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Date: October 1, 2015
To: Audit, Finance and Enterprise Committee
From: Jennifer Ruttman, City Auditor
Subject: Riverview Site – Post-Construction Financial Review

Pursuant to the Council-approved Audit Plan, the City Auditor's office has completed a review of the total costs incurred, and funding sources used, to design and construct the Spring Training Facilities, Riverview Park and related capital improvements at the Riverview Site. The report is attached. Please feel free to contact me with any questions or concerns.

CITY AUDITOR

Report Date: October 1, 2015
Subject: Riverview Site Post-Construction Financial Review
Lead Auditor: Tami Steadman

OBJECTIVE

This review was conducted to determine the City's total cost incurred, and funding sources used, to design and construct the Sloan Park Spring Training Facilities, Riverview Park, and related capital improvements, collectively referred to as the Riverview Site. Our objective was not to audit this information, but to compile and present it for informational purposes only.

SCOPE & METHODOLOGY

To achieve our objective, we:

- Interviewed City staff members from Engineering, OMB, Financial Services, and the City Attorney's office.
- Reviewed agreements between the City and Chicago Cubs Baseball Club, LLC (Cubs).
- Reviewed contracts and related documents for construction and design services.
- Reviewed publicly disseminated information pertaining to project financing and expenditures, including but not limited to: bond election materials provided to voters; Council Reports prepared by City staff; Minutes of City Council meetings and study sessions; and CAFR, Capital Improvement Program, and Budget reports.
- Reviewed project-related financial transactions and supporting documents from fiscal years 2011 through 2015.

The financial information presented in this report is a compilation of data as recorded in the City's financial system as of June 30, 2015. We do not express an opinion or provide any assurance on the information, because we have not performed the auditing procedures that would have been necessary to obtain sufficient evidence to express such an opinion or provide such assurance. Additionally, it should be noted that as of this writing the City has not yet formally closed its accounting records for the fiscal year ended June 30, 2015. Therefore, although unlikely, the possibility exists that additional material adjustments could be made to the accounts and funds underlying the financial information presented in this report.

BACKGROUND

In November 2010, Mesa voters approved Proposition 420 to allow "*the City's expenditure of public funds, grant of tax concessions or relief, incur debt and/or grant of City-owned land in excess of \$1.5 million to construct or aid in the construction of a City-owned stadium, training, practice facility and related improvements for Cactus League Spring Training.*" Approximately one year after receiving voter approval, the City entered into a Facilities Development Agreement with the Chicago Cubs, specifying each party's expectations and obligations related to the construction of "Spring Training Facilities, Public Parking, and other Improvements".

The agreement between the City and the Cubs specified that the City was to spend up to \$84 million on the construction of Spring Training Facilities (Stadium, Team Facilities, and City Fields, including certain on-site utility infrastructure, irrigation, street improvements, and on-site parking), plus up to \$15 million on additional public parking, off-site utility infrastructure, and off-site street improvements. The agreement also specified that the \$84M and \$15M amounts were not to include any other improvements to the Riverview Site; and it explicitly excluded the cost of any City personnel and overhead required to complete the project. However, while these exclusions defined the scope of City's agreement with the Cubs, they did not define the scope of the overall project.

Since the City was also planning improvements to Riverview Park, as well as other improvements that were outside the scope of the Cubs agreement, it was decided that the most economical approach would be to combine all of these efforts under a single Construction Manager @ Risk (CMAR) contract. In October 2011, a contract was awarded to Hunt Construction Group, Inc. to manage development of the entire Riverview Site, which included the Spring Training Facilities, related infrastructure, and Riverview Park. The total Guaranteed Maximum Price (GMP) for all work to be completed by Hunt under this contract was approximately \$99 million. Construction of the Spring Training Facilities was completed in time for the 2014 Spring Training Season, and the remainder of the contracted work referred to in this report was completed by the end of FY 2015.

FINANCIAL OVERVIEW

Total Costs

The costs presented in this report represent all identified costs incurred by the City to meet its obligations under both the Cubs agreement and the Hunt CMAR Contract. In addition, we have included costs associated with certain multi-purpose improvements that were intended to satisfy the Cubs agreement while also meeting other objectives. Examples of this include improvements to multi-use parking areas, sports fields and additional infrastructure. The total amount incurred to complete this work was approximately \$116.5 million.

Cost Breakdown

All costs were accounted for within the City's Capital Improvement Program (CIP), using four designated Major Programs. However, for additional clarification, we have also presented a breakdown of the costs as they relate to 6 designated areas within the Riverview Site. This information can be found in the attached Appendix.

Total Costs by Major Program	
C10554 - Chicago Cubs Spring Training Facility	96,179,391
C11002 - Riverview Park Improvements	13,305,084
CP0295 - Spring Training Multi-Use Facility/Parking Improvements	3,950,220
CP0187 - Cubs Training Facility Project Support	3,029,784
Total:	116,464,478

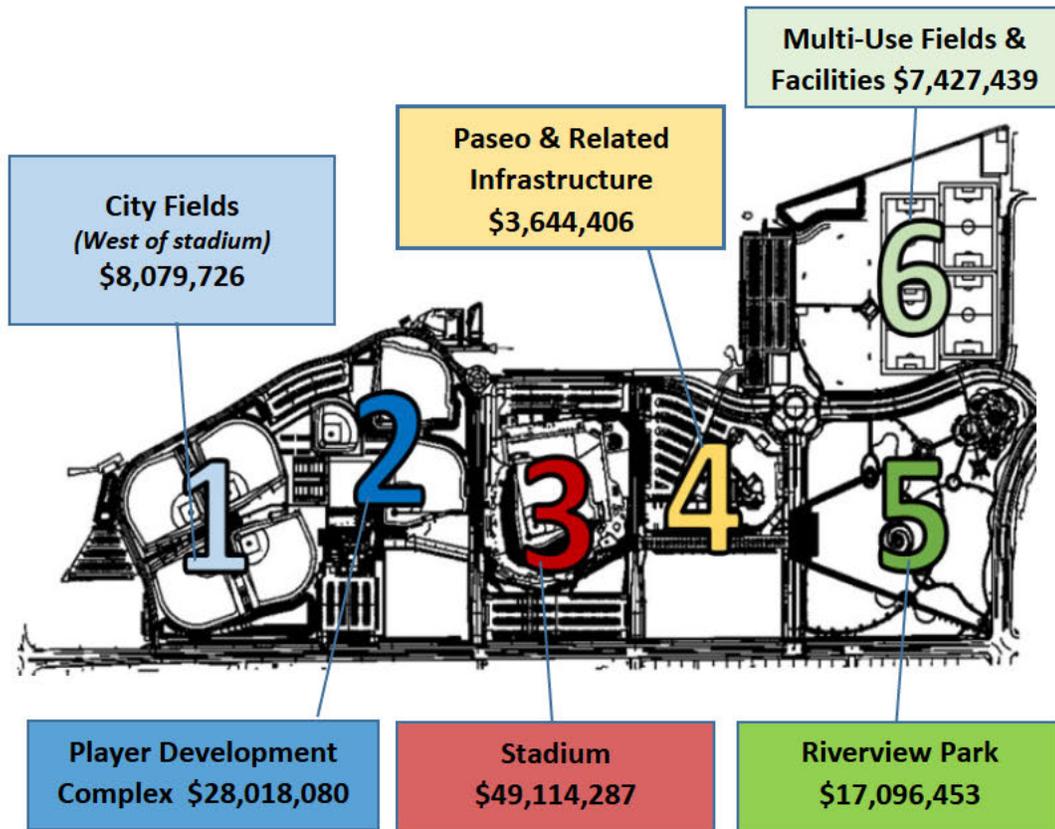
Funding Sources

The Spring Training Facilities and other Riverview Site improvements were funded largely by bond sales. These included Spring Training Bonds, Utility Bonds, Street Bonds, and Parks Bonds. Additional funding was provided by the Economic Investment Fund and the General Fund, as shown below.

Total Costs by Funding Source	
Spring Training Bonds	88,468,785
Utility Bonds (W, WW, Gas, Storm Sewer)	8,487,054
Street Bonds	2,241,769
Parks Bonds	9,146,991
Capital - Economic Investment Fund	6,162,852
Capital - General Fund	1,957,027
TOTAL	116,464,478

Please see the attached Appendix for a breakdown of costs by site area.

APPENDIX



Riverview Site – Total Cost of Facilities & Infrastructure (does not include \$3M in Project Support costs)
\$113,380,391

