

**Minutes for Meeting
of the Board of Directors of the
Rio Nuevo Multipurpose Facilities District**

Wednesday, June 9, 2010

**Tucson Convention Center, Greenlee Room
260 South Church Avenue
Tucson, Arizona**

A meeting of the Board of Directors of the Rio Nuevo Multipurpose Facilities District was held on Wednesday, June 9, 2010 in the Tucson Convention Center, Greenlee Room, 260 South Church Avenue, Tucson, Arizona commencing at 2:00 pm.

1. Roll Call

The meeting was called to order at 2:10 pm.

	Appointee	Present	Absent/ Excused
Jodi A. Bain, Chair	Senate	x	
Dan Cavanagh, Member	Governor	x	
Jeff DiGregorio, Member	Tucson	x	
Scott Egan, Member	House	x	
Carlotta Flores, Member	Governor	x (left at 5:07 p.m.)	
Mark Irvin, Vice Chair	House	x	
David N. Jones, Member	Governor	x (arrived at 2:30 pm)	
Alberto Moore, Secretary	Governor	x	
Anne-Marie Russell, Member	Tucson	x (left at 5:05 pm)	
Victor Soltero, Member	South Tucson		x
Alan F. Willenbrock, Treasurer	Governor	x	

2. Review and possible action with regarding to the Minutes of May 26, 2010.

A motion to approve the minutes of May 26, 2010 was made by Board Member Dan Cavanagh, seconded by Board Member Scott Egan, approved unanimously 9-0, with Board Member Jeff DiGregorio abstaining because he was absent from the meeting.

3. Interim Executive Directors Report – Richard Miranda

i. Discussion and possible action with regard to a schedule for decision-making on hotel.

Mr. Miranda advised the Board that he and Finance Director Kelly Gottschalk will provide a PowerPoint presentation on the Budget and on a communication that went to Mayor and Council regarding the timeline for the Hotel Project that the Board had asked staff to request of Mayor and Council. Mr. Miranda talked about the action by Mayor and Council, specifically that City staff asked Mayor and Council for an approval of the timeline that was constructed which consist of

two phases. The first phase was designed to develop some agreements and negotiations to provide as much information and analysis as possible to assist the Mayor and Council in making a decision on the Hotel Project. The second phase, if the first phase went through approval, was designed to provide the platform for the financing of the project, so that the final order to proceed could be given or not given respective to the Mayor and Council decision. It is amplified that at no time during these phases will approval to proceed with the Hotel project be given until the final phase. This phase includes the selling of the Bonds and proceeds to a contract. The Mayor and Council were told that endorsement of the timeline was not a commitment, it was only an endorsement so that staff could work on tasks and important milestones so that both the Mayor and Council and the Rio Nuevo Board can make separate decisions.

It was communicated to Mayor and Council that Staff would present this timeline to the Rio Nuevo Board to have a parallel work schedule developed to provide a good foundation for their decision making on the Hotel project. After a very lengthy discussion, the Mayor and Council voted 5-2 to approve the timeline. On June 15, 2010 staff will ask Mayor and Council for permission to begin negotiations with the District Board to develop a separate Hotel IGA. The IGA specific to the working relationship between the City and District is being developed and set for approval by the Mayor and Council on June 22, 2010, as communicated to him by the City Attorney. The plan today is to present to the Board what was presented to Mayor and Council to open up the discussion on how the District Board would like to proceed with this timeline or not, and allow the Rio Nuevo staff to get direction on how to communicate with the Mayor and Council as to your wishes.

Finance Director Kelly Gottschalk gave a PowerPoint presentation indicating the milestones and tasks that staff needs to complete before a go, or no go decision is made on the Hotel. They are quite intricate, and when you get to Phase II, you will start incurring costs. Ms. Gottschalk indicated that she wants to make sure the Board understands what the issues are, and what needs to be communicated to have the Board make the best informed decision.

The PowerPoint presentation had the following information:

- ***Goals of the timeline:***
 - ***Ensure the project continues to proceed in an efficient manner***
 - ***GMP pricing proposals are dependent on a timely decision***
 - ***Take advantage of current market construction costs***
 - ***Build America Bond program changes at the beginning of the year which will increase cost of financing***
 - ***Also, minimizes general interest rate risk***
 - ***Coordinate the key steps in moving forward with the Rio Nuevo District Board***

Ms. Gottschalk continued with a list of prior approvals on the hotel by the City, the District and the AZ Legislature going back to April 2007. She then reviewed the list of outstanding items the City has identified:

- *The hotel financing can not be completed without the City's ability and willingness to pledge the backing of the City's general credit to the financing transactions.*
- *The roles and responsibilities of the City and Rio Nuevo District need to be defined*
- *Many components of the business deal between the City and Rio Nuevo need to be negotiated*
- *The Hotel Project includes the convention center hotel, the Tucson Convention Center expansion & constructing the necessary parking garage & improvements.*
- *An acceptable financing plan must include all three projects*
- *The City has contemplated issuing Certificates of Participation for the Convention Center Expansion. A stand-alone issue or combining the issue with the hotel revenue bonds is being evaluated.*
- *The details and the financing relative to the parking garage or parking improvements are still being defined at this time. Based on our current analysis projected revenues from the 954 space parking garage alone do not cover the operations, maintenance, debt service and the lost revenue to the TCC budget. Solutions are being developed and analyzed to address this outstanding issue.*

Ms. Gottschalk indicated that the Mayor and Council has been concerned with the following issues:

- *Protect the City's interest*
 - *Price of the Hotel Project*
 - *The bids are being reviewed by a third-party outside consultant hired by Garfield Traub to ensure the best possible pricing*
 - *Considering lower cost alternatives, while adhering to the integrity of the concept & the maintainability of the product*
 - *Seeking to expand the supplier base in areas that may result in lower bids*
 - *Bid coverage allows the Team to continue to negotiate best possible pricing*

Ms Gottschalk continued with the presentation:

- *Spreading the risk to other partners*
 - *With the assistance of Piper Jaffray, reviewing alternatives*
 - *Discussions with Garfield Traub have begun to consider possible opportunities*

Ms. Gottschalk discussed the Tentative Timeline for Hotel Project Financing and Notice to Proceed.

PHASE 1

June 8

- ***Approval of Tentative Timeline***

June 9

- ***Review Tentative Timeline with Rio Nuevo District Board***

June 15

- ***With the intent to proceed with the hotel project, approve the timeline and direct staff to negotiate an IGA with the Rio Nuevo District Board relative to the Hotel Project***

PHASE 2

Mid-July Special Meeting

- ***Approve the Hotel Specific Rio Nuevo/City IGA****
- ***Approve GMP****
- ***Approve Capital Plan****
- ***Approve the intent to pledge the City's general credit guarantee to the financing transactions***
- ***Approval to proceed with negotiation of hotel documents and bond financing documents****

Mid-July-September

- ***Negotiate & approve hotel operating agreements****

September-October

- ***Approve, Issue and Close financing transactions****

October

- ***Issue notice to proceed & commence construction of the Hotel Project Components****

****Requires Rio Nuevo Board Action***

Following the presentation of the proposed timeline, Ms. Gottschalk reviewed the list of items the City had identified as outstanding. She noted that it was a just a partial list and that the District would probably like to add some as well. Some things that still need to be considered are:

- ***Negotiate an IGA with the Rio Nuevo District Board relative to the hotel financing and conditions of the City guarantee, including, but not limited to:***
 - ***Approve mutual timeline for Phase 2***
 - ***Formation of a 6320 corporation***
 - ***Roles of City & the District and other parties in the financing transaction***
 - ***Roles of the City & the District long-term***
 - ***Flow of TIF revenues into the financing indenture***

- ***Reserve fund accumulation and if necessary, replenishment of reserve funds***
- ***Release of excess TIF revenues***
- ***Timing and distribution of excess project funds***
- ***Issues related to the parking garage financing***
- ***Issues relative to the TCC expansion financing, if necessary***
- ***Potential implications of further negotiations with other parties***
- ***Outstanding issues relative to the General IGA between Rio Nuevo & the City***
- ***Including FY 2010 loan repayment***

This is a brief list of things that the City and the District need to agree on before the City can issue their guarantee; also what the Board needs before moving ahead with the Bonds.

Starting mid-July to September, both parties need to negotiate and approve the agreements. In September and October bonds would be approved and issued, and would close with the goal to issue a notice to proceed and begin construction of the hotel in October. This is the timeline Staff has laid out to take advantage of the GMP, the Build America Bonds, and keep the project moving forward.

Chair Bain indicated that the District would like to be able to appoint 2-3 members from the District to sit on the negotiating team. Ms. Gottschalk responded it would be helpful because the District may think of things that the City has not. Ms. Gottschalk acknowledged that the timeline is compressed, but the City doesn't want it to appear like its working in front of the District.

Mr. DiGregorio said the schedule needs to be more detailed and he was concerned with the aggressiveness of it. He realizes other things are controlling the schedule like the financial advisor interviews; there are long-lead items like the hotel operating agreement which is going to be time consuming, but thinks that there are things that could be done concurrently. Ms. Gottschalk agreed that the operating agreement is going to be difficult to negotiate and that outside experts and attorneys need to be brought in to assist with that and the City is trying to avoid significant expenses until there is direction from both entities on whether the project is going to move forward.

Ms. Bain asked if the City was amenable to the Board making a motion to place 2-3 people from the Board on the Negotiating Team? Mr. Miranda indicated that the closer they work together the more quickly this will get done and that this is a partnership. Ms. Gottschalk indicated that this is the reason for the presentation to both the Mayor and Council and the Board. Staff wants to be sure both are thinking about all of the same issues; that the Capital Plan works for both of us. The Board had not had the opportunity to be at the table to deal with the details of the capital plan and assumptions can be made and changed.

Mr. Cavanagh said if the City is going to start discussions and negotiations, the District should be at the table. He made a motion to create a task force to meet

with the City this week to explore timelines to the hotel and other related issues and they can come back next with a review and recommendation on a possible adoption of a timeline. Mr. Egan made a friendly amendment to the motion that the task force will be defined by the Chair. Mr. DiGregorio seconded the motion. Motion passed 9-0, with Mr. Willenbrock abstaining. The appointments were made later in the meeting.

Item 4 was taken out of order.

4. Discussion and possible action with regard to payment to DM Lovitt for insurance brokerage and update on general liability and premises insurance - David Lovitt/Mark Irvin.

Mr. Lovitt advised that as part of the general IGA renegotiation, it was identified that the District was lacking in general liability insurance. Currently, most of the things owned by the District are coinsured with the City, but there are a couple of things the district owns like a duplex that are not insured. Mr. Irvin handled out a spreadsheet showing the companies they had contacted to the Board and attached were some specific proposals the Board had received. Gathering quotes for general liability (a broad coverage that would cover the district for any type of activity it would be engaged in) has been delayed due to the insurance companies wanting to know more about the District. Mr. Irvin has been providing additional information to the companies and indicated that additional requests may be coming in. They did, however, receive some quotes on the premises coverage.

Mr. DiGregorio made a motion to purchase the premises policy, Ms. Russell seconded the motion. The motion passed unanimously 9-0.

3. Interim Executive Directors Report - Richard Miranda (continuation)

ii. Presentation and discussion of potential 2011 draft budgets.

Ms. Gottschalk gave a PowerPoint presentation. She directed them to the detailed cash flow, extended cash flow that shows month to month transactions, and list of capital projects. She said the District's budget has to be adopted by June 30th of this year and a public hearing must be held. City staff has put together a starting budget for the Board to consider. The State requires receipts and expenditures for FY 2010, estimated expenditures and revenues for 2011, a completed assets and liabilities statement (from what was audited in FY 2009), a statement of profit and loss for operations, cash on hand as of the date of the budget adoption (currently calculated through May 31), and an itemized statement of commitments, reserves and anticipated obligations for the future year.

Ms. Gottschalk indicated that City Staff predicts revenue at \$8.8 million, but the Board needs to feel comfortable with whatever number it uses. That number can be increased or decreased.

Chair Bain closed the discussion with the reminder that the Board members should e-mail her any remaining questions on the budget and she will forward them to staff.

5. Discussion and possible action with regard to designating a Rio Nuevo Board member to interface with Auditor General's office and Crowe Horwath on the audit - David Jones.

Mr. Jones reported that the Auditor General's audit was signed today. The Auditor would like to meet with the City and representatives from Rio Nuevo to lay out their timetables and to indicate what information they are going to need. They have 120 days from the end of this fiscal year to complete the audit.

At this time Chair Bain appointed Dan Cavanagh, Alan Willenbrock and David Jones to the panel to meet with the Auditors and also to serve as the Committee to meet with Mayor and Council. Mr. Gugino said when they get to the point of discussing specific projects they would like to be involved.

6. Status report regarding convention center/hotel based activities - David Jones and Greg Shelko

Mr. Shelko had a personal issue and Steve Moffett had a plane to catch. Mr. Jones said he was under the impression that a draft GMP had been delivered to the developer a couple of weeks ago. Chair Bain will add the GMP to next week's meeting.

7. Discussion and action with regard to financial advising and financing services for the District - Alan Willenbrock and Jodi Bain

Mr. Willenbrock advised that approximately four firms from the State procurement list will be making presentations at next week's meeting. Piper Jaffray declined due to their involvement in other City matters.

Mr. Jones suggested that a special meeting be held just before the Regular meeting to allow the firms to present to the Board. This will allow the public to decide whether they want to attend or not. Chair Bain indicated that she would get back with the Board on whether this was possible or not after General Counsel Keri Silvyn had a chance to look into how to proceed on this matter.

Let the minutes show that Ms. Russell left the meeting at 5:05 p.m.

Let the minutes show that Ms. Flores left the meeting at 5:07 p.m.

8. Discussion and possible action with regard to Bond Counsel services for the District - Jodi Bain

Chair Bain advised that they will be having three or four firms presenting to them at the next meeting.

9. Discussion and possible action with regard to reimbursement policy for Board Members - Jodi Bain

After some discussion about whether to follow the State's policy on travel which uses the Federal reimbursement rate, Mr. Cavanagh made a motion to set the mileage reimbursement for out-of-town Board Members to match the Federal reimbursement rate. Mr. DeGregorio seconded the motion. The motion passed unanimously 7-0.

10. Report from Legal Counsel – Mary Beth Savel and Bob Gugino. i. Report on negotiations of City of Tucson IGA.

Mr. Gugino indicated here are three areas they are working on in regards to the IGA. They are working on properties, insurance and the \$1.7 million loan to the District which will be discussed during Executive Session today.

i. Report regarding Depot Garage.

Outstanding issues need to be resolved. Waiting to receive pro-forma from City which will contain projections by Parkwise of the anticipated revenue and expenses for the garage.

ii. Report regarding the Rialto.

They met with Mr. Biggers and requested some information and will discuss the status of their lease.

iii. Report regarding Arena site.

They are working with the City for repayment of the \$900,000 that was invested in the arena site parcel.

Another matter they are working on is transferring the brickyard site at Tucson Origins from the City to the District.

Item Nos. 12 and 13 were taken out of order.

12. Call to the Audience:

Dick Basye expressed his opinions on the Rio Nuevo project.

13. Future Meeting Dates and Agenda Items.

June 16, 2010

Agenda to be determined. Possible items include: GMP discussion, presentation by Financial Advisors, continued discussion on the budget, possible adoption of a proposed project time line.

June 23, 2010

1:00 p.m. – 2:00 p.m. Financial Advisor (subject to General Counsel Keri Silvyn getting back to the Board on whether the committee could meet before the regular meeting, etc.)

2:00 p.m. – 3:00 p.m. Bond Counsel

3:00 p.m. – 5:00 p.m. Regular Meeting

6:15 p.m. – 8:00 p.m. Public Hearing on Budget & Town Hall

11. Executive Session

At 5:35 pm, a motion to enter into Executive Session was made by Mr. Irvin seconded by Mr. Egan. Motion approved unanimously 7-0.

i. Negotiations with City of Tucson on IGA.

ii. Existing District contractual obligations.

iii. Depot Plaza Parking Garage.

iv. Potential sale of Arena Site.

14. Adjournment.

The Rio Nuevo Board formally adjourned the meeting after the executive session at 6:30 p.m., on June 9, 2010.