



Agenda Submittal

Agenda #: 18 **Status:** Regular Calendar
Type: Miscellaneous **Department:** Solano County Fair Association
File #: 18-75 **Contact:** James Bezek, 784-6112
Agenda date: 2/6/2018 **Final action:** 2/6/2018
Title: Consider approving the Solano County Fair Association's (SCFA) CY2018 budget totaling \$2,678,105 in revenues and \$2,577,353 in expenses; Discuss 2017 calendar of activities, future 2018 activities and proposed 2018 two-day Fair; and Authorize the SCFA to pursue federal and state grant and other revenues and delegate authority to the County Administrator for approval of associated applications
Governing body: Board of Supervisors
District: All
Attachments: 1. A - SCFA 2018 Proposed Budget, 2. B - SCFA Reserves Summaries, 3. C - SCFA Agreement, 4. D - SCFA Letter and CY2018 Budget, 5. Presentation, 6. Email from Edward Reese, 7. Correspondence from John Williams, symsoil, 8. Minute Order

Date	Ver.	Action By	Action	Result
2/6/2018	1	Board of Supervisors	Approved	

Published Notice Required? Yes ☐ No ☒
Public Hearing Required? Yes ☐ No ☒

DEPARTMENTAL RECOMMENDATION:

It is recommended that the Board of Supervisors:

1. Consider approving the Solano County Fair Association's (SCFA) CY2018 budget totaling \$2,678,105 in revenues and \$2,577,353 in expenses;
2. Discuss overview of 2017 calendar of activities, future 2018 activities and proposed 2018 two-day Fair; and
3. Authorize the SCFA to pursue federal and state grant and other revenues and delegate authority to the County Administrator for approval of associated applications.

SUMMARY:

The Solano County Fair Association (SCFA) operates on a calendar year budget and per the Agreement for the Management and Operations of the Solano County Fairgrounds, the following budget items are forwarded to the Board of Supervisors for concurrence and approval.

The CY2018 SCFA Proposed Budget totaling \$2,577,352 was approved by its Board of Directors on January 22, 2018 following two budget revisions to correct a fiscal deficit and requirement of outside monetary assistance. The CY2018 Budget projects a net profit before depreciation of \$100,752. The overall expenditures reflect the organization's increasing focus on the Interim Event/Facility Rental program to drive revenue and a substantive change in the anticipated programming for the 2018 Annual County Fair. The CY2018 Budget addresses the anticipated operations of the annual Solano County Fair Saturday June 30 thru Sunday, July 1 and the annual Youth Ag Day on Tuesday, March 20, year-round operation and rental of the

Fairgrounds, the Solano Race Place satellite wagering facility, an electronic billboard, and management of several property leases.

In accordance with the amendment to the Agreement for the Management and Operation of the Solano County Fairgrounds approved by the Board on February 10, 2015, the SCFA requests the Board of Supervisors affirmatively act to extend the term of the agreement for one additional year to expire on January 31, 2021. County staff does not recommend an extension at this time in order to allow the Board to have further discussions and receive additional information related to the management of the Fairgrounds site. As directed by the Board, the amendment contains language to allow for early termination of this Agreement at any point with notice to coincide with any future development of the Solano 360 project at the site.

FINANCIAL IMPACT:

The SCFA is an enterprise fund and must operate within the operating revenues generated by the annual Solano County Fair, year-round activities, and available resources.

DISCUSSION:

The Solano County Fair Association began 2017 with the unexpected retirement of its highly respected, well-liked and successful GM/CEO Stephen Pierce. On Mr. Pierce's recommendation, the Fair Board chose to promote from within, elevating Stephen Hales to the position. Mr. Hales had previously served as the SCFA's Assistant General Manager, Operations and Maintenance, joining the organization in 2003.

The Fair Board's direction to Mr. Hales was essentially to "stay the course" so successfully set by Mr. Pierce. Mr. Hales was to focus on facility operation/activities and the production of the 2017 Ag Day and County Fair activities. With the departure of Mr. Pierce, two new variables were introduced -

- (1) A new management position ("Business Development Manager") was created and tasked with the development of new business activities, increasing community utilization of the Fairgrounds and the active pursuit of new sponsorship and grant opportunities. It is important to note that the creation of this position in 2017 represents the first dedicated effort in many years to focus 100% of a full-time employee's efforts on these critical outreach and revenue generating activities.
- (2) Rather than having the SCFA's ongoing participation in the Solano 360 process continue under the GM/CEO's purview, a member of the Fair Board was tasked to directly participate with County Staff in the ongoing Solano 360 conversations. This approach was rejected by CAO staff, effectively precluding the SCFA's direct participation in the process for the remainder of 2017.

A few months after this turn of events, the exclusive negotiating period between the County and the prospective developer was terminated. Subsequently, funding was appropriated in the County's FY17/18 budget to undertake Fairgrounds facility repairs/improvements and demolish the decaying horse racing "plant."

In concert with the above, the SCFA continued fulfilling its stated mission ~ ***"To ensure a positive experience for the public by providing a year-round multi-purpose venue that showcases and celebrates the wide variety of resources and activities to our diverse communities."*** ~ by producing an active schedule of events and activities throughout the year for the education and enjoyment of its guests and a variety of other uses of the Fairgrounds property. In support of these activities, the SCFA also completed the transfer of the ABC license from its previous Master Food & Beverage Concessionaire, the first step toward the development of an in-house food and beverage operation.

These activities included --

Annual Youth Ag Day Event

Produced by the Board and Staff of the SCFA, the 15th consecutive Youth Ag Day held on March 14 enjoyed another successful year. 112 classes of 3rd graders from throughout Solano County interacted directly with 44 “presenters” from Solano County and beyond, providing hands agriculture educational opportunities to the children. In addition to the 2,698 children and 44 presenters, 607 teachers, chaperones and volunteers helped ensure that the day was successful, fun and safe. 79 generous donors contributed \$32,704 to offset the costs of producing the event.

Annual Solano County Fair

The annual County Fair was the foundation underlying the formation of the Association in 1946. The 68th annual Solano County Fair from Wednesday, August 2 through Sunday, August 6 was produced by the SCFA’s Board and Staff to replicate the attendance and financial performance we enjoyed in 2016. While programmatically successful, the number of attendees was simply less than anticipated in 2017’s budget. Key programming elements included the Cultural Pavilion exhibits and stage in the “Family Fun Zone,” the Wednesday evening “Gospel Rocks Solano!” event on the Galaxy Stage, featuring local, regional and national gospel entertainment. Competitive Exhibit entries were marginally down (5%+-) relative to the 2016 numbers. On a brighter note, the annual Jack and Bernice Newell Junior Livestock Auction sales were significantly up relative to ’16, bringing in \$156,084, a 31.6%+- increase over 2016’s Auction total of \$118,577. Total attendance for ’17’s 5-day Fair was 33,594, down 17%+- as compared to 2016’s total attendance of 40,455.

Year-Around Interim Events/Short Term Facility Rentals

2017 proved to be a successful year for our “Interim Events/Short Term Facility Rentals” program. Early in the year a new management position of “Business Development Manager” was created. This position is specifically tasked with both seeking out new renters/users for the facility while also enhancing the satisfaction of our existing users. In terms of “uses” in 2017, the Fairgrounds continued to host a wide variety of activities, including:

- Six Gun Shows
- A radio-controlled Drone/Airplane Festival
- A Cannabis Show
- Four Pool & Spa Shows
- Two Hispanic Dance Concerts
- One Hispanic Circus
- Five “RV” Shows/Sales
- Five nationally recognized “AKC” Dog Shows
- Three “Fun Run” Competitions
- Ongoing “Private Events” (Quinceañeras and graduations), meetings (6FDK and County EMS) and ongoing training/practice activities conducted by local law enforcement agencies (primarily the Vallejo Police Department and Solano County Sheriff’s Office K-9 units). It is also worth noting that we were able to accommodate a Quinceañera that had originally been scheduled to take place at the Dixon May Fair. The evacuations associated with the October Fires precluded the May Fair from hosting the event. Fortunately, we were able to accommodate their client at our facility.
 - In addition to law enforcement training activities, we also host a small sub-station for the Sheriff’s Office that is routinely used by both Animal Control Officers and Sheriff’s Deputies while performing their daily duties.
 - We continued to host the year-around activities of the of the New Horizon’s Pre-School and the Vallejo Gem and Mineral Society on the north end of the grounds and the Bay Area Motorcycle Training’s ongoing weekend activities on the south end of the grounds.
 - We hosted ongoing seasonal rehearsals for the Mare Island Technology Academy’s “Color

Guard” and “Step Teams,” along with seasonal rehearsals for the “Scottish Fiddlers” from the greater San Francisco & Sacramento regions.

- In other uses, we continued to seasonally host portable time-share housing units from Napa’s Riverpointe Resort over the winter months.
- Fairfield’s Butler Amusement continued their practice of basing their local operations here in the spring when they are producing carnivals in the local area before embarking on their busy summer fair season.
- We hosted the Centers for Disease Control from September thru late November in support of their ongoing efforts to statistically characterize the health of the US population.
- Last, and hardly least, the SCFA operates it’s “North RV Park,” aka the “Livestock RV Park” on a seasonal basis. While primarily intended to serve the needs of the Livestock exhibitors during our annual fair, the RV Park seasonally (March thru October, depending on ground conditions) hosts RVs associated both with our many Interim Events and an increasing number of guests in town to enjoy the Six Flags amusement park, the Napa/Sonoma Wine County and San Francisco Bay Area.

Satellite Wagering Facility

SCFA’s Satellite Wagering Facility - “*The Solano Race Place*” - enjoyed a better than expected in 2017 on both the revenue and expense sides of the ledger. Shifting to a 4-day week (apart from holidays and the summer racing season), the reduction in overhead combined with a decent racing season to “beat” it’s bottom line budget by \$27,000+-. After close consideration of the matter by the Fair Board, the SCFA also entered into an agreement with the “Farrington’s Sports Bar” in Pleasant Hill to allow them to open a “Minisatellite” wagering facility in their location sometime in 2018. While yielding no meaningful revenue in 2017, SCFA’s cooperation in this effort has not gone unnoticed in the California Horse Racing industry at large and will likely prove helpful to any future discussion that may take place with respect to the future of the Solano Race Place.

Electronic Sign

2017 proved to be a somewhat challenging year for the “electronic sign (aka “esign”) located directly adjacent to I-80 on the east perimeter of the Fairgrounds. Turning 14 years old in October ’17 (being rather elderly in both dog and esign years), it’s age is catching up with it in both the expense and revenue columns. “Net revenue” (before depreciation) in 2017 was \$56,022, while the 2017 budget called for a net of \$60,951. Its resolution is several generations behind that of newer model signs along I-80 and I-680 in Solano County. The sign’s interior electronics’ “environmental” needs require the use of costly air conditioning systems that run on what is essentially a 24/7 basis. As the kilowatt-hour cost of electricity has climbed over the years, the cost of operating the sign has climbed with them. Finally, as the critical components of the display itself are obsolete, cranky and hard to come by, simply maintaining a “clear” display of the advertising copy on the sign becomes increasingly difficult and expensive. The SCFA’s Staff initiated preliminary conversations with electronic sign vendors/operators to explore possible upgrades that would allow increased efficiency on the expense side and higher revenues on the sales side. Those conversations quickly led SCFA’s Staff to conclude that the SCFA would be unable to pursue substantive improvements/rehabilitation without the direct participation of the County’s Staff. Conversations between SCFA and County Staff commenced late in 2017 with an eye toward making substantive progress on the issue in 2018.

Long Term Leases

The long-term leases overseen by the County for ongoing activities on the Fairgrounds include the AT&T Cell Site on the Horse Racing Grandstand, Six Flag Discovery Kingdom’s “overflow” parking uses of both the Fairgrounds “Main” and “Preferred” Parking Lots, the location of the Marriott Hotel, Carl’s Jr, Baskin and Robbins Ice Cream store and Chevron Gas Station on the north and south corners at the intersection of Fairgrounds Drive and Sage Street all continued to be critical revenue sources for the SCFA. All told, these leases generated a projected net of \$622,030 for the SCFA.

Large Animal Evacuation Center, PG&E Rally Point and FEMA Temporary Housing Distribution Center

The October '17 fires that afflicted Solano, Napa and Sonoma counties brought people and animals together on the Fairgrounds in a way that hadn't been anticipated. Suffice it to say that the first 72 hours of the crisis were the most difficult. It rapidly became clear that County and regional emergency response resources were stretch beyond capacity and that we were effectively "on our own" to cope as best we could. While the "Large Animal Evacuation Center" was perhaps the most publicly notable operation, there were several discrete elements that made up the efforts at the Fairgrounds.

- **Large Animal Evacuation Center**

Operating under an agreement made in 2008 between the SCFA and Solano County OES in the context of concerns that a contagious disease crisis might strike, the Board and Staff of the SCFA immediately responded when called to help on Columbus Day morning. The Fairgrounds Board and Staff worked closely with city, county, state and federal agencies to provide a haven for both the hundreds of displaced animals, their people and literally thousands of volunteers who were the key team members that made things work for the two weeks the Evacuation Center was open.

While all who came to help were critical to the operation's success, a few people warrant additional recognition. Special kudos are due District One Supervisor Erin Hannigan and her District Representatives Josette Lacey and Michael Wilson for their tireless on-site efforts to wrangle resources and issues. Acknowledgement and thanks are well deserved for critical "boots on the ground" efforts of Animal Control Officer Kristina Bradley and her colleagues at the Sheriff's Office and Office of Emergency Services. SCFA staffers Mike Ioakimedes, Kelly Fletcher, Francisco Chairez and Debbie Egidio gave efforts that went way beyond what was required by their respective job descriptions. Finally, our heartfelt thanks are due to the County Board of Supervisors and County Staff for quickly responding to our financial needs during and after the crisis by ensuring that the unanticipated expenses would be reimbursed in a timely manner.

- **Pacific Gas & Electric Rally Point**

Concurrent with the sudden need for a Large Animal Evacuation Center to serve the needs of 3 counties, the Pacific Gas & Electric Company also had urgent needs. Operating under an agreement between the SCFA and PG&E struck in 2015 with the concurrent of the Solano County Office of Emergency Services, the Fairgrounds hosted the initial "wave" of PG&E emergency responders called in from areas unaffected by the fire. While this initial "rally point" operated for only the first 4 - 5 days of the crisis, the Fairgrounds was kept on "standby" in case of further need. This need almost materialized several days into the fires when the air quality in the south Napa Valley became so unhealthy that PG&E considered relocating their entire operation to the Fairgrounds. Had that happened, it's likely that they would have occupied essentially all the parking lots on the facility.

- **Human Evacuees**

There were several times during the crisis when it appeared that human evacuees (unrelated to the animal's "human evacuees") would be joining us on the Fairgrounds. While this use ultimately did not transpire, there was much conversation and planning going on in the background to accommodate this use, including housing a group of severely disabled people from Sonoma County. Happily, those folks were successfully accommodated at the Dixon May Fair.

- **Federal Emergency Management Agency**

Finally, as the active fire evacuations and suppression operations began to wind down during the second week of the crisis we were unexpectedly approached by an FEMA-GSA interagency emergency response group

seeking to utilize part of the Fairgrounds for 18+- months to store, distribute and administrate temporary housing units. As with the other needs thrust upon the SCFA, the Board and Staff responded quickly, striking a deal with the formidable assistance of Deputy County Counsel Kim Alexander Yarbor to enable them to use 6+- of the north end of the Fairground's "Main Parking Lot." Their initial operations commenced in late October. Their operations here concluded in early January as they chose to relocate closer to the areas of need in Sonoma County.

2017 Financial Overview

The SCFA is projecting to end 2017 with revenues of \$3,117,155 and expenditures of \$3,070,330. Despite the many challenges that befell the SCFA in 2017, the undesignated cash carryover into 2018 is projected to be \$95,677, 17.4% better than anticipated in the 2017 budget.

There were several key factors that contributed for 2017 financial performance:

Revenues

- Both Interim Event/Facilities Rental Program and Satellite Wagering Program yielded greater revenue than envisioned in the '17 budget.
- The Long-Term Lease Program yielded greater revenue than envisioned in the '17 budget.
- The Annual County Fair Programs (admission, parking, carnival, etc) did not garner the revenues envisioned in the '17 budget.
- Revenue related to the October Fires were not anticipated in the '17 budget.

Expenses

- Cost of utilities (water, sewer and electricity) were higher than anticipated in the '17 budget.
- Cost of both preventative maintenance and repair to the aging facilities and equipment were higher than anticipated in the '17 budget.
- Due to internal changes in accounting procedures in early '17, relative to past years, additional labor expenses have been allocated to the Ag Day, Facility Rental/Interim Events and Annual County Fair Programs. While not affecting the overall "bottom line," these changes make it challenging to directly compare '17 expenses to past years' expenses in these areas.
- Expenses related to the October Fires were not anticipated in the '17 budget.

Use of CY2017 Projected Undesignated Cash Carryover

The SCFA is projecting to end CY2017 with a net profit before depreciation of \$95,677. These funds will be placed in our Unrestricted Reserves to provide cash assets to offset the ongoing lease obligation to the 2015 Six Flags Overflow Parking Lot Improvement Project.

SCFA CY2018 Proposed Budget

Overall, the SCFA CY2018 Proposed Budget (Attachment A) reflects an overall decrease both in both revenues and expenses. Key factors include -

- Addition of several new Interim Event/Facility Rental activities that will drive significantly increased revenue and expenses (Lantern Light Festival, March - April; Robotics Competition, March; Social Media "Influencer" Event, August; Advance Camp, September)
- Moving Annual County Fair dates up 5 weeks into late June - early July and going to a two-day (Saturday and Sunday) format that will primarily focus on both "competitive exhibits" and community cultural activities produced by the SCFA. We're going to produce an expanded "Ag Day" for both kids

and adults that won't be restricted to the County's 3rd graders. We're also teaming up with the Dixon May Fair for the first time to jointly produce the annual 4-H Horse Show in May.

- Satellite Wagering revenues appear to be stabilizing and while we don't anticipate that they will increase in 2018, we're not anticipating that they will continue to decline as steeply as they have in recent years. In addition to the revenues generated at the Solano Race Place, we should also begin to see a modest revenue stream from the deal struck with the Farrington's Sports Bar in Pleasant Hill when they commence operations of their new Mini-satellite facility later this year.
- We anticipate additional increases in the cost of utilities and fuel required to operate and continuing costs of maintaining the aging infrastructure and equipment inventory on the Fairgrounds.
- The CY2018 Budget does not anticipate any planned expenditures for capital projects, fixed asset purchases and special projects.

Annual County Fair - The annual County Fair is the only time that Solano County gathers as a community and celebrates the special place that Solano County is. Historically, SCFA has underwritten the production cost of this annual celebration. Much has changed over the almost 70 years that the annual fair has been produced. Costs associated with producing the fair have increased, and while the fair was never intended to be a money-maker, it has become an increasingly heavy financial burden.

The proposed 2018 Fair model, and its budget, reflects a Fair returning to its roots; focusing on our competitive exhibits program and celebrating the individual and collective achievements that makes Solano County a great place to live, work and play.

The new fair model decreases direct expenses by 67% when compared to 2017:

2017 Direct Fair Expenses	\$828,581.00
2018 Projected Direct Fair Expenses	<u>\$268,272.00</u>
Net Projected Reduction in Fair Expenses	\$560,309.00

2018 will be a pivotal year as SCFA not only re-focus the Fair as a true community celebration, but also weaves the annual fair into a cohesive package showcasing the fairgrounds as a year-round event center.

The new result of the new fair model is two-fold:

- The new model is much more cost efficient. The cost savings derived from the new model will have a needed positive impact on SCFA's overall bottom line.
- Equally important is that the new model truly celebrates Solano County, and along with the rest of SCFA's year-round activities helps raise the profile of Solano County. This is especially important given the challenges Solano County's non-profit community faces in securing philanthropic support and could be equally beneficial in helping county-wide economic development efforts.

Annual Youth Ag Day - Continuing on a similar track as previous years, projected 2018 sponsorship revenue is anticipated to be \$30,000, on par with 2017's projected \$32,704. Staff/labor costs show a modest increase driven by wage adjustments and anticipated work hours, along with additional professional services staffing to increase community outreach efforts. The single largest cost of this activity is driven by transportation (busing) costs and availability. We've budgeted \$13,000 in this category, relative to the \$12,513 spent in 2017. All in, the anticipated direct expenses are projected to be \$33,806, an increase of \$2,292 relative to '17.

Year Around Interim Events/Facility Rentals - The CY2018 Budget anticipates that our stable of recurring events will continue the success they enjoyed in 2017. New events for 2018 include the "Lantern Light Festival" in March and April, a Robotics Competitive in March, a Social Media "Influencers" event in August and the Advance Camp (Boy Scouts) in September. We've also been approached by several entities that wish produce cannabis shows on the facility, but given the ongoing ambiguity surrounding this type of activity in Solano County, we've not struck a deal with them yet. We're currently in discussions with an agricultural

product producer (Sym Soil, Inc.) who may base its “start-up” operations here for a short period of time while identifying a site for their long-term operations elsewhere in Solano County. Ironically, the location of the short-term operations may be within the footprint of the area previously designated for FEMA’s use on the north end of the grounds. Revenues for 2018 are estimated at \$1,051,000, which is \$135,179 or approximately 17% more than 2017 projected revenue. Most of this anticipated additional revenue is attributable to the projected performance of the Lantern Light Festival. Should we be able to strike a deal with cannabis show producers to host shows here in 2018, we estimate an additional net revenue of \$40,000 - \$50,000+ would be generated by these activities. Expenditures for 2018 are estimated at \$518,249, which is \$121,198 or 30%+- more than 2017 projected expenses. As with the increase in revenues, most of these additional expenditures are associated with the Lantern Light Festival and “Influencers” events.

Year Around Solano Race Place / Satellite Wagering - While attendance at the Solano Race Place is expected to continue its decline, a modest resurgence in the “handle” (monies generated by pari-mutuel wagering) leads us to believe that this operation will hold its own on the revenue side. The budget calls for total revenues of \$524,000, relative to the 2017 projected total revenues of \$535,606. On the expense side, we’re continuing to expend marketing/communications resources to buoy facility attendance numbers. Unfortunately, the California horse racing industry’s commitment of funding in this area continues to decline, leaving individual facilities such as ours to fill the gap. We are actively seeking complementary opportunities to further utilize this facility, both directly in conjunction with the existing horse racing programming and by bringing in non-horse racing activities on days/nights when the horse racing activities are not taking place. Budgeted expenses are \$377,483, an increase of \$18,966 relative to total projected expenses in 2017 to account for wage parity adjustments, increasing utility and maintenance/repair costs.

Year Around Electronic Sign - Use of the electronic sign was steady relative to 2016, although the 2017 projected gross revenue of \$116,600 was moderately less than the \$120,000 budgeted. Playing a role in the slightly decreased revenue was SCFA’s decision to ensure that “spots” would be available for use by Interim Event/Facility Rental customers in support of their activity. That necessarily required us to hold back a certain amount of inventory that in past years may have been sold. Even so, we came close to our budget target in 2017. In 2018 we anticipate a two-fold approach to Electronic Sign operations. We are currently reevaluating our “rack rate” fee structure relative to the other electronic signs in Solano County and anticipate that the anticipated adjustments will allow us to see a modest increase in gross revenue generated in 2018 of \$125,000. On the expense side, we are essentially remaining at “status quo,” factoring in additional costs associated with maintenance/repair and electricity fee increases.

Other Sources - The 2018 budget reflects a 2% Consumer Price Index on Six Flags Overflow Parking and applicable CPIs for other leases, no change in the state allocation of \$32,487 for operational support and training. These revenues are offset by a decrease of \$2,432 relative to ’17, for a total of \$37,5000 in 2018. The .33 Funds continue to diminish due to declining activity at the Solano Race Place.

Administrative Overhead - Overhead expenditures consist of Administration, Maintenance and Guest Safety costs that cannot be directly allocated to one of the SCFA’s six income activity centers. The 2018 expenditures are estimated at \$1,143,731 which is \$43,716 or 3.9%+- more than the 2017 projection of \$1,100,015. Included in this overhead is a 25% increase in the cost of general liability insurance coverage from \$88,500 in 2017 to \$108,564 in 2018. This increase is not exclusive to the SCFA, but to all members of the liability insurance pool of which the SCFA is a member (California Fair Services Authority).

Employee Positions - This budget reflects no change in employee positions relative to 2017.

Professional Services - Relative to 2017, this budget reflects an increase in professional services costs associated with increased communications & marketing efforts.

Parity Adjustments - This budget does not anticipate a COLA adjustment in 2018. This budget does include several wage adjustments to “true up” the pay rate of several individuals, both “management” and “line” staff,

who's pay rates have inequitably been out of sync with their "cohort" in recent years. All in, relative to 2017's projected wages and payroll expenses of \$1,043,342, the 2018 budget total of \$1,017,606 represents a decrease of 2.5%+-.

Retirement Contributions - This budget anticipates no additional employee positions becoming eligible for the Public Employees Retirement System (PERS) benefit. Pension expenses are projected to increase from \$144,333 in 2017 to \$154,300 in 2018, an increase of 6.9%+-.

Cash Flow Analysis - The analysis of the cash flow through December 2018 paints a surprisingly positive picture, particularly when compared to what was anticipated in the 2017 budget. That said, we did take a hit due to the soft attendance at the 2017 Fair. While other "profit centers" (Interim Events/Facility Rentals, Satellite Wagering, Leases) performed close to or better than budgeted at the bottom line, the SCFA has entered 2018 in a financially precarious position due to the ongoing depletion of its unrestricted reserves. The projected revenues reflect a consciously conservative approach to anticipated revenues, while the expenditures reflect both the changes in 2018 County Fair programming and acknowledge ongoing expenses directly related to the operation of a "legacy" facility utilizing "legacy" equipment. Unanticipated events, whether related to facility infrastructure or equipment challenges, or simply due to an underperforming profit center, have and likely will continue to chip away at the thin "safety net" afforded by our reserves. The Fair Board has decisively responded to this situation by making the decision to start rebuilding the reserves. In concert with this decision, the SCFA's management staff will continue to control expenditures. The combination of these efforts shall, it is hoped, return the organization's finances to a position where it will be once again possible to contemplate producing an annual County Fair that includes the entertainment and commercial exhibitor elements enjoyed by so many fairgoers here over the years.

2018 Pending Issues

While the CY2018 SCFA Proposed Budget will ensure the organization's ability to continue to successfully operate and fulfill its mission ***"To ensure a positive experience for the public by providing a year-round multi-purpose venue that showcases and celebrates the wide variety of resources and activities to our diverse communities."*** The continuing legacy of uncertainty due to the ongoing Solano 360 efforts and aging facilities still hinders the SCFA's ability to move forward into its future as desired by both the organization's dedicated Board and hard-working staff. It is the intention of the SCFA's Board of Directors to work closely with the Board of Supervisors over the course of 2018 to improve communications between these two bodies, examine the SCFA's governance model and set a strategic course for the organization and its future endeavors.

Unrestricted Reserves - Based on 2017 Year-end Projections, SCFA will have an Undesignated Net Position of \$95,677 in its Unrestricted Reserves. Because of the Fair Board's bold decision to substantively re-focus the 2018 County Fair and dramatically cut its overhead, these reserves are projected to increase to \$118,616 at the end of 2018. This will decline to \$93,745 at the end of 2018 primarily due to the costs associated with the mandatory 2018 audit. A key financial goal is to rebuild these reserves to approximately 10% (\$250 - \$300K+-) of annual expenses over the next several years to assure both operational liquidity and a "safety net" against significant unanticipated expenses.

Solano Race Place / Satellite Wagering - The continuing decline in attendance at the Solano Race Place and in track commissions reflect the ongoing struggles in the horse racing industry, both in California and the United States. The SCFA successfully changed the Race Place's operating schedule in 2017 to align with most other satellite wagering facilities in northern California. Pending any additional changes in the overall California racing schedules, our operation cannot be reduced beyond the current four-day a week operation without compromising our brittle customer base.

Aging Facilities & Equipment / Solano 360 Redevelopment - \$25,000+- in unanticipated facility repairs and \$14,000+- in unanticipated equipment repairs occurred in 2017 - electrical distribution failures, rolling

stock/heavy equipment breakdowns and the like. These issues are the result of operating aging facilities and equipment at a high operational tempo. There are a variety of reasons that can be stated to rationalize past decisions regarding the level of investment in the facilities and equipment, including deferring investment pending the outcomes of one of the several plans for redevelopment over the last 30 years. In hindsight, those decisions have proven to be short-sighted and resulted in facilities and equipment that now require significant investment before long-term revenue gains can be achieved so the Fairgrounds can be an economically sustainable operation. The current Solano 360 Redevelopment process shifted in mid-'17 with the conclusion of the exclusive negotiations between the County and the developer. The County has allocated significant funds to demolish the again horse racing facilities on the south end of the grounds, along with funds designated to address some of the deferred maintenance/repair issues that plague our ongoing ability to fulfill our mission and serve the citizens of the County of Solano.

Governance Model and Strategic Direction - In light of current financial realities, the Fair Board has committed to embarking, in close coordination the Board of Supervisors, on a re-evaluation of the organization's governance model (composition and number of Board Members) and re-alignment of the future strategic goals of the organization. While the Fair Board continues to be closely focused on the organization's foundational reason for being - the annual County Fair activity - it has also come to reluctantly recognize that the "traditional" fair model, as previously practiced here, is no longer financially sustainable. Perhaps more importantly, this "old" model, is the recognition that the era when the annual horse race meeting generated sufficient cash to underwrite the fair's activities simply no longer exists here. 2018 will be dedicated to finding a viable way forward that continues to successfully serve the citizens and communities that are Solano County for many years to come.

ALTERNATIVES:

The Board of Supervisors may choose not to approve the CY2018 SCFA Proposed Budget as presented or approve this budget with recommended changes and instruct the Solano County Fair Association to modify the budget accordingly.

OTHER AGENCY INVOLVEMENT:

The County Administrator's Office is reviewing the Fair Association's revised budget and has reviewed the previous two submitted budgets. The SCFA's Board of Directors approved the revised budget at its January 22, 2018 special meeting following meetings on December 13, 2017 and January 17, 2018.

CAO RECOMMENDATION:

APPROVE DEPARTMENTAL RECOMMENDATION