

ARIZONA AUDITOR GENERAL

Lindsey A. Perry, Auditor General

Melanie M. Chesney, Deputy Auditor General

November 18, 2025

The Honorable Warren Petersen, President
Arizona State Senate

The Honorable Steve Montenegro, Speaker
Arizona House of Representatives

The Honorable Katie Hobbs, Governor
State of Arizona

Mr. Fletcher McCusker, Chairman
Rio Nuevo Multipurpose Facilities District Board of Directors

Transmitted herewith is the report *A Performance Audit and Financial Analysis, Rio Nuevo Multipurpose Facilities District*. Johnson Consulting conducted the audit under contract with our Office and in response to the requirements of Arizona Revised Statutes (A.R.S.) §48-4231.01.

The audit consultant found the District has made substantial progress since its reorganization, achieving compliance with statutory mandates, prudent financial management, and use of public funds to stimulate downtown redevelopment. In addition, the report identifies opportunities for further strengthening the District's long-term planning and governance practices. Key recommendations include updating and formalizing a comprehensive master plan; establishing a formalized capital planning process; and developing multi-year budget framework projections. Additionally, as the District's scope and portfolio expand, consideration should continue to be given to increasing finance staff capacity to keep pace with growth and replace employee turnover.

The District's response to the reported findings and recommendations must be adopted by the District's Board of Directors within 45 days of the report's release.

My staff and I are pleased to discuss or clarify items in the report.

Sincerely,

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General



Performance Audit and Financial Analysis

Rio Nuevo Multipurpose Facilities District | Tucson, Arizona

SUBMITTED TO
Arizona Auditor General

SUBMITTED BY
Johnson Consulting

November 17th, 2025



Experts in Convention, Hospitality,
Sport and Real Estate Consulting.

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TRANSMITTAL LETTER

November 17th, 2025

Arizona Auditor General

2910 North 44th Street Suite 410 Phoenix, Arizona 85018

Re: Rio Nuevo Multipurpose Facilities District Performance Audit & Financial Analysis

Johnson Consulting and Keegan Linscott & Associates, PC (the Consulting Team) are pleased to submit this report to the Arizona Auditor General regarding a performance audit of the Rio Nuevo Multipurpose Facilities District as required by A.R.S. §48-4231.01. This report presents the findings of the consulting team's analysis as of October 27th, 2025.

We received substantial support from the Rio Nuevo Multi-Purpose Facilities District, the city of Tucson, and from the competitive set convention facilities analyzed in this report. The consulting team has enjoyed serving you on this engagement and look forward to providing you with continuing service.

Sincerely,

C.H. Johnson Consulting, Inc.

C.H. Johnson Consulting, Inc.

1. INTRODUCTION AND EXECUTIVE SUMMARY

INTRODUCTION

Johnson Consulting was retained by the Arizona Auditor General to conduct a performance audit of the Rio Nuevo Multipurpose Facilities District (the “District” or “Rio Nuevo”) pursuant to A.R.S. §48-4231.01. The performance audit is intended to evaluate the District’s operational and financial performance, as well as its effectiveness in carrying out its mission. To effectively complete this assignment, Johnson Consulting has utilized the services of Keegan Linscott & Associates, PC (“KLA”) to address certain technical aspects of the required performance audit procedures.

DISTRICT OVERVIEW

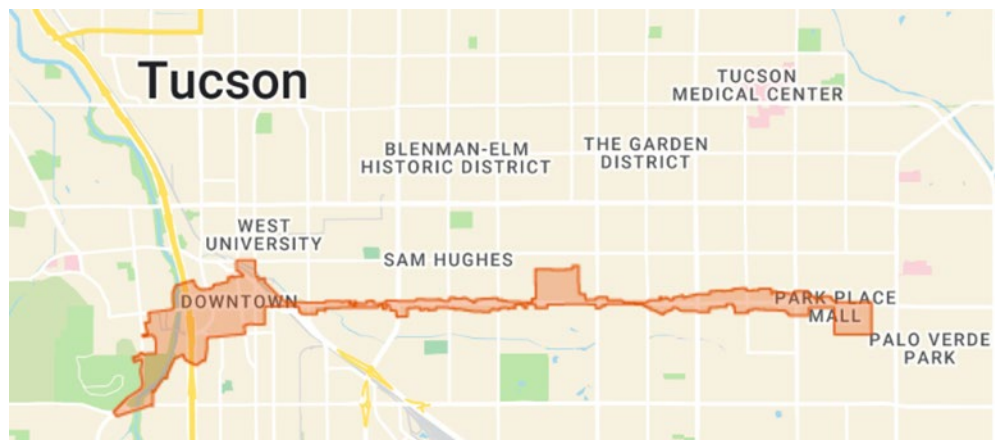
In 1999 voters approved the creation of the District through the passage of Proposition 400. The District is a municipal tax collection district, as well as a special taxing district. The voters authorized the District to receive an incremental portion of State-shared funds derived from sales taxes collected within the Tax Increment Financing (“TIF”) District boundaries of the City of Tucson (“COT” or the “City”). TIF is a special finance mechanism utilized by the State of Arizona to fund municipal improvement projects. Use of sales tax rather than property tax provides a stronger base to fund projects in the District since a sales tax TIF district generates a greater volume of revenue. In forming the District, the Tucson Convention Center was designated as the Primary Component (the “Primary Component” or “TCC”) in the District, with the expectation that all efforts would end in a funding framework to enhance the TCC to nationally competitive levels.

The District is a State municipal district with the powers, privileges, and immunities granted to governmental, municipal corporations for District purposes. These powers enable the District to plan multifaceted development projects, including cultural and recreational amenities and improvements, historic recreations, mixed-use developments, and other projects that would enhance and support the TCC, and lead to the development of hotels within the District. The Arizona State Legislature reorganized the District in November of 2009, and a new board was appointed in March of 2010. Expenditure of the TIF Funds collected is managed by the Rio Nuevo Multipurpose Facilities District Board of Directors, who are appointed by the State’s Governor, President of the Senate, and Speaker of the House of Representatives.

Downtown Tucson, within the District, is the primary beneficiary of strategic investments to stimulate the marketplace and support new private sector development. The District’s TIF Funds

are to be strategically invested in enhancing the TCC and adding adjacent hotel support, with the objective of creating a vibrant Tucson city center. This is to be achieved by leveraging downtown Tucson's competitive advantage as the region's urban and cultural center. The District is located in central Tucson and occupies a wide strip of land that extends west and east of downtown Tucson. East to west, the District runs down Broadway Boulevard, starting at Park Place Mall near Wilmot and extending to a panhandle that exceeds just west of Interstate 10. A portion of the Broadway part of Rio Nuevo, designated as the Sunshine Mile, is now being enhanced with considerable retail development and adaptive reuse of historic properties. See Figure 1-1 below for a map of the District.

Figure 1-1



Within the eastern part of the District (i.e., east of I-10) are three key event facilities, the Tucson Convention Center, including the Tucson Arena, Leo Rich Theater, and the Linda Ronstadt Music Hall; the Fox Theater; and the Rialto Theater, all key drivers of visitation to the District and downtown Tucson. This area is also where existing historic buildings are located, such as the Carnegie Library building that currently houses the Tucson Children's Museum, the Tucson Museum of Art's La Casa Cordova (Tucson's oldest building), and the University of Arizona Campus. Western Rio Nuevo (i.e., west of I-10) contains large parcels of undeveloped land, new mixed-use development projects with retail and housing components, and the terminus of the light-rail system.

Administratively, the Arizona Department of Revenue ("ADOR") tracks sales tax collected within the Rio Nuevo District and the COT compares collections each month to sales taxes collected

during the corresponding “base year” months of 1999. Rio Nuevo is then allotted the lesser of the incremental increase in sales taxes for the month in comparison to the base year, or 50% of the total sales tax collected in the District for the current month. It is the responsibility of the District and the COT to ensure that businesses within the District are making the election on their sales tax forms that identifies them as belonging in the TIF district.

RIO NUEVO PERFORMANCE HISTORY & PRIOR AUDIT FINDINGS

As previously noted, it was originally envisioned that downtown Tucson would be the beneficiary of strategic investments to stimulate the marketplace and support new private sector development. The additional TIF revenue generated as a result of this development would then be used to fund additional improvements within the District. The District’s TIF Funds were to be strategically invested in public and public/private projects focused on developing a vibrant Tucson city center. This largely did not occur in the initial 10 years of the District, and the District was off mission by not focusing on improvements to the TCC as its priority. Additionally, the estimated cost of many projects was significantly underestimated, which, in many cases resulted in the projects being cancelled or delayed.

Consequently, the residents of Tucson experienced little overall improvement to the area given the level of expenditure by the District during this period. Other adverse consequences included a general lack of significant growth related to incremental sales tax revenues, few needed enhancements to the Primary Component of the District, and no significant movement towards the construction of a convention center hotel to create destination interest for the area and infuse the District with additional sales tax and tourist dollars.

With available funds severely depleted, and significant debt incurred, in 2010 the District Board suspended project/capital expenditures until key issues could be resolved. At the end of FY 2010, the District had nearly \$103 million in outstanding liabilities, with little positive progress to show for it. Nonetheless, there was an opportunity for the District Board to improve performance related to its financial, operational, and compliance responsibilities. In the 2010 performance audit report, Crowe Horwath offered recommendations focused on enhancing compliance with applicable regulatory provisions, as well as development of appropriate policies and financial oversight necessary for the District. Furthermore, recommendations from the 2010, 2013, and 2016 performance audit reports gave specific attention to the need for the District to develop a

comprehensive strategy that addresses the use of available funds. The 2019 performance audit report noted that this comprehensive strategy was in progress but still underdeveloped and unformalized, and reiterated the associated recommendations. Further, it focused significantly on improvements to ASM Global's (now Legends) proactive development of events at the TCC and affiliated venues, data tracking, and performance target setting, all of which were largely implemented.

The performance audit conducted in 2022 resulted in the recommendations detailed in Figure 1-2. For this table, we have also included the status of addressing the 2022 recommendations and Rio Nuevo's status update for each item.

Figure 1-2

Rio Nuevo 2022 Recommendation Update		
Recommendation	Status	Rio Nuevo Comments
TCC		
Develop a new masterplan (update to existing masterplan) and budget to identify and evaluate the most critical improvement needs for the TCC as recent expansion and upgrades are absorbed by the market.	Partially Implemented - Rio Nuevo developed a broader district master plan in 2024 which included some high-level recommendations for the TCC. However, this document does not contain the level of detail specific to the TCC that is typical of a convention center master plan.	Funding limitations have made master planning for the TCC difficult. As Rio Nuevo and the TCC do not get State appropriations, they are reliant on incremental sales tax revenues to pay off debt as well as to make any ongoing improvements to the TCC. This has left few resources available for master planning work.
Formalize an expo center, ideally as a new module of space expanding the TCC, that could serve the Gem Show and other major events.	Not Implemented - There are challenges associated with acquiring the requisite land in order to execute this recommendation in the short term.	-
Rio Nuevo		
Develop a master plan for the entire Rio Nuevo district with specific goals and initiatives for each sub-area of the broader MFD.	Implemented - Rio Nuevo developed its master plan in early 2024 which includes analysis of each sub-area and associated goals through 2035.	-
Develop a succession plan to consider what takes the place of Rio Nuevo from a funding and stewardship perspective after the district ends in 2035.	No Longer Relevant - succession discussion was not a component of Rio Nuevo's 2024 master plan, and has not been otherwise implemented. The District is enabled by the Governor and Legislature, and when its term expires in 2035 its assets will be passed to the State's real estate office, but beyond that there is no significant planning for their stewardship and operations. Though developing this succession plan is primarily a function of the Governor and Legislature, District staff should have an important advisory role given their expertise and success. This recommendation is marked as no longer relevant as it has been addressed as a component of the capital planning recommendation within this report.	-
Ensure that reports regarding the activities, operations, revenues, and expenditures of the District for the immediately preceding fiscal year are submitted to the Arizona State Legislature by October 1st of each year per A.R.S. §48-4203(E)(2).	Implemented - Rio Nuevo has elected to submit these reports without the data from the ADOR's annual audit in order to comply with the October 1st deadline, as the audit typically finishes in mid-September.	-
Add two additional members to the District's board to bring the total number of members to nine (9) per the requirements of A.R.S. §48-4202.	Implemented - Rio Nuevo's board now consists of nine (9) members and is compliant with the statute.	-
Notify the Joint Committee on Capital Review (JCCR) of any future District projects with a cost of over \$500,000.	Implemented - The MFD notified the JCCR each of the last three fiscal years of any projects exceeding the \$500,000 threshold. The JCCR informed the MFD each of the last three years that they need not appear before the committee regarding these projects.	-
Add at least a part-time finance or accounting staffer to maintain the high level of reporting and transparency required by the District as it continues to grow its footprint and impact.	Not Implemented - the District has not found it necessary to increase staffing. However, note that Goal #12 of the District's 2024 master plan sets an objective of exploring staffing increases to bring on a CEO, architect/ contractor, and/or a project manager.	The District has continued to monitor the merits of adding another finance or accounting staffer, and has determined that its resources are more effectively deployed elsewhere. However, it will continue to monitor its staffing levels and capacities going forward. Note that one of the District's key staff members will be moving on shortly prior to the publication of this audit, and the District has retained a consulting firm to evaluate its needs and help with an executive search process to bring in one or more new staff members.
Develop more formal budget projections for the District that extended beyond the upcoming fiscal year.	Partially Implemented - the District developed 5-year budget projections as part of its 2024 master plan. However, there is not an impetus to continue updating these budget projections.	The District's stance on this recommendation is that its business model revolves around reacting to needs and opportunities as they arrive, rather than pursuing longer-term investment initiatives.
Develop a more formal capital planning process, including codifying policies and procedures for evaluating, planning, funding, approving, and executing capital projects.	Not Implemented - the District relies upon a fairly ad-hoc capital planning process which relies heavily on the experience and acumen of its team. While effective, this leaves the District overly reliant on institutional knowledge and at risk of a less effective capital investment strategy should its core team depart.	The District utilizes an independent third-party review process to ensure that any evaluated project will generate incremental tax revenue.

Source: Rio Nuevo, TCC, Johnson Consulting

MAJOR ACTIVITY IN RECENT YEARS

Recent commitments by Rio Nuevo, including projects completed since the FY (Fiscal Year) 2022 performance audit, or those still in process or with as-yet-determined timelines, total over \$115.8 million and support total project costs exceeding \$420.2 million. Public/Private commitments total over \$41.9 million and support total project costs of over \$346.3 million. These commitments are summarized in Figure 1-3. Note that all currency amounts in Figure 1-3 and subsequent Figures are rounded to the nearest dollar, and any summing inconsistencies are due to this rounding.

Further, note that the independent auditor's reports for FY 2023 and FY 2024 stated that, "In our opinion, the financial statements referred to...present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Rio Nuevo Multipurpose Facilities District...and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America."

The \$103 million in outstanding liabilities inherited by current District management has largely been paid off, with the remainder refinanced, first in 2016 and subsequently in 2019, such that the current liabilities balance for Rio Nuevo stands at \$86.9 million as the end of FY 2025. Note that the majority of that existing debt can be attributed to the recent \$65 million expansion and renovation of the TCC, completed in 2022. Since 2013, Rio Nuevo's tax base has grown from \$9.8 million in annual collections to \$19.1 million in 2025, with debt service payments totaling approximately \$7 million in FY 2025.

Figure 1-3

Rio Nuevo Multipurpose Facilities District Recent and Ongoing Projects (2022 Audit-Present)						
Project	Description	Land Use	Project Cost	Rio Nuevo Commitment	Completion	
Public/Private Projects:						
Congress Street Block	Renovation	Bar/Restaurant/Retail	\$7,700,000	\$3,175,000	2022	
Batch Whiskey	Bar expansion into basement	Bar/Restaurant/Retail	\$2,150,000	\$250,000	2023	
Borderlands Foodtruck	Food truck	Bar/Restaurant/Retail	\$109,000	\$54,500	2023	
Carriage House	Restaurant and event space	Bar/Restaurant/Retail	\$80,000	\$38,000	2023	
La Estrella Bakery	Bakery	Bar/Restaurant/Retail	\$400,000	\$200,000	2023	
Le Macaron	Restaurant	Bar/Restaurant/Retail	\$348,000	\$93,000	2023	
Neighborhood DWTN	Bar & grill	Bar/Restaurant/Retail	\$1,875,000	\$250,000	2023	
Assenmacher Right of Entry	Purchased ROE for Solot Block access to parking	Parking	\$499,999	\$499,999	2023	
Sonora Moonshine Co.	Restaurant	Bar/Restaurant/Retail	\$774,741	\$380,537	2023	
The Grand (Gibson's Event Center)	Event center at Gibson Court	Venue	\$1,485,041	\$500,000	2023	
Whole Slice Pizza	Restaurant	Bar/Restaurant/Retail	\$396,735	\$180,332	2023	
Zemam's	Restaurant	Bar/Restaurant/Retail	\$1,830,711	\$1,015,000	2023	
Basqueria Restaurant	Restaurant	Bar/Restaurant/Retail	\$248,138	\$158,923	2024	
Chela's (El Sur)	Restaurant	Bar/Restaurant/Retail	\$17,330	\$8,665	2024	
Copal	Restaurant	Bar/Restaurant/Retail	\$553,462	\$123,667	2024	
Miss Saigon	Restaurant	Bar/Restaurant/Retail	\$708,000	\$384,635	2024	
Roadrunner Coffee	Restaurant	Bar/Restaurant/Retail	\$260,000	\$65,000	2024	
Solot Block	Historic block converted to restaurant, retail, service businesses	Mixed-Use	\$5,000,000	\$1,250,000	2024	
TABU Bar and Restaurant	Restaurant/bar	Bar/Restaurant/Retail	\$930,000	\$450,000	2024	
Thunder Bacon Burger	Restaurant	Bar/Restaurant/Retail	\$50,000	\$25,000	2024	
TPD Vehicles - ATV	Purchase of ATV's for TPD to use downtown	Other	\$90,000	\$90,000	2024	
Vertigo Wines	Wine retail/bar	Bar/Restaurant/Retail	\$197,000	\$98,500	2024	
Antojitos	Restaurant	Bar/Restaurant/Retail	\$675,000	\$100,000	2025	
Café Francais	Bakery	Bar/Restaurant/Retail	\$242,720	\$102,935	2025	
De Novo	Restaurant	Bar/Restaurant/Retail	\$1,160,000	\$580,000	2025	
TPD Downtown Cameras	Installation of cameras in strategic spaces downtown to deter speeding/other activity	Other	\$40,000	\$40,000	2025	
Treasury 1929	Event space in former Bank One space	Venue	\$12,000,000	\$1,400,000	2025	
UPS Store	Renovation of UPS store	Bar/Restaurant/Retail	\$116,933	\$45,000	2025	
Zeke's Pizza	Restaurant	Bar/Restaurant/Retail	\$2,103,502	\$237,488	2025	
Batch Whiskey (2nd Floor)	Bar expansion into 2nd floor creating sports lounge	Bar/Restaurant/Retail	\$350,000	\$175,000	In Process*	
Bautista	253-apt, ground floor retail/rest on west side	Mixed-Use	\$110,000,000	\$7,250,000	In Process*	
Bungalow Block Development	RN moved 7 historic bungalows along Sunshine Mile, and awarded developer; creating bar/restaurants	Bar/Restaurant/Retail	\$5,500,000	\$875,000	In Process*	
Ca's Bakeshop	Bakery	Bar/Restaurant/Retail	\$385,592	\$192,796	In Process*	
Children's Museum Expansion	Children's Museum expanding into surrounding properties	Other	\$15,000,000	\$417,250	In Process*	
Cold Beer and Cheeseburgers	Restaurant	Bar/Restaurant/Retail	\$4,600,000	\$2,300,000	In Process*	
Cushing Street Skate Park	Community-driven skate park w/COT assistance	Other	\$1,550,000	\$200,000	In Process*	
Elliot's Patio	Restaurant patio extension	Bar/Restaurant/Retail	\$46,971	\$23,486	In Process*	
Empire Pizza	Restaurant expansion	Bar/Restaurant/Retail	\$1,024,032	\$512,000	In Process*	
Fox Theatre Expansion	Multi-million dollar campaign to expand into surrounding storefronts, creating Tucson's 'Lincoln Center'	Venue	\$21,007,000	\$2,000,000	In Process*	
Gibson's Food Hall & Market	Expansion of concept into surrounding storefronts creating market and food hall	Bar/Restaurant/Retail	\$307,000	\$153,500	In Process*	
Gibson's Food Hall & Market	Expansion of concept into surrounding storefronts creating market and food hall	Bar/Restaurant/Retail	\$1,095,891	\$334,445	In Process*	
Herbert's Deli	Deli/restaurant	Bar/Restaurant/Retail	\$351,743	\$116,000	In Process*	
Indian Village Trading Post	Restaurant	Bar/Restaurant/Retail	\$4,000,000	\$2,037,000	In Process*	
MSA Annex Commissary	Kitchen/Restaurant	Bar/Restaurant/Retail	\$299,519	\$116,000	In Process*	
The Rodger	Music venue/restaurant	Bar/Restaurant/Retail	\$4,000,000	\$1,467,812	In Process*	
Trader Joe's	Grocery store, flowers on shirts	Bar/Restaurant/Retail	\$10,000,000	\$4,500,000	In Process*	
Hotel Project	In Process, no deal finalized. Hotel with ground floor retail/rest.	Hotel	TBD	TBD	TBD*	
Friedman Block	Repurposing historic block to create retail/restaurant/services	Mixed-Use	\$5,000,000	\$200,000	TBD*	
La Buhardilla Block	Repurposing historic block to create retail/restaurant/services	Bar/Restaurant/Retail	\$5,084,128	\$1,275,000	TBD*	
Moxy Hotel	Hotel by successful operator of AC Hotel	Hotel	\$33,027,082	\$4,800,000	TBD*	
MSA Annex Expansion	Event space expansion	Bar/Restaurant/Retail	\$1,025,512	\$400,000	TBD*	
Thunder Bacon Bar & Deli	Restaurant	Bar/Restaurant/Retail	\$704,298	\$352,149	TBD*	
Volvo Site "Welcome Center"	Welcome Center	Other	\$79,923,574	\$400,000	TBD*	
Total Public/Private Commitments:			\$346,323,653	\$41,893,618		
Public Projects:						
Tucson Convention Center	Renovation and Expansion	Venue	\$65,000,000	\$65,000,000	2022	
2711 E. Broadway Parking Lot	Created parking lot for surrounding businesses	Parking	\$420,000	\$420,000	2023	
El Presidio Activation	Placemaking in El Presidio neighborhood	Other	\$670,000	\$670,000	2023	
Sunshine Mile - General	New construction	Mixed-Use	\$2,000,000	\$2,000,000	2023	
TRE Program - La Cocina	Funding TRE's for restaurants during COVID recovery	Bar/Restaurant/Retail	\$12,301	\$12,301	2023	
Downtown Tucson Partnership	Assist DTP with security staffing, planning, and purchase of scanners for bars	Other	\$246,105	\$246,105	2025	
Valet Parking Program	Provided valet services in strategic spots downtown	Parking	\$70,620	\$70,620	2025	
Small Business Grants - IDA - Groundswell Capital	RN works with Groundswell Capital to distribute direct funds to local, small businesses	Other	\$750,000	\$750,000	In Process (Est. 2026)	
Indoor Football League	IFL Championship game sponsorship for three years at TCC	Other	\$999,000	\$999,000	In Process (Est. 2028)	
Mural Program	Downtown Murals, in collaboration with Arts Foundation	Other	\$300,000	\$300,000	In Process*	
Off-duty Tucson Police	Increase officers	Other	\$1,069,396	\$1,069,396	In Process*	
Pima County Parking Program	Keeping Pima County garage open after hours and weekends	Parking	\$74,400	\$74,400	In Process*	
Roadrunners Hockey Rental Assistance	Rental assistance to keep Roadrunners in Tucson	Other	\$240,000	\$240,000	In Process*	
Sosa-Carrillo House	Renovating 19th Century historic adobe building on TCC campus	Other	\$2,050,000	\$2,050,000	In Process*	
Total Public Commitments:			\$73,901,822	\$73,901,822		
Total Commitments:			\$420,225,476	\$115,795,440		

*Project is in final planning or under construction, completion date undetermined

Note that all figures are rounded to the nearest dollar, accounting for any summing inconsistencies.

Source: Rio Nuevo, Johnson Consulting

SCOPE OF WORK FOR CURRENT PERFORMANCE AUDIT

In accordance with A.R.S. §48-4231.01, which includes evaluations and certain required information for the District for Fiscal Years Ending 2023-2025, the analysis by Johnson Consulting and KLA included consideration of:

- Capital costs, including debt service, of the Multipurpose Facility and other assets of the District.
- The level of the District's indebtedness, the amount of principal, interest and other debt service expenses paid in the preceding fiscal year and the remaining term to maturity with respect to each outstanding bond issue.
- Operation and maintenance costs of the Multipurpose Facility and other assets of the District.
- The District's overall expenditures in the preceding fiscal year, including the level of expenses for administration, planning, travel, and entertainment, and considering the degree to which expenditures work towards supporting and achieving the District's purposes.
- A description of, and the amount of, municipal payments pursuant to A.R.S. § 42-5031, subsection D during the performance audit period, and the cumulative amount of those payments through the end of the preceding fiscal year.
- The public use of each component of the Multipurpose Facility.
- Revenues derived from each component of the Multipurpose Facility and other revenues of the District.
- District projects that are currently under construction and that are included in the District's plans for capital improvements and investment.

In order to execute the engagement and related analysis we performed the following tasks:

- Met with the Arizona Auditor General to discuss the engagement scope, communication and reporting.

- Met with District Management and management of the TCC (which is a function of the COT) to discuss activities during the performance audit period, as well as statutory requirements and the terms of operative agreements in place or executed during the performance audit period (i.e., fiscal years 2023-2025).
- Held discussions with the District's Independent Auditor, and reviewed annual financial reports and corresponding audit opinions issued by the Independent Auditor that cover fiscal years 2023 and 2024, and a draft of the fiscal year 2025 report (not yet issued).
- From the District and/or COT, we requested and obtained relevant information and documents, including, but not limited to:
 - Intergovernmental Agreement ("IGA") and Settlement Agreement executed between the District and the COT.
 - Financial statements, records, schedules and information related to District revenues, expenditures, assets and obligations during the performance audit period.
 - District budgets and projections related to future revenues and expenditures.
 - Policies and procedures related to the District.
 - District Board meeting minutes.
- Evaluated the District's compliance with significant statutory provisions, as well as the District's and the COT's compliance with operative IGA provisions.
- Benchmarked TCC performance and design to determine its competitive position among national peer facilities.

This report identifies findings and recommendations regarding the construction, financing, operation and maintenance of each component of the TCC, including whether the facility exceeds, meets or fails to meet nationally recognized design and performance standards.

Additionally, this report includes the following schedules:

- The District's projects that are currently under construction and that are to be included in the District's plans for capital improvements and investments, including the Tucson Convention Center and other assets of the District. These schedules include costs of

completed projects and assets owned by the District, and costs-to-date and estimated costs-to-complete for projects planned and currently under construction. The schedules will show capital activity during fiscal years 2023-2025, and as of June 30, 2025. (See **Schedule A – Tables 1 and 2**)

- The level of the District's indebtedness, the amount of principal, interest and other debt service expenditures paid during fiscal years 2023-2025 and remaining term to maturity with respect to each. (See **Schedule B – Tables 1 and 2**)
- Revenues and operating expenses generated by the District during the fiscal years of 2023-2025. (See **Schedule C**)
- A description of the amounts of municipal payments (City of Tucson), pursuant to A.R.S. §42-5031, subsection D, during the fiscal years of 2023-2025, and the cumulative amount of those payments through the end of fiscal year 2025. These municipal payments by the City represent the matching funds required to be made by the City. (See **Schedule D**)
- Fiscal year 2025 District revenues derived from each component of Tucson Convention Center and other district revenues by source. Fiscal year 2025 operation and maintenance costs of the Tucson Convention Center and other assets of the district (See **Schedule E – Tables 1 and 2**)

Note: As of the date of this performance audit report the 2025 audited financial statements were in draft form but had not been issued. The District reported they do not expect any changes to the fiscal year 2025 amounts included in the schedules.

SCHEDULE A – CONSTRUCTION IN PROGRESS (TABLE 1) AND CONSTRUCTION IN PROGRESS STATUS (TABLE 2)

As a result of the restructuring of the District, and the Settlement Agreement, dated February 7, 2013, the Board of Directors once resumed their policy of construction and development activities within the District, which was in place through the performance audit period. This is clearly reflected in the Capital Costs & Construction in Progress (“CIP”) (collectively “capital expenditures”) during the performance audit period (see **Schedule A – Table 1**).

In order to gain assurance over the population of capital expenditures during the performance audit period (FY 2023 – 2025) we obtained the general ledger detail and capital asset listings

maintained by Rio Nuevo. We then agreed the listing and ending balance to the draft 2025 audited financial statements without exception. As the audited financial statements to support the 2025 CIP or capitalized asset additions were not yet issued, KLA performed specific testing procedures over a sample of the 2025 capital expenditures. These procedures included the examination of supporting invoices and disbursements, verification that the expenditures were associated with Sosa Carrillo House (the primary component), and that all required approvals were obtained, no exceptions were noted.

SCHEDULE B – DEBT SERVICE COSTS (TABLE 1) AND DEBT SERVICE SCHEDULE (TABLE 2)

Debt Service

Throughout the life of the Rio Nuevo District a series of debt instruments have been issued in order to generate proceeds to fund improvements, design studies, asset acquisition, and the repayment of loans. At June 30, 2025, three (3) unique debt obligations were outstanding.

- In May 2017, the District issued \$2,315,000 in Series 2017 Revenue Bonds to fund the construction of a Greyhound Terminal. Principal and interest is payable semiannually on July 1 and January 1 each year through July 1, 2028, with interest rates ranging from 3.6% to 5.9%. The District has pledged to the trustee future lease revenues to repay the bonds.
- In August 2019, the District issued \$120,262,000 in Series 2019A and 2019B private placement tax exempt loans to refund \$47,625,000 of outstanding 2016A and 2016B Series bonds, and to finance certain new capital projects related to the Tucson Convention Center. Principal and interest on the Series 2019A and 2019B loans are payable semiannually on July 15 and January 15 each year through July 15, 2035, with an interest rate of 2.69%. The District has pledged to the trustee future sales tax revenues to repay the loans.
- In April 2023, the District borrowed \$2,658,438 from Busey Bank (formerly Canyon Community Bank) to finance technology improvements to the Tucson Convention Center. The note requires monthly principal and interest payments of \$28,851. Interest is the greater of the prime rate (7.5% at June 30, 2025) plus 0.5% or 5.5%, with a maximum rate of 7.95%. All remaining principal and interest is due May 2033.

In order to gain assurance over the debt service payments made during the performance audit period and the outstanding debt obligations to be paid in subsequent years, the following procedures were performed.

- Obtained the debt documents and debt service schedules maintained by the District.
- Agreed the debt service schedules to the values in 2025 draft audited financial statements.
 - Agreed the 2025 principal payments to the debt roll forward schedule and trial balance prepared for the FY 2025 financial statement audit.
 - Note: TIF revenues are deposited directly to Bank of Oklahoma Trust revenue fund by ADOR, on the first of each month the required debt service payments are transferred out of the revenue fund and into the debt service fund also held at Bank of Oklahoma Trust. For any remaining TIF revenue, a transfer is made from the Bank of Oklahoma Trust revenue fund to the Bank of Oklahoma operating account as needed by the District. Per observation and inquiry of the debt service process we determined that Rio Management plays an active role in monitoring the debt service, and the activity within the Bank of Oklahoma accounts. The debt balances at 6/30/2025 appear reasonable, and the District appears to be making all payments in a timely manner.

SCHEDULE D – SCHEDULE OF MUNICIPAL PAYMENTS

In accordance with A.R.S. §42-5031, subsection D, the City of Tucson will provide payments to the District or expend monies for land, infrastructure or other improvements in an amount equal to the amount the District expends on such purpose by the end of 2025.

In a previous year, we obtained from Joyce Garland, City of Tucson Chief Financial Officer and Assistant City Manager, the City's accounting of matching funds that have been expended from inception to date. Per prior engagements, it is the City's belief and understanding of the applicable statutory and IGA requirements that the City has made qualifying matching expenditures in an amount greater than the qualified expenditures of Rio Nuevo, and that they are currently in compliance with the financial requirements of the match. See further discussion of the COT's compliance with applicable requirements in the IGA memos.

The COT 2025 match records were compared to the match records reported in the 2023 performance audit (see **Schedule D**), and it was noted that no matching funds were expended by the City during the performance audit period. Based upon discussions with Rio and COT Management (D. Meyers, F. McCusker, S. Amparano), and knowledge of actual construction efforts that have taken place in the District, it appears as though the expenditures are reasonable and appropriate. Note: It was deemed to be outside the scope of the performance audit to pursue substantive testing procedures over the actual expenditure records of the City.

EXECUTIVE SUMMARY

Johnson Consulting, in association with Keegan Linscott & Associates, P.C., was engaged by the Arizona Auditor General to conduct a performance audit and financial analysis of the Rio Nuevo Multipurpose Facilities District (“the District” or “Rio Nuevo”) pursuant to A.R.S. §48-4231.01. This report evaluates the District’s compliance with statutory requirements, its financial and operational performance, and its progress in achieving the legislative intent of promoting economic development and revitalization within the City of Tucson (“COT”). The analysis covers fiscal years 2023 through 2025 and builds upon findings and recommendations from prior performance audits.

During the current audit period, the District demonstrated continued compliance with the statutory and intergovernmental framework governing its operations. The City of Tucson has fulfilled and exceeded its matching-fund obligations under A.R.S. §42-5031(D), reporting cumulative qualifying investments of approximately \$681.6 million against \$274 million in TIF revenues distributed to the District. Rio Nuevo continues to maintain a public database of expenditures, submit annual reports and budgets in accordance with statutory deadlines, and coordinate effectively with the Arizona Department of Revenue to ensure proper remittance and monitoring of tax increment collections. These measures collectively reflect a sustained commitment to transparency and accountability.

The District’s financial position remains positive. As of June 30, 2025, three long-term debt instruments were outstanding, all supported by dedicated revenue streams. These include the 2017 Series Bonds, the 2019A/B tax-exempt loans used for TCC capital improvements, and a 2023 note financing technology upgrades at the TCC. All debt service obligations have been met in a timely manner, and outstanding balances were confirmed as accurate and properly reconciled. Capital expenditures totaled approximately \$18.5 million during the audit period, with

the majority directed toward enhancements to the TCC complex and other District assets. All major projects exceeding \$500,000 received favorable review from the Joint Committee on Capital Review, confirming compliance with legislative requirements.

Rio Nuevo's capital investment activity continues to produce meaningful economic and fiscal benefits for the Tucson region. Since the FY 2022 performance audit, the District committed \$115.8 million in project funding, supporting an estimated \$420.2 million in total investment value. Projects include downtown developments such as the Bautista mixed-use complex and the Sunshine Mile revitalization, which is transforming underutilized properties along Broadway Boulevard into vibrant retail, dining, and cultural destinations. The District's strategic investments have also attracted national and regional tenants such as Trader Joe's, while supporting the growth of locally owned businesses that contribute to downtown Tucson's character and tax base.

The Tucson Convention Center remains the District's primary asset and much of the public investment carried out by the District is in ancillary development which enhances downtown Tucson, thereby supporting the TCC. Benchmarking against ten comparable and aspirational facilities nationwide demonstrates that the TCC has achieved measurable gains in event activity, attendance, and financial performance. From FY 2022 to FY 2025, total events increased from 280 to 362, representing the highest volume among all benchmark markets. Attendance rose to over 616,000, surpassing pre-pandemic levels, while operating revenue reached \$12.4 million, up from \$6.1 million in FY 2022. With a 90 percent cost-recovery ratio, the TCC ranks among the most efficiently operated facilities within its benchmark set, reflecting the effectiveness of Legends (formerly ASM Global) in managing operations and programming.

Despite these improvements, the TCC remains undersized relative to its competitive set in terms of ballroom space and proximate hotel inventory. However, downtown Tucson's hospitality infrastructure continues to expand, growing from 439 rooms in 2019 to 809 rooms in 2022 to 953 rooms in 2025, with an additional 138-room Moxy hotel in development. The District's efforts to enhance downtown vibrancy through new residential, retail, and cultural amenities have improved Tucson's competitiveness as a meeting and convention destination and laid the groundwork for attracting larger, city-wide events that generate substantial visitor spending and tax revenue.

The audit identifies opportunities for further strengthening the District's long-term planning and governance practices. Key recommendations include updating and formalizing a comprehensive

master plan for the TCC to guide future capital investments, operational priorities, and market positioning (though note that the District itself has limited control over implementing this, given the fact that the TCC is operated by the COT and Legends); establishing a formalized capital planning process to codify project selection criteria and ensure continuity; and developing multi-year budget framework projections to align resource allocation with strategic objectives. Additionally, as the District's scope and portfolio expand, consideration should continue to be given to increasing finance staff capacity to sustain high levels of reporting accuracy and transparency, though this increased capacity has not historically been needed. Note, however, that one of the District's long-time staff members will be moving on at the end of October, potentially meriting the hiring of an extra team member in addition to a replacement, and that the District is taking steps to explore this need.

In summary, the Rio Nuevo Multipurpose Facilities District has made substantial progress since its reorganization, achieving strong compliance with statutory mandates, prudent financial management, and effective use of public funds to stimulate downtown redevelopment. The District's continued investment in the TCC and surrounding area has revitalized Tucson's urban core, strengthened its position within the regional convention market, and attracted significant private-sector participation. Building on this momentum through disciplined planning and strategic investment will enable Rio Nuevo to further advance its mission and deliver lasting economic benefit to the City of Tucson and the State of Arizona.

2. AUDIT FINDINGS

COMPLIANCE WITH STATUTORY AND INTERGOVERNMENTAL AGREEMENT PROVISIONS

The District is responsible for meeting the requirements of applicable provisions of the Arizona Revised Statutes (“A.R.S.”) and the operative Intergovernmental Agreement (“IGA”) with the City of Tucson (“COT”). We have reviewed applicable statutory and IGA provisions and evaluated compliance related to the District and the COT. In consideration of issues identified in previous performance audits, we note continuous improvement related to transparency and compliance during the current performance audit period (i.e., fiscal years 2023 – 2025). Following is a discussion of significant statutory and agreement provisions, as well as any instances of non-compliance noted.

RELEVANT PARTY ROLES AND RESPONSIBILITIES RELEVANT TO THE TCC

It is important to note the distinct responsibilities that the District and COT have in regards to the TCC. The District owns the TCC and is responsible for capital improvements and common maintenance for the facility. It leases the facility on a long-term basis to the COT, which is responsible for managing and operating the TCC. The COT has in turn retained Legends (formerly ASM Global) to operate the TCC on a day-to-day basis. Thus, the MFD does not exert any direct control over the TCC’s operations, though it does have an important role in providing funding for the facility.

COT PAYMENTS

Through the operative IGA with the District, and in accordance with A.R.S. §42-5031 (D), the COT has agreed to make direct payments to the District from any lawful source, or to expend monies “for land, infrastructure or other improvements directly related to the multipurpose facility or the multipurpose facility site, in an aggregate amount equal to the amount received by the district pursuant to this section” (A.R.S. §42-5031). That is, the COT has agreed to make matching expenditures in an amount equal to the TIF revenue distributed to the District.

Per inspection of the Office of the Arizona State Treasurer website, aggregate sales tax distributions made to the District from inception through June 30, 2025 approximates \$274 million. It is the position of the COT that they have made expenditures of approximately \$681.6 million

directly related to the multipurpose facility or the multipurpose facility site, which exceeds the match requirement as it is in excess of the aggregate sales tax revenue distributed to the District (see **Schedule D**).

MONITORING OF TAX REVENUE COLLECTIONS

In accordance with A.R.S. §48-4203 (A)(3) the District and the COT entered into the operative IGA. Furthermore, the District has adopted administrative rules during the performance audit period pursuant to A.R.S. §48-4203 (A)(4) and (5).

Article 4.3 of the operative IGA states that the COT “shall work with the Arizona Department of Revenue (“ADOR”) and the District to facilitate ADOR’s collection and remittance of the tax increment funds on behalf of the District, to include: monitoring of the collection of the tax by businesses located within the multipurpose facilities site; providing outreach and education within the multipurpose facilities site to promote and ensure proper collection of the tax; and otherwise assisting ADOR and the District with proper collection and accounting of the tax increment funds.”

Through the performance audit we noted that the District’s Management continues to perform outreach activities to get more businesses to participate and remit TIF revenues, as evidenced by the increase in TIF revenues within **Schedule C - Table 2**. In September 2022, 793 businesses and organizations were in the district; to date, there are 787 businesses and organizations within the district. Outreach activities include contacting new local businesses within the District which is aimed at education of the benefits of the District, as well as ensuring businesses within the District are appropriately remitting taxes. District Management also receives monthly detailed information related to taxpayer filings directly from the ADOR, under a Disclosure Agreement, dated October 23, 2014. The detailed information is input into a database and filings are tracked by District Management in order to identify anomalies and trends. Any anomalies are communicated with the COT and ADOR and these tax authorities follow up with the taxpayers.

We also made inquiries of District Management regarding the COT’s efforts to stimulate filling out required tax forms and monitor the collection and remittance of TIF revenue. The previously mentioned outreach efforts have been effective, as the number of businesses and organizations in the district has remained relatively constant over the performance period. We noted the COT performs monitoring activities aimed at ensuring proper collection of tax increment funds from

businesses within the District. Monitoring activities performed by the COT typically include review of detailed information provided by ADOR regarding taxes remitted by businesses within the District and identification of anomalies. COT personnel are also able to locate businesses within the District by generating a list by address, which is utilized to facilitate further communication with businesses to help ensure further compliance.

DATABASE OF EXPENDITURES ON THE OFFICIAL DISTRICT WEBSITE

A.R.S. §48-4231.02 requires the District to maintain an official website with a database of expenditures made by the District. The statute identifies specific expenditure information and functionality that should be part of the website database. Per discussion with District Management, the database was available on the District's official website beginning in October 2013. Per review of the website during the audit period, it was noted that the database was fully functional and contained all the information and functionality elements required by the applicable statute.

REQUIRED ANNUAL REPORTS & BUDGETS

A.R.S. §48-4203(E)(2) requires the District to submit an annual report to the Arizona State Legislature by October 1st of each year regarding the activities, operations, revenues and expenditures of the District for the immediately preceding fiscal year. Specifically, the board shall submit the annual report to the President of the Senate and the Speaker of the House of Representatives and provide a copy to the Secretary of State. At the discretion of the chairpersons of the Senate Finance Committee and the House of Representatives Ways and Means Committee, or their successor committees, the committees may hold separate or joint hearings to consider the annual report prepared by the District. Per inquiry of District management, they learned during the performance period that the statute governing the report did not require an audit to be attached. However, the state also relies on the District's audit to support its budget planning for the following year. The District combined the two requirements and submitted the materials in mid-August, which the Joint Committee on Capital Review accepted to meet the reporting requirement. Subsequently, once the annual financial statement audits were completed, audited reports were sent to the Arizona Department of Administration. Therefore, the District is in compliance with this statutory provision during the performance period.

Each fiscal year the District is required to submit an annual budget to the Clerk of the Pima County Board of Supervisors. The provisions of A.R.S. §48-4232 identify specific elements and information to be included in annual budgets. Per review of the District's budgets prepared and submitted during the performance audit period it was noted the budgets included all elements and information required by the statute and all were submitted to the Clerk of the County Board of Supervisors in a timely manner.

BOARD OF DIRECTORS MEMBERSHIP

A.R.S. §48-4202 establishes the composition of the Board of Directors for the District, and notes that the Board shall consist of nine (9) members based upon appointments to be made by the Governor, the President of the Senate, and the Speaker of the House of Representatives. There are currently nine (9) members of the District Board.

COMPLIANCE WITH FINANCIAL PROVISIONS

As specified in A.R.S. §48-4204 (B) there are specific purposes for which taxes and charges raised by the District can be used.

From the taxes and charges levied or identified pursuant to section 48-4237 for use with respect to multipurpose facilities and from other monies lawfully available to the District, the District may acquire land and construct, finance, furnish, maintain, improve, operate, market and promote the use of multipurpose facilities and other structures, utilities, roads, parking areas or buildings necessary for full use of the multipurpose facilities and do all things necessary or convenient to accomplish those purposes. Public funds identified in section 48-4237, including funds distributed pursuant to section 42-5031, may only be used for the components for a multipurpose facility which are owned by the District or which are publicly owned, except that monies paid to the District pursuant to Section 42-5031 may only be used for the following purposes until a notice to proceed is issued for a hotel and convention center located on the multipurpose facility site:

- *Debt service for bonds issued by the District before January 1, 2009.*
- *Contractual obligations incurred by District before June 1, 2009.*
- *Fiduciary, reasonable legal and administrative expenses of the District.*

- *The design and construction of the hotel and convention center located on the multipurpose facility site.*

From the District's inception through 2009, many of the expenditures made by the District were for purposes and/or projects other than those statutorily required or intended. Specifically, many of the expenditures made during this time period failed to provide new or additional tax revenues, nor were they incurred in relation to the Primary Component (i.e., the Tucson Convention Center "TCC").

Per discussion with District Management and review of historical documentation it was noted that remediation of this compliance deficiency was a significant focus of the reconstituted District Board, and many related recommendations were put forth in the previous performance audits. Our examination of the following performance sections was based on the statutory requirements discussed above and was influenced by our knowledge of the District's past performance.

CAPITAL EXPENDITURES

As a result of the District's completion of restructuring activities and settlements of the legal disputes with the COT and State, the Rio Nuevo Board of Directors significantly increased capital expenditure and construction activity during the performance audit period. This policy is reflected in **Schedule A - Table 1** which shows capital expenditures and assets placed in service of \$12,373,006 in 2023, \$5,789,114 in 2024, and \$385,402 in 2025. Expenditures were evaluated for proper initiation, approval, disbursement, and recording in accordance with applicable statutory and internal policy provisions.

In reviewing capital expenditures, it was noted that of the approximately \$18.5 million of total expenditures, roughly \$10.5 million was spent on additional improvements on the TCC. The remaining outlays were expended on other projects within the District, including Bautista, which provides benefit to the District. All capital expenditures during the performance audit period appeared reasonable and in accordance with the relevant statutory provisions.

Additionally, effective August 3, 2018, A.R.S. §48-4203(E) requires the District to present to the Joint Committee on Capital Review any construction project (or other improvement to real property) with a cost of more than \$500,000. From April 25, 2019 through June 30, 2022, the District's Board of Directors did not submit any projects for review to the Joint Committee on

Capital Review. Starting in 2023, the District's Board of Directors submitted a written report for review to the Joint Committee on Capital Review and were advised the written report was sufficient without a need to present. For FY 2024, the District has allocated funds to four projects above this \$500,000 threshold and has agreed to spend a combined \$6,492,000 on these projects. We obtained a letter from the Joint Committee on Capital Review dated November 15, 2024 giving a favorable review of the District's presentation of these projects. Therefore, the District appears to be in compliance with this statutory provision as of the end of the performance period.

DEBT SERVICE EXPENDITURES

Throughout the life of the District a series of debt instruments have been issued/entered into to fund asset acquisition, design studies, infrastructure improvements, and the repayment of loans, with the expectation that these investments would generate future TIF revenues. During the performance audit period, five unique debt obligations were in existence, three were entered into, and three remain outstanding as of June 30, 2025.

Through procedures performed it was noted that TIF revenues due to the District are deposited directly into certain bank accounts by ADOR, and the required debt service payments are automatically made to the appropriate party. Any remaining TIF revenue is then provided to the District for use in carrying out its mission. Per inquiry of Management and observation of the debt service process, it appears that District Management plays an active role in monitoring the debt service payments and the activity within the bank accounts. The debt balances at June 30, 2025 appeared to be accurate, current, and payments of principal and interest were made in a timely manner during the performance audit period. See **Schedule B – Table 1** for debt service payments made during the performance audit period, and **Schedule B – Table 2** for debt service payments through 2035.

EXPENDITURES IN SUPPORT OF THE DISTRICT'S PURPOSE

In consideration of whether the District's expenditures for the period successfully supported and achieved the District's purposes, we note that legal and administrative expenses of the District appear reasonable considering the nature of the District's activities (see **Schedule C – Table 1**).

The District has committed to continually fund projects through public/private development partnerships, which have included the AC Marriott Hotel, TCC Hotel, Bautista, the Caterpillar Surface Mining Complex, Gadsden, 44 E. Broadway, TCC Capital Improvement project, City Park projects, and Sosa-Carrillo House among others. We also note that significant project expenditures were made during the period (see **Schedule A**) and these capital expenditures appeared reasonable and in accordance with statutory provisions of A.R.S. §48-4204(B).

The District has also committed to fund other projects through public/private development partnerships, which include Trader Joe's, Cold Beer and Cheeseburgers, The Rodger, and Indian Village Trading Post. The District has identified these planned expenditures in its most recent budget for fiscal year 2025-2026. Due to the fact that these expenditures were planned, but did not occur during the performance audit period, we have not assessed the expenditures in relation to the provisions of A.R.S. §48-4204 (B). As noted in subsequent sections of this report, the District is also committed to continually improve and operate (with the aid of ASM Global) the TCC multipurpose facility. We noted that the TCC operated at a loss for 2025, per the financial results (see **Schedule E**).

3. PERFORMANCE BENCHMARKING

OVERVIEW

The specific requirements of A.R.S. §48-4231.01 state that the TCC facility needs to be evaluated to determine if it exceeds, meets or fails to meet nationally recognized design and performance standards. For the purpose of this analysis Johnson Consulting defines “design” as the overall quality of convention facilities and support environment in relation to the TCC’s benchmarking set. “Performance” is defined by the quality of management, the level of demand, revenue and expenses profile, and hotel room night generation by the facility.

These requirements will be addressed in the following performance and benchmarking analysis. This section encapsulates the broader offering of facilities that are operated in conjunction with the primary convention center facilities, such as arenas and performing arts centers. This approach seeks to give Rio Nuevo a comprehensive perspective on comparable markets’ facility portfolios and their respective support environments.

For each statistic, this section will present a detailed analysis of the Tucson facilities’ performance, followed by a high-level benchmark against the benchmarking set, as available, for the most recent year. It is important to note the impact that COVID-19 had on the financial and demand data included in the 2022 edition of this analysis – the more recent data reflects an events and hospitality industry which has largely recovered from the impacts of the pandemic, and thus is generally stronger across the board.

The benchmarking set consists of 10 comparable markets and facility portfolios that Johnson Consulting believes to be relevant to the Rio Nuevo MFD and Tucson. Four of these are directly comparable to and competitive with Tucson, while six are aspirational for the market. The benchmarking set comprises a mix of publicly and privately managed facilities that exhibit either similar geographic, economic, and/or physical attributes to the TCC or Tucson facilities as a whole. All facilities within the set are publicly owned at the City or County government level.

COMPARABLE CASE STUDIES

Tucson is currently comparable to and competitive with these case studies:

- Palm Springs, CA

- Spokane, WA
- Albuquerque, NM
- El Paso, TX

ASPIRATIONAL CASE STUDIES

Tucson has potential to be comparable to and competitive with these case studies in the future if the progress that has been made heretofore continues:

- Fort Worth, TX
- Phoenix, AZ
- Long Beach, CA
- San Jose, CA
- Austin, TX
- Irving, TX

The comparable case studies are similar to Tucson in market size, facility inventory, and operations. The aspirational case studies generally have a larger market, larger facilities, and a larger budget, despite Tucson having the most events within this set. The following provides justification for the inclusion of each case study:

PALM SPRINGS, CA CONVENTION CENTER (PSCC)

Palm Springs was chosen because it is a competitor for convention and tradeshow events, as well as the quality of its facilities, adjacent headquarters hotel and the overall quality of the destination.

SPOKANE, WA CONVENTION CENTER WITHIN SPOKANE PUBLIC FACILITIES DISTRICT (SPFD)

Spokane is a best-in-class facility for the TCC to emulate given its program of spaces, ability to execute appropriate expansion and upgrades, and the public/private partnership to develop a large headquarters hotel. The oversight and management structure of the Spokane Public Facilities District is also a primary reason why this facility was chosen for analysis.

ALBUQUERQUE, NM CONVENTION CENTER (ACC)

This facility was selected due to its role as a primary competitor of the TCC, recent upgrades to the facility, and its operating structure.

EL PASO, TX CONVENTION CENTER

Located in the Central Business District, this venue was formerly known as the El Paso Civic Center. The facility was expanded to raise the exhibit hall capacity to 8,000, almost as much as the TCC Arena.

FORT WORTH, TX CONVENTION CENTER (FWCC)

While larger than the TCC, this convention center has effectively upgraded a facility of the same generation as the TCC, and is well run by the City of Fort Worth. Additionally, the facility is in the midst of an expansion and renovation project, valued at a total of \$701 million. The first phase, currently underway and expected to be complete by December of 2025, is primarily focused on upgrades to kitchen spaces, loading docks, and the building's southeast entrance, as well as site preparation for an expansion of the Omni Fort Worth hotel, and is being funded by \$52 million of pandemic-era federal stimulus funds and \$43 million of City-issued bonds against hotel tax collections.

The second phase, expected to begin in 2027, will see the demolition of the facility's arena and the addition of 74,000 square feet of exhibit space, 35,600 square feet of meeting space, and a 40,000 square foot ballroom, as well as renovation of existing function spaces. This phase is expected to be funded entirely by hotel tax bonds.

PHOENIX, AZ CONVENTION CENTER (PCC)

The Phoenix Convention Center was included due to its presence in the same regional market as the TCC.

LONG BEACH, CA CONVENTION & ENTERTAINMENT CENTER

The Long Beach Convention Center was included due to having similar facility attributes, including an arena. The Long Beach MSA and Tucson also have similar population bases.

SAN JOSE, CA MCENRY CONVENTION CENTER

This facility is the largest of its kind in Silicon Valley and is known for hosting high profile technology conferences and events. This synergy is advantageous in attracting more programming of similar caliber.

AUSTIN, TX CONVENTION CENTER

Austin is a fast-growing market which historically has featured multiple major events facilities within its portfolio – the Austin Convention Center and Palmer Events Center. The Austin Convention Center closed in April of 2025 as part of a major renovation and expansion project which will add nearly 300,000 square feet of rentable space to the facility and is expected to be complete in 2029. FY 2024 data for the facility is included in this analysis as it provides a valuable benchmark of an aspirational market for Tucson in the Southwest. However, note that the location attributes included in this analysis are based off of the Palmer Events Center as that will effectively be Austin's primary convention center for the next several years.

IRVING, TX CONVENTION CENTER

The Irving Convention Center is known for its design and is located adjacent to Las Colinas mixed use development.

Figure 3-1 presents a summary of the benchmarking analysis, including indicators related to the destination and market, facilities, event demand and attendance, and operating revenue and expenses. Note that, for events, attendance, operating revenue, and operating expenses cells without a value (for markets such as Palm Springs, Spokane, and Albuquerque), data was not available.

Figure 3-1

Tucson, AZ Facilities Benchmarking Analysis Summary											
	Tucson, AZ	Palm Springs, CA	Spokane, WA	Albuquerque, NM	El Paso, TX	Fort Worth, TX	Phoenix, AZ	Long Beach, CA	San Jose, CA	Austin, TX	Irving, TX
Location											
Metropolitan Area	Tucson, AZ	Riverside-San Bernardino-Ontario, CA	Spokane, WA	Albuquerque, NM	El Paso, TX	Dallas-Fort Worth-Arlington, TX	Phoenix - Mesa - Glendale, AZ	Los Angeles - Long Beach - Anaheim, CA	San Jose - Sunnyvale - Santa Clara, CA	Austin, TX	Irving, TX
Destination and Market											
Metropolitan Area Population	1,074,686	4,720,603	621,479	932,477	876,116	8,342,575	5,215,050	12,879,186	2,022,218	2,612,392	8,342,575
Population within 1/2 Mile	3,460	1,979	3,199	2,967	3,656	1,816	5,655	14,825	7,618	4,053	3,680
Daytime Population within 1/2 Mile	18,275	5,428	23,885	29,533	16,207	28,307	45,639	31,484	20,776	11,492	9,347
Hotel Rooms within 1/2 Mile	953	1,540	2,462	1,120	1,232	3,592	4,507	2,210	2,056	1,323	993
Retail, Restaurant, & Bar Sales within 1/2 Mile	\$15,544,102	\$1,087,726	\$31,867,089	\$7,223,821	\$5,382,224	\$13,035,458	\$421,922,481	\$43,600,374	\$14,930,155	\$105,984,844	\$1,695,267
Total Tax on Hotel Rooms	12.05%	12.50%	12.10%	15.63%	17.50%	17.00%	12.57%	13.00%	10.00%	19.00%	13.00%
Facilities											
	Tucson CC Tucson Arena Linda Ronstadt Music Hall Leo Rich Theater	Palm Springs CC	Spokane CC Spokane Arena INB PAC	Albuquerque CC Kiva Auditorium	El Paso CC Chavez Theater Plaza Theater Amphitheater	Fort Worth CC Arena	Phoenix CC Symphony Hall Orpheum Theater	Long Beach CC Long Beach Arena Terrace Theater O'Neill Theater	San Jose CC California Theater San Jose PAC Montgomery Theater San Jose Civic South Hall	Palmer Events Center	Irving Convention Center
Facilities Overview											
Exhibit Space (SF)	143,460	92,545	120,000	166,546	80,000	253,226	584,500	270,000	223,000	317,052	48,576
Ballroom Space (SF)	20,164	20,016	50,564	31,164	-	27,904	118,800	39,973	50,711	63,928	26,104
Meeting Space (SF)	27,620	15,789	32,500	47,478	14,900	56,486	162,655	38,757	50,765	70,124	10,599
Total Event Space (SF)	191,244	128,350	203,064	245,188	94,900	337,616	865,955	348,730	324,476	451,104	85,279
Arena Facility Seating	8,962	-	11,736	-	-	13,500	-	13,500	3,036	-	-
Theater Facility Seating	2,800	-	2,879	2,300	4,750	-	3,868	3,877	4,267	-	104,416,842
Events and Attendance											
# of Events (most recent year)	362	-	-	222	84	84	167	244	283	211	220
Attendance (most recent year)	616,416	-	-	250,472	165,853	146,931	515,000	1,152,232	842,914	674,108	235,969
# of Event Days (most recent year)	1,044	-	-	307	-	257	-	513	-	476	409
Revenue and Expenses											
Operating Revenue (most recent year)	\$12,413,214	-	\$17,421,235	-	\$11,057,708	\$7,877,369	\$38,792,000	\$50,181,000	\$43,358,497	\$104,416,842	\$7,118,211
Operating Expenses (most recent year)	\$13,827,358	-	\$34,048,591	-	\$20,089,783	\$8,501,802	\$59,215,000	\$76,282,000	\$54,477,396	\$71,392,315	\$8,513,211
Net Operating Income (most recent year)	(\$1,414,144)	-	(\$16,627,356)	-	(\$9,032,075)	(\$624,433)	(\$20,423,000)	(\$26,101,000)	(\$11,118,899)	\$33,024,527	(\$1,395,000)

Source: Relevant Facilities, Smith Travel Research, Esri, Johnson Consulting

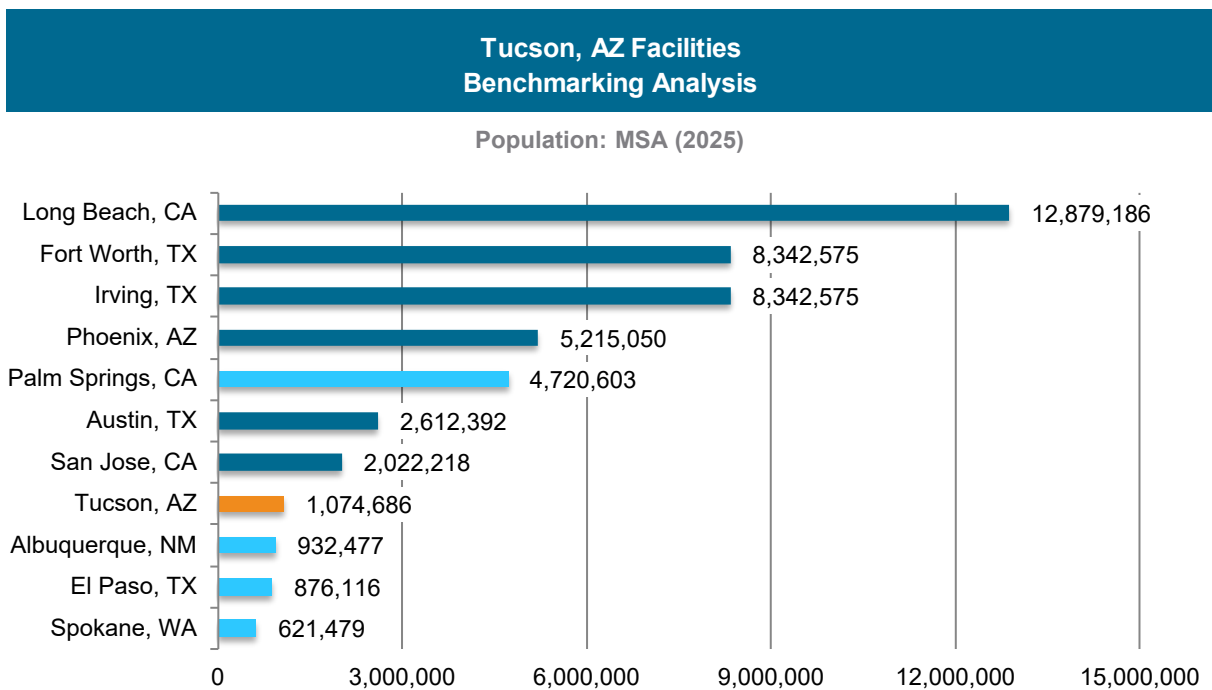
DESTINATION AND MARKET

In order to contextualize the facilities in each of the benchmarking case studies, the following subsections will analyze a variety of destination and market characteristics. These statistics provide insight into the destination's ability to support these public facilities by attracting events and attendees.

METROPOLITAN AREA POPULATION

With over 1 million residents, the Tucson MSA ranks eighth among the eleven benchmarking case studies in terms of the population of the metropolitan area. Long Beach is the largest by this measure with Fort Worth and Irving tied at second due to being located within the same MSA. Figure 3-2 presents this statistic for all eleven case studies in the benchmarking set.

Figure 3-2

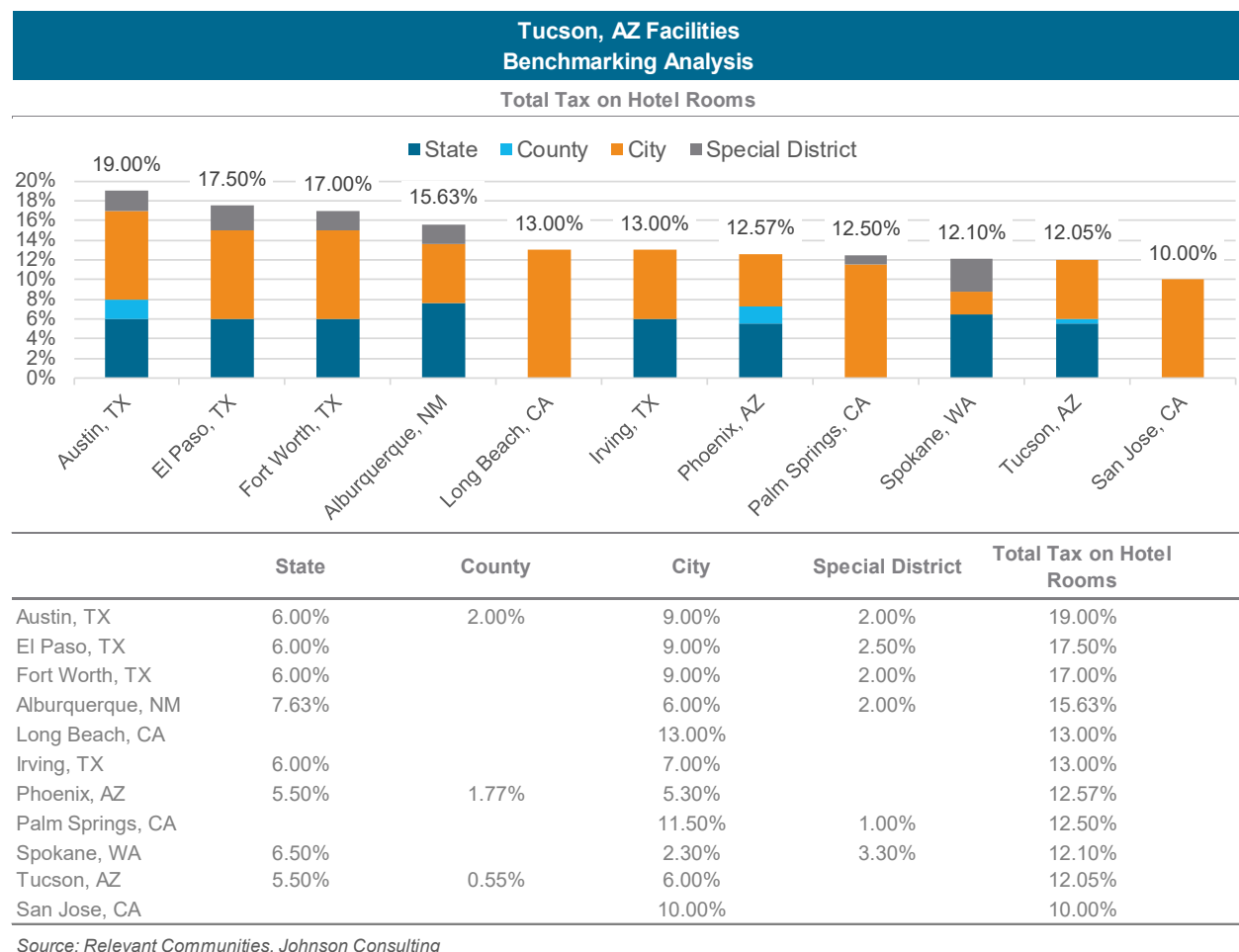


Sources: Esri, United States Census Bureau, Johnson Consulting

HOTEL TAX

Another market characteristic that is important in this industry is the total tax on hotel rooms. Hotel taxes are often used as a source of funding for public event facilities, but can also impact the affordability of hotel accommodations and room blocks for events. Destinations with high hotel taxes risk being seen as unaffordable, and destinations with low hotel taxes will have less tax revenue available to support their event facilities. Figure 3-3 presents the total tax on hotel rooms for the benchmarking set. As shown, Tucson ranks 10th out of 11 benchmark markets with a total hotel tax of 12.05 percent, with the District not receiving a share of the taxes.

Figure 3-3



CONVENTION CENTER DISTRICTS

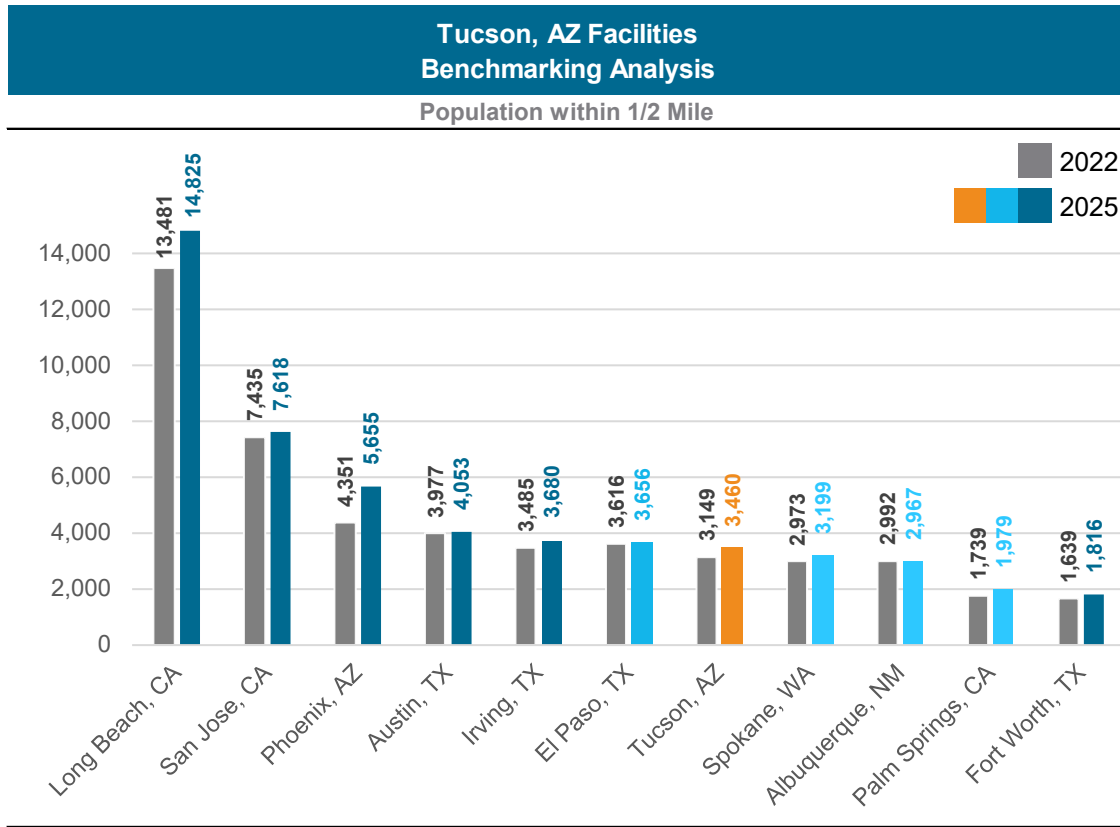
The following subsections pertain specifically to the areas immediately surrounding the primary convention center facility for each of the case studies. This area is crucial in accomplishing two of this industry's primary objectives: 1) maximizing economic and fiscal impact and 2) providing the best event experience possible. The vibrancy of the adjacent area depends on the presence of a concentration of people, which represents a concentration of money, which supports a concentration of places to spend that money, and the cyclical relationship continues. Beginning with the concentration of people, there are three types of people that must be considered: 1) residents of the area, 2) workers in the area, and 3) visitors to the area.

Adjacent Population

Figure 3-4 presents the population within the ½ mile radius for the benchmarking set for 2022 and 2025. As shown, Tucson ranks seventh with just over 3,000 people residing within this area. Long Beach and San Jose are the top two case studies of this measure by a significant margin, with over 14,800 and 7,600 adjacent residents, respectively.

Higher adjacent populations in the vicinity of the event facility makes the area feel vibrant during all hours of the day and all days of the week by supporting restaurants, retail, entertainment, and cultural facilities. These residents also play a crucial role in supporting retail, nightlife, entertainment, and other activities in these areas, which can elevate the experience of the event attendee and therefore make the facility more attractive to event planners. Cities around the country are recognizing the importance of boosting the density of residential development in their cores, and have acted to foster it over the past few decades. As shown, every case study facility with the exception of Albuquerque saw adjacent population grow between 2022 and 2025, Tucson included.

Figure 3-4

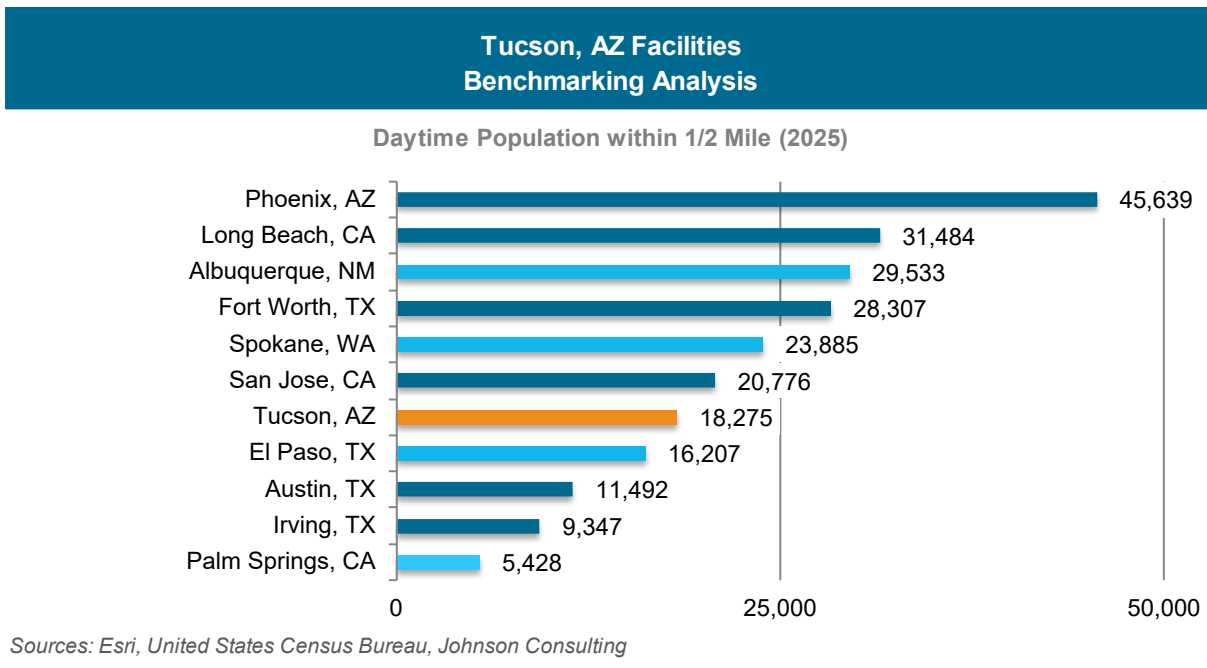


Sources: Esri, United States Census Bureau, Johnson Consulting

Adjacent Daytime Population

Workers that are employed by businesses in the area are accounted for by analyzing daytime population figures. These workers commute into the city and return to their homes outside the city's core after business hours, but often venture out of their work buildings for lunch, meetings, errands, walks, or after-work activities. These workers are frequent patrons of retail, cafes, restaurants, and other business and amenities in these areas. Although this activity is typically limited to weekdays and business hours, this is when many convention center events occur. Figure 3-5 presents this analysis for the benchmarking set. As shown, Tucson ranks seventh with an adjacent daytime population of over 18,000 – this represents a daytime population growth of nearly 3,000 people from 2022, indicating that Tucson's downtown is continuing to become more vibrant during the day.

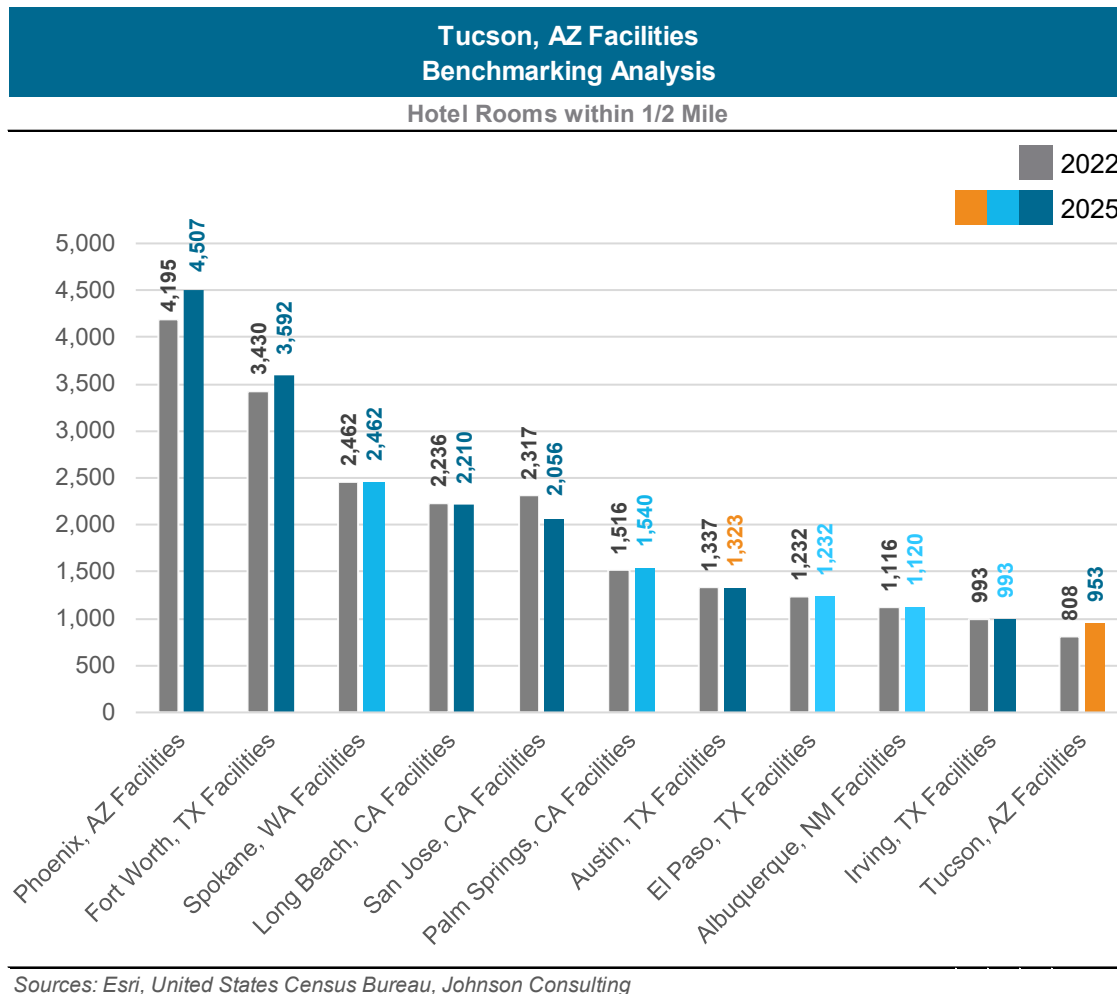
Figure 3-5



Adjacent Hotels

Hotel supply is a critical metric to use in evaluating a convention destination. This number is indicative of not only the strength of the hotel market overall, but also of the strategic location of the event facility relative to the concentration of transient visitors in each destination. This is one of the most important market characteristics for event planners, as it serves as an indicator of the market's ability to have adequate room blocks available within a close proximity to the event facility. Figure 3-6 presents the total number of hotel rooms within ½ mile of the benchmark facilities. Tucson ranks 11th by this measure with just 993 proximate rooms. Tucson, however, had the highest growth rate in room supply between 2022 and 2025, at 18 percent, and was one of just three markets in the set to add more than 100 rooms of hotel inventory in proximity to its convention center. Further, note that a 138-room Moxy hotel, partially incentivized by the Rio Nuevo MFD, is currently in the final planning stages and is projected to open in 2027. Notwithstanding this, additional hotel development adjacent to the TCC ought to be a priority for Tucson, particularly if major expansion is considered.

Figure 3-6



Adjacent Entertainment Options

The effect of the concentration of people living in the area, working in the area, and visiting the area is evidenced in Figure 3-7, which shows the total annual sales at arts, entertainment, and recreation establishments within the ½ mile radius. As shown, Tucson ranks fifth by this measure, with total annual sales of over \$15.5 million. This is a testament to the fairly strong inventory of entertainment options in the adjacent area. Note that Phoenix’s convention center, which is in close proximity to an NBA arena, an MLB ballpark, and multiple theaters, performs very highly by this metric and is a prime example of a high-performing convention district. Though downtown Tucson has some similar assets, it is currently at a far smaller scale; nearby Phoenix’s downtown

entertainment inventory should represent a long-term aspiration for Tucson as it continues to evolve and grow.

Figure 3-7



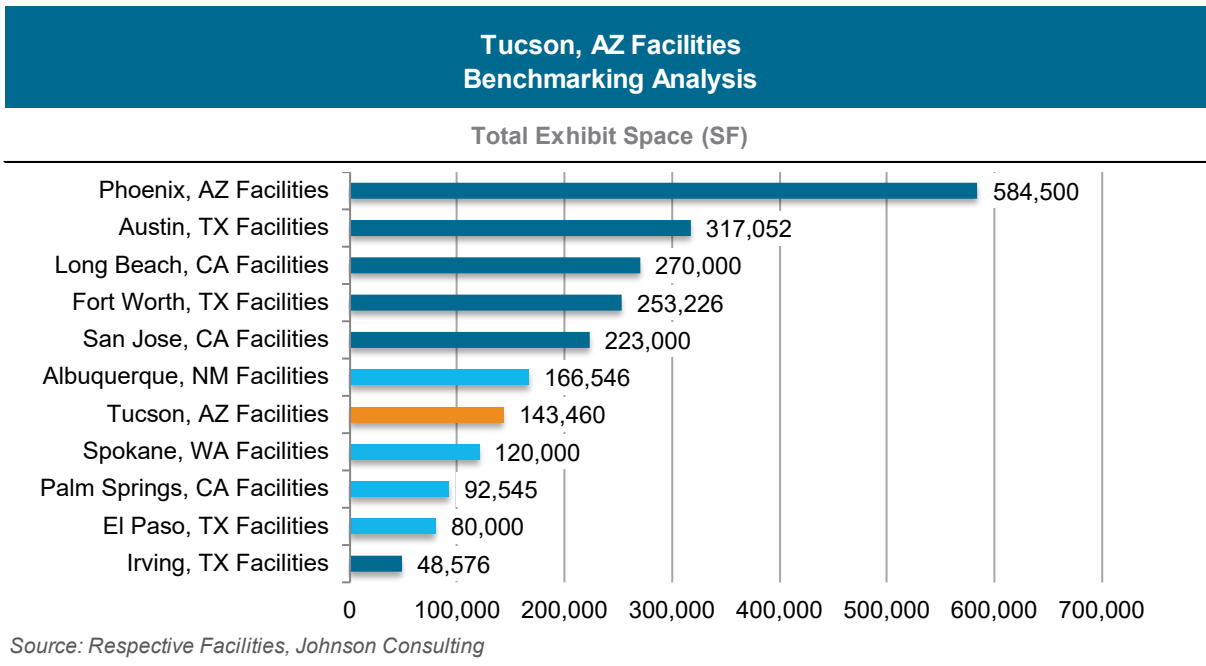
Sources: Esri, United States Census Bureau, Johnson Consulting

FACILITIES

Exhibit Space

Figure 3-8 presents the total square footage of exhibit space for the benchmarking set. With 143,460 total square feet, the Tucson facilities rank seventh among the benchmarking set. Phoenix and Austin facilities stand out with the largest exhibit spaces, while Irving and El Paso have the smallest exhibit spaces to offer. Arena floors were also included as exhibit space in these calculations, as long as the arena is located within the same building as the primary exhibit hall space. This is the case for Tucson, Long Beach, and Fort Worth. An attached arena is advantageous for assembly and religious events, event flexibility, and scalability.

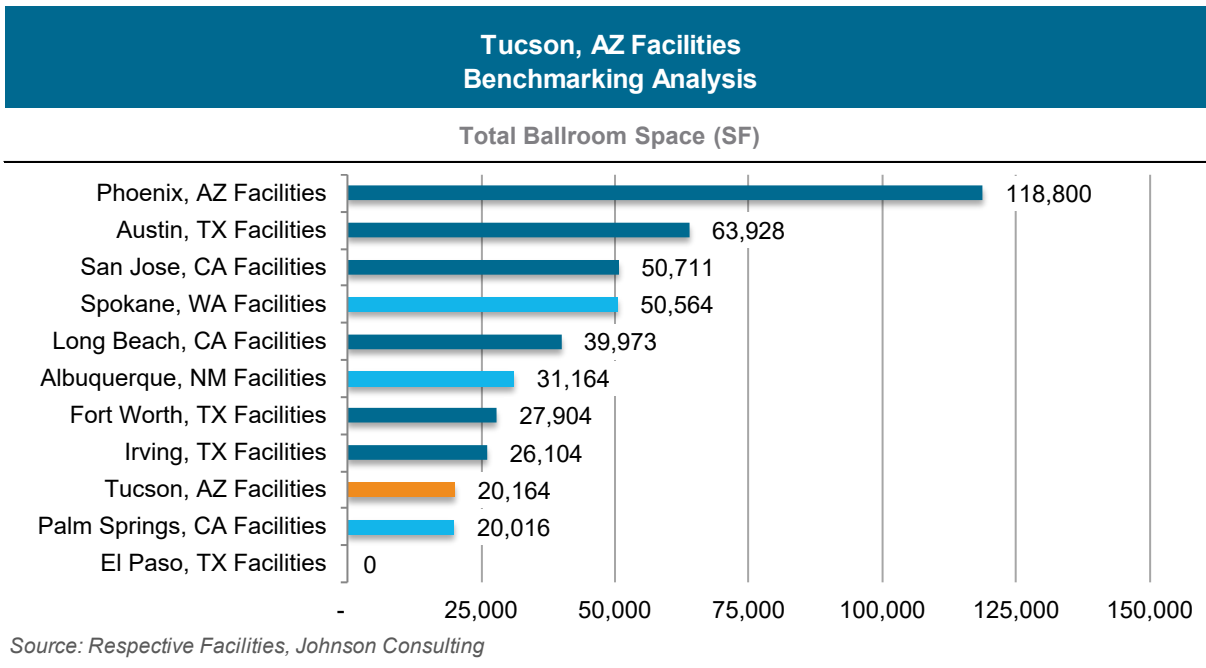
Figure 3-8



Ballroom Space

As shown in Figure 3-9, the Tucson facilities rank ninth with respect to ballroom space, with 20,164 square feet. Phoenix has the largest offering of ballroom space by far with 118,800 total square feet, more than double the next largest total ballroom square footage. Certainly, the TCC's ballroom space is a disadvantage relative to its primary competitors, with Spokane and Albuquerque offering dramatically more space of this type. Notably, El Paso does not have a ballroom space. Although this function can be achieved with some of its larger meeting rooms or by sectioning off portions of the exhibit hall, this is not ideal for acoustical and aesthetic purposes.

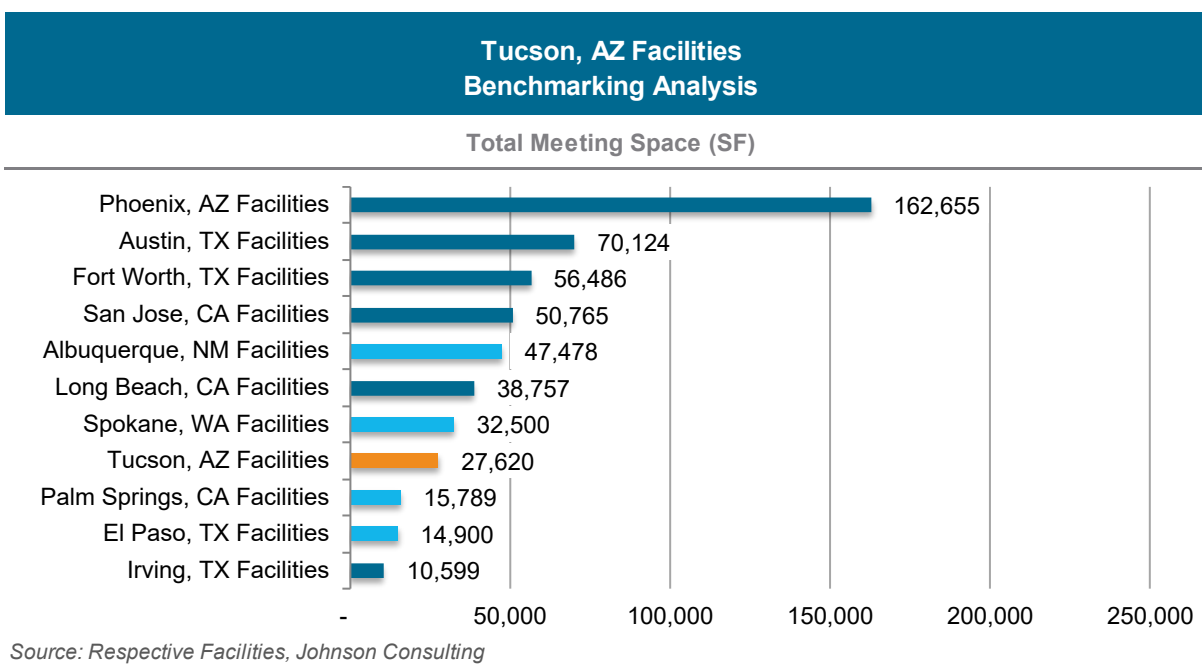
Figure 3-9



Meeting Space

The TCC has made strides in recent years to add more breakout meeting space to its inventory. The 2022 renovation of the West Meeting Rooms added 10 new high-quality breakout spaces to the facility's inventory and brought the total meeting space inventory within the facility to 27,620 square feet. Though Tucson ranks 8th in this category among the benchmarking set, it is comparable to the most competitive facilities (Albuquerque, Spokane, Palm Springs, and El Paso). Phoenix again has the largest total square footage of space in this category by far, with over 162,000 square feet among 105 meeting rooms. Figure 3-10 summarizes the total square footage of meeting space for the benchmarking set.

Figure 3-10

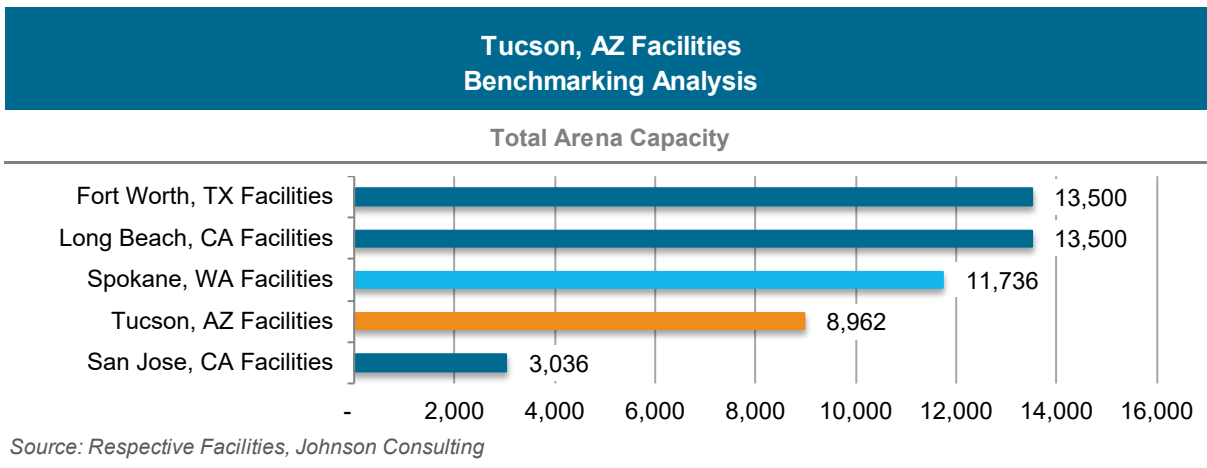


Arena

Five of the eleven case studies in the benchmarking set have an arena-type facility. Tucson, Long Beach, and Fort Worth have Arena facilities that are attached to their convention center facility, while the Spokane and San Jose arenas are off-site but near the convention center. Of the five case studies with arenas, Tucson's arena has the fourth-highest capacity, with 8,962 seats, shown in Figure 3-11. Long Beach and Fort Worth have the largest arenas with capacities of 13,500. These capacities will vary to some degree depending on the event configuration.

Although Tucson Arena is the fourth smallest in the benchmarking set, it still provides an advantage over the facilities that do not have arenas that are managed in conjunction with their other public facilities. Arenas allow facilities to host a greater variety of events that might otherwise not be accommodated, such as sporting events, large concerts and performances, and other events that require the congregation of large groups of guests in a single venue. Though many of these events, particularly sporting events and smaller concert/ entertainment events, do not typically attract as many out-of-town visitors as a typical convention might, their frequency still adds value to a convention environment by driving downtown foot traffic and helping to support nearby business outside of peak seasons.

Figure 3-11

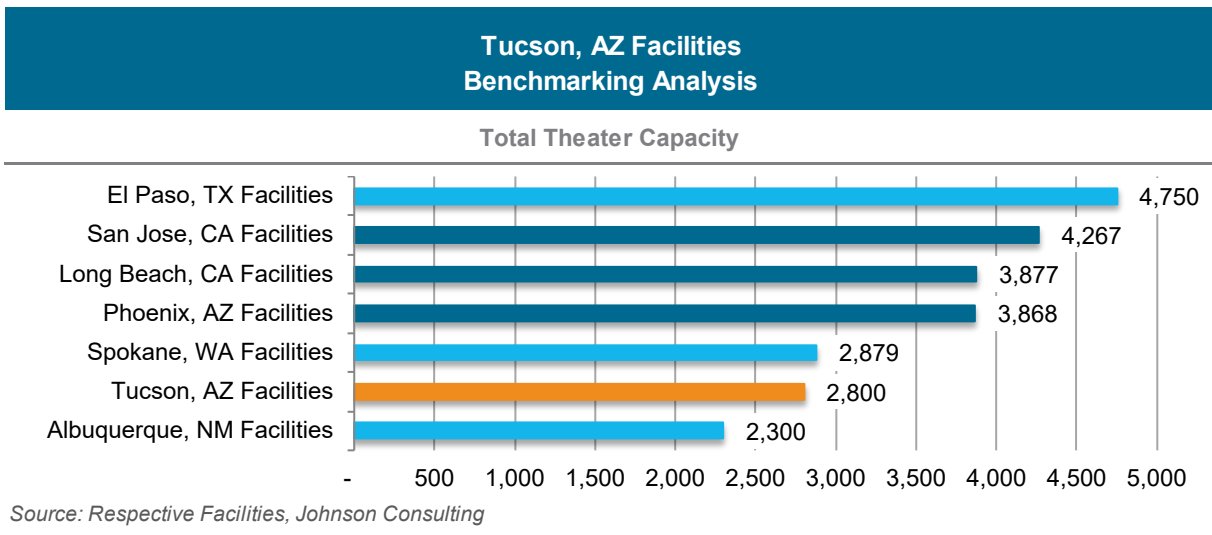


Theater

Seven of the eleven benchmarking facilities offer theater-type facilities in conjunction with their convention center. As illustrated in Figure 3-12, Tucson offers the 2,289-seat Linda Ronstadt Music Hall and the 511-seat Leo Rich Theater, which are not connected to the TCC but are located within walking distance on the TCC campus. Combined, these two facilities total 2,800 seats, which ranks sixth among the benchmarking set.

The El Paso facilities have the largest combined theater capacity (4,750), which includes three theaters. San Jose also offers three theaters with a combined capacity of 4,267. Long Beach and Phoenix each offer two theaters with combined capacities of 3,877 and 3,868, respectively. Spokane's First Interstate Center for the Arts has a seating capacity of 2,609 and the Spokane Convention Center's Conference Theater has a capacity of 270, and Albuquerque's Kiva Auditorium seats 2,300. Theater-type facilities allow for the ability to host events with a performance or presentation component, events that require good acoustics, and events that desire a finer, more intimate setting. They also, like arenas, create the capacity to host more regular concert and entertainment events and drive consistent foot traffic to convention districts.

Figure 3-12

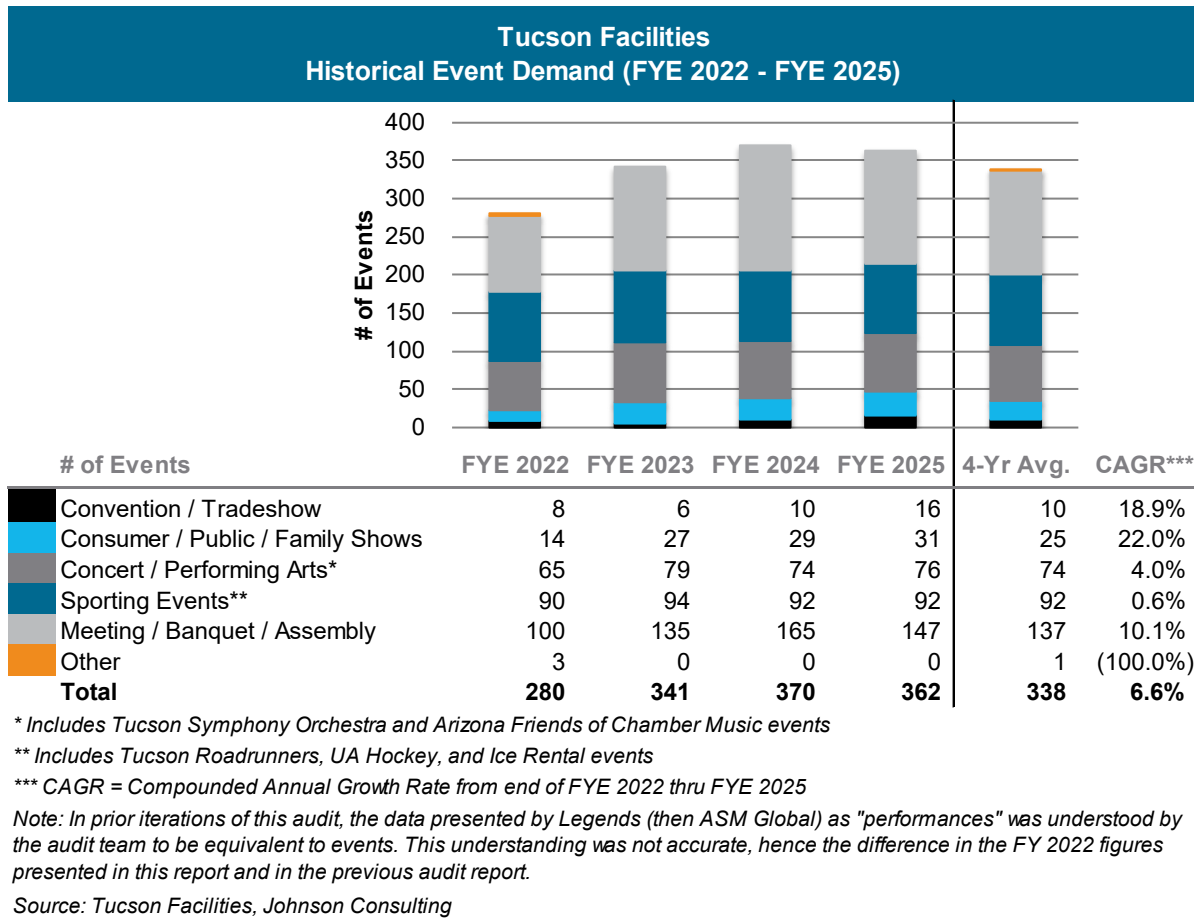


EVENTS & ATTENDANCE

Events

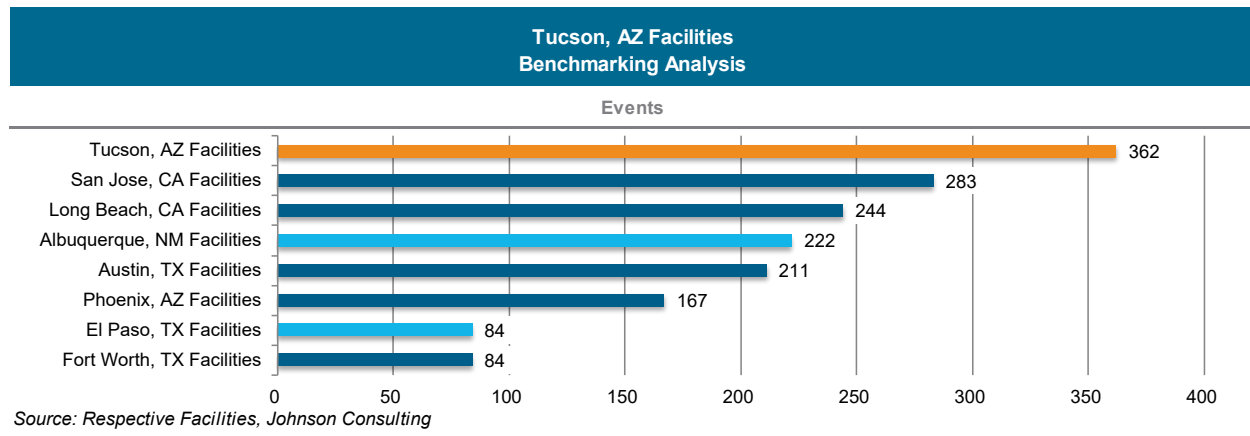
Figure 3-13 presents the historical event demand by event type for the Tucson facilities. Note that individual events were not consistently tracked prior to FY 2022, limiting data availability. As can be seen, demand growth has been strong coming out of the COVID-19 pandemic, with total events growing from 280 in FY 2022 to 362 in FY 2025. Consumer / Public / Family Show and Convention / Tradeshow activity have seen the fastest growth, increasing at average annual rates of 22.0 and 18.9 percent per annum, respectively. This is reflective of downtown Tucson's development as a strong convention market.

Figure 3-13



Upon comparing the total number of events at the Tucson facilities to that of the benchmarking set, it is revealed that the Tucson facilities hosted the highest number of events for the most recent year. Figure 3-14 presents this comparison, as available, for the most recent year available, showing that the number of events at these facilities ranged from 84 at the Fort Worth and El Paso facilities to 362 at the Tucson facilities. There are several factors that influence these numbers, such as the type of event, type of facility, number of facilities, and size of the facility. Oftentimes, larger facilities will have fewer events per year, but those events will take place over a larger number of days and draw a larger number of attendees, therefore generating more hotel room nights and a larger economic impact.

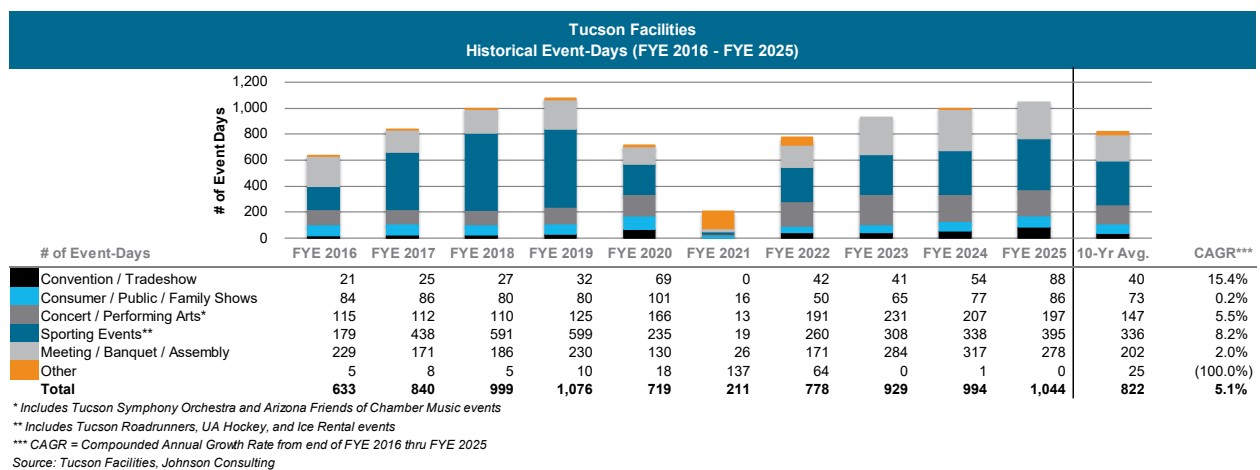
Figure 3-14



Event Days

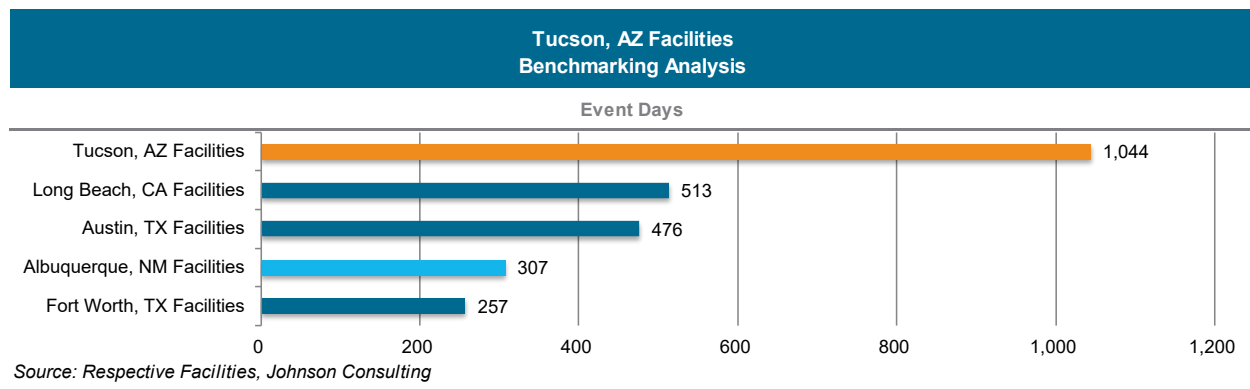
The event activity at the Tucson facilities has also increased, albeit less quickly, in terms of the number of event-days. Figure 3-15 presents the historical event-days by event type for the Tucson facilities, showing that the total number of event-days per year has increased from 633 in FY 2016 to 1,044 in FY 2025, equating to a CAGR of 5.1%. Again, Convention / Tradeshow events represent the strongest area of growth, going from 21 event days in FY 2016 to 88 event days in FY 2025, a CAGR of 15.4 percent per annum.

Figure 3-15



When compared to the number of event days for the benchmarking facilities for which this data is available, Tucson ranks highest for the most recent year. In large part, this is due to the variety of facilities within the District’s portfolio, which keep the TCC campus constantly activated between conventions, banquets, sporting events, entertainment, and performing arts. Figure 3-16 presents this comparison.

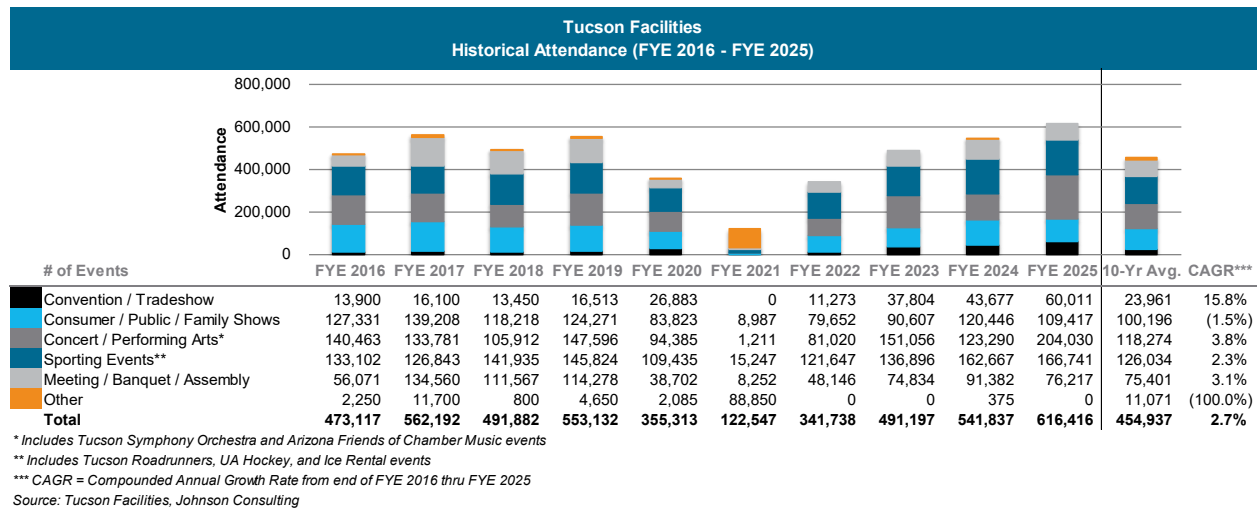
Figure 3-16



Attendance

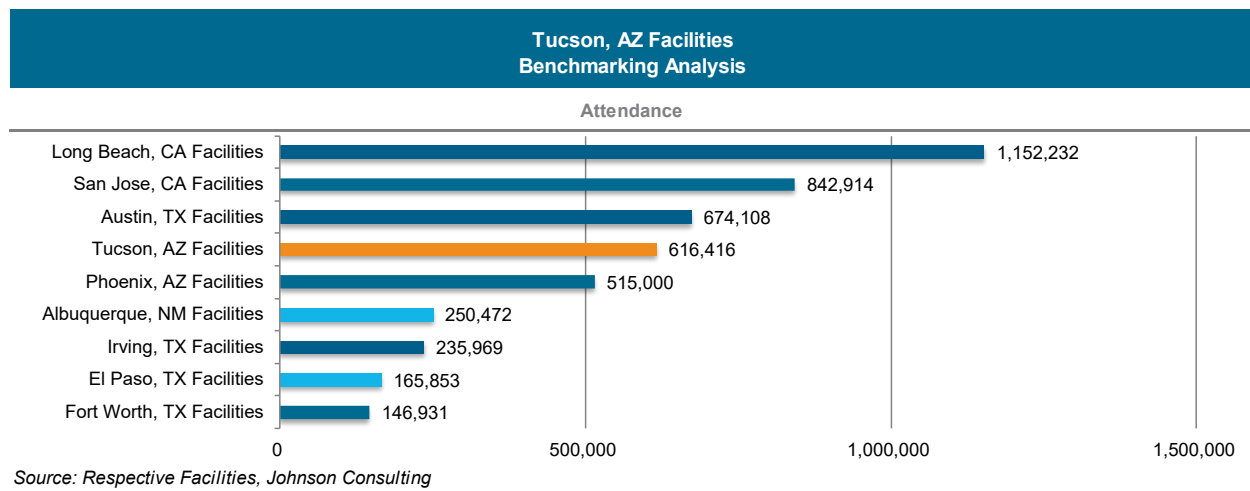
In terms of attendance, activity at the Tucson facilities has rebounded from its pandemic-induced dip to exceed pre-pandemic levels in FY 2025. Figure 3-17 presents the historical attendance statistics for events at the Tucson facilities, by event type. As shown, total attendance bottomed out at 122,547 in FY 2021 due to pandemic-era restrictions but has quickly recovered, exceeding FY 2019 levels in FY 2024 and reaching 616,416 attendees in FY 2025. Overall, attendance has grown at a rate of 2.7 percent per annum. Particularly positive is the fact that Convention / Tradeshow events, which completely disappeared at the height of the pandemic, have become a much larger part of the TCC’s attendance profile, exceeding 60,000 attendees in FY 2025.

Figure 3-17



The Tucson facilities performed well in terms of total attendance compared to the benchmarking set. As shown in Figure 3-18, Tucson ranks fourth out of the nine benchmarks with available attendance data, and first among comparable benchmarks. Given its similar portfolio of facilities, Long Beach is a good community for Tucson to aspire towards. Though Tucson still needs to grow significantly to reach the Long Beach Facilities' level of attendance, its attendance growth trajectory suggests that it is on the right path, particularly given the relative size of the two markets. Note that all figures presented in this section are for the most recent year available.

Figure 3-18



REVENUE & EXPENSES

Figure 3-19 presents the statement of revenue and expenditures for the Tucson facilities for FY 2016 through FY 2025, as provided by Legends/ ASM Global. As shown, these facilities generated over \$12.4 million in operating revenue and roughly \$13.8 million in operating expenses in FY 2025, equating to a net operating loss of just over \$1.4 million. This represents the strongest financial performance of the 10-year period for the facilities, with revenue growing at a rate of 9.4 percent per annum while expenses grew at a rate of just 6.5 percent per annum and net operating loss shrunk at a rate of (4.6 percent) per annum over that period. This is indicative of improving financial health and sustainability for the facilities.

Figure 3-19

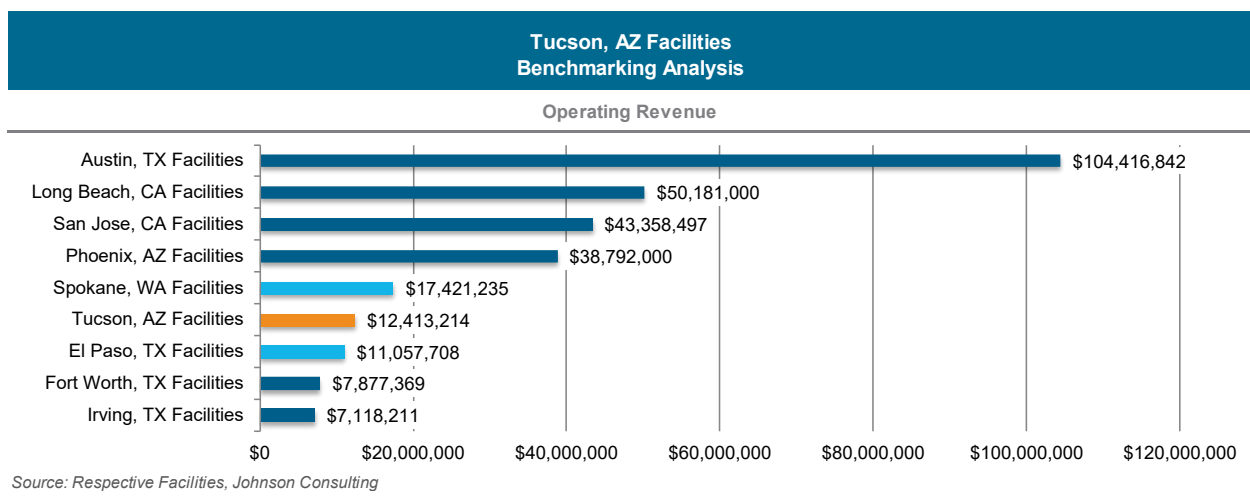
Tucson, AZ Facilities Statement of Revenue & Expenditures											
	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FYE 2024	FYE 2025	CAGR*
Direct Event Revenue											
Rental Income	\$1,281,666	\$1,802,788	\$1,874,840	\$1,800,825	\$1,365,268	\$525,824	\$1,638,095	\$1,800,090	\$2,206,140	\$2,513,264	
Service Revenue	1,082,915	941,872	1,010,476	1,375,874	932,609	120,415	1,486,727	2,072,272	2,415,966	3,020,304	
Subtotal	\$2,364,581	\$2,744,660	\$2,885,316	\$3,176,699	\$2,297,877	\$646,239	\$3,124,822	\$3,872,362	\$4,622,106	\$5,533,568	8.9%
Ancillary Revenue											
F&B Concessions	\$636,610	\$838,674	\$921,578	\$1,254,025	\$741,464	\$110,483	\$932,148	\$1,284,879	\$1,446,895	\$1,796,480	
F&B Catering	439,056	508,022	594,326	807,803	711,073	99,518	504,464	879,233	1,238,288	1,680,380	
Novelty Sales	38,929	23,478	16,120	27,489	22,756	0	30,783	64,070	51,628	66,908	
Parking	814,361	847,722	770,469	837,477	508,903	30,568	502,545	774,162	936,897	1,279,059	
Telephone	1,630	240	0	0	0	0	0	0	0	0	
Electrical Services	76,918	79,081	87,113	110,505	75,895	5,277	72,611	95,689	98,432	106,219	
Audio Visual	14,263	153,935	46,111	26,347	29,774	1,629	47,518	78,605	99,642	102,625	
Internet Services	51,761	51,869	34,437	44,914	41,954	1,750	19,600	26,432	40,205	55,723	
Equipment Rental	33,059	62,815	79,237	146,912	70,440	6,283	47,824	91,953	111,200	229,090	
Other Ancillary	5,916	5,165	283	0	0	0	2,484	99	0	0	
Subtotal	\$2,112,503	\$2,571,001	\$2,549,674	\$3,255,472	\$2,202,259	\$255,508	\$2,159,977	\$3,295,122	\$4,023,187	\$5,316,484	9.7%
Other Event Revenue											
Ticket Rebates	\$139,595	\$232,496	\$212,999	\$311,948	\$148,564	\$13,016	\$369,005	\$740,423	\$913,185	\$1,032,468	
Facility Fees	325,852	316,948	310,860	392,304	192,575	11,861	276,883	369,274	301,482	335,755	
Subtotal	\$465,447	\$549,444	\$523,859	\$704,252	\$341,139	\$24,877	\$645,888	\$1,109,697	\$1,214,667	\$1,368,223	11.4%
Other Operating Revenue											
Non-Operating Parking	\$43,937	\$33,031	\$34,728	\$45,368	\$53,975	\$11,031	\$12,843	\$39,168	\$60,938	\$68,633	
Other Revenue	73,985	135,958	77,561	114,490	235,073	154,461	113,414	85,230	183,632	126,306	
Subtotal	\$117,922	\$168,989	\$112,289	\$159,858	\$289,048	\$165,492	\$126,257	\$124,398	\$244,570	\$194,939	5.2%
Total Revenue	\$5,060,453	\$6,034,094	\$6,071,138	\$7,296,281	\$5,130,323	\$1,092,116	\$6,056,944	\$8,401,579	\$10,104,530	\$12,413,214	9.4%
Salaries & Wages											
Salaries & Wages	\$2,581,526	\$2,975,161	\$3,425,370	\$3,860,967	\$3,510,241	\$1,509,426	\$3,407,453	\$5,037,660	\$5,636,912	\$5,907,419	
Payroll Taxes & Benefits	520,267	628,772	729,675	784,475	840,649	611,478	746,430	869,085	1,166,908	1,177,273	
Labor Allocations to Events	(721,985)	(1,052,765)	(1,350,923)	(1,512,924)	(1,241,111)	(149,797)	(1,296,759)	(2,539,748)	(2,768,433)	(2,970,745)	
Subtotal	\$2,379,808	\$2,551,168	\$2,804,122	\$3,132,518	\$3,109,779	\$1,971,107	\$2,857,124	\$3,366,997	\$4,035,387	\$4,113,947	5.6%
Indirect Expenses											
Service Expenses	\$1,791,313	\$2,184,301	\$1,967,865	\$2,252,049	\$1,560,561	\$286,646	\$2,375,733	\$3,528,193	\$3,775,036	\$4,349,436	
Contracted Services	255,344	\$99,007	\$105,204	\$112,388	\$161,266	\$49,369	\$155,140	\$287,572	\$335,016	\$308,107	
General & Administrative	303,851	347,069	363,021	471,983	383,279	202,232	366,637	469,275	464,243	579,760	
Operating	222,172	333,858	357,217	422,029	285,612	116,849	313,940	400,280	369,644	608,488	
Repairs & Maintenance	468,032	663,125	580,479	860,563	497,810	356,812	534,623	687,555	670,603	759,756	
Operational Supplies	20,123	38,272	51,730	77,164	29,289	10,961	34,096	56,872	46,109	50,089	
Insurance	105,111	188,877	178,172	149,830	158,526	112,245	172,586	259,494	327,684	454,850	
Utilities	1,576,130	1,653,074	1,767,282	1,856,255	1,418,997	906,530	1,911,494	2,171,192	2,581,462	2,121,446	
SMG Management Fee	211,470	315,050	326,546	349,541	338,002	155,380	239,726	456,538	323,751	481,479	
Subtotal	\$4,953,546	\$5,822,633	\$5,697,516	\$6,551,802	\$4,833,342	\$2,197,024	\$6,103,975	\$8,316,971	\$8,893,548	\$9,713,411	7.0%
Total Expenses	\$7,333,354	\$8,373,801	\$8,501,638	\$9,684,320	\$7,943,121	\$4,168,131	\$8,961,099	\$11,683,968	\$12,928,935	\$13,827,358	6.5%
Net Operating Income (Loss)	(\$2,272,901)	(\$2,339,707)	(\$2,430,500)	(\$2,388,039)	(\$2,812,798)	(\$3,076,015)	(\$2,904,155)	(\$3,282,389)	(\$2,824,405)	(\$1,414,144)	(4.6%)
Capital Expenditures	\$594,747	\$752,380	\$482,001	\$215,102	\$136,118	\$60,707	\$283,929	\$309,590	\$371,356	\$165,764	
Net Income (Loss)	(\$2,867,648)	(\$3,092,087)	(\$2,912,501)	(\$2,603,141)	(\$2,948,916)	(\$3,136,722)	(\$3,188,084)	(\$3,591,979)	(\$3,195,761)	(\$1,579,908)	(5.8%)

* CAGR = Compounded Annual Growth Rate from end of FYE 2016 thru FYE 2025
Source: TCC, Johnson Consulting

Comparison of the Tucson facilities' revenue and expenses to the benchmarking set reveals that, while the overall volume varies, the proportionality of these numbers to the facilities (considering

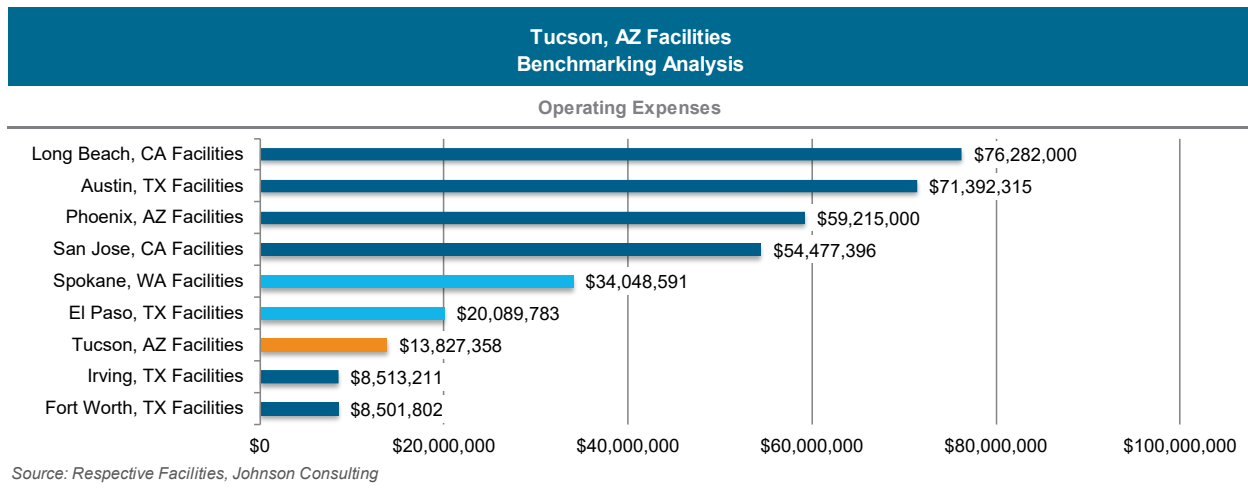
the number, type, and size) that exist in each market are on par. Figure 3-20 presents the total operating revenue for the benchmarking set, showing that Tucson ranks sixth out of the nine benchmarks with available data by this measure, positioned between Spokane and El Paso, two of its most comparable markets. Austin stands out significantly, with its two convention facilities combining to generate over \$104 million in operating revenue in FY 2024 due to a combination of their sizes and the popularity of the market, as well as their ability to charge for parking. All figures presented in this section are for the most recent year available (FY 2025 in Tucson’s case).

Figure 3-20



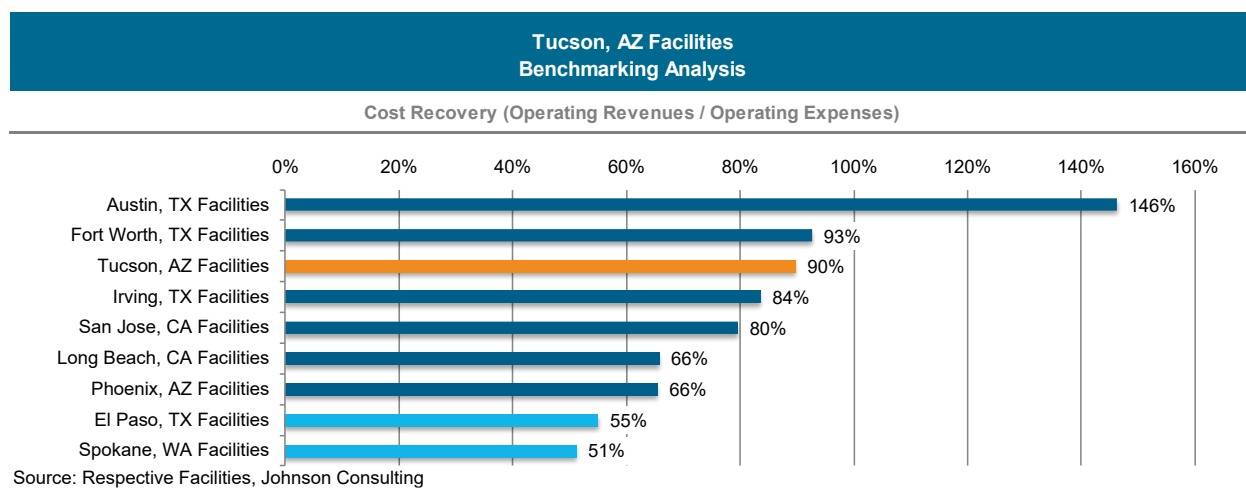
In terms of operating expenses, Tucson’s facilities compare more favorably to El Paso and Spokane, indicating an efficient and effective operation. Tucson’s facilities rank seventh out of the nine benchmark markets with data in terms of operating expenses, as is shown by Figure 3-21.

Figure 3-21



Combining the previous two metrics, Figure 3-22 presents operating revenues as a percentage of operating expenses, also known as a cost recovery ratio. Essentially, this ratio reveals how much of each benchmark's operating expenses are covered by operating revenues generated by the facilities, as opposed to subsidized by tax revenues or other public funds. As can be seen, Tucson's facilities perform quite well by this metric, with a 90 percent cost recovery ratio that ranks third out of the nine benchmarks with available data. Notably, its two closest comparable markets – El Paso and Spokane – rank at the bottom of the list, with both requiring significant tax revenue subsidies to cover expenses. Though it is typical for convention centers to require some degree of operating subsidy, and acceptable given the economic and fiscal impacts they generate for their communities, the fact that the Tucson facilities have been able to limit their operating deficit frees up District resources for other uses.

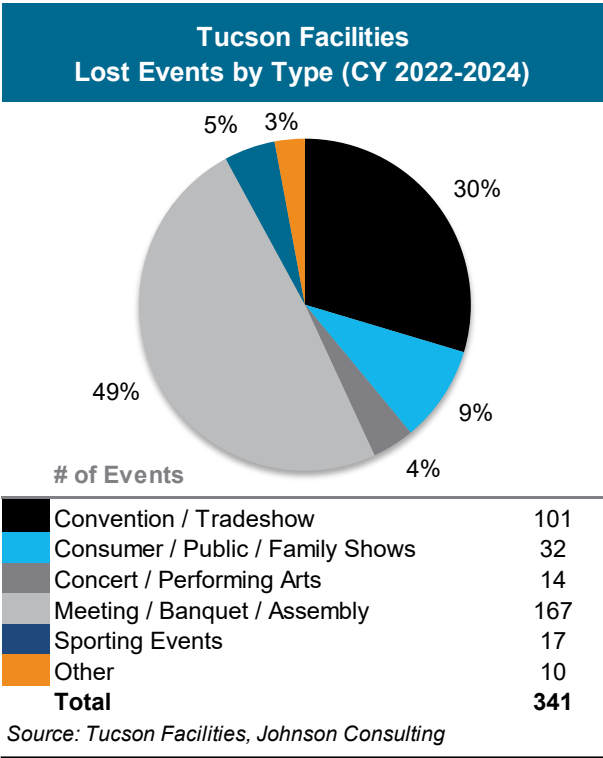
Figure 3-22



LOST BUSINESS

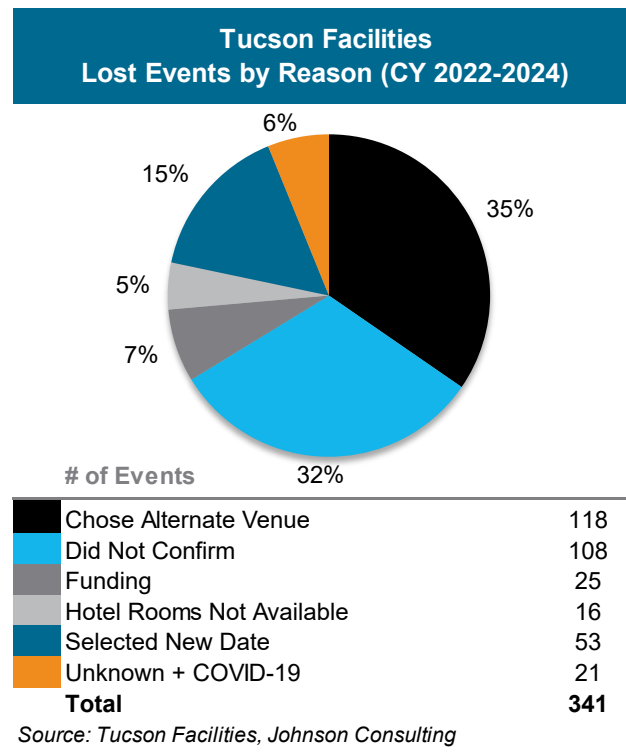
Lost business can serve as a metric of evaluating the degree to which these benchmarks, as well as other facilities, have been successful in competing with the Tucson facilities. Figure 3-23 presents the number of lost events by event type and reason for lost business recorded in calendar years 2022-2024. As shown, there were 341 events lost over that three-year period, the plurality of which (49 percent) were meetings, banquets, or assemblies. The second-largest category of lost business (101 events, or 31 percent of all lost events) was conventions and trade shows.

Figure 3-23



As Figure 3-24 shows, “Chose Alternate Venue” was the listed reason for the plurality – 35 percent – of lost events recorded in 2022, 2023, and 2024. This is indicative of the strong competition within the regional market, with facilities such as the Phoenix Convention Center, El Paso Convention Center, and Albuquerque Convention Center consistently competing with the TCC.

Figure 3-24



RECENT DEVELOPMENTS

Rio Nuevo has continued to make strides in economic development since the last edition of this audit was published in 2022. Figure 3-25 is a list of projects completed or in progress that Rio Nuevo has committed funding to since the prior performance audit. As is shown, the district has made a total of \$115.8 million in financial commitments and helped secure \$420.2 million of private sector investment over that time period. Of the businesses incentivized during this time period, 60 percent are small businesses and 17 percent medium businesses, while 93 percent are locally owned.

Notably, though a significant quantity of Rio Nuevo investment is still occurring in Tucson's downtown, activity level has been increasing along the Sunshine Mile which runs along Broadway Boulevard to the east of downtown. The District has acquired over 40 properties along this stretch – some of which were transferred by the RTA, and some which were purchased outright from previous owners. Many of these properties are historically significant and Rio Nuevo worked to move the structures so that they would not be torn down as part of Broadway's street widening.

Many of the properties were vacant and/or condemned, and thus generating no tax revenue or other benefit to Tucson.

The District has worked with various private developers to renovate and reactivate these properties, resulting in numerous new restaurants and stores opening in the area. Some examples of formerly vacant and/or condemned properties include Solot Plaza which is currently producing \$7 million in annual revenue and Zemam's Ethiopian Cuisine which is currently producing \$2.1 million in annual revenue. Additionally, Rio Nuevo contributed incentives to secure a new Trader Joe's grocery store along the Sunshine Mile (currently under construction) which, in addition to creating considerable sales tax revenues (projected to produce \$26 million in annual revenue within a year of opening), will provide a highly valued amenity for local residents.

Beyond Trader Joe's there are numerous projects in the District's pipeline. These include a \$110 million mixed-use residential building downtown (District investment of \$7.25 million), a \$21 million expansion of the Fox Theatre (District investment of \$2 million), a \$15 million expansion of the Children's Museum (District investment of \$417,250), and numerous dining, retail, and bar projects. These investments will not only increase activity and tax base within the District, they will provide amenities to residents and visitors alike, and help continue to make Tucson an attractive market for further private investment.

Figure 3-25

Rio Nuevo Multipurpose Facilities District Recent and Ongoing Projects (2022 Audit-Present)					
Project	Description	Land Use	Project Cost	Rio Nuevo Commitment	Completion
Public/Private Projects:					
Congress Street Block	Renovation	Bar/Restaurant/Retail	\$7,700,000	\$3,175,000	2022
Batch Whiskey	Bar expansion into basement	Bar/Restaurant/Retail	\$2,150,000	\$250,000	2023
Borderlands Foodtruck	Food truck	Bar/Restaurant/Retail	\$109,000	\$54,500	2023
Carriage House	Restaurant and event space	Bar/Restaurant/Retail	\$80,000	\$38,000	2023
La Estrella Bakery	Bakery	Bar/Restaurant/Retail	\$400,000	\$200,000	2023
Le Macaron	Restaurant	Bar/Restaurant/Retail	\$348,000	\$93,000	2023
Neighborhood DWTN	Bar & grill	Bar/Restaurant/Retail	\$1,875,000	\$250,000	2023
Assenmacher Right of Entry	Purchased ROE for Solot Block access to parking	Parking	\$499,999	\$499,999	2023
Sonora Moonshine Co.	Restaurant	Bar/Restaurant/Retail	\$774,741	\$380,537	2023
The Grand (Gibson's Event Center)	Event center at Gibson Court	Venue	\$1,485,041	\$500,000	2023
Whole Slice Pizza	Restaurant	Bar/Restaurant/Retail	\$396,735	\$180,332	2023
Zemam's	Restaurant	Bar/Restaurant/Retail	\$1,830,711	\$1,015,000	2023
Basqueria Restaurant	Restaurant	Bar/Restaurant/Retail	\$248,138	\$158,923	2024
Chela's (El Sur)	Restaurant	Bar/Restaurant/Retail	\$17,330	\$8,665	2024
Copal	Restaurant	Bar/Restaurant/Retail	\$553,462	\$123,667	2024
Miss Saigon	Restaurant	Bar/Restaurant/Retail	\$708,000	\$384,635	2024
Roadrunner Coffee	Restaurant	Bar/Restaurant/Retail	\$260,000	\$65,000	2024
Solot Block	Historic block converted to restaurant, retail, service businesses	Mixed-Use	\$5,000,000	\$1,250,000	2024
TABU Bar and Restaurant	Restaurant/bar	Bar/Restaurant/Retail	\$930,000	\$450,000	2024
Thunder Bacon Burger	Restaurant	Bar/Restaurant/Retail	\$50,000	\$25,000	2024
TPD Vehicles - ATV	Purchase of ATV's for TPD to use downtown	Other	\$90,000	\$90,000	2024
Vertigo Wines	Wine retail/bar	Bar/Restaurant/Retail	\$197,000	\$98,500	2024
Antojitos	Restaurant	Bar/Restaurant/Retail	\$675,000	\$100,000	2025
Café Francais	Bakery	Bar/Restaurant/Retail	\$242,720	\$102,935	2025
De Novo	Restaurant	Bar/Restaurant/Retail	\$1,160,000	\$580,000	2025
TPD Downtown Cameras	Installation of cameras in strategic spaces downtown to deter speeding/other activity	Other	\$40,000	\$40,000	2025
Treasury 1929	Event space in former Bank One space	Venue	\$12,000,000	\$1,400,000	2025
UPS Store	Renovation of UPS store	Bar/Restaurant/Retail	\$116,933	\$45,000	2025
Zeke's Pizza	Restaurant	Bar/Restaurant/Retail	\$2,103,502	\$237,488	2025
Batch Whiskey (2nd Floor)	Bar expansion into 2nd floor creating sports lounge	Bar/Restaurant/Retail	\$350,000	\$175,000	In Process*
Bautista	253-apt, ground floor retail/rest on west side	Mixed-Use	\$110,000,000	\$7,250,000	In Process*
Bungalow Block Development	RN moved 7 historic bungalows along Sunshine Mile, and awarded developer; creating bar/restaurants	Bar/Restaurant/Retail	\$5,500,000	\$875,000	In Process*
Cal's Bakeshop	Bakery	Bar/Restaurant/Retail	\$385,592	\$192,796	In Process*
Children's Museum Expansion	Children's Musuem expanding into surrounding properties	Other	\$15,000,000	\$417,250	In Process*
Cold Beer and Cheeseburgers	Restaurant	Bar/Restaurant/Retail	\$4,600,000	\$2,300,000	In Process*
Cushing Street Skate Park	Community-driven skate park w/COT assistance	Other	\$1,550,000	\$200,000	In Process*
Elliott's Patio	Restaurant patio extension	Bar/Restaurant/Retail	\$46,971	\$23,486	In Process*
Empire Pizza	Restaurant expansion	Bar/Restaurant/Retail	\$1,024,032	\$512,000	In Process*
Fox Theatre Expansion	Multi-million dollar campaign to expand into surrounding storefronts, creating Tucson's 'Lincoln Center'	Venue	\$21,007,000	\$2,000,000	In Process*
Gibson's Food Hall & Market	Expansion of concept into surrounding storefronts creating market and food hall	Bar/Restaurant/Retail	\$307,000	\$153,500	In Process*
Gibson's Food Hall & Market	Expansion of concept into surrounding storefronts creating market and food hall	Bar/Restaurant/Retail	\$1,095,891	\$334,445	In Process*
Herbert's Deli	Deli/restaurant	Bar/Restaurant/Retail	\$351,743	\$116,000	In Process*
Indian Village Trading Post	Restaurant	Bar/Restaurant/Retail	\$4,000,000	\$2,037,000	In Process*
MSA Annex Commissary	Kitchen/Restaurant	Bar/Restaurant/Retail	\$299,519	\$116,000	In Process*
The Rodger	Music venue/restaurant	Bar/Restaurant/Retail	\$4,000,000	\$1,467,812	In Process*
Trader Joe's	Grocery store, flowers on shirts	Bar/Restaurant/Retail	\$10,000,000	\$4,500,000	In Process*
Hotel Project	In Process, no deal finalized. Hotel with ground floor retail/rest.	Hotel	TBD	TBD	TBD*
Friedman Block	Repurposing historic block to create retail/restaurant/services	Mixed-Use	\$5,000,000	\$200,000	TBD*
La Buhardilla Block	Repurposing historic block to create retail/restaurant/services	Bar/Restaurant/Retail	\$5,084,128	\$1,275,000	TBD*
Moxy Hotel	Hotel by successful operator of AC Hotel	Hotel	\$33,027,082	\$4,800,000	TBD*
MSA Annex Expansion	Event space expansion	Bar/Restaurant/Retail	\$1,025,512	\$400,000	TBD*
Thunder Bacon Bar & Deli	Restaurant	Bar/Restaurant/Retail	\$704,298	\$352,149	TBD*
Volvo Site "Welcome Center"	Welcome Center	Other	\$79,923,574	\$400,000	TBD*
Total Public/Private Commitments:			\$346,323,653	\$41,893,618	
Public Projects:					
Tucson Convention Center	Renovation and Expansion	Venue	\$65,000,000	\$65,000,000	2022
2711 E. Broadway Parking Lot	Created parking lot for surrounding businesses	Parking	\$420,000	\$420,000	2023
El Presidio Activation	Placemaking in El Presidio neighborhood	Other	\$670,000	\$670,000	2023
Sunshine Mile - General	New construction	Mixed-Use	\$2,000,000	\$2,000,000	2023
TRE Program - La Cocina	Funding TRE's for restaurants during COVID recovery	Bar/Restaurant/Retail	\$12,301	\$12,301	2023
Downtown Tucson Partnership	Assist DTP with security staffing, planning, and purchase of scanners for bars	Other	\$246,105	\$246,105	2025
Valet Parking Program	Provided valet services in strategic spots downtown	Parking	\$70,620	\$70,620	2025
Small Business Grants - IDA - Groundswell Capital	RN works with Groundswell Capital to distribute direct funds to local, small businesses	Other	\$750,000	\$750,000	In Process (Est. 2026)
Indoor Football League	IFL Championship game sponsorship for three years at TCC	Other	\$999,000	\$999,000	In Process (Est. 2026)
Mural Program	Downtown Murals, in collaboration with Arts Foundation	Other	\$300,000	\$300,000	In Process*
Off-duty Tucson Police	Increase officers	Other	\$1,069,396	\$1,069,396	In Process*
Pima County Parking Program	Keeping Pima County garage open after hours and weekends	Parking	\$74,400	\$74,400	In Process*
Roadrunners Hockey Rental Assistance	Rental assistance to keep Roadrunners in Tucson	Other	\$240,000	\$240,000	In Process*
Sosa-Carrillo House	Renovating 19th Century historic adobe building on TCC campus	Other	\$2,050,000	\$2,050,000	In Process*
Total Public Commitments:			\$73,901,822	\$73,901,822	
Total Commitments:			\$420,225,476	\$115,795,440	
*Project is in final planning or under construction, completion date undetermined					
Source: Rio Nuevo, Johnson Consulting					

COVID-19 RECOVERY

A significant component of the 2022 Performance Audit Report was dedicated to analyzing Rio Nuevo and the TCC in light of the COVID-19 pandemic which, at the time, remained a significant factor impacting the events industry. As of this 2025 updated report, the impacts of the pandemic are essentially no longer relevant for the District. The TCC is not only achieving but exceeding pre-pandemic levels of demand, with attendance up 11 percent in FY 2025 relative to FY 2019.

Industry-wide, recovery has been uneven with some markets (e.g., Spokane) struggling to return to pre-pandemic levels while others (e.g., Boise) see strong performance. This unevenness can be attributed to a multitude of factors, including speed of “re-opening” and pandemic-related impacts on the convention district environment (such as increased homelessness or widespread retail vacancy). The TCC and Tucson’s rapid recovery, in the opinion of the Consulting Team, owes largely to the District’s continued successful investments in the downtown convention district as well as to the decision to invest in a \$70 million renovation of the TCC while the facility was still closed, allowing for an accelerated construction timeline and a strong re-entry into the market.

4. STRATEGIC RECOMMENDATIONS

OVERVIEW

In recent years, the Rio Nuevo has seen its investments in building upgrades to the TCC pay off in the form of increased event volume, attendance, and revenue. Also supporting this increased activity level are the continued improvements to Tucson's downtown spurred by the District's strategic investments. These improvements include a hotel inventory which has grown from 439 rooms in 2019 to 953 rooms today, with an additional 138-room hotel in the pipeline, as well as numerous new restaurants and retail options serving the convention district. Furthermore, the TCC's operations team, led by Legends (formerly known as ASM Global), has been highly effective in capitalizing on the improved facilities and support infrastructure to grow the TCC's presence in the regional and national market.

However, there remains significant room for the District and TCC to continue growing and improving, particularly given that Rio Nuevo has been extended through FY 2035. With that in mind, the Consulting Team has developed the following strategic recommendations which are intended to carry forward the positive momentum generated over the past several years. It is critical to note that the District does not have complete control over the recommendations related to the TCC complex, as it is managed by the COT and Legends.

TUCSON CONVENTION CENTER COMPLEX

ATTRACT MORE CITY-WIDE EVENTS

Major conventions and tradeshow, often referred to as "city-wide" events, tend to attract the largest numbers of out-of-town and overnight visitors. These visitors have a higher propensity to spend on hotels, dining, retail, and entertainment, and as such city-wide events typically create the most economic and fiscal impact for a community. Tucson's growing hotel supply and attractive downtown, as well as the improvements made to the TCC, have positioned the community well for hosting more of these events. However, TCC management indicates that city-wide events remain a very limited component of the demand calendar. This is corroborated by the TCC's operating data, which indicates that while Convention / Tradeshow events and attendance were at 10-year highs in FY 2025, average attendance per event was below pre-pandemic levels, indicating a preponderance of smaller, lower-impact events filling the calendar. Targeting more large, high-impact events would help drive additional impact and benefit for the

District and the Tucson community. Note that this recommendation is not within the District's control, as the TCC is managed by the COT and Legends. However, it is an important outcome of this Performance Audit's benchmarking analysis and thus has been included as context.

DEVELOP AN UPDATED MASTER PLAN FOR THE TCC (REPEATED)

As was recommended in the 2019 and 2022 editions of this Performance Audit, we believe the TCC would benefit from a comprehensive master plan to evaluate the degree to which the recent expansion and upgrades have been absorbed within the regional and national market, as well as to set goals for how best to advance the facility as the industry and market continues to shift. Additionally, such a plan could consider a more formalized expo center opportunity to better accommodate the gem show and other similar events, analyze the hotel market's supportiveness of the TCC's activities (including rate, room block availability, inventory quality, etc.), and include an assessment of the facility's future capital needs and a plan to address them. Periodic master plan updates are a standard industry practice, but the TCC has not seen a comprehensive master planning effort since the 2001 Rio Nuevo Master Plan, which was to guide the original iteration of the District.

We note this recommendation as industry experts and reiterate that it aligns with industry best practices; these types of planning efforts are crucial to understanding operational and physical performance and setting long-term goals, as well as to assessing capital needs and developing funding strategies to meet those needs. However, given the funding and ownership structure of the TCC, recognize the complexity of the District executing on this goal. The District does not manage the TCC, so any master planning effort would have to be in collaboration with the COT and Legends, though note that as the TCC's owner and funder the District would have a significant role to play in such an effort. The TCC is acknowledged in the District's 2024 Master Plan, but is only a minor component, reflecting the reality that Rio Nuevo has many ongoing initiatives and priorities.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

FORMALIZE CAPITAL PLANNING PROCESS (REPEAT)

As this report documents, Rio Nuevo's public-private capital projects have been successful in recent years, with \$41.9 million of District investment since the last performance audit leading to nearly \$304.4 million of private investment. To carry on this success, the District would benefit from formally documenting and codifying the criteria and procedures employed to determine whether to invest in a project and, if so, to what degree. District management's primary criterion for a project is whether it will generate incremental revenue, and the District utilizes an independent, third-party evaluator to determine whether any given project is in the best interest of the taxpayers. District management has indicated strategy beyond this imperative, including urban design considerations and investments in public infrastructure which does not directly create incremental sales tax revenue.

Documenting these criteria and procedures would have the benefit of reducing risk for Rio Nuevo such that it isn't reliant on institutional knowledge to successfully execute on projects. Doing so, and publicizing the documentation on the District's website, would also create greater transparency for the private market, giving proposers a better understanding of the project elements and criteria needed for a partnership to make sense for the District.

FINANCE DEPARTMENT STAFFING (REPEAT):

As the District is continuously growing in terms of its impact and footprint, management should monitor adequacy of staffing size and consider adding at least a part time accounting and/or finance staff during high demand in order to maintain the high level of reporting and transparency required of the District while also serving the requirements of the day-to-day operations. Per inquiry of District management, finance staff size is deemed sufficient throughout the performance period, a finding which is consistent with that of the Consulting Team. However, one of the District's long-time staff members will be moving on at the end of October, 2025 (just following the finalization of this performance audit), and District management has indicated that a staffer may be brought on in addition to her replacement in order to ensure continued high-level performance. The District has brought in a consulting firm to evaluate staffing needs following this staffer's resignation, and this firm will also be helping with the search for her replacement.

This recommendation aligns with the District's January 2024 – December 2035 Master Plan, Goal #12: Staff Objective – Increase Rio Nuevo Staff, which includes exploring the cost-benefit of restructuring to add a CEO role, considering consultants (e.g., an architect or contractor) for project site visits, and maintaining a project manager for the TCC. Adding finance staff would be a natural extension of this goal, supporting both operational capacity and long-term sustainability, and the merits of doing so should continue to be monitored.

DISTRICT BUDGET INFORMATION (REPEAT):

While the District is in compliance with the statutory requirements of A.R.S. §48-4232 in relation to annual budgets, we recommend the District develop more formal budget projections that extend beyond the upcoming fiscal year. Management should consider developing five-year budget projections; however, at a minimum should consider developing three-year budget projections. This will help in developing and achieving long-term strategic goals. Alternatively, rather than focusing solely on projecting future dollar amounts, the District could consider budgeting around how resources will be deployed for specific projects. This approach would provide a more practical framework for aligning financial planning with long-term strategic priorities and project execution.

5. APPENDIX – SUPPORT SCHEDULES

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
Capital Costs & Construction in Progress - Schedule A (Table 1)
As of June 30

	2022	Increases	Decreases	Transfers	2023	Increases	Decreases	Transfers	2024	Increases	Decreases	Transfers	2025
Construction in Progress													
Tucson Convention Center	\$ 6,392,858	\$ 4,091,301	\$ -	\$ (7,137,231)	\$ 3,346,928	\$ 32,078	\$ -	\$ (3,346,928)	\$ 32,078	\$ -	\$ -	\$ (32,078)	\$ -
Sosa Carrillo House	-	-	-	-	-	-	-	-	-	249,264	-	-	249,264
	6,392,858	4,091,301	-	(7,137,231)	3,346,928	32,078	-	(3,346,928)	32,078	249,264	-	(32,078)	249,264
Land	26,994,176	225,010	-	-	27,219,186	100,000	-	-	27,319,186	-	-	-	27,319,186
Land Improvements	932,562	-	-	-	932,562	-	-	-	932,562	-	-	-	932,562
Buildings	151,069,399	7,348,356	-	-	158,417,755	1,050,363	-	-	159,468,118	136,138	-	-	159,604,256
Equipment	1,910,340	-	-	-	1,910,340	4,606,673	-	-	6,517,013	-	-	-	6,517,013
Right-to-use-assets	-	708,339	-	-	708,339	-	-	-	708,339	-	-	-	708,339
	187,299,335	12,373,006	-	(7,137,231)	192,535,110	5,789,114	-	(3,346,928)	194,977,296	385,402	-	(32,078)	195,330,620
Less: Accumulated Depreciation	(34,523,513)	(7,745,138)	-	-	(42,268,651)	(8,068,787)	-	-	(50,337,438)	(8,423,756)	-	-	(58,761,194)
Total Capital Assets	\$ 152,775,822	\$ 4,627,868	\$ -	\$ (7,137,231)	\$ 150,266,459	\$ (2,279,673)	\$ -	\$ (3,346,928)	\$ 144,639,858	\$ (8,038,354)	\$ -	\$ (32,078)	\$ 136,569,426

Source - 2025 Rio Nuevo general ledger, fiscal year 2022-2024 audited financial statements.

Note - As of the date of this performance audit report, the fiscal year 2025 financial statement audit had not yet been issued.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
Status of Construction in Progress - Schedule A (Table 2)
As of June 30, 2025

Project	June 30, 2023	Additions	Capitalized FY 2023, 2024 & 2025	Sales of Property	June 30, 2025	Budget	Estimated Costs to Complete	Status	Notes
Tucson Convention Center Renovations	\$ 6,392,858	\$ 4,091,301	\$ (10,484,159)	\$ -	\$ -	\$ 65,824,983	\$ -	Complete	This project is complete.
Sosa Carrillo House	\$ -	\$ 249,264	\$ -	\$ -	\$ 249,264	\$ 2,280,000	\$ 2,030,736	In Progress	This project has started and is moving along slowly. Swaim & Associates came to the board a few months ago with a significant increase to the budget due to adobe structural issues. The pace is expected to pick up substantially.
Totals	\$ 6,392,858	\$ 4,340,565	\$ (10,484,159)	\$ -	\$ 249,264				

Source - Management, Rio Nuevo general ledger, fiscal year 2025 draft audited financial statements, fiscal year 2023 and 2024 audited financial statements.

Note - As of the date of this performance audit report, the fiscal year 2025 financial statement audit had not yet been issued.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
 Debt Service Payments - Schedule B (Table 1)
 For the Period from Inception to June 30, 2025

	Inception to June 30, 2022	FY23	FY24	FY25	Inception to June 30, 2025
Revenue Bonds Refunded, Series 2016					
Principal	\$ 69,185,000 *	\$ -	\$ -	\$ -	\$ 69,185,000
Interest	6,996,649 *	-	-	-	6,996,649
Revenue Bonds Refunded, Series 2017					
Principal	935,000	210,000	220,000	225,000	1,590,000
Interest	373,173	49,680	42,120	34,200	499,173
Revenue Bonds Refunded, Series 2019					
Principal	17,801,000	6,166,000	6,332,000	6,502,000	36,801,000
Interest	7,268,749	2,756,201	2,590,336	2,420,005	15,035,290
COPs, Series 2009:					
Principal	12,560,000 *	-	-	-	12,560,000
Interest	4,766,596 *	-	-	-	4,766,596
Construction Loan Payable					
Principal	381,070 *	-	-	-	381,070
Interest	295,630 *	-	-	-	295,630
Revenue Bonds, Series 2008:					
Principal	80,000,000 *	-	-	-	80,000,000
Interest	32,842,949 *	-	-	-	32,842,949
Note Payable, Bautista					
Principal	-	-	1,000,000	-	1,000,000
Interest	-	-	-	-	-
Note Payable, BP Post Developers					
Principal	-	-	500,000	-	500,000
Interest	-	-	39,413	-	39,413
Note Payable, Canyon Community Bank					
Principal	-	14,156	181,133	196,830	392,119
Interest	-	18,199	203,741	188,864	410,804
Total Principal Paid	180,862,070	6,390,156	8,233,133	6,923,830	202,409,189
Total Interest Paid	52,543,746	2,824,080	2,875,610	2,643,069	60,886,504
Total Debt Service Payments	\$ 233,405,816	\$ 9,214,236	\$ 11,108,743	\$ 9,566,899	\$ 263,295,693

Source - Rio Nuevo general ledger, fiscal year 2023 and 2024 audited financial statements.

Note - As of the date of this performance audit report, the fiscal year 2025 financial statement audit had not yet been issued.

* No debt service payments were made as debt obligations were paid off prior to the performance period.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
 Debt Service Schedule - Schedule B (Table 2)
 For the Fiscal Years ending June 30

Date	Series 2017		Series 2019-A-BBVA*		Series 2019-B-BOK		Busey Bank		Total	Fiscal Year Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
FY 2026	235,000	26,100	5,326,000	1,880,525	1,351,000	364,576	211,391	172,760	9,567,352	9,567,352
FY 2027	240,000	17,640	5,470,000	1,737,256	1,387,000	328,234	228,823	155,328	9,564,281	9,564,281
FY 2028	250,000	9,000	5,616,000	1,590,113	1,425,000	290,924	247,692	136,459	9,565,188	9,565,188
FY 2029	-	-	5,768,000	1,439,042	1,463,000	252,591	268,117	116,034	9,306,784	9,306,784
FY 2030	-	-	5,923,000	1,283,883	1,502,000	213,236	290,227	93,924	9,306,270	9,306,270
FY 2031-2035	-	-	41,805,000	3,942,114	6,425,000	437,824	1,020,069	130,122	53,760,129	53,760,129
	<u>\$ 725,000</u>	<u>\$ 52,740</u>	<u>\$ 69,908,000</u>	<u>\$ 11,872,933</u>	<u>\$ 13,553,000</u>	<u>\$ 1,887,385</u>	<u>\$ 2,266,319</u>	<u>\$ 804,627</u>	<u>\$ 101,070,004</u>	<u>\$ 101,070,004</u>

Sources - 1) Subordinate Lien Excise Tax Revenue Refunding Bonds, Series 2017, 2) Revenue and Refunding Loans, Series 2019A and 2019B, 3) Canyon Community Bank Promissory Note, 4) fiscal year 2023 and 2024 audited financial statements, and 5) draft fiscal year 2025 financial statements.

Note 1 - For purposes of financial reporting, debt service payments made within close proximity to year end are deemed to have been made in the recently ended fiscal year (e.g., debt service payments made July 1st through 15th of 2025 (FY 2026) are considered to be FY 2025 debt service costs).

Note 2 - As of the date of this performance audit report, the fiscal year 2025 financial statement audit had not yet been issued.

* PNC Bank acquired BBVA USA, completing the transaction in June 2021. The acquisition was followed by a conversion process in October 2021, which brought BBVA's customers and branches into the PNC network.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
Schedule of Operating Expenditures - Schedule C (Table 1)
For the Fiscal Years Ending June 30

	2023	2024	2025
Professional Services			
Legal	\$ 721,523	\$ 537,004	\$ 466,340
Audit & Accounting	109,100	37,000	41,355
Consulting & Engineering	227,950	261,760	270,631
Other Professional Services	539,483	994,864	1,228,815
Total Professional Services	<u>1,598,056</u>	<u>1,830,628</u>	<u>2,007,141</u>
Administration Expenses			
Payroll & Benefits	85,364	89,502	92,421
Insurance	83,557	84,278	79,894
Business Improvement District Tax	216,740	197,218	217,416
Grants and project support	5,616,404	5,372,580	6,281,588
Advertising & Marketing	964,194	1,134,855	1,273,105
Depreciation and amortization	7,745,138	8,068,787	8,423,756
Interest	3,713,943	3,744,210	3,517,543
Other	117,957	603,618	191,723
Total Administrative Expenses	<u>18,543,297</u>	<u>19,295,048</u>	<u>20,077,446</u>
Total Operating Expenses	<u>\$20,141,353</u>	<u>\$ 21,125,676</u>	<u>\$ 22,084,587</u>

Source - Fiscal year 2023 and 2024 audited financial statements, Rio Nuevo trial balance.

Note 1- Rio Nuevo general ledger is maintained on the accrual basis of accounting and as such, expenses are recorded when incurred not when cash is disbursed.

Note 2 - As of the date of this performance audit report, the fiscal year 2025 financial statement audit had not yet been issued.

Note 3 - Tucson Convention Center expenditures are not recorded in Rio Nuevo's general ledger, as the TCC is managed by an outside entity, ASM Global.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
 Schedule of Revenues - Schedule C (Table 2)
 For the Fiscal Years Ending June 30

	2023	2024	2025
TIF Revenue			
TCC Related			
SMG	\$ 647,324	\$ 660,445	\$ 765,219
Other	41,001,007	42,122,334	42,796,247
Less, baseline amounts	(24,351,942)	(24,351,942)	(24,351,942)
Total TIF Revenue	17,296,389	18,430,837	19,209,524
Rent			
TCC	1,103,333	1,103,333	1,103,333
Other	106,267	151,097	228,260
Total Rent	1,209,600	1,254,430	1,331,593
Other			
Tucson roadrunners surcharge	201,750	240,258	-
Miscellaneous	23,105	188,022	146,671
Total Other	224,855	428,280	146,671
Interest & investment income	756,690	1,060,671	944,110
Total District Revenues	<u>\$ 19,487,534</u>	<u>\$ 21,174,218</u>	<u>\$ 21,631,898</u>

Source - Fiscal year 2023 and 2024 audited financial statements, Rio Nuevo trial balance.

Note 1- Rio Nuevo general ledger is maintained on the accrual basis of accounting, and as such revenues are recorded when earned, not when cash is received.

Note 2 - As of the date of this performance audit report, the fiscal year 2025 financial statement audit had not yet been issued.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
Schedule of Municipal Payments (City Match) - Schedule D
Inception-to-Date as of June 30, 2025

	<u>As of</u> <u>June 30, 2023</u>	<u>Performance</u> <u>Period</u>	<u>As of</u> <u>June 30, 2025</u>
Multipurpose Facility Projects			
TCC Elevator and Escalator Repair/Replacement	\$ 3,561,753	\$ -	\$ 3,561,753
TCC Solar Panels	2,605,114	-	2,605,114
TCC Facility Improvements	2,013,560	-	2,013,560
TCC Arena Bleachers	1,054,097	-	1,054,097
TCC Roof Improvements	572,984	-	572,984
TCC Box Office	59,763	-	59,763
TCC Banquet Chairs	165,567	-	165,567
TCC Zamboni and Arena Door Modifications	141,944	-	141,944
TCC Security Cameras	100,000	-	100,000
TCC Kitchen Equipment	66,123	-	66,123
TCC Dance Floor Replacement	38,966	-	38,966
TCC Music Hall Elevator	215,051	-	215,051
TCC Music Hall Dimmer System	87,820	-	87,820
TCC Music Hall Curtain	49,230	-	49,230
TCC Music Hall Flyrail Project	32,951	-	32,951
TCC Music Hall Portable Bar Carts	18,134	-	18,134
TCC Arena Forklifts (2)	72,177	-	72,177
TCC Arena Ice Rink Compressor	46,338	-	46,338
TCC Arena Power Scrubber	24,800	-	24,800
TCC Storage Room	37,375	-	37,375
TCC Arena Turf Storage Racks	35,000	-	35,000
TCC Arena Metal Detectors	32,258	-	32,258
TCC Arena Point of Sale Terminals	18,975	-	18,975
TCC Arena Readyspace Extractor	12,639	-	12,639
TCC Club Car Golf Carts (2)	11,756	-	11,756
TCC Arena Model 6100 Sweeper	11,471	-	11,471
TCC Parking Lot Traffic Spikes	6,905	-	6,905
TCC Eckbo Plaza Lighting	26,075	-	26,075
	<u>\$ 11,118,826</u>	<u>\$ -</u>	<u>\$ 11,118,826</u>
Multipurpose Facility Site Projects			
Modern Streetcar	\$ 163,705,976	\$ -	\$ 163,705,976
Firestation 1 Relocation	36,604,349	-	36,604,349
City Hall Annex Parking Garage	12,018,038	-	12,018,038
Central Energy District Heating and Cooling Loop	9,122,482	-	9,122,482
Central Plant Expansion	8,813,001	-	8,813,001
Water Review Developer Financed Projects	9,218,372	-	9,218,372
Barraza-Aviation Parkway - Downtown	26,579,803	-	26,579,803
Plaza Centro Garage	6,580,359	-	6,580,359
Transit Headquarters Build Improvements	6,250,816	-	6,250,816
Downtown Intermodal	5,728,687	-	5,728,687
MLK Amenities	3,393,027	-	3,393,027
MacArthur Building Acquisition	2,394,350	-	2,394,350
Diamond Shake Bridge	2,374,825	-	2,374,825
Broadway: Euclid to Country Club	7,549,598	-	7,549,598
Court Structural Improvements	1,747,634	-	1,747,634
Broadway/Euclid/Camp	1,606,517	-	1,606,517
Fox Theatre Special	1,000,000	-	1,000,000

Continued on next page...

	As of June 30, 2023	Performance Period	As of June 30, 2025
Multipurpose Facility Site Projects			
Depot Tenant Improvements	976,498	-	976,498
E Paso and Southwestern Greenway	961,787	-	961,787
Mercado District Rentals - EL Portal	562,914	-	562,914
Rio Nuevo Housing Site	554,594	-	554,594
City Staff Time Spent on Capital Projects	511,772	-	511,772
Stone Ave Corridor Phase II	443,890	-	443,890
Broadway Turn Lane @E Con	384,550	-	384,550
City/State Parking Garage Improvements	329,022	-	329,022
City Hall Annex Communications	301,126	-	301,126
Pedestrian Impl Plan	288,647	-	288,647
Clean Renewable Energy Bonds Solar Panels	276,243	-	276,243
Police Headquarters Expansion	223,341	-	223,341
Broadway and 5th Parking Structure	140,803	-	140,803
Armory Park Pedestrian Enhancements	126,877	-	126,877
6th Street Improvements	121,216	-	121,216
Downtown Wayfinding Improvements	119,906	-	119,906
WWII Downtown Memorial	105,300	-	105,300
Stone Ave and Cushing st. Hawk	95,095	-	95,095
Main Library Parking Garage Improvements	83,747	-	83,747
Main Library Plaza	72,685	-	72,685
Congress Improvements	57,394	-	57,394
Rbnstadt Transit Center	49,186	-	49,186
Jacome Plaza Historical Marker	38,057	-	38,057
B2B Mayor - Rialto Marque	21,000	-	21,000
Building Main & Improvements	20,260	-	20,260
Depot Plaza	15,000	-	15,000
Council Chambers	12,936	-	12,936
Broadway/Alvernon Intersection	11,305	-	11,305
Country Club: Broadway to 22nd	9,928	-	9,928
Euclid Ave - Broadway to Grant D	8,123	-	8,123
Misc Street & Spot Improvements	5,013	-	5,013
Broadway-Tucson/Country Club	1,986	-	1,986
Data Center Storage/Server Infrastructure	1,903,447	-	1,903,447
Court Building Remodel	3,929,644	-	3,929,644
Police Headquarters Video Surveillance System	133,459	-	133,459
Historic Train Depot Roof Replacement	578,357	-	578,357
Public Works Building Remodel	628,575	-	628,575
Greyhound Transit Center	2,894,341	-	2,894,341
SunLink Maintenance Storage Facility	20,145,484	-	20,145,484
Reid Park Solar Charging Station for Golf Carts	128,458	-	128,458
Congress Landfill Remediation	6,526,405	-	6,526,405
	\$ 348,486,205	\$ -	\$ 348,486,205
Private Sector District Site Projects			
IE Congress St. Tenant Improvements	\$ 70,000	\$ -	\$ 70,000
IS Church Ave. Tenant Improvements	1,091,475	-	1,091,475
IW Broadway Tenant Improvements	330,373	-	330,373
IOE Broadway Facade Improvements	2,700,000	-	2,700,000
100 N. Stone Ave. Tenant Improvements	1,084,000	-	1,084,000
100 S Church Ave. Office	248,700	-	248,700
110 E Congress St. Restaurant	120,000	-	120,000
I 10 S Church Ave. Apartment Building	49,647,800	-	49,647,800

Continued on next page...

	As of June 30, 2023	Performance Period	As of June 30, 2025
Private Sector District Site Projects			
111 S Church Ave. 7 Story Housing & Garage	12,674,645	-	12,674,645
145 S 6th Ave. Salon	750,000	-	750,000
160 S Avenida Del Convento Apartment Building	20,908,673	-	20,908,673
166 W. Alameda St. Remodel/Auditorium	1,000,000	-	1,000,000
177 N. Church Ave. Office Renovation	625,000	-	625,000
178 E Broadway Tenant Improvements	216,000	-	216,000
181 W. Broadway Pharmacy	215,000	-	215,000
192 S Stone Ave. Office Building	9,821,131	-	9,821,131
1935 E Broadway Automotive Repair	324,648	-	324,648
2 E Congress St. Apartments	762,000	-	762,000
20 E Broadway Apartment Building	8,485,969	-	8,485,969
20 E Congress St. Tenant Improvements	433,000	-	433,000
20 S Stone Ave. New Apartment Building	19,870,883	-	19,870,883
231 S Avenida del Palo Fierro Duplex	335,429	-	335,429
235 S Church Ave. Renovation	1,800,000	-	1,800,000
266 E Congress St. Restaurant	212,000	-	212,000
267 S Avenida del Convento Entertainment Complex	1,699,635	-	1,699,635
278 E Congress St. TI's & Playground Remodel	900,000	-	900,000
2936 E Broadway Restaurant Tenant Improvements	300,000	-	300,000
3699 E Broadway Retail Renovation	1,100,000	-	1,100,000
37 E Pennington Charter School	381,000	-	381,000
40 E Congress St. New Shell & Improvements	12,165,160	-	12,165,160
415 N. 6th Ave. Office	2,800,000	-	2,800,000
450 W. Paseo Redondo Tenant Improvements	350,000	-	350,000
4575 E Broadway Hospital Improvements	4,445,300	-	4,445,300
4722 E Broadway Shell/Gym Improvements	1,317,500	-	1,317,500
5049 E Broadway Tenant Improvements	281,000	-	281,000
5151 E Broadway Office Renovations	1,442,000	-	1,442,000
5255 E Williams Office Tenant Improvements	450,000	-	450,000
5420 E Broadway Bakery Tenant Improvements	231,000	-	231,000
5460 E Broadway Salon Tenant Improvements	350,000	-	350,000
5470 E Broadway Office Tenant Improvements	329,625	-	329,625
55 N. Park Ave. New Apt. Building	53,450,130	-	53,450,130
5721 E Broadway Restaurant	399,270	-	399,270
5870 E Broadway Retail/Theatre Tenant Improvements	4,460,000	-	4,460,000
5950 E Broadway Retail Tenant Improvements	2,203,713	-	2,203,713
63 E Congress St. Arcade & Bar	245,000	-	245,000
855 W. Congress St. Apt. Building	12,293,637	-	12,293,637
875 W. Cushing St. Caterpillar HQ	34,704,787	-	34,704,787
88 E Broadway Restaurant Tenant Improvements	425,685	-	425,685
999 E Broadway Pool	420,880	-	420,880
	<u>\$ 270,872,048</u>	<u>\$ -</u>	<u>\$ 270,872,048</u>
Projects Partly In Site, In District			
Barraza/Aviation Phase 1	\$ 44,166,915	\$ -	\$ 44,166,915
Arroyo Chico Drainage Improv	6,945,273	-	6,945,273
	<u>\$ 51,112,188</u>	<u>\$ -</u>	<u>\$ 51,112,188</u>
Total	<u><u>\$ 681,589,267</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 681,589,267</u></u>

Source - City of Tucson, Finance & Planning & Development Departments

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
 Schedule of Tucson Convention Center Component Revenues - Schedule E (Table 1)
 For the Fiscal Years Ending June 30, 2025

	<u>2025</u>
Direct Event Income	
Rental Income	\$ 2,513,264
Service Revenue, net	<u>(1,329,132)</u>
Total Direct Event Income	1,184,132
Ancillary Income	
F & B Concessions	1,796,480
F & B Catering	1,680,380
Novelty Sales	66,908
Parking	1,279,059
Electrical Services	106,219
Audio Visual	102,625
Internet Services	55,723
Equipment Rental	<u>229,090</u>
Total Ancillary Income	5,316,484
Other Event Income	
Ticket Rebates	1,032,468
Facility Fees	335,755
Facility Fees-Restricted Fund	<u>189,562</u>
Total Other Event Income	<u>1,557,785</u>
Other Operating Income	<u>194,969</u>
Total TCC Component Revenues	<u><u>\$ 8,253,370</u></u>

Source - ASM Global Tucson Convention Center Income Statement.

Note 1- ASM Global general ledger is maintained on the accrual basis of accounting and as such, revenues and expenses are recorded when earned or incurred, not when cash is disbursed.

Note 2- Rio Nuevo utilizes a third-party management company, ASM Global, to operate the Tucson Convention Center.

RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT
 TCC Operations and Maintenance Costs - Schedule E (Table 2)
 For the Fiscal Years Ending June 30, 2025

	<u>2025</u>
Net Salaries and Benefits	\$ 4,113,947
Contracted Services	308,107
General and Administrative	579,760
Operating	608,488
Repairs & Maintenance	759,756
Operational Supplies	50,089
Insurance	454,859
Utilities	2,121,446
SMG Management Fees	<u>481,479</u>
Total Operations and Maintenance Costs	<u>\$ 9,477,931</u>

Source - ASM Global Tucson Convention Center Income Statement.

Note 1- ASM Global general ledger is maintained on the accrual basis of accounting and as such, expenses are recorded when incurred not when cash

Note 2- Rio Nuevo utilizes a third-party management company, ASM Global, to operate the Tucson Convention Center.