



with the Board Subcommittee (Supervisors Hannigan and Spring) on December 21, 2017 on the CY2018 Fair Budget request and potential next steps. The subcommittee requested that staff provide options to the full Board to consider given the status of the Fair Association's financial situation.

Staff has recently surveyed other counties to see what financial support they give their fair associations/entities for comparison purposes. Given the complexity of the matter, the Board should discuss the financial state of the Fair Association/Fair Operations and after receiving public input, provide direction to staff for further action to be considered at a later date.

#### **FINANCIAL IMPACT:**

Costs for preparing this report are covered in the County Administrator's Budget.

#### **DISCUSSION:**

##### **SOLANO360 PROJECT (most recent history):**

On February 26, 2013, the Solano County Board of Supervisors (the "Board"), acting in its capacity as the Lead Agency, certified the Final Environmental Impact Report ("FEIR") for the Solano360 Specific Plan and approved the Solano360 Specific Plan as the master plan for the long-term redevelopment of the Solano County Fairgrounds. On June 11, 2013, the Board approved a Development Agreement with the City of Vallejo for the Project and authorized staff to begin the initial steps to begin implementing Phase 1 of the Project which included the design of the water feature, traffic engineering, and utility coordination for the construction of the entry road.

On November 25, 2014, the Board authorized the County Administrator to commence with issuance of the RFQ for the Solano360 Project. On December 23, 2014, the RFQ was released with a submittal date of March 13, 2015. The County distributed the RFQ to hundreds of development related firms and individuals as well as posted the RFQ to the county website. County staff and consultants held two pre-submittal site visits conferences (January 20<sup>th</sup> and February 4<sup>th</sup>) at the Fairgrounds property. Two firms (SCD and Extreme Sports Production) submitted a proposal to the RFQ which were presented to the Solano360 Implementation Committee on April 2, 2015 for consideration. On April 14, 2015, the Board selected SCD and authorized the execution of an ERN for a period of nine months to allow SCD sufficient time to conduct its due diligence on the property and for the parties to negotiate the basic terms for a proposed ground lease and an agreement to develop the Site. The Board granted four extensions through June 27, 2017 at which point, due to the real estate market conditions at the time and high costs for required infrastructure improvements, the agreement was terminated.

In the FY2017/18 County Budget (BU1820), the Board approved \$4,000,000 for demolition for the Grand Stands, horse barns and if sufficient funds remain, demolition of the Expo Hall. The current status of the demolition is as follows, consultants are currently preparing bid documents with anticipated bid solicitation in March 2018 and bid award by end of June 2018. Demolition would commence in July of 2018, coordinated with Fair activities to minimize disruptions, with completion expected in Fall of 2018.

The Board did approve the funding to continue the required transportation improvements to the Highway 37/180/Fairgrounds Parkway. During the ERN process, County staff became extremely knowledgeable about the various site constraints and future opportunities for development of the Solano360 project. Demolition at the site is a key first step as staff continues to improve the site for its anticipated higher use consistent with the Solano360 Specific Plan.

##### **ATLAS PEAK FIRE EVENT:**

Over the years, the Fairgrounds have served the community during natural disasters, most recently during the Atlas Peak Fire, where over 600 animals were cared for over a 7-day period by both Fair and County staff and many volunteers. At the October 17, 2017, special Board of Supervisors meeting, the Board approved transfer

of \$1,500,000 of General Fund Contingencies into the Fund 282 County Disaster Fund to cover costs related to the Atlas Peak Fire event including up to \$100,000 for Solano County Fair associated costs. During this period, the Fair accumulated approximately \$127,000 in mutual aid expenses. The requested additional \$27,000 will cover additional costs outlined by the Fair Association as a result of the establishment of an emergency animal evacuation center on the Fairgrounds in Vallejo. Staff is working to evaluate and quantify expenses to determine which are eligible for reimbursement from State and Federal resources.

SOLANO COUNTY FAIR ASSOCIATION BUDGET REQUEST:

The County of Solano has been the property owner of the Fairgrounds site located in Vallejo, CA. since 1945 and the Fair Association has managed the Solano County Fair and year-round Fairgrounds activities since 1946.

Since 2010, when a horse racing venue was no longer offered at the Solano County Fair, the Fair Association Budget has struggled to cover costs of the Fair, used limited reserves and relied upon year-round activities/rentals, ground lease revenues, .33 Revenues from the State, to subsidize the financial losses attributed to producing the annual 4 or 5 day Solano County Fair.

Fair staff have provided a spreadsheet (attached) that provides a historical comparison from 2011-2017 of the Fair attendance, revenues and expenditures. In this seven-year comparison, the Fair averaged (\$308,017) in annual losses, averaged annual attendance of 39,540 with 52% of this being paid attendees. In 2017, Fair attendance was down to 33,594 with a projected loss of (\$339,367), up from the anticipated loss of (\$212,925) projected in the CY 2017 Budget.

For CY2018, the Fair Association initially approved an expenditure budget of \$3,087,688 on December 13, 2017 which assumed that \$185,000 in revenue funds would be provided by external sources, either by the County or the State, to balance the budget. On January 10, 2018, the Fair Manager submitted a letter to Board Chair John Vasquez (attached) which included an expenditure budget of \$3,181,426 with an anticipated cash subsidy from the County for \$100,000 for operations. The budget proposed that the Fair be a 4-day event, down from the traditional 5-day event in previous years, and is projected to generate \$206,000 more in revenues (including \$100,000 County contribution) and \$189,000 more in expenses, which includes a cost of living adjustment raise for Fair employees and increases in equipment rentals and special projects, as compared to the CY2017 Budget. After much deliberation, the Fair Association met for a third time on January 22, 2018 to approve a revised budget which eliminated the fiscal deficit, removed the request for County assistance and projects a CY2018 Budget with a net profit before depreciation of \$100,572. The Fair for 2018 will be a 2-day event, June 30, 2018 through July 1, 2018 and will focus on Agriculture related competitive and cultural exhibits. The Fair Association currently employs 8 fulltime and 8 part-time employees as well as numerous seasonal employees during events and the Fair.

The County Administrator and staff met with the Board Subcommittee (Supervisors Hannigan and Sperring) on December 21, 2017 on the CY2018 Fair Budget request and potential next steps. Given the status of the Fair Association's financial situation and management agreement with the County, the subcommittee requested that staff provide paths to move forward for the full Board to discuss and consider. The Board has many paths to consider.

PATHS:

- 1. Agree to the revised Fair Budget without any additional County funds, Board of Supervisors may authorize the annual extension, or change terms of current agreement.**

Example: Continue the status quo management arrangement with the Fair Association, however, the Fairgrounds operation continues to have inadequate revenues to pay for any capital improvements on the site, nor provides any funds towards current pension liabilities. There is currently a conflict with the interest of the county to prepare the site for future development/demolition of the site and the interest of members of the Fair Association to continue to use facilities/areas that are beyond their useful life.

**2. Restructure/Redefine governance of the Fair Association with regards to the maintenance and operations of the Fairgrounds site and delivery of an annual County Fair.**

Example: Board of Supervisors can work with Fair Association on restructuring the roles and responsibilities regarding ongoing maintenance and operations of the Fairgrounds site and investigate modifying the composition and number of Board Directors to better align with the ongoing needs and future strategic goals for the Fairgrounds. The roles and responsibilities can range from status quo Fair Association management of entire site to simply delivery of a 2 to 5-day Fair Event. Even though the Fair Association Directors are appointed by the Board of Supervisors, Fair Association is a separate legal entity. Therefore, any change in the composition of the SCFA Board must be initiated by the Fair Association Board through an amendment to their bylaws which could include a reduction in the number of directors.

**3. Amend the existing agreement terms with the Fair Association and redefine the terms of operations/management of the Fairgrounds site for a smaller area and limited scope.**

Example: Effective within 90 days, Fair Association would only manage 11 acres of land on the site. All current and future leases for parking, cell tower, reader board, are the responsibility of the County. The County may choose to keep these revenues if required to manage the remaining areas. All Demolition programs/activities are clearly defined as the responsibility of the County in the agreement. The agreement would include an exhibit with a map of the area that would clearly identify the Fair area managed by the Fair Association and the area that the County would manage; and include the legal right of entry for the County in the Fair Area. The County would end up restricting available revenues for the Fair Association to use for Fair and Fair related operations, resulting in reductions in programs and staffing of Fair employees. The County would have to provide an interim and longer term plan including the redirection or addition of county staff to maintain the areas managed by the County during the demolition phase and future marketing of the site. Of note, the Fair Association has no financial means to pay for any demolition of existing buildings or for any capital projects/major maintenance on the site currently.

**4. Amend the existing management agreement and request that the Fair Association only manages/utilizes buildings/grounds for the (limited time) for the preparation and operation of the Fair Event; County manages/operates entire site and utilizes an independent operator to operate/rent the facilities on the Fairground site.**

Example: Transition period longer than 90 days. Would require the solicitation of an independent operator. The Fair Association would have access to a defined area of the site for a short, predetermined time to arrange and deliver an annual County Fair. The County would manage the entire 149.1 acres and would match closely to Path 3 above with regards to revenues and maintenance of the site. The County would work with the selected independent operator to maximize revenue generation on site and focus on ongoing maintenance and site improvement.

**NEXT STEPS:**

The current financial and operational relationship between the County and the Fair Association should change going forward. Staff is requesting that the Board of Supervisors provide some general guidance on the Fair program given its discretionary purpose for the residents of Solano County. Depending upon what path the Board continues to explore, more legal and financial review will be required by County staff before any action is finally taken.

**FAIRS IN ADJACENT COUNTIES:**

Staff performed an informal survey of County Fairs in the adjacent Counties of Contra Costa, Marin, Sonoma, Napa and Yolo to gather information regarding Fair Board of Director make-up, organization structure, levels of

General Fund assistance and 2018 County Fair Event days. The Adjacent County Fairs Summary (attached) outlines that local County Fairs contain a mix of Director and organizational structures with a range (4 - 10 days) of Fair Event Days. All local County Fairs indicated that they have not received General Fund assistance in recent years, but have noted that operating costs are very tight and mostly present a break-even proposition.

**ALTERNATIVES:**

Board could provide additional concepts for the County staff to research and bring back for consideration.

**OTHER AGENCY INVOLVEMENT:**

The Solano360 Implementation Committee, comprised of two Solano County Board members and two Vallejo City Council members, has met several times since the termination of the ERN to provide direction on the Solano360 Project. Staffs from the City of Vallejo, the Solano County Fair Association, County Administrator's Office, Department of General Services, Resource Management Department, Sheriff's Department and County Counsel have worked collaboratively throughout the process.