall. It's only of the arena and the adjacent restrooms associated with the
arena.

MR. MOORE: Oh, okay.

MS. WEAVER: And I --

CHAIRMAN McCUSKER: Mark, you might have to do some research on that, because it would go back all the way to the 2002 acquisition.

MR. COLLINS: Right. I can --

CHAIRMAN McCUSKER: And there's probably some title documents on what we --

MR. MOORE: I know that was always a contention when we were trying to worry out these numbers, etc.

MS. WEAVER: Okay. All right.

CHAIRMAN McCUSKER: Okay. So we have a motion and a second to approve the 3D scan, let's call it $50,000.

All in favor, say aye.

(Ayes.)

CHAIRMAN McCUSKER: Any opposed?

(The Board voted and the motion was carried.)

CHAIRMAN McCUSKER: And then, finally, the small item, which you explained to us is, these are the fees for your cost estimator.

MS. WEAVER: Yes.

CHAIRMAN McCUSKER: And let's call that $5,000.

MS. COX: So moved.
CHAIRMAN McCUSKER: Second, please?

MR. RITCHIE: Second.

CHAIRMAN McCUSKER: Any further conversation?

All in favor, say aye.

(Ayes.)

CHAIRMAN McCUSKER: Okay.

Elaine, anything else for us, or are you good to go until May?

MS. WEAVER: I'm good. Thank you very much. And I'll be back next month.

And I'll follow up with you, Mr. Moore, on the City dollar amounts, the tracking the one for one. And I'll then coordinate with you on what -- who owns what.

MR. MOORE: All right.

MS. WEAVER: Thank you.

CHAIRMAN McCUSKER: Thank you.

MR. MOORE: Thank you very much.

CHAIRMAN McCUSKER: While we're spending money -- which is a lot more fun than anything else we've ever done -- the West Side parcels -- that is the property that was deeded to us west of the freeway, which we all know is former landfill, has had a lot of work done by WLB Group. They've offered to kind of consolidate for us all of the previous iterations of projects on the West Side.

Remediation, infill, stabilization of the earth, what can be
built, what can't be built, what sites might be gradable, what sites are not. And do all that for us at a cost under $50,000.

Not unlike we're having the consideration with the arena, we don't believe we can go forward with any conversation regarding the West Side unless we know how much of that is developable or not developable. This is not getting into any planning or what we're going to put where or who's going to build what. It basically just tells us the condition of the earth. And I don't -- there's really no way for us to proceed without that.

Now, WLB, Mark, to the procurement issue, it was under contract to the City for this work. We also believe that as long as we stay within our not-to-exceed guidelines, we can contract with WLB without having to reprocure this.

MR. COLLINS: Mr. Chairman, I spoke to Michael Byrne at WLB this morning. He has confirmed for me that there is no open contract with the City currently with WLB.

Now, that having been said, I've spoken to the City, and they've indicated a willingness to work with us to try and allow WLB to go forward. But there isn't any open contract.

CHAIRMAN McCUSKER: So anything we do today would be subject to you being able to work that out with the City.

MR. COLLINS: Yeah. And I'm going to suggest that
the Board consider the following:

Title to the West Side property is going to be coming to you folks. It's not a done deal yet. There's going to have to be a survey of that property. We all know that there's going to be a -- the southern boundary, there's going to be a walk through. But ultimately, you're going to need a survey of that property. As far as I can tell, that hadn't been done, even ever, perhaps.

But survey is required. You've got to RFP a survey. And what you may want to do, and you may want to consider doing, is do an RFP for a survey and exactly what you're talking about as the first step. Because -- because that would then allow you to be ready to decide how to master plan.

But -- and I've jumped ahead -- yes, it would be subject to me working with the City to make sure we can do this and get approval from the City.

CHAIRMAN McCUSKER: Do you think there's any procurement risk if we were to proceed with this without a competitive bid?

MR. COLLINS: I do.

MR. MOORE: Mr. Chairman, I'd like to -- I have a conflict of interest here to the point -- even though I was appointed by the Board to be the point person on the Rancho Chuk-shon, the WLB Group or Mike Byrne is a partner of mine.
And he's been working on this -- we've been working together as friends with no financial benefit to anybody. But I just -- I brought him in to help us in the early days, you know, with all of this.

As a matter of fact, Chris brought the idea up, as if we had to find people who were willing to put in some sweat equity in helping us arrange what needed to be done under this Rancho Chuk-shon situation. And that's what I talked to Mike Byrne about. And he's been here. Diego O'Bolger here is the president of the nonprofit entity that was looking at working with all the different entities, the chairman of the Tohono O'odham tribe, Austin Nunez and so forth. But now that we're getting into all the financial situation --

CHAIRMAN McCUSKER: Probably all the more reason to competitively procure.

MR. COLLINS: Yeah. Well, and --

CHAIRMAN McCUSKER: So we would need to recuse Alberto.

MR. MOORE: Right.

CHAIRMAN McCUSKER: But your advice is probably to identify the specs for this --

MR. COLLINS: Right.

CHAIRMAN McCUSKER: -- include the ALTA survey for this, and bid it out.
MR. COLLINS: Yep. Yep. And we can -- remember now, that under the 2011 amendment of the IGA -- but among the City -- City of Tucson, south Tucson, and the District -- cooperative procurement can proceed as long as the -- as long as the City the District agree. So that gives us some flexibility that we wouldn't otherwise have.

But you're absolutely right. That's my opinion. Is if you're going to proceed and you're going to take title, I think you need an ALTA survey. And I think you need to get a title policy for that property.

MR. SHEAFE: Mr. Chairman, let me ask a question here. This all comes down to what you already know. It is no mystery that the history of the West Side is absolutely well-known by a lot of people. But if you pay somebody 175 bucks an hour or something to go read through everything and try to summarize that, you're going to find out exactly what you already know. And you walk down the street and talk to any people who live there and they'll say, oh, no. This is what we agreed to.

So why would we want to just go out and develop all this information that is absolutely well-known over there?

I know in my early days when I worked over there, I had a pretty clear understanding of what was the long-term vision in Prop 400. And nobody's ever varied from that.
Now, technically, we've spent a lot of time with land remediation because of the old landfill. That is precisely known. I mean, those --

CHAIRMAN McCUSKER: I think the reason that -- in my conversation and why this is important -- is what kind of weight will that support? Do you have to be on pylons? Can you build on the grade? The hole in the ground, I understand, is geothermal.

MR. SHEAFE: That's right.

CHAIRMAN McCUSKER: Right. So some of it may not be developable. So before we can start talking about what we're going to develop, it seemed obvious to me that we need to understand where we can develop.

MR. SHEAFE: Well, okay. And I don't want to be -- if you guys have put more time in on this --

CHAIRMAN McCUSKER: So I think we were trying to get a better idea of this land that we're going to be deeded, how much of it is swamp, how much of it is developable, how much of it cannot be developed, how much of it cannot support any weight, where could you put parking etc., etc., and not get into, you know, is it going to be a mission or a museum or an art museum or -- how much of it is salvageable.

MR. SHEAFE: I think you're right. I'll tell you where I'm struggling here. And then you have to correct me
because I haven't been there.

I was handed reports on everything you're talking about, thick reports that we spent -- we shouldn't have to spend thousands and thousands of dollars for somebody to say, this is what's in this report. So I guess what I'm looking at, is where does $50,000 have to be spent?

CHAIRMAN McCUSKER: Well, that is not --

MR. SHEAFE: Because I don't think -- I don't think that that number is even there.

CHAIRMAN McCUSKER: No. We were just -- it's under. We don't even really know what --

MR. SHEAFE: It should be way under. Like you know, I think they ought to have this put together for us --

CHAIRMAN McCUSKER: Let's bid it out and we'll find out. Right.

MR. COLLINS: And Mr. Sheafe, the thing that you have to be aware of is that Title 34 does apply to the -- to the District. And when it has to do with construction, you've got to comply with it.

MR. SHEAFE: Well, I understand that. But if we go out and say to a consultant -- and you're going to hear the caustic side of me -- and say, well, tell us everything that's ever been documented here. We're going to pay somebody to sit there and read and write another report.

MR. COLLINS: But --
MR. SHEAFE: And what if we say to them, look, you
go to the report and very quickly determine what,
physically, can be supported on that soil, I can tell you
that wouldn't take me a half an hour to read through and get
it.

MR. COLLINS: But then you -- but then you put out
on RFP that says tell me what can be built on the West Side.
What will this parcel support? What will that parcel
support?

MR. SHEAFE: In other words, from a technical
standpoint, you don't have to go back and read all the --
CHAIRMAN McCUSKER: And there are
further requirements required.

MR. COLLINS: Right. Right. And then we would --
but --
CHAIRMAN McCUSKER: You can bid, if you want to
bid.

MR. SHEAFE: Well, I guess. But I'd like to see
that number reduced substantially.
CHAIRMAN McCUSKER: All right. So let's do this,
since obviously it's a possible procurement issue, at least
one of our Board members would have to recuse themselves,
we'll develop the specs --
CHRIS SHEAFE: And I apologize.
CHAIRMAN McCUSKER: No, no. That's why we're
doing this in front of the public.

Cushing Street. This is more of an update as it relates to the Arena Lot. We're going to talk about that under Mark's section here in a minute.

But one of the things we're going to have to look at as we look at these properties is the District is going to have to support the infrastructure pieces of this development, intersections, curbing, roadway, sewer, flood control, gradable sites.

And it's clear now, from our work with the City, that that corner, the south corner of the Arena Lot, the streetcar's going where the streetcar's going, right on the corner of Cushing and Granada. And that's smack dab, the southern entrance to what we affectionately call the Arena Lot. The best way to make that project developable and the adjacent parcels developable is probably to complete a new intersection at that site.

So at some point when we take Arena Lot over, Mark, part of what we want to address in that is the do-ability and cost of, you know, egress, into this -- into this lot. And we've -- this is kind of an update for the Board and the public as it relates to the streetcar location on that corner and the various conversations that people have had with developers, the county, us, and others, that the streetcar is staying on that corner.
And the only way, really, to develop egress for both of us is probably a new intersection at Cushing and Granada, which early estimates are -- could be a million dollars.

MR. SHEAFE: Is there any action you need, or is that just information?

CHAIRMAN McCUSKER: Just information to be aware that -- you know, now that we're past that settlement and we're landowners, to make that land developable, we're going to have to invest in the land, water, sewer, streets, you know, gradable sites, etc.

Bill, you're up. CFO report. And don't take 20 minutes.

Mr. Alberto stepped out, we still have a quorum -- Mr. Moore.

(Mr. Moore excused himself from the proceedings.)

CHAIRMAN McCUSKER: Okay. You confused us now.

MR. SHEAFE: Are we handing --

MR. ALLEN: Yeah. Take -- there's five and five and five.

MR. SHEAFE: Oh, I see.

MR. ALLEN: Sorry. I'll do it differently next time. Just one from each stack. And those are for the public.
All right. So the first thing that you should have in front of you is the summary of cash position as of April 15th.

MR. SHEAFE: The yellow one.

MR. ALLEN: Actually, it's -- I believe it's light orange.

All right. That reflects total Rio Nuevo and City of Tucson combined cash at the bottom, in the orange yellow.

CHAIRMAN McCUSKER: Michele, will you give one to Darren and anybody else that wants one.

MR. ALLEN: $12,900,000, which is a little more than a hundred thousand lower than it was last month. And the preponderance of that was legal bills. But there were some other minor items -- office rent, just general expenditures of the office that are common bills.

The totals have really not moved all that much except for the expenditures from Rio Nuevo for the items that I've just mentioned.

CHAIRMAN McCUSKER: And, Michele, we're putting this on the website now, right? We're posting this?

MS. BETTINI: Yes, we are.

CHAIRMAN McCUSKER: And we don't need to take any action. This is for our information?

(Mr. Moore returns to the proceedings.)

MR. ALLEN: That's correct.
CHAIRMAN McCUSKER: All right.

MR. ALLEN: The second document that I've laid in front of you is born of a decision that was made of the Board where they would review, for each month, discretionary activity below $5,000. That needs to be approved by the Board. And the three items that fall into that category are listed, two of them being Victory Marketing services and one of them being an expense report from Michele.

CHAIRMAN McCUSKER: To revisit this issue -- and frankly, I've never run a business that's so complicated to get approvals for things -- but we did create $5,000 of discretion for the executive officers. But under Jannie's motion, it requires those items to come to the full Board for subsequent ratification. So every month you're going to see something like this that identifies items that we've committed to that were unbudgeted and under $5,000.

MR. SHEAFE: May I --

CHAIRMAN McCUSKER: You can -- we can inquire to what these are. Michele's is ongoing and relates to the expenses that she has that we've reimbursed her for.

MR. RITCHIE: That's -- what are those expenses for?

MS. BETTINI: QuickBooks is $34 a month, and my health insurance is 375 a month.

MR. ALLEN: That's correct.
MR. RITCHIE: Do we do the -- do we do the same for you also?

MR. ALLEN: That's correct. We didn't have, in that time period, reimbursement for me.

CHAIRMAN McCUSKER: And at some point we are going to have to address that, even though we only have two employees. They both purchase their own health insurance, and we reimburse them for it.

Maybe you can help us with that, Cody. We're having trouble finding a two-person approval.

The Victory Marketing, Victory, of course, is our PR agency. We had a lot of issues transferring the website from the prior firm to the current firm. We did authorize an additional $2,000. If you've been to our website lately, it's really cool. It's working. It's really easy to follow. It's rionuevo.org, a real simple address. That's money well spent.

Sitton, of course, is David Sitton, his hosting of our Sunday afternoon radio show. That was an unbudgeted item. We're very grateful to him having stepped in. And we pay him --

How much a week, Bill?

MR. ALLEN: 375, 350.

CHAIRMAN McCUSKER: 375.

MR. SHEAFE: I think it's 350.
MR. ALLEN: 350.

CHAIRMAN McCUSKER: So all I need is a motion to ratify.

MR. SHEAFE: Let's move approval on this.

CHAIRMAN McCUSKER: Second?

MS. COX: Second.

CHAIRMAN McCUSKER: All in favor, say aye.

(Ayes.)

(The Board voted and the motion carried.)

CHAIRMAN McCUSKER: Okay.

Bill, thank you for that.

MR. ALLEN: All right. The third document it was requested that we take a look to see is our activity for the first half of fiscal 2013, in actual expenditures, cash expenditures, which go through December 31st, 2012 versus the budget that was set for the fiscal year, which would be July 1st, 2012, through June 30, 2013.

So you see in the first column of information -- this is formatted, first of all, in the way that the annual budget was submitted to the county. This is a very specific format that they have. And I've paralleled my actuals against the format and the content and structure of the budget that was submitted.

So you will see that we had $9.9 million TIF
revenue anticipated receipts for this fiscal year with miscellaneous income and leases. And the main component here is the lease from the City for the TCC of 1.7 million for $11.6 million receipts.

Down below you'll see that the budget was set for 831,000 in administrative expenditures, which included a budget for myself, for Michele, for the office space, for legal expenses, for forensic accounting, for general accounting services -- those are the major components, by the way -- adding up to the 831,000.

Debt services is the amount that we pay into the various Wells Fargo fiscal aging accounts for the debt that we -- is serviced from all those accounts, leading down to $11 million -- just over -- a little more that $11 million, with a projected surplus of 5,520,000 for the fiscal period of 2013.

The comparative column to the right is through June 30th, 2012. And these numbers are reflective of where we stand now.

The large variance item is under miscellaneous in anticipated receipts. We don't have the City of Tucson's rent yet. That rent comes in on June of 2013. That will comprise a large component of the remainder of that spread.

CHAIRMAN McCUSKER: That number, 1.3 million, seems -- it's obviously lower than we budgeted. Some of
that rent is the Rialto lease. But do we know what the difference between what you anticipate you're going to get versus what we budgeted?

MR. ALLEN: You mean the 1.3, Footnote No. 1 below?

CHAIRMAN McCUSKER: Yeah.

MR. ALLEN: That actually is what you budgeted.

CHAIRMAN McCUSKER: Do you know what's in the million seven, offhand?

MR. ALLEN: The reason that there's going to be a deficit between the two by the end of the year is that we had budgeted $360,000 of interest income, of which we have very little.

CHAIRMAN McCUSKER: We never invested the money.

Okay. Yeah.

MR. ALLEN: So that's the preponderance of the reason why there will be a shortfall there. It appears to me that in TIF revenues we're going to have probably a sizable surplus. It's really hard to predict the TIF revenues going forward, but I believe we're going to be ahead in that category because we're already at 7.4 million against 9.9.

MR. SHEAFE: Is that covering -- because I'm getting confused, Bill, by the six months up above.

MR. ALLEN: That's just the first six months of
the year.

MR. SHEAFE: All right. So half the year, we collected 7.4 in the --

MR. ALLEN: Right.

MR. SHEAFE: Okay. And you can kind of, in your mind, double that, but that isn't obviously --

MR. ALLEN: That's really not a good way of doing it, because we wound up receiving in July four months of TIF -- four months of TIF related to the prior period. I don't think we're going to have four months of TIF lagging this time. So I don't -- you can't really double it. Plus, in that 7.4 million, we had a large box store event that occurred where they went back through time, and we got a very sizable TIF amount in July of 2012.

CHAIRMAN McCUSKER: How much delay is there between the State's collection of sales tax and when we --

MR. ALLEN: Usually about three months, two to three months. It varies. Four months is unusual, but that's what happened in the very beginning of this year. So this -- Chris, this will not double. But it will be in double digits.

MR. SHEAFE: If I understood you correctly, is it -- is the 1.7 million in the budget similar to what the City will end up paying, so that that miscellaneous lease interest income line goes from 33,000 up to about a million
MR. ALLEN: No. It would be about 300,000-plus short. Because in the budget, we envisioned $360,000 of interest income on our idle cash, of which we will not have virtually any.

MR. SHEAFE: So it will be about a million four.

MR. ALLEN: That's correct.

MR. SHEAFE: Okay.

MR. ALLEN: Now, the administrative expenses line, I do expect that that will be a bust by the end of the year, almost completely gone because of the legal expenses being much higher than what was budgeted. We're already past our annual budget through six months, which was 300,000. This reflects 307,000 through December alone. Now, on the debt servicing, I think there will -- we'll be pretty close to the mark. Although, we will be higher than the ten eighty-two.

The long and short of it is that I do believe that by the end of fiscal year, we will beat our net cash position of 500,000. By how much, I'm not positive because we have some shortfalls and we have some excesses. But I do believe we will be above our budget for a net plus cash position.

CHAIRMAN McCUSKER: Post that to the website.

This one we don't need, but this, two, let's post it.
And we'll start seeing this -- now that we're caught up, we'll see this every month?

MR. ALLEN: Well, it's -- we're going to wind up updating this now through March soon. We actually don't have the TIF yet for March. But we will have it soon.

CHAIRMAN McCUSKER: So we're going to always be a quarter behind just because of the lateness of getting the statements for --

MR. ALLEN: Right. This particular report, because of the lag, it will be about every four months or so, or a quarterly update. But we can go to monthly at some point.

The other two things I had on our report, to mention, is that we're still waiting from Michael Rankin of the City in response to our request to waive the State -- the City's sales tax. So I don't have any update for you on that report yet.

And we do have an ICS, an insured sweep -- cash sweep account that was set up. It was determined, since the last meeting, we -- and correct me, Fletcher, if I'm saying anything --

CHAIRMAN McCUSKER: No. We want to invest the cash.

MR. ALLEN: We want to reinvest the cash, and we did not -- we were not required to have an RFP. So we were
able to put that $5 million recently into very, very liquid and very low yielding instruments, presently. I would like to see us maybe diversify that portfolio so we get a better return. But presently, they're making 0.17 interest on $5 million, which is $8500 a year, which is a really, really poor return. But it's insured and it's invested. It's a starting point.

CHAIRMAN McCUSKER: Any questions for Bill?

Thank you very much.

MR. ALLEN: Thank you.

CHAIRMAN McCUSKER: Mark?

MR. COLLINS: Do you want to start with --

CHAIRMAN McCUSKER: In case we lose Jannie, let's start with the Thrifty Block.

MR. COLLINS: Well, as you all know, Thrifty Block was the subject of the Kromko lawsuit. Mr. Kromko is no longer part of that suit, but his name remains. We have been attempting to reach a development agreement with Mr. Bourn to resolve the remainder of the Kromko lawsuit. We have reached a tentative agreement with -- between the District and Mr. Bourn. It is still being reviewed by the City. Before any agreement can be finalized, both this Board needs to discuss it, Mr. Bourn's lenders need to approve it, and the City needs to approve it.

All of that said, the agreement where we have now
is advanced to a spot where I think we're real close to being able to resolve this and get a development going forward.

We've identified the project in the agreement, limited it to -- we can't have convenience stores and so forth, but the project must consist of 20,000 square feet of improvements. That 20,000 square feet is limited because there's only 21,000 square feet of buildable space on the property.

The current agreement requires Mr. Bourn to provide quarterly reports to this Board. And he can be required to come and report to this Board. There is a time period. We've given Mr. Bourn -- by the terms of this agreement, we've given his entities 24 months to pull a permit or get construction financing. If he's unable to do that, he can get another 12 months provided that he's been satisfying the reporting requirements.

If after 36 months he still hasn't been able to pull a permit or get construction financing, this Board has the right to give him an additional 12 months or reject it. And the determination is whether or not he's made reasonable progress. That's what the agreement says currently.

As you know or may remember, the Thrifty Block consisted of several storefronts, including the Indian Trading Post. The Indian Trading Post is subject to a
historical covenant. Under the terms of this agreement, the
ITP building, as its referred to, can be sold only if --
only if there's been a commitment of an expenditure of
$180,000 of improvement to that property. Otherwise, the
remainder of the Thrifty Block cannot be conveyed without
agreement of this Board.

Finally, if this agreement is signed, there will
be a complete dismissal of all claims in the Kromko lawsuit.
What that means for this Board is, as you may remember, in
the Kromko lawsuit there were cross-claims filed. And
Mr. Bourn claims a damage -- has a damage claim against the
Board of $4 million. If agreement gets signed, that is no
longer a claim.

So that's the status of the Thrifty Block
agreement. I'm hopeful that the Board can give me
instructions to proceed further with this and hopefully
bring back an agreement for you to consider in public
session next month.

CHAIRMAN McCUSKER: What action do you need from
us?

MR. COLLINS: I would need instruction to proceed.

I need motion and second and passing instruction to proceed
with the finalization of the Thrifty Block development
agreement consistent with that I've just outlined.

CHAIRMAN McCUSKER: Anybody want to make that
motion?

MR. SHEAFE: So moved.

MS. COX: Second.

CHAIRMAN McCUSKER: All in favor, say aye.

(Ayes.)

(The Board voted and the motion was carried.)

CHAIRMAN McCUSKER: Okay. You're on a roll.

MR. COLLINS: The Garfield/Traub. Sean Brearcliffe is here to answer any questions that you might have. But the short version of the Garfield/Traub is that it remains in disclosure and discovery. And there's really not much else to report on it at this point, unless you've got any questions.

Okay. The Arena Lot.

CHAIRMAN McCUSKER: Sean, thank you very much.

MR. COLLINS: As you guys will recall, the settlement agreement provided that the City would disclose to us all known claims against the arena site. That happened on the 8th of March. We have 45 days in which to agree to -- or decide do we take the property, or do we leave it with the City.

If we leave it with the City, the City gets to do with it as it chooses. If it ever sells it, we get paid roughly $900,000. It could happen tomorrow; that could
happen never.

> If we take the property, we have to take it subject to the various claims that exist. We have a preliminary title report which shows most all of the recorded documents, presumably all of them. In addition, there have been environmental reports. The most recent environmental reports indicate that -- whatever hazardous waste or environmental issues are benign. What has needed to be remediated has been remediated.

> Those are reports that extend from 2008 to 2009. So it doesn't appear to me that there's anything really to be concerned about with the environmental aspect of this. Most of that focused on the Pioneer Paint and Varnish site that was on this property.

> There's been an archaeological study. No significant cultural resources have been found. That, of course, allows for easier development. The property is currently zoned -- kind of a mix of zoning -- I1, for industrial use, C3 for commercial use, and there's some of it that's R2 as well.

> As you will recall from previous meetings, this property is also subject to a plat that was recorded in 2003 and amended in 2005.

> You are at a deadline. The 45 days is next Monday.
CHAIRMAN McCUSKER: Talking about the Greyhound lease.

MR. COLLINS: Thank you. The Greyhound lease. As you may remember, there is a lease on the property to Greyhound for a temporary site. If we take -- if the District takes title to the property, the District takes it subject to that lease; however, with one year's notice, the District can require the relocation. The City has the obligation to relocate the Greyhound. But after we have a plat and give the -- Greyhound one year's notice, they can -- they will leave, and the City will take care of the expense of moving them.

Did that answer your question?

CHAIRMAN McCUSKER: Yes.

MR. COLLINS: So the deadline is next week. I have an agreement confirmed in writing that it could be extended -- it, the deadline, could be extended until after the next meeting. It's really up to you folks as to what you want to do. Do you want to proceed forward with it?

If you decide to proceed forward with taking title, recall, if you will, that the settlement agreement says that closing will not -- does not have to occur for 120 days.

One more thing that didn't show up on the title report -- because it wouldn't -- and that is the notice of
claim that Peach Properties has made against the City. That
notice of claim is a wild card, if you will, if you choose
to take title to the property.

CHAIRMAN McCUSKER: We would take title subject to
that claim and any other.

MR. COLLINS: I -- yes.

CHAIRMAN McCUSKER: Is that the only kind of
disruptive thing that's on that property, no mechanics liens
or back taxes, or...

MR. COLLINS: We -- there may be 2012, but there's
nothing -- there's no tax certificates out, no indiction of
tax certificates being sold. Recall that this is property
that's owned by the City, so it doesn't get taxed a lot.
But no, there are none.

MR. SHEAFE: Mr. Chairman, could I offer a motion?

CHAIRMAN McCUSKER: Please.

MR. SHEAFE: I have had a chance go through the
title report in brief. And the absence of an environmental
problem and the absence with the Phase 1 clearance and
archaeological clearance is a strong motivation for me.
This is a key property for Rio Nuevo.

I would move that we conditionally approve
acceptance of the Arena property, subject to our approval of
an ALTA title policy that we need to have ordered right away
so that we can have this information and make a decision at
the next meeting to confirm our position. And then we will
close subsequently. And during that time, we will look at
whatever the ALTA policy shows us, in addition to finding
out if there's any unusual complication related to the
notice of claim by Peach Properties.

CHAIRMAN McCUSKER: That's a motion. We need a
second.

MR. MOORE: I'll second it.

CHAIRMAN McCUSKER: Any further conversation? The
motion is to accept the Arena Lot subject to an ALTA survey,
and we would close subsequently to that after reviewing that
at the next meeting.

MR. COLLINS: As I understand the motion,
Mr. Chairman and Mr. Sheafe, you're saying you'll take title
subject to your approval of whatever the ALTA survey shows?

CHAIRMAN McCUSKER: Does that mean we need to take
their extension or -- because we could still reject it.

MR. COLLINS: I will talk to the City of Tucson,
Mr. Rankin, and confirm that that's acceptable to him. He
has advised me that we could have additional time, till
after the next meeting. I'll just confirm with Mr. Rankin
that's that satisfactory. I don't see this as being a
problem, in other words.

MR. RITCHIE: Do I have to -- shall I recuse
myself from this vote? My firm does business with Peach
Properties. I don't know if there's anything...

MR. COLLINS: I'm sorry?

MR. RITCHIE: I'm sorry. We do business with Peach Properties, so I don't know if this -- we don't know what they're going to do.

MR. COLLINS: Okay.

MR. RITCHIE: I don't personally deal with them.

MR. COLLINS: We've still got a quorum.

CHAIRMAN McCUSKER: They're a client of the firm?

MR. RITCHIE: They're a client of our firm.

MR. COLLINS: Okay. So you stay out of it.

Sorry, Cody.

MR. RITCHIE: That's okay.

MR. COLLINS: I still got a quorum, so...

CHAIRMAN McCUSKER: Okay. We have a motion to approve the acceptance of the Arena Lot subject to the ALTA property.

All in favor, say aye.

(Ayes.)

(The Board voted and the motion carried.)

CHAIRMAN McCUSKER: And note that Cody was recused.

Okay. One final item. I think you can kind of take this home with you and read it.
(Ms. Cox excused herself from the proceedings.)

CHAIRMAN McCUSKER: Anybody else that wants to give us any input from the public, we'd be happy to have that.

As part of the Crowe Horwath recommendations in 2010, it was requested that the Rio Nuevo District have a capital plan, that is what are our intentions with our capital. That's not existed for the last three years.

I'm going come back to you in a moment.

MR. COLLINS: Okay. Thanks.

CHAIRMAN McCUSKER: Now, this is my draft subject to any comments that you would like to make now or later.

We have a limited amount of money. We've talked publicly about our priorities as it relates to arena, the hotel, the West Side. And when you get through that, we're kind of out of money. So the capital plan is limited, to a large extent, by the reality of the capital.

But please take that home. And I would like to have this done by the next meeting so that when the Auditor General shows back up, we're in compliance with that.

And then, the final item, which we can probably not act on, Southwest Gas has requested an easement in the Rialto Theatre. And you need some objective. You need a couple more people here.
MR. COLLINS: Just by way of summary, we don't want any discussions because Mr. Sheafe and you, Mr. Chairman, are conflicted out.

Southwest Gas has requested an easement over the open parcel -- open southern parcel of theater property. The purpose of the easement is to provide gas to the rest of the Rialto project. It is over an existing electrical easement. It requires Southwest Gas to do it and return the property to its current state.

The original request was a much broader easement. I've narrowed it down. It is, in my judgment, very benign and very helpful to the remainder of -- to the Rialto Block. But because of the number of people here, we don't have --

CHAIRMAN McCUSKER: Will you send that around?

MR. COLLINS: I will.

CHAIRMAN McCUSKER: Will you send a memo and exclude Chris and I?

MR. COLLINS: I will do that.

CHAIRMAN McCUSKER: All right.

And I think, unless the Board has something pressing, we have one request from the audience. Roger, thank you very much. Thanks for hanging in there.

ATTENDEE: Thank you.

Fletcher and the Board --
CHAIRMAN McCUSKER: State your name.

ATTENDEE: Oh, sorry. Roger Pfeiffer. I'm cochair of Friends of Tucson's Birthplace. I just want to commend the Board on approving a survey for the West Side properties. I think that's -- prior to any master planning and what's going happen there, I think that's very appropriate.

Survey of literature, I think, would also be important. We've been reading landfill reports, etc., from 1995 on so -- 1991 on. So there's a lot of documents as Mr. Sheafe has said.

The one thing I'd like to have you consider to add to that study would be watershed management. I think the water coming off of "A" Mountain presents both challenges and opportunities, particularly for a garden.

So I'd like to make sure that -- that those issues, not only as they affect the landfill, but as they affect all those properties, probably including by Augustine too. That's pretty important to those residents.

So thank you very much.

CHAIRMAN McCUSKER: Thank you.

Jerry, do you want to slip in a comment card? Are you good?

All right. I'll entertain a motion to adjourn.

CHRIS SHEAFE: So moved.
MR. MOORE: Second.

CHAIRMAN McCUSKER: All in favor, say aye.

   (Ayes.)

   (The Board voted and the motion carried.)

CHAIRMAN McCUSKER: Thank you very much, everyone.

See you in May.

   (Meeting concluded at 3:51 p.m.)
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