

MINUTES
Riverview Technology Corporation
Quarterly Board of Directors Meeting
November 7, 2008

Members Present: Thea Chase, Jerome Gonzales, Susan Holappa, Dennis King, Bruce Milyard (via speakerphone to attain quorum), Bonnie Petersen, Dick Pryor, Ex Officios Craig Meis, Chris Reddin
Others Present: Mary Orn, Helen Roe, Greg Stephen

Call to Order & Minutes Approval:

President Dennis King convened the meeting at 12:47 p.m. Dennis asked for a motion to approve the Minutes of August 1, 2008. Thea Chase made the motion to approve the Minutes as written and Jerome Gonzales seconded the motion. All Directors voted in favor of this action.

DOE Improvement Project:

Status Update – Mary Orn presented an update on the DOE Improvement Project and said the work is complete, but not without scars. There are warranty problems with Budget Blinds. The second floor employees have moved back into Bldg. 810. Liz Weyler has signed off on the work. The final budget book is being prepared. The final loan draw is awaiting an invoice from Mesa Moving. The project appears to be \$60,000-\$100,000 under the \$1.5M budget, once the final draw is taken.

Bank Loan Revision – Ratification of email vote:

The Board will have to ratify the final loan terms which will revise the loan to a fixed rate based on prime of that day. Dennis projected the rate to be 5.5 - 5.75% on an amortized loan. Mary said the terms will be 5 year fixed, a 10 year amortization with a pre-pay penalty (1st 5 years). Dennis said a vote was taken by email on the bank loan revision and approved (10 yes, 1 abstain). Dick Pryor made a motion to ratify the approval and Thea Chase seconded the motion. The Board voted unanimously to ratify.

US Bank Repurchase Agreement and Investment Policy - Dennis explained that the funds removed from Bank of Colorado into U.S. Bank per the loan agreement went first into a checking account of \$80,000 and the balance deposited into a Repurchase Agreement which provides 100% coverage by the bank. The Executive Committee approved the Repurchase Agreement, and the Board previously approved the terms of the loan (which included moving RTC's two accounts to U.S. Bank into the same types of accounts). Dick said having all money in one location is over the FDIC limit and contrary to RTC's policy. Based on the bank coverage of our funds, protection under the Public Deposit Protection Act (PDPA) is not needed. The repurchase is fully covered with a right to inspect at any time so RTC is covered outside of the FDIC. Thea said the Incubator had dealt with the PDPA protection. Dick felt RTC should update the investment policy. Thea said the loan terms, and the resulting accounts, are not investment decisions so there is no need to update the policy. Dick said these are public funds and wants clarification. Bruce thought this was a legal issue versus an accounting issue. Dennis said RTC's policy states it will not have more than \$100,000 in a single bank account for more than 30 days. Thea and Dick felt legal counsel should review these questions. Dennis suggested John Gormley to review.

Property Management:

Financial Statements - Greg Stephen presented September 2008 year-end financials. Each program was under budget totaling \$12K for the year. In September, \$7,600 was spent to replace boiler expansion tanks in Bldg. 938. This cost will be moved from an expense item to an RTC capital item. Electricity is up 16% for the year. Craig Meis questioned the zero net income reported on the financials. Greg explained that all Property Management expenses incurred by BIC are reimbursed by RTC, Army and WCBDC resulting in zero net income for BIC's Property Management. Craig wondered if the figures included administration fees and if expenses were reported on a cash basis with revenue calculated on an accrual basis. Greg said common area expenses are \$9,600 under budget for the year. Property taxes are over budget, but insurance costs are under budget by about the same amount. Chris Reddin said Dean DiDario found coverage that reduced insurance costs with more coverage through Colorado Casualty with the broker still being Moody. Craig asked about RTC approving a budget without BIC and DOE providing input. Greg explained the DOE is now on a fixed payment rental contract only. In the past, if actual expenses were more, DOE used to have to pay them. As this is no longer the case, RTC will have to absorb additional expenses. The only exception is property taxes. Thea pointed out the variance was important. Greg said water fees for 2007 were \$30K because of a leak. Now that the leak is repaired, the total of all utilities is budgeted at \$30K for the year. The sewer issues will have to be addressed each year because of roots in the lines. Craig wondered if the Army paid for common areas. Greg said the Army was sent a bill for sewer fees but they might possibly get off the system. Overall, DOE is billed \$681,000 with \$429,000 paid to expenses. Craig asked if there was an annual inflation adjustment. Mary said there is a CPI adjustment in October to expenses only, not rent.

2009 Budget Approval – Chris Reddin presented the budget. DOE tenant expenses are projected higher this year at an increase of 19.8% for 2009. Chris commented there were three parts to the projections. One is the \$50,000 reserve fund. Two is the projected budget of \$70,000 for utilities and the third part is repairs. Electric is projected to rise 15% calculated from the last bill that was \$7,000 in September. With September being the highest month, Craig wondered if these are realistic numbers. There was discussion about rising costs. Chris said mechanical repairs are budgeted, including improved heat in Ray Plienness' office. The common area budget rose by \$15,000 with an increase for utilities, gas and property taxes, but with a reduction in insurance costs by about the same amount. Craig asked about property taxes and was told the majority of the tax is allocated between DOE and RTC (BIC's rented space is tax exempt). There was discussion about utility and water expenses. RTC is now paying a district rate instead of a 2X district rate and Chris said overall utility expenses should decrease because of the reduction in the water usage after the repairs. Dick Pryor made a motion to ratify the budget which was previously approved via email (9 yes, 1 abstain, 1 discuss). Thea Chase seconded the motion. A vote was taken and it carried.

Corporate:

Financial Statements – Greg reported \$681,588 in DOE tenant revenue with about \$45K interest income from the Bank of Colorado. Approximately \$1M was moved into a

U.S. Bank checking account and Repurchase Agreement in accordance with the terms of the loan. Money from the Energy Expo is \$12,500. It was listed as a liability at the direction of the auditor, assuming RTC will use those funds only for future Energy Expo costs. It was then decided that those funds are not earmarked only for Energy Expo, and should be moved to revenue. Thea felt it should be tracked separately as a Board Discretionary income item. Net income year-to-date is \$228,460 which is \$88K over budget. Expenses included \$3,300 for the financial audit and \$15K for the energy audit. Greg said the new auditors expect to complete the next audit by January/February 2009.

2009 Budget Approval - Mary said the corporate budget was approved via email (9 yes, 1 abstain, 1 discuss). Mary explained that revenues equal DOE payments plus interest income, totaling \$787,000. The DOE rent includes an estimated 5.6% CPI increase. Thea asked if it was fixed for the rest of the year and wondered what it was based on. Mary said it is fixed and is based on nationwide figures. When the October CPI is available, the lease will be updated and revised. The other variable in the budget is the actual interest on the loan, estimated in the budget at 6.25%. The net Income of \$40K doesn't include the principal debt payment. Overall there would be a decrease in cash of \$70K. The Basis of Estimates is attached to the budget. Mary and Nancy McKenna's time has also been reduced.

Thea wondered how the maintenance portion of rent payment compares to the maintenance budget, and if it is cutting into cash. Mary said DOE rent was calculated at \$5.17/SF for the loan payment (based on 7.97% interest on \$1.6M) and \$7.89/SF for operating expenses on Bldgs 810 and 938 with improvements. Rent on the other DOE buildings was based on \$2.00/SF for rent, plus \$7.89 for operating expense. The current Property Management budget is approximately \$9.25/SF. However, we are confident the actual interest rate will be less than budgeted. There will be \$50,000 going into the reserve. Thea commented that property management is eating into the nest egg. Some of the \$50,000 reserve could be used for DOE tenant improvements and would be reimbursed by DOE. Bonnie wondered if we could modify the Property Management Budget. Dennis thought with interest at 5.5%-5.75% we could pick up about \$600 per month. Thea said she would approve the budget, but to keep in mind she was not approving a cash loss, and \$7.89 is the goal for property management expenses. Mary said the other large component of the budget is property taxes. Dennis said the Repurchase Agreement is not currently at 3% as budgeted so we will lose some money. Dick Pryor made a motion to ratify the email approved budget, Susan Holappa seconded the motion and the Board voted in favor of this action.

LRP/MP Committee Report:

SOW/Feasibility Study Status - Chris presented a Feasibility Study update. Jerome Gonzales' firm, JGMS, is brainstorming with Dr. Hatten's business consulting class at Mesa State. There are 50 subject matter experts (SMEs) that have been identified and will be interviewed. The study will also include an economic analysis. Jerome felt it would take about 5 months to complete the Study and is shooting for a completion date of the end of February. Jerome and three others of his team are assessing the facility. Craig and Thea are on the list to be interviewed along with GJEP, the Chamber, BIC

and others. The qualitative and quantitative information already exists. Thea wondered if the RTC Board would be interviewed. Jerome hoped to finish interviews at about the same time as final exams.

Bldgs. 46 and 12 - Chris said on September 15th she received a detailed analysis on BIC's possible use of Bldg. 46. The analysis found it would take \$41K at minimum, to open the building, and an additional \$61-66K in renovations to make the building rentable to BIC tenants. There would be a negative cash flow with the internal rate of return taking 7-8 years for BIC to recoup the investment. A capital campaign to raise money to renovate doesn't make sense right now. Mary said DOE might want to rent Bldg. 46 and/or a portion of 12 as a potential location to house their IT servers. Jerome said if people were going into Bldg. 46 it would cost \$100K to renovate. Jerome said to not be surprised if the Study results for the rest of the buildings are the same. It was decided that RTC will consider DOE's needs in Bldgs. 46 and 12 first. But, if DOE does not rent them, those spaces will remain vacant until the Feasibility Study is completed.

Executive Committee:

New Member Nomination - With the Feasibility Study in process, Dennis suggested it doesn't make sense to nominate new members to the Board, to replace both himself and Jim Widdows, if the Board may shortly be dissolved. He would like to request permission from the City and the County not to bring on new people with Thea staying on as President, himself as Vice President, and Dennis Wagner continuing as Treasurer. The Board agreed.

Annual Party Plans - Dennis asked for annual party plan suggestions. Last year's celebration was held at a restaurant, and the prior year at BIC. It was decided to postpone any party until after the Feasibility Study was completed.

Energy Analysis - Mary talked about the abbreviated version of the energy analysis. Improvements to Bldg. 12A were removed and occupancy sensors added to Bldgs. 810 and 938. The cost to implement the recommendations would be \$183,000 with a 7.3 year payback. The analysis concluded that the facilities are relatively energy efficient, with little room for savings. Lighting changes would provide the most cost savings. Chris said the analysis looked at other things which will provide a good baseline for energy analysis as part of the Feasibility Study. Thea wondered if Chris wants RTC to spend money to implement changes or if the Incubator wants the cash. Chris said she would prefer the cash but planned to do the lights. Mary provided the costs per building occupant as a resource. A copy of the report has been provided to JGMS for consideration in the Feasibility Study. It was decided that RTC will not implement any of the energy analysis recommendations until the Feasibility Study is completed.

Adjournment:

There being no further business the meeting was adjourned at 2:35 p.m.

The next Board Meeting is February 6, 2009