

MINUTES OF THE STUDY SESSION OF THE SHOW LOW CITY COUNCIL HELD ON TUESDAY, SEPTEMBER 29, 2020 AT 6:00 P.M. IN THE CITY COUNCIL CHAMBERS, 181 NORTH 9TH STREET, SHOW LOW, NAVAJO COUNTY, ARIZONA

1. Call to Order.

Mayor Seymore called the meeting to order at 6:00 p.m.

2. Roll Call.

COUNCIL MEMBERS PRESENT: Mayor Daryl Seymore, Vice Mayor Mike Allsop and Council members Brandt Clark, Brent Hatch, John Leech, Jr., Connie Kakavas, and Gene Kelley.

COUNCIL MEMBERS ABSENT: None.

STAFF PRESENT: Ed Muder, City Manager; F. Morgan Brown, City Attorney; Justin Johnson, Administrative Services Director; Steve North, Business Development Coordinator; and Tamra Reidhead, City Clerk.

GUESTS: Evan Eleff, Chief Operating Officer for Sports Facilities Advisory and Sports Facilities Management; Councilman-elect Jon Adams; Councilwoman-elect Dawn Wilson; Mike Stefaniak; Doug Roberts; Curt Fernau; Bruce Ironside; and others.

3. Discussion of Final Report from Sports Facilities Advisory.

Mr. North introduced Evan Eleff, Chief Operating Officer for Sports Facilities Advisory and Sports Facilities Management, who was here to present the findings from the phase 2 feasibility study regarding a sports and event center in Show Low.

Mr. Eleff gave an overview of his companies. Sports Facilities Advisory (SFA) and Sports Facilities Management (SFM) were separate entities and had recently been rebranded. SFA was the company that produced these feasibility studies for the City. They specialized in working with communities and potential owners to develop a plan to be the very best investment for a community. SFA handled about 130 different projects each year on the planning side, meaning feasibility studies. Only 20% came back with a positive feasibility. About 30% of time, SFA found no way to make the definitions of success and reality of this market and the industry match up. The other 50% was the best and most unique work with a positive feasibility after identifying additional opportunities in the market that had not been previously discussed and identifying how to make the very best, most feasible, lowest risk project. They had gone through this process in over 2,000 communities. They also did a lot of work on actual development. Their newest company, Sports Facilities Development, they did design consultation and owners representative services to build the right building and execute operations.

They managed facilities in 20 different states and provided management services in dozens more. The SFM side of their company took on operations and support operations and created strategies and implemented plans to make sure facilities were meeting goals and expectations to have the very best return on investment for the communities or ownership groups.

Mr. Eleff said the facilities they managed in 20 different states, some were indoor-only facilities, some outdoor facilities, and others were indoor/outdoor facilities. They specialized in both local recreation and sports tourism to bring new visitors into communities. Across all three companies, the mission was the same to dramatically improve the health and vitality of the communities they served.

Mr. Eleff said the process they used was called “concept to concrete.” Each of their companies performed a specific role to create a plan that could be achieved. They used an eight-step process. Phase 1 was the early concept development. Next was phase 2, feasibility and forecasting for operations, which had now been completed for Show Low. The future phases would be focused on developing the best possible facility.

Mr. Eleff said tonight he would provide a high-level overview of the phase 2 report, including market, demand, and competition. He would review the structure of the Pro Forma; share the most important numbers regarding facility size, opinion of cost, financial performance, and economic impact; identify key assumptions and insights; and answer questions.

Mr. Eleff said in the market overview, they looked at 68 factors, six of which were drive-time to the site, population, median age, median household income, growth projections for next five years, and spending on recreation/lessons. They found that spending on recreation/lessons was less than the national average. Areas in the U.S. that had popular skiing areas saw a higher than average spending rate. Show Low’s average spending on recreation/lessons was higher than what they saw in most non-ski markets or areas heavily populated with skiing access. However, Show Low also had a lower than average household income and lower than average spending on lessons. Because of the lack of facilities here, there were not a lot of options to learn to play a sport or recreate.

Mr. Eleff said the total population within four hours of Show Low was 6,359,708. People who lived in the southwest were used to driving a little further to use these types of sports facilities. He reviewed the numbers of potential local, sub-regional, and regional participants by sport, including basketball, volleyball, pickleball, gymnastics, cheerleading, futsal, and wrestling.

Not all potential participants played the same sport. Core participation numbers did not include people who only played a sport once or twice. Core participation

rates were used to see who was playing enough that they would actually participate in an activity.

Mr. Eleff reviewed a list of sample of facilities (courts/gyms) that were available to be used within 54 minutes of drive time. The key sports assets in this area were courts, mostly at high schools and junior high schools. There were not a lot of assets to participate and not a lot of programs. In addition, school gymnasiums were not always reliable for use with different programs because the schools used them for their own programs/sports quite often.

Mr. Eleff reviewed a sample list of regional facilities within approximately three- or four-hours' drive time, some that had up to seven volleyball or basketball courts. These were locations that actually had tournament capacity. Also included on the list were convention centers in Phoenix and Tucson. This list was an example of the size of the competition across the four-hour drive time.

Mr. Eleff provided an overview of the type of facility for Show Low, which would be 111,000 square feet with six basketball/volleyball courts, would provide a 3,600 square-foot family entertainment center, flex/support spaces, 15,000 square feet of leased space for sports performance and medical, elevated track/mezzanine, and 445 parking spaces. This type of facility would require eight acres of land. They used the right-sized facility to create a blend for residents who would have access on a Tuesday while blending that with the opportunity to use the facility for tournaments, which were primarily weekend-based. An additional opportunity to generate revenue would be with the 3,600 square-foot family entertainment center, which would include a climbing wall and a video game type space (eSports). This part of the facility would be mostly for local residents' use and would be a safe space and controlled environment with supervision and positive role models. The speed at which family entertainment was evolving could be different 12 months from now because of how quickly it was evolving. Also, leased space was important. There would be 15,000 square feet of leased space for sports performance and medical partner space. The medical space would be very beneficial for facility operations. The facility would need to have 445 parking spaces on weekends when tournament play was taking place. The eight-acre parcel for this facility would allow for the required setbacks and green space.

Mr. Eleff said SFA's opinion of the cost of the facility was \$27,293,647, including \$1,000,000 for land; \$15,202,044 for hard costs (building); \$2,167,812 for field and sports equipment; \$4,000,058 for furniture, fixtures, and equipment; \$2,343,509 for construction soft costs (design and build costs including financing); \$2,580,224 for operations soft costs. Based on conversations with City staff, they preloaded the management fees into the soft cost of operations. SFA knew the facility was something the City would love to have, but to be successful, experienced management would be needed since the community was not experienced in delivering a tournament-class facility. They also looked

at minimizing the ongoing operational costs. Some clients choose to defer the management fees. Some put that expense into operations, which created a big expense line. Others chose to prefund and put funds into a separate holding account and draw from it over time, which would increase the amount needed on the front end but decreases it on an annual basis. Events would be pre-sold and the first year would be very busy.

Discussion continued with financial performance. Mr. Eleff reviewed a breakdown of revenue from year one to year five. The Pro Forma had a business unit level profit and loss, which showed the detail of how to go from \$72,000 revenue in year one from rental basketball tournaments to \$118,944 in year five. Looking at all business units, revenue would go from \$1.25 million in the first year growing to \$1.6 million by year five. They considered year five to be maturity, which was the time at which the facility use would stop growing.

Discussion turned to COGS (cost of goods sold) and gross margin. Mr. Eleff showed an example of what it would take to service the revenue in a very real way from year one to year five. Taking the revenue and subtracting the COGS would provide the gross margin, which would increase from \$896,000 in the first year to \$1.158 million in year five. This was representative of how their Pro Forma was intended to be a guideline and operating bible for how to operate a facility.

Discussion continued with overhead expenses and EBITDA (earnings before interest, taxes, depreciation, and amortization), which was the cost of operating the building itself including utilities and maintenance. Mr. Eleff said operating expenses were the cost of running the business. Management payroll included full-time staff members to execute the business plan. Payroll taxes and benefits were fringe costs for payroll. Total overhead expenses in the first year would be about \$940,000 and up to about \$1.07 million in year five. With a small operational subsidy in years one and two, EBITDA in year five would total about \$86,000.

Regarding economic impact, Mr. Eleff explained the direct spending by non-locals who came to Show Low to participate in tournaments or events. The per person spending for sports tournaments and events would be about \$112.26 and for group events and rentals, about \$148.50. The number of events planned per year would go from 27 in year one to 34 in year five. Basketball and volleyball would be the two main types of tournaments, but there could be others such as gymnastics, cheer, dance, Tae Kwon Do, etc. The facility could also be used to host group events such as trade shows, meeting space, and other non-sport events.

Mr. Eleff referred to direct spending and the economic impact it would provide. Using the amount spent per person per day multiplied by the number of days that person was in the market, the total would be the amount of economic impact.

Economic impact in year one with 27 events was projected to be \$5.01 million and year five with 34 events was projected to be \$6.9 million.

Mr. Eleff reviewed a chart showing seasonality, which included peak season, shoulder season, and off-season for different types of sports and group events. Basketball and volleyball were the best opportunities for driving events and tourism. They were careful how they projected events in January through July versus secondary opportunities. The off-season was not the primary travel season, with August to October being among the lighter months. The rest of the year there were multiple options for events that people would drive for in the peak season. When managing the facility, every year they would respond to what was happening in the industry to maximize the impact.

Discussion turned to drivers and challenges to success. Mr. Eleff said drivers to success included:

Facility

- Unlike other parts of the country, a six-court facility was competitive for sports tourism events in the region. Ten years from now, he was not sure if a six-court facility would be competitive. There would be larger facilities that Show Low would be competing against, but it would be a long time until six courts was considered undersized.

Councilman Leech said he felt the competition would be different in the Valley versus here on the Mountain. Mr. Eleff said Albuquerque was four hours away and Phoenix was three hours, but Show Low was right in the middle of these two. The biggest population base was in Phoenix, and there were more facilities in Phoenix, meaning many would stay in Phoenix rather than travel. This spoke to the importance of building this as an experience driver.

Impact Per Event

- Because of the population density in the service area, fewer events could drive greater economic impact than in other parts of the country. Considering how much a 48-team tournament would impact, the impact would be large. So there would be far fewer tournaments here, but they would have a much higher percent of local participation.

Tournaments/Events

- Events rights holders would need to be incentivized to host tournaments in Show Low given its geographic positioning compared to other markets, i.e. rooms for referees, hospitality, etc. This was built into the model because they understood how it operated.

Partnerships

- The facility would need to formalize partnerships with tenants to prove and improve performance of the model. The City could partner with schools in the case of needing more courts.

Community Benefits

- The facility would serve as a hub for sports, recreation, wellness, entertainment, and events that were currently lacking in the market. This translated into real community impact. There were no sports, recreation, wellness, training, or entertainment-based facilities in this community like this. Having one would be a significant benefit as an economic impact driver but also economic development driver.

Mr. Eleff said the challenges to success included:

Local Programming/Revenue

- There was limited opportunity to generate revenue during non-tournament weekends and weekdays due to the demographics and socio-economics in a community of 44,000 people within a 30-minute drive. Also, there was not a lot of expendable income and Show Low was an older-than-average community. Reflected in this model was revenue generation. A facility like this would generate the average per square foot. Driven by the fact that there were a lot of weekdays throughout the year, six courts wouldn't be needed on any given Tuesday.

Accessibility

- While a primary driver of this project was to create visitor spending during the off-peak season, weather and access could threaten events. If there were consistent access issues, it could create a barrier to booking future events. Weather and the drive could be a threat. When teams registered and then couldn't travel, the event was usually rescheduled, especially during challenging winter months.

Hotel Inventory

- While most of the events could be supported by the hotels in the Show Low area, Show Low itself did not have the number of hotel rooms required to keep spending from "leaking" outside of City limits.

Competition

- The Phoenix Metropolitan Area had a high number of current and potential future developments that would compete with this facility. Since Phoenix Metro was almost five times larger than Albuquerque Metro, that could create a reduced value proposition based on location. Sports tourism was a booming industry and was the only industry that didn't decline in a single quarter of the great recession. Some facilities shut down in early May this year because of COVID-19, but some had opened back up. People were itching to get back to sports and recreation. Since facilities reopened, there had been a total of 18

cases. The facilities had been very proactive in scheduling, monitoring people, changing the way traffic flowed inside the facilities, observing maximum capacity limits, and practicing social distancing. These factors pointed to the fact that this was a desirable industry. Many communities were looking at investing in sports tourism.

Mr. Eleff said only 8% to 12% of those who talked about building a facility actually moved forward. There were many facilities in the southwest and Pacific northwest, but a facility here could combat that by having a really good experience driver and by building and operating a facility that didn't feel like just another place to play basketball or cheer, etc.

Mayor Seymore said many people still had a lot of questions about building this type of facility in Show Low. There would need to be further discussion regarding partnerships, the overall facility concept, possible bonds, etc. He asked if the Council had any questions for Mr. Eleff.

Councilman Clark said he had been appointed to serve on the committee to work with SFA prior to being appointed to the City Council. He had attended all committee meetings, neighborhood meetings, and participated in conference calls and discussions with SFA. Some of his questions had been answered by being involved with the committee.

Councilman Hatch said many Olympic athletes chose Albuquerque for a high-altitude training center. He wondered if a facility in Show Low could attract track and field athletes looking for places for high-altitude training. Mr. Eleff said SFA's definition of success would include having a facility that was able to serve as many as possible in this community and have good participation rates because the facility was flexible. It could host 19 different sports. Track and field athletes would require a much more limited facility in terms of its diversity of use. There were very few truly national caliber indoor track facilities that were not collegiate level. Most of them were in very large metropolitan areas. There was no doubt that having a high altitude training location was valuable to elite level athletes, but that was a very small percentage of athletes.

Councilwoman Kakavas said she was surprised there was so much "off season" shown on his chart during the summer months. She asked the basis for choosing peak seasons for specific sports here versus in the Valley. Mr. Eleff said they looked at peak seasons on a national basis. Most who traveled for sports were working toward championships and had a specific season. Their travel season was pretty well set. Sports tourism was predicated on kids participating in sports and wasn't necessarily good for kids who specialized in just a single sport each year. Seasonality was based on when tournaments happened, but that didn't mean they couldn't be drawn in during the off season.

Mayor Seymore asked about the cost of incentivizing some of the activities. Mr. Eleff said the rental rate for a two-day basketball tournament was \$400 per court per day, which was fair market value and in line with national averages. It wasn't the discounted rate after incentives. Incentives were considered operating expenses.

Mayor Seymore asked if the estimated operating costs were purely hard costs with no financing costs. Mr. Eleff said yes, the debt service would be separate. The City should not expect this facility to meaningfully contribute to retiring debt service. Mayor Seymore said it should eventually break even and not cost anything to have ongoing activities.

Mr. Eleff added that capital improvement was not included as a cost. That was typically structured into the general fund. This facility had a useful life of 40 years or more. Most organizations didn't begin contributing to capital improvements until year six. Major repairs might happen about year ten. EBITDA did not include debt service or capital replacement.

Councilman Kelley said he was looking for comparisons when he previously spoke to Mr. Eleff by telephone and was told there were none. He asked about expanding the range to find comparisons to show data other than computer adjusted. He also asked if there were cities with a population of 30,000 and/or larger cities of 500,000 within two-hours' drive time that were able to run such a facility successfully. Mr. Eleff said yes, there were plenty of facilities that existed like that. He clarified that the two-hour drive time was not something that made a big difference in this industry. Four hours was standard drive time for tournaments.

Councilman Kelley asked how many local youth would participate in the tournaments and if the family entertainment center could be rented by families or groups. Mr. Eleff said the family entertainment center was paid for on a per play basis, not per group. The \$10 fee would pay for the person to climb, play games, etc., but far more users would use the space for tournaments.

Mr. Eleff said an example was the facility in Hoover, Alabama. Local businesses and organizations had raised money to put into a scholarship fund to allow those who qualified as well as the local parks and recreation department to use the facility.

Mr. Eleff said tonight's discussion was a forecast, not the final operational requirements but discussions should include talking about serving as many in the community as possible.

Councilman Kelley said there were line items that referred to rentals and asked if someone could rent a court and have kids play on it for an hour or two. Mr. Eleff said what was built into the numbers was \$30 for an hour for basketball and

volleyball courts. They projected a total of 65 rental hours in January and February, so 65 rental hours over eight weeks came to about eight hours per week that would be rented at that rate.

Mr. Eleff said for individuals who came into the facility, there would be open play for the community for recreational purposes. No organized practices could be held during open play, but there was a ton of inventory of time and space that did not have to generate revenue in order to be used as a community asset.

Councilman Kelley asked how many full-time staff a payroll of \$300,000 represented. Mr. Eleff said the actual organization would have five full-time people and several full-time equivalents working part time. Total payroll in year five would be \$690,000, which would include the five full-time staff and 14.5 full-time equivalents. They would pay the full-time staff the amount needed to get the right people in the positions and there would be jobs created within the community as well.

Mayor Seymore said those who wanted to move to the area always asked what was here for their kids to do. This facility would offer the ability for more kids to participate in sports with club ball teams that would start to form. Right now there was no facility where they could play. Having competitive club ball would help kids become better players with more opportunities to participate.

Mr. Eleff said even if there were a competitive program here currently, those kids would be severely limited in terms of their ability to play competitively because every time they wanted to play, they would have to travel four hours away. By bringing tournaments here, those kids are playing literally in their own back yard and being given opportunities to play on teams. It would dramatically reduce the cost of participation for kids who lived here. They could play travel ball without traveling.

Councilman Clark said the City hindered itself by not having a place for the youth to play. Travel play can be costly for families.

Vice Mayor Allsop said he felt SFA would be a great firm to work with if the City chose to build a facility. He added that the Memorial Day softball tournament was postponed until Labor Day because of COVID-19. After the tournament, many of the players said they would prefer the tournament to be held on Labor Day each year instead of Memorial Day because they liked coming to Show Low at that time of year. He felt the numbers in the report were something the City could work with, but also the City could make changes to the facility during design discussions. The facility would be a good place for conferences for the county or hospital, etc. because there was no place in Show Low at the present time to hold events like that. The information provided in the report by SFA was helpful to the City in making a decision whether to move forward.

Councilwoman Kakavas agreed with need to expand opportunities for local children, but the City also needed to consider and learn how to manage the costs to the citizens overall. She asked if any private partners had been identified to assist with the cost of a facility. Mr. Eleff said in their concept to concrete idea, the very next step was partnership development. The City should definitely not undertake such a project alone. Partnership development was a process that could not be skipped, which could leave money on the table and hamstringing the City for future performance and community impact. He strongly recommended that the next conversation should not be whether the City would fund this or not. It should be about who could be brought on board to help fund this before looking to pass a \$27 million City-only funding mechanism.

Councilwoman Kakavas said all youth wouldn't be able to play on a team and asked if there were any numbers built in showing the cost to provide to those children that would not be providing revenue to the facility. Mr. Eleff said no, they didn't have a revenue line and offsetting scholarship line. There would have to be a balance because the facility would not be able to "give away" all the inventory. There were real staffing costs, etc. associated with serving every person who walked in. Operating the facility would need to maximize the opportunity to serve without sacrificing the margin. A sports complex might need to have meeting space, but it would not drive a lot of revenue. SFA was a company who did feasibility studies but was also a company that actually executed these types of facilities. They tried to provide the best information on which to base a decision.

Councilwoman Kakavas asked where the flex space or lease space would be located in the facility. Mr. Eleff said a portion of the court area would serve as meeting/lease space. The tenant space was typically closed off for specific purposes. If a hospital ended up with \$5,000 square feet of rental space, it would be used for treatment purposes. An event such as a gala would be in the main facility.

Mayor Seymore asked how large of a meeting this facility could accommodate. Mr. Eleff said at 15 to 20 square feet per person, it could hold somewhere around 3,000 people, which would be many more than what could be seated for a gala or banquet.

Councilman Kelley said if operated properly, this facility could break even on actual costs and would be zero out of pocket costs. The facility itself would cost about \$27 million. He didn't anticipate ever having the annual revenue to make a debt service payment on \$27 million, so the City would be on its own to make the payments. Mr. Eleff said the private sector never built this type of facility. Sports tourism was a publicly driven asset. The question was whether the benefits, economic development opportunities, and tax revenue benefits were enough for the City to justify figuring out a path to its portion of \$27 million. This facility should not be expected to make a meaningful payment to debt service.

Councilman Clark asked if Mr. Eleff anticipated that the City's parks and recreation staff could provide recreational basketball league to the community. Mr. Eleff said yes, that was a conversation that would revolve around maximizing service and managing the facility.

Councilman Clark asked if SFM managed on sports leagues. Mr. Eleff said yes, SFM would also work with the parks and recreation department. The City could choose to run its recreation programs through the facility instead of having parks and recreation staff run them.

Councilman Leech asked when the building design phase would begin. He couldn't picture putting 500 people in the middle of the basketball courts for a meeting. He would like to see more of the building itself to see if that would even be feasible. Mr. Eleff said the next three steps would take place pretty much simultaneously, and that included work on the design.

Councilman Leech didn't know how partners could be enticed if they couldn't see what the facility would look like. Mr. Eleff said partnership development would include a block diagram with a floor plan and then later would progress into construction documents. He recommended that that process be initiated if the City was moving toward partnership development.

Councilwoman-elect Wilson asked if the family entertainment center was figured into the costs. Mr. Eleff said yes, they were included in the construction costs.

Councilwoman-elect Wilson asked when the construction costs were estimated and if they were projected since COVID-19 hit, which caused costs to increase. Mr. Eleff said construction costs on a national level during COVID-19 had decreased because construction slowed down. Their average facility (warm shell) was between \$100 and \$120 per square foot. This one was estimated at \$110 per square foot.

Councilwoman-elect Wilson asked how many of SFA's facilities didn't perform as projected. Mr. Eleff said one out of 100 had closed because of poor performance. It had been planned in 2009 when the recession wasn't fully understood and opened in 2011. SFM didn't manage the facility but did help train the owner/operator. SFA representatives spoke to him every year or two to learn about his experience in order to more fully understand what SFA could and could not do. One facility in the company's history was built with SFA's assumption and expectation that it could not perform and it did not.

Councilwoman-elect Wilson asked about the soft operating costs. Mr. Eleff said those were start-up costs of operations and included just one year's worth. The soft operating cost also included a budget for a grand opening party. The operation cost for pre-opening and post-opening was \$1.385 million.

Councilwoman-elect Wilson asked how many days a week the facility would be opened. Mr. Eleff said it would depend on the season, such as when kids were in school, the facility might not open until 4:00 p.m. Other times of the year it might open at 8:00 a.m. depending on the number of events and programs that were being run. Opening times and days were not necessarily determined on a per day basis, but the secret was in the management structure.

Councilman Clark asked Bruce Ironside, who had served on the committee, for his input and insights on the project.

Mr. Ironside said he enjoyed serving on the committee and was excited about the economic viability of project. There were not a lot of activities for families to do in Show Low and also not a lot of revenue to support those things. From perspective as a developer of Show Low Bluff, he thought there needed to be about 50 homes per year being built for this type of facility to be successful. On the development side, he had begun to see some real momentum. He thought COVID-19 had helped put Show Low on the map, specifically from having young adults that could work remotely and live in this community. Most were looking for something more than what Show Low currently had to offer. He agreed that the City couldn't count on the revenue this facility would bring in to support the facility.

Councilwoman Kakavas asked Mr. Ironside how he would explain the need for such a facility to someone who was 70 years or older and was ultra conservative to buy into this concept. Mr. Ironside said he wouldn't want to talk someone into something that didn't make sense. Everyone wanted to live in a community that had things to offer. He owned an RV park with 100+ residents, and every day most of them left the park to go out to eat somewhere in town. Most had mentioned that they wished there were more dining choices. These people were 55 or older and very active. They were excited to be part of Show Low. A lot of kids who had just finished college or high school were trying to figure out a way to live here, but it's not easy. There were some who could figure it out, but they also knew that there was not much to do here. He felt that those he interacted with would support such a facility.

Mayor Seymore said it might be worth considering a bed tax to help offset some of the costs. There were things to consider moving forward if this was something the Council and citizens wanted. He felt the City had the responsibility to offer its citizens the most wholesome recreation possible. One reason people came to the White Mountains was because they could do things here that they couldn't do elsewhere.

Mayor Seymore asked staff what they believed the next steps were. Mr. Muder said the committee needed to meet again to review the final report. He agreed

with Mr. Eleff that the City needed to look for partners, grant availability, and other options to present to the Council to see what the next steps should be.

Mayor Seymore asked Mr. Eleff what his recommendation was for Show Low. Mr. Eleff said there were so many factors that he couldn't know for sure. Mayor Seymore asked Mr. Eleff for his recommendation from his personal experience. Mr. Eleff said if the structure that was outlined for this facility was built, and if the City and its partners realized that spending the money would result in a break-even operating model, and if they felt that the up-front costs and ongoing debt service was justified by having a facility that could support itself and bring \$6 million to \$7 million in additional spending, then yes this was a conservative and attainable forecast for a successful project.

Councilman Leech asked what Mr. Muder meant when he mentioned looking for partners for this project. Mr. Muder said what he meant was that this would be a \$27 million facility, for which the City could not afford to pay. The City needed to see what grants were available and what partners could be brought in. Step two of the process had just been completed and all eight steps needed to be addressed.

Mr. Eleff said there were certainly some options by moving forward with some partners and then moving forward with some level of design. There was a bridge they could provide, which was to provide images and a comparable facility layout. It would help to create a picture. If partners were brought on and formalized, there wouldn't need to be a finalized design to move forward. They could help bridge the gap to partnership development while the City was starting to engage potential partners.

4. Adjournment.

There being no further discussion, **MAYOR SEYMORE ADJOURNED THE STUDY SESSION OF THE SHOW LOW CITY COUNCIL OF SEPTEMBER 29, 2020 AT 7:53 P.M.**

ATTEST:

APPROVED:

Tamra Reidhead, City Clerk

Daryl Seymore, Mayor

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the **STUDY SESSION** of the City Council of Show Low held on September 29, 2020. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this _____ day of _____, 20____.

(SEAL)

Tamra Reidhead, City Clerk