

**INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF GILA, ARIZONA**

**P.O. Box 127  
Claypool, AZ 85532**

Fred Barcón, President  
William Long, Vice President  
Mark Marcanti, Secretary/Treasurer  
William Byrne, Member

Gerald Kohlbeck, Member  
Cliff Potts, Member  
Ray Pugel, Member  
Mickie Nye, Member

**MINUTES  
OF THE  
REGULAR MEETING OF BOARD OF DIRECTORS OF  
THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF GILA  
(the "Authority")**

**Date:** April 8, 2013, 3:00 p.m.

**Place:** Gila County Courthouse  
Board of Supervisor's Conference Room  
1400 E. Ash Street  
Globe, AZ 85501

**Presiding:** Fred Barcón

**Present:** Fred Barcón, William Long, Mark Marcanti, Gerry Kohlbeck, William Byrne, Ray Pugel (Payson conference room),  
Cliff Potts (Payson conference room).

**Absent:** Mickie Nye

**Guests Present:** Kenny Evans, Mayor of Payson; Daisy Flores, Attorney

**Administrator:** Sandy Palmer

Mr. Barcón called the Regular Meeting of the Board of Directors of the Authority to order at 3:07 p.m., noting the presence of a quorum.

**1. APPROVAL OF MINUTES OF THE SPECIAL MEETING OF THE BOARD HELD ON JANUARY 10, 2013 AND REGULAR MEETING HELD ON JANUARY 24, 2013.**

Cliff Potts raised the point that reviewing minutes typed verbatim is time consuming and suggested a summarized or condensed format. Ray Pugel agreed and suggested using a condensed format.

Fred Barcón pointed out that a former Supervisor requested the verbatim format. Now that the Supervisor is no longer in office, a condensed format can be used henceforth.

On Motion made by Mark Marcanti and seconded by Gerry Kohlbeck, the minutes of the Special Meeting of the Board held on January 10, 2013 and the Regular Meeting of the Board held on January 24, 2013 were approved as submitted.

**The motion passed unanimously by a vote of (7-0).**

**2. UPDATE ON PAYSON'S ASU PROJECT GIVEN BY MAYOR EVANS.**

Mr. Barcón introduced Mayor Evans. Mayor Evans thanked the Board Members for their continued interest in the project and provided an update. The planning team has gained site access from the Forest Service and they're moving forward on other issues. Mayor Evans referenced an article his attorney extracted from ARS 35-701 regarding the powers of a county or municipal IDA to make unsecured loans. Mayor Evans opened for questions.

Mr. Potts asked if the quarter being discussed referred to the fourth quarter of 2013. And at that point, will the SLE end up with title to the property?

Mayor Evans explained the process that nine Forest Service people, up to the regional Forester and Chief Tidwell, the chief of the Forest Service, as well as the SLE team and volunteer committee team have all agreed on. That process does culminate in transfer of title to the property.

Mr. Potts asked if the title is obtained in the fourth quarter, will the university partner be reengaged.

Mayor Evans gave some background on the steps involved with obtaining land from the Forest Service. The Forest Service added additional steps which extended the timeline by eleven months. As soon as there is reasonable probability that they will have title to the property on the revised timeline, they will go back to ASU and reengage them.

Mr. Barcón stated the IDA's attorney advised against making an unsecured loan and asked if it were possible to secure the loan.

Mayor Evans explained that he had been informed the loan was not doable unless it could be secured. He was at the meeting simply to bring the IDA up-to-date on the project, as requested, not solicit funds. He mentioned the SLE has a project on the table that will generate \$200,000 - \$300,000 in cash sometime in the next 45-90 days. The ASU project is moving forward, it will be a major economic force in Gila County. Each item highlighted on the flow chart will be an out product of the campus.

Mr. Pugel asked if there would be opportunity for the IDA to bond projects for corporations that wish to build near the campus.

Mayor Evans explained to the Board the SLE has a \$500 million line of credit committed once they have:

A. The property

B. A university partner

Part of that has to do with the fact that only the Board of Regents in Arizona can declare a research park. Corporations building in a research park receive a 37% tax credit on their total construction costs. It's fairly easy to finance a project when in essence the Federal Government is coming up with 37% of the construction costs. Mayor Evans expressed his gratitude for the IDA's interest in the project and said he would certainly do everything he could to ensure the IDA is represented as a bonding authority to perspective corporations.

Mr. Potts asked what is required in obligations or needs to get from this point to a potential closing.

Mayor Evans explained the document received from the Forest Service says the Forest Service forgot a couple things. By the way those couple things are eleven months and \$270,000; they have paid about \$65,000 or \$70,000 of that now. And have approximately \$200,000 more to expend to complete the process and get to the point where they can buy the property.

Mr. Potts asked if they have the resources to get there.

Mayor Evans said they have the resources; they are starting to run very, very shy on enthusiasm. People who have contributed the \$650,000 expended so far have done so not as an investment, but as a philanthropic contribution to the cause. They are getting tired of the Forest Service saying "One more thing." It will be tough, but they will do their best to raise that additional \$200,000.

Mr. Potts asked what the IDA could do to help in the meantime.

Mayor Evans said he would like to see the IDA involved. Just from the standpoint of showing some progress on the part of the IDA doing industrial development in Northern Gila County more than because money is needed or something is needed that they don't have.

Mr. Barcón explained that is part of the reason he requested an update. If there is an opportunity for the IDA to get involved, the IDA needs to do it. Mr. Barcón mentioned meeting with Rueben Mendoza who has been the IDA's advisor on past on bond issues. He will mention the ASU project and see what ideas he might have.

Mayor Evans said he would be more than happy to participate however he can.

Mr. Barcón thanked Mayor Evans for his time and presentation.

### 3. REVIEW DAISY FLORES' RECOMMENDED PROTOCOL FOR THE RACETRACK PROJECT AND POSSIBLE FUNDING OPPORTUNITIES.

Ms. Flores gave the Board an overview of the Board of Supervisor's discussion on the racetrack project. There was general consensus from the Board of Supervisors, as well as the public present, that they want to support the racetrack concept. Concern was raised whether the track is asphalt or dirt and the location. Overall, the meeting was positive. Supervisor Pastor ended the meeting giving direction that he wanted an opportunity to meet with Don McDaniel and discuss where the county might be going. There really was no discussion on funding or potential funding of the project.

Ms. Flores suggested steps that need to be taken. She talked with the county legal advisor and with the planning and zoning people. It doesn't appear that there are any legal limitations. The IDA needs to find out what the county's concerns are. She suggests the IDA appoint a point person, a project manager, someone responsible for reporting back to the Board and keeping the project on a timeline.

The project manager should meet with Mr. McDaniel, Supervisor Pastor, and maybe an IDA Member. Discuss where the county is at, what the limitations are, what resources or staff might they put forward in this investigative process and then go forward with the next step. After meeting with the county, the next step is to determine the initial funding. You need to get your non-profit on board early on if you are going to follow that same concept of how you could potentially fund this. After you have that in place, then you need to get a good picture from your community of what it is that is suggested because you have a lot of ideas that were tossed around at the work session, but overall you don't have a "this is the route we're going to go" because you don't have a clear proposal on the table yet. You need to get those first steps done. That's where I think you need to go. At least for now there is not a lot legally that you need to go forward with, at least not at this point. The big picture concepts need to be in place so you can take some concrete action at your next Board meeting.

Mr. Pugel stated the Board of Supervisors appeared to be at issue with the existing fairgrounds because they're losing \$225,000 per year. If the racetrack project comes to fruition and is moved to the lower bowl as discussed, that will significantly escalate the cost. It will be a whole new ballgame as far as being a profitable venture.

Mr. Barcón agreed. There is the possibility that the fairgrounds will be closed down completely and potentially relocated up to Payson. We hope to make this racetrack a reality.

Mr. Potts referred to Ms. Flores' recommendation for engaging a non-profit. He suggested the non-profit as an advocacy group to address some of the concerns. The non-profit could approach the IDA as a bonding authority, go to the BOS, go to the different stake holders, the racing commission and everyone else involved to hopefully bring the pieces together.

Mr. Pugel explained the cost of keeping the fairgrounds open is exorbitant considering the property is rarely used. Moving the location of the racetrack back to the bowl has changed the game. Without having concrete estimates as far as what it will cost, how long it will take to break even. The word non-profit sounds right, it sounds like it is going to be a non-profit.

Mr. Marcanti asked if the county has a master plan for that area.

Mr. Kohlbeck explained there is a master plan out there, but it's just a concept, nothing concrete. Mr. Kohlbeck suggested going as far forward as possible to see if the racetrack is going to work; if funding is available, if grant money is available. Put the puzzle pieces together before getting to the start.

Ms. Flores reiterated the importance of having a point person, a person tasked with finding answers so the Board can make an educated decision on whether to move forward or not.

Mr. Byrne asked for clarification. Are we still arguing about a location for this track?

Mr. Barcón explained building the racetrack in the bowl will cost considerably more money.

Mr. Byrne argued that should not be the issue. He mentioned the community and Board of Supervisors expressed their preference for building in the bowl during the BOS work session.

Mr. Barcón said it boils down to money. The track must be profitable.

Mr. Byrne explained that the initial racetrack concept was to be built in the bowl and the community supported the concept. He stated fairgrounds weren't set up to make money to begin with and asked how many fairgrounds in the state are making money.

Mr. Barcón turned the discussion toward moving forward with the project.

Mr. Byrnes reminded the Board that the project will run into the same problems.

Mr. Barcón explained the concept itself is going to be fought by some people, whether it's in the existing facility or in the bowl. The IDA is looking for economic development ideas for the community and unless there are other ideas...

Mr. Byrne affirmed his support of the racetrack, he questions the location.

Mr. Pugel confirmed the Supervisors expressed interest in building the track in the bowl. He didn't detect support for repurposing the horse track.

Ms. Flores agreed, stating the minutes reflect their opinion. Two of the Supervisors said they would not support it on the current horse track; it would have to be in the bowl.

Mr. Kohlbeck suggested the Board decide to go forward with building in the bowl and determine:

1. If the project is possible
2. If the venture will be profitable

Mr. Barcón mentioned a meeting with John Ramirez of CPLC. The discussion boiled down to funding. Mr. Barcón asked Mr. Kohlbeck to report on the meeting.

Mr. Kohlbeck said Mr. Ramirez discussed tax credits. Large corporations have the ability to secure tax credits. Example: A tax credit of 10 million would be issued to a corporation such as Freeport. Freeport would extend a 3 million loan to fund the racetrack. The borrowing entity would repay the 3 million; Freeport would be able to write off tax in the amount of 10 million. This program encourages large corporations to extend loans within their community.

Mr. Barcón asked Mr. Potts and Mr. Pugel if they are familiar with tax credits.

Mr. Potts said he is familiar with tax credits through multi-family housing. He asked who creates the tax credit and who qualifies to issue the tax credit financing.

Mr. Barcón suggested scheduling a meeting with John Ramirez to discuss and clarify tax credits before meeting with the mines. Another avenue Mr. Ramirez suggested is having the IDA bond the project. Mr. Barcón said he has been trying to get in contact with Rueben Mendoza, the IDA's financial consultant on the ASARCO bond issue.

Mr. Potts asked if the IDA were to issue the bonds, would the county be willing to be the borrower.

Mr. Barcón stated that's a good question for Mr. McDaniel. He asked Mr. Potts and Mr. Pugel if they would be involved with the process, considering their experience with financial matters.

Mr. Pugel declined, stating his involvement with Pine-Strawberry.

Mr. Potts said he'd be glad to help. He mentioned several questions that need to be clarified, the main question: Is the IDA the right entity to move the project forward. He referred to his original point, to energize a separate non-profit entity to carry the project forward.

Mr. Kohlbeck agreed. He encouraged the Board to move forward or let it go.

Mr. Barcón stated that the IDA has come too far; the project shouldn't be abandoned now. The next step is to nominate a point person to set up meetings and determine if the project is doable.

Ms. Flores suggested meeting with Don McDaniel and Supervisor Pastor. Supervisor Pastor indicated his plan to meet with Mr. McDaniel. She suggested at least an initial meeting to find out where the county is at and if they will assign anybody or any resources toward the concept.

Mr. Byrne asked if the racetrack falls into Supervisor Pastor's district.

Ms. Flores suggested meeting with only one Supervisor otherwise it becomes a quorum.

Mr. Barcón said Supervisor Pastor was appointed to the project before Supervisor Marcanti was elected. He suggested meeting with Don McDaniel to ask who the BOS would like to appoint to the project. Either way, the IDA has spent too much time and effort on the project, and suggested moving forward with the next step.

Mr. Potts agreed with moving forward and suggested appointing someone who can talk with a little expertise about car racetracks, financials, some of the infrastructure requirements, and things of that nature. The IDA needs somebody who knows the business to help move the project forward.

Mr. Barcón asked if Mr. Potts was referring to a project estimate.

Mr. Potts affirmed; project estimates, income and expense, projections and things of that nature.

Ms. Flores explained the best example of this concept is the Higley School District. The non-profit worked with the Phoenix IDA. The IDA bonded the non-profit; the school was built and leased to the school district. With the racetrack, the non-profit would take out the loan, build the track, and lease to whatever management entity steps in to manage the track. That is the concept if you go that route. The other routes for funding that you mentioned were tax credits, if the mines were willing to step in. Somebody needs to get a clear answer, either yay or nay on that.

Mr. Barcón asked Mr. Potts if he would attend the meeting with Don McDaniel and whichever Supervisor is appointed to the project.

Mr. Kohlbeck stated the necessity for a long-term lease on the property.

Ms. Flores suggested a motion: One of you Board Members appoint Sandy to be responsible for setting up the meeting with the county, IDA Members as you wish to attend. And after that she focus on financing; obtaining information from the mine and then reporting back to the IDA Board at your next meeting so you can go from there.

On motion made by Mr. Kohlbeck, seconded by Mr. Marcanti, the Board appointed Ms. Palmer to be responsible for facilitating meetings for the racetrack project and providing updates to the IDA Board.

**The motion passed unanimously by a vote of (7-0).**

Ms. Flores said she would be available to assist as needed.

#### **4. REVIEW TOM IRVINE'S RECOMMENDATION FOR POLSINELLI SHUGHARDT'S OUTSTANDING INVOICES INVOLVING THE CVRMC BOND ISSUE.**

Mr. Barcón referred to the long string of e-mails exchanged with Tom Irvine. He informed the Board that Mr. Irvine was advised to negotiate with CVRMC and get the project back on the table. Jim Childers sent an e-mail thanking the IDA for their time, stated CVRMC would be using another bonding authority and asked for a refund of the application fee. The application fee is not refundable. Attention then turned to the unpaid attorney's fees that have accrued as a result of the bond inquiry. During the January meeting Neal Jensen agreed to pay all fees associated with the bond. We don't want to alienate the hospital. We hope the project is still doable.

Mr. Barcón expressed his hope and desire to work with the hospital and get the project back on the table. Mr. Irvine suggested giving CVRMC time in hopes they would return to negotiate. Mr. Barcón expressed his satisfaction with the hospital staff during his recent operation and recovery. He expressed his desire to help the hospital bring their project to fruition.

Mr. Marcanti explained that during the initial meeting with Tom Irvine, Mr. Irvine indicated he would be creating a bond application for Gila County IDA. Time spent creating that application would be the responsibility of the IDA, not the hospital.

Ms. Palmer confirmed that Mr. Irvine mentioned creating a bond application during the initial meeting. However, the Polsinelli invoice does not reflect time spent creating a bond application, nor has the IDA received an application from Mr. Irvine. The invoice summary states time spent on the hospital bond and time spent reviewing the ASU project.

Mr. Barcón said the CVRMC project is a worthy project and is worth pursuing.

Mr. Potts asked if the IDA has anything that requires CVRMC to pay the attorney fees other than being a debt of honor. Did they agree beyond what their statement was in the minutes of that meeting at any time to pay any of those fees?

Mr. Kohlbeck said they paid the application fee, which was to apply for consideration. That fee didn't include endless communication with our attorney, unless the attorney looks at it differently.

Mr. Barcón explained that the hospital requested the \$3,000 application fee be returned. Our attorney advised that it is non-refundable. We still have substantial unpaid attorney's fees, \$10,000- \$12,000.

Mr. Potts stated in reading the minutes, the hospital said they wanted to pay the fees associated with the issue. That is not an agreement or obligation to pay. Mr. Potts referred to a couple points: If the IDA could move forward with the bond issue, some of the fees could be recovered. The other key point: If the IDA does move forward, some direction should be given to the attorney not to engage in billable hours in consultation with the unrepresented party.

Mr. Barcón explained that he had that conversation with Marty Harper, the head of the firm. It was quite a discussion and it was made quite clear that is not to happen again.

Mr. Potts said if CVRMC decides to go to another bonding authority for financing, the IDA doesn't have the ability to collect from them. He questioned why CVRMC would go to another bonding authority when the IDA offered them a really good deal.

Mr. Barcón explained that is why Mr. Irvine feels the IDA may be able to make the project work. Mr. Barcón mentioned that CVRMC received an outrageous bill from their attorney, so they switched firms. Hopefully the IDA can work with CVRMC and recoup legal fees, if not, we'll have to bite the bullet and pay the attorney.

Mr. Potts suggested giving the attorney counsel on project development to avoid wasting time and money in the future.

Mr. Marcanti asked if CVRMC had secured a bond.

Mr. Barcón said to the best of his knowledge they haven't. He met with Mr. Jensen while in the hospital recovering from surgery. Mr. Barcón expressed his desire to get the project back on the table and move forward.

Mr. Marcanti asked how much longer Polsinelli will wait for payment.

Mr. Barcón said Mr. Irvine suggested giving CVRMC some time. If the IDA can issue the bond, problem resolved. If not, the IDA will have to pay.

## **5. DISCUSS THE IDA'S ROLE IN SUPPORTING RESOLUTION MINE.**

Mr. Barcón explained how much things have changed with Resolution Mine. Since the time the IDA expressed support to Adam Hawkins and Members of Congress, the Town of Superior has turned on Resolution Mine. Resolution had put several hundred acres west of the airport in their land exchange. Resolution is putting property on the land exchange, if Don McDaniel and the Supervisors approve, perhaps Resolution will include the land between Globe and the proposed highway south of Globe. Over a year ago, the IDA met with the Board of Supervisors telling them the IDA would like to be involved in the land exchange-- anything to help secure the land south of Globe. Instead of waiting for the highway to go through, let's do the land exchange now. We won't know unless we ask Resolution if they wouldn't mind putting the land south of Globe in their package for a land exchange. Mr. Barcón asked the Board their thoughts. He asked the Realtors on Board if they know how long it takes for land exchange.

Mr. Potts suggested asking Mayor Evans how long it takes to get a land exchange.

Board laughs.

Mr. Potts asked where they are on Resolution Mine, is the project moving forward?

Mr. Barcón explained he wasn't a fan of Paul Gosar until recently. Congressman Gosar let the Town of Superior's Mayor know that he was very unhappy with the way Superior was blackmailing Resolution. It appears the Town of Superior is going into bankruptcy and forcing Resolution to

bail them out. Congressman Gosar literally made his feelings known. There is a new counsel coming in for the Town of Superior in June. They had a four minute meeting to turn down a Resolution for Support of Resolution Mine. The town disqualified three councilmen; one for having relatives that worked in the mines. The three that voted had already lost their seats coming up in June. After that meeting they gathered 400 signatures to recall the Mayor.

Mr. Marcanti mentioned that he was present at the meeting and it was indeed four minutes long. A statement was read that there would be no public comment, if there were any public outbursts offenders would be escorted by police. Two officers were present. Motion made, no objection to the motion, seconded, passed and that was the end of the meeting.

Mr. Barcón said he doesn't know what is going to happen after June. The new council may be in support of Resolution. At the time this item was put on the agenda it didn't look like Resolution stood a chance, now things may work in their favor. Mr. Barcón suggested waiting until after June to find out.

Mr. Long asked if Superior can block the land exchange.

Mr. Barcón explained that when the Resolution passed, Superior basically said they didn't want the land.

Mr. Marcanti explained there was a payment Superior would have to make; they said they couldn't afford it.

Mr. Barcón suggested discussing the land exchange idea with Don McDaniel.

On motion made by Mr. Marcanti:

The IDA of Gila County continues to show support for Resolution Mine and the land exchange. In light of the recent Town Meeting, table the item until Superior's new town council takes office in June. The IDA will determine the best course of action to support Resolution Mine and the land exchange.

Motion seconded by Mr. Byrne.

**The motion passed unanimously by a vote of (7-0).**

## **6. REVIEW WAGE AND EMPLOYMENT HISTORY OF IDA ADMINISTRATIVE MANAGER, SANDY PALMER.**

Mr. Barcón asked Ms. Palmer to leave the room.

The building experienced a power glitch. Power restored.

Mr. Potts and Mr. Pugel suggested personnel matters be discussed in Executive Session.

On motion made by Mr. Potts and seconded by Mr. Pugel, motion tabled for Executive Session.

**Motion passed unanimously by a vote of (7-0).**

Ms. Palmer returned to the room.

## **7. ADJOURNMENT**

With no further business to come before the Authority, upon motion made and duly seconded, the Regular Meeting was adjourned at 4:22 p.m., without objection.

