

**TUCSON RODEO GROUNDS/PARADE CITIZENS' OVERSIGHT COMMITTEE
FEBRUARY 13, 2007 MINUTES**

Members in attendance: Bill Forbes, John Stattery, Robert Kattnig, Cindy Riley, John Shearman, Karen Penn, Stephen Ellis, Joseph Dhuey, Ray Cusack, Marty Higbee, Gary Williams, Charles Sherman. Members absent: Herbert Wagner, Mark Oliver. City staff in attendance: Reenie Ochoa, Southwest District Administrator, Ron Odell, Southwest District Parks Superintendent, Lisa Cortese, Recording Secretary.

Chairperson Cusack called the meeting to order at 1:33 p.m. on Tuesday, February 13, 2007.

I. Roll Call/Introduction of New Members

All new and current members introduced themselves to the Oversight Committee

II. Review of Minutes from Last Meeting

Motion asked for by Mr. Cusack, motion made by Mr. Higbee, seconded by Mr. Kattnig that the minutes from the December 12, 2006 meeting be accepted with the following changes: **Item IV Audit Report from Ray Cusack. *Mr. Cusack feels there is no accountability..... should read as follows: Mr. Cusack feels there is no accountability with regard to the Rodeo Committee consumption and use, the Vaquero Club, the Gold Buckle boxes, or the VIP Barn, which was the subject of correspondence in request to Parks and Recreation. Typing correction as follows: It was decided that the Committee make recommendation with regard to changes on the CONTRACT (contact) when it is renewed in the next couple years.*** Motion passed unanimously.

III. Call to Audience – None

IV. Schedule of 2007 Events

Mr. Dhury asked for an overview of the responsibilities of this Oversight Committee as well as the purpose and objective. Mr. Cusack reviewed with the Oversight Committee the memorandum dated October 4, 1999 from Mayor and Council with respect to this Oversight Committee that the primary purpose is to advise the Parks and Recreation Department, City Manager and Mayor and Council on issues related to the operations, maintenance, and future direction of the Tucson Rodeo Grounds. As well as the

monies generated from activities at the Rodeo Grounds, a percentage of which is put in a fund earmarked solely for maintenance at the Rodeo Grounds, as opposed to any other Parks and Recreation facility or City facility.

The Oversight Committee reviewed the upcoming events from April through August 2007. Ms. Ochoa indicated that the facility usage fee could change as the event takes place.

V. Revenue Report

Mr. Cusack indicated to the new members that at the last meeting the Oversight Committee was advised that the maintenance account had a balance of \$106,899. This was money that was collected over a period of time from July 2003 to December 2006. At that time, the Oversight Committee elected to turn over \$100,000 from that account to Parks and Recreation to help fund an upgrade of the electrical. \$6,899 was withheld in the event that any other contingencies came up that needed to be addressed. Balance of account is \$6,899. Ms. Ochoa indicated the allocated money would be spent between April 1 – July 1 of this year. The electrical design has been completed and the design and consultant fees came to a little over \$50,000. They are estimating the electrical upgrade, at this time, will cost between \$150,000 - \$200,000. Won't know for sure until we start receiving bids. Work is scheduled to begin immediately following this year's rodeo. This work will include both the east and west sides of the arena. Mr. Cusack asked if this work would impacted the circus and/or the Tournament of Destruction scheduled for April. Ms. Ochoa indicated that it would not.

VI. Rodeo Grounds Improvements to Date

Ms. Ochoa reported that lots of work is currently being done. The arena dirt was removed by City staff and was put back by professionals who know the correct mixture involved for equestrian events. This will be done every 2-3 years rather than waiting six years as was done in the past. The arena walls and bucking chutes were repainted by City staff, and the speed chutes have been repainted by the Rodeo Committee, as well as new piping installed in the lineup and warm up areas. There was also some work done in the holding pens as well by the Rodeo Committee. City staff cleans the facility except during the time the Rodeo is going on, which is cleaned by the Rodeo Committee volunteers.

Ms. Ochoa indicated that the one project that is on hold is the replacement of the grandstand planks from wood to aluminum. The cost of this was estimated at \$250,000 to begin with. There are four sections that need to be done. The first estimate came in at about \$675,000. From there they have ranged anywhere from \$260,000 which was really about \$380,000 after the contractor noticed a mistake in his estimate. The plan is that the bids are ready, and may anticipate doing section by section, as funding becomes available. The electrical upgrade is the first and foremost thing that needs to

be done. Ms. Ochoa reported that over the next month or so she can look at her Operating Budget for all Southwest Parks and if she has funds that aren't being utilized, then she can start to do these sections during the off season. The bids are from local contractors who are willing to go section by section.

Mr. Cusack asked if the Oversight Committee could get a report from Parks and Recreation as to how much those particular activities are costing. Ms. Ochoa indicated that not all the bills and invoices have come in, probably within 30-45 days that will be finished up there. The Rodeo Committee has been asked to calculate how many volunteer hours, from this point on, to put these items in and any other equipment or manpower that they uses to do this with, so that there is an in-kind contribution list that they are making as well. The Lions and other groups that do work out there in the concession stands from time to time give us a report of what they have done for improvements.

VII. Old Business – Status of Request for Information from Tucson Rodeo Committee

Mr. Cusack informed the new members on the Oversight Committee that at the last meeting they reviewed the revenue report, which was submitted to the Oversight Committee pursuant to the contract between the Rodeo Committee and the City. The Oversight Committee had concerns about the accountability with respect to the sale of food, beverage and alcohol. The Oversight Committee voted unanimously to have questions submitted to Fred Gray, Director of Parks and Recreation, in regard to three specific areas in order to determine such things as the amount of consumption and use by the Rodeo Committee themselves, the nature of bartender expense, and an accountability for food and beverage sales in the Vaquero Club, Gold Buckle boxes and VIP Barn. The Oversight Committee was concerned with the amount of beer that was consumed in the Rodeo Committee room as well as what may have been given away or provided in the VIP Barn because of the fact that the VIP Barn accommodates from a Wednesday to a Sunday anywhere from 300-600 people. Entrance into the VIP Barn entitles each individual two coupons for beer or alcohol as well as a meal. The providing of that food and beverage also wasn't identified in the revenue report to the Oversight Committee. At Mr. Cusack's request, Fred Gray directed the questions to Mr. Tom Davenport the Chairman of the Rodeo Committee. Mr. Davenport provided a response, but instead of providing the Oversight Committee with hard figures he provided the Oversight Committee a narrative. Mr. Davenport explained in his response how beverages are handled. Mr. Cusack explained to the Oversight Committee the process of delivering the inventory, how it is distributed, how it is accounted for and how much in proceeds are given to the Rodeo Committee. Mr. Cusack reported that there is also a final invoice that is prepared by the distributor which indicates the starting number of cases, the amount delivered to the Rotary Club, the amount of product returned, and then any balance would be either the amount consumed by the Rodeo Committee or provided by them in the VIP Barn. It is Mr. Cusack's intention to follow up on this and ask for copies of the supplier's initial inventory, the Rotary sales report, and

then the supplier's final bill. That could then assist the Oversight Committee in determining if there were any discrepancies between the amount of beer provided and the amount of beer sold. In the revenue report it indicated beer sales of \$55,059 with the cost being \$15,041. Does the cost indicated in the revenue report include the amount consumed or used by the Rodeo Committee themselves or which they give away in the VIP Barn? Mr. Davenport indicated in his letter that Rodeo Committee Room member usage was something that was a little harder to explain. Mr. Davenport suggested that there was really no way to keep track of that. Mr. Cusack said the way to track this is how much was delivered, how much did Rotary sell, how much was returned and whatever is left is the Rodeo Committee's responsibility.

With respect to item #2 (B) the Oversight Committee wanted information with respect to the bartender because there was some thought that the Oversight Committee's maintenance fund shouldn't be charged for any bartender that serves solely to the Rodeo Committee themselves or the VIP Barn. Mr. Cusack indicated that the Oversight Committee would need to follow up on that as well.

With respect to Item #3 (C) the Gold Buckle, Vaquero Club and VIP again a narrative was provided but there was no breakdown as to what the Rodeo Committee attributed to the Gold Buckle boxes. Twenty beverage coupons a day, six catered meals, VIP Barn access. They are charging \$3,750 and in looking at the audited financial statement provided between the Vaquero Club and the Gold Buckle boxes there was a profit of almost \$65,000 none of which was reported on in the revenue report provided to this Oversight Committee. Mr. Cusack indicated that the Oversight Committee felt there was a need to follow up and get the specific figures as to what is the value of the beverage and food that is being provided and charged by the Rodeo Committee in these two venues. As well as in the VIP Barn because the Oversight Committee, Mr. Cusack believes, needs to determine what funds from the maintenance fund should be directed toward what items. Mr. Cusack indicated that he thinks that this is a responsibility by this Oversight Committee to make sure there is a proper accounting for the revenue not only with respect to the Rodeo Committee but with respect to the other entities that conduct activities at the Rodeo Grounds. For a large part, the maintenance is a major expense and this Oversight Committee was created for the purpose of directing funds and making sure not only that they were properly accounted for and making sure that they are attributed to the different interests that the Oversight Committee has to direct at the Rodeo Grounds with regard to the electrical upgrades needed there. Mr. Cusack indicated that the Oversight Committee has a narrative from Mr. Tom Davenport but the Oversight Committee doesn't have the figures the Oversight Committee is looking for.

Mr. Slattery asked if the Rodeo Committee is the only group that operates with a percentage fee of their net that they pay in addition to. Mr. Slattery asked if other groups are required to pay a percentage of food. Mr. Cusack answered by indicating that there is a formed contract that Parks and Recreation has for events that are held

out there separate from the rodeo. This particular formed contract requires each entity to pay 3% of their net revenue from the sale of food and beverage. Anybody that has a function at the Rodeo Grounds are charged a surcharge of 40 cents per ticket both the Rodeo as well as Monster Trucks and the other items scheduled coming up in addition to the usage fee. The difference that exists is the other entities other than the Rodeo pay 3% of their net revenue while the Rodeo only pays 1%. The other thing that needs to be noted is that the other entities, other than the Rodeo, have a specific formed contract that follows the event to determine what their net revenue is. The net revenue is based upon the gross revenue of the sale of food and beverage minus the cost of goods, as well as any deduction for any taxes if applicable, which leaves a net revenue. Ms. Ochoa clarified to the Oversight Committee that there is no stipulation if the organizer was paying a concessionaire he could add that on to there. It is all of the costs that go into the sale of that product. It is not just the product he buys. Ms. Ochoa reported that the 1% paid by the Rodeo Committee is what was negotiated when the contract was done. The 3% charged to other organizers utilizing the Rodeo Grounds is a percentage that the Rodeo Oversight Committee came up with when the Oversight Committee was established, for the other events held at the Rodeo Grounds Ms. Ochoa indicated that there is nothing that can be done about that at this point in time with regard to the Rodeo Committee percentages. Ms. Ochoa said that if the Oversight Committee wanted to make a recommendation on the other user groups and the percentage they pay, they could take that option to the Director and on up for revision.

Mr. Slattery indicated that the vast majority of discrepancies up for discussion are for the Gold Buckle boxes and the Vaquero Club and what gets utilized in the areas. Mr. Slattery asked if this access is in addition to a purchased ticket? Mr. Cusack responded by saying that with respect to the revenue report submitted to the Rodeo Committee there is no reference at all under food and other beverages for any accounting for the Gold Buckle boxes or the Vaquero Club. Mr. Slattery indicated that the financial statement shows the amount of profit generated, direct cost and net revenue for Gold Buckle and Vaquero Club. Mr. Slattery feels this is a significant amount and it sounds like a good business decision from whoever came up with this, except the Oversight Committee is not being compensated for it. Mr. Slattery doesn't see that the City is looking to benefit from whatever is getting paid by all the people that utilize the facility and clearly they are generating a significant amount of income and it is difficult for the Oversight Committee to determine what the difference is. Mr. Cusack reported that unless it is done as a blanket where a flat rate is paid for every beer sold or beer that disappears whether it was sold or not. Mr. Cusack indicated that that amount could be determined by getting the documents the Oversight Committee is requesting. Mr. Cusack feels that would give the Oversight Committee a better idea of what he is talking about. If the Oversight Committee finds that it has been accounted for in some way, the issue is moot and the Oversight Committee doesn't have to waste any more time on it. Mr. Cusack feels it is incumbent upon this Oversight Committee that they have an ethical responsibility to make sure that there is a proper accounting from all sources. Mr. Cusack feels no one from the Oversight Committee benefits individually but the

maintenance fund does. Mr. Cusack reported that if the maintenance fund allows the Oversight Committee to give Parks and Recreation more money, then the City benefits.

Mr. Kattnig asked how much money total, is in question. Mr. Cusack indicated he had no idea. Mr. Kattnig asked for clarification on the mentioned amount of \$65,000. Mr. Cusack indicated that in the audited financial statement that the Rodeo Committee auditors prepared they indicate in the Vaquero Club and Gold Buckle boxes a profit of \$65,000. Mr. Slattery clarified that these are the two big income items that the Oversight Committee is looking at that the Oversight Committee is not getting money from. Ms. Cusack also indicated that as well as an accounting with respect.....Mr. Kattnig verified that the Oversight Committee is looking at the accounting side and the Rodeo Committee has about \$65,000-70,000 on the outside with regard to their records and what we have. Mr. Cusack verified the Oversight Committee has nothing. All the Oversight Committee has is the audit report. Mr. Kattnig stated that the point he makes is that if the Rodeo Committee has \$65,000 and the Oversight Committee get 1% of that. Then it is \$650. Mr. Kattnig feels the Oversight Committee has a fiduciary obligation to account for that but with this \$650 worth of income and if the Rodeo Committee was to hire the lowest pay rate at the Rodeo Grounds at \$11.00/hour that buys the Rodeo Committee about 60 hours of work. The other rate of pay runs up to \$27.00 an hour which buys the Rodeo Committee about 25-27 hours of work. Point being that the Oversight Committee is overlooking at what their contributions may be in other areas. As a practical issue is this really something that the Oversight Committee needs to get wound up about. Mr. Slattery feels this is a matter of proper accounting. Mr. Kattnig indicated that he can't see anything in the Rodeo contract as it is currently written that obligates the Rodeo Committee to give the Oversight Committee any type of revenue from clubs. Mr. Kattnig stated that if the Oversight Committee redoes the contract then he would agree 100%. Mr. Kattnig feels that the Oversight Committee needs to look at what the contract says and follow within that. Mr. Slattery stated that the contract is, what the contract is, but it raises concerns because if this is what is generated by any group, if they decide that all sales are club sales and it is not direct, that you get no revenue. That was the revenue that the contract indicated that they would do. That is what they are obligated to pay is 1% of whatever the net is. If the net is affected because it is a club sale then it is not necessarily fair in the sense of the Oversight Committee that is responsible for overseeing those contracts. Mr. Slattery feels it is like finding a loophole. Mr. Kattnig indicated that he feels on behalf of what this Oversight Committee is assigned to do as a lot of the Oversight Committee responsibilities as being more in the area of advisory and giving general suggestions to Parks and Recreation in areas they need input to. With regard to the \$100,000 Mr. Kattnig asked is this money was made off the Rodeo. Ms. Ochoa reported that the Rodeo is a large contributor to this amount. Ms. Ochoa stated that it behooves this Oversight Committee to wait until there is a good pool of money in there to spend it. Ms. Ochoa reiterated to the Oversight Committee that the contract is what the contract is and there is nothing that can be changed until the contract expires in 2009. As such, we our bound by those

agreements that are there. The City auditors have reviewed this financial statement several times and at the last review they indicated that we probably owe the Rodeo Committee a couple thousand dollars over the years because they were finding some disparities in what they gave to us as opposed to what their expenses were. The City auditors are not finding an issue with this. The Vaquero Club, where this section is at the Rodeo Grounds, there were bleacher seats in there where the capacity was several thousand seats in that section. Those seats had to come out because of deterioration of the understructure. In as much, the Department decided at the time to asphalt that section over so that it could still be used for some functions. At the time, there were concerts out there, different events that could utilize that space as a staging platform. The Rodeo Committee as any other event does, uses that space in that matter. Does that mean that they are paying us for the versatility? If it is a ticket they sold, yes. If it is a concession that they set up and are getting revenue, yes. With the Vaquero Club, did they call it a different name to sell a ticket with a different look and feel, yes. Is there anything in the contract that prohibited them from doing that? Not now. As discussed in previous meetings, these are important issues and they possibly need to be reviewed when the contract comes up for renewal. Right now at this point in time, there is nothing that changes how the contract is implemented or how the reports are reviewed from the City's standpoint. This Oversight Committee can make those recommendations and the City will be looking for those recommendations when it comes time to renew the contract. At this point in time, this is the method that we have. Ms. Ochoa also indicated that this is the only group that is bound to have annual financial reports and it be audited. The other events that go on strictly do a recap sheet on the honors system. The City has never had any grave discrepancies with the smaller events. Just so the Oversight Committee knows there is a difference in how the reporting takes place. Mr. Cusack responded that he is surprised at Ms. Ochoa's statement that an auditor or somebody reviewed the financial statement because this is the first time Ms. Ochoa mentioned it after several phone calls. Mr. Cusack indicated that he did not know of any letter or report that was prepared and submitted to any member of this Oversight Committee. Mr. Cusack stated at the last meeting that Ms. Ochoa took the same position that this Oversight Committee couldn't really do anything and to wait until the new contract. The Oversight Committee, after a lengthy discussion and a unanimous vote of the Oversight Committee to get this information and to see where the Rodeo/Oversight Committee stands. The Oversight Committee has a response from Mr. Davenport that obviously does not give the figures the Oversight Committee wants. The contract specifically says the Oversight Committee is entitled to 1% of the net revenue of food and beverage. In the revenue report that was submitted, there was no mention at all of either the Vaquero Club or the Gold Buckle boxes. Mr. Cusack feels the way to bring this all to a head, is to ask the Rodeo Committee to provide the Oversight Committee with an itemization of the inventory of beer that was delivered, the amount sold by Rotary and the Oversight Committee can see what is left and then with respect to these boxes have the Rodeo Committee tell the Oversight Committee what they charge to come up with the figure of \$3,750. How much do they attribute to the beverage coupons and the meal and that is it? Mr. Cusack indicated

that he is willing to sit down with Mr. Davenport after Mr. Cusack receives the documents to discuss them with him and if the issue is moot everybody will know it is moot. If it isn't moot and it is something to be concerned about then Mr. Cusack can let the Oversight Committee know.

Ms. Ochoa reiterated that she did discuss this with the City auditors and they have reviewed this before. At Fred Gray's request they have reviewed it and Ms. Ochoa did report that to the Oversight Committee at previous meetings. The City auditors have informed Mr. Gray that they do not have a reason to request an independent audit of this report. Mr. Cusack stated that the Oversight Committee is not asking for that. Mr. Cusack stated that Ms. Ochoa made a statement that since the Oversight Committee asked for this information that the auditors have not had any information with respect to the Oversight Committee's concerns. Ms. Ochoa stated that Mr. Gray has provided that information to not only the City auditors but the City Attorney's as well. The contract states that they will review the audited financial report from the Rodeo Committee and the financial statement, and if they see any reason to lead to request an independent audit from those two documents then they can do so. Whether they have an obligation to look at the Oversight Committee's questions that were presented, Ms. Ochoa indicated that she would be happy to take that back to Fred Gray. As far as Ms. Ochoa knows, the City auditors have not been given the Oversight Committee's specific questions because that is not what the contract calls for. Ms. Cusack clarified that the Oversight Committee did not ask for an independent audit. What the Oversight Committee requested was the information from the Rodeo Committee and the calculations.

Ms. Ochoa stated that the contract is not perfect and have things changed over the years? Yes. Does it need to be revised for the future? Yes. The situation now is, if the Vaquero Club charges \$3,000 to get in there, that is a ticket. The contract states that they pay us so much per ticket sold. Mr. Slattery stated that the \$65,000 figure should not even be in the report. It should be the number of tickets sold. Every time a ticket is purchased, where in the report is that shown? Mr. Slattery asked if Ms Ochoa is saying that if they sold a \$3,000 ticket does the Oversight Committee get 1% of that? No. 40 cents per ticket sold. As indicated, the dollar amount does not indicate the number of tickets sold. Mr. Cusack doesn't think that these two venues are based on just the ticket because of the fact that they are getting 20 beverage coupons a day for six days. What is being charged against the Oversight Committee's fund by way of expense is the cost of the product. Mr. Cusack feels the Oversight Committee is being charged an expense and the Oversight Committee is not aware of what the expense is. Ms. Ochoa clarified where those tickets are accounted for. They are accounted for in the total number of tickets sold. 36,282 tickets at 40 cents a ticket. That is something that needs to be looked at in the future. But as of now, it is deemed a ticket. The City is receiving 40 cents a ticket sold because that is the way the contract was written. Mr. Cusack commented that the Oversight Committee is still being charged for the beer that is being consumed. It is not figured separately. If the Oversight Committee had the documents

to review then the Oversight Committee could see what is being charged for the beer. Ms. Ochoa asked for clarification on what the Oversight Committee is asking the Rodeo Committee for. Is it for clarification on whether or not on the sheet that was the concession income where it says the cost of beer for sale and the cost of alcohol for resale, is the cost of the alcohol and beer and food that is attached to the Vaquero and Gold Buckle Club, is that cost included in there? Ms. Ochoa reported that perhaps that is how that needs to be worded and then the Rodeo Committee can come back with a simple statement that says no, the Rodeo Committee has taken any cost for that particular out of there, or yes they put it in.

Motion made by Mr. Slattery. Motion is as follows: To request from the Rodeo Committee copies of invoices from the beer distributor, statements from the Rotary Club, and a statement showing cost vs. profit of product for the Vaquero Club and the Gold Buckle Club. Seconded by ? Motion passed with Mr. Williams abstaining from the vote and Mr. Shearman voting nay.

Amendment to the motion was made by Mr. Slattery and seconded by ?. Amendment to the motion is as follows: The Oversight Committee requests from the Rodeo Committee what they think is a fair resolution in regard to the gray area of the Vaquero club and Gold Buckle Seats. Motion passed unanimously with Mr. Williams abstaining from the vote.

VIII. New Business – Report from Parks and Recreation

Audit Reports and Financial Statements were given to the Oversight Committee for their review. This procedure is normally done by a vote from the Oversight Committee but Fred Gray provided this information without a vote. No discussion.

IX. Adjournment

Motion was made by Mr. Dhuey, seconded by Mr. Kattnig, that the meeting be adjourned at 3:10 p.m. Motion passed unanimously. Next meeting is tentatively scheduled for September 2007.