RIO NUEVO MULTIPURPOSE FACILITIES BOARD MEETING

Tucson, Arizona
November 19, 2013
2:00 p.m.

Reported by Diane Laur
For KATHY FINK & ASSOCIATES
2819 East 22nd Street
Tucson, Arizona 85713
(520)624-8644   Fax(520)624-9336
CHAIRMAN MCCUSKER: I'll now call the meeting to order. It is 1:07 Mountain Standard Time. Cody, do you want to lead us in the pledge.

(Pledge of Allegiance)

CHAIRMAN MCCUSKER: Michele, roll call please.

MS. BETTINI: Jannie Cox.

MS. COX: Here.

MS. BETTINI: Mark Irvin.

SECRETARY IRVIN: Here.

MS. BETTINI: Fletcher McCusker.

CHAIRMAN MCCUSKER: Here.

MS. BETTINI: Chris Sheafe.

TREASURER SHEAFE: Here.

MS. BETTINI: Jeff Hill.

MR. HILL: Here.

MS. BETTINI: Cody Ritchie.

MR. RITCHIE: Here.

CHAIRMAN MCCUSKER: Alberto is on his way. We do have a quorum, so we'll go ahead and start the meeting. We'll likely hold you up, Charlie, until Alberto arrives, but we do have board minutes, board transcripts. We've all received those; right, Michele?

MS. BETTINI: Yes.

CHAIRMAN MCCUSKER: If there are any comments, questions? If not, I'll entertain a motion to accept those.
SECRETARY IRVIN: So moved.

TREASURER SHEAFE: So moved.

MS. COX: Second.

CHAIRMAN MCCUSKER: You tied. We'll give you the motion, Mr. Irvin, and Jannie the second. All in favor, say aye.

(Ayes)

CHAIRMAN MCCUSKER: Charlie, if you don't mind, stand by for a minute. Mark, is there any issue if I do any other business?

MR. COLLINS: No. You can change the order.

CHAIRMAN MCCUSKER: Dan, I know you've got stuff pressing. So if you want to do your CFO report, that would be great.

MR. MEYERS: All right. As of October 31st, our accounts are as follows, Alliance Bank operating account, we've got $5,009,000. Alliance Bank, ICS account, we've got $5,004,000. Bank of Tucson operating account, approximately $165,000. And City of Tucson 2008 bond money, that's restricted. We've got $4,265,000. For a total of $14,443,000.

As far as commitments goes, we have a commitment to Mission Gardens for $1.1 million. We have a commitment to Seascape for $750,000, and a commitment to the Tucson
Community Center remodel for $7.8 million. Anybody have any questions?

TREASURER SHEAFE: Mr. Chairman, how do we pay the $1.1 million dollars? Is there a figuring mechanism?

CHAIRMAN MCCUSKER: We postponed both of those items until we issued the notice to proceed on the hotel.

Now we've taken the position, under the statute, that we're prohibited from spending TIF money until we issue the notice on the arena and the notice on the hotel.

So at this point, it's an earmarked amount, but we don't have a process in place, Chris, to expend those funds. Now, Mark, maybe you want to use this as an opportunity to update us.

There is a provision under that statute that provides anything we were previously contractually obligated to, we could go ahead and expend, and I know you are researching that.

MR. COLLINS: The contracts that the Mission Gardens folks refer to are indeed still viable. They were stayed, if you will, or suspended by the City of Tucson back in 2009. So you, as a board, are in a position to pull the trigger on that just about when you want to.

CHAIRMAN MCCUSKER: So it's your legal opinion that we could sit down with them, even though we haven't issued the notice to proceed on the hotel?
MR. COLLINS: That's true. You have a -- you can commit the money now, but you are not obligated to commit the money now.

(Board Member Alberto Moore is now present.)

CHAIRMAN MCCUSKER: That answers that question.

Alberto, the only thing you missed was the pledge, and Dan kind of went through our financial statement.

MR. HILL: Mr. Chairman, Dan, I just want to refresh my memory, the $4.265 million restricted funds from the bonds are dedicated to the $7.8 million TCC?

MR. MEYERS: That's correct.

MR. HILL: So that's still on?

CHAIRMAN MCCUSKER: As we receive invoices, Mr. Hill, they will initially all to go that fund.

MR. HILL: Good.

CHAIRMAN MCCUSKER: The City will write checks until that funds is depleted.

MR. HILL: Excellent.

CHAIRMAN MCCUSKER: Any further questions for Dan?

Thank you very much. This is the time we set aside on the agenda to allow Johnson Consulting to present and talk to us about the performance audit. Now Charlie Johnson is in the house.

MR. COLLINS: I think you should call the public hearing.
CHAIRMAN MCCUSKER: I'll do that. Let me call a public hearing to order. This is specifically required by the statute to allow the auditor general's representative to present their triannual performance and financial analysis.

It's a public hearing, so if there's anybody that would like to comment specifically on this portion of the agenda, please give Michele a call to the audience card, and we'll hear that after we hear the presentation from Mr. Johnson and any questions the Board might have.

Charlie, thank you very much for coming from Chicago.

MR. JOHNSON: Thank you very much for the opportunity to --

CHAIRMAN MCCUSKER: Would you introduce yourself and supply a little bit about your background?

MR. JOHNSON: My name is Charles Johnson. I'm president of Johnson Consulting. I have done a significant amount of work in the Tucson market over the course of my career. I've also vacationed here a couple of times. We were selected with a local accounting firm to perform this audit. And the role of the audit is really to investigate and understand if Rio Nuevo is performing according to its current role and responsibility, especially from a fiduciary standpoint and also from a strategic standpoint.
One aspect of the legislation really calls -- your TCC, Tucson Convention Center, as it was defined, was kind of the primary component. So we have spent a special amount of time looking at the TCC and how it performs nationally from a physical standpoint and an operational standpoint.

I live in Chicago. I happen to be in Tucson serving on the Urban Land Institute panel. So it's highly fortuitous, and I think that we can put two and two together because I think we can fit like a glove actually.

So with that, I'd like to start with my prepared remarks. So first of all, I want to congratulate you all for the level of work that has been done by the organization since the Board has been reconstituted.

It has been a tortuous road, I know, and so as that has unfolded, I think today really presents an opportunity for basically a clean slate.

And with that kind of clean slate, it gives you an opportunity to move forward with a mandate that I think that was originally hoped for for Rio Nuevo.

So as we understand it, I've worked a lot with the authorities and TIF districts, things of that nature, throughout my career in my consulting practice. Now you all collect an increment of sales tax with a very interesting TIF boundary, and that TIF boundary really has a resource base that is quite powerful if it is used on an ongoing
basis and as things stabilize and you all continue to increase your credibility with the local jurisdictions in the state.

So as this unfolds, we'll see what happens to the Rio Nuevo, but it has the potential to be a very good entity if it takes advantage of the taxes that are collected.

The primary component of expenditure shall be the Tucson Convention Center and the area surrounding it and otherwise investments to help engender to the destination around it.

There have been a lot of contemplated projects. I think a lot of good has actually been done with the resources you've had over the course of time, but not enough has necessarily been done for the TCC.

I think there were a host of improvements that were identified in the prior annual audit. We don't need to go over those. I think that our view is that they have all been substantially addressed.

So you're really moving forward with a -- what we've identified as a couple of items, but I don't think they're material to the operation or the functionality of Rio Nuevo.

So the new Board, you all are now focused on the mission, and you have a capability to execute what we'll call a very strategic public-private partnership. So these
are areas that are important for us to identify and comment upon in our report.

City match, I think the city match criteria is met. The city can broadly include an array of projects that help meet their match, and so they have done that. They have used a broad definition, and they haven't necessarily accounted for it, but I think it's generally agreed upon that the amount of match has been met. So we have asked for that to be specified in terms of so we can have a document in the file that concludes they have matched, and that's in process. That's a recommendation we have made.

The monitoring of TIF funds, so the issue that we see with the TIF funds is an inability to know for certain which businesses in the TIF district have accurately figured -- filled out their tax forms properly. We think it's a material amount of money and really does not impact the business whatsoever except for filling out the form.

So I think Michele's work and the board's direction to try to get this as one step, but what we think it's critically important that you as an organization and with the City of Tucson be empowered to cause those businesses to show you that information, in a nonthreatening way, to help them make this a better district environment
for them.

So it's how you market it, how you execute it, and also having the ability to see if they are complying or not. Complying is actually the wrong word. Have they attended to the opportunity to fill the forms out properly.

Expenditure database, one of the improvements is the web presence. When we started, that was not necessarily attended to properly. That has been addressed, and so the public can access the website.

Also forming an annual budget, one of the issues that we have and as you go forward as an organization, the conundrum that you face is the asset base that you have and will have over the course of time and the level of commitment and resource base to get the job done, plus the time that you have left for the organization. It expires in 2025.

You also have quite a bit of dollars that are consumed by coverage. So where there's a variety of things that can happen, but from a big picture standpoint, the conundrum that you have is the life expectancy of Rio Nuevo combined with the inability to deal with some of the major capital issues that we think are the responsibility of Rio Nuevo.

So the convention center itself, as I'll show you in just a moment, is in poor shape as compared to
nationally. That's the number one criteria of your
performance.

So we hope and we think that the Rio Nuevo concept
is good, and it's a tool that can be used to help ameliorate
those, but it doesn't have an impact on it now.

I've already basically spoken upon these topics,
but we've audited and come to a conclusion of what the
correct number is for unexpected bond proceeds.

We've concluded that the expenditures have been in
the right category and that the overhead you all expend here
I think is the right way, keeping overhead as low as
possible and not undertaking giant plans and things of that
nature right now until you have a very clear picture of what
your future is going to be.

So I think the activities for the next year, for
you all, is really to understand and help frame what that
activity is and work with the legislature, work with the
City and the County, figure out a funding plan for the
capital assets you need to assess.

And the solvency, we spoke to -- we calculated
what monies that you all have, and we agree with the CFO's
information. And so the resource base that you have, to
deal with these issues, is not large in the scheme of things
that need to be addressed under the mandate of Rio Nuevo.

So additional money will come forward, as the bond
issue covenant frees up some of that cash, but still that's not available to us now. So the key findings we came in, when we looked at -- so I'm shifting gears now. The audit part is discussed. We think your administration is in order, and we don't think you have any more basis for negative comments and criticism because of the way you've organized your funding and your finances. So clean bill of health there.

So finally we looked at the real asset that's in your mandate, the primary purpose of the Rio Nuevo, and that's TCC. We compared it to seven cities that we believe -- sometimes there's a frame of reference for -- sometimes the community looks at itself as a smaller community than it is, rather than looking at the unique nature of Tucson and how it's grown.

So in the scheme of things, you're no longer like El Paso necessarily or no longer like Albuquerque -- no offense to these cities -- but I think the role you all have has evolved somewhat, a tier somewhat higher. All right.

So we said we're going to look at those two cities, but we're going to look at cities like Spokane, Washington; Palm Springs, and a couple other cities that we felt -- Ft. Worth -- that has used tourism as kind of a frame of reference.

And here we look at the size of the facility, the
size of the deficit, the amount of meeting space, the amount of ballroom space, et cetera, and to answer the question, as an auditor in the legislation, where did you come in in terms of comparative first class national standards? You were pretty much last in all categories.

So that tells us that there has to be serious thought and expertise added to getting this facility up and operating. And I think to do that not only deals with TCC, but hotel supply and the nature of involvement of the land uses are on the arena site, on all -- the whole aspect you all have actually analyzed and studied in the TIF district.

I think that's the reason I'm here for the Urban Land Institute, and that's the reason Rio Nuevo has funded part of the work, to the wisdom of that.

Now I think this year and over the next month or so, I think we found the deficiency in the forecasting of revenues for a long-term stability and an expenditure plan for the revenues from both a current environment of legislation and a future environment of legislation.

So I think the real work is to put the puzzle together for the next wave of Rio Nuevo, and if we have any comment in our audit, that was the hope, that that next time we come about -- and hopefully very soon -- that that body of thought process gets put to paper and that gives you a frame of reference for your mission and mandate.
You realized part of that. The knowledge of what
the City is doing with the convention center is another part
of that, and then your thoughts on how to execute on those
types of things.

I think of what they're going to be is what you
all present to the State for justification of your going
forward. But the TCC is not a competitive asset, and that's
the conclusion that we have.

All right. So we actually said -- and this has no
real science to it except for my familiarity with the
deficiencies at the convention center as well as at other
facilities around the nation.

We said probably at least a $100 million
requirement to deal with it, and if you spend every penny
you have in your war chest, you're going to be about forty
to fifty million dollars short. We may be a little bit
wrong on that.

That doesn't give you a lot of resources to deal
with a lot of other things that are under the purview of Rio
Nuevo. So we have an issue with the City and the County and
Rio Nuevo of not having a funding plan to figure out how to
address the capital issues for TCC. That's a very important
consideration.

I'm almost done here. All right. So I've really
basically given this last slide already. I think that the
Rio Nuevo -- and I think you've done so much positive with respect to fixing the relationship between the City and Rio Nuevo, and I think that, having been here so many times, that was something that was needed. You've really done well.

I think talking about the long-term strategic capital plan and I think that collecting the dollars that are due to you is probably one of the biggest requirements you have.

So, Fletcher, that's all my prepared remarks, and I'm ready to answer any questions you may have.

CHAIRMAN MCCUSKER: Charlie, we talked about it a little bit earlier, we have almost $40 million in the bank that is reserved for our debt service, but as you indicated, we're more than adequately covering our debt service.

In your experience, have you seen any financing mechanisms or alternative structures for bond debt relief or anything that would create an opportunity for us to access some of those funds before 2025?

MR. JOHNSON: I've seen several strategies, and in the first case, you now have a basis for credibility. I don't think that existed before.

So I think -- I don't know -- your banking. Your bonds are sold. What level of interpretation there was with respect to conservatism, do we really need to sandbag if
there is no risk, or if they were really on the edge of risk.

My suspicion is they were very conservative. So I think a negotiation you should make, if they won't move, there's couple other things you can do.

You can actually take a line of credit against those kinds of funds with an insurance policy that kind of guarantees a payback for a line of credit.

I've also seen guarantees from the City or County for those types of funds. In the advent that there is a call on them, they would make those whole.

Those are really -- the negotiation of a line of credit or support from other jurisdictions providing guarantees so you could float bonds against those.

CHAIRMAN MCCUSKER: It still wouldn't deal with your $50 million gap, but it would accelerate some of that money?

MR. JOHNSON: It would give you more of a resource base right now, that's correct.

CHAIRMAN MCCUSKER: Any questions for Charlie?

TREASURER SHEAFE: Since you're on the ULI, and as a member of the ULI, what is your goal in what you're trying to assimilate out of this case relative to the ULI process here?

MR. JOHNSON: I think that's a very good question.
I think we're trying -- I think we're trying to help the City, the County and Rio Nuevo put priorities on -- so many different ideas and opportunities come to the various groups, that it causes confusion.

And I think there's an actual inability to make decisions because Camp A has an agreement with Camp B, and then Camp B has an assignment over here and doesn't necessarily have an understanding of Camp C.

We are going to be an impartial, knowledgeable group of people that provides some form of rationality to the different things.

Additionally I think we have an understanding of urban planning, and we're really trying to understand what Tucson, as a community, wants.

So we're going to bring that expertise in and listen to what people have as ideas and priorities, and then bring that expertise of better urban planning and economics and real estate, and then come to a consensus so you can move forward.

TREASURER SHEAFE: One of the things I would hope results -- this a little different way of saying what you just said -- we have a limited resource. That is, in a way, an advantage, and it would be helpful to this body, speaking for myself at least that is, if we could define what is the greatest bang for the buck revenue input we can make to
generate the greatest revenue returns that eventually may bring forth some of the other goals that we simply can't afford to invest in now.

So a little priority list of say look, if you want to do this work -- because we know we can't go out and do a $100 million refurbishing to our convention center. Even if we were to say, well, we'll put $50 million in, it would be awhile before we could figure out how to do that. In the meantime the whole thing is sort of installed.

Maybe we can take that money and put it someplace else to help drive that kind of activity that will make a big --

MR. JOHNSON: To make the pot grow?

TREASURER SHEAFE: Yes, make the pot grow. I think this body was tasked with the ability to help make that choice, rather than just let the people kind of feel good about it, because we've tried that and frankly ended up dissipating an awful lot of value with not a lot of gain for it.

MR. JOHNSON: Thank you. I'll take that under advisement. I will certainly put that into the discussion group, and we'll take that as direction.

CHAIRMAN MCCUSKER: It speaks to the context of your recommendations is that we have to look at the remaining 12 years of our existence and forecast the highest
and best use of those proceeds.

And there are two paths, one is we limp along, or
two, we try and improve our resources and budget and
forecast, whatever. Either case we are required, under
statute, to forecast.

MR. JOHNSON: That's correct.

SECRETARY IRVIN: This is the kind of thing where
you were going to go with your comment. One of the things I
think I was reading into what you're saying was it would be
nice to know which thing we could do that would generate the
greatest amount of TIF revenue back to this group.

TREASURER SHEAFE: Yeah, your greatest bang for
the buck.

SECRETARY IRVIN: Right. But I guess I don't like
the piece of that to address what impacts what the TIF
revenue will be.

MR. JOHNSON: I think we have to balance that with
the cultural and civic-mindedness of the community, but I
understand economics drives everything.

CHAIRMAN MCCUSKER: Any further questions?

MR. HILL: Thank you, Mr. Chairman. Charlie, one
of the comments I saw, which has been a troubling problem
with us dealing with these people coding their sales tax TPT
form correctly, and you mentioned that in ARS 22-2003, that
there may be a solution to that.
And I was wondering if our counsel -- Mark, I hate
to put you on the spot -- not -- but if you had a chance to
read that or look at that in the near future, because if
your document states, since we don't know the name, Michele,
go in and talks to somebody and the guy doesn't want to
talk to a bureaucrat, so if the answer is yes, they're going
to say yes, and they'll say I don't have any idea if we're
doing it right.

Unless we pull that guy's record up and be able to
see what his TPT says, we're going to be missing money from
now until 2025.

CHAIRMAN MCCUSKER One of the things that's
occurred, as a result of the audit being published, is the
current director ADOR, Vincent Perez, has plans to address
that.

So we're actually trying to schedule that for the
next meeting. And his hope is that we can do something
administratively, that there's some room to negotiate under
the current statute to allow -- we don't need to see the tax
returns.

We don't need to know who's paying or not paying.

We want to know if it's properly coded. And I think the
work that you did, Charlie, has reached the highest level of
our government, and the current director of ADOR has reached
out to us.
MR. JOHNSON: I think the AG has already ruled that that exists already in the law. So you're right, I think administratively, that's it.

MR. HILL: At one time the AG was persnickety about anybody looking at those records. And 42 section -- I'm probably to blame for most of it.

So that may have been something that we dealt with way back when the AG first raised that, but it sounds like perhaps it's gotten a better environment and maybe the statute has been added so that we can get in now.

I'd say Vince is a reasonable guy. We've worked with him for years. He was a legislative liaison for a bunch of years. So I think he understands the problem and certainly oftentimes legislative intent on that may be an interpretation.

I was going to look at that before I came down. I forgot. But I will look at 2003 and see if it raises any particular hackles with my recollection, but I think that was a very positive part and we're glad to be looking at that.

MR. JOHNSON: We think that's a big number.

MR. HILL: I agree with you, I think it is too, and potentially by 2025, it gets to be bigger and bigger, and that's very important for us to make our requirements.

And then the other observation I have, getting
back to the financial records, it appears we weren't putting
out the right budget information or we were lacking in
something in the budget.

I don't know how that happened, but that's a
disappointment, but I'm hoping that that must be --
somewhere that's easily found because everybody else is
apparently doing it.

MR. JOHNSON: I think you have to remedy that.

MR. HILL: All right. Good. I'm glad to hear
that.

MR. JOHNSON: This is a snapshot in time. I think
CFO has now, with the direction, that has been remedied.
That's the only issue that we have as you're going forward
in the long-term. That's what we want improved.

CHAIRMAN MCCUSKER: And the budget did not
include what I would call balance sheet. You're required to
post your assets along with the budget. Because there was
so much confusion about our assets, it didn't get posted
last year. So that was a compliance issue. The current
budget is, in fact, in compliance.

MR. HILL: All right. I'm glad to hear that.

And, Charlie, I think that's certainly well-weighed, and
obviously I'm disappointed that TCC was dead last but not
surprised.

So we do have a job ahead of us, and I think once
we get to, as your report states, we get to declare that hotel, which I think is fundamental to our legal requirements, that we can move smartly again with your recommendation that we should take care of the capital items and not get too wrapped with the City because we know they're never going to produce a part of this thing. So I think that was a good observation also.

MR. JOHNSON: I didn't say that.

MR. HILL: Well, that's what I gleaned from the dry comments.

TREASURER SHEAFE: Well, I think I certainly agree that trying to do the budget and do our balance sheet is immeasurably helpful to have some recollection of what we owe.

CHAIRMAN MCCUSKER: Any other questions for Charlie? Charlie, again thank you very much and thanks for the work you're doing with ULI.

MR. JOHNSON: Thank you.

CHAIRMAN MCCUSKER: We do have a call to the audience scheduled. Michele, did we get any calls? Okay. So the next item on the agenda is the executive session.

MR. COLLINS: Mr. Chairman, may I interrupt you?

CHAIRMAN MCCUSKER: Please.

MR COLLINS: You, as a board, if you look at your agenda, have the option of adopting a public response or
agreeing with or taking issue with any or all of the
performance audit that Mr. Johnson just talked about. You
can choose not to do that, but you have that right. That's
on the agenda.

TREASURER SHEAFE: Mr. Chairman, if it's helpful,
I'd be happy to make a motion that we accept the performance
audit as written by Johnson Consulting and advanced to us by
Charlie Johnson.

MR. HILL: Mr. Chairman, point of order. Isn't
what he's asking is what is in here in the back that we
respond?

CHAIRMAN MCCUSKER: There are further options to
that. We were asked to provide an initial response, which,
the way the AG explained it to me, we can do a formal
response literally line item by line item.

Maybe part of that response would be addressing
the issue about forecasting our resources. So we do have
the opportunity, Jeff, to write a broader response, to do
nothing, to accept the audit as presented, or any of those.

MR. HILL: Mr. Chairman, I think Chris's motion,
single motion is certainly appropriate. I support that, but
I would also think that the two-page plus, a little bit over
that, that was written by I presume by you and the technical
staff is a very adequate response to the audit. It would
put us on record --
CHAIRMAN MCCUSKER: As having a response?

MR. HILL: Yes. And I think that's important because some of the people get this and they go on and on.

So I think that this is a very positive response.

CHAIRMAN MCCUSKER: Make that our official, common response?

MR. HILL: Yes. I think that would be great, and we wouldn't have to fuss with it anymore. And we're on record, and it's a very positive thing.

CHAIRMAN MCCUSKER: Do I have a motion to accept it?

TREASURER SHEAFE: I'll move to accept that.

MR. HILL: Okay. I'll second the whole thing then.

CHAIRMAN MCCUSKER: So the motion is to accept the auditor general's report and our response as written. Seconded by Mr. Hill. Any questions or comments? All in favor say aye.

(Ayes)

CHAIRMAN MCCUSKER: Any opposed? Very good.

Thank you, Charlie, for all your hard work. Am I doing okay, Counsel? At this time on the agenda, the executive session. I need a motion to recess.

SECRETARY IRVIN: So moved.

CHAIRMAN MCCUSKER: Second?
TREASURER SHEAFE: Second.

CHAIRMAN MCCUSKER: All in favor say aye.

(Ayes)

CHAIRMAN MCCUSKER: We're in recess.

(Recess, executive session.)

CHAIRMAN MCCUSKER: I need a motion to reconvene.

TREASURER SHEAFE: So moved.

SECRETARY IRVIN: Second.

CHAIRMAN MCCUSKER: All in favor say aye.

(Ayes)

CHAIRMAN MCCUSKER: Okay. We are back in business. And the first item on the agenda, other than my remarks, which I will defer, is the TCC. So, Elaine, if you're ready, and you have given us a famous handout.

MS. WEAVER: Good afternoon. My name is Elaine Weaver, the project manager for the TCC Rio Nuevo Arena Project.

What I put in front of you is an updated version of our design and construction process diagram, and what is changed on this is that I have added the dates under all the items that are complete.

And so we can track when the specific items occurred. So if you look back at the green box, we started identifying the scope and budget all the way back in February, and then I presented the need-to-repair list and
the budget to you on July 24th. In addition to the dates,
I've also added our dotted box.

SECRETARY IRVIN: June 24th.

MS. WEAVER: June 24th, thank you. I've also
added our dotted box to the floor solicitation and fixed
seats solicitation. So those will be two hard bids
solicitations. Those will be published prior to
Thanksgiving. So we're finalizing the design, the
specifications and the front-ends that will go out as a part
of this solicitation.

It's a quick update that I have today, but before
I continue, do you have any questions about this diagram and
where we are in the process?

CHAIRMAN MCCUSKER: Michele, are we posting this
to the website?

MS. BETTINI: No.

CHAIRMAN MCCUSKER: Is there any reason we can't?

MS. BETTINI: No.

CHAIRMAN MCCUSKER: Do you have a PDF?

MS. WEAVER: I'll send Michele a PDF tomorrow.

The four items I'd like to specifically update you on, one,
is we're in the process of reviewing the design development
set of drawings that I briefly showed you at the last
meeting.

We have been conducting detailed hour-long
multiple-day review meetings with Rio Nuevo, with the TCC director, the end-user as well as with the city FM. So we're sitting down and we're going page by page throughout the drawings, and we're making sure that all of the items that everyone identified during the programming, the design now reflects those items.

The second item that I wanted to update you on is that last week I attended a TCC commission and I gave them an update, a monthly update, and all of the information was received rather well, and they're very excited.

I did remind the commission that our message, as a team, is that construction will begin after the Gem Show. And I think that's something important that we need to share with the community and with vendors because, when people start to hear we're doing construction at TCC, we want to remind everybody that we're starting after the Gem Show.

In addition, last week I updated the mayor and council on the project. And so two meetings ago, when I reviewed this document with you, as well as the estimate and the project tracking sheet, I took those same three documents and I presented those to mayor and council.

And I think that the project, as a whole, mayor and council again, they had great things to say about it and they are excited to see the accountability, the project tracking, the transparency and just the attention to detail.
So they appreciate the updates as well. They did have some comments, and one question that they asked was regarding the local preference for subcontractors.

And I have stressed to mayor and council that this is a Rio Nuevo project and it evolves under Rio Nuevo code. And the specific small business requirement that's in the City of Tucson procurement code, they're not the same as the Rio Nuevo procurement code.

So I think I said something to the extent of will Concord, who's our general contractor, will they be mindful and make every effort to contract with local contractors? Yes, they will. They're a conscious Tucson contractor. But does Concord have the flexibility and the leeway to contract with somebody in Phoenix, Mesa? They do.

And I think Rio Nuevo would want that if there is a contractor who is the right fit for our project, then that's the contractor. And if they're the best price, then we should contract with them.

So I know we are often asked about local preference, but I think it's something to be mindful that the Rio Nuevo procurement code is not like the city procurement code. So you have more flexibility.

And the fourth item, I just wanted to mention, and unfortunately she had to leave. She just left. Deputy
Chief Sharon Allen is the new interim director at the TCC. So Marty Carey, who you have met before, and he was part of the needs to repair and the initial estimates, he's still in the picture and he's still working at the TCC. He is now the finance administrator.

And Deputy Chief Sharon Allen was going to get up and introduce herself, but I still wanted to let the board know that there is a new interim director at the TCC. She has started to attend our weekly design meetings, and I've had a couple of meetings with her already to get her caught up to speed on the project and the entire process that we've gone through. And that is my update. Any questions?

CHAIRMAN MCCUSKER: Do you know -- you may not know -- the status of the City's RFQ for the privatization of the arena? Anything you've heard regarding timing?

MS. WEAVER: The timing, I've not heard any specific, but I have heard that they plan to keep the golf RFQ as an example. I think they're waiting to see how the golf RFQ pans out, and then they'll go from there, but I haven't heard anything specific regarding the time line.

SECRETARY IRVIN: The same applies to the concessions?

MS. WEAVER: The concessions are separate, and I just read in Steve Kozachik's newsletter that just came out last week that they are working on -- they are working on
the concessions contract.

Aramark is currently there, and they were renewed for one year, last year. I think it's coming up in early spring, so if there is a time to do anything, it's now, but I don't know exactly. We could ask the project design people.

SECRETARY IRVIN: This was in the newsletter? Did it basically say they were looking at it?

MS. WEAVER: It said they were looking at it. And now is the time to bring in some new foods and new ideas, new life in addition to the new life that we're creating.

SECRETARY IRVIN: Pretty much what he talked about with us?

MS. WEAVER: Yes. Any other questions?

MR. MOORE: We talked a couple weeks ago, and I suggested -- I don't know -- for the benefit of the board, but I was suggesting that on some of the demolition work, especially regarding the seats and so forth, we might want to consider using prison labor.

And they have a very good program. They are very reasonable, and they also have a program where they make all the furniture for all the state agencies and education communities.

So they could theoretically -- I haven't talked to them, but I know what they've done -- they could take those
seats maybe from TCC and rehabilitate them and then put them into the school districts.

And it might be something for us to consider from a PR standpoint and to help these prisons. They've been doing work like this for many years, and they have serviced State buildings and many County buildings.

It might be a resource to look at and save some money and redirect some of those funds maybe to another part of the project. I know you haven't had a lot of time to sort it out, but I think that's something worth considering.

SECRETARY IRVIN: We did talk about it at the last meeting, Alberto, and what I had suggested is that rather than bombard Elaine with that stuff, that's something we should run through our chair for discussion.

We had a slight discussion with the general contractor, and I think one of their concerns was they want the same people to remove the seats that are going to install the seats because they've just done special testing to ensure that the bolts and that kind of stuff can withstand the new seats in the same format that we wanted them to go in. So they may look at it, but it wasn't really high on their list of stuff.

CHAIRMAN MCCUSKER: Is there a core value to our seats? Is there a trade-in value?

MS. WEAVER: There is a core value, and we're not
going to see a specific line item on the solicitation.

They're not going to say this is your credit for the seats, but it will reflect in the bid.

All of the vendors that we spoke to that we know are going to bid on the solicitation, they all want these seats because they will renovate them. They'll fix them up, and then they install them in other arenas in other facilities. To them, it's an asset. They want to remove them and keep them.

CHAIRMAN MCCUSKER: Have our specs been completed yet?

MS. WEAVER: No.

CHAIRMAN MCCUSKER: Could we ask them to identify the core value?

MS. WEAVER: We could. We would have to, I think, take a look at do we really want them to have a line item or do we just want it reflected in their overall number. There are pros and cons to both.

CHAIRMAN MCCUSKER: Because if they're giving us a buck a seat, it makes Mr. Moore's suggestion a lot more viable. We can turn them over to the state.

MS. WEAVER: We can definitely have them -- we can indicate in our specification that their bid is to reflect a line item as a credit for the seats, and then prepare -- well, we have to decide.
We have to either move forward with the solicitation where the vendor will remove them and they'll keep them, or we'll have to remove it prior to completing the solicitation. So we'll have to decide here pretty quickly.

CHAIRMAN MCCUSKER: There might be ways to go. There may be a way to have the contractor remove and replace them, but surplus seats can go to Florence or someplace else.

MS. WEAVER: Right. So we wouldn't be using prison labor to remove them, but the prison would get them as an asset.

CHAIRMAN MCCUSKER: Or some other charitable organization.

MS. WEAVER: The project then would not get the credit. We'd get some credit. Well, we wouldn't get credit at all. We would keep the salvaged items. We definitely could.

CHAIRMAN MCCUSKER: Just look at it.

MS. WEAVER: Okay, we will. And I will, Mr. Moore, follow-up with you and I will follow-up with the board and get back to you.

CHAIRMAN MCCUSKER: Anything else on the TCC? Mr. Hill?

MR. HILL: I've got to get my two cents in, that
one of the deciding factors in that conversation is the
lowest cost to the taxpayers. I'm not too fussy where those
seats go, but I am fussy about the lowest cost to the
taxpayers.

I'd like to remind the board that the talk about
local -- giving a local company preference, or what have
you, that's code usually for higher costs.

Cities used to do that until the legislature said
you can't do that anymore. So most people presume that's
code for costing taxpayers more money. So I will urge the
board to keep the language we have and not get into all that
stuff about giving preference.

CHAIRMAN MCCUSKER: I do believe -- Mr. Collins
can correct me -- but we were actually advised not to put a
local preference in when we adopted our language.

MR. COLLINS: That's correct.

MR. HILL: Good. Thank you.

CHAIRMAN MCCUSKER: Anything else on TCC? Elaine,
you're doing a great job. We'll go ahead and post this for
the public so they can follow the project.

The next several items are related to the arena
site. Let me give you a quick update on where we are with
that. We're going to table most of these as action items.

We do have the deed. It is in escrow. It will
close when we have a satisfactory resolution on the parking
issue. So that's the only pending item.

Mr. Garbin is here from ParkWise. We do not have a proposal, although he did commit to get us one. So I would suggest we table possible action on the parking arrangement.

Likewise we're hoping to receive a proposal from Peach as to their claim. We put that ball in their court. As of 10 minutes ago, we do not have a proposal from them as it relates to the Nor-Gen property to the east of that. I think we continue to have an interest in joint development with that project and ours.

And the committee assigned to that is Mr. Moore, Mr. Sheafe, and myself, and we will continue to talk to those principals about a way to bring those two projects together.

So I think we can be safe in tabling all three of those items until the next meeting. The westside parcel, Mark, do you have an update for us?

MR. COLLINS: Mr. Chair, members of the board, very briefly, I anticipate hearing from City Attorney Mike Rankin later today or the next day about setting a time to meet in his office with respect to all the remaining items. After which we will do a site walk and hopefully then be able to resolve the issues of the eastern boundary, the archeological sites, the environmental monitoring wells,
and the gas pipe.

CHAIRMAN MCCUSKER: Item number 15, we previously discussed participating in the Urban Land Institute's assignment. They are, in fact, in town. This has gone along a lot faster than any of us anticipated, but the original conversation is that we would participate up to a third of a $150,000 proposal. We now have an invoice from City for $40,000 for our participation in the ULI study.

TREASURER SHEAFE: Mr. Chairman, I'd like to propose that we approve the payment of that invoice in the amount of $40,000.

MR. RITCHIE: Second.

CHAIRMAN MCCUSKER: Motion and second. Any other conversation, comments about the ULI? I think Charlie was very helpful in helping us to understand their mission. We're very optimistic something will come out of this investment, but I guess it's safe to say time will tell. All in favor say aye.

(Ayes)

CHAIRMAN MCCUSKER: Opposed, nay? Item 16, the NonProfit News Source, Nancy has submitted to us the rules for the contest and is developing the website and is prepared to move along on the proposed rules for our name change contest.

Let me just remind those in the audience, we have
not agreed to change our name. We've agreed to pursue a
contest where a name change or a proposed name might be more
attractive than the one that we have.

And I think we have authorized a contract, which
hopefully you have. No? You're sitting on it? Okay. So
we have it and can get it to you, and then, Nancy, if you
want to just quickly go through where you are with the
contest and the rules.

MS. MONTOYA: Nancy Montoya with NonProfit News
Source. Mr. Chair and members of the board, I think we're
in very good shape. You have two documents in front of you.
This one right here, you can toss; okay?

TREASURER SHEAFE: Who's eligible?

MS. SWETNAM: Yes. That one is directly off the
website. This one, I believe you have in front of you, is
the one that Mr. Collins has looked at and has made some
revisions.

CHAIRMAN MCCUSKER: It's in the book, Tab --

MR. COLLINS: Tab six, it's in your book.

MS. MONTOYA: I wrote the initial contest rules,
and then Mr. Collins went in and cleaned it all up and made
it nice and legal.

CHAIRMAN MCCUSKER: We're used to that.

MS. MONTOYA: If you've had a chance to go to the
website, which is newnameforrionuevo.com, I think we've
worked out all the issues with it. It runs smoothly. I think Michele took a look at it as well. It's very clear, very concise.

The school counselors have been in touch with all thirteen schools. They're ready to go. We haven't told them they could start yet because we, of course, don't have any commission yet. So if there's any questions on the rules, now would be a good time to speak up.

TREASURER SHEAFE: Nancy, what are you needing from us?

MS. MONTOYA: I just need your approval. If we're ready to launch, I just need to make sure we're all on the same page in terms of the rules.

TREASURER SHEAFE: Mark, are there any differences between these forms, other than you put it in a legal context?

MR. COLLINS: I haven't seen what Ms. Montoya put on your desk, but what you have in Tab six is what she originally drafted.

I'd like to look at it one last time before it's posted, but substantively what you have in Tab six is fine with me.

TREASURER SHEAFE: One of the things I noticed -- maybe I missed it here -- but in her description, it was pretty clear what the contest benefits were to the
participants, and it appears like a lot of that language went away?

MS. MONTOYA: It's on the website. I think maybe I should add that onto the rules page. But on the website itself it says what everybody gets.

MR. COLLINS: Section five, on pages two and three, is where it talks about each award winner getting $500 for college.

TREASURER SHEAFE: Okay. You've got it there.

MR. COLLINS: She did a good job of that.

MR. HILL: Mr. Chairman, I just have a question.

I notice that this is all public high schools. Why was this only submitted to public high schools?

MS. MONTOYA: I think it would be a nightmare to include the charter schools. We're looking at another 20 or 30 entrants. I'm not sure that we made that decision. I'm happy to change that, if it's what the board would like to do.

MR. HILL: Charter schools are public schools.

MS. MONTOYA: That's true.

MR. HILL: And of course there are --

CHAIRMAN MCCUSKER: Private schools.

MR. HILL: There are a few Catholic schools.

CHAIRMAN MCCUSKER: What if we didn't list any?

What if we said any high school student?
MS. MONTOYA: Well, the only reason we did list them is because the city council members wanted to know which ones were in their district, and so we had to go in and do some research to figure out who went to where. We can certainly change that and do a little bit more research and figure out who the charter schools are.

CHAIRMAN MCCUSKER: I think Mr. Hill's point in the initial conversations, I think we did see this as a broader opportunity, that any -- and it said high school seniors.

MS. MONTOYA: High school seniors.

CHAIRMAN MCCUSKER: I think we said any high school senior in Pima County was eligible.

MS. MONTOYA: In Pima County.

CHAIRMAN MCCUSKER: And we can work privately with council members on what schools are in their wards, but that will open it up to anybody.

MS. MONTOYA: And well, that's a good thing too because that gives us more choices. Very good point.

CHAIRMAN MCCUSKER: Part of this involves the participation of our city council. Everybody is on board with that?

MS. MONTOYA: I've talked to all of them. Everybody now is on board. So they're good. Pima College is on board and the University of Arizona is on board.
We might even have a few little surprises down the road with additional people who may be willing to match that $500 or $1,000. I can't say yet who it might be, but, you know, I can't publicize it until we know for sure and it's in writing.

MR. RITCHIE: I think we have all discussed this. I think that the new reconstituted board of Rio Nuevo, that we certainly deserve a different faith than our predecessors.

I think we've worked very hard, but sometimes I believe that running from our -- the past will do us more harm than good.

I think NonProfit News Source is something that we can use for other things that we're doing, but I'd like to make a motion and reconsider it.

I make a motion to reconsider our actions whereby we adopted the contract and contest to rename Rio Nuevo, that we reconsider and terminate this contest. That's a motion that I'd like to make.

CHAIRMAN MCCUSKER: He's an odd vote. He's allowed to have a motion to reconsider. That requires a second.

MR. HILL: Second.

CHAIRMAN MCCUSKER: We have a board approved action that has been asked for reconsideration, and we have
a second. Let's do a roll call vote. Michele.

MR. MOORE: I'll pass for a minute.

MS. BETTINI: Jannie Cox.

MS. COX: Nay.

MS. BETTINI: Mark Irvin?

SECRETARY IRVIN: Nay.

CHAIRMAN MCCUSKER: The motion is to reconsider, so a nay vote would leave it intact.

MS. BETTINI: Fletcher McCusker?

CHAIRMAN MCCUSKER: Nay.

MS. BETTINI: Chris Sheafe?

TREASURER SHEAFE: Nay.

MS. BETTINI: Jeff Hill?

MR. HILL: Aye.

MS. BETTINI: Cody Ritchie?

MR. RITCHIE: Aye.

MS. BETTINI: Alberto Moore?

MR. MOORE: Nay.

CHAIRMAN MCCUSKER: By a vote of five nays to two ayes, the motion to reconsider is defeated. So back to the rules at hand, any other comments?

Now, Cody, I do think -- you know, I think your comments are well-said, and I think we heard it from Charlie today.
I think most of the people I interact with talk about the new Rio Nuevo, and we may never, in fact, escape that, but I think there also is the sentiment that we deserve an opportunity to kind of start over, and I think that's the premise under which we should launch this contest.

We're not obligated to change our name. I do think, however, that it would be really in poor taste of us to run this contest and not give these kids their scholarship money.

So indeed, if we enter into this, we should follow the rules, pick the winners and pick a winner. It doesn't mean we actually have to legally change our name. That may be another time that we debate it at the end of the contest.

MS. COX: Mr. Chairman, I'd like to say we did talk about obviously that we may or may not change our name, regardless of the contest, but we may decide to name it something that didn't come from the contest.

MS. MONTOYA: That's covered.

MS. COX: And I would also urge all of us to think about once we have come together, through the contest and with each, on a potential name, that we get some professional advice about that name before we go announcing it.

I just think that a name can bring a lot of
connotation. It might be good to let it settle for a little
while instead of making a decision in one meeting about what
the name might be, assuming it will be changed.

MS. MONTOYA: And the name also has to lend itself
to a good logo, a good branding. So there are several
things. I would agree that's a good idea.

I did additional research on branding and how long
does it take for the old name to go away and the new name to
surface. It takes about five years, and that is if it's a
consistent effort.

So you can look that within five to ten years, no
one will remember Rio Nuevo. I don't know if that adds to
it or takes away from it, but that's what the facts say.

CHAIRMAN MCCUSKER: What is Verizon's old name?
MS. MONTOYA: Verizon, who knows? It changes
pretty rapidly.

MR. RITCHIE: This is a statement. My feeling is,
if we all do our job, and I think we all are doing our job
-- and I lost the vote so I'll be a good sport -- but I
believe that positive will come out of the work that's done
and not in the name that is assigned to a district.

CHAIRMAN MCCUSKER: And I believe Mr. Hill is
absolutely right, we will always be referred to as the
former Rio Nuevo, so it's --

MS. MONTOYA: One of the things that I also urge,
being a PR marketing specialist, that it's not enough to change your name and it's not enough for you folks to know what you're doing and it's not enough to put it up on the website.

There needs to be a concentrated effort to pit certain projects that are -- that you see as prominent, you see as promising, and build a campaign around those projects so that, you know, you may know what you're doing internally, but as far as the image of the community, those two things need to go hat in hand.

TREASURER SHEAFE: I'd just like to say that I wasn't necessarily opposed to what was being proposed.

CHAIRMAN MCCUSKER: You just voted no.

TREASURER SHEAFE: I voted no because I think it's a very positive process to have this whole thing taking place, because there's an economic gain involved. That's what Rio Nuevo is about.

MS. MONTOYA: I agree. And I like the idea of opening it up to even more students.

CHAIRMAN MCCUSKER: So we're off to the races.

SECRETARY IRVIN: I snuck out a little bit early before the vote on yours. Fletcher was out of town, and I was handed the contract to sign.

And until I had a chance to ensure that we actually voted on it and had a chance to talk to counsel and
other people, since I couldn't reach the vacationer here --
I have the contract in my office. I meant to bring it with
me. I will get it to Michele tomorrow morning.

MS. MONTOYA: Thank you.

MR. HILL: Does the contract limit it to these 13
schools?

CHAIRMAN MCCUSKER: No. The contract is for an
economic amount.

MR. COLLINS: But your agenda item today is to
approve the rules or modify the rules. So I would suggest
that you make a --

TREASURER SHEAFE: I move that we approve the
modified rules as they are contained in our book.

SECRETARY IRVIN: With the addition that any high
school student in Pima County -- any senior in high school.

MR. HILL: Right. Left out city limits.

MS. MONTOYA: Tucson city limits.

MR. COLLINS: Right. That's what paragraph one of
the official rules specifies.

CHAIRMAN MCCUSKER: We have another group motion.

Mr. Sheafe, why don't you properly state your intent.

TREASURER SHEAFE: My intent was to approve these
rules adjusted with the addition of all schools, and we had
said within Pima County, correct, high school seniors.

CHAIRMAN MCCUSKER: Alberto, is it still good for
you to second?

MR. MOORE: Second.

CHAIRMAN MCCUSKER: Okay. The motion is to approve the rules as amended, opening it up to all high schools in town. All in favor say aye.

(Ayes)

CHAIRMAN MCCUSKER: Those opposed nay.

MR. HILL: Mr. Chairman, just for the record, I would point out, my children and I, when we go to the big park in town, it's Randolph Park. We don't recognize Reid Park. Some of us old-timers, five or ten years isn't going to cut it.

CHAIRMAN MCCUSKER: The only remaining item, other than the call to the audience, is number 17, the ethics policy. We're again not going to take any action on that. We have asked counsel to help us update the ethics considerations, for the Rio Nuevo board members, as they relate to our behavior on the board and in the community and particularly around conflicts of interest.

He has given us a number of examples, which we will be reading between now and the next meeting. We'll table this item until the next Rio Nuevo meeting. And I have seen some calls. Josefina Cardenas.

MS. CARDENAS: I'm Josefina Cardenas, 902 West 21st Street. I would just like to also say about the name,
That urban renewal has never lost its name. Keep that in mind. It all depends on your actions and what we do with it and how much development comes about. Being a native Tucson and just watching, it's overwhelming and sometimes discouraging, and imagine bringing it back to our elders and families in the barrio. I also attended the same urban land. And it's quite embarrassing to introduce what we have been doing to someone not from this town.

I mean when are we here in Tucson going to learn to communicate well and work together well. I'm praying this process will work, and this will be an example to move forward and that it won't be another process after another process taking us how many years now.

So then I thank you. I know you're trying hard. My prayers on my side are for each one of you. Gracias.

CHAIRMAN MCCUSKER: Thank you. I'll entertain a motion to adjourn.

SECRETARY IRVIN: So moved.

CHAIRMAN MCCUSKER: Second.

MS. COX: Second.

CHAIRMAN MCCUSKER: All in favor say aye.

(Ayes)
CERTIFICATE

I, Diane Laur, certify that I took the shorthand notes in the foregoing matter; that the same was transcribed under my direction and also checked for accuracy against a backup tape; 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.

DIANE LAUR