COUNTY OF SONOMA

575 ADMINISTRATION DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 8/4/2026

To: Sonoma County Board of Supervisors
Department or Agency Name(s): Sonoma County Fair & Exposition, Inc.
Staff Name and Phone Number: Matt Daly, 707-545-4200
Vote Requirement: Majority
Supervisorial District(s): Countywide

Title:
2026 Sonoma County Fairgrounds Budget

Recommended Action:
Adopt a Resolution to approve the 2026 Operating and Capital Improvements Budget and the 2026 Position Allocation List for Sonoma County Fair and Exposition, Inc.

Executive Summary:
The Fair Board of Directors requests that the Sonoma County Board of Supervisors approve the $9.8 million budget for calendar year 2026, which the Fair and Exposition Board of Directors adopted on February 17, 2026. The 2026 budget forecasts expenditures and revenues for the annual County Fair as well as non-Fair events.

Pursuant to Government Code 25905, the Board of Supervisors contracts with the Sonoma County Fair and Exposition, Inc. (Fair) to operate the Sonoma County Fairgrounds. Under this contract, the Fair's budget is subject to Board of Supervisors approval, and the Board of Supervisors retains the authority to modify the Fair's budget. However, no statute specifically governs the Board's process for considering the Fair's budget; therefore, the public hearing noticing requirements of Government Code 29064 do not apply.

In future years, the Fair anticipates submitting its proposed budget to the Board by February. This year's budget process was delayed due to the Fair's fiscal challenges following the end of horse racing, as well as personnel changes.

Discussion:
2026 Budget Overview

<u>Revenues</u>

- The 2026 Budget projects total operating revenue of $8,709,550 (Attachment 2, Line 22). Revenues are a combination of Annual Fair ($5,170,350) and interim operations, associated with events other than the Annual Fair ($3,539,200).
- There is additional non-operational revenue of $88,700. (Attachment 2, Line 87).

<u>Expenditures</u>

- The 2026 Budget projects expenditures of $9,771,400 (Attachment 2, Line 68). Expenditures are a combination of Fair expenses ($3,141,489), interim expenses ($1,269,985), maintenance expenses ($3,623,761), and administrative expenses ($1,736,165).

- There is additional non-operational expenditure of $12,500 (Attachment 2, Line 88).

The 2025 Fair was the first in recent history without horse racing, which dramatically reduced operating revenue, leading to a net loss of $1,370,854 (Attachment 2, Line 90). The 2026 budget reflects efforts to increase revenue with one more Fair day and expanded interim events, while reducing expenditures through strategies such as controlling overtime costs and shifting publicity from printed materials to digital. As a result, the 2026 budget projects a $937,650 net loss, which is a 31.6% improvement from 2025.

Fund Balance and Asset Overview

The 2026 Budget projects a fund balance use of $1,113,650, resulting in a projected year-end fund balance of $11,877,466 (Attachment 2, Line 221) to cover an operational deficit consisting of a net loss of $937,650 and $176,000 in capital expenditures (Attachment 2, Line 157).

- The 2026 budget reflects a 3.2% increase in revenue over 2025 (Attachment 2, Line 22).
- Net assets are projected to decrease by $1,113,650 in 2026, a 19.5% decrease from the $1,382,909 decrease in 2025 (Attachment 2, Line 157). This improvement is largely due to a lower projected loss from operations (Attachment 2, Line 84). Beginning net assets for 2026 were $14,185,970, and the projected ending balance is $12,815,116 (Attachment 2, Line 218).
- Cash on hand for 2026 is projected to be $5,025,569, a reduction of $1,203,650 compared to cash on hand in 2025 (Attachment 2 line 241). Approximately $2,100,000 in cash is needed to cover carrying costs for the Fair.

Salary and Benefits Overview of Full-time Equivalent and Temporary Employees

Full-time Equivalent Positions - The 2026 budget includes $3,897,054 for 20 full-time equivalent positions, a 3.9% increase over 2025 (Attachment 2, Line 256). The increase reflects higher wages and benefits tied to cost-of-living increases and step progression.

Temporary and Seasonal Workers - The 2026 budget includes $1,585,182 in non-allocated labor; this is an increase of 0.2% or $3,455 (Attachment 2, Line 273).

The Future - Post-Horse Racing

Priorities - In 2026, the Sonoma County Fairgrounds team will prioritize operational efficiency by expanding revenue opportunities through concessions and special interim events, while implementing cost-saving measures.

Concessions - In recent years, the Fair has outsourced alcohol concessions. Fair management has identified restructuring alcohol concessions for both the annual fair and interim events as a high priority. The restructuring is expected to enhance revenues.

New Strategies - Management is also evaluating automated parking, expanded RV park storage capacity, and increased recruitment of interim event rentals. Additionally, the Fairgrounds recently adopted a policy to recover 3% of credit card transactions to offset transaction fees, which totaled $208,730 in 2025. For 2026, the Fair projects $60,000 in cost recovery due to second-quarter implementation of this policy for interim and fair vendors only. Looking past 2026, all credit card fees will be structured to pass through to customers to alleviate this expense.

It is important to note that the proposed 2026 budget assumes most of these strategies will commence late in 2026 or in 2027. As they are implemented, revenues may exceed the projections presented here. Long-range planning involves working closely with the County Economic Development Council and partners in the County Executive's Office to envision sustainable community-based uses of Fair property that attract economic activity to Sonoma County.

Significant Budget Impacts

Ongoing Trend - Compared to 2025, the first year of the summer fair without horse racing, the 2026 budget assumes no major operational changes. Since 2021, the fair has experienced a challenging financial climate with operational and non-operational revenue generally decreasing. This trend was exacerbated in 2025 with the loss of horse racing.

Loss of Racing - While the loss of horse racing directly reduced revenue, it also caused indirect losses, such as reduced gate admissions, concessions sales, and parking revenue. Fair sponsorship also fell between 2024 and 2025. Fair revenue decreased by $2,528,977, or 33.9%, from 2024 to 2025 (Attachment 2, Line 15). In 2025, net profit from all fair operations declined by $1,183,673, or 40.3%, from the previous year (Attachment 2, Line 177).

Counteracting Budget Changes - To address rising costs and programmatic losses, the Fair is exploring reducing overall expenses and building new revenue opportunities. This includes building a more robust interim event program and generating more concessions revenue. For example, 2026 Fair operations will include a new paid circus attraction that is projected to drive revenue over the 10 days of the fair.

Staffing Structure - The recommended budget includes similar staffing as in previous years. Unless operational and non-operational revenues increase in the coming year, future fiscal years will require staffing reductions to prevent further draining the Fair’s reserves. A strategic evaluation of staffing structure for the Fair is necessary to improve the forecasted budget outlook. Upon the completion of the 2026 Annual Fair, the Fair will have two years of post-horse-racing data to build a trend. With this data, the Fair will propose a revised staffing structure that aligns with budget needs and meets the projected needs of the Fair in 2027.

Maintenance and Administration

For the 2026 budget, administrative expenses are projected to remain relatively unchanged, and the budget assumes no filling of vacancies. Overall, there is a $145,330 (3.9%) budgeted increase in permanent labor over 2025 (Attachment 2, Line 256). This increase includes salary and benefits, and is offset by a projected decrease of 14.8% in administration and temporary labor. There is also an effort to reduce contracted services and recover pass-through fees as revenue.

Expenses are projected to increase modestly for utilities, trash removal, janitorial services, electrical work, supplies, and fuel for equipment and vehicles.

Capital Improvements (Attachment 4)

The Fair has submitted five projects with a total cost of $1.1 million to Sonoma Public Infrastructure for consideration in the FY 2027-28 budget. In 2026, capital improvement funding from reserves totals $176,000.

Position Allocation List (Attachment 5)

The Sonoma County Fairgrounds currently fills 20 of 27 authorized full-time equivalent County positions.

In 2025, two employees retired and those positions have been left unfilled. In 2025, the Fair filled one vacancy (from a 2024 voluntary departure) and filled a second vacancy (from a 2024 promotion) in December. Since the loss of horse racing after 2024, the organization has maintained an average of seven vacant positions to control costs.

Strategic Plan:
N/A

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?
No

Prior Board Actions:
The Board of Supervisors typically approves the Fair budget annually but did not review the 2025 budget due to uncertainty surrounding racing activities, ongoing revisions, and limited staffing capacity.

FISCAL SUMMARY

Narrative Explanation of Fiscal Impacts:
With Board of Supervisors approval, the Fair will implement the budget described in Attachment 2.

Narrative Explanation of Staffing Impacts (If Required):
The 2026 recommended budget includes 20 filled and 7 vacant positions, as shown in Attachment 5.

Attachments:
Attachment 1: Board Resolution
Attachment 2: Budget Detail
Attachment 3: Financial Summary
Attachment 4: Capital Improvement Budget
Attachment 5: Sonoma County Fairgrounds Position Allocation List (2026)
Attachment 6: 2026 Fair Budget PPT

Related Items "On File" with the Clerk of the Board:
None