LULAC of Riverside Council 3190

FC Date: 1-8-21
Item No.: 2
* * * * * * * * *
CC Date: 1-19-21
Item No.: 25



January 2nd, 2021

City of Riverside Planning Commission

Re: City of Riverside's Management Agreement for the Cheech Marin Center

Dear Commissioners:

The League of United Latin American Citizens (LULAC) Riverside Chapter is in support of the City of Riverside's Management Agreement for the Cheech Marin Center for Chicano Art, Culture and Industry with the Riverside Art Museum (RAM) for an initial term of 25 years. LULAC of Riverside is a member of Unidos for the Cheech, a collective of local and community-focused organizations and engaged individuals, serving the diverse spectrum of the Chicano/Latino community in Riverside.

As a community-based advocacy organization, LULAC recognizes the importance of a Riverside local non-profit organization such as the Riverside Art Museum to manage the Cheech Museum. The Riverside Art Museum itself was conceived by a group of grassroots artists who formed the Riverside Arts Association in 1960, which eventually lead to the creation of the museum. Since the beginning stages of the Cheech Museum, its conception and its development, it has been the RAM organization successful ability in gathering support of local city and state stakeholders for funding of this project.

We ask for your approval of the City of Riverside's Management Agreement for the Cheech Marin Center for Chicano Art, Culture and Industry with the Riverside Art Museum.

Thank you,

Yolanda Esquivel

Yolanda Esquivel, President
LULAC OF RIVERSIDE COUNCIL #3190
951-334-7863- Cell
Yesquivel36@yahoo.com

F Sola

Francisco Sola, Public Information Officer
951-236-0951
fsola@latinoprojects.org

cc Mayor
City Council
City Manager
City Attorney
ACMs
DCM

**From:** John Lyell <jlyell@verizon.net>
**Sent:** Tuesday, December 29, 2020 1:28:15 PM
**To:** Perry, Jim <JPerry@riversideca.gov>
**Subject:** [External] Cheech Center Management Agreement

Dear Councilman Perry,

I am writing you as a lifelong resident of Riverside regarding the proposed agreement with the Riverside Art Museum (RAM) that I believe requires several critical modifications in order to protect the City of Riverside and taxpayers and make this a win-win for both parties and facilitate the commitment from both to financial sustainability.

In my 35 years of reviewing contracts, I believe this may be one of the most one-sided contracts I have ever seen, and oddly very different from current agreements with the Fox and convention center operators.
I am very surprised this was approved by city management and legal staff with what appears to be such glaring anomalies and omissions that I believe are not in the best interest of the city and its taxpaying businesses and residents, especially with the city's current financial condition, large unfunded pension liabilities, the Covid-19 impact, and the Parada case decision looming, and other challenges that can arise over the term of the agreement .

Most locally support moving forward with the Cheech Center, but most with business and financial background feel that this agreement requires significant amendments in order to protect the City and its taxpaying businesses and residents. On the surface this would almost appear to be a document that is written on RAM paper and not by the city staff, it is so favorable to the RAM.

Some major concerns with this agreement as currently written:

- The term is much longer than other facility management agreements, which the city is actively trying to get out of the facilities and agreements!
- The agreement has a higher management fee but minimal, to no, financial risk on the part of the manager
- Most if not all ongoing operational financial risk remains with the city and taxpayers
- Virtually no revenue sharing(Facility fees insignificant)
- No performance-based incentives
- No termination clauses for fiscal mismanagement and growing losses (Remember the pre-Livenation Fox operator? Imagine if he had a 25-35 year contract losing millions annually!)
- Insufficient cost containment or performance mechanisms. No ability to terminate the agreement if the losses escalate, which they likely will if costs increase and revenue decreases
- 25 year operation requirement per the grant was not disclosed to anyone I am aware of including current and former council members until the day presented to the BEC. This city needs to perform due diligence and determine its risk and options if an early termination were to occur. The cities loss could easily exceed $10M in the first 10 years, and two to 3 times that over 25-35 years as currently constructed.
- We have been told the city has no visibility to the agreement between the RAM and Cheech Marin, or the artwork ownership rights? What happens when Check Marin passes? Can the city confirm these assets are not in his trust assets or will the city, through RAM, be paying his heirs for the next 25-35 years?
- Does the RAM have intellectual property (IP) rights to the artwork that this whole concept is designed around?
- As currently written, this will provide allow the RAM with the ability to underbid the Fox and CC on events further reducing City shared revenue.

Below are some of the major areas of weaknesses I believe amendments are needed to protect the city and taxpayers:

1.4 Cheech Contribution

Has city staff been able to confirm what has been donated? “Much of his collection” is very subjective . This should require a specific # of pieces to be housed. This is a large facility.

2.1/2.2 Term & Renewal Term

This term is much longer than the Fox and convention center agreements and with minimal to no exit clauses if the center is not profitable, which most know most museums are not. The city should have a termination option at 5 or 10 years if not profitable and if the economic payoff falls far short of the promised benefits. Most believe the Husing report has inflated estimates.
A lease Agreement is mentioned in one sentence. The city should add something like “… at then current and prevailing FMV lease rates.” to protect itself

3.1 Management fee

$800K (plus **$25K <u>minimum</u>** on the out years 2-10. This is an open checkbook; the city needs an offramps if this is losing $1M plus annually and cost containment mechanism. These annual adjustments, or not, should be based on the center’s success and profitability to the city and taxpayers. $800K is 60% higher than the Fox’s fee which requires much more specialty, expertise and effort to book and present events in Riverside and the Inland Empire

This needs modification to clarify that since this is projected to open at the end of 2021, in the middle of the city’s 2021/2022 fiscal year, that the first-year payment will be a prorated portion of the agreed to fee for the first year for the months it is fully operational and the city is not paying $800K for 6 months or less. This must be in writing.

4.1 Use

The city should have revenue sharing and incentive clauses comparable to the convention center and Fox management agreements

4.2 Facility Rental Agreements

How does the city keep this from cannibalizing revenue from events at the Fox or Convention center, with more beneficial revenue sharing, if the RAM can always underbid these operators with the RAM’s revenue sharing agreement? This should be amended to level the playing field.
The city should be listed as an additional Insured as Lessor on all RAM insurance policies.

4.3 Operations of the premises

The City should require having at least one (1) guaranteed seat on the Board of trustees to oversee its investment in the center. City Manager?

**The city should share 50% in all revenue admissions, merchandising, concessions, etc. This is where 99% of the center’s revenue will be, in order to cover the investment and ongoing maintenance, repair and utilities cost that facility fees will not cover. Without such all-profit margin will be shifted to the RAM as they get the revenue while the city and taxpayers foot the bill.**

4.5 Utilities

**Why is the city, the landlord, responsible for such and not the RAM comparable to other aforementioned agreements and facility managers as part of their operating expense? Where else is this the case? Local businesses would love such an agreement. During hot summers there could be events with say 1000 attendees generating $50K to $100K, or more, in revenue from rentals, concessions, and alcohol, and the city get $1000l,ess utilities? This must be changed to be consistent with the other agreements, especially when the RAM have stated they plan to be open 9-9, 7 days a week and utility cost could be significant. After the first year and even sooner, there will likely be long periods with minimal to no attendee , all at city and taxpayer expense? The city should have operation hour approval, and utilities**

**be shifted to the RAM to make them manage this and their other operating expenses, and not be given a blank check here.**

4.6 Website and Marketing images

RAM is in charge of the Website, owns the IP rights, and wants to use the City logo/seal. Lessor liability already , the city should add TM Licensor imputed liability. Get indemnity back if the city gives them the right to display the City's logo.

4.10 Sponsorship

RAM gets all the naming rights which may include sub-naming right under the umbrella of the Cheech Center where the city has no say. The city should be consulted, and the agreement should include a "Morals clause" to protect it in the event of a celeb name on the center. What if dirt arises down the road? The city needs the ability to terminate agreement immediately.

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7.7 Revenues

"Should the **RAM** determine that revenues are not sufficient for operation of the center, the parties agree to meet and confer regarding effort to be undertaken to allow for continued investment in the Center"

**Even with the overly favorable contract as currently written, the city and taxpayers funding operations with no cost containment or performance requirements, this clause allows the RAM to request more ? This should be the cities exit clause that if not profitable to the city, or at least breakeven, for 5 of the first 10 years, the city should have the ability to void this contract as cost will grow and revenue likely decrease**

12.9 Force majeure

This needs amendment to protect the city and taxpayers and reduce/stop payments and specifically include pandemics

Other ideas

Using Cheech Marin's connections , the city and RAM should try to add a clause where that would bring in a Carlos Santana, Mana, Gloria Estefan dates to the Fox with his relationships. That would be a great grand opening weekend !

As outlined, in order to protect the City of Riverside and taxpayer financial interests and avoid potentially 2-4 decades of multi-million dollars in financial loss, I believe this agreement requires amendment in the areas noted.

If you would like to discuss anything here, please feel free to contact me

Respectfully

John Lyell

cc Mayor
City Council
City Manager
City Attorney
ACMs
DCM

Date: 1-19-21

**From:** John Lyell <jlyell@verizon.net>
**Sent:** Wednesday, January 6, 2021 7:15 AM
**To:** Nicol, Colleen <CNicol@riversideca.gov>
**Subject:** [External] Riverside Finance Performance and Budget Committee & City Council Cheech Center Management Agreement Public Comment

To: City of Riverside Finance Performance and Budget Committee & City Council

Subject: Management Agreement with Riverside Art Museum for Cheech Marin Center for Chicano Art and Culture

I write this as a lifelong Riverside resident and believe we must clarify upfront that the Cheech Center and this agreement should be separated in discussions, as taxpayers can and do support the Cheech Center, but not be in favor of this management agreement, as currently written.

After further review of the agreement this communication supersedes all previous suggestions and recommendations.

City management and council approve and authorize the appropriation and use of public funds, which can be scrutinized. In doing so, they have a fiduciary responsibility to constituents, taxpayers , and local business the city receives funding from, to make fiscally sound and prudent decisions.

With this contract, as currently written, what we have here could be construed as a public funding of operations and profitability of a private entity for 25-35 years. If allowed to move forward as currently written , businesses could line up for such agreements from the city to pay their operating cost and utilities, while they get to keep all the revenue. This is basically the city indebting residents and businesses to fund likely $35M-$50M for the next 35 years, with very minimal revenue and return on its investment.

It is my opinion that this agreement, as currently written, is not in the best interest of the City of Riverside nor taxpaying businesses or residents and finances and shifts basically all risk and financial burden for up to 35 years to the City and its taxpayers and businesses, while virtually all the revenue is retained by, and with with minimal risk to, the Riverside Art Museum (RAM).

No prudent businessperson would ever agree to such, especially in a public environment, and with the city's current financial condition and potential court decision impact. Most are aware in 2019 we saw significant financial challenges on the near horizon, and with Covid-19 , growing pension challenges, and the Parada case decision, our unfortunate date with destiny may have been expedited.

This agreement should be solely a management operating agreement comparable to those for other facility management such as the Fox PAC and Convention center, with all revenue retained by the city. Like the others, it should contain incentive clauses based on center profit (after expenses are paid), not previous City manager revenue sharing while profitability decreases, with the RAM sharing in "Profit after all expenses " not revenue, and based on clearly defined performance targets.

With this risk, the city needs to include clauses that will review this profitability every 5 years to be able to make a decision on continued operations and allow termination if performance targets are not met. As currently written, this is an open checkbook for 35 years. Imagine if the pre-Livenation Fox PAC manager had such a contract while losing $1M+ annually without any termination clauses. The city and taxpayers must be protected with termination clauses if specific performance profitability goals are not met.

Paragraph 7.7 should be modified to change "Should RAM determine that the revenues are not sufficient, for the operation of the center, the parties agree to meet and confer regarding efforts to be undertaken to allow for continued investment in the center" to something like "Should City determine that the revenue and profits are not sufficient for the continued operation of the center, the parties agree to meet and confer regarding reductions needed for ongoing operation of the center, or agreement termination" This cannot be an open checkbook for 35 years, the city has to have clearly defined cost containment and performance clauses and the contractual ability to terminate the agreement if the performance metrics are not met and continued losses incurred

Most are likely aware, as our own Riverside museum staff have noted on multiple occasions, museums generally do not operate at a profit , they are loss leaders , and even when all revenue is considered, chances are very good the Center may never be profitable. If it is, the RAM definitely deserves sharing in this success, but only after the city has recovered it investment. Complete financial operating and contractual transparency will be needed here with clearly defined performance metrics

It should be clarified that the $10M grant was not RAM investment, but funded by Inland Empire and other California taxpayers, and if what we have been told is correct , could potentially obligate the city for 25 years. This city will need to be able to make a business decision on potentially returning some or all of this in exchange for cutting $1M+ a year in Center losses for the next 10,15, 20 ,25 years.

Below are some of the major areas of weaknesses I believe amendments are needed to protect the city and taxpayers:

1.4 Cheech Contribution

Has city staff been able to confirm what has been donated? "Much of his collection" is very subjective . This should require a specific # of pieces to be housed. This is a large facility and the city needs to have transparency here to this agreement as this clarifies exactly what the Center will be displaying and property rights. The City or RAM must have exclusive rights to the property the City's investment is based on

2.1/2.2 Term & Renewal Term

This term is much longer than the Fox and convention center agreements and with minimal to no exit clauses if the center is not profitable, which most know most museums are not. The city must have a termination option every 5 years if not sooner if the Center is not profitable and if the economic payoff falls far short of the promised benefits. Most believe the Husing report has inflated estimates.

A lease Agreement is mentioned in one sentence. The city should add something like "… at then current and prevailing FMV lease rates." to protect itself

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$800K (plus **$25K <u>minimum</u>** on the out years 2-10. This is an open checkbook; the city needs an offramps if this is losing $1M plus annually and a cost containment mechanism and clauses.

These annual adjustments, or not, should be based on the center's success and profitability to the city and taxpayers. $800K is 60% higher than the Fox's fee which requires much more specialty, expertise and effort to book and present events in Riverside and the Inland Empire
This needs modification to clarify that since this is projected to open at the end of 2021, in the middle of the city's 2021/2022 fiscal year, that the first-year payment will be a prorated portion of the agreed to fee for the first year for the months it is fully operational and the city is not paying $800K for 6 months or less. This must be in writing, not a verbal agreement.

4.1 Use

The city should have revenue retention and incentive clauses comparable to the convention center and Fox management agreements

4.2 Facility Rental Agreements

How does the city keep this from cannibalizing revenue from events at the Fox or Convention center, with more beneficial revenue sharing, if the RAM can always underbid these operators with the RAM's revenue sharing agreement? This should be amended to level the playing field.

The city should be listed as an additional Insured as Lessor on all RAM insurance policies.

4.3 Operations of the premises

The City should require having at least one (1) guaranteed seat on the Board of trustees to oversee its investment in the center. City Manager?

**The city should retain all revenue including but not limited to: admissions, merchandising, concessions, facility fees in order to cover the investment and ongoing maintenance, repair and utilities cost that facility fees will not cover. Without such all-profit margin will be shifted to the RAM as they get the revenue while the city and taxpayers foot the bill. Sharing should only be discussed one the city has recovered its annual investment and profit is generated**

4.5 Utilities

**This seems unusual. Why is the city, the landlord, responsible for such and not the RAM comparable to other aforementioned agreements and facility managers as part of their operating expense? Where else is this the case? Local businesses would love such an agreement. During hot summers there could be events with say 1000 attendees generating $50K to $100K, or more, in revenue from rentals, concessions, and alcohol, and the city get $1000 less utilities? This must be changed to be consistent with the other agreements, especially when the RAM have stated they plan to be open 9-9, 7 days a week and utility cost could be significant. After the first year and even sooner, there will likely be long periods with minimal to no attendee , all at city and taxpayer expense? The city should have operation hour approval, and utilities be shifted to the RAM to make them manage this and their other operating expenses, and not be given a blank check here.**

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RAM is in charge of the Website, owns the IP rights, and wants to use the City logo/seal. Lessor liability already , the city should add TM Licensor imputed liability. Get indemnity back if the city gives them the right to display the City's logo.

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RAM gets all the naming rights which may include sub-naming right under the umbrella of the Cheech Center where the city has no say. The city should be consulted, and the agreement should include a "Morals clause" to protect it in the event of a celeb name on the center. What if dirt arises down the road? The city needs the ability to terminate the sponsorship agreement immediately.

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7.7 Revenues

"Should the **RAM** determine that revenues are not sufficient for operation of the center, the parties agree to meet and confer regarding effort to be undertaken to allow for continued investment in the Center"
Replace with "Should City determine that the revenue and profits are not sufficient for the continued operation of the center, the parties agree to meet and confer regarding reductions needed for ongoing operation of the center, or agreement termination" This cannot be an open checkbook for 35 years, the city has to have clearly defined cost containment and performance clauses and the contractual ability to terminate the agreement if the performance metrics are not met and continued losses incurred

12.9 Force majeure

This needs amendment to protect the city and taxpayers and reduce/stop payments and specifically include pandemics

Respectfully

John Lyell

cc Mayor
City Council
City Manager
City Attorney
ACMs
DCM

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 <EEdwards@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 |
| \City Contribution (Management Agreement) | $800,000 |
| RAM Contribution | $447,201.92 |

cc Mayor
City Council
City Manager
City Attorney
ACMs
DCM

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 May16, 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

**From:** Michael Scarano <mscarano100@gmail.com>
**Sent:** Thursday, December 24, 2020 5:17 PM
**To:** Nicol, Colleen <CNicol@riversideca.gov>
**Subject:** [External] City Council - The Cheech

## VIA EMAIL

cc Mayor
City Council
City Manager
City Attorney
ACMs
DCM

City Council, City of Riverside

c/o Colleen J. Nicol, MMC

City Clerk

City of Riverside
3900 Main Street, 7th Floor
Riverside, CA 92522

Dear City Council, City of Riverside:

Hello. I am long-time Riversider and I reside in Ward 3. Thank you, in advance, for reviewing this letter – in its entirety – and being open about the suggestions contained in this letter regarding the December 17 Budget Engagement Commission's outcome regarding The Cheech (The Cheech Marin Center for Chicano Art & Culture of the Riverside Art Museum.) Undoubtedly, I have the City of Riverside's best interests in mind regarding my below comments. I encourage the City Council to thoroughly review the Riverside Art Museum (RAM) Management Agreement long-term 25 year funding request and, as a result of the review, require RAM to amend the 25 year request to at least five years. The five years will allow the City of Riverside to have a more comprehensive understanding of whether The Cheech would be sustainable; concrete data, as opposed to projected data, will be available after five years.

It is my perception that the decision made by the Budget Engagement Commission (henceforth, BEC) to approve funding, as designated in the Management Agreement for The Cheech, was <u>clouded</u> by the <u>deflection</u> of the *actual* agenda item; the *actual* agenda item was to determine IF the BEC would endorse the Management Agreement (e.g., 25 years of funding, etcetera) as a whole as opposed to endorsing The Cheech. Specifically, the endorsement of the (minimum) annual $800,000 Operations Management Fee to RAM. What occurred prior to and perhaps during this BEC meeting was ( alleged solicited) support via petition signatures and phone calls of The Cheech as opposed to addressing the real agenda item issue of a 25 year funding commitment to RAM. From my perspective, whomever solicited the phone calls and petition was not transparent about the agenda item issue. Again, the agenda item issue was the 25 year long-term funding as opposed to actually having The Cheech in the former Library. <u>There is no issue that The Cheech should reside in the Library; the issue is the long-term funding</u>. However, RAM, from my perspective, casted to the community the former issue. From my perspective, the callers and petitioners thought they were endorsing The Cheech instead of endorsing a 25 year, nearly one million dollar annual funding. This was apparent as countless citizens called in and signed petitions relative to The Cheech; however, the callers and petition did NOT address the funding issue.

In reviewing the Management Agreement, a number of questions arise. It is hoped that the City Council will ask these questions and seek definite confirmation from RAM. Here are some of the questions:

1. Article 1.4 – What happens to the Cheech contributions when Richard "Cheez" Marin passes? Does RAM secure all contributions?
2. Article 3.1 - Annual Operations Management Fee of $800,000 with an increase of $25,000 years 2 through 10.
3. Can the City of Riverside actually afford this astronomical amount? It is my understanding that RAM, three years ago, approached the BEC for a "handout" indicating that RAM has the requirement to fundraise for The Cheech. The perception is that RAM cannot make its fundraising projections.
4. Article 4.3 – ALL revenue derived from events is retained by RAM. Why isn't a percentage of revenue returned to the City?
5. Article 4.4 – During the 12/17/20 BEC meeting RAM indicated that The Cheech could be the next Norton Simon Museum. The projected admission cost for The Cheech is $3 for adults and $1 for children. The admission fee for the Norton Simon Museum is triple that; why such a low admission fee IF The Cheech is supposed to be an exclusive venue? In Marketing it is known that admission drives perception.
6. Article 4.5 – The City incurs The Cheech utilities. In other words, the City pays RAM at least $800,000/years, pays utilities, but does not receive any direct ROI.
7. Article 4.10 – RAM maintains 100% of all sponsorships; no revenue is returned to the City?
8. In reviewing the Agreements (contracts) of Fox Performing Center, Raincross Hospitality Corporation and Convention Center it appears that the City receives a percentage of income; however, I do not see that in The Cheech Management Agreement.

Here are my main concerns for the City of Riverside relative to the BEC's endorsement of the Management Agreement for The Cheech:

- We're in an unexpected pandemic that hit Riverside hard
- If the City Council adopts the BEC's endorsement, this would demonstrate that the City can spend whatever it wants without worrying that deficits don't matter philosophy (aka the money will arrive)
- This monstrous request from RAM elicits the attitude that the City will bail them out of what they did not fundraise, as indicated a few years ago when they approached the BEC for Measure Z funds. One perspective is that "Measure Z (free) money grows on trees;" if this is true, why not give/commit the free money to everyone who approaches the BEC? If the BEC or City Council can give money with impunity, why not keep giving it out? ? Obviously, the last two questions were rhetorical.
- For the City's well-being, the 25 year funding commitment should be dramatically reduced.
- We need to demonstrate fiscal integrity. The long-term monies RAM is requesting are monies that the City might need in five years, ten years, fifteen years.

Again, I encourage the City Council to thoroughly review the Management Agreement long-term 25 year funding request and, as a result of the review, strenuously RAM to amend the 25 year request to five years. The five years will allow the City of Riverside to have a more comprehensive understanding if The Cheech would be sustainable.

Respectfully Submitted,

Michael Scarano