MEETING OF THE BOARD OF DIRECTORS
AND 2019-2020 BUDGET HEARING

June 21, 2019
Tucson, Arizona
2:00 p.m.

Reported by: ANTHONY C. GARCIA, RDR, CR
Certified Reporter No. 50218

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APPEARANCES:

BOARD MEMBERS:

Fletcher McCusker, Chairman

Chris Sheafe

Mark Irvin

Edmund Marquez

Jannie Cox (present via videoconference)

ALSO PRESENT:

Mark Collins, Board Counsel

Brandi Haga-Blackman, Operations Administrator

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BE IT REMEMBERED that the Meeting of the Board of Directors of the Rio Nuevo Multipurpose Facilities District was held at the Tucson Convention Center – Gila Meeting Room, in the City of Tucson, State of Arizona, before ANTHONY C. GARCIA, RDR, CR, Certified Reporter No. 50218, on the 21st day of June 2019, commencing at the hour of 2:00 o'clock p.m.

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CHAIRMAN McCUSKER: Call this meeting to order at 2:00 p.m.

We're going to do the pledge.

(Pledge of allegiance.)

CHAIRMAN McCUSKER: Brandi, call the roll.

(Roll call taken and the following members present:

Fletcher McCusker
Edmund Marquez
Chris Sheafe
Mark Irwin)

CHAIRMAN McCUSKER: Mr. Hill is traveling and Ms. Cox will join us later.

You have the transcription from the May 28, 2019, meeting. They are verbatim. Unless you have a question or change, need a motion to approve.

MR. SHEAFE: So moved.

MR. IRVIN: Second.

CHAIRMAN McCUSKER: All in favor say aye.

(Ayes.)

CHAIRMAN McCUSKER: Motion passed.

This is the time set aside for Executive Session. Need a motion to recess.
MR. SHEAFE: So moved.

MR. IRVIN: Second.

CHAIRMAN McCUSKER: All in favor say aye.

(Ayes.)

(Recess.)

CHAIRMAN McCUSKER: Motion to reconvene.

(Motion moved and seconded.)

CHAIRMAN McCUSKER: All in favor say aye.

(Ayes.)

CHAIRMAN McCUSKER: Mr. Collins, is there any reason I can't do the budget hearing last as opposed to first to dispense of the other business and then do the budget hearing and adjourn straight from that?

MR. COLLINS: Correct.

CHAIRMAN McCUSKER: Okay.

MR. COLLINS: You have the authority to reorder the items on the agenda.

CHAIRMAN McCUSKER: All right. We'll do that.

I think, in terms of my remarks, they'll be brief. We had a three-hour study session this morning on the TCC. We're thrilled and excited to report that we're advancing about $65 million worth of improvements to this venue, and you'll hear about that from us in July.
If you haven't been by Cathedral Square adjacent to us recently, they are virtually done, with the exception of Ochoa Street. But you can now begin to see the shape of Ochoa. It's really going to be a neat street. Rio Nuevo bought that street from the City of Tucson. We've allowed the cathedral to creep into what used to be the roadway, and now it's a beautiful walkway with steps up into the cathedral. We heard from some people this morning that we should continue that theme all the way east on Ochoa. So it turned out to be a really neat project.

If you came from the south, you saw the fence and signs around the new Doubletree going up. The Hilton is on schedule at Cathedral Square. And we expect to hear this summer on a couple more inbound hotels. So lots of things going on in and around the TCC.

Dan, do you want to go ahead and lodge the financial report. We'll save the budget for last.

MR. IRVIN: Check that out. Hi, Jannie.

(Jannie Cox present via videoconference.)

MR. MEYERS: Dan Meyers, CFO for Rio Nuevo.

So as of may 29th we had about $7.5 million in our unrestricted accounts, and when we add to that the projected cash flow for the next year we get about
$11.1 million in available funds. Items that are projected to be spent within the next year, about 9.3 million. So right now we got an excess of about 1.8 million. That's gone up in May. It will go up in June again, predictably, because these are the months, remember, that we don't have any debt service. We get our debt service paid off in April. So these are -- all the money that comes in goes directly to us.

In the March TIF revenue was almost 1.6 million. You'll recall for this fiscal year we've been budgeting $1.2 million a month. So that was good news. And it's likely we will probably exceed $16 million for TIF revenue this year. Our budget was 14.4. So this has been a very good year from a revenue standpoint, and it's projected to continue.

Just a couple comments here on the projections, the commitments. Our portion of the Caterpillar that we're responsible for, it's all paid except for the retention, which we just got an invoice for yesterday, so we're done with that. And you can see the other remaining commitments that we anticipate for the next year.

CHAIRMAN McCUSKER: Dan, as it relates to the ice plant, so if we roll that into the financing and then comes back, does that reduce your commitments by
$3.4 million?

MR. MEYERS: Yes.

CHAIRMAN McCUSKER: There you go. You just kind of backed into that, because we have roughly 2 million available now, and that will go to more, like, 5 million of available funds if, indeed, we choose to finance the ice instead of paying for it out of pocket. Right now it's set up to be paid for out of pocket, so we do restore that, to your point earlier, when we finance it.

MR. MARQUEZ: Awesome.

MR. MEYERS: Anything else? Thank you.

CHAIRMAN McCUSKER: Any questions for Dan?

Dan, thank you very much.

Do the budget last. Let's move to item number nine, Mr. Collins.

Just as a preface for everyone in the room following the transcript, the City of Tucson has indicated to us their intent to pay off the remaining certificates of participation, our bonds related to the Tucson Convention Center. Under the original lease with the City of Tucson, if and when it became debt free, that would terminate the lease. So we've been working for the last couple of months with the City on a new lease. It has a number of interesting features
going forward. It contemplates the $65 million renovation, allows Rio Nuevo to participate in some of the new revenue. If you follow the Mayor and Council, they actually approved this lease in their meeting on Tuesday. So it's been done, documented and approved, and this is the first time our full Board has seen it.

Mr. Collins.

MR. COLLINS: Mr. Chairman, Members of the Board, you hit the highlights.

As soon as the COPs are paid off, the existing lease, which has been in place since 2002, terminates. And so, we put together a replacement lease, frequently calling it the new lease.

It's a very straightforward lease as opposed to what we had before. It includes some rent, but principally it's revenue sharing. The hope is that there will be additional income generated by the improvements that you folks put into the TCC, and that money -- net new revenue will come to you until it reaches a cap and then it splits 50/50 with the City. So you're in partnership in the process.

MR. MARQUEZ: Question. That's operational revenue?

MR. COLLINS: Yes.

MR. MARQUEZ: Okay.
MR. COLLINS: The base is whatever existing
being spun off by the TCC. If, for example, the rent
from the new garage that you are going to be building,
that's going spin off some more.

CHAIRMAN McCUSKER: The new meeting rooms.
MR. COLLINS: The new meeting rooms.

CHAIRMAN McCUSKER: So the new meeting rooms,
we participate in that revenue.

MR. COLLINS: Right. What's happening is
that the City is paying the bonds through us, we'll
turn around and pay it to the bank. Those bonds --
that payment is $6.62 million. That pays their rent
for the first six years. On year seven, then we get
back to a more traditional rental situation. The City
is responsible to maintain the TCC.

And other than that, it's a very
straightforward lease. The deal that was in place
before was more of a financing instrument than it was a
lease. This what we have now is a very straightforward
triple net lease.

CHAIRMAN McCUSKER: The City's provided us
some assurances as it relates to triple net. They,
indeed, understand their responsibilities under the new
lease.

MR. COLLINS: I believe so.
CHAIRMAN McCUSKER: Any questions for Mark?

If not, I would need a motion to approve the new lease.

MR. IRVIN: So moved.

MR. SHEAFE: Motion would be that we direct counsel to complete the paperwork to complete our side of this and to authorize Executive Officers to sign the documents as long as there are no material are changes.

MR. MARQUEZ: Second.

CHAIRMAN McCUSKER: You have a motion and second. Any further discussion?

Brandi, call the roll.

(Roll taken.)

(Ayes.)

CHAIRMAN McCUSKER: So that passes unanimously. You can advise the City that we're still in business.

We have to pay that off in June, right, Mr. Collins?

MR. COLLINS: Yeah.

MR. MEYERS: It was sent directly by — it's paid off already.

CHAIRMAN McCUSKER: Glenn, are you going to do the ice rink thing or — come on up.

MS. MANDLE: Good afternoon. I'm Lane Mandle, Chief of Staff for the City Manager. I
appreciate you taking me before the budget.

I'm here to discuss the seasonal outdoor ice rink. The City of Tucson is requesting to partner with Rio Nuevo to bring a new annual attraction to downtown for the holiday season, an outdoor ice rink that would be open to the public for skating from Thanksgiving to New Year. This addition would enhance the already festive downtown and attract numerous families and individuals there for the holiday season.

Some key elements of the proposal. We expect attendance to be between 10,000 and 15,000 skaters, with additional 2500 to 4000 nonskaters. Opening day would be November 29th, close January 25th, so about 38 days of skating. Hours of operation would 10:00 a.m. to 9:00 p.m. during weekdays and 10:00 p.m. on weekends. The location is 45 North 5th Street. That's the empty lot above the MLK parking garage.

Estimated gross revenue is $90,000 for approximately 9000 skaters. That's gross. And the rink would be operated by SMG using TCC employees and their point of sale. The rink would be approximately 60 by 80 feet. The City is requesting that Rio Nuevo purchase the key permanent assets necessary to implement the rink, namely, the ice floor, the dashers, the skates for rental, a pair of sheds, one for a skate
storage, another for a box office, ice resurfacing
equipment and miscellaneous system equipment. The cost
of purchasing these assets would not exceed $350,000.
This City will handle the electrical upgrades,
permitting, installation, operations and breakdown.
I'm happy to answer any questions.
MR. IRVIN: What is the estimated cost for
the City?

MS. MANDLE: We're hoping that operations
will all be covered by the costs for the skate rink.
We're hoping that all the costs to the City will be
covered -- the operational expense costs will be
covered by the costs for the skating itself. So if
we're looking at 10,000 skaters, approximately
$100,000.

MR. MARQUEZ: How long does an ice rink -- if
we purchased one, how long does the equipment last in
regards to durability?

MS. MANDLE: We should be easily able to get
about 10 seasons out of it. Some City's have had
better luck with their equipment and lasted longer.

MR. MARQUEZ: Just curious. I'm not a ice
rink guy, I'm from the desert. We're spending
$3 million on an ice plant. How are you making ice and
total cost of 350?
MS. MANDLE: A temporary ice rink is a popular attraction in lots of other City's, and we will work directly with a professional company that sets up these sort of temporary rinks. We bring in an 18-ton chiller that we'll rent, and it's pretty easy to operate. We don't have a Zamboni or anything. We use modified golf cart to handle all the resurfacing on the ice. It's a much smaller operation.

MR. MARQUEZ: City of Tucson paying to rent the 18-ton chiller?

MS. MANDLE: The chiller would be part of the operational costs.

MR. MARQUEZ: Which are covered by the City of Tucson?

MS. MANDLE: Yes. Let me double-check with Glenn Grabski.

Is that correct, Glenn? No?

MR. GRABSKI: Glenn Grabski, General Manager of TCC.

So it's a 100-ton chiller that we rent. You don't want to own a chiller, let you guys know now. But I looked at it, and the actual break even is about 8000 skaters. I think with sponsorship money and everything else, I believe that we can break even at 8000, which I think is very doable.
CHAIRMAN McCUSKER: It's kind of a short season. Is there any reason you couldn't run it through January, February? Does it bump into other activities, is it a site issue? Do we leave it up if it's going really well?

MR. GRABSKI: I believe you can. I don't see -- obviously, I don't know the schedule of that site and what's going on with that, other things, Jazz Fest and everything else.

CHAIRMAN McCUSKER: There are some conflicts on that site. There's also some confusion about who controls the site, and we were going to ask if -- you know, if we get boxed up on that particular site, if we could put it some place else. And it also speaks to could we put it some place else and leave it, you know, November, December, maybe January. Now you've got three months of skating as opposed to one.

MS. MANDLE: We can explore other sites. We felt this site was pretty optimal, but we also know that this site might not be available, so we can certainly explore some other sites. It is currently, according to the City Attorney, Mike Rankin, the City's property, but should it be developed in the future, we can look at other places.

CHAIRMAN McCUSKER: Glenn, is there some
place here you might want to put it? Have you thought about that?

MR. GRABSKI: I've thought about that since the first day I was here. I've been looking in two cities that had these, and it's a great holiday attraction.

Potentially, yes, I'm a little concerned about the size. We walked it off, it's a 60-by-80 rink. If you look at the area just north of where you were sitting, behind your backs, that was one of the areas to look at. I'm a little concerned about that, being pavers there, and the weight of the ice.

You're talking about an extended season. One of the things that works against us in Tucson is the lovely weather. So, if it gets too warm, we can't keep the ice. There's no reason, otherwise, that you couldn't start a little earlier. Talking with one of the cities that we talked with, they actually started the weekend before Thanksgiving.

But the real key marketing part of this is something that adds a new flare for something to do for the holidays.

MR. MARQUEZ: One thing that Rio Nuevo and City of Tucson have in common are the Tucson Roadrunners, and we brought them into the conversation,
since they are our local hockey team.

MR. GRABSKI: I've had a brief conversation with them. So there's nothing real definite. We're still trying to work through some details. I, obviously --

CHAIRMAN McCUSKER: They are involved dek hockey, right, which is another project across town?

MS. COX: Mr. Chairman, I would like to bring to everyone's attention that there is another proposal coming to Rio Nuevo from Elaine Becherer and Karla Van Drunen LiTooy to do a holiday ice rink at the TCC in conjunction with the Roadrunners. And that has not gotten to our agenda yet, but I would like to think we would consider both of these before we made any kind of a decision.

CHAIRMAN McCUSKER: Then do you want to address that?

MR. GRABSKI: That's news to me. I've never heard of this proposal. Nobody's approached me about using the space here for that.

Again, I've looked at the site. There's some challenges for the size of the rink that we think is appropriate. Obviously, I do not want to use any parking spaces, as we all know. The common area we would be looking at would be the plaza area. Size is
1 an issue, power is an issue, because you need to pull
2 at least 400 amps, three-phase out of this to run the
3 chiller. So I've not been brought in on those
4 conversations.

5 CHAIRMAN McCUSKER: Elaine's here, Karla's
6 here. Is there something happening that might be a
7 competitive proposal? Should we -- can you talk to us
8 about that?

9 MS. BECHERER: Good afternoon. Elaine
10 Becherer, with the Arizona Coyotes and Tucson
11 Roadrunners.

12 So, Bob Hoffman, The president of the
13 Roadrunners, and myself, he's been involved with this
14 and he's aware. And he's not aware of any holiday ice
15 rink over at the MLK, so we had not been included in
16 that. What Ms. Van Drunen LiTooy and I have done up
17 until now, is that we put a full project budget
18 together, including a pro forma, hours of operation,
19 and we put numbers to it. We put hours of operation,
20 construction costs, and then we spoke with one of the
21 Board members. We wanted to get champions behind the
22 project before we then came to --

23 CHAIRMAN McCUSKER: Private sector champions?

24 MS. BECHERER: Correct. We wanted to come to
25 the table saying we have sponsorship, we have a pro
forma that works, and this is what the Roadrunners are
willing to financially contribute, in addition to the
actual programming of the ice rink. So, one, the added
value that the Roadrunners staff brings is that, as
we're selling group tickets, we were also willing to
use our staff to sell groups to use the ice rink, which
is then more ice time, you know, added revenue for the
ice rink.

So that's all we have done up until now.

And, no, we had not yet spoken with the City or SMG,
because we didn't get far enough along after we talked
to Rio Nuevo, one of the Board members. We were told,
you know what, it doesn't look like -- it looks like
it's too expensive.

MR. IRVIN: Can you share -- two things.
Where were you thinking you were going to put it, and
what were you thinking you needed help with? What was
your --

MS. BECHERER: So where we were thinking of
putting it was, we saw the benefit of having it on the
TCC campus next to the ice rink, and also working in
partnership with TCP, and having it, you know, be an
added amenity along the Festival of Lights. It's
coming up on the 25th Anniversary of the Festival of
Lights, and so that night -- if the parade was willing
to change routes and come along the campus, and we could have a breakout space where there's an outdoor rink. We were looking at the plaza area and everything from -- we looked at the pavers, to the subsurface, you know, what would be needed.

And then -- you know, I don't have the numbers in front of me, Mr. Irvin. So we wanted to find sponsors, and we were optimistic that we could actually find some corporate sponsors to help, and then come to Rio Nuevo and say, this is what we are able to do, this is what the Roadrunners are contributing, you know, what do you think of the proposal.

MR. IRVIN: So when do you think you would be in a position to come back with that kind of information?

MS. BECHERER: Well, we pretty much stopped working on it, so we have to kind of pick up where we left off. We want to pursue partners. You know, we didn't want to come to Rio Nuevo, as you often see, and it's been challenging others in front of you that come for proposals to not simply ask, hey, can Rio Nuevo fund the whole thing. So that's what we were trying to do.

CHAIRMAN McCUSKER: The encouraging thing about this is the City's stepping up to the operating
costs. SMG's stepping up to help manage actively, the Roadrunners would want to be involved. I think it comes to you down to guys all get in a room together, figure out how you partner. And then what's the ideal location?

I do think there are going to be conflicts at the depot garage. If nothing else, Jazz has booked that for the first couple weeks in January. So if you set it up there Thanksgiving, it would have to be off that site by January. If it's really popular, that's going to be a bummer, because you only got to skate on it for a month and now it's being taken down. If we could find a place where it could stay up, you know, December, January, maybe February, our ROI to us is much greater, because now you've got, instead of 10,000 skaters, maybe 30,000 skaters.

I think it's a great idea, I think, for us. We've seen some proposals where you are renting the entire apparatus, and it didn't make any sense economically. But if we can buy everything for 350 and that's all our costs, and then you guys figure out everything else, you know, I would be all for it.

MS. BECHERER: We were looking at a -- you know, we looked at different types, synthetic versus real. We looked at a real ice operator with a turnkey
operation in terms of operating it and everything. And then, yeah, we looked at -- we had similar dates, Thanksgiving, and then through Martin Luther as a test year. And then, yes, the ideal state would be at year two, three, four that there would be so much momentum behind it, of course, it could go longer.

CHAIRMAN McCUSKER: Let me ask my Board, and Jannie, too, you know, does anybody think this is really stupid of us?

MR. IRVIN: Actually, not at all. In fact, as you know, it's something you and I talked about about four years ago after you found a portable ice rink online. There's an opportunity to not build a dek rink. I think it's great idea. I really like it. I'm sort of shocked it's taken this long to percolate.

I do agree with you. It would be nice to see more partnering on this thing, almost in the spirit of what we did with Toole Avenue with the City. I'm happy to split things with the City, but it sounds to me like we're paying 350 and they are paying 100, so I want to have a discussion about what a true partnership is. To me, a partnership is we're splitting stuff. So, however that comes, whether that's the Roadrunners or the City get together --

CHAIRMAN McCUSKER: You've got to annualize
that, though, Mark.

MR. IRVIN: I realize that.

CHAIRMAN McCUSKER: They are spending a hundred a year, we're spending 350 over 10 years.

MR. IRVIN: If it's set up that way, then I'm probably fine with it.

CHAIRMAN McCUSKER: Yeah. They've got to run this thing up annually. So our cost is a one-time cost just to outfit it. You know, I think we would be all over that.

I think what I would suggest is -- you've kind of taken our temperature. Yeah, we would be very willing to purchase the equipment if, in fact, it can be purchased for 350. You guys figure out how all of you are going to be involved and the ideal location for it. We could approve it today subject to them working it out, or we could ask you all come back in July with a little better defined plan.

MR. MARQUEZ: I would like to see them get together. I love the collaboration. I think Roadrunners have to be in the room. That's number one. Number two, what changes my mind, and I was the Board member that they met with, is the purchasing versus renting. That's more of a long-term investment with the one-time cost. So I would love to see them get in
the room and then come back to us in July and see what they all came up with.

MS. COX: That would be my preference as well, to see what they can do in a collaboration and bring it back to us.

CHAIRMAN McCUSKER: All right. So consider this tabled. I'll put it back on the July agenda. But I think you got a clear indication from us that we'd be happy to be involved in the purchase of the equipment.

I don't see Ross. Oh, there he is. He snuck in the corner. We'll go ahead and do that and then we'll move to the budget. So, Ross, come on up.

I think everybody knows Ross Rulney. He's been a pioneer downtown probably long before any other of us got involved downtown on the Julian Drew Block. Of course, that's Charro Steak, Charro Del Rey, and the Carriage House. So we're honored to have you here. So tell us what you're up to.

MR. RULNEY: Thank you very much. My name is Ross Rulney. I'd like to introduce this project, 140 East Broadway, which is part of the Julian Drew Block. As you said mostly today, currently known for different Charro developments that exist in the retail portion.

On the west side of the building, the historic building, is a parking lot, and it's something
the project development that I've been working on for
almost seven years.

CHAIRMAN McCUSKER: Are you advancing the
slides?

MS. HAGA-BLACKMAN: Yes.

MR. RULNEY: That's great. Thank you.

The site as notated, tabbed in the yellow, is
the parking lot in question. It only has about 18
parking spaces. And in 2013 the MDR was approved to go
ahead and develop the property without parking. It
actually was approved to develop the building without
parking, and it actually took away the existing parking
that was being used only by the residential -- I'm
sorry -- the commercial tenants, which is interesting.

One of the stronger voices in favor of this project
that I'm going to introduce to you is the owner of
Charro Steak, because the parking lot really is more of
a liability than an asset. It's too small to monitor
and it really -- the residential tenants don't have
access to it anyway. So, back in 2013 I was approved
for height and setbacks and no parking. I still need
to go through the I & D for design, and that's a
process we're going through right now.

What I'd like to do today is introduce you to
the project more than ask for anything more at this
time. And the reason for that is I'm kind of -- you know, as I always am, I mostly get myself into, but more in this case than others, a little bit blindsided by the change in construction costs and atmosphere out there. So I did receive updated numbers and worked through those a little bit. Just to give you an idea, they are well above 30 percent what I originally projected, and so, that's a bit troublesome. I'm kind of -- for this project, it doesn't pencil out and it probably won't pencil out, even if I go forward with it.

So, why would I do it? It's a project that I've wanted to do for a long time. I think it completes the investment, and it includes further renovation to the existing historic building, both retail and some residential above.

The other reason why I'm trying to pull this off right now, I have another project on Country Club, and through leverage of that project and economies of scale, that should help me. And then the other strong part of the timing here is the opportunity fund, and I am on the beneficiary side of a nonrelated sale and my clock is ticking.

So, if I didn't have those two things and the assistance that I'm here today in front of you
requesting, I wouldn't have a shot at it and it will
stay like it is, which isn't the worst thing, but I
think the project is fairly impressive.

So, if we could advance a little bit. That's
the Julian Drew building. That's the Carriage House
where Janos is across the street. That's the City's
access building to the west. Some more pictures.
And I'm asked all the time about the mural,
what will happen to the mural, because we kind of did
that in the middle of the night hoping nobody would
notice, but people did notice. I've got all kinds of
positive feedback on the mural. So the artist is going
to come out from London, and, hopefully, move her to
the east facing of the new construction, which I can
show.

So, anyway, there's the site plan. There
will be full retail on the bottom. We're going to
prepare for another restaurant and put in all the
necessary infrastructure for the hopeful opportunity.

Go ahead. Thank you.

So, interestingly enough, the MDR was
approved for five stories. It was not approved on a
per-foot height, but five stories. I know that's
highly unusual but, in this case it helps and hurts a
little bit. It doesn't help with the cost of the
project, but it does help with the creativity of the
project.

So, all of the ceilings of the five floors
will be almost 16 feet. There will be an interior loft
with interior stairs in each unit, and the loft will be
over the kitchen. So, although the units are fairly
small in size, we do get an additional 120, 130
square feet of the loft, sleeping loft space, which
will be over the kitchen, which is kind of cool.

That shows on the left portion the parking
lot, on the right side it shows part of the renovation
that will occur in the historic building.

Go ahead. Up on the historic building there
will be a roof terrace. And if we skip again, again,
again. Sorry.

So the second floor of the new construction
building will have access to the top floor of the
historic building. So there will be common space
between the two buildings and upstairs lounge and then
a roof deck on top of the second, on top of the roofed
historic building, which will be accessed from the
third floor of the new building, and there will be an
elevator for both buildings to benefit from. So those
are the front.

CHAIRMAN McCUSKER: What would you do on the
rooftop? Is that commercial, is just available to residents?

MR. RULNEY: Great question.

I think it will just be available to the residents. I think the improvements that would have to take place up there for our commercial use would be extensive, and it's not that large.

MR. MARQUEZ: These are market-rate rentals or you're selling them?

MR. RULNEY: Market-rate rentals. That's good question. Thank you.

That's just the west elevation. In other words, from Arizona Avenue facing the City of Tucson's access building.

That is looking south, as illustrated. There is your east, and those are the two sections that we may attempt to try to mirror along those. And then we're back to the original picture. I think that should be about -- okay. There's another view. That's kind of the end.

So we think we came up with a pretty neat design, which, you know, talking to a lot of the preservationists, and I have -- you know, had been in contact with a lot of preservationists these days on historic buildings, so I have learned quite a bit as to
what works and what doesn't and the rules involved, and
I've gotten a lot of positive feedback on trying to
incorporate the historic and the modern. Super excited
about doing it. Again, just trying to make sense of it
all.

We're back to the drawing board on some
reprogramming and trying to work out these elevated
construction costs. I have a couple other projects,
one on 5th Avenue, that we're trying to benefit from
some of the economies of scale, but it's tricky.
That's kind of where I am. I'm hoping -- and I'd love
to answer any questions, but I'm hoping to understand
these numbers a little bit better. I'm working very
closely with an individual in the room on some of the
those numbers, and, hopefully, be invited back at your
next meeting.

MR. SHEAFE: Would you be ready in July, do
you think?

MR. RULNEY: To present?

MR. SHEAFE: Yeah. Will you be ready in
July?

MR. RULNEY: Yes, we'll be ready. We'll be
ready probably by the end of next week.

MR. MARQUEZ: This the first I'm seeing it.
I think it's a great-looking project. Obviously, you
want to do an economic impacted study and let us know
construction sales tax, sales tax generation from the
retail floor. I hope you come back to us with a deal.
It's a beautiful.

MR. RULNEY: Thank you.

CHAIRMAN McCUSKER: We've seen some
preliminary numbers. It's really strong because of the
retail activity, and I think the opportunities for
additional retail -- we suggested to Ross that we have
some programs that are fairly standardized, the GPLET,
rebate programs, other things we've done with other
projects that he's researching. So I think we can help
him put together something that's a specific ask and do
that in the July meeting. I think that's a great
project.

MR. RULNEY: Thank you. I think sales
revenues on the retail portion should be somewhere
between 6 and 7 million annualized for the users
combined.

MR. SHEAFE: We look forward to seeing the
presentation.

MR. RULNEY: Thank you very much.

CHAIRMAN McCUSKER: Any other questions?

MR. IRVIN: Thank you very much.

MR. RULNEY: Thank you.
CHAIRMAN McCUSKER: See you in July.

Mr. Collins, I think I can adjourn the regular meeting.

Is there any call to the audience, Brandi, for the regular session?

Is there any reason I can't adjourn this and call up the budget hearing, do everything I want to do in the budget hearing?

MR. COLLINS: You should do adjournment by motion, and then call --

CHAIRMAN McCUSKER: So I need a motion.

MR. SHEAFE: Motion to adjourn.

MR. IRVIN: Second.

CHAIRMAN McCUSKER: We're adjourning the regular session.

All in favor say aye.

(Ayes.)

CHAIRMAN McCUSKER: Need a motion to convene.

MR. IRVIN: I make a motion to convene the budget hearing.

MS. COX: Second.

CHAIRMAN McCUSKER: All in favor say aye.

(Ayes.)

CHAIRMAN McCUSKER: This is the time set aside annually for the Rio Nuevo Budget Hearing. We do
this once a year. We're advised to do it in public. We then finalize our budget, submit it to the County and to the State of Arizona, and, then, obviously, it goes on our website.

So, Dan, do you want to come up and kind of walk through the entire process with us?

There are copies of the budget out there for anybody who wants to follow along.

This is, indeed, what's called zero-based budgeting. We go back through every line item that we're responsible for, from the revenue side to the expense side, and then we'll agree, ultimately, hopefully today, and post a final budget to the public.

So, Dan, kind of start with revenue.

MR. MEYERS: Okay. So this year's little bit different, because we got so much stuff that could potentially be happening. So we're using some historic information here and then doing some projections at the same time.

Start we'll off with the revenues. The rentals could be changing dramatically because, of course, the TCC could be dropping out, and any revenue that actually creates cash, that is being replaced with Caterpillar. Caterpillar started paying rent in May, so the 3.5 million is the rent for 2020 fiscal year.
The interest income portion of this, majority of our interest income has been coming from our trust accounts where the TIF money goes into. The debt service accumulates, and I don't expect any huge change from this year. There's a $62,000 entry for 2019, and that was a special loan, the interest from that, so it's pretty similar to the prior year, 159,000.

MR. MARQUEZ: We made $223,000 a year just on interest?

MR. MEYERS: We did this year.

MR. MARQUEZ: That's great.

MR. MEYERS: That money's mostly sitting in our trust account and used to do some more debt financing.

TIF revenue. So last year we budgeted $1.2 million a month. As I stated earlier, I anticipate our TIF revenue for this current fiscal year may be excess of 16 million. So we projected 15.6, slightly less than this year, but the way the numbers jump around the last couple years, we've been finding merchants that have not been paying, we occasionally get a windfall, tax revenue. As time goes on, that will happen less, but we also have a bunch of construction revenue going on as well, so I think that 15.6 number is a pretty solid number, and even though
it's $100,000 a month more than last year.

Now, with all these projects we have, many of them we don't come up with cash to get started, we rebate what's collected from their sales taxes. And, again, that's kind of a guess at this point, but I anticipate that being about $600,000 for next year. So, after the rebates, our budget's $15 million in TIF revenue.

We get a surcharge on Roadrunner Hockey ticket sales, generates about $200,000 a year, half of that is required to be put aside and to reinvest in Roadrunner Hockey to some degree. So some of that money could actually be used, I think, for the ice plant renovations, if we so desire. We've not got that $200,000 yet this year, but we should be getting it here real soon.

CHAIRMAN McCUSKER: Is that accruing, is there a balance in this account?

MR. MEYERS: There's $200,000 in there now. There will be 300,000 soon.

CHAIRMAN McCUSKER: And is it earmarked for something related to hockey or can we --

MR. MEYERS: Yes. It's got to be hockey related, and I think we talked about that. The ice plant may qualify if we decide to use it.
MR. MARQUEZ: It's not in a separate account, is it?

MR. MEYERS: Yes, it's a separate account, you can't touch it.

MR. MARQUEZ: Is it a general ledger line or is it literally a separate account?

MR. MEYERS: It's a separate bank account.

MR. MARQUEZ: Wouldn't it show on here?

MR. MEYERS: What are you looking at?

CHAIRMAN McCUSKER: Mr. Collins, could that go to holiday ice rink? Does it have to go to hockey? Does it have to go to TCC? Could it be used for something that's ice related?

MR. COLLINS: I think the original intent was it was going to be used at TCC.

CHAIRMAN McCUSKER: On behalf of the hockey?

MR. COLLINS: On behalf of the hockey, yeah. That was what was discussed when the license agreement was being negotiated.

CHAIRMAN McCUSKER: Okay.

MR. MARQUEZ: We could use this towards the ice plant upgrade.

MR. COLLINS: Yes, absolutely. And that's been discussed.

MR. MEYERS: Okay. So go to the expenses.
Nothing much out of the ordinary with our expenses from prior years. The one thing we have done is we've increased somewhat our sponsorship for assistance with these major events, 2nd Saturday, Tour de Tucson, Dusk Festival, the Arizona Bowl, Jazz in January. So our marketing budget, public relations budget is up about $150,000 from last year, to 950,000.

CHAIRMAN McCUSKER: Do the whole expense thing. We're going to come back and drill down on the marketing budget. I don't want to interrupt you. We'll come back and talk about that specifically.

MR. MEYERS: Okay. As you know, when Glenn can somehow get a group in here to put on a multi-day event here at the TCC, we assist them and give them some rebates. There's an incentive to people that hold events here at the TCC, and we do a rebate of their rent and some food and beverage, and we've got a line item here for $84,000. Recruit some people in there, that would certainly go up. It would increase our TIF revenue as well.

Do you want me to go through every one of these item by item?

CHAIRMAN McCUSKER: Not the little ones. Skip down to insurance, looks the same. Go to legal, professional.
MR. MEYERS: Obviously, our legal bills are related to how much activity we've got going here, so they went up significantly in 2019. I guess we're somewhat hopeful. They will drop back down in 2020 to 600,000.

We've got two automatic audits coming up. We've got our annual audit, the budget for that is 27,500. And we've got our performance audit, which happens every three years, and that's 80,000. Then we just have other professional fees for various things of 25,000.

Our rent, telephones, occupancy costs are stable. Our personnel costs are stable, projected six percent increase, and we have our BID tax, which is $190,000.

CHAIRMAN McCUSKER: The only real bogey year over year is related to what we call major events. And we have a number of partnership conversations now on events that are designed to drive people to downtown, and we've moved from kind of being a minor sponsor to being a major partner. And in no particular order, that includes 2nd Saturdays, El Tour de Tucson, the Jazz Festival, the Dusk Festival and the Arizona Bowl.

The marketing dollars have been used for everything from the Agave Festival to things that we
want to spend $1500 or $2500 or $5000. So what I asked Dan to do was to separate the things that are north of, basically, $25,000, put them into their own line category, which allows us to discuss a debate and put some conditions on any one of those on a standalone basis. So it's creating more visibility for our bigger events.

I would also say that all of these are in the absence of some data. So my recommendation is these numbers would be the cap, but that each of these partners is obligated to come before us in a public session to discuss their event, why they need and what they would do with this amount of money, but, moreover, what's the return on this investment. So you can be assured that if you move this as a cap, that we would see 2nd Saturdays, the Tour, Jazz, Dusk, the Arizona Bowl in front of us defending these allocations.

And other than that, as Dan said, the budget is almost exactly what it was last year, and we anticipate we could probably do a little better. We just hold to the budget conservatively on the revenue side.

Mr. Irving.

MR. IRVIN: Dan, just a question. So looking at our marketing, public relations thing, unless my
math is wrong that's less than five percent of our revenues. That seems completely within -- actually below what I would expect to see for somebody spending, in terms of marketing dollars, for their company as the case may be. What are your thoughts on just that number as a percent of our revenues?

MR. MEYERS: I think it's a big number, but I think if it's driving people downtown to spend money and get more notoriety for Rio Nuevo and downtown, I think it's money to be spending.

MR. IRVIN: How do you feel about just -- not the dollars, but just five percent of somebody's revenues going towards marketing? I mean, that's less than I spend. I just want to encourage your thoughts.

MR. MEYERS: I think it's in the ballpark. I don't think it's outrageous, by any means, especially with what we're trying to do here.

MR. IRVIN: Fletcher, one thing I think would be great to see on this, not to point out any particular event in particular, but I kind of, you know, look at, as an example, 2nd Saturdays, and I say to myself -- and I was just at the one a couple weeks ago and know how many people were down here for that. That seems to me that's a once-a-month deal, and that's 3000 bucks. That seems a little bit light to me. I
I know you're going to bring them in and have them justify that, but to me, of all the ones I looked at, that seems to be a little light. You probably don't want to chime in on that. Maybe you do. I don't know.

CHAIRMAN McCUSKER: There's no real rhyme or reason to the dollars requested versus the return on those dollars. Each event has kind solicited us in their own regard. These are basically their asks, not our recommendations.

2nd Saturday now we know produces something in the neighborhood of 20,000 people a month. They don't all spend their $30. It's a free event, a lot of them just come down and hang on out, listen to free music and buy an ice cream cone. So you can't apply the same economics to that as you would to someone going to the Fox Theater and going to have dinner and stay afterwards for drinks. So it's a different kind of event.

We now have solid numbers on El Tour de Tucson. We actually did an economic study for that. We have it, we'll make it available to the Board and to the public. It shows their economic impact right at $5 million a year. And it's a very exhaustive study on how they got there. So there is an ROI associated with the Tour.
The Jazz Festival, the bargain here is probably those guys. Last year's attendance was 22,000 people. Based upon their own demographic data, 65 percent of them came from out of Tucson. So this Jazz Festival now is on the radar. It's one of maybe top 10 in the country in terms of talent. But, moreover, Jazz aficionados travel to Tucson.

Dusk blew everybody away. This is a hip-hop festival. It's been held at the Rillito Race Track. There's a lot of ambivalence about it coming downtown, the kind of people it was going to bring downtown. They had, Brandi, 10,000 people at the first event? They're projecting that to double based upon their footprint, and that's -- their ask is $50,000.

The Bowl Game has produced ROI numbers now something in the neighborhood of $30 million of annual impact.

So I would resist trying to come up with any formula, because the events are so dramatically different. I think you kind of start with their ask, and then they come in here and have to justify it, and as a Board we decide if we believe in what they are doing, we believe in the traffic it creates, and we believe in the returns that it creates for us.

So this is different than we've done in the
past. Historically, you would look at this number, approve the budget, and that would be their number. What I'm suggesting you do today, approve these as the cap, then each one of them have to come in and defend their budget.

MR. IRVIN: I think that would be the smart way to look at it, and I think part of that analysis would be -- I know some have done economic studies and some are in the process of doing that. So I think what I'd be interested to know is how many nights are they downtown, how many people do they plan to bring, what are their plans going forward, you know, et cetera, et cetera. So we can help coach them on those things, but I think there's a lot of stuff we probably need to know going forward. I like your approach.

MS. COX: Mr. Chairman.

CHAIRMAN McCUSKER: Go ahead, Jannie.

MS. COX: In our marketing group we put together a fairly extensive form for each organization to fill out when they first come for sponsorship dollars. That makes it really clear that our investment in that event will be contingent upon the number of people they can show they bring to downtown. And as they get larger and more established, I think we should require them to have some level of an economic
study done to just to make sure we're investing those
dollars wisely. But I think we've taken a big step
forward.

This is all on our website, so from now on
any organization, before we talk to them, will fill out
that form and get it in, Brandi will let us know when
they come in, and then we will probably meet with them
if there's any kind of a significant investment going
forward.

MR. MARQUEZ: I just want to say that I like
that we are breaking out the major events separately,
so that we can have a conversation about the ROI and
we're being transparent. And let us challenge them in
regards to the amount of dollars, number one, they are
asking; number two, that we are getting a return.

Just a point of clarity. When we did have
that marketing discussion and kind of walked through
the marketing the budget, we actually talked about a
$250,000 marketing general sponsorship in Kaneen was at
it 20, not 25.

CHAIRMAN McCUSKER: In terms of the final
budget we looked at in the marketing group, $250,000,
Dan, total marketing, 20,000 for Kaneen.

Any other conversation about the budget?

Anything for Dan?
MR. MEYERS: One more thing.

So, the bottom line to all this, our income less our expenses, we've got 3.5 million for the debt service, and that includes some anticipated -- if this TCC project goes go through, anticipating how that impacts it. The bottom line is that we would have about $3.5 million of excess cash to use for projects, combined with what we have sitting in the bank now and any other sources of income.

MR. IRVIN: And I just want to say, I know you and Chris and Fletcher worked really diligently on this. To me, this is one of the clearer, more concise budgets that I think I've seen since I've been around. And I really do appreciate, you know, the breakout to kind of see, especially as it relates to our marketing dollars, how those are going to be spent. So, just hats off, good job.

MR. MEYERS: Thank you.

Any other questions?

CHAIRMAN McCUSKER: Dan, where is debt service in this?

MR. MEYERS: Debt services is like --

CHAIRMAN McCUSKER: I see it. So you've assumed, what, a half a year or do you assume the entire -- that's the whole year in debt service at the
proposed rate. That's worth noting, because we've already covered's --

MR. MEYERS: Yeah.

CHAIRMAN McCUSKER: -- the anticipated financing for the TCC, and we still -- I mean, it's a nice graph. Anybody that can run a company with 19 million in revenue and three-and-a-half million dollars of profit is doing pretty good. So, Dan, we're really very appreciative of the work you put in.

MR. MEYERS: Oh, thank you very much.

CHAIRMAN McCUSKER: Any other questions for Dan? If not, I'd entertain a motion to approve the budget.

MR. IRVIN: I make the motion.

CHAIRMAN McCUSKER: We did make two amendments, marketing to 250 and --

MR. COLLINS: Excuse me, Mr. Chairman. Is there anything anybody in the audience? CHAIRMAN McCUSKER: I didn't see -- anyone want to talk to us about the budget, good, bad or ugly?

Thank you for that, Mr. Collins.

MR. IRVIN: With that, I would like to make a motion to approve, with the two amendments we talked about, one being the marketing general sponsorship push
from 225 to 250, and then Kaneen going from 25 to 20, which would, obviously, impact that bottom number a little bit as well.

    MR. MEYERS: Well, just so you know, I kind of just pulled Kaneen out, so the full amount is 250.

    CHAIRMAN McCUSKER: 270.

    MR. MEYERS: All right. Sorry.

    CHAIRMAN McCUSKER: That's a motion, I think. Need a second for that.

    MR. SHEAFE: Second.

    CHAIRMAN McCUSKER: Brandi, call the roll.

    (Roll taken.)

    (Ayes.)

    CHAIRMAN McCUSKER: That passes unanimously. And I'd entertain a motion to adjourn this hearing.

    (Motion moved and seconded.)

    CHAIRMAN McCUSKER: All in favor say aye. (Ayes.)

    CHAIRMAN McCUSKER: Thank you for all your hard work today.

    (Record closed at 3:40 p.m.)
CERTIFIED REPORTER'S CERTIFICATE

STATE OF ARIZONA )
 ) ss.
COUNTY OF PIMA )

BE IT KNOWN that I took the foregoing proceedings pursuant to Notice; that I was then and there a Certified Reporter, CR No. 50218, in the State of Arizona; that said proceedings were reduced to writing by me.

I DO FURTHER CERTIFY the ethical obligations set forth in ACJA 7-206 (J)(1)(g)(1) and (2) are in compliance; that I am not a relative or attorney of either party, or financially or otherwise interested in the action.

WITNESS MY HAND this 24th day of June 2019.

______________________________
ANTHONY C. GARCIA, RDR, CR
Certified Reporter No. 50218
REPORTING FIRM CERTIFICATE

THIS FIRM CERTIFIES the ethical obligations set forth in ACJA 7-206 (J)(1)(g)(1) through (6) are in compliance and have been met.

WITNESS MY HAND this 24th day of June 2019.

KATHY FINK & ASSOCIATES, INC.
No. R1003