

**BOARD OF SUPERVISORS MINUTES
GILA COUNTY, ARIZONA**

Date: February 24, 2011

MICHAEL A. PASTOR

Chairman

JOHN F. NELSON

Clerk of the Board

TOMMIE C. MARTIN

Vice-Chairman

By: Marilyn Brewer
Deputy Clerk

SHIRLEY L. DAWSON

Member

Gila County Courthouse
Globe, Arizona

PRESENT: Michael A. Pastor, Chairman; Tommie C. Martin, Vice-Chairman (via phone conferencing); Shirley L. Dawson, Supervisor; Don McDaniel, Jr., County Manager; Marian Sheppard, Chief Deputy Clerk; and Bryan Chambers, Chief Deputy County Attorney.

Item 1 – Call to Order – Pledge of Allegiance

The Gila County Board of Supervisors met in a work session at 10:00 a.m. this date in the Board of Supervisors hearing room. Joe Heatherly led the Pledge of Allegiance.

Item 2 - Information/Discussion on the Museum of Science and Sustainability and its desire to establish a museum in southern Gila County.

Disa McAlister, the primary contact for the Museum of Science and Sustainability , called on Danielle Tomerlin, President of the Museum and part of the directorship of the Board, to begin the presentation. Ms. Tomerlin explained that the Museum is about science, sustainability and technology, which includes chemistry, biology, astrology, etc., but the emphasis is on the sustainability aspect of it and how it relates to everyday life and the world at large. Ms. Tomerlin provided her personal background information, which included a lot of education and training in the areas of multi-land use and sustainability as well as being in activities involving same. Ms. McAlister then provided the Board with her personal background of non-profit and community expansion and development. She noted that the Museum Board mostly located in Maricopa County is made up of very professional, high level executives, which are specialized in the science fields. She explained that the mission of the Museum is to research and educate by providing data in a comprehensible, easy to understand format with a special emphasis on sustainable living. They do not lobby, advocate, picket or march because the Museum is set up as a 501(C)(3) non-profit corporation. Ms. Tomerlin explained to the Board of

Supervisors about the triple bottom line, which is a three-tiered program known as "people, planet and profit" and the goal of sustainability, which is to find a perfect balance between the three. It has been revamped three times and adjusted to living in 2011. The Museum portrays research and education for the best practices at finding this perfect balance between all of these aspects of life where it is socially equitable, economically robust and environmentally viable because it is believed that there is a perfect balance. Ms. McAlister then explained that the Museum, as an educational facility, shows people options, but does not attempt to change what people are presently doing in the area of sustainability. She explained that an architect has designed a dome-shaped building for a proposed new museum, which is very energy efficient. They would also like to develop a trail system near the museum to showcase the natural beauty of this Sonoran desert area and it is their understanding that Gila County might also be discussing plans for a trail system. The Museum is also working on a wind turbine project with 2 windmills—one that will have a vertical access turbine and one that is horizontal and both are hooked up to a remote telemetry system for feeding in data to determine which turbine produces the most clean energy. She noted that the Museum would also offer free field trips and multiple events throughout the year including a science fair for children and visits to classrooms, monthly lectures, series, publications, etc. Ms. Tomerlin then explained to the Board that the Museum is currently looking for a place to house its facilities, which could be built immediately as an ecotourism center for adults and children alike. It will have research facilities and grants will be provided by the National Science Foundation. Ms. McAlister explained further that the Museum is looking for space to construct its Museum, which will be funded by corporations, individuals and foundations. Chairman Pastor inquired how it was determined to bring this Museum to the Globe area. Ms. McAlister stated that they had originally worked with Pinal County for most of 2009 and while waiting for something to happen there they also contacted Gila County because the flora and fauna within the County is what they want to work with and the terrain is beautiful. It's the picturesque Arizona, and they love the fact that this town is going to be thriving, that the mining companies are located here, and also because of the wonderful features that this area has to offer. Chairman Pastor stated that when Steve Stratton, Public Works Division Director, brought this issue to him several months ago, he indicated that the Museum staff were looking for property out towards the County Fairgrounds. He also indicated that the Industrial Development Authority might also be of assistance in the development. Mr. Stratton stated that about 1-1/2 years ago, he received a call from Ms. McAlister and Ms. Tomerlin. Sheldon Miller and Mr. Stratton have been looking at various locations. He stated that part of the 80 acres that the County owns by the landfill area would be very suitable for the wind generation. Mr. Stratton stated that he knows one of the Board's primary concerns is alternative power generation so he has been talking about wind and solar generation with these ladies. Also reviewed was property at the Gila County Fairgrounds where at one time the County was going to apply for a grant and through the State Parks to develop a trail

system, which was going to be not only a trail system, but also could be used as a cross-country track for the schools. He stated that he did not believe the proposed Museum would be a fly-by-night deal because over the past 1-1/2 years, staff has come to some level of comfort in working with these ladies and he felt it was now time to bring this issue before the Board. Supervisor Dawson also mentioned the Museum possibly partnering with the City of Globe and BHP Billiton for some acreage at the Old Dominion Park area or combining the Museum with the nearby old Little League Park at Noftsger Hill, which has been abandoned and it would be a good area for wind generation. She also did not have any objections to reviewing the Fairgrounds as a possible site. She stated that a solar and wind energy study was conducted of Arizona and it was noted that sustainable wind energy in this area was only located on the San Carlos Reservation. She thought the project would be good for the area and felt that there's a lot of potential. Mr. Stratton stated for clarification, "Staff is by no means trying to suggest that they go one place. When they contacted us, they were looking for county-owned property so we toured all of our properties and those were the 2 sites that best suited them at the time; however, your suggestion with the Old Dominion, now that it's come about, is very good land and I think that site should be looked at also." Supervisor Dawson inquired if Mr. Stratton would mind showing them the Noftsger Hill property and she believes it is still owned by the City of Globe. Mr. Stratton agreed to show the property; however, he believes there were some reversionary clauses in that deed. Chairman Pastor also suggested the Round Mountain Park area where there is a large area prior to entering the Park. He agreed that it sounds like a good project to come to the community as a stopping point for visitors. Chairman Pastor also stated that he invited the college staff to be at the meeting today because they have a sustainable energy program and there might be some partnership development opportunities. Chairman Pastor directed the ladies to continue to move forward and see what opportunities are available. He also encouraged them to visit with other agencies such as the Southern Gila County Economic Development Corporation and the Globe-Miami Regional Chamber of Commerce. Mr. Stratton stated, "That does give me direction and that's what we were looking for whether to spend staff time on that or not. We would be very happy to continue to work with them..." Chairman Pastor stated, "We can't take any action, but we can give direction and I think we've kind of expressed our direction and I hope we can work on this project and move it forward to see how it works for the County." Chairman Pastor also advised Mr. Stratton that the Bullion Plaza Museum was also interested in the project. Vice-Chairman Martin had no comment. Mr. Stratton stated that he believes the best thing to do would be to call representatives of each of the agencies and organizations mentioned and put together a roundtable discussion to determine what works out best for everyone. Supervisor Dawson noted that there is another available space out by the Boys and Girls Club that she would be interested in talking to them about also. No action was taken by the Board.

Item 3 - Presentation/Discussion regarding the Boards, Commissions, and Committees Report and an analysis and evaluation of each BC&C's current status of compliance with applicable statutes, laws, policies and procedures.

Don McDaniel, County Manager, stated that the Board had been reviewing all boards/commissions/committees in Gila County over the past 2-3 months and looked in depth at several of them. At the Board meeting on January 25, 2011, the Board reviewed the Industrial Development Authority (IDA) and the compliance checklist. At the meeting the Board did have additional questions of the IDA and felt that it would be instructive and advisable to invite the IDA board to a Board of Supervisors' (BOS) meeting in order to respond to any BOS questions or comments and provide any information that they felt would be appropriate in order to get a better understanding of what it is the IDA does, how it operates and where it currently is in regard to its overall mission. He advised that Fred Barcon, Chairman of the IDA, and other members were present. Chairman Pastor called on Mr. Barcon and requested that he introduce those board members present for the record. Mr. Barcon introduced IDA board members William Long, William A. Bryne and Mark Marcanti. He noted that the other 2 members that were unable to attend were Mitchel Holder and Gerald Kohlbeck. Chairman Pastor advised the IDA board members that the BOS has asked staff to develop a Boards, Commissions & Committees Report to identify all of these groups and unfortunately the IDA came at the beginning of the groups so the BOS was starting its interview process with the IDA. He stated that Supervisor Dawson would begin asking her questions. Supervisor Dawson stated that some written questions were submitted to the IDA so she would first address those and then some additional questions. Chairman Pastor stated that the IDA members had a list of the questions and suggested that they could start at the top of the list and any IDA member could answer the questions. Mr. Barcon advised that he would address the first several questions. Mr. Barcon stated, "We appreciate the opportunity to come and meet with you folks." Starting off with number 1, What is the stated purpose of the IDA as understood by the current members? We had a meeting to make sure that we agreed unanimously on what our purpose is and using what we feel will be our mission statement is: 'create and maintain jobs within the County and assist residents of the County to achieve a better standard of living and way of life, not just for the present, but for the future generations.' Any questions on number 1?" Supervisor Dawson inquired if Mr. Barcon had his answers typed up. Mr. Barcon advised that he did and Ms. Griffin passed out copies for everyone. Chairman Pastor stated, "In our packets, Fred, we have a lot of information and we even have like the original formation of the IDA back in 1972, I think it was. It was interesting for me to read that it was in 1972 or 1973 and that was about the time the new smelter was coming on line up on the hill and it sounded like the whole basis of the IDA at that point was to form and kind of help with the direction or—of what the mines were going to be doing and how the IDA and them could partner up and everything. I think it had a lot to do with the pollution factor and how they were going to

control that.” Supervisor Dawson stated, “I don’t see that as really—I understand that the IDA was formed specifically for a purpose of bonding so that expansion could go on there, but the IDA having any authority or meddling in what the mine or the hospital—.” Chairman Pastor stated, “I understand they were there to provide—.” Supervisor Dawson stated, “A vehicle—.” Chairman Pastor replied, “Yeah, that benefit for those entities who wanted to, such as the hospital. That was one of the big projects I believe, too, they wanted to develop. I just wanted to make that statement. Go ahead, Fred, and answer number 2.” Mr. Barcon stated question number 2, “What was the role of the IDA regarding economic development in Gila County? The goals of the board of directors of the IDA of Gila County is purposely aligned with the stated goals of the Gila County Board of Supervisors as the development of transportation infrastructure, water resources, post-secondary educational opportunities, telecommunications infrastructure, quality of life and other economic and industrial opportunities. To attain those goals, the board of directors of the IDA will support, financially and otherwise, the improvement and expansion of infrastructure, as well as special community developmental projects, but will not provide operating funding to any organization.” Supervisor Dawson stated, “My only comment is how broad? I see the quality of life having been expanded into what your goal and mission might be. As far as, if we can go back up to the purpose of achieving jobs and then under quality of life, you could pretty much cover anything, but you have not—operating funding and I understand that one. Thank you.” Mr. Barcon replied, “One of the questions we will be responding to will touch on the quality of life.” He then continued on with question 3: “How often does the IDA meet and for what purposes? Our hands, and before I go any further, our hands have been pretty much tied since the ASARCO bankruptcy. We have kind of been in limbo and then coupled with the recession we’ve just been trying to get through the bankruptcy and get a fair settlement with ASARCO. So our hands have been pretty well tied for the last several years. In our meetings that were held in 2008, 2009, 2010, and even into the first of this year were concerning the ASARCO bankruptcy. And the reason for that was because, even though you see some monies, our attorney advised us that there was always that possibility that we may have to repay some money back, so we were very careful with what we did with our monies and how we reacted to any projects. So that is why we only met pertaining to the ASARCO bankruptcy.” Supervisor Dawson stated, “But in reality, your attorney said that ‘I just don’t have a concern about returning money on the sale of this claim.’” Mr. Barcon replied, “No, not now. I’m saying in the past.” Supervisor Dawson stated, “I guess we might as well get into it now as later. I came on the BOS Board 7 years ago and at that time I started asking about the IDA. I had attended the luncheon that the IDA financed for Rick Renzi and I was concerned about what was the IDA. What is a political PAC (Political Action Committee) committee? What was the purpose of IDA? I started reading the historical books, which I really loved going through the minutes from the 70s with Willard Shoecraft and Frank Hollis and just thinking about some of the things that the IDA had been established for and was doing. At that time, if you recall, you had received a

check for \$250,000 from ASARCO to finance the bonding. Nowhere in the history had that ever been required of a company in order to get a bond through the IDA. That just wasn't done. And one of your former board members referred to it as extortion and is no longer a member of the board. But ASARCO was required to pay \$250,000 up front and then \$45,000 a year starting in 1998, I believe, and I believe that's when you became president. Is that correct? We have it. But anyway, and in your annual reports to the Arizona Corporation Commission, it showed you were receiving \$45,000 a year and so at the time I came on the Board, your bank account would have been in the vicinity of \$300,000 according to the reports that you were filing with the (Arizona) Corporation Commission; however, and at that time as I understood it, there were not separate checking accounts. Everything was going through Gila County. I went to the Gila County Treasurer and ran off the financial records for the IDA. It showed the financing that went through. Bill (Long), you signed some of those when you created the PAC in order to fund the committee. I was in Peru at the time, for the college to create the provisional college and that seemed to be a big activity of the IDA. Again when it came down to it, the money was not in the Gila County Treasury. It was not here. And I, numerous times, I asked the County Manager or Mr. Nelson where the money was. I was told it was on deposit with Great Northern Bank. I was told it was in different places. All I asked for was to show me the record of deposit because it wasn't in the Gila County Treasury. That money was not there. Mr. Besich told me it was in the Deutsche Bank of New York. I could not find if there was money, where it was. And at the time Gila County was at least 6 years at least behind on audits so when I went to the Auditor General, I couldn't get answers from her. She had no idea what we were doing with this account or this money. Eventually it was recognized that, in fact, that \$45,000 a year had not been deposited by ASARCO. It had not been collected by the IDA, although the reports indicated that it had been and my concerns became when I also saw evidence that you had submitted letters requesting support from Gila County and so the taxpayers of Gila County were paying IDA, not \$50,000, not \$25,000, but exactly \$45,000 a year and Gila County was very regular in making those payments. I still don't understand how that went. When ASARCO was filing bankruptcy, you were still operating with County staff involved very much with helping, assisting you. Then ASARCO went into their bankruptcy and to my knowledge at that time, until there was some serious push, there wasn't even a claim made to ASARCO. In fact we were told in a Board meeting that a settlement had been reached with ASARCO for their payment to IDA. We were concerned about ASARCO's payment to the school districts. The County Attorney's Office represented the school districts in that bankruptcy and immediately all that money was paid. I started requesting at that time that I be notified when board meetings were and requested copies of minutes. I have copies of those requests and that was ignored. I was informed, 'Well there's a bulletin board someplace and your notice of public meetings is posted there.' It made for a really bad feeling in what was going on with the IDA. My concern has been even since the bankruptcy, how it was handled, how much it has cost and how the record keeping of the IDA has been

handled, the financial accounting. I don't know why you would sign a report to the Corporation Commission that you had this money that you didn't have. Do you have an answer to what it is I'm not understanding on this?" Mr. Barcon replied, "I've said this before and I'll say it to you that I appreciate the fact that you did what you did because when the IDA was originally set up, we tried, the members did, to get the bylaws to find out what it was all about. We visited with other IDAs and I give you my thanks, our thanks for you bringing some discipline to our organization, understanding that we didn't have any guidelines to go by. If you go back on the minutes, I asked numerous times for guidelines, not knowing what we were really all about and we were trying to find out what we were about, understanding again, never in the history of the state of Arizona had an IDA ever charged a user fee. Now, understanding that the Board member that you are talking about that resigned is very much involved with the mine, you have to understand that's where his loyalty lays. I don't have a loyalty to mines. I've worked for several mines, but I looked at it this way that if the attorneys for the mines and there were numerous attorneys, they probably had a bank of 6 attorneys—we even talked to attorneys in New Jersey. I guess that's where their corporate office was. If they had seen any evidence or had we been extorting funds from them illegally, I'm sure it would have come to light at that point, so I don't feel I need to respond to that. But again, thanking you, we do have our own accountant now. We went, after your inquiries, we went back and found out you were very right in the way things were being conducted and we made a change and that change involved hiring, like I said, an accountant and being more diligent in what we were doing, finding out what we were about and again I publicly thank you. Supervisor Dawson stated, "Thank you." Bill (William) Long, a resident of Globe and a member of the IDA board, inquired if he could make a comment. He stated, "I would hope everybody is aware that the bonds that are sold with the IDA approval are tax-free bonds and that's why the IDA was really created as far as I know. I wasn't around when Willard Shoecraft and Frank were on the board, but I know it enabled them to get a better, cheaper loan because investors will pay for that tax-free benefit. Anyway, as I understood it, ASARCO had done this to refinance some old bonds and take advantage of the lower tax-free bonds and that's how this all started. I don't think I was even on the board then, but my knowledge of stuff like this, it all started in California. The IDAs over there figured they could get a fee to help them operate and help whatever their intents were for like ours with the community and so on, so that's how this whole thing started. Unfortunately, the Duetsche Bank, I think they were liable for not performing their job as a trustee in sending the payments on. We felt like the County must have been getting them, you know and we didn't know. That's what I recall. And then at some point I guess the County started giving us \$45,000 and I assumed that maybe the payment was being made. That's what I remember." Supervisor Dawson stated, "Well, as I said, the figure seemed peculiar and as I looked into this it bothered me greatly that the payment that you were supposed to be receiving from ASARCO was \$45,000. Additionally in 1998, before I was on this Board or before I knew IDA or anything about it, the BOS received a letter of request from Mr. Barcon

requesting a line item that eventually it became until we removed it in the past few years of a \$45,000 donation. It just didn't sound good, didn't feel good and doesn't seem right and so then I started checking on the funds. They weren't there. During the 2 years that Edd (Dawson) and I were in Peru is the time that funds from the IDA in a transfer roundabout way were put into a PAC, a political action committee, for something that, you know, I think it's been a good thing, but where did the authority come to be a political action committee and the support of a congressional candidate? These are tax dollars. These are taxpayer dollars and I don't think that the BOS used wisdom in setting up an organization that became a political active organization with taxpayer money. That was my major concern then. And Fred, you are right, you know things have been reigned in somewhat except on attorney's fees, which appalled me and what's been spent to recover money that we shouldn't have had to pay that kind of money to get the money that was duly yours. Let's see what the—we wanted an account. So how many bank accounts does IDA have? It says you have 7 accounts. I think 3 was—we've already covered it so let's go back. Mark Marcanti, a resident of Globe and current Treasurer of the IDA, stated, "Currently we have 7 accounts. The reasoning for this was at the time we had the money, the FDIC (Federal Deposit Insurance Corporation) insurance wouldn't cover the funds, so we moved the money into 3 different financial institutions locally. We have 1 checking account and 1 savings account and the rest are CDs (certificates of deposit). The total balance as of February 18th is \$470,880.76. The main reason we split that money up was to protect it because we had banks going under left and right at the time. Now the federal insurance has been increased and I think we're okay now."

Supervisor Dawson inquired, "Are any of you, as board members, aware of an IDA that has a bank account like this—this amount of money? I mean, we as the BOS constantly have people coming before us trying to survive, not asking for operational expense, but for instance the Old Dominion Park, establishing it, the Science Museum, whatever. We don't have that kind of money. You have this money and yet you're saying, 'Well, you weren't secure. You didn't know if you had to pay it back to ASARCO,' or whatever and your biggest expenditure in recent years has been to an attorney to keep you in business. It just seems like especially in this down economy we need to be making certain money is being wisely invested and not for the benefit of perpetuation of an organization, but for what your organization was originally about—creating jobs and keeping people from moving away from here. Having \$470,000 in a bank account concerns me and the fact that in your original creation of an IDA, and the Board and I certainly wasn't here when you were created, but the purpose was to let these organizations, these companies, these corporations using our bonding like Bill (Long) explained and somehow now you've become off of that and I have some concerns about the mission being achieved." Mr. Barcon inquired, "Does that mean you're not going to give us another \$45,000?" Supervisor Dawson replied, "I don't plan on it. I think I've voted against it every year I've been on the Board, Fred. I imagine you know for sure, but I think, yeah—Mr. Chairman, do you want me to go on? Chairman Pastor replied, "If you have questions." He continued, "As I was going through the

documents that we've been provided, first of all, its provided as more insight as to what all of our boards and commissions are and not just in particular the IDA. I'm sure John (Nelson) and Jacque (Griffin) will keep you guys apprised of what the requirements are and everything. Since we've started this process, some of the committees have started giving us notices of where their meetings are. We still haven't seen minutes yet, but they are at least notifying us that they are having meetings and we know that those are going on. And the whole purpose of this exercise was to figure out what boards and commissions and committees we had out there and what they are doing and how they are doing it. One thing I was looking at last night, we only have 6 members on the Board and there's the potential to have 9 and I know it's always a difficult situation trying to find membership, but my concern with a 6-member board, if you guys split 3-3 on a vote, how would that be settled? Most committees are odd numbered committees so in case there is a vote and it's a tie, somebody splits it up. But right now at 6 members, it would seem hard that if 3 of you said 'yes' and 3 of you said 'no'—and I don't know if you've ever thought—I just happened to see that last night and it was just a thought thinking out of the box, you know.” Mr. Barcon replied, “I think you would have to go back several years—Ray Pugel from the northern part of the County, I think he quit several years ago and we tried and we tried to bring people on board from the northern part of the County and have not been successful. Six members, whenever we have our meetings, whenever we give donations or whatever we did amongst the IDA members and again I thank you for the last 2 members you recommended. Mrs. Dawson, Bill (Long) and Mick (Holder) have contributed very well to the IDA. We argue it out and give our arguments as to who's for it and who's against it and once the majority, which when we have our vote, whoever the majority is wins. We all get behind it. We don't put anybody down. We don't fight. We just 'alright let's get behind it and let's make it work.’” Chairman Pastor responded by stating, “But if you ended up in a 3-3 vote, you just actually could come to a decision? I just happened to think about that.” Mr. Barcon replied, “It's very well discussed and all questions are answered and when we move, we move as one.” Chairman Pastor stated, “As a member of that board, I know we had those discussions and there was a voting process and it was just something I was thinking about. And it's probably more our responsibility as the supervisors who appoint people to probably look for maybe one more member to provide that, if that ever happens. I don't know. It's something that we probably need to discuss. Go ahead Bill.” Mr. Long stated, “I don't want to make things funny or whatever, but I can't help myself. Fred always wears a train cap like a railroad guy because he runs a railroad.” Chairman Pastor stated, “We won't put that in the minutes.” Supervisor Dawson stated, “Yes, she will.” Chairman Pastor stated, “When I came on the IDA board and Supervisor Dawson had appointed me to the IDA board prior to getting elected, I served for about a year on your board and I wasn't really sure what it was and the information has made me more aware of what you guys do. You guys are governed by Arizona Revised Statutes, which is probably one of the few boards and commissions that is regulated that way and I think that gives us a little bit of assurance that there are rules and

regulations that need to be followed. And I think that's been the positive thing about this. Supervisor Dawson, more questions?" Supervisor Dawson stated, "I do. I appreciated the fact you were talking about the rules and regulations and that we are doing this not with just the IDA. We are doing it with all boards and commissions. One of the questions that I will be asking of every board and commission, well very few of the boards and commissions have bank accounts like you do, but what do you--as a member of the BOS, we each have to file a notice of any conflict of interest that might arise. We have to show what businesses we own especially as this money has grown and your funds there, what policy do you have that assures that no member has a conflict of interest?" Mr. Barcon replied, "The only time that I can look and say that we have donated where I thought there might be a conflict of interest was your request for the \$7,500 for the Globe bond issue. That's the only time I ever thought there might have been a problem, but I was assured through our legal staff that it wasn't, but our contributions, our one-time contributions, is that what you're referring to? Supervisor Dawson stated, "At least 2 of you have businesses that might well benefit from the remodel at the hospital, the bonding that went through for the hospital, the refinancing at ASARCO. Did any member of the board of IDA carry out business or do any of the work with Cobre Valley's renovation or did you contract with ASARCO as they did cleanup and change?" Mr. Barcon replied, "You would have to take the definition of conflict of interest, which to me is a legal question. In our position and I know you are referring to me and to Mark Marcanti as contractors, when we bid a job, using the hospital, I don't work for ASARCO and have not worked for ASARCO intentionally because of the fact that we had the bankruptcy out there. As far as the hospital, I did work for the hospital and have, but when you are on a bidding system, you are bidding against numerous other sub-contractors. You're not given any proprietary information. You're bidding on a level field. Specifications and drawings are out there and everyone has the same advantages so it's not a conflict of interest. That's why I say it's a legal question and I might be wrong, but that's pretty much what we've been told." Supervisor Dawson stated, "There wouldn't be any drawings or any work to do if the bonding had not taken place and the only way the bonding could take place was with the approval of the IDA board. You financed an organization that then in turn you became a bidder during that. I witnessed the other night a city councilman step down from his position as a city council person as the city council was developing the prescription marijuana code and procedures because he planned on bidding in the event that there was going to be prescriptive marijuana available. He wanted to bid on operating that. I don't know what with the bank account that you have how there is a guarantee that there wouldn't be a position where you would be determining 'well yeah we'll grant that' and that means I might get a business deal out of this activity. You have so much money sitting there that the opportunity for a conflict seems open door. Bill?" Mr. Long stated, "Well the hospital (inaudible)... it's pretty obvious. Whether Fred recused himself or not, he was in favor of helping the hospital. Supervisor Dawson replied, "You bet. You bet, but the conflict was there in my estimation, my legal authority of whether you have--." Chairman

Pastor interrupted and stated to the IDA board members speaking, "Make sure you have the microphone on because she's (the Deputy Clerk recording the meeting) is not picking you guys up at all." Supervisor Dawson continued, "So, I just—you know whether you guys are the board of the future, or whatever. I hope that we are cleaning up things and making policies and procedures that operate so that any possibility is taken away for even the appearance of wrong doing. It's where I am coming from. So you did do some of the work with Cobre Valley Hospital. Mark, did you also?" Mr. Marcanti replied, "I did, but I was not appointed to the board at the time." Supervisor Dawson stated, "Okay, yeah, and as far as ASARCO, when this bonding was refinanced, Fred, didn't you have a contract doing some work over there?" Mr. Barcon replied, "My company has never worked for ASARCO." Supervisor Dawson stated, "Okay, alright, or a sub-contractor there?" Mr. Barcon replied (inaudible). Supervisor Dawson stated, "Okay, I don't know. I haven't looked at your most recent filing with the Corporation Commission, but there were those years where there were just incorrect filings. Is that true?" Mr. Marcanti replied, "To my knowledge you're correct, because we did not know we were not receiving the \$45,000 because Gila County was taking care of the funds at that time. Apparently it was an accounting error on the County's part with accrual of the \$45,000 instead of actually receipt of the \$45,000." Supervisor Dawson stated, "I've gone through this and one of my opponents said, 'You just don't understand accrual accounting.' I understand accrual accounting. I understand accounting. I understand when money was not there that was attested to by signature that it was there. John, you had a comment? John Nelson, Deputy County Manager, stated, "I just say, Supervisor Dawson, you are correct and we're incorrect." Supervisor Dawson replied, "Alright. Do you guys know how much money you have been spending on attorneys?" Mr. Barcon stated, "Yes and it's made us all sick Ms. Dawson. And we got into this and numerous times we asked these attorneys 'when are these fees--?' I mean we were literally caught, just like we had to bring it to a halt. This is ridiculous. I mean--, but again it was a bankruptcy and realizing also that in bankruptcies if you get 10 cents on the dollar you're doing fine. In this case we did go back. We went back. I think we did due diligence, but controlling those attorney's fees was way beyond anything we expected." Supervisor Dawson stated, "I don't know if any of you guys plan on getting a divorce, but the amount of a divorce fee is based on what the amount of money that can be drained is and that's pretty much. I always counsel people if you're going to get a divorce settle before the attorney knows what your bank account is. I cannot imagine, and I hold you guys responsible for these attorney fees. I don't believe for a minute that a bankruptcy attorney would have done the work that he did for you on a contract. Everybody would have run to you and said, 'You bet, I'll take \$75,000 or—.' Gads, the amounts really tick me off. I hope you understand and we have an attorney present and Bryan (Chambers) knows my feelings about getting legal opinions. I just felt really like you squandered money that when we set and we try to look at every minute amount of money that will help an organization move forward and serve our communities and here this money has no value except in recovering money that you should

already have. And I do not take responsibility for Gila County and that accounting process. And I don't advise you to hire an attorney to go after the bank in New York that wasn't collecting the money, yeah, Duetsch. I actually asked if that was an offshore bank. I just would ask you if you continue to serve on the IDA board, I don't advise you to hire any attorney, to hire an attorney and go after the money that wasn't paid. I just would ask you if you continue to serve on the IDA board that you make certain that you don't have an attorney that has open access to your checking account; that you have a fee, identifiable amount that he is going to be paid. And I understand attorneys charge by the seconds, but there has to be a line drawn there. That's just one of my really bad concerns on the expenditures of the most recent years. Another concern that I had is a policy that you have I guess, or a practice that you have. I don't see it is your policies or procedures. It is a procedure that you take apparently. I'll read what I wrote. Does it state in the bylaws of IDA that the president is empowered to make monetary grants to organizations with the retroactive ratification by the board? Do you know if that is your--I don't find it in the policy." Fred asked Mr. Long is he wanted to answer that question. Mr. Long stated, "I believe somewhere in our minutes there was. We agreed that the president could make within certain limits and I'd really have to look back and see it, but made a commitment to like an organization that and recently--." Supervisor Dawson stated, "The Cyber Café in Hayden, \$15,000." Mr. Long stated, "That was done retroactively. You know, Mick Holder asked the question at this meeting that we had before this meeting, how many people were affected and there was conversation about it and it even went into Pinal County and the people down at that next little town, Dudleyville, were coming from everywhere and taking part in it and everybody was real happy with it." Supervisor Dawson stated, "There is no doubt that there's needs everywhere. Again, you have \$470,000 and have you endowed Fred with the ability to go about giving out \$15,000 checks wherever he wants to that are good programs? I have a long list of really good programs that need help or is the IDA there to bring some that is in industrial development? That one large grant would do some really great thing. I have been at the Cyber Café in Hayden. It's a great use and immediately they said, 'while you are here come and look at our Olympic pool that is closed down and we need this pool functioning and we need money for it.' I suggested they go back to where they got the other grant. I did help with the grant and I did suggest that they go to the IDA to get the Cyber Café and I will make those suggestions to other organizations because if that's what you're going to do, if you're going to have your president evaluate and then you retroactively say, 'Yeah, that's a good thing,' we the taxpayers of Gila County cannot finance many, many activities that are very worthwhile activities. None of us would be out there working with non-profits if everybody could just find a checkbook that was available to take care of that non-profit fund raising. So I think you that you need to have in your policies, if you're going to do this, and I think an attorney needs to tell you if it is legal to ratify to give one individual of a board that much authority." Mr. Marcanti stated, "We were told and I have been told on other donations or contributions before it has been approved and the majority of the board had

some input on the subject--I was concerned on the Cyber Café, but it has sustained itself after this regional donation and they answered the questions that I had about it wasn't future funding for the school district and it would be funded so to make sure that our regional donation wasn't a waste and it was a good thing. I was told before the donation was made." Supervisor Dawson replied, "Thank you for those comments. Many times in our board meeting there are conversations, there's things that come up that I wished there wasn't sitting behind me or beside me a recording and making a record of, but that is something that the public has a right to and we do not have the right to turn off a tape recorder and say this isn't going to be on the record. I've been told that is a sometimes practice by the IDA board. So I would ask that if you do that, that you not do that, that the recordings of your meetings be complete, that there not be a missing segment or whatever. The other thing, my last question has to do with how the officers are selected. I've been on lots of boards and a lot of times it's by 'I'm stuck with the job' and I know that Fred, I believe, has been president since 1998. Is that correct? Mr. Barcon replied, "I like that term 'stuck', yes." Supervisor Dawson stated, "So with several of our boards, I'm going to be asking that you establish a term limit, that you look at that and if there needs to be new people on the board, let there be new people. You have term limits on how long somebody serves as president just because maybe some new ideas might come, or as treasurer, whatever even though Mark may be an accountant, certainly an experienced business person. Just having it rotate, I think is a good practice. When I was on the Globe School board, I served as President of the Globe School board the whole time I was there. As Chairman of the BOS, I felt like it was important that we rotate that position. Everybody needs a share in the headaches. I think that you need to establish that and I would suggest that. I do appreciate that this has been a contentious time, Fred, between you and I. My intentions were never in a personal attack. My intentions were trying to figure out whether Gila County was liable, was involved in however this money went wrong. As you know I totally support the college. I appreciate the IDA's assistance in seeing that cosmetology and seeing that the nursing program had funding. I do not believe it's a position of any board that the County BOS appoints to be a political body. That creation of the provisional college (district) I'm not real sure I understand the campaign was that it would save the out-of-county tuition. I'm still working hard to see that Eastern Arizona is still a part of Gila Community College and is the parent authority because I think they are a great school and hopefully they will be a 4-year college and the state Legislature will see fit to fund community colleges equally. That process of creating and using IDA funds to create a provisional college, I believe almost cost us our college. I got back to Arizona in 2004. I drove out to the college to enroll in Spanish and there were no cars in the parking lot. I didn't get out and go check doors, but I called and found out, 'Yeah we're open,' but Pima Community College was in charge and there weren't students. The enrollment was all but gone and it would have been horrible for IDA to have been the focus of blame, of destroying that. The college has come back, the contract with EAC has come back, and that college is flourishing and as I said partly due to grants from IDA. I hope

that you will see this as a constructive meeting and that you will consider 'what is your purpose' and be very careful with anything with attorneys. Thank you for your time." Chairman Pastor inquired if there were any other questions or comments from the Board. Vice-Chairman Martin stated, "No, I don't. I'm sorry I'm not there. I feel at a disadvantage, but at this stage of the game, I just very much appreciate the board coming to us and going through this exercise. I think they do an awfully good job actually and I'd like to see us do more in the future perhaps with that, but I truly understand that the IDA board is rowing their own boat and all we can do is give general suggestions and that's all Mr. Chair." Chairman Pastor inquired if there were any other questions or comments. Mr. Barcon stated that he would like to make one more statement. He stated, "Ms. Dawson brought up the fact concerning the young ladies that were here about partnering. We are a firm believer in partnering. We feel that there is a lot more strength in numbers and we are now, with the ASARCO situation behind us, we are looking at hopefully getting a member from up north, having a workshop and getting a game plan going. That's our intention for going forth." Chairman Pastor stated, "I didn't mean to put you on the spot. It sounds like a pretty good plan. I appreciate the fact that you took time out of your schedule to come meet with us and have this discussion. I know it takes a lot of time to be part of committees when you have your own businesses and stuff to manage. I appreciate it. I think with the development of this document that we all have a clearer understanding of what we need to be doing and I look forward for a pretty good back and forth relationship between all the boards and committees. So I appreciate your time. Don, do you have any comments?" Mr. McDaniel had no comments. No action was taken by the Board.

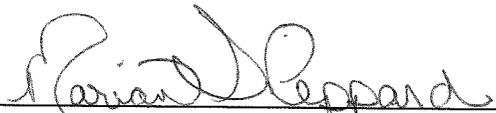
There being no further business to come before the Board of Supervisors, Chairman Pastor adjourned the meeting at 11:36 a.m.

APPROVED:



Michael A. Pastor, Chairman

ATTEST:



Marian Sheppard, Chief Deputy Clerk