



Legislation Text

File #: 14-0808, Version: 1

Receive a report and recommendations from the Fair Manager on behalf of the Solano County Fair Association; Consider approving an amendment to the existing agreement with the Solano County Fair Association (SCFA) for the management and operation of the Solano County Fairgrounds; Consider approving the recommendation to close the Joe Mortara Golf Course and authorizing the SCFA to surplus materials from golf course and surrounding race track; Consider and provide direction on a proposal concept for a paintball operation at the Fairgrounds; and Consider the request to approve the 2015 SCFA budget totaling \$2,939,136

Published Notice Required? Yes _____ No X _
Public Hearing Required? Yes _____ No X _

SOLANO COUNTY FAIR ASSOCIATION RECOMMENDATION:

It is recommended that the Solano County Board of Supervisors:

- 1) Receive a report and recommendations from the Fair Manager on behalf of the Solano County Fair Association (SCFA);
- 2) Consider approving an amendment to the existing agreement through 2018 with the Solano County Fair Association for the management and operations of the Solano County Fairgrounds;
- 3) Consider approving the recommendation to close the Joe Mortara Golf Course and authorizing the SCFA to surplus materials from golf course and surrounding race track;
- 4) Consider and provide direction on a proposal concept for a paintball operation at the Fairgrounds;
- 5) Consider the request to approve the 2015 budget for the Solano County Fair Association for total expenditures of \$2,939,136 and budgeted revenue and dedicated resources of \$2,939,750, which includes \$2,819,750 in operating revenues, and \$120,000 from unrestricted reserves.

SUMMARY:

Since 1946, the County has been contracting with the Solano County Fair Association (SCFA) for the management and operation of the Solano County Fairgrounds. The existing agreement was originally entered into on January 25, 2011 as a three-year contract with options to extend an additional two years. The existing agreement expires on January 31, 2016. The proposed amendment (Attachment A) would extend the term of the agreement until January 31, 2018 and provides the SCFA the ability to secure longer-term revenue contracts.

The SCFA operates on a calendar year budget. As part of its 2015 Budget (Attachment B), the SCFA is asking the Board to approve two recommendations that will significantly alter the Fairgrounds operations: approve the closure of the Joe Mortara Golf Course by the end of 2014 due to continued annual operating losses (Attachment C), and approve the concept of establishing a paintball and laser tag facility as a temporary and interim use as described in and allowed by the Solano360 Specific Plan (Attachment D). Per the agreement with the SCFA, these actions must be approved by the Board.

Overall, the 2015 budget reflects a realignment of expenditures to the 2013 level, while benefiting from an improved local and regional economy. The 2015 budget of \$2,939,136 was approved by the Association's Board of Directors at its meeting on November 12, 2014 and is forwarded to the Board of Supervisors for its concurrence and approval.

The proposed 2015 budget addresses the anticipated operations of the annual Solano County Fair from July 29 to August 2, the annual Youth Ag Day on March 17, year-round operation and rental of the Fairgrounds, the Solano Race Place satellite wagering facility, an electronic billboard, and management of several property leases. The 2015 budget includes the anticipated savings from closing the golf course and anticipated revenue from the paintball operations.

FINANCIAL IMPACT:

The Association is an enterprise fund and must operate within the operating revenues generated by the annual Solano County Fair, year-round activities, and available resources. The Association's budget does not impact the County General Fund.

DISCUSSION:

Overview of 2014 Fair Association Activities

The Solano County Fair Association continues to produce and present 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.

Youth Ag Day continues to thrive with 139 third-grade classes made up of 3,174 students from across the county participating in 2014, an increase of 23.5% compared to 2013.

The 2014 Solano County Fair concluded its five-day run on August 3, once again receiving many compliments and positive guest feedback for the variety and quality of entertainment, the cleanliness of the grounds and for being a safe, family-friendly event. Total attendance reached 39,346, a modest 4.37% decrease compared to last year's attendance of 41,144. Although total attendance was down slightly, the Solano County Fair continues to be a strong draw for vendors with commercial space revenue increasing by 9.27% and carnival revenue remaining consistent with last year's level.

The Fair continues to focus on all things Solano and is a fun, safe, countywide event that is made possible through the shared efforts of the Fair and the many local groups, organizations and individuals that participated in the Fair in competitive exhibits, livestock competitions, performance stages, Cultural Pavilion and County & Cities Expo. Community participation in the Fair was strong again this year, allowing some key elements to see an increase in numbers. One of the Fair's greatest successes was the competitive livestock exhibits, culminating on the last day of the Fair with the Jack and Bernice Newell Junior Livestock Auction. This year's auction had 151 lots which, although down by two lots compared to last year, raised \$108,695, a 16.1% increase over 2013. Competitive exhibits also saw an increase this year with the number of entries up to 3,389 from 2,788 last year, a 21.6% increase.

Year-round use of the Fairgrounds continues to draw large audiences for a variety of public and private events, school and youth athletic practices, public safety agency training, and seasonal storage totaling 363 use days in 2014 compared to 389 in 2013. This number does not include event move-in or move-out days, or year-round operation of the golf course, RV park, Solano Race Place (satellite wagering facility), New Horizons Pre-School, or Vallejo Gem and Mineral Society clubhouse/workshop.

Additionally, SCFA administers and coordinates property leases with Courtyard Marriott Hotel, Six Flags,

AT&T, Matina (Chevron/Carl's Jr.), and CBS Outdoor.

Three unusual events in 2014 required significant coordination: PG&E replacement of several hundred feet of underline gas line crossing a primary, high-traffic internal road on the Fairgrounds; extensive damage repairs to the Solano Race Place resulting from a break in and attempted theft; and major repairs to the site-wide electrical system resulting from failure of high voltage service provided by PG&E.

SCFA Agreement

California Government Code section 25906 allows the Board of Supervisors to contract with a nonprofit corporation to conduct an agricultural fair in the county. This section gives the Board discretion to determine the specific terms of the contract as well as the contract period.

The proposed amendment to the contract between the Solano County Fair Association and the Board of Supervisors includes:

- Extending the term of the agreement to January 31, 2018 to provide the SCFA the operational flexibility to enter into multi-year vendor contracts at more favorable terms and to secure longer-term commitments on revenue contracts. The current agreement expires January 31, 2016.
- Revenue opportunities are not always conveniently aligned with the available time remaining on the SCFA Agreement. To avoid this potential loss in revenue, the amendment provides the SCFA the ability to secure revenue contracts that extend beyond the term of the agreement with the concurrence of the County Administrator. This currently affects a proposed agreement for a very profitable existing dog show, and a proposal for a paintball and laser tag operation discussed in more detail below.

The Association's Board of Directors approved the amendment to the agreement at its November 12, 2014 meeting.

Closure of Joe Mortara Golf Course

The SCFA is recommending the closure of the Joe Mortara Golf Course by the end of 2014, because the golf course has been losing money for several years, and the SCFA budget can no longer afford to subsidize the operations of the golf course. In 2008, management of the Joe Mortara Golf Course began to transfer from the Vallejo Golf Club to the Solano County Fair Association. By 2011, the Vallejo Golf Club was no longer involved in the operations of the golf course. During this time, the financial meltdown that led to the Great Recession severely reduced available discretionary consumer spending. This impact on the Joe Mortara Golf Course was echoed by other golf courses in the area, and was compounded by escalating maintenance issues surrounding the irrigation system that affected the quality of the course. Rounds of golf have declined year over year since the 22,636 rounds in 2008 to 14,361 in 2013. The projected rounds for 2014 is 11,500 and represents a cumulative reduction of 62% since 2008. After capital expenses, golf operations have been losing money since 2009. The projected loss in 2014 is nearly \$120,000.

The SCFA considered various scenarios of closing the golf course, including options that kept the area green. Options that maintained the open space green were deemed financial unsustainable within the financial resources of the SCFA. Ongoing costs to irrigate and maintain the 30-plus acres ranged from \$60,000 to \$90,000 annually, with no revenues to offset the costs. The recommended option maintains the area as fallow land with minimal maintenance that is geared primarily toward fire safety. It is anticipated that there will be approximately \$15,000 in one-time costs associated with the closure, and an ongoing cost of approximately \$4,000 per year.

As part of the decision to close the golf course, the Board is being asked to declare surplus materials from the

golf course and the surrounding race track that cannot be repurposed for other Fairgrounds operations.

A significant portion of the golf course is slated for demolition during Phase 1A of the Solano360 Revitalization Project. The timing of this demolition would be in the next three to five years, depending on the progress of various environmental clearances associated with the project.

The Association's Board of Directors approved the recommendation to close the Joe Mortara Golf Course October 16, 2014 meeting.

Paintball and Laser Tag Proposal

The SCFA has received a proposal to establish a paintball and laser tag facility, and it is anticipated that the request could be accommodated in the southern portion of the current golf course or near the former horse racing stables. The use would be an interim use of the property, which is not anticipated for development until the latter phases of Solano360. The proposal commits to invest more than \$400,000 into developing themed facades and competition areas. The proposal requests a minimum lease of five years.

The proposal is only in its beginning stages of evaluation to ensure it does not conflict with the Solano360 project. The proponents anticipate initial construction to take approximately four to six months, and it is anticipated that such an operation could generate nearly \$50,000 annually for the SCFA.

The Association's Board of Directors approved proceeding with negotiations on the proposal at its October 16, 2014 meeting. The Board of Supervisors is being requested to approve the concept of the project proposal and the associated alterations to the Fairgrounds property. The revenue contract would be for at least five years, which will extend beyond the existing agreement with the SCFA. Per the second amendment proposed above, approval of the final negotiated revenue contract will require the concurrence of the County Administrator.

2014 Financial Overview

The SCFA is projecting to end 2014 with revenues of \$2,727,670 and expenditures of \$3,120,562, for an operating loss of \$392,892 which includes \$83,457 in capital expenditures. The SCFA had budgeted an operating loss of \$323,869 for CY2014, which included making \$236,000 in facility improvements.

As previously discussed, the Fair saw a decrease in attendance, perhaps in part due to unusually warm weather for several days of the Fair, resulting in revenues \$28,976 or 5.41% less than budgeted, while associated costs were \$5,464 or 0.63% over budget.

Youth Ag Day saw expenses of \$3,031 or 15.39% over budget due to increased participation and demand for transportation subsidies, coupled with a slight decrease in sponsorships of \$635.

Revenues from rental of facilities for year-round events are projected to be \$108,848 or 13.92% under budget, while associated expenses are projected to be over budget by \$19,013 or 8.86% due primarily to increased utility costs.

Solano Race Place (satellite wagering) revenues are projected to be \$7,295 or 1.22% over budget, while associated expenses are projected to be under budget by \$21,135 or 5.06%.

Electronic sign revenues are projected to be \$82,500 or 47.14% under budget, while associated expenses are projected to be \$21,693 or 29.91% under budget.

Joe Mortara Golf Course revenues are projected to be \$83,764 or 47.53% under budget, while associated

costs are projected to be \$7,288 or 3.31% under budget.

Administrative overhead costs are projected to be \$81,891 or 13.65% under budget, maintenance overhead costs \$5,296 or 0.9% under budget, and Guest Safety (security) overhead costs \$4,648 or 5.15% under budget.

Other revenues are projected to be \$23,727 or 3.23% under budget due in part to reallocation of \$35,000 of .33 funds to the Fair for cost of Sheriff personnel during the Fair, while associated expenses are projected to be \$9,454 or 8.65% over budget due in part to increased utility costs.

Improvements made to the Fairgrounds during 2014 include a complete roof overlay of the Solano Race Place, linoleum tile replacement in the building leased to New Horizons Pre School, installation of an irrigation system silt filter and overdue landscape and drainage maintenance at the golf course, and significant deferred maintenance on lawns used for dog shows and other activities on the north portion of the Fairgrounds. \$120,000 budget in 2014 for parking lot maintenance was not expended as anticipated. Those funds were budgeted in 2014 for SCFA's investment in improvements to the portion of the parking lot used primarily by Six Flags Discovery Kingdom, which were delayed and is now scheduled for early 2015.

2015 SCFA Budget Proposal

Overall, the 2015 SCFA Budget reflects a rollback to 2013 expenditure levels, but benefits from an improved local and regional economy. The proposed 2015 revenues of \$2,819,750 reflect an increase of \$92,080 or 3.4% compared to projected 2014 revenues and a decrease of \$42,485 or 1.5% from 2013 actual revenues. Proposed 2015 expenditures of \$2,819,136 reflect a decrease of \$217,969 or 7.2% from projected 2014 expenses and a decrease of \$180,721 or 6.0% from 2013 actual expenses. The budget reflects an operational profit of \$614, pending Board approval of the recommendations to close the Joe Mortara Golf Course and to proceed with negotiations for the paintball operations.

The proposed 2015 budget reflects the following:

Fair Revenue

Budget anticipates a 6% increase in Fair admission and other attendance-driven revenue, when compared to 2014 projections and is on par with 2013 actuals. This increase is anticipated based on the relatively small decline in attendance between 2013 and 2014 that was offset by stronger commercial space revenues and carnival revenue remaining constant. This indicates an increase in available consumer discretionary dollars, which should continue as unemployment in Solano County and the region continues to decline. The lower attendance in 2014 is within expected fluctuations based on consumer connections with the offered entertainment. The Fair Budget anticipates benefiting from the overall improving economy with an increase in sponsorships of \$11,514 over 2014 projected, which is \$3,226 less than the 2013 actual sponsorships. The Fair Budget also reflects the use of .33 funds to cover the cost of security provided by the Sheriff's Office during the Fair.

The 2015 budget also proposes a rollback of expenditures to be more in line with 2013 expenditures and the anticipated attendance. Compared to 2014 projections this reflects a decrease in expenditures of \$50,206 and a decrease of \$4,680 from 2013 actuals.

Since the 2013, the Fair has opened at 3 p.m. on weekdays instead of 11 a.m. to align hours of operations with attendance patterns. The Fair proposes to continue this practice in 2015 to manage its operating costs. This practice has also proven beneficial in reducing operating costs for concessionaires, commercial exhibitors and attractions; enhanced volunteer-driven programs, such as the Cultural Pavilion and County & Cities Expo, by better accommodating many volunteers' availability; and was generally well received by the public.

Solano Race Place Revenue (Satellite Wagering)

The 2015 Budget reflects no significant changes in revenues or expenditures for the Race Place, when compared to 2014 projections. While projected revenues for 2014 reflects a \$19,023 or 3.3% increase over 2013, a conservative approach is being taken toward future revenues. Prior to 2013, satellite wagering had been declining. The 2014 revenues are approaching the revenue levels experienced in 2011, which was \$608,340.

Facility Rentals Revenue (Year-Round Events)

Budget reflects a revenue increase of \$66,350 or 9.4% from rental of facilities and associated reimbursable costs, when compared to 2014 projections. The 2015 Budget, however, only represents a \$3,410 increase over 2013 actuals. This represents an achievable increase of facility use with the implementation of enhanced marketing efforts and marketing partnerships.

Electronic Sign Revenue

Electronic Sign revenue has declined in recent years due to the economic conditions, technology differences (size, resolution, etc.) with other signs in the market area, and inconsistent marketing and sales efforts. Revised marketing materials are in place to implement an aggressive marketing campaign that is anticipated to increase Electronic Sign revenues to slightly above the 2013 levels. This represents a \$37,500 or 40.5% increase over 2014 projections. In recognition of the market conditions affecting this revenue stream (as well as with sponsorships), the SCFA will be developing an expenditure reduction plan affecting a cross section of Fairground activities to ensure overall expenditures align with achieving revenue targets.

Six Flags Parking Lease Revenue

The 2015 Budget reflects \$408,000 in parking revenues from the Six Flags Discovery Kingdom parking lease that was approved by the Board of Supervisors in April 2014. The \$51,700 expense associated with this lease is for the Fairgrounds Drive Landscape Maintenance Assessment.

This budget includes \$120,000 for parking lot improvements from available resources dedicated for that purpose. Further, the Association acknowledges that from 2016 to 2021 this lease revenue will have an annual rent credit of \$64,000 for Six Flags contribution to parking lot improvements.

Employee Positions

This budget reflects the reduction of 1.0 FTE groundskeeper as a result of the closure of the Joe Mortara Golf Course. Additionally, there is a reduction of seven part-time employees working approximately 10 to 15 hours as starters.

Cost of Living Adjustments (COLAs)

This budget includes no cost of living adjustments.

Merit / Parity Salary Adjustments (M/PSAs)

This budget includes no merit or parity salary adjustments.

Payroll Taxes and Employee Benefits

This budget anticipates a slight decrease in employer payroll taxes and workers comp costs associated with an estimated \$143,120 reduction in wage expenses due to cost containment efforts.

Public Employees Retirement System (PERS)

This budget anticipates no additional employees becoming eligible for PERS benefits, and an increase in PERS rate from 17.427% to 18.931% beginning in July 2015.

ALTERNATIVES:

The Board of Supervisors could choose not to concur with one or more the recommendations presented by the Solano County Fair Association. Three of those decisions have a rippling effect on the Board's ability to approve the SCFA 2015 budget as presented. The following describes the impacts of the various options:

- 1) **Amendment to SCFA Agreement.** The Board could not approve the term extension beyond January 31, 2016 at this time, or recommend a time period more or less than the proposed date of January 31, 2018. No extension of the term compromises the ability of the SCFA to secure longer term revenue contracts, including an existing dog show and the paintball proposal that are included in the 2015 revenue assumptions, unless the Board approves the change to Section 3c, paragraph iv that allows for revenue contracts beyond the term of the contract with the concurrence of the County Administrator. Any changes to the proposed amendment Agreement would be referred back to the SCFA for consideration at the SCFA's regularly scheduled meeting on December 10, 2014.
- 2) **Golf Course Closure.** The Board could choose to not close the golf course or to delay the timing of the closure. These alternatives have financial implications on the proposed 2015 budget, and the SCFA can no longer continue to subsidize the operating losses.
- 3) **Paintball/Laser Tag Proposal.** The Board could choose to not proceed with negotiations on this proposal or suggest conditions on the agreement. If the Board chose not to proceed, 2015 revenues would be reduced by \$25,000 and the SCFA would need to identify additional expenditure reductions to remain in balance.
- 4) **SCFA Proposed 2015.** The Board could choose to not approve this budget or approve this budget with recommended changes and instruct the Solano County Fair Association to modify the budget accordingly. The Board could postpone the decision on approving the budget to a future meeting to allow the SCFA to address any questions or concerns of the Board.

OTHER AGENCY INVOLVEMENT:

The County Administrator's Office has reviewed the Fair Association's budget.

CAO RECOMMENDATION:

The County Administrator's Office is working with the Auditor-Controller and the Solano County Fair Association to evaluate the financial position of the Fair Association. The Auditor is currently conducting its regularly scheduled biannual audit and is validating projected cash flows for the Fair Association. That financial analysis is not yet complete. The County Administrator makes the following recommendations on the SCFA proposals:

1. Adopt Budget as a preliminary Budget for the Fair Association and Direct the County Administrator and

Auditor to return to the Board with results of the biannual audit of the Fair and any recommendations or revisions to the Fair Budget as necessary.

2. Approve in concept the three-year extension to the existing agreement to 2018 and direct staff to bring back updated agreement amendments.
3. Consider approving the recommendation to close the Joe Mortara Golf Course and authorizing the SCFA to surplus materials from golf course and surrounding race track.
4. Concur on exploring the concept of paintball and laser tag operation; however, the anticipated revenue should not be considered as part of the SCFA 2015 Budget until an agreement is reached on the proposal. This will require the SCFA to identify an additional \$25,000 reduction in expenditures to present a balanced budget for 2015.