BOARD MEETING

Tucson, Arizona

June 20, 2017

1:00 p.m.

REPORTED BY:

John Fahrenwald, RPR

Certified Reporter No. 50901

KATHY FINK & ASSOCIATES

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APPEARANCES:

BOARD MEMBERS:

Fletcher McCusker, Chair
Chris Sheafe, Treasurer
Mark Irvin, Secretary
Jannie Cox
Edmund Marquez
Jeffrey Hill

ALSO PRESENT:

Mark Collins, Board Counsel
Brandi Haga-Blackman, Operations Administrator

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BE IT REMEMBERED that the meeting of the Board of Directors of the Rio Nuevo Multipurpose Facilities District was held at the Arizona State Building, in the City of Tucson, State of Arizona, before JOHN FAHRENWALD, RPR, Certified Reporter No. 50901, on the 20th day of June, 2017, commencing at the hour of 1:00 p.m.
CHAIRMAN McCUSKER: We'll.

Call the meeting to order.

Good sunny afternoon, everyone. 123, my car said on the way in.

MR. COLLINS: Oh, 123 degrees?

MR. IRVIN: I looked yesterday and saw 117 and thought, that's enough to me.

CHAIRMAN McCUSKER: They shut Sky Harbor down.

(Pledge was recited.)

CHAIRMAN McCUSKER: Did you want to say something, Mr. Collins?

MR. COLLINS: Do you want to call the roll?

CHAIRMAN McCUSKER: Do you want to run the meeting?

MR. COLLINS: No.

CHAIRMAN McCUSKER: No, the pledge is always first because we are honoring God and our country. Am I making this up? Pledge first, and then roll call.

Brandi, call the roll, please.

MS. HAGA-BLACKMAN: Did you want to call Jannie?

CHAIRMAN McCUSKER: She will be on the phone after exec, so for the moment she's busy.
MR. COLLINS: : We've got a quorum.

MS. HAGA-BLACKMAN: Edmund Marquez?

MR. MARQUEZ: Here.

MS. HAGA-BLACKMAN: Fletcher McCusker?

CHAIRMAN McCUSKER: Here.

MS. HAGA-BLACKMAN: Mark Irvin?

MR. IRVIN: Here.

MS. HAGA-BLACKMAN: Jeff Hill?

MR. HILL: Here.

CHAIRMAN McCUSKER: And I believe Mr. Sheafe is in-bound.

We do have a quorum, so we'll get started.

You have the May 20th transcription; it's a verbatim transcription. Any comments, questions or changes?

MR. MARQUEZ: I move to approve.

MR. IRVIN: Second.

CHAIRMAN McCUSKER: All in favor say, "aye."

(Ayes.)

CHAIRMAN McCUSKER: We set a time for our Executive Session. I would need a motion to recess.

MR. MARQUEZ: So moved.

THE WITNESS: Second.

CHAIRMAN McCUSKER: We do have a few other items, but probably a short exec, wouldn't you say, Mark?

Thirty minutes or less?
MR. COLLINS: Yes, sir.

CHAIRMAN McCUSKER: So we'll try to be back in 30 minutes.

(The Board recessed for Executive Session at 1:02 p.m.)

CHAIRMAN McCUSKER: We need a motion to reconvene.

MR. IRVIN: So moved.

MR. MARQUEZ: Second.

CHAIRMAN McCUSKER: All in favor say "aye."

(Ayes.)

CHAIRMAN McCUSKER: Thanks for your patience. We were pretty close.

As I mentioned right before the Executive Session, this is the one day a year we set aside to go through our annual budget. It's actually a separate hearing, and I'll convene that here shortly. If anyone would like to make a comment specifically to our budget, our financial wherewithal or financial management, you can do that as part of the budget presentation. And we'll take calls to the audience before we take action on the budget. And you will also have an opportunity if you want to say something to the whole Board at the end of the meeting, call to the audience.

When talking about the budget, I think it's
just really impressive, certainly over the last few years, the discipline that this Board, particularly with Dan's help, has brought to the financial management of Rio Nuevo. Just a faded memory now, but this was an incredibly chaotic organization.

Its money was impossible to trace and impossible to track. The audits were never completed, and when they were completed, they were qualified. We're in our fifth year now of managing the unqualified audits, great performance audit results. And not only have we had a balanced budget year in, but we've actually had a profitable budget year in year out.

This budget's going to be a little interesting because of the Caterpillar pieces of that. I think everyone tracking us knows we will spend somewhere about $5 million just prepping the Caterpillar site, and that's coming straight out of our operating expense.

So Dan let's do the routine financial report item first and then I'll convene the budget hearing.

MR. MEYERS: Dan Meyer, CFO of Rio Nuevo. As of May 31st, we had about $11.6 million in funds available for investment.

Now, we had commitments after making some pretty good-sized payments in May of the remaining 10.3 million. So right there we've got a surplus there of 1.2, and that's
really without even considering income coming up from the
revenues following the next few years.

One thing I need to add to that is we've got a payment coming in here any day for TIF revenue for March. It's going to be about 1,060,000. And that all goes -- a hundred percent of that goes into our funds for use, because all of our reserves have been set aside to make our bond payments in July.

Other than that, we really didn't spend a ton of money on projects in May, other than the incentive to get Caterpillar here.

So anybody have questions on this particular worksheet.

MR. HILL: The first page doesn't have any headings. Are they the same as the third page?

MR. MEYERS: Yeah, they are. I think I flipped the pages.

MR. HILL: Mr. Chairman, so the budget shows us --

CHAIRMAN McCUSKER: We're going to move into the budget next. Right now he's just going through the cash at hand and then --

MR. HILL: Okay.

CHAIRMAN McCUSKER: Any questions on our current financial status, Mr. Marquez?
MR. MARQUEZ: On your notes, number 4, the $96,000 in restriction funds for the hockey capital costs. Is that our half of the facility fee that's put aside by TCC?

MR. MEYERS: Right, we get half that. We can use -- for operations; it has to be set aside. We've not got it in a separate account yet, but we're in the process of doing so.

MR. MARQUEZ: So the money set aside, do we decide how they're spent with TCC or is that SMG and the City?

MR. MEYERS: I believe that comes from SMG and the City.

CHAIRMAN McCUSKER: We just square up the money, right? Oh, it goes to maintenance, yeah.

MR. MEYERS: Okay.

CHAIRMAN McCUSKER: I did see a note from the City, I think, two weeks ago that hockey contributed over $450,000 to the City's general fund in its first season.

MR. MARQUEZ: Awesome.

CHAIRMAN McCUSKER: And if you're following that -- it's not gossip because it was the front page of the Phoenix newspaper, the entire office management of the Coyotes has been terminated.

Yeah, so welcome to big league sports, huh?
Those are all the people that we made the deal with.

Okay. Anybody have any questions for Dan?

So I will convene the budget hearing for the Rio Nuevo budget that ends June 30th, 2018.

Mr. Meyers, do we have anything out there for anybody that wants to follow along?

MR. HILL: Are we only on the budget hearing?

CHAIRMAN McCUSKER: Yes.

MR. HILL: Don't we have to take attendance?

CHAIRMAN McCUSKER: Probably so.

MR. HILL: We would need a recess.

CHAIRMAN McCUSKER: So I would need a motion to recess the regular meeting.

MR. IRVIN: So moved.

MR. MARQUEZ: Second.

CHAIRMAN McCUSKER: All in favor say "aye."

(Ayes.)

Then a motion to convene the budget hearing.

MR. IRVIN: So moved.

MR. HILL: Second.

CHAIRMAN McCUSKER: Brandi, I'm going to have you call the roll for the budget hearing.

And let's see if we connect Jannie too.

MS. HAGA-BLACKMAN: Edmund Marquez?

MR. MARQUEZ: Here.
MS. HAGA-BLACKMAN: Chris Sheafe?
MR. SHEAFE: Here.
MS. HAGA-BLACKMAN: Fletcher McCusker?
CHAIRMAN McCUSKER: Here.
MS. HAGA-BLACKMAN: Mark Irvin?
MR. IRVIN: Here.
MS. HAGA-BLACKMAN: Jeff Hill?
MR. HILL: Here.
MR. COLLINS: Do you have her number?
(Calling Ms. Cox on telephone.)
MS. COX: This is Jannie.
CHAIRMAN McCUSKER: We've convened the budget hearing.
MS. COX: Okay.
CHAIRMAN McCUSKER: We'll try to get through it pretty quickly. Dan has the floor. And acknowledge that you're here and present.
So Brandi, call her name.
MS. HAGA-BLACKMAN: Jannie Cox.
CHAIRMAN McCUSKER: Say "here by phone."
Jannie?
MS. COX: I'm here, yes.
CHAIRMAN McCUSKER: There you go.
MS. COX: But I will admit that we're going through an area where I could lose connection. My
apologies.

CHAIRMAN McCUSKER: All right.

MR. SHEAFE: You might want to pull over.

MS. COX: Actually, I don't.

CHAIRMAN McCUSKER: Mr. Hill, are we good to go?

MR. MEYERS: I thought we'd kind of go through this fairly quickly and then you can come back with questions if you so desire.

So the first case is -- that Mr. Hill pointed out -- it won't have the headings up there. The first column is through May, the second column is estimated June and the third column is year to date projected for 2017, this fiscal year.

So we've left the projected TIF revenue flat. Hopefully that goes up. But I think in this conservative manner, we've decided we left it at $10 million a month.

And we've got a few different sources for interest income, the most of it being the trust accounts at Zion that holds the funds that go to pay the bonds. We've got the Road Runner surcharge, which I've left pretty much the same as last year. And then throughout this year, we've been paying out of our operating costs some Caterpillar items.

And when the financing comes through, we're going to
get that reimbursed to us, the $43 million. So hoping that will happen this year.

We've purchased the 236 Scott property for Peach Properties and Dabdoub, and I believe we're going to be getting that back because of the -- the new agreement we have with them.

We have a small parking income from U.S. Parking. The TCC arena, we get paid that from the City of Tucson. That money goes directly to pay the costs from the City of Tucson.

And then we get $76,000 a year for the Greyhound lease.

So that pretty much summarizes the income.

Anybody have questions on income?

CHAIRMAN McCUSKER: Dan, I think we would be curious to know how sales tax is trending. You know, it just -- we've kind of stayed at a million dollars a month for as long as I can remember. That seems to be generally what we collect.

With all the activity that we're seeing, I would think that sales tax would be up. Is there any way for us to sit down with maybe ADOR and look over all trends and compare them year over year.

MR. MEYERS: We're able to track that now. We've got that database that's really given us a lot better information.
This is a crazy thing, because companies will go months without paying, and all of a sudden, we'll get a bunch of money in 4, 5, 6, sometimes a year full of taxes.

CHAIRMAN McCUSKER: So this is cash, so we don't accrue anything. This is the cash we receive from the State?

MR. MEYERS: I accrue a million dollars a month and then adjust it as we get the actual number, which happens three months after. So the numbers bounce all over the place. And Brandi and I do a pretty good job of looking at these numbers and we follow up with the City of Tucson and have them investigate. It's just kind of the way the numbers level out at for the past year. Now, we bumped that up, I believe, from 825 to a million.

CHAIRMAN McCUSKER: To follow that, this year they brought this up based upon -- they're saying in their own sales tax projections that -- I just have to believe that it would be up 10 percent or 20 percent. Maybe we can just look at a trend or something.

MR. COLLINS: Mr. Chairman, we've lost Ms. Cox.

CHAIRMAN McCUSKER: Okay.

MR. COLLINS: She's just texted Brandi to see if you can try again.

CHAIRMAN McCUSKER: Write that number down
and hand it to me. I'm going to give her a couple of shots at this.

Mr. Sheafe: It's important that you look at the numbers here and recognize there's a difference between revenue and income.

Mr. Meyers: Right. This is pretty much a cash basis.

Mr. Sheafe: Cash in. Some of it is obligated.

(Redialing to connect with Ms. Cox.)

Chairman McCusker: I'm going to leave her a message.

We'll try again, but we can't keep doing this.

Go ahead, Dan.

Mr. Hill: We mentioned JLVC. I sat on that 6 or 8 years. They do a pretty good job of monthly forecast of what the chairman was talking about relating to an increase or decrease based on whatever economic factors they involve from all these sources.

I guess what I wouldn't want -- and I don't know if you would like. Would they be able to break that down by county? In other words, would their total -- say, they figure on 7.6 percent growth of sales tax for the state.

Would they have a county by county component which would be made available to you so that you can then use their vast
resources, which we don't have, to perhaps come up with a number that reflects this higher incidents of sales tax to the growth of hopefully our economy and the Rio Nuevo area.

MR. MEYERS: It's certainly something I can look into. I mean, one of the complicated things here in this whole process is the fact that all of sudden, some people may just forget to put the 3 letter code in there.

So, we see that a lot, and then we have to chase these people down and ask them to amend their returns so we get the money back. So I think your idea is a good one.

CHAIRMAN McCUSKER: To your point, Mr. Hill, for this current budget, we're in the line item -- that governor's line item at 13 million, and that was the JLVC recommendation. So we actually do have a Rio Nuevo line item and they estimate however they estimate. And this year it's 13 million.

So they have us in the State budget about a million dollars more than we're budgeting. And I think it's fine that we continue to budget conservatively. But I think we'd be interested in knowing how they got to that number. So we'll talk to our appointors and maybe get you hooked up with the JLVC staff and see how they calculate and forecast this.

Any questions on revenue, Mr. Marquez?

MR. MARQUEZ: Yes. So I show a budgeted
refund of 236 South Scott purchase, and I don't see it year
to date. Can you remind me?

MR. MEYERS: Well, this is income. We didn't
have any income.

MR. MARQUEZ: So this is just simply budgeted
for next year? Nothing last year?

MR. MEYERS: Yeah, we paid it last -- in this
current fiscal year --

CHAIRMAN McCUSKER: This is the original
Dabdoub deal that we actually closed on, and then they
wanted us to replace that with the tax abatement. So we're
going to get that 800 grand back.

MR. MARQUEZ: Okay.

MR. MEYERS: Let's flip a couple of pages and
go to the expenses. So the first page or so are pretty much
the recurring operating cost for the office and professional
fees and consultants and all that good stuff. You know, the
first thing, we got a PR budget of $290,000 which is very,
very close to last year.

We've got the TCC rebates on there that is kind of a
wild guess, but thinking somewhere in the $60,000 range, and
then the Arizona Bowl.

(reconnection with Ms. Cox by telephone.)

MS. COX: This is Jannie.

CHAIRMAN McCUSKER: You're live. And we just
started talking about the marketing budget. So Dan, let me interrupt you. We may lose you again, Jannie. Dan just mentioned that the marketing budget is the same as last year's marketing budget.

Jannie, did you want to make a few comments about the marketing PR?

MS. COX: Yeah. You will note that we did not expend all of the dollars last year. But the major reason for that is that we have a three-year pledge to the mayor's bike share program. That was delayed and is now rescheduled. And the first invoice will come out probably in September. So that's why we show that we didn't expend the marketing dollars and why we still need to budget for the full 209 this year.

CHAIRMAN McCUSKER: Thank you. Go ahead, Dan.

We've went through expense side, Jannie. We went through revenue. And the only question we had was to get through the State. They show us at a little higher revenue than we're budgeting. So we'd just like the benefit of their thinking. But we're not going to change our revenue forecast. And the marketing budget was the first item in the expense column.

Go ahead, Dan.

MR. MEYERS: So we talked about the Arizona
Bowl $400,000.

Just kind of going down the rest of the page, everything is very similar for what we think we saw in 2017. The budget is going to be very close to that.

The one thing that obviously we're hoping for a huge decrease is in the legal fees. Obviously, the Caterpillar, the financing, there are lots of things that occupied our lawyers' time. We're hoping that drops from about a million dollars showing --

MS. COX: Excuse me. Dan, can you speak more directly into the microphone, please?

MR. MEYERS: Sure can, Jannie. So we're hoping that the legal fees decrease. And I'm not putting Mr. Collins' feet to the fire, but he said he'd do his best to try to keep that down.

Any questions on that first page of expenses?

MR. HILL: Dan, when you mentioned the legal fees, what was budgeted for 2017? Because I'm assuming that 1,041,003 bucks is projected actual expense, right?

MR. MEYERS: Correct.

MR. HILL: So what was budgeted for legal expenses?

MR. MEYERS: I'm thinking it was around 400,000.

MR. HILL: So it's 600,000 and change over
CHAIRMAN McCUSKER: I think that's almost probably all related to Caterpillar?

MR. HILL: Caterpillar, because we didn't know about Caterpillar for that budget here, right?

CHAIRMAN McCUSKER: I think it was 600 -- my recollection is it was 600 last year. And we're probably all over budget, Jeff, because of Caterpillar.

MR. COLLINS: To the extent that I can, may -- I'll speak to that. Caterpillar has been arduous, but we're making progress.

CHAIRMAN McCUSKER: Mr. Sheafe, you still personally review all the legal bills?

MR. SHEAFE: Yeah. And I understand every ounce of those.

MR. HILL: Mr. Chairman, I'm not, I guess, bickering or speculating over the amount, I'm just trying to get an understanding of, you know, where you got your number. And I think I may.

(Cell phone interruption).

I just want to make -- I think made the request last year. If we had the budget for the 2017 year as a column, some of this would be more evident to us, particularly on the legal fees, where we see that 600,000 and then where you-budgeted this year for the 600,000. And
that's how JLBC does it. So I think as a creature of habit
--

MR. SHEAFE: Well, most budgets you have are
comparative, and we may end up with that. But I think Jeff
you're making a very good point.

But one thing we might just add here -- and
this is for general thinking, and that is that we take on
some of these projects. And frankly the legal bill process
is one that's a pretty good value for us when you look at it
at the end of the day. But we're not always aware of how
much we're going to be spending on the legal side in order
to put the deal together, and that really never gets into
the cue.

And I think as we mature and go forward in
some of the projects that come to us, we may want to look at
that and make sure that we're paying attention to whatever
the legal obligation is that we're taking on. Because, you
know, as we use our legal resource -- and that actually is
quite expensive than some of the smaller deals -- we run up
some pretty good bills.

MR. HILL: Mr. Chairman, I'm not having a
quibble with that. I understand that. But what I was
trying to figure out was the thought process as we budgeted
600,000 in the 2017 budget, and then as we get the expense
of Caterpillar, can we then assume that it was roughly a
$400,000 boost that gets us to the projected actual expense of the 1,000,041, thus you're putting in 600,000 for the 2018 budget is perhaps a reflection of what you would thought the 2017 without Caterpillar. And I think that maybe makes the public -- anybody looking at that, they can make that assessment to where that comes from, rather than perhaps pulling it out of the air.

CHAIRMAN McCUSKER: Brandi, you can pull up our budget. It's online. Will you pull up last year's?

MS. HAGA-BLACKMAN: There is not an internet service.

CHAIRMAN McCUSKER: No internet?

MS. HAGA-BLACKMAN: No.

CHAIRMAN McCUSKER: Consider it a recommendation that the first column is prior year budget, prior year actual, then forecast.

Mr. Irvin.

MR. IRVIN: Just chiming on with what Jeff said, I think in our last board meeting or the meeting before that, we talked about some of these new structures, trying to find a way to say that the people that were benefiting from those that we expect you to start paying those fees. So I know we're still working through that piece, and obviously it will be on a case-by-case basis. But probably something for us to be mindful of as a board to
look at those to ensure that we have those parties that are
benefiting pay those costs.

MR. MEYERS: If we wanted to, we could sit
down and break those bills out by matter and we can really
see what we spent on each particular matter.

CHAIRMAN McCUSKER: Mr. Marquez.

MR. MARQUEZ: I have two questions. First is
actually probably one of the smallest expenses on there, but
I'm just curious. I see $845 for business meals. As far as
I know, we don't expense those. Is that when we have
legislators visiting or touring downtown, or what's that
from?

MR. MEYERS: Yeah, I think I may have taken a
couple of people out for some small lunches, and I think
Randy, too, and Michele maybe a couple as well. I believe
that is for visits of legislators, but I'm not certain on
that. I can check on that for you.

MR. MARQUEZ: I see a -- just from Allstate.
I'm looking at $40,000 for D and O insurance. That seems
really, really expensive unless we're carrying a hundred
million in liability or something.

CHAIRMAN McCUSKER: It's 20, I believe. We
always shop it.

MR. MARQUEZ: We're carrying 20 million in
CHAIRMAN McCUSKER: I think so.

MR. MEYERS: Brandi, do you remember what that was? We shopped this thing around.

MR. MARQUEZ: If we could shop again. I mean, the average that I see out there is a one million to $2 million aggregate, and they are paying 500 bucks a year. I'm just kind of blown away by the $40,000 figure. We can shop it. Obviously, not with my agency, but I'm happy to help with the shopping of that policy.

MR. IRVIN: I also wonder if, Dan -- I know when we first placed that policy was really in our infancy when we didn't have a lot of track record and history. And I just wonder now in the passage of time if we shouldn't revisit that situation and see -- you know, given where we are now versus then if that's a number that could come down, I don't know.

MR. MEYERS: Well, I had a lengthy conversation with our agent on this, as you well know, and I tried to get that number as low as we can. But I'd be happy to shop it around.

CHAIRMAN McCUSKER: So the last year's legal budget was $415,000. And last year's insurance was 48,000, and as it was in '15. So we've kept that level of insurance, Edmund, for the last three years.

MR. MARQUEZ: I'm happy to help with the
CHAIRMAN McCUSKER: I'll keep this open for comparative.

Mr. Hill.

MR. HILL: Dan, I just read your footnote. And it said 400,000 for Caterpillar, so, if I've read that far at that point. But I was trying to relate the actual numbers. And again, I guess, trying to make my point for the recommendation if we had that budgeted next to it and then a footnote to the 400, we had a better understanding where you got the 600,000. And I think that's very reasonable. And I hope that's what we get. But I think it makes some sense so that the public has the ability to do the same thing, because there's somebody out there who's turning these pages and looking for something hidden where they would want to --

MR. MEYERS: Well, it's a big enough number that I could have broken it down into the top 5 items or something.

MR. HILL: That's just my fear that the less we display, the more somebody makes up stuff. And we had the headlines like I was relaying last to you that we don't need and we don't want to give anybody an opportunity to think we're trying to hide it with smoke and mirrors, et cetera.
CHAIRMAN McCUSKER: Okay.

MR. HILL: Thank you, Dan. I appreciate it.

MR. MEYERS: The audit will be getting

started towards the end of July. I think we got that

budgeted for 26 again.

No performance audit this year, so there's nothing

there. And we've got that ongoing forensic audit and they

kind of work on it when they get around to it and we get

bills every now and then.

The rest of the items there, the project for

public spaces, that's what is remaining of a $75,000

contractor that was approved.

CHAIRMAN McCUSKER: That's for the Sunshine

Mile?

MR. MEYERS: Right.

And then there's the staffing numbers.

And the next big number is the bid tax, which pretty

much stays the same.

So that's the list of all the operating

expenses we incurred in the budget for 2018.

Any more questions on those?

MR. SHEAFE: The one question I have -- and I

think you covered a little bit in the note. The biggest

item that we're going to face is the cost that may come from

the settlement with Caterpillar. And I don't see that in
CHAIRMAN McCUSKER: He's about to come to it.

He's just gone through operating expenses, and now he's to go down and start seeing project expenses. We've done nothing except budget our side of the Caterpillar expenses.

TREASURER SHEAFE: Right.

MR. MEYERS: So the next list are things we do not own -- on the last page -- but we've got some commitments on. We expect to either take place in the next fiscal year, a little bit of money left over from Mission Gardens. The Nor-Gen watershed, 855,000. Just paid 700 for the Streetscapes. That's moving out, that is all going to happen this next fiscal year, and then the million dollars we've committed for Cathedral Square.

CHAIRMAN McCUSKER: Let's change that category to Ochoa Street Improvements.

MR. MEYERS: Okay. Then there's the two ground leases should we decide to exercise those options.

Next page we've got some bills and a date for the completion of the TCC from Concord.

I didn't see that who those were, but it's somewhere between 15 and a hundred thousand dollars.

CHAIRMAN McCUSKER: There's your big number, Chris. That's your 4.9 for Caterpillar?

MR. SHEAFE: That's what we know now,
correct?

CHAIRMAN McCUSKER: Yes. This should be all our commitment. Everything else is in the financing.

MR. MARQUEZ: The TCC you're mentioning, that's Concord. So we had 107,000 left, and they just sent us a bill.

MR. MEYERS: It's coming in a little bit under budget, I believe. And I don't recall what the heck that bill was. We got a final bill.

MR. MARQUEZ: So that's the final. Let's just call it -- it's 107,000. What's the normal play after that? Does the 7,000 flow back into our general fund, or what happens?

MR. MEYERS: Yes.

MR. MARQUEZ: Okay. So you go from earmarked dollars to general fund dollars?

MR. MEYERS: Correct.

CHAIRMAN McCUSKER: Unless we spend it -- it would have to go to that project. So it's contingency money for that specific project. So we could go back in and say do we want to paint something or place something or fix something. It's contingency dollars. If we don't do that, it's going to come back into the general fund.

MR. MEYERS: I went through these numbers carefully with Elaine and Concord a few months ago, and we
all agreed on it. So if there's anything left over, I guess
we decide what we want to do with it.

CHAIRMAN McCUSKER: We might do that, and
then once they're done, see if there's anything we would
want to redo and pledge that money to it.

Mr. Hill.

MR. HILL: Dan, we talked about the
Caterpillar financing, we don't know what it is. But,
Caterpillar findings with a question mark, I wasn't keen on
that way you're presenting it. You do have a footnote on
that. So wouldn't it be more appropriate to put, you know,
see notes below, like you did with the other ones?

MR. MEYERS: Sure, I can do that.

MR. HILL: That's the kind of stuff the nut
jobs jump on. They don't have an idea what the Caterpillar
financing is and they can go on and on. As much as we can
avoid that type of folderol coming down on this, I'd
appreciate it.

CHAIRMAN McCUSKER: Wait. The way to do
that, Dan, would be to number those footnotes and actually
do it like you presented it in an audit.

MR. HILL: Okay.

CHAIRMAN McCUSKER: So you got footnote 1,
footnote 2 . . .

MR. HILL: That would be great, Mr. Chairman,
I think so for clarity.

MR. MEYERS: Okay. And now we've got the debt service below that.

The COPS Greyhound and the 2016 refunding bonds, interest and principal.

So I'm showing total expenses, project cost debt service at 18.5 million.

Go back to the revenue page.

I guess the sources of cash --

CHAIRMAN McCUSKER: Yeah, $3 million deficit roughly. But the 4-9 of that, Mr. Sheafe, is Caterpillar.

So without the $5 million that we're spending on Caterpillar, we wouldn't have -- you know, not only a balance but a profit. And that $3 million -- you go back to the prebudget presentation -- is coming out of our 12 million and a half --

MR. MEYERS: And I think one item on the notes that, you know, could be significant is what the out-of-pocket costs for the financing. I mean, sometimes all the closing costs get included, sometimes they don't. So based upon the final resolution of the financing for Caterpillar, that's going to be a number that may have to go in there.

CHAIRMAN McCUSKER: The current proposals contemplate the deal cost, and to a large extent
capitalization interest being funded as part of our -- so
Dan's right, we really won't know until we have a final deal
how those costs are presented. We will all have to come
back to the board. So there's really no way today to budget
for this. This is due to the State next week.

MR. MEYERS: Next week. And I've got to put
these numbers and put into the State's format. What I'd
like to do is take this and modify it as we spoke about
today then, put it into the State's format, which you guys
look at it one more time and then get --

CHAIRMAN McCUSKER: Other than formatting
recommendations in the prior year budget first, numbered
footnotes that further explain line items that move, I
didn't hear any specific budgetary requests or conversation.

MR. HILL: Mr. Chairman, I guess one issue.
Also, the total revenues 15.7 million and the expenses are
18.5. It's about 2.8 deference. Do you have to explain
that? Or we could send in a budget that is outspending our
revenue and that's okay with the State?

MR. MEYERS: No. I think I've got to show
why that deficit.

CHAIRMAN McCUSKER: That might be your last
footnote, is that deficit is covered from cash on hand and
is due almost entirely to the Caterpillar project.

MR. MEYERS: Right. We've been accumulating
this money, I mean.

CHAIRMAN McCUSKER: All they're got to do is put it up on the website. We never hear anything from the State. The JLVC will look at it at the beginning of the session. But I think Jeff's right, it's prudent for us to explain as much -- it's a very unusual budget, and we normally don't budget a $3 million deficit, and we wouldn't except for Caterpillar. So I think that's a nice footnote.

MR. HILL: Mr. Chairman, I think that comment is certainly appropriate. But I think Dan's problem with it is a problem, if you would. Budget's typically in a private company are interior; nobody sees them. But we are cursed with having to show them to the public. And that's why I'm being a pain, perhaps, to make sure that the public understands it, particularly those of the public that don't like us, I guess.

MR. IRVIN: Who wouldn't like us?

MR. HILL: No idea, but they're out there.

MR. MEYERS: Any other questions or comments?

CHAIRMAN McCUSKER: The moral of that story is transparency. The more transparent we are and the more explanation we provide, there's nothing anybody can criticize.

MR. MEYERS: Well, we've been showing these monthly reports.
CHAIRMAN McCUSKER: Of course every check goes up on the website so people can certainly follow.

So I guess, then, our action, Mr. Collins, would be to approve the budget with the format changes that we've recommended, but to approve the dollar amounts that Dan's presented.

MR. COLLINS: As a budget?

CHAIRMAN McCUSKER: As next year's budget. Do we need a motion to that effect.

MR. IRVIN: We have to do that before or after you call --

CHAIRMAN McCUSKER: Well, I called the audience first. Brandi, did we get any calls?

MS. HAGA-BLACKMAN: We did not.

CHAIRMAN McCUSKER: Okay. We can dispense with that.

So, Mr. Irvin, make your motion. Was that Mr. Marquez?

MR. SHEAFE: That was me.

CHAIRMAN McCUSKER: Chris.

MR. SHEAFE: So I move that we approve the budget, and I need a second.

MR. IRVIN: Second.

MR. HILL: Mr. Chairman, with the footnotes.

CHAIRMAN McCUSKER: With the format changes.
MR. HILL: With the format changes.

CHAIRMAN McCUSKER: He's restated his motion to approve the budget with the requested format changes.

Mr. Irvin, you second it?

MR. IRVIN: I do.

CHAIRMAN McCUSKER: Brandi, will you call the roll?

MS. HAGA-BLACKMAN: Edmund Marquez?

MR. MARQUEZ: Aye.

MS. HAGA-BLACKMAN: Chris Sheafe?

MR. SHEAFE: Aye.

MS. HAGA-BLACKMAN: Mark Irvin?

MR. IRVIN: Aye.

MS. HAGA-BLACKMAN: Jeffrey Hill?

MR. HILL: Aye.

MS. HAGA-BLACKMAN: Jannie Cox?

CHAIRMAN McCUSKER: Jannie, are you still with us?

MS. COX: Aye.

CHAIRMAN McCUSKER: Thank you.

MS. HAGA-BLACKMAN: Fletcher McCusker?

CHAIRMAN McCUSKER: Aye.

(The Board voted and motion carries 6-1.)

So that carries unanimously. Thank you very much.

Jannie, do you want to hang on or do you want to --
MS. COX: Yes. We're in Flagstaff now, so I can hang on.

CHAIRMAN McCUSKER: Okay. We're going to the next agenda item, which is --

MR. IRVIN: Don't we have to adjourn.

CHAIRMAN McCUSKER: We have to make a motion to adjourn. Somebody make a motion to adjourn.

MR. IRVIN: So moved.

MR. MARQUEZ: Second.

CHAIRMAN McCUSKER: All in favor say "aye."

(Ayes.)

CHAIRMAN McCUSKER: Motion to reconvene.

MR. IRVIN: So moved.

MR. MARQUEZ: Second.

CHAIRMAN McCUSKER: All in favor say "aye."

(Ayes.)

CHAIRMAN McCUSKER: Thank god Jeff Hill is here.

MR. COLLINS: I was just going to say.

CHAIRMAN McCUSKER: All that time in legislature is not wasted.

MR. HILL: Apparently not. There are those who will say it was, but thank you, Mr. Chairman.

CHAIRMAN McCUSKER: Okay. Caterpillar.

This was obviously agendized to be a very simple and
straightforward conversation. As we learned with all things
Caterpillar, that, in fact, is not going to be the case.

We have not executed the lease, although we have
agreed, Mr. Collins, to all of the salient points, with the
exception being the financing of the $43 million.

You remember from the special meeting we had
a proposal that everyone seemed to like, that Caterpillar
had endorsed, that we had approved, and we were off to the
races to begin to actually document those bonds.

In the interim, the issue of Big Caterpillar's
guarantee has arisen and Caterpillar has reasserted
something that I've known forever is that Caterpillar will
not and cannot guarantee the bonds. Caterpillar's prepared
to guarantee the lease, but not the bonds themselves.

So that has caused us to renegotiate with the
financial institutions the terms of the lease revenue bonds.
So we are not prepared today to execute a lease because the
financing is still taking shape.

The challenge we have is now one of schedule and
$5 million.

If this goes on, we risk the March 19th occupancy date.

We cannot be assured how quickly -- I'm convinced that
we will finance this and I think we will reach terms with
Caterpillar, but it's obviously not as easy as any of us
anticipated. So it could take a couple of weeks. It could
take a month. Who knows?

It's my recommendation that we issue the Notice to Proceed. And here's why. In the worst-case scenario -- my mother used to make me imagine, okay, what's the worst that will happen? Well, we screwed this up so bad that we don't have Caterpillar and we spend $5 million.

What do we have? We have an 8-acre approved commercial lot that somebody's ready to build on. And I think it's worth the Rio Nuevo risk. We want to assure Caterpillar that we're still their partner and we'll figure the rest of this out.

But in the event something absurd happens, it's not like we're throwing money around. We still have an approved lot. I believe there will be all kinds of interest in that lot if Caterpillar changes their mind. I cannot fathom that happening, but I guess that's our risk.

So that's the layman's version, Mr. Collins.

Do you want to say anything?

MR. COLLINS: Well, Mr. Chairman, Members of the Board, as you've said, Mr. Chairman, this was addressed at the last special meeting, and this Board authorized the issuance of a Notice to Proceed, if you will, for the administrative portion and the on-site mobilization, but withheld its approval of issuing a final Notice to Proceed until we have a signed lease.
We don't have a signed lease yet. There's been an enormous amount of energy and effort since that time, and as late as this morning, we still were hung up on the nature of financing.

As the chairman indicated, there has to be an agreement between the District and Caterpillar on how this was financed because the cost of the financing is being passed through to Caterpillar.

On -- after the Board meeting -- after the Special Board meeting, Caterpillar agreed to the terms of the Raymond James proposal that provides for what are called variable rate demand bonds.

It's kind of a complicated structure, but it allows Caterpillar to enjoy the benefits of the low interest rate today and not have to worry about the rate going above 3 percent, because the proposal included that 3 percent interest rate cap for the first 10 years.

Caterpillar had that proposal. And on the 14th of this month, they advised me that they were fine with all of the edits and the status of that lease and that they were then going to run it up through the customary internal review.

During that review, they picked up a few nits and lice and cleaned up things, but there was one principal problem. They decided that they didn't like a portion of the Raymond James proposal. They wanted to remove some
language. They were afraid that the Raymond James proposal
would expose them to double-payment.

CHAIRMAN McCUSKER: This is Big Caterpillar.

MR. COLLINS: This is both. But Big Cat,
yes, you're right, it's driven by Big Caterpillar. To your
point of the guarantee, it's more nuanced than the
guarantee, but Big Cat didn't want to have to pay under the
lease and then also maybe have to pay under the bonds. That
was a potential interpretation of the Raymond James
proposal.

CHAIRMAN McCUSKER: Mr. Collins, is this
agendized for us to do anything --

MR. COLLINS: Yes.

CHAIRMAN McCUSKER: -- other than --

MR. COLLINS: Issue a Notice to Proceed or
take action.

Mr. Chairman, I'm trying to bring you up to
speed and everybody else up to speed. This has been the
development in the last 30 minutes made.

CHAIRMAN McCUSKER: Okay. Go ahead.

MR. COLLINS: So Caterpillar wanted a change.

They wanted to change some language in the Raymond James
proposal. With the assistance of Bill Davis and Tim
Stratton, we suggested modification so that there wouldn't
be a double-payment and there could be no means for a
double-payment.

As of the commencement of this meeting, Caterpillar had rejected that, by an email that I received from Christophe Dupont, which is the CFO, I believe, for Caterpillar.

CHAIRMAN McCUSKER: At the division.

MR. COLLINS: At the division level, right.

He has indicated to me -- he had provided me with language that I find acceptable and that my partner Tim Stratton finds acceptable. We don't have a signed lease yet. But consistent with the way this thing has gone, it's last-minute stuff. So . . .

CHAIRMAN McCUSKER: So that brings the baby and the bathwater back in, right?

MR. COLLINS: Right.

CHAIRMAN McCUSKER: So that puts the variable rate bonds back in play.

MR. COLLINS: It does.

CHAIRMAN McCUSKER: Everybody loved those.

The disagreement was over how Big Caterpillar exercised its liquidity guarantees.

MR. COLLINS: And I'll read their proposed language to you all.

CHAIRMAN McCUSKER: Wait. I think it's way too detailed. I think we just need to know that you basically have a meeting of minds, and we've instructed you
to do that, and we've authorized the executive officers to
sign it so long that it doesn't materially change.

In your view, is this is a material change?

MR. COLLINS: No. This is a huge step
forward.

I won't get into all the details how we got there, but
this is a huge step forward. You still don't have a signed
lease.

CHAIRMAN McCUSKER: We're a hundred miles
closer than we were 20 minutes ago.

MR. COLLINS: Yes, sir, actually about 120.

So, this is agendized for you folks to address what I
will call -- and Phil can correct me if I'm wrong -- the
final Notice to Proceed on GMP1, and 1A.

CHAIRMAN McCUSKER: Congratulations, then. I
mean, I'm relieved, because, you know, there's so many
people involved and so many lawyers. And then you have
Little Caterpillar and Big Caterpillar. And I talked to the
governor today and told him, you know, you might be getting
a phone call. I'm not sure we can deliver this project.

So to be where we are now, that's great news.

MR. COLLINS: Thank you. It was work of a
lot of people.

CHAIRMAN McCUSKER: Mr. Marquez.

MR. MARQUEZ: So we're considering a Notice
to Proceed. Phil, based on what you just told us, it sounds like we're moving towards a signed lease. And in regards to what Fletcher said earlier, they don't want to guarantee the bond, but they want to guarantee the lease.

CHAIRMAN McCUSKER: We solved that.

MR. MARQUEZ: Yes. Okay. All right. I'm good.

MR. IRVIN: Mr. Collins, at our last meeting, unless I missed something, you know, we've authorized to go ahead on the administrative side of the Caterpillar deal. So now we're in discussion. Do we pull the trigger on going forward without a signed lease? And let me tell you, in my business, the answer to that question would be no.

MR. COLLINS: Yeah.

MR. IRVIN: I don't know what your advice is to this Board. But I can tell you I would find it highly unlikely for us to do anything more than the administrative stuff that we've already done until we have a signed lease agreement.

I agree with the Chairman that we'll find another use for this if Caterpillar doesn't step up. But I think it removes any leverage that we have and also it's not something that I would do in my normal real estate practice.

CHAIRMAN McCUSKER: I would have been far less dramatic had I been in realtime sharing the same data.
In your mind, how long will it take to finalize and execute the lease, then?

MR. COLLINS: Not long at all. Based on Phil Swaim, who is your personal representative in this project and I've been obviously in close touch, and in light of the email that I just relayed to you folks, I don't see there being much of a delay in finalizing. I've been told Mr. Blythe and the other individual that needs to sign for Caterpillar are poised and ready.

So I'm going to suggest that you consider this -- you're going to have three options: You can do nothing and run the risk of blowing the March 1, 2019 certificate of occupancy deadline; two, you can authorize the immediate issuance of the final Notice to Proceed, and thereby lose leverage and commit yourself to significant expenditure without a signed lease; or, three --

MR. HILL: We get the March 1st date?

MR. COLLINS: What's that?

CHAIRMAN McCUSKER: You would assure the move-in date?

MR. COLLINS: Yeah, they would. Yeah, the move-in date, Mr. Hill, has been sort of nonnegotiable.

MR. HILL: Right.

MR. COLLINS: In fact, it was -- that fact, I think, had brought this email to me today.
MR. HILL: So point two would facilitate?

MR. COLLINS: Right.

MR. HILL: Thank you.

MR. COLLINS: The third alternative is to authorize all of your executive officers, all three of them, to issue -- to direct Phil Swaim and Mark Collins to issue the final Notice to Proceed as soon as Caterpillar has signed that lease.

CHAIRMAN McCUSKER: Is there maybe a fourth option or we could do that as the full Board, where we authorize the issuance of the Notice to Proceed concurrent with the execution of the lease?

MR. COLLINS: You'd have to call a special meeting.

CHAIRMAN McCUSKER: We will still have to come back?

MR. COLLINS: Yes.

CHAIRMAN McCUSKER: So we could authorize the executive officers -- can the executive officers issue a Notice to Proceed that binds the whole Board?

MR. COLLINS: Oh, it absolutely binds the whole Board. That's what I'm suggesting.

I'm suggesting that we're up against a time limit, and --

CHAIRMAN McCUSKER: I think that's helped
bring Caterpillar along, frankly. So, we should respond accordingly.

MR. COLLINS: As I say, you could do nothing and call another special meeting when I have a signed one for you. But that runs the risk of any additional delay.

It's my recommendation to Mr. Irvin --

CHAIRMAN McCUSKER: Mr. Irvin had a question and Mr. Marquez.

MR. COLLINS: My recommendation is that you not issue a full Notice to Proceed until we have a signed lease. That remains my recommendation.

MR. IRVIN: Yeah. So didn't we at the last meeting authorize the executive officers to sign the lease agreement. So really what we're talking about now is at the public end of that a Notice to Proceed once the lease has been signed, correct?

MR. COLLINS: Yes.

CHAIRMAN McCUSKER: Or four, we just have all the options he just outlined. And we've overruled our lawyer before.

Mr. Marquez?

MR. MARQUEZ: I'll pass.

MR. COLLINS: So I think the Caterpillar project is very expensive and very important. And we've made a lot of progress.
And yet, I think that the way to proceed is to make a motion to specifically authorize the executive officers to issue a Notice to Proceed.

CHAIRMAN McCUSKER: Concurrent with?

MR. COLLINS: Concurrent with them being advised that Caterpillar has signed a lease.

MR. MARQUEZ: So moved.

MR. IRVIN: Second.

CHAIRMAN McCUSKER: Discussion, Mr. Hill?

MR. HILL: Would that get us the March date, then?

CHAIRMAN McCUSKER: We might have to ask Mr. Swaim to adjust his schedule?

MR. COLLINS: Yeah. It's going to depend on whether the lease gets signed this week, or not.

Phil can be more specific.

CHAIRMAN McCUSKER: State your name for the record.


CHAIRMAN McCUSKER: So my recollection was we're kind of at D day today in terms of keeping a schedule.

Is there some wiggle room, Phil, in some of this stuff that needs to start right away?

MR. SWAIM: The basics is we lost a couple of


weeks leeway than we had by not being able to provide a Notice to Proceed at the last Special Board meeting.

Sundt does need to be able to start construction Monday, June 26th to still hit their current schedule to be complete now by basically the third of January, 2019, which then allows for the move-in on March 1st.

Sundt is on notice. They know that we're close. If we can get this notice signed within the next day or so, I think we can still -- they are still willing to be flexible and be able to start construction on Monday.

CHAIRMAN McCUSKER: Mr. Collins, if we were to modify your advice -- I was going to say ignore, but that would be -- we just talked about your fees. If we issue the Notice to Proceed and some unimaginable scenario occurred, can we stop the construction?

MR. COLLINS: Mr. Chairman, Members of the Board, you can. You will incur expense.

The general contract -- or the contract with Sundt allows the District to terminate activities. You will be liable for the expenses that have been incurred as of the stop date, but -- but you can do that.

CHAIRMAN McCUSKER: I think we have a motion and a second.

Everyone understand the motion that's to authorize the
executive officers to issue the Notice to Proceed on GMAGMP1 and 1A, concurrent with the execution of the Caterpillar lease.

MR. MARQUEZ: In that motion, was it anonymous (sic) among the executive officers?

CHAIRMAN McCUSKER: Unanimous.

MR. MARQUEZ: Unanimous. We've been anonymous enough in this group.

CHAIRMAN McCUSKER: Brandi, call the roll.

MS. HAGA-BLACKMAN: Edmund Marquez?

MR. MARQUEZ: Aye.

MS. HAGA-BLACKMAN: Chris Sheafe?

MR. SHEAFE: Aye.

MS. HAGA-BLACKMAN: Mark Irvin?

MR. IRVIN: Aye.

MS. HAGA-BLACKMAN: Doug Hill?

MR. HILL: Aye.

MS. HAGA-BLACKMAN: Jannie Cox?

CHAIRMAN McCUSKER: Jannie?

MS. COX: Aye.

CHAIRMAN McCUSKER: She said, "Aye." I vote "No."

(the Board voted and motion carries, 5-1.)

By your votes at 5 to 1, that motion carries.

Okay. Off we go.
Item No. 10, we're going to table.
So this is the time we've set aside to call to the audience.
Brandi, do we have anybody signed up?
I entertain a motion to adjourn.
MR. IRVIN: So moved.
MR. MARQUEZ: Second.
CHAIRMAN McCUSKER: All in favor say "aye."
(Ayes.)
Thank you, Jannie.