

## MINUTES

MINUTES OF THE JOINT WORK SESSION OF THE MAYOR AND COUNCIL AND THE IBISBEE COMMITTEE OF THE CITY OF BISBEE, COUNTY OF COCHISE, STATE OF ARIZONA, HELD ON TUESDAY, FEBRUARY 28, 2017, AT 5:30 PM IN THE BISBEE MUNICIPAL BUILDING, 118 ARIZONA STREET, BISBEE, ARIZONA.

THE MEETING WAS CALLED TO ORDER BY MAYOR SMITH AT 5:30 PM.

### ROLL CALL

#### COUNCIL

Councilmember Anna Cline, Ward III

Councilmember Joan Hansen, Ward II

Councilmember Frank Davis, Ward I

Mayor David M. Smith

Councilmember Bill Higgins, Ward I

Councilmember Douglas Dunn, Ward II , Mayor Pro Tempore EXCUSED

Councilmember Gabe Lindstrom, Ward III

#### IBISBEE COMMITTEE

Stanley Stern, Chair EXCUSED

Cynthia Conroy

Kathy Sowden

Carrie Gustavson

Fred Miller

#### STAFF

Richard J. Marsh Jr., City Manager

Ashlee Coronado, City Clerk

#### CITY ATTORNEY

Britt Hanson

THE FOLLOWING ITEM WAS DISCUSSED AT THIS MEETING:

1. Discussion on forming a Foundation to Manage the Queen Mine Tour.  
David M. Smith, Mayor

Mayor Smith thanked everyone for being in attendance this evening. He said that there would be a presentation from Freeport and then he would take questions from Council and the iBisbee Committee and then comments from the public. Mayor Smith turned the floor over to Robert Quintinar from Freeport McMoRan.

Mr. Quintinar Bisbee Operations Manager for Bisbee and Douglas thanked Mayor and Council for having Freeport at the meeting tonight. Mr. Quintinar introduced Mr. Joe Bruner, Director of Discontinued Operations, Mr. Charles Landry outside council and Mr. David Wallace outside council.

A copy of the presentation is attached as Exhibit A.

Mr. Quintinar began the presentation giving some history into the Queen Mine Tour. He discussed the health and safety improvements made to date. Over the past 7 years a total of \$735,404 had been paid for by Freeport in improvements and time.

Mr. Charles Landry gave an overview of the proposed approach for the transition from the City of Bisbee to a 501 (c)(3) foundation. He explained that once the 501 (c)(3) was established it would be transferred over to the foundation. He listed the Pros and Cons of the foundation. Mr. Landry discussed the possible structure of the foundation.

Mr. Joe Bruner thanked everyone for their time this evening. He said the first priority was safety and then sustainability. He expressed Freeport's willingness to make the foundation succeed.

Mayor Smith thanked Freeport for being here tonight. He said that there was a misconception that the Mine Tour belonged to the City and it does not. It belongs to Freeport they lease it to us. He wanted everyone to understand that the Mine Tour did not make money for the City, this was an enterprise fund. This was revenue natural to the City. He went on to say that there were many services that the City could negotiate with the foundation such as advertising, rent for the building etc. There were many things that could be done.

Kathy Sowden asked about accounting services and would the City services be considered for that.

Mayor Smith responded that it could be negotiated, but it would be up to the foundation Board.

Carrie Gustavson asked what the costs of the 3 major repairs at the Mine were. Mr. Quintinar responded that it was roughly \$440,000.00. Ms. Gustavson then asked if something like that happened again, how it would be handled.

Mr. Landry said that the foundation would be better positioned than the City to raise the funds to make repairs of that size. He said there would always be a substantial risk in running this tour.

Fred Miller asked if Freeport would consider a one to two hundred thousand dollar endowment to the foundation. One issue he sees would be when the switch was made from the City to a foundation there would be no money in the bank incase tourism dropped off or something happened. He also spoke about the liability and the need for insurance. He requested a time line of when all of this would take place.

Ken Budge, Bisbee resident explained his history with being on Council and his history in dealing with mining and its equipment. He said that there were two issues he wanted to address. He spoke about the amount of \$47,000.00 being transferred from the enterprise fund to the general fund. He said that the Mine Tour also funds \$16,000 for the Visitor Center and an additional amount for advertising. This would be an over \$100,000 hit to the City budget. He explained that once the Mine Tour was turned over to the foundation the City could lose money. He felt that the City had over a million dollars invested in the mine. What was the purpose of this, for over 40 years this hadn't been an issue.

Mayor Smith said that this was revenue natural. We are not making money. We were charging work that the City employees were doing on behalf of the Mine Tour to the enterprise fund. If the City was not doing the work in the future there would not be any charges and therefore there would not be funding because work would not be done.

Mr. Landry explained that it was very important to Freeport that the board members completely understand what was going on with the mine before they take over.

Mayor Smith explained that a vote would be taken on the at the March 21<sup>st</sup> council session. It would be a vote on whether or not the council wants to move forward. Then different talks on the turnover could happen. He would like iBisbee to stay a part of the discussion.

MOTION: Councilmember Higgins moved to adjourn the meeting.

SECOND: Councilmember Davis

MOTION PASSED: UNANIMOUSLY

ADJOURNMENT: 6:32pm

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David M. Smith, Mayor

PROVING OUR  
**METTLE**

EXHIBIT A  
to Document

**FMM** **FREEPORT-McMoRAN**



# **Queen Mine Tour**

## ***Overview of Path Forward***

A member of  
**ICMM**  
International Council  
on Mining & Metals

**FCX**  
**LISTED**  
**NYSE**  
[fcx.com](http://fcx.com)

# Queen Mine Tour Mutual Management Objectives



- Safety
  - Maintain a safe worker and visitor environment
  
- Community Asset and Involvement
  - Safeguard a valuable community asset
  - Provide a structure for more community involvement
  
- Economic sustainability
  - Implement a business model to ensure long-term viability of the Queen Mine Tour
  
- Education
  - Provide an educational experience about the history of mining in the area



# Health and Safety Improvements





# City Operation of Tour

## Pro's

- Complete control and oversight;
- Income (albeit minimal) generated by services provided (finance, advertising, personnel);
- Foster tourism and education.

## Con's

- Running a tour is not the City's core mission;
- Expensive to maintain infrastructure;
- Inability to maintain infrastructure leads to large liability exposure;
- As illustrated in previous slide that shows Freeport expenditures in last few years - unforeseen risk;
- City would be the only funding source.



## Queen Mine Tour – Proposed Approach



- Step 1: Transition operation of the Queen Mine Tour from the City of Bisbee to a newly-formed private foundation
  - 501(c)(3) organization dedicated to the long-term operations of the Queen Mine Tour, and generally to promoting tourism and the education of the public about the history of mining in the Bisbee and Cochise County area
  
- Step 2: After a defined period of safe, successful operation of the Queen Mine Tour under lease from Freeport, the company would transfer ownership the Queen Mine Tour property to the Foundation

## Queen Mine Tour – Why a Foundation?



- The Foundation approach is a more conventional and tested approach to manage assets like the Queen Mine Tour than either direct governmental or corporate involvement.
- A public private partnership with the opportunity to collaborate with other public and private organizations.

# Queen Mine Tour – Why a Foundation?



- Some of the benefits are:
  - Provides the ability to attract and leverage public and private funding sources not currently available;
  - Greatly improves the likelihood of long-term economic viability;
  - Provides for more oversight and accountability as a result of the Foundation's Board of Directors;
  - Provides for more creative marketing and promotion options;
  - Allows governmental and corporate liability to be minimized as compared to existing situation; and
  - Continues to provide City involvement through Board representatives.

## Queen Mine Tour – Why a Foundation?



- There are numerous examples of the use of the Foundation structure in Arizona
- Example:
  - **Arizona Aerospace Foundation**
    - Incorporated in the state of Arizona on November 20, 1967, as the Tucson Air Museum, the Arizona Aerospace Foundation is a member-based not-for-profit foundation, funded by gate admissions, concessions and donations.
    - The Foundation operates the Pima Air & Space Museum and the Arizona Aviation Hall of Fame in Tucson, Arizona, and the Titan Missile Museum in Sahuarita, Arizona.

## Queen Mine Tour – Why a Foundation?



- There are other examples of the use of the Foundation structure in Arizona:
  - Arizona Commemorative Air Force Foundation
  - Arizona Museum of Natural History Foundation
  - Frank Lloyd Wright Foundation
  - Heritage Square Foundation (Heritage Science Park)
  - Phippen Museum Foundation
  - Postal History Foundation

# Queen Mine Tour – Why a Foundation?



- More relevant example in Butte, Montana:
  - **The World Museum of Mining Foundation**
    - Chartered in 1964 as a non-profit educational corporation
    - First opened its doors in July 1965
    - The site, an inactive silver and zinc mine named the Orphan Girl, includes some 22 acres of land
    - “The World Museum of Mining is one of the few museums in the world located on an actual mine yard – the Orphan Girl Mine The “Girl” is the centerpiece of the Museum and is marked by a 100 foot high steel headframe. Visitors to the museum are able to see, feel and taste life in this mining camp by touring the massive steel headframe and venturing into the depths of the Orphan Girl Mine on an Underground Mine Tour.”
    - Members Only 100 Foot Level Tour

## Queen Mine Tour – Why a Foundation?



- Another relevant example is in Hutchinson, Kansas
  - **The Reno County Historical Society – Kansas Underground Salt Museum (Strateca):**
    - Parent organization that owns two museums, the Reno County Museum and Strataca-Kansas Underground Salt Museum, both in Hutchinson, Kansas.
    - Built within one of the world’s largest deposits of rock salt
    - A unique destination attraction for exploring an environs carved from salt deposits formed 275 million years ago
    - There are 14 other salt mines in the United States, but none of them are accessible to tourists.
    - Murder in the Mine interactive dinner

# Foundation Governance and Structure



- Proposed Foundation Mission
  - “The mission of the Historic Bisbee Queen Mine Foundation is the long-term preservation, operation, and maintenance of the historic Queen Mine Tour for the benefit of all of the citizens of Bisbee and the State of Arizona.”
- Freeport would provide initial Foundation funding and secure tax-exempt status determination from IRS
- Foundation would develop and approve by-laws, hold Board meetings and establish Committees consistent with approved by-laws
- Limited liability for directors and officers consistent with Arizona law with Director and Officers Insurance coverage



# Foundation Governance and Structure



- Proposed Board of Directors: 7-9 members, to include potentially some of the following:
  - Mayor of Bisbee
  - Appointee of Bisbee City Council
  - Arizona State Mine Inspector or designee
  - AMA Executive Director or designee
  - Two Freeport appointees
  - Bisbee Community Representative(s)
  
- Mayor envisioned to be initial Board Chairperson

# Foundation Governance and Structure



- **Membership**
  - Foundation may have members (e.g. “Friends of the Queen Mine”)
  - Membership levels based on contribution amount or in-kind assistance
- **Fundraising for educational assistance, endowment, or any other purpose that furthers the goals of the Foundation**
- **A public relations firm would be retained to assist with communicating Foundation formation and goals and coordinate with city tourism office**
  - Freeport to fund PR firm for defined period of time

# Queen Mine Tour – Path Forward

- Pre-Foundation (Year 1)
  - Bisbee and Freeport would continue to operate tour under revised interim lease
    - Interim lease to contain O&M provisions previously discussed with Bisbee
    - Incorporate Foundation concepts and general Foundation path forward
  - Freeport would retain 3<sup>rd</sup>-party firm to develop Queen Mine Tour business and operations plans
  - Bisbee and Freeport would work cooperatively to develop, communicate, and implement Foundation structure

## Queen Mine Tour – Path Forward

- Foundation “start-up period” (Years 2-3)
  - Foundation operates the Queen Mine Tour under lease from Freeport, during which time the Foundation shall:
    - Train staff
    - Retain technical assistance to provide recommendations on safety and health considerations
    - Develop an insurance plan
    - Update and implement a business plan, policies and procedures, and budget consistent with O&M obligations to ensure economic sustainability
    - Utilize a public relations firm to start the rebranding and promotion of the Queen Mine Tour
    - Start fundraising efforts

## Queen Mine Tour – Path Forward



- Foundation “start-up period” (Years 2 to 4)
  - Freeport will make annual contributions to the Foundation for the following:
    - Annual business plan and budget development
    - Independent annual audit of financial condition and results of operations
    - Review of specific operational requirements
    - Independent period inspection of Queen Mine Tour to ensure compliance with established safety and O&M requirements
    - Compliance with laws

## Queen Mine Tour – Path Forward



- Foundation stand-alone operation (Est. Year 5)
  - Following Foundation demonstration of capability to operate the Queen Mine Tour in a safe and financially sustainable manner, Freeport intends to deed Queen Mine Tour property to Foundation
  
- Freeport reserved rights
  - Enter Queen Mine Tour property to perform repairs, maintenance, mitigation, evaluations, remediation, reclamation, etc. until property is deeded to Foundation
  - Gain access to Freeport's adjacent property

## Summary

### Queen Mine Tour Foundation

- Bisbee and Freeport share mutual goals with respect to the Queen Mine Tour
  - Safety
  - Economic sustainability
  - Tourism and Education
  
- The Queen Mine Tour Foundation allows these goals to be met, but will require mutual commitment from Bisbee and Freeport
  
- Freeport is committed to making the Queen Mine Tour Foundation a reality