



Rio Nuevo

TUCSON, ARIZONA

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NOTICE OF EXPENDITURES OF \$500,000 OR MORE OF TIF REVENUE

By 2012 the Rio Nuevo Multipurpose Facilities District (“District”) had become entangled in several lawsuits; in one a taxpayer was suing the District for violating the Arizona Constitution; in another a contractor was suing the District seeking payment of more than \$1.3 million of unpaid invoices; and the District had filed two suits against the City of Tucson. The FBI and the Attorney General were investigating the mismanagement of the state funds by City of Tucson executives and the District’s annual statutory audit was qualified over disputes about asset and property ownership. All of which resulted in approximately \$2 million a year of state tax dollars being spent on legal bills.

In June of 2012 the composition of the District’s Board of Directors (“Board”) was changed. This new Board composition generally remains intact today. This Board hired a CFO, pressed the suits attorneys thought were winnable and began settlement talks with the City. The Board Chairman pushed the new City mayor to settle out of court, asking for millions of dollars to be returned to the District and requesting that several valuable vacant properties be deeded to the District by the City.

In February of 2013 the City and the District executed a “Settlement Agreement” that allowed the District to recoup approximately \$20,000,000 in cash as well as title to approximately 35 acres of urban land. In exchange the District agreed to finish three projects; (1) renovation of the Tucson Convention Center (“TCC”) Arena, (2) fund \$750,000 of streetscape improvements to downtown City streets (“Streetscape Component”) and (3) fund \$1,100,000 to finish the historical Mission Garden on the far west side of the District’s land (“Mission Garden Component”).

In October of 2013 the Attorney General informed the public that while their investigation revealed no prosecutable crimes, it had made crystalline that there had been significant mismanagement of District funds prior to 2010. In 2014, the development restrictions placed on the District in 2010 were lifted by a unanimous legislature, thereby allowing the District to focus on other projects.

In early 2015 the TCC Arena renovation was completed; a renovation that reaped multiple public works project awards. In addition, the District has helped launch a new Marriot Hotel in downtown Tucson, invested in engineering on the west side as preparation for a major development, simplified the byzantine lease arrangement of the historic Fox Theatre, and launched a \$100,000,000 development west of the TCC which will be funded with private sector dollars.

The District has now reached agreements with the City and the other necessary parties to complete the Streetscape and Mission Garden Components of the Settlement Agreement. While these projects were authorized prior to the legislation requiring advance notification, in the spirit



of the 2014 amendments to A.R.S. §48-4204(C), Board is hereby providing notice that it is in the process of fulfilling its 2013 obligations to fund the \$750,000 Streetscape Component and the \$1,100,000 Mission Garden Component of the Settlement Agreement. These expenditures may be done in phases that are less than the \$500,000 threshold amount; but the total amount to be expended exceeds that threshold.

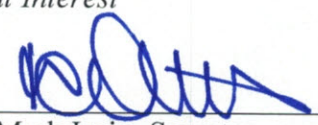
If you have any questions or concerns please contact your appointee or the Chairman of the Board.

STATEMENTS OF BOARD MEMBERS FINANCIAL INTEREST IN SUBJECT OF PROPOSED EXPENDITURE

Board Members' Having No Financial Interest



Fletcher McCusker - Chairman



Mark Irvin, Secretary



Christopher Sheafe - Treasurer



Jeffrey Hill



Jannie Cox



Cody Ritchie

Board Members' Having Financial Interest

Based upon the opinion of counsel, none of the Board members have or had an A.R.S. §38-501 *et seq.* conflict of interest.