

FC Date: 1-8-21

Item No.: 2

From: User <tpemle@earthlink.net>

Sent: Tuesday, December 22, 2020 2:43 PM

To: plockdawson@riversideca.gov; Edwards, Erin <EEwards@riversideca.gov>; amelendrez@riversideca.gov; Fierro, Ronaldo <RFierro@riversideca.gov>; Conder, Chuck <CConder@riversideca.gov>; Plascencia, Gaby <GPlascencia@riversideca.gov>; Perry, Jim <JPerry@riversideca.gov>; Hemenway, Steve <SHemenway@riversideca.gov>

Cc: Zelinka, Al <azelinka@riversideca.gov>; Nicol, Colleen <CNicol@riversideca.gov>

Subject: [External] RAM Cheech Management Agreement and Budget

12/23/2020

Mayor and Council

Re RAM Cheech Management Agreement and Budget

Shown below is the entire budget presentation that was included in the 12/17 report to the BEC.

Riverside Art Museum

Proposed Budget for The Cheech

Personnel.	\$826,036.92
Non-Personnel	\$421,165.00
TOTAL \$	\$1,247,201.92

cc Mayor
City Council
City Manager
City Attorney
ACMs
DCM

\City Contribution (Management Agreement) \$800,000

RAM Contribution \$447,201.92

This is the most simplistic “budget” presentation I have ever seen, particularly when the City Contribution, starting at \$800,000, is from taxpayers. If, for example, the personnel costs were reduced to \$400,000, what would the impact be?

The budget does not show how many employees are included, what they will do and how much they will be paid. What is included in the non-personnel cost: marketing, website, trips to other museums?

The Management Agreement includes a \$25,000/yr. increase for the entire 25 year, plus two 5 year extensions, term. What is it about the costs that there will need to be an automatic increase every year?

,I believe we all deserve to know what is actually in this budget and hopefully it will be explained at the Finance Committee and City Council meeting.

Thank You,

Tom Evans, Ward 5

From: User <tpemle@earthlink.net>

Sent: Monday, December 21, 2020 9:40 AM

To: plockdawson@riversideca.gov; Perry, Jim <JPerry@riversideca.gov>; Hemenway, Steve <SHemenway@riversideca.gov>; Conder, Chuck <CConder@riversideca.gov>; amelendrez@riversideca.gov; Fierro, Ronaldo <RFierro@riversideca.gov>; Edwards, Erin <EEdwards@riversideca.gov>; Plascencia, Gaby <GPlascencia@riversideca.gov>

Cc: Nicol, Colleen <CNicol@riversideca.gov>; Zelinka, Al <azelinka@riversideca.gov>; Drew Oberjuerge <DOberjuerge@riversideartmuseum.org>; Smith, Kristi <Ksmith@riversideca.gov>

Subject: [External] RAM Management Agreement

12/21/2020

Dear Mayor and City Council.

Re: The Management Agreement with RAM to operate the Cheech Scheduled for the Finance Committee and City Council in Jan 2021

I believe that the Cheech Marin Museum of Chicano Art and Culture, The Cheech, will be a positive asset to Riverside and contribute to the local economy. No one knows for sure how much that contribution will be.

According to the staff report submitted to the BEC on 12/17, City Management sought bids, in May 2020 for the rehabilitation of the former Main Library to house The Cheech. Evidently, the bid award must be done by 1/23/2021. I understand that the Management Agreement with RAM must be approved prior to the bid award.

City Management has just now presented the Management Agreement for public review. However, this does not mean that you are precluded from requiring changes to the Agreement just because there is a bid award deadline.

There is one very simple, but important, change that needs to be made since taxpayers are funding the majority of the costs, both for construction and ongoing operation and maintenance. The proposed Agreement (para 2.1) has the first meet and confer about the Cheech operations 10 years from the contract initiation. Over \$8 million of Riverside taxpayers' funds will have been paid to RAM by that time (the total 25 year agreement is worth \$20,625,000 to RAM).

I recommend the first meet and confer should be in 3 years and every 5 years thereafter. RAM must take very important actions in the beginning to help assure the highest possible success of The Cheech. Reviewing the results at the end of 3 years is an accountability based agreement. Waiting 10 years to evaluate results essentially delays accountability and the opportunity to make timely improvements. .

If for example, The Cheech was managed by the City, there would be annual reviews of management's results. Just because the Cheech will be managed by RAM does not mean you should be less rigorous in holding management accountable for results. Taxpayers are paying the majority of the costs and deserve high levels of management accountability.

I urge you to require this easy change to para 2.1 of the Management Agreement. I don't see why there would be any reason that RAM would disagree. It actually benefits them as well since no one can predict how successful the Cheech will be.

Thank You,

Tom Evans, Resident of Ward 5

cc Mayor
City Council
City Manager
City Attorney
ACMs
DCMs

Finance Committee
City of Riverside
December 20, 2020

cc Mayor
City Council
City Manager
City Attorney
ACMs
DCMs

Dear Councilpersons Gaby Placentia, Ronaldo Fierro, Steve Hemenway,

Let me preface this by saying, I am writing this letter out of extreme concern over the financial stability and quality of life in our city. I also want to state that **I support the Cheech Marin Center 100%**, and in fact, my husband and I have donated to the campaign and will continue to support it.

As a small business owner of several businesses in Riverside over the past 30 years, employing over 68 persons, I question the management agreement of the Cheech. Also, as a point of record, I served on the inaugural Budget Engagement Commission for 2 years, as Vice Chair.

My concerns for your consideration and feedback:

- The projection from the economic impact report, prepared by John Husing, is in question by many, as pointed out at the BEC meeting and my personal experience for the over the past 25 years, as he advocated for warehousing, as the main job growth magnet in the IE.
- The attendance projections were high and adjusted by city staff. They may still be high.
- The lack of an accountability plan by RAM and the city is a major concern. In the business world, it is common practice to review goals and objectives yearly or make adjustments to insure sustainability of the venture/organization.
- The lack of an exit plan is a major concern. An exit plans helps define success and provides a timetable for charting progress. It also informs strategic decision-making - With no planned end game, if established projections are not met, what do we do?
- The City contribution to the Cheech is 64% per the presentation to BEC. From a business perspective, if the city makes an investment of 64% to Cheech, any profits from concessions or any other revenues should be paid back to the city, aka taxpayers. In my business-minded observations, the risk with the current proposed agreement is mostly with the city. This needs to be reviewed.
- Utilities and maintenance should be a cost of the occupant or at least a shared cost. The unknown future of RPU is very concerning. We cannot predict the future and 25-30 years is a big (too long) commitment.
- Request an extension with regards to the current construction bid and go out to bid again with focus on a Riverside firm to build out the Cheech. We have time. This rush and lack of transparency is a great concern and was evident by, community leaders involved in this city not knowing the terms of the management agreement until the night of the last BEC meeting. I point out that the BEC was even surprised with some information not shared. (Assets not being owned by the city partially, utility costs and maintenance)

We must be brutally honest with ourselves, we all want this venture to be success but at what potential cost to the city and tax payers? **Free money from the state is not free** when there are conditions are

attached such as, long term commitments (25 years with a possible 10 year extension). Unexpected circumstances can arise such as the Pandemic, which we are now experiencing. The RPU court case has unknown ramifications and may be financially devastating for the city, as you are aware. The City projections presented at the BEC, by Financial Officer Edward Enrique, showed money borrowed again from Measure Z, which was not the intent of the voters when we voted on it. The message shared with voters on Measure Z at the time was to provide for police, fire, and quality of life issues, not as a supplement to the general fund. We have 15-16 years on the Measure Z, and the proposed Cheech management agreement is, in essence, 35 years. What happens when the approximately \$50 Million per year in Measure Z sales tax goes away? The pension obligations are looming, we are in the throes of past commitments made now, which we are obligated to pay.

According to the MOU, dated May 16, 2017, the estimate for HVAC, new roof, new elevator, and a sprinkler system for fire safety is valued at **\$1.52 million**. The additional funds are for restaurant, retail shop, etc. Is it not prudent to have safeguards in agreement to protect the citizens of Riverside? I would also like to point to the lack of exit clause being used by the Convention Center and the FOX, continues to leave citizens paying the costs.

I think the RAM management team is good. I respect and admire their efforts. They firmly believe this venture will be a **HUGE success** so..... why is an accountability and exit plan an issue? It makes no sense from a business perspective and from a fiduciary responsibility perspective, not to have safe guards for the city in place if monetary projections are not realized.

In my real estate business, I see a mass exodus from Riverside to other states and have for the past three years. Quality individuals of substance and high earners are leaving our city in droves. (Press Dec. 20, 2020) These are people that contributed at a high level. Higher educational professionals at our Universities and colleges are not moving to Riverside and with online working, the landscape for business models is changing. Case in point is Bourns: Their executives now run the company from Texas, Kentucky and Arizona. Will the Cheech attract persons from all over the world to come to Riverside? I hope so. Will it add to the Downtown? Of course it will, but let's be financially prudent and put into place a plan to insure that the City of Riverside is not committing itself to a plan we can ill-afford now and in the future.

With the budget cuts that have been done over recent years and again this year, where are the funds going to come from if projections aren't met? Will the city have to pay back the State if determined financial projections not met and have to make difficult decisions when we operated in good faith?

The decisions are not easy and I personally lose sleep over the future of Riverside. This city is where I have lived since 1976, where my family lives, where I commit my time and energy. The last thing I want to do.... is not see the Cheech open but most of all I want to protect my city and its future.

I ask you to carefully consider my suggestions and I am open to a discussion at any time. I only wish there would have been more discussion with community prior to now, regarding the long term financial ramifications.

Sincerely,

Collette Lee

951-961-3667