

RIO NUEVO MULTIPURPOSE)
FACILITIES DISTRICT,)
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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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1 APPEARANCES:

2 BOARD MEMBERS:

3 Fletcher McCusker, Chairman

4 Chris Sheafe

5 Mark Irvin

6 Edmund Marquez

7 Jannie Cox (present via videoconference)

8 ALSO PRESENT:

9 Mark Collins, Board Counsel

10 Brandi Haga-Blackman, Operations
11 Administrator

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14 BE IT REMEMBERED that the Meeting of the
15 Board of Directors of the Rio Nuevo Multipurpose
16 Facilities District was held at the Tucson Convention
17 Center - Gila Meeting Room, in the City of Tucson,
18 State of Arizona, before ANTHONY C. GARCIA, RDR, CR,
19 Certified Reporter No. 50218, on the 21st day of June
20 2019, commencing at the hour of 2:00 o'clock p.m.

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P R O C E E D I N G

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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.

1 MR. SHEAFE: So moved.

2 MR. IRVIN: Second.

3 CHAIRMAN McCUSKER: All in favor say aye.

4 (Ayes.)

5 (Recess.)

6 CHAIRMAN McCUSKER: Motion to reconvene.

7 (Motion moved and seconded.)

8 CHAIRMAN McCUSKER: All in favor say aye.

9 (Ayes.)

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

14 MR. COLLINS: Correct.

15 CHAIRMAN McCUSKER: Okay.

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

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

20 I think, in terms of my remarks, they'll be
21 brief. We had a three-hour study session this morning
22 on the TCC. We're thrilled and excited to report that
23 we're advancing about \$65 million worth of improvements
24 to this venue, and you'll hear about that from us in
25 July.

1 If you haven't been by Cathedral Square
2 adjacent to us recently, they are virtually done, with
3 the exception of Ochoa Street. But you can now begin
4 to see the shape of Ochoa. It's really going to be a
5 neat street. Rio Nuevo bought that street from the
6 City of Tucson. We've allowed the cathedral to creep
7 into what used to be the roadway, and now it's a
8 beautiful walkway with steps up into the cathedral. We
9 heard from some people this morning that we should
10 continue that theme all the way east on Ochoa. So it
11 turned out to be a really neat project.

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

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

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

21 (Jannie Cox present via videoconference.)

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

23 So as of may 29th we had about \$7.5 million
24 in our unrestricted accounts, and when we add to that
25 the projected cash flow for the next year we get about

1 \$11.1 million in available funds. Items that are
2 projected to be spent within the next year, about
3 9.3 million. So right now we got an excess of about
4 1.8 million. That's gone up in May. It will go up in
5 June again, predictably, because these are the months,
6 remember, that we don't have any debt service. We get
7 our debt service paid off in April. So these are --
8 all the money that comes in goes directly to us.

9 In the March TIF revenue was almost
10 1.6 million. You'll recall for this fiscal year we've
11 been budgeting \$1.2 million a month. So that was good
12 news. And it's likely we will probably exceed
13 \$16 million for TIF revenue this year. Our budget was
14 14.4. So this has been a very good year from a revenue
15 standpoint, and it's projected to continue.

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

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

1 \$3.4 million?

2 MR. MEYERS: Yes.

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

11 MR. MARQUEZ: Awesome.

12 MR. MEYERS: Anything else? Thank you.

13 CHAIRMAN McCUSKER: Any questions for Dan?

14 Dan, thank you very much.

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

17 Just as a preface for everyone in the room
18 following the transcript, the City of Tucson has
19 indicated to us their intent to pay off the remaining
20 certificates of participation, our bonds related to the
21 Tucson Convention Center. Under the original lease
22 with the City of Tucson, if and when it became debt
23 free, that would terminate the lease. So we've been
24 working for the last couple of months with the City on
25 a new lease. It has a number of interesting features

1 going forward. It contemplates the \$65 million
2 renovation, allows Rio Nuevo to participate in some of
3 the new revenue. If you follow the Mayor and Council,
4 they actually approved this lease in their meeting on
5 Tuesday. So it's been done, documented and approved,
6 and this is the first time our full Board has seen it.

7 Mr. Collins.

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

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

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

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

24 MR. COLLINS: Yes.

25 MR. MARQUEZ: Okay.

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

5 CHAIRMAN McCUSKER: The new meeting rooms.

6 MR. COLLINS: The new meeting rooms.

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

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

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

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

25 MR. COLLINS: I believe so.

1 CHAIRMAN McCUSKER: Any questions for Mark?
2 If not, I would need a motion to approve the new lease.

3 MR. IRVIN: So moved.

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

8 MR. MARQUEZ: Second.

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

11 Brandi, call the roll.

12 (Roll taken.)

13 (Ayes.)

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

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

19 MR. COLLINS: Yeah.

20 MR. MEYERS: It was sent directly by -- it's
21 paid off already.

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

24 MS. MANDLE: Good afternoon. I'm Lane
25 Mandle, Chief of Staff for the City Manager. I

1 appreciate you taking me before the budget.

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

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

18 Estimated gross revenue is \$90,000 for
19 approximately 9000 skaters. That's gross. And the
20 rink would be operated by SMG using TCC employees and
21 their point of sale. The rink would be approximately
22 60 by 80 feet. The City is requesting that Rio Nuevo
23 purchase the key permanent assets necessary to
24 implement the rink, namely, the ice floor, the dashers,
25 the skates for rental, a pair of sheds, one for a skate

1 storage, another for a box office, ice resurfacing
2 equipment and miscellaneous system equipment. The cost
3 of purchasing these assets would not exceed \$350,000.
4 This City will handle the electrical upgrades,
5 permitting, installation, operations and breakdown.

6 I'm happy to answer any questions.

7 MR. IRVIN: What is the estimated cost for
8 the City?

9 MS. MANDLE: We're hoping that operations
10 will all be covered by the costs for the skate rink.
11 We're hoping that all the costs to the City will be
12 covered -- the operational expense costs will be
13 covered by the costs for the skating itself. So if
14 we're looking at 10,000 skaters, approximately
15 \$100,000.

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

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

22 MR. MARQUEZ: Just curious. I'm not a ice
23 rink guy, I'm from the desert. We're spending
24 \$3 million on an ice plant. How are you making ice and
25 total cost of 350?

1 MS. MANDLE: A temporary ice rink is a
2 popular attraction in lots of other City's, and we will
3 work directly with a professional company that sets up
4 these sort of temporary rinks. We bring in an 18-ton
5 chiller that we'll rent, and it's pretty easy to
6 operate. We don't have a Zamboni or anything. We use
7 modified golf cart to handle all the resurfacing on the
8 ice. It's a much smaller operation.

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

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

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

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

17 Is that correct, Glenn? No?

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

20 So it's a 100-ton chiller that we rent. You
21 don't want to own a chiller, let you guys know now.
22 But I looked at it, and the actual break even is about
23 8000 skaters. I think with sponsorship money and
24 everything else, I believe that we can break even at
25 8000, which I think is very doable.

1 CHAIRMAN McCUSKER: It's kind of a short
2 season. Is there any reason you couldn't run it
3 through January, February? Does it bump into other
4 activities, is it a site issue? Do we leave it up if
5 it's going really well?

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

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

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

25 CHAIRMAN McCUSKER: Glenn, is there some

1 place here you might want to put it? Have you thought
2 about that?

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

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

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

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

23 MR. MARQUEZ: One thing that Rio Nuevo and
24 City of Tucson have in common are the Tucson
25 Roadrunners, and we brought them into the conversation,

1 since they are our local hockey team.

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

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

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

16 CHAIRMAN McCUSKER: Then do you want to
17 address that?

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

21 Again, I've looked at the site. There's some
22 challenges for the size of the rink that we think is
23 appropriate. Obviously, I do not want to use any
24 parking spaces, as we all know. The common area we
25 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

1 forma that works, and this is what the Roadrunners are
2 willing to financially contribute, in addition to the
3 actual programming of the ice rink. So, one, the added
4 value that the Roadrunners staff brings is that, as
5 we're selling group tickets, we were also willing to
6 use our staff to sell groups to use the ice rink, which
7 is then more ice time, you know, added revenue for the
8 ice rink.

9 So that's all we have done up until now.
10 And, no, we had not yet spoken with the City or SMG,
11 because we didn't get far enough along after we talked
12 to Rio Nuevo, one of the Board members. We were told,
13 you know what, it doesn't look like -- it looks like
14 it's too expensive.

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

19 MS. BECHERER: So where we were thinking of
20 putting it was, we saw the benefit of having it on the
21 TCC campus next to the ice rink, and also working in
22 partnership with TCP, and having it, you know, be an
23 added amenity along the Festival of Lights. It's
24 coming up on the 25th Anniversary of the Festival of
25 Lights, and so that night -- if the parade was willing

1 to change routes and come along the campus, and we
2 could have a breakout space where there's an outdoor
3 rink. We were looking at the plaza area and everything
4 from -- we looked at the pavers, to the subsurface, you
5 know, what would be needed.

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

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

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

24 CHAIRMAN McCUSKER: The encouraging thing
25 about this is the City's stepping up to the operating

1 costs. SMG's stepping up to help manage actively, the
2 Roadrunners would want to be involved. I think it
3 comes to you down to guys all get in a room together,
4 figure out how you partner. And then what's the ideal
5 location?

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

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

23 MS. BECHERER: We were looking at a -- you
24 know, we looked at different types, synthetic versus
25 real. We looked at a real ice operator with a turnkey

1 operation in terms of operating it and everything. And
2 then, yeah, we looked at -- we had similar dates,
3 Thanksgiving, and then through Martin Luther as a test
4 year. And then, yes, the ideal state would be at year
5 two, three, four that there would be so much momentum
6 behind it, of course, it could go longer.

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

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

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

25 CHAIRMAN McCUSKER: You've got to annualize

1 that, though, Mark.

2 MR. IRVIN: I realize that.

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

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

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

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

19 MR. MARQUEZ: I would like to see them get
20 together. I love the collaboration. I think
21 Roadrunners have to be in the room. That's number one.
22 Number two, what changes my mind, and I was the Board
23 member that they met with, is the purchasing versus
24 renting. That's more of a long-term investment with
25 the one-time cost. So I would love to see them get in

1 the room and then come back to us in July and see what
2 they all came up with.

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

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

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

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

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

24 On the west side of the building, the
25 historic building, is a parking lot, and it's something

1 the project development that I've been working on for
2 almost seven years.

3 CHAIRMAN McCUSKER: Are you advancing the
4 slides?

5 MS. HAGA-BLACKMAN: Yes.

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

7 The site as notated, tabbed in the yellow, is
8 the parking lot in question. It only has about 18
9 parking spaces. And in 2013 the MDR was approved to go
10 ahead and develop the property without parking. It
11 actually was approved to develop the building without
12 parking, and it actually took away the existing parking
13 that was being used only by the residential -- I'm
14 sorry -- the commercial tenants, which is interesting.
15 One of the stronger voices in favor of this project
16 that I'm going to introduce to you is the owner of
17 Charro Steak, because the parking lot really is more of
18 a liability than an asset. It's too small to monitor
19 and it really -- the residential tenants don't have
20 access to it anyway. So, back in 2013 I was approved
21 for height and setbacks and no parking. I still need
22 to go through the I & D for design, and that's a
23 process we're going through right now.

24 What I'd like to do today is introduce you to
25 the project more than ask for anything more at this

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

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

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

24 So, if I didn't have those two things and the
25 assistance that I'm here today in front of you

1 requesting, I wouldn't have a shot at it and it will
2 stay like it is, which isn't the worst thing, but I
3 think the project is fairly impressive.

4 So, if we could advance a little bit. That's
5 the Julian Drew building. That's the Carriage House
6 where Janos is across the street. That's the City's
7 access building to the west. Some more pictures.

8 And I'm asked all the time about the mural,
9 what will happen to the mural, because we kind of did
10 that in the middle of the night hoping nobody would
11 notice, but people did notice. I've got all kinds of
12 positive feedback on the mural. So the artist is going
13 to come out from London, and, hopefully, move her to
14 the east facing of the new construction, which I can
15 show.

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

20 Go ahead. Thank you.

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

1 project, but it does help with the creativity of the
2 project.

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

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

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

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

25 CHAIRMAN McCUSKER: What would you do on the

1 rooftop? Is that commercial, is just available to
2 residents?

3 MR. RULNEY: Great question.

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

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

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

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

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

21 So we think we came up with a pretty neat
22 design, which, you know, talking to a lot of the
23 preservationists, and I have -- you know, had been in
24 contact with a lot of preservationists these days on
25 historic buildings, so I have learned quite a bit as to

1 what works and what doesn't and the rules involved, and
2 I've gotten a lot of positive feedback on trying to
3 incorporate the historic and the modern. Super excited
4 about doing it. Again, just trying to make sense of it
5 all.

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

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

19 MR. RULNEY: To present?

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

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

24 MR. MARQUEZ: This the first I'm seeing it.
25 I think it's a great-looking project. Obviously, you

1 want to do an economic impacted study and let us know
2 construction sales tax, sales tax generation from the
3 retail floor. I hope you come back to us with a deal.
4 It's a beautiful.

5 MR. RULNEY: Thank you.

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

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

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

22 MR. RULNEY: Thank you very much.

23 CHAIRMAN McCUSKER: Any other questions?

24 MR. IRVIN: Thank you very much.

25 MR. RULNEY: Thank you.

1 CHAIRMAN McCUSKER: See you in July.

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

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

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

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

11 CHAIRMAN McCUSKER: So I need a motion.

12 MR. SHEAFE: Motion to adjourn.

13 MR. IRVIN: Second.

14 CHAIRMAN McCUSKER: We're adjourning the
15 regular session.

16 All in favor say aye.

17 (Ayes.)

18 CHAIRMAN McCUSKER: Need a motion to convene.

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

21 MS. COX: Second.

22 CHAIRMAN McCUSKER: All in favor say aye.

23 (Ayes.)

24 CHAIRMAN McCUSKER: This is the time set
25 aside annually for the Rio Nuevo Budget Hearing. We do

1 this once a year. We're advised to do it in public.
2 We then finalize our budget, submit it to the County
3 and to the State of Arizona, and, then, obviously, it
4 goes on our website.

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

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

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

14 So, Dan, kind of start with revenue.

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

20 Start we'll off with the revenues. The
21 rentals could be changing dramatically because, of
22 course, the TCC could be dropping out, and any revenue
23 that actually creates cash, that is being replaced with
24 Caterpillar. Caterpillar started paying rent in May,
25 so the 3.5 million is the rent for 2020 fiscal year.

1 The interest income portion of this, majority
2 of our interest income has been coming from our trust
3 accounts where the TIF money goes into. The debt
4 service accumulates, and I don't expect any huge change
5 from this year. There's a \$62,000 entry for 2019, and
6 that was a special loan, the interest from that, so
7 it's pretty similar to the prior year, 159,000.

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

10 MR. MEYERS: We did this year.

11 MR. MARQUEZ: That's great.

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

15 TIF revenue. So last year we budgeted
16 \$1.2 million a month. As I stated earlier, I
17 anticipate our TIF revenue for this current fiscal year
18 may be excess of 16 million. So we projected 15.6,
19 slightly less than this year, but the way the numbers
20 jump around the last couple years, we've been finding
21 merchants that have not been paying, we occasionally
22 get a windfall, tax revenue. As time goes on, that
23 will happen less, but we also have a bunch of
24 construction revenue going on as well, so I think that
25 15.6 number is a pretty solid number, and even though

1 it's \$100,000 a month more than last year.

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

9 We get a surcharge on Roadrunner Hockey
10 ticket sales, generates about \$200,000 a year, half of
11 that is required to be put aside and to reinvest in
12 Roadrunner Hockey to some degree. So some of that
13 money could actually be used, I think, for the ice
14 plant renovations, if we so desire. We've not got that
15 \$200,000 yet this year, but we should be getting it
16 here real soon.

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

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

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

23 MR. MEYERS: Yes. It's got to be hockey
24 related, and I think we talked about that. The ice
25 plant may qualify if we decide to use it.

1 MR. MARQUEZ: It's not in a separate account,
2 is it?

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

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

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

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

9 MR. MEYERS: What are you looking at?

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

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

16 CHAIRMAN McCUSKER: On behalf of the hockey?

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

20 CHAIRMAN McCUSKER: Okay.

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

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

25 MR. MEYERS: Okay. So go to the expenses.

1 Nothing much out of the ordinary with our expenses from
2 prior years. The one thing we have done is we've
3 increased somewhat our sponsorship for assistance with
4 these major events, 2nd Saturday, Tour de Tucson, Dusk
5 Festival, the Arizona Bowl, Jazz in January. So our
6 marketing budget, public relations budget is up about
7 \$150,000 from last year, to 950,000.

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

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

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

23 CHAIRMAN McCUSKER: Not the little ones.
24 Skip down to insurance, looks the same. Go to legal,
25 professional.

1 MR. MEYERS: Obviously, our legal bills are
2 related to how much activity we've got going here, so
3 they went up significantly in 2019. I guess we're
4 somewhat hopeful. They will drop back down in 2020 to
5 600,000.

6 We've got two automatic audits coming up.
7 We've got our annual audit, the budget for that is
8 27,500. And we've got our performance audit, which
9 happens every three years, and that's 80,000. Then we
10 just have other professional fees for various things of
11 25,000.

12 Our rent, telephones, occupancy costs are
13 stable. Our personnel costs are stable, projected
14 six percent increase, and we have our BID tax, which is
15 \$190,000.

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

24 The marketing dollars have been used for
25 everything from the Agave Festival to things that we

1 want to spend \$1500 or \$2500 or \$5000. So what I asked
2 Dan to do was to separate the things that are north of,
3 basically, \$25,000, put them into their own line
4 category, which allows us to discuss a debate and put
5 some conditions on any one of those on a standalone
6 basis. So it's creating more visibility for our bigger
7 events.

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

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

23 Mr. Irving.

24 MR. IRVIN: Dan, just a question. So looking
25 at our marketing, public relations thing, unless my

1 math is wrong that's less than five percent of our
2 revenues. That seems completely within -- actually
3 below what I would expect to see for somebody spending,
4 in terms of marketing dollars, for their company as the
5 case may be. What are your thoughts on just that
6 number as a percent of our revenues?

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

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

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

18 MR. IRVIN: Fletcher, one thing I think would
19 be great to see on this, not to point out any
20 particular event in particular, but I kind of, you
21 know, look at, as an example, 2nd Saturdays, and I say
22 to myself -- and I was just at the one a couple weeks
23 ago and know how many people were down here for that.
24 That seems to me that's a once-a-month deal, and that's
25 3000 bucks. That seems a little bit light to me. I

1 know you're going to bring them in and have them
2 justify that, but to me, of all the ones I looked at,
3 that seems to be a little light. You probably don't
4 want to chime in on that. Maybe you do. I don't know.

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

10 2nd Saturday now we know produces something
11 in the neighborhood of 20,000 people a month. They
12 don't all spend their \$30. It's a free event, a lot of
13 them just come down and hang on out, listen to free
14 music and buy an ice cream cone. So you can't apply
15 the same economics to that as you would to someone
16 going to the Fox Theater and going to have dinner and
17 stay afterwards for drinks. So it's a different kind
18 of event.

19 We now have solid numbers on El Tour de
20 Tucson. We actually did an economic study for that.
21 We have it, we'll make it available to the Board and to
22 the public. It shows their economic impact right at
23 \$5 million a year. And it's a very exhaustive study on
24 how they got there. So there is an ROI associated with
25 the Tour.

1 The Jazz Festival, the bargain here is
2 probably those guys. Last year's attendance was 22,000
3 people. Based upon their own demographic data,
4 65 percent of them came from out of Tucson. So this
5 Jazz Festival now is on the radar. It's one of maybe
6 top 10 in the country in terms of talent. But,
7 moreover, Jazz aficionados travel to Tucson.

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

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

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

25 So this is different than we've done in the

1 past. Historically, you would look at this number,
2 approve the budget, and that would be their number.
3 What I'm suggesting you do today, approve these as the
4 cap, then each one of them have to come in and defend
5 their budget.

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

16 MS. COX: Mr. Chairman.

17 CHAIRMAN McCUSKER: Go ahead, Jannie.

18 MS. COX: In our marketing group we put
19 together a fairly extensive form for each organization
20 to fill out when they first come for sponsorship
21 dollars. That makes it really clear that our
22 investment in that event will be contingent upon the
23 number of people they can show they bring to downtown.
24 And as they get larger and more established, I think we
25 should require them to have some level of an economic

1 study done to just to make sure we're investing those
2 dollars wisely. But I think we've taken a big step
3 forward.

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

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

16 Just a point of clarity. When we did have
17 that marketing discussion and kind of walked through
18 the marketing the budget, we actually talked about a
19 \$250,000 marketing general sponsorship in Kaneen was at
20 it 20, not 25.

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

24 Any other conversation about the budget?
25 Anything for Dan?

1 MR. MEYERS: One more thing.

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

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

18 MR. MEYERS: Thank you.

19 Any other questions?

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

22 MR. MEYERS: Debt services is like --

23 CHAIRMAN McCUSKER: I see it. So you've
24 assumed, what, a half a year or do you assume the
25 entire -- that's the whole year in debt service at the

1 proposed rate. That's worth noting, because we've
2 already covered's --

3 MR. MEYERS: Yeah.

4 CHAIRMAN McCUSKER: -- the anticipated
5 financing for the TCC, and we still -- I mean, it's a
6 nice graph. Anybody that can run a company with
7 19 million in revenue and three-and-a-half million
8 dollars of profit is doing pretty good.

9 So, Dan, we're really very appreciative of
10 the work you put in.

11 MR. MEYERS: Oh, thank you very much.

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

15 MR. IRVIN: I make the motion.

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

18 MR. COLLINS: Excuse me, Mr. Chairman.
19 Is there anything anybody in the audience?

20 CHAIRMAN McCUSKER: I didn't see -- anyone
21 want to talk to us about the budget, good, bad or ugly?

22 Thank you for that, Mr. Collins.

23 MR. IRVIN: With that, I would like to make a
24 motion to approve, with the two amendments we talked
25 about, one being the marketing general sponsorship push

1 from 225 to 250, and then Kaneen going from 25 to 20,
2 which would, obviously, impact that bottom number a
3 little bit as well.

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

6 CHAIRMAN McCUSKER: 270.

7 MR. MEYERS: All right. Sorry.

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

10 MR. SHEAFE: Second.

11 CHAIRMAN McCUSKER: Brandi, call the roll.

12 (Roll taken.)

13 (Ayes.)

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

17 (Motion moved and seconded.)

18 CHAIRMAN McCUSKER: All in favor say aye.

19 (Ayes.)

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

22

23 (Record closed at 3:40 p.m.)

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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