

**SPECIAL MEETING OF THE  
FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT  
AND REVITALIZATION DISTRICT**

**Tuesday, June 11, 2019 – 10:00 AM  
Council Conference Room  
Flagstaff City Hall – 211 West Aspen, Flagstaff, Arizona**

**A G E N D A**

**AMENDED**

**NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION**

*Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the FDBIRD Board of Directors and to the general public that, at this meeting, the Board may vote to go into executive session, which will not be open to the public, for legal advice and discussion with the District's attorney on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A) (3).*

1. Call to Order
2. Roll Call
3. Approval of Minutes of the Board Meeting of May 28, 2019.
4. **Public Hearing for 2019-2020 Final Budget and Property Tax Levy of Flagstaff Downtown Business Improvement and Revitalization District.**
5. Consideration of Resolution No. 2019-06: A resolution of the District Board of the Flagstaff Downtown Business Improvement and Revitalization District of Flagstaff Adopting the budget for fiscal year 2019-2020
6. Consideration and Action: Amendment Two to Hinton Burdick Agreement
7. Discussion and Direction: Draft Amendment Two to FDBIRD/FDBA Agreement
8. FDBA Director Report
9. PUBLIC PARTICIPATION  
  
*Public Participation enables the public to address the Board about an item that is not on the agenda. Comments relating to items that are on the agenda will be taken at the time that the item is discussed.*
10. Adjournment

CERTIFICATE OF POSTING OF NOTICE

The undersigned hereby certifies that a copy of the foregoing notice was duly posted at Flagstaff City Hall on \_\_\_\_\_, at \_\_\_\_\_ a.m./p.m. in accordance with the statement filed by the Board with the District Clerk.

\_\_\_\_\_ Stacy Saltzburg, MMC, District Clerk

**REGULAR MEETING OF THE  
FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT  
AND REVITALIZATION DISTRICT**

**Tuesday, May 28, 2019 – 10:00 AM  
Council Offices - Second Floor  
Flagstaff City Hall – 211 West Aspen, Flagstaff, Arizona**

**MINUTES**

**NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION**

*Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the FDBIRD Board of Directors and to the general public that, at this meeting, the Board may vote to go into executive session, which will not be open to the public, for legal advice and discussion with the District's attorney on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A) (3).*

1. Call to Order

Chairman Stilley called the Regular Meeting of May 28, 2019 to order at 10:03 a.m.

2. Roll Call

**MEMBERS PRESENT:**

Chairman David Stilley  
Vice Chairwoman Karen Kinne-Herman  
Member Steve Chatinsky  
Member Jerry McLaughlin  
Member John VanLandingham

**MEMBERS ABSENT:**

Others present: District Attorney Dana Kjellgren; District Treasurer Brandi Suda; District Clerk Stacy Saltzburg; FDBA Director Terry Madeksza

3. Approval of Minutes of the Board Meeting of April 9, 2019.

**Vice Chairwoman Karen Kinne-Herman moved to approve the minutes of April 9, 2019; seconded by Member Steve Chatinsky; passed unanimously.**

4. Consideration of Resolution No. 2019-04: A resolution of the District Board of the Flagstaff Downtown Business Improvement and Revitalization District of Flagstaff repealing Section 2 of Resolution No. 2019-03, canceling the special election of March 5, 2019, and declaring the names of the Board of Directors and respective terms, and replacing it with a new Section 2 stating the correct names of the Board of Directors and respective terms.

**Member John VanLandingham moved to adopt Resolution No. 2019-04; seconded by Vice-Chairwoman Karen Kinne-Herman; passed unanimously.**

5. Consideration of Resolution No. 2019-05: A resolution of the Board of the Flagstaff Downtown Business Improvement and Revitalization District (District) adopting the tentative estimates of the amounts required for the public expense for the District for the Fiscal Year 2019-2020; adopting the tentative budget; setting forth the receipts and expenditures; the amount proposed to be raised by District Property Taxation; and giving notice of the time for hearing taxpayers.

Ms. Suda explained that the budget assumes flat revenue with an adjustment to expenditures of about \$16,600. The \$16,600 would account for the management services contract and/or other activities. If the Board were to do a flat rate, \$23,500 would be the adjustment to the expenditures.

Member VanLandingham stated that the flat rate approach would essentially bring in more revenue as property values increased and the flat revenue approach would keep things generally as they are. He asked the Board if they were supportive of the flat revenue as presented or a flat rate approach.

Chairman Stilley asked Vice-Chairwoman Kinne-Herman to give her thoughts on the flat rate approach. Vice-Chairwoman Kinne-Herman stated that the increase would be fairly minimal, and the economy is good right now; if there is a rate increase, it would be easier this year than in another.

Member VanLandingham stated that whatever the decision, a portion of the additional revenue could go towards the DBA contract and any additional services the Board may choose to bring forward.

Member McLaughlin stated that he is in favor of the flat rate. Member Chatinsky added that he believes that it is better to do it now.

Chairman Stilley stated that he would support the flat rate because he does not think that it is onerous. He believes that there will be another recession which will likely lower property values which would decrease the District's incoming revenues.

Ms. Suda reviewed the financial information with the flat rate considerations.

**Member John VanLandingham moved to adopt Resolution No. 2019-05 as amended for a flat rate adjustment; seconded by Member Steve Chatinsky; passed unanimously.**

6. Discussion and Direction: Agreement for Management Services with Flagstaff Downtown Business Alliance.

Chairman Stilley offered that the Board has been discussing the possibility of doing another infrastructure project. Currently there is not an infrastructure project that would fit within the District's budget. He and Ms. Madeksza have discussed the possibility of working with the City of Flagstaff to partner in a joint project that would be beneficial to the downtown.

Ms. Kjellgren offered she believes that something in cooperation with the City of Flagstaff would address the requirements in the statutes.

Vice-Chairwoman Kinne-Herman stated that the idea makes sense and suggested improved signage about parking as a possible project. Ms. Madeksza stated that she is looking at something similar with a type of way-finding signage program for downtown. The signage would guide people to parking and other public destinations. It is a significant project in terms of resources which is why it will be necessary to partner with the City.

Member VanLandingham asked Ms. Madeksza to discuss the amendments to the DBA management services contract. Ms. Madeksza stated that there are a couple of changes throughout the document that remove the mention of create and replace it with maintain. Everything in the current contract has been accomplished and they are now managing and maintaining.

Ms. Madeksza offered that additional content that matches the priorities and work program of the DBA have been added. These are areas where the DBA is already doing the work and it has now been documented appropriately. She stated that the Downtown Vision and Action Plan has been added along with an additional section specific to parking management. Ms. Madeksza stated that at the last DBA meeting, the Board voted on the amendments and supported them unanimously.

The Board discussed a possible financial increase to the contract. Vice-Chairwoman Kinne-Herman stated that some funds will need to be reserved for an additional infrastructure project. Ms. Suda stated that there is \$30,000 in contingency that could be reallocated while also maintaining a 25% fund balance.

Ms. Madeksza stated that she can provide a summary of the approved budget from DBA and provide the Board with a few options for the different services the District is requesting.

Chairman Stilley asked the Board how much of the increased revenues they want to dedicate for the management services contract. Member McLaughlin indicated that he would prefer the majority be put into the reserves. Member Chantinsky offered that he would be supportive of \$5,000 to the reserves and \$18,000 for the DBA contract.

Ms. Kjellgren stated that the contract is structured with a flat contract amount for the agreement. If that same model is used, any additional funds could be allocated to a public infrastructure project that the District manages. The contract amount for management services will be for a fixed five-year term. She added that the Board should also consider the potential for a recession and a decline in revenues as well.

Chairman Stilley stated that there will be more information regarding the contract at the next meeting and additional discussion can be had at that time.

7. Cancellation of the Regular Meeting of July 9, 2019.

**Vice-Chairwoman Karen Kinne-Herman moved to cancel the Regular Meeting of July 9, 2019 and hold the meeting on June 25, 2019; seconded by Member Steve Chatinsky; passed unanimously.**

8. FDBA Director Report

Ms. Madeksza reported that the installation of the bike rack infrastructure project has begun. The installation is a little different than anticipated because of the brick pavers; the pavers will be removed, and concrete poured beneath for the racks followed by the reinstallation of the pavers. The project is scheduled to be completed in three to four weeks.

The DBA is working with the City of Flagstaff, Coconino County, and NAIPTA on conducting a Downtown Vision and Action Plan. The hope is that the plan will help shape the downtown as desired by the DBA and the public rather than just responding to what is happening. The DBA will lead a process with their funding partners to bring in a downtown expert to guide the process of developing vision and action plan. This is not a 30-year visioning plan but rather a one to seven-year vision to influence the things that are happening now. It is a very exciting project that allows the downtown to have a say in what happens downtown. A draft Scope of Work has been created and they are looking for a consultant to provide a market analysis on the physical environment, and connectivity with a robust public involvement process and implementation strategies. It is expected that this will be a nine to twelve-month process and updates will be provided to the Board throughout.

Ms. Madeksza stated that the end of the DBA fiscal year is July 31, 2019 and, for the first time, they will be producing a formal annual report for their stakeholders to showcase the work of the DBA.

Lastly, Ms. Madeksza stated the movies on the square began last weekend and they have Russ Lyon Sotheby Realty as a presenting partner this year. It is an expensive endeavor for the free 14-week program and they are trying to bring on a few additional sponsors; the goal is \$50,000 and they are currently at \$40,000.

9. PUBLIC PARTICIPATION

*Public Participation enables the public to address the Board about an item that is not on the agenda. Comments relating to items that are on the agenda will be taken at the time that the item is discussed.*

None

10. Adjournment

The Regular Meeting of the Flagstaff Downtown Business Improvement District of  
May 28, 2019 adjourned at 10:50 a.m.

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David Stilley, Chairman

ATTEST:

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Stacy Saltzburg, District Clerk

DRAFT

**FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT  
AND REVITALIZATION DISTRICT OF FLAGSTAFF, ARIZONA**

RESOLUTION NO. 2019-06

A RESOLUTION OF THE DISTRICT BOARD OF THE FLAGSTAFF  
DOWNTOWN BUSINESS IMPROVEMENT AND REVITALIZATION  
DISTRICT OF FLAGSTAFF ADOPTING THE BUDGET FOR FISCAL  
YEAR 2019-2020

**WHEREAS**, in accordance with the provisions of A.R.S. Title 42, Chapter 17, Articles 1 – 5, the District Board did on May 28, 2019, make an estimate of the different amounts required to meet the public expenditures for the ensuing year, also an estimate of revenues from sources other than direct taxation, and the amount to be raised by taxation upon real property within the Flagstaff Downtown Business Improvement and Revitalization District (the “District”); and

**WHEREAS**, in accordance with said sections of said Title, and following due public notice, the District met on May 28, 2019, at which meeting any taxpayer was privileged to appear and be heard in favor of or against any of the proposed expenditures or tax levies; and

**WHEREAS**, it appears that publication has been duly made as required by law, of said estimates together with a notice that the District Board would meet on June 11, 2019, in the Council Conference Room at Flagstaff City Hall, for the purpose of hearing taxpayers and making tax levies as set forth in said estimates;

**NOW, THEREFORE, BE IT RESOLVED BY THE DISTRICT BOARD OF THE  
FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT AND REVITALIZATION  
DISTRICT OF FLAGSTAFF, ARIZONA AS FOLLOWS:**

That said estimates of revenues and expenditures shown on the accompanying schedules as now increased, reduced, or changed, are hereby adopted as the budget of the Flagstaff Downtown Business Improvement and Revitalization District for Fiscal Year 2019-2020.

PASSED by the District Board of the Flagstaff Downtown Business Improvement and Revitalization District this 11th day of June, 2019.

\_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
District Clerk

APPROVED AS TO FORM:

Kjellgren & Speed, PLC

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District Attorney

SCHEDULE A  
SCHEDULE B  
SCHEDULE C  
SCHEDULE D  
SCHEDULE E  
SCHEDULE F  
SCHEDULE G

**OFFICIAL BUDGET FORMS**

**Flagstaff Downtown Business Improvement and Revitalization District**

**Fiscal Year 2020**

**Flagstaff Downtown Business Improvement and Revitalization District**

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**Flagstaff Downtown Business Improvement and Revitalization District  
Summary Schedule of Estimated Revenues and Expenditures/Expenses  
Fiscal Year 2020**

THE FINAL OPPORTUNITY FOR PUBLIC INPUT ON THE FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT AND REVITALIZATION DISTRICT BUDGET WILL OCCUR ON JUNE 11, 2019 AT 10:00 A.M. IN THE CITY OF FLAGSTAFF CITY HALL, STAFF CONFERENCE ROOM, 211 W. ASPEN AVENUE, FLAGSTAFF, AZ  
The budget may be reviewed at the City of Flagstaff City Hall in the City Clerk's Office, 211 W. Aspen Avenue, Flagstaff AZ 86001 or at the website: <http://downtownflagstaff.org>

Fiscal Year	S c h	FUNDS								
		General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Permanent Fund	Enterprise Funds Available	Internal Service Funds	Total All Funds	
2019	E	1	0	205,450	0	0	0	0	0	205,450
2019	E	2	0	173,542	0	0	0	0	0	173,542
2020		3		106,798						106,798
2020	B	4	0							0
2020	B	5		155,934						155,934
2020	C	6	0	36,117	0	0	0	0	0	36,117
2020	D	7	0	0	0	0	0	0	0	0
2020	D	8	0	0	0	0	0	0	0	0
2020	D	9	0	0	0	0	0	0	0	0
2020	D	10	0	0	0	0	0	0	0	0
2020		11								
LESS:										0
										0
										0
										0
2020		12	0	298,849	0	0	0	0	0	298,849
2020	E	13	0	227,500	0	0	0	0	0	227,500

**EXPENDITURE LIMITATION COMPARISON**

- 1 Budgeted expenditures/expenses
- 2 Add/subtract: estimated net reconciling items
- 3 Budgeted expenditures/expenses adjusted for reconciling items
- 4 Less: estimated exclusions
- 5 Amount subject to the expenditure limitation
- 6 EEC expenditure limitation

	2019	2020
1	\$ 205,450	\$ 227,500
2		
3	205,450	227,500
4		
5	\$ 205,450	\$ 227,500
6	n/a	n/a

The city/town does not levy property taxes and does not have special assessment districts for which property taxes are levied. Therefore, Schedule B has been omitted.

- \* Includes Expenditure/Expense Adjustments Approved in the current year from Schedule E.
- \*\* Includes actual amounts as of the date the proposed budget was prepared, adjusted for estimated activity for the remainder of the fiscal year.
- \*\*\* Amounts on this line represent Fund Balance/Net Position amounts except for amounts not in spendable form (e.g., prepaids and inventories) or legally or contractually required to be maintained intact (e.g., principal of a permanent fund).

**Flagstaff Downtown Business Improvement and Revitalization District  
Tax Levy and Tax Rate Information  
Fiscal Year 2020**

	2019	2020
1. Maximum allowable primary property tax levy. A.R.S. §42-17051(A)	\$ _____	\$ _____
2. Amount received from primary property taxation in the <b>current year</b> in excess of the sum of that year's maximum allowable primary property tax levy. A.R.S. §42-17102(A)(18)	\$ _____	
3. Property tax levy amounts		
A. Primary property taxes	\$ _____	\$ _____
B. Secondary property taxes	150,530	155,934
C. Total property tax levy amounts	\$ <u>150,530</u>	\$ <u>155,934</u>
4. Property taxes collected*		
A. Primary property taxes		
(1) <b>Current</b> year's levy	\$ _____	
(2) Prior years' levies	\$ _____	
(3) Total primary property taxes	\$ _____	
B. Secondary property taxes		
(1) <b>Current</b> year's levy	\$ 150,530	
(2) Prior years' levies	\$ _____	
(3) Total secondary property taxes	\$ 150,530	
C. Total property taxes collected	\$ <u>150,530</u>	
5. Property tax rates		
A. City/Town tax rate		
(1) Primary property tax rate	_____	_____
(2) Secondary property tax rate	1.6637	1.6637
(3) Total city/town tax rate	<u>1.6637</u>	<u>1.6637</u>
B. Special assessment district tax rates		
Secondary property tax rates - As of the date the proposed budget was prepared, the city/town was operating _____ special assessment districts for which secondary property taxes are levied. For information pertaining to these special assessment districts and their tax rates, please contact the city/town.		

\* Includes actual property taxes collected as of the date the proposed budget was prepared, plus estimated property tax collections for the remainder of the fiscal year.

**Flagstaff Downtown Business Improvement and Revitalization District  
Revenues Other Than Property Taxes  
Fiscal Year 2020**

SOURCE OF REVENUES	ESTIMATED REVENUES 2019	ACTUAL REVENUES* 2019	ESTIMATED REVENUES 2020
<b>SPECIAL REVENUE FUNDS</b>			
Intergovernmental	\$ _____	\$ _____	\$ _____
Payment in Lieu of Taxes	34,772	34,772	35,617
Interest Income	120	500	500
	\$ 34,892	\$ 35,272	\$ 36,117
<b>Total Special Revenue Funds</b>	\$ 34,892	\$ 35,272	\$ 36,117
<b>TOTAL ALL FUNDS</b>	\$ 34,892	\$ 35,272	\$ 36,117

\* Includes actual revenues recognized on the modified accrual or accrual basis as of the date the proposed budget was prepared, plus estimated revenues for the remainder of the fiscal year.

**Flagstaff Downtown Business Improvement and Revitalization District  
Other Financing Sources/(Uses) and Interfund Transfers  
Fiscal Year 2020**

<b>FUND</b>	<b>OTHER FINANCING 2020</b>		<b>INTERFUND TRANSFERS 2020</b>	
	<b>SOURCES</b>	<b>(USES)</b>	<b>IN</b>	<b>(OUT)</b>
<b>SPECIAL REVENUE FUNDS</b>				
None	\$ _____	\$ _____	\$ _____	\$ _____
<b>Total Special Revenue Funds</b>	\$ _____	\$ _____	\$ _____	\$ _____
<b>TOTAL ALL FUNDS</b>	\$ _____	\$ _____	\$ _____	\$ _____

**Flagstaff Downtown Business Improvement and Revitalization District  
Expenditures/Expenses by Fund  
Fiscal Year 2020**

<b>FUND/DEPARTMENT</b>	<b>ADOPTED BUDGETED EXPENDITURES/ EXPENSES 2019</b>	<b>EXPENDITURE/ EXPENSE ADJUSTMENTS APPROVED 2019</b>	<b>ACTUAL EXPENDITURES/ EXPENSES* 2019</b>	<b>BUDGETED EXPENDITURES/ EXPENSES 2020</b>
<b>SPECIAL REVENUE FUNDS</b>				
Revitalization District	\$ 205,450	\$	\$ 173,542	\$ 227,500
<b>Total Special Revenue Funds</b>	\$ 205,450	\$	\$ 173,542	\$ 227,500
<b>TOTAL ALL FUNDS</b>	\$ 205,450	\$	\$ 173,542	\$ 227,500

\* Includes actual expenditures/expenses recognized on the modified accrual or accrual basis as of the date the proposed budget was prepared, plus estimated expenditures/expenses for the remainder of the fiscal year.

**Flagstaff Downtown Business Improvement and Revitalization District  
Expenditures/Expenses by Department  
Fiscal Year 2020**

<b>DEPARTMENT/FUND</b>	<b>ADOPTED BUDGETED EXPENDITURES/ EXPENSES</b>	<b>EXPENDITURE/ EXPENSE ADJUSTMENTS APPROVED</b>	<b>ACTUAL EXPENDITURES/ EXPENSES*</b>	<b>BUDGETED EXPENDITURES/ EXPENSES</b>
	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2020</b>
Revitalization District				
Special Revenue Funds	\$ 205,450	\$	\$ 173,542	\$ 227,500
<b>Department Total</b>	\$ 205,450	\$	\$ 173,542	\$ 227,500

\* Includes actual expenditures/expenses recognized on the modified accrual or accrual basis as of the date the proposed budget was prepared, plus estimated expenditures/expenses for the remainder of the fiscal year.

**Flagstaff Downtown Business Improvement and Revitalization District  
Full-Time Employees and Personnel Compensation  
Fiscal Year 2020**

<b>FUND</b>	<b>Full-Time Equivalent (FTE)</b>	<b>Employee Salaries and Hourly Costs</b>	<b>Retirement Costs</b>	<b>Healthcare Costs</b>	<b>Other Benefit Costs</b>	<b>Total Estimated Personnel Compensation</b>
	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>
<b>SPECIAL REVENUE FUNDS</b>						
Downtown Revitalization	None	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<b>Total Special Revenue Funds</b>		\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<b>TOTAL ALL FUNDS</b>		\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

**AMENDMENT TWO**

**AGREEMENT FOR AUDIT SERVICES  
FLAGSTAFF DOWNTOWN BUSINESS  
IMPROVEMENT AND REVITALIZATION DISTRICT  
and  
HINTON BURDICK, PLLC**

This Amendment Two is made as of \_\_\_\_\_, 2019 to the Agreement for Audit Services (the "Agreement") made July 15, 2016 by and between the Flagstaff Downtown Business Improvement and Revitalization District ("District") and Hinton Burdick, PLLC ("Provider"), collectively referred to as the "Parties."

**RECITALS**

- A. The Parties wish to extend the duration of the Agreement pursuant to Section 9 of the Agreement and provide for compensation to Provider for one additional year of the Agreement.
- B. Pursuant to Section 8.9 of the Agreement, the Parties may modify the terms of the Agreement through a written amendment signed by duly authorized representatives of the Parties.

For the reasons recited above, the District and Provider agree to amend the Agreement as follows, with deleted text stricken and new text in uppercase and underlined:

**2. COMPENSATION OF PROVIDER**

Provider agrees to provide all of the Services for prices not to exceed the amounts set forth below:

JUNE 30, 2019  
FINANCIAL STATEMENT PREPARATION AND REVIEW \$3,650

**9. DURATION**

This Agreement shall become effective on and from the Effective Date, and shall continue in force until ~~three (3)~~ FOUR (4) years from the Effective Date unless sooner terminated as provided above. The District reserves the right to unilaterally extend the period of the Agreement for ninety (90) days beyond the stated termination date. In addition, by written amendments, the Agreement may be renewed for up to ~~four (4)~~ THREE (3) additional one (1) year terms.

Attached to this Amendment Two as Exhibit 1 is an engagement letter from Provider which sets forth terms specific to government auditing standards and other matters not addressed directly in the Agreement or this Amendment Two. In the event of an inconsistency or conflict between the Agreement or this Amendment Two and the attached Exhibit 1, the terms of the Agreement shall prevail, as stated in Section 3.5 of the Agreement.

Signed as of the date first written above by the duly authorized representatives of the Parties.

**Flagstaff Downtown Business  
Improvement and Revitalization  
District**

**Hinton Burdick, PLLC**

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Karen Kinne-Herman, Vice Chair

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By:  
Title:

Attest:

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District Clerk

Approved as to form:

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Attorney for the District

## Exhibit 1



June 4, 2019

Flagstaff Downtown Business Improvement  
and Revitalization District  
P.O. Box 1546  
Flagstaff, AZ 86002

We are pleased to confirm our acceptance and understanding of the services we are to provide for the year ended June 30, 2019.

You have requested that we prepare the financial statements of Flagstaff Downtown Business Improvement and Revitalization District, which comprise the governmental activities, each major fund, and the aggregate remaining fund information as of June 30, 2019, and the related notes to the financial statements, and perform a review engagement with respect to those financial statements.

In addition, required supplementary information will be presented with the financial statements. Such supplementary information is the responsibility of management. We will not audit or review the information.

### **Our Responsibilities**

The objective of our engagement is to—

- 1) prepare financial statements in accordance with accounting principles generally accepted in the United States of America based on information provided by you, and
- 2) obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

We will conduct our review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA and comply with applicable professional standards, including the AICPA's *Code of Professional Conduct*, and its ethical principles of integrity, objectivity, professional competence, and due care, when preparing the financial statements and performing the review engagement.

A review engagement includes primarily applying analytical procedures to your financial data and making inquiries of management. A review engagement is substantially less in scope than an audit engagement, the objective of which is the expression of an opinion regarding the financial statements as a whole. A review engagement does not contemplate obtaining an understanding of the Company's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents; or other procedures ordinarily performed in an audit engagement. Accordingly, we will not express an opinion regarding the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the District or noncompliance with laws and regulations. However, we will inform the appropriate level of management of any material errors and any evidence or information that comes to our attention during the performance of our review procedures that indicates fraud may have occurred. In addition, we will inform you of any evidence or information that comes to our attention during the performance of our review procedures regarding noncompliance with laws and regulations that may have occurred, unless they are clearly inconsequential. We have no responsibility to identify and communicate deficiencies or material weaknesses in your internal control as part of this engagement.

We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities since performing those procedures or taking such action would impair our independence.

### **Your Responsibilities**

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to prepare financial statements in accordance with accounting principles generally accepted in the United States of America and to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with accounting principles generally accepted in the United States of America. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARS:

- 1) The selection of accounting principles generally accepted in the United States of America as the financial reporting framework to be applied in the preparation of the financial statements.
- 2) The preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America and the inclusion of all informative disclosures that are appropriate for accounting principles generally accepted in the United States of America.
- 3) The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.
- 4) The prevention and detection of fraud.
- 5) To ensure that the District complies with the laws and regulations applicable to its activities.
- 6) The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement.
- 7) To provide us with—
  - access to all information of which you are aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - additional information that we may request from you for the purpose of the review engagement.
  - unrestricted access to persons within the District of whom we determine it necessary to make inquiries.
- 8) To provide us, at the conclusion of the engagement, with a letter that confirms certain representations made during the review.

You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation of your financial statements. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

### **Our Report**

We will issue a written report upon completion of our review of Company's financial statements. Our report will be addressed to the management of Flagstaff Downtown Business Improvement and Revitalization District. We cannot provide assurance that an unmodified accountant's review report will be issued. Circumstances may arise in which it is necessary for us to report known departures from accounting principles generally accepted in the United States of America, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. If, for any reason, we are unable to complete the review of your financial statements, we will not issue a report on such statements as a result of this engagement.

You agree to include our accountant's review report in any document containing financial statements that indicates that such financial statements have been reviewed by us and, prior to inclusion of the report, to obtain our permission to do so.

The required supplementary information accompanying the financial statements will be presented for purposes of additional analysis. Our report will state we did not audit or review the information and do not express an opinion, a conclusion, nor provide any assurance on such information.



### **Other Relevant Information**

R. McKay Hall, CPA is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

We estimate that our fees for these services will not exceed \$3,650 for the financial statement preparation and review.

The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the review. If at any time during this engagement any extraordinary matters come to our attention or the requirements of the engagement change, and an extension of our services beyond the normal scope appears to be necessary, we will immediately discuss the matter with you and obtain your verbal or written instructions to proceed before incurring further costs.

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes thirty (30) days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. Interim billings may be submitted as work progresses and expenses are incurred. In the event any statement or invoice rendered by us to you is not paid within thirty (30) days of the date of the invoice, a late charge shall be accrued on the unpaid balance at the rate of 1.5 percent per month until paid. If billings are not paid within thirty (30) days of the invoice date, at our election, we may stop all work until your account is brought current or we may withdraw from this engagement. You acknowledge and agree that we are not required to continue work in the event of your failure to pay on a timely basis for services rendered as required by this engagement letter. You further acknowledge and agree that in the event we stop work or withdraw from this engagement we shall not be liable to you for any damages that occur as a result of our ceasing to render services.

Our liability as accountants shall be limited to the period covered by our review and shall not extend to periods for which we are not engaged as accountants.

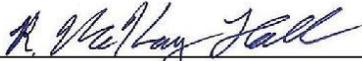
It is our policy to keep work papers related to this engagement for seven (7) years. Upon the expiration of the seven (7) year period, you agree that we shall be free to destroy our work papers. When records are returned to you, it is your responsibility to retain and protect your records for possible future uses, including potential examination by governmental or regulatory agencies.

In the event of any dispute, claim, question, or disagreement arising from or relating to this Agreement or the breach thereof, the parties hereto shall use their best efforts to settle the dispute, claim, question, or disagreement. To this effect, they shall consult and negotiate with each other in good faith and recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both parties. If the dispute cannot be settled through direct discussions, the parties agree to endeavor first to settle the dispute in an amicable manner by mediation administered by the American Arbitration Association under its Commercial Mediation Rules before resorting to other legal remedies. If the parties are unable to resolve the dispute through mediation within sixty (60) days from the date notice is first given, then they may proceed to resolve the matter by arbitration. Such arbitration shall be binding and final. Any dispute over fees will be submitted for resolution by arbitration in accordance with the rules of the American Arbitration Association. In agreeing to arbitration both parties acknowledge that, in the event of a dispute each party is giving up the right to have the dispute decided in a court of law before a judge or jury and instead are accepting the use of arbitration for resolution. Costs of any mediation proceeding shall be shared equally by all parties. The prevailing party in the arbitration shall be entitled to an award of reasonable attorney's fees and costs incurred in connection with the application of the dispute in an amount to be determined by the arbitrator.



We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you acknowledge and agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,



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R. McKay Hall, CPA  
HintonBurdick, PLLC

Acknowledged:  
Flagstaff Downtown Business Improvement and Revitalization District

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Title





To the District's Authorized Representative ("Contract Administrator"):

District Treasurer  
Flagstaff Downtown Business Improvement and Revitalization District  
c/o Flagstaff City Treasurer  
211 W. Aspen Avenue  
Flagstaff, Arizona 86001

To Provider:

~~Leslie Connell, Secretary of the Corporation~~  
TERRY MADEKZSA, EXECUTIVE DIRECTOR  
Flagstaff Downtown Business Alliance  
Post Office Box 1546  
~~Flagstaff, AZ 86002-1546~~  
120 N. BEAVER STREET, SUITE 120  
FLAGSTAFF, AZ 86001

**9. Duration**

This Agreement shall become effective on and from the Effective Date, and shall continue in force until ~~five (5)~~ TEN (10)-years from the Effective Date unless sooner terminated as provided above. The District reserves the right to unilaterally extend the period of the Agreement for ninety (90) days beyond the stated termination date. ~~In addition, by written amendment, the Agreement may be renewed for a supplemental period of up to one (1) additional five (5) year term upon mutually acceptable terms regarding compensation and scope of services.~~

**Exhibit A**, as amended, is attached to this Amendment Two as Exhibit A.

**Exhibit B**, as amended, is attached to this Amendment Two as Exhibit B.

Signed as of the date first written above by the duly authorized representatives of the Parties.

FLAGSTAFF BUSINESS IMPROVEMENT  
AND REVITALIZATION DISTRICT

FLAGSTAFF DOWNTOWN BUSINESS  
ALLIANCE

\_\_\_\_\_  
Karen Kinne-Herman, Vice Chair

\_\_\_\_\_  
John VanLandingham, Chairman

Attest:

\_\_\_\_\_  
District Clerk

Approved as to form:

\_\_\_\_\_  
Attorney for the District

**EXHIBIT A**  
**SCOPE OF WORK**

The District requires the following services under this contract for management services:

**1. Budget and Finance**

- 1.1 Preparation of detailed operating budgets for each fiscal year no later than June 15 of each year;
- 1.2 Preparation of written annual report at the conclusion of each calendar year that accounts for revenues, expenditures and services provided in benefit of the District;
- 1.3 ~~Creation and~~ Maintaining of a District database that includes a map of the District, property ownership, property owner contact information, assessed value, and current use (e.g., retail, office, government, ROW) ("District Database");
- 1.4 Identifying, prioritizing, and estimating revenues and expenses for "enhanced municipal services" that the District may seek to provide in the foreseeable future.

**2. Management and Operations**

- 2.1 Preparation of annual work plans at the direction and the approval of the District Board;
- 2.2 Assignment of a responsible person to serve as administrative staff/liaison for the District Board and Officers;
- 2.3 Employment of an executive director for the management of the District, to perform tasks and functions including, but not limited to, the following:
  - 2.3.1 Serving as the single point of contact for the District and District members;
  - 2.3.2 Communicating individual and District needs to the District;
  - 2.3.3 Receiving and aiding in resolution of complaints of District members and/or stakeholders;
  - 2.3.4 Creating and maintaining a District website page to be used for stakeholders and the public;
  - 2.3.5 Creating and maintaining an inventory of District services provided within the District that includes the types of service, annual budget allocation, frequency, providing agency, and providing agency contact information ("Inventory of District Services");
  - 2.3.6 ~~Creating and~~ Maintaining an inventory of public infrastructure that exists within the District that includes types of infrastructure, condition, maintenance needs, existent capital improvement plans, and suggestions for improvements ("Public Infrastructure Inventory");

2.3.7 Assigning a responsible person to review and provide written advisory comments regarding Special Event Permits proposed for locations in the District, identifying the concerns of the District or District members, proposing conditions that would mitigate concerns, and recommending approval or denial (“Special Event Permit Review”);

2.3.8 Reviewing and providing written advisory comments regarding City initiatives (programs, ordinances, plans, projects, and so forth) that affect the District or District members (“City Initiative Review”);

2.3.9 Meeting monthly with Police Department and Economic Vitality Division staff, and as necessary with other City staff, to coordinate District and/or City initiatives (programs, ordinances, plans, projects, and so forth), to discuss District or District members’ concerns and solutions, and other matters as appropriate; and

2.3.10 As necessary, meeting with and coordinating District initiatives (programs, plans, projects, and so forth) and other matters as appropriate with Federal, State, or regional government agencies (such as the Flagstaff Metropolitan Planning Organization, Coconino County, or Tribal agencies) including upon the request of the City Manager, participating in joint meetings with such agencies (“Coordinate with Other Agencies”).

2.4 Manage a portion of the adopted BUDGET FOR EACH Fiscal Year OF THE DISTRICT COVERED BY THIS AGREEMENT ~~2014-2015 budget. The entire adopted budget is \$254,455.~~ This contract AGREEMENT will manage \$158,500[[\_\_\_\_\_]] of the adopted budget in the categories as shown in Appendix B. ~~One hundred fifty eight thousand five hundred dollars (\$158,500) [[\_\_\_\_\_]]~~ is the entire amount available to pay for the PROVIDER’S COMPENSATION ANNUALLY ~~Management Contract~~, including the personnel, contractual, commodities and other line items as shown in Appendix B. In addition to the assignment of a responsible person as detailed in Section 2.1, the budget plan anticipates:

2.4.1 Administrative support to be provided;

2.4.2 Office space to be secured;

2.4.3 Professional services including bookkeeping, accounting, and insurance;

2.4.4 Marketing and outreach is provided through personal contact, written outreach, website development, and other appropriate means; and

2.4.5 Enhanced Downtown Services are provided which includes, but is not limited to, 40 hours per week of contracted personnel.

### **3. Management of Public Infrastructure ImprovementS, including but not limited to the following:**

3.1 Identifying and proposing ~~at least one~~ public infrastructure improvement projects to the District Board as required for a Revitalization District. ~~The total value of work proposed shall be no less than \$15,000.~~

~~Completion date: Nine (9) months from June 4, 2014 (March 4, 2015)~~

~~Penalty if not completed on time: \$1,000~~

3.2 Secure funding for the proposed public infrastructure improvement project(s).

~~Completion date: Twelve (12) months from June 4, 2014 (June 4, 2015)  
Penalty if not completed on time: \$1,000~~

3.3 Cause and manage the preparation of project plans for the proposed public infrastructure improvement project(s). Obtain and pay for all required approvals and permits. Procure professional services if required by Arizona law and procure all services as required by Arizona law.

~~Completion date: Fifteen (15) months after June 4, 2014 (September 4, 2015)  
Penalty if not completed on time: \$5,000~~

3.4 Contract for and manage the construction of the proposed public infrastructure improvement project(s). Procure licensed contractor and all services as required by Arizona law. ~~Completion: Twenty four (24) months after June 4, 2014 (June 4, 2016) Penalty if not completed on time: \$5,000~~

#### **4. Heritage Square Plaza**

~~With legal counsel retained by the District or management agency, review all documents related to Heritage Square Plaza (including but not limited to Disposition and Development Agreement; Rules and Regulations; Declaration of Public Plaza Easement dated May 20, 1997; Declaration of Public Plaza Easement dated June 4, 1996) and recommend whether the District should consider assuming any responsibilities for operations and maintenance.~~

**EXHIBIT B**

**FEE SCHEDULE**

Annual contract for COMPENSATION OF ~~One Hundred Fifty Eight Thousand Five Hundred Dollars (\$158,500)~~, to be paid IN installments as agreed by the parties in Section 2 of this Agreement.

*(Need table of expenditures here.)*

DRAFT