



COUNTY OF SONOMA

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

SUMMARY REPORT

Agenda Date: 2/25/2020

To: Sonoma County Board of Supervisors

Department or Agency Name(s): Sonoma County Fair & Exposition, Inc.

Staff Name and Phone Number: Rebecca Bartling, 545-4218

Vote Requirement: Majority

Supervisorial District(s): All

Title:

2020 Sonoma County Fairgrounds Budget

Recommended Action:

Adopt a Resolution approving the 2020 Operating and Capital Improvements Budget and the 2020 Employee Position Allocation List, for Sonoma County Fair and Exposition, Inc.

Executive Summary:

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. The Board of Supervisors retains authority to approve and/or alter the budget of the Fair. The Fair Board of Directors request that the Sonoma County Board of Supervisors approve the 2020 annual budget, as adopted by the Fair Board of Directors on December 17, 2019. While the annual Fairgrounds budget has historically been considered by the Board as regular calendar item, today's budget action is on the consent calendar. Government Code 25905 requires Board approval of the Fairgrounds, however it does not specify placement on the agenda.

2020 Budget Overview

The 2020 budget includes \$11,142,648 in expenditures financed with \$10,540,929 in revenues and \$601,717 in fund balance, which is a 5% increase over the prior year, primarily due to an increase in labor costs. The budget projects a net operating deficit of \$90,718 prior to depreciation expense of \$700,000, and identifies capital improvement projects of \$511,000, funded by Fair funds.

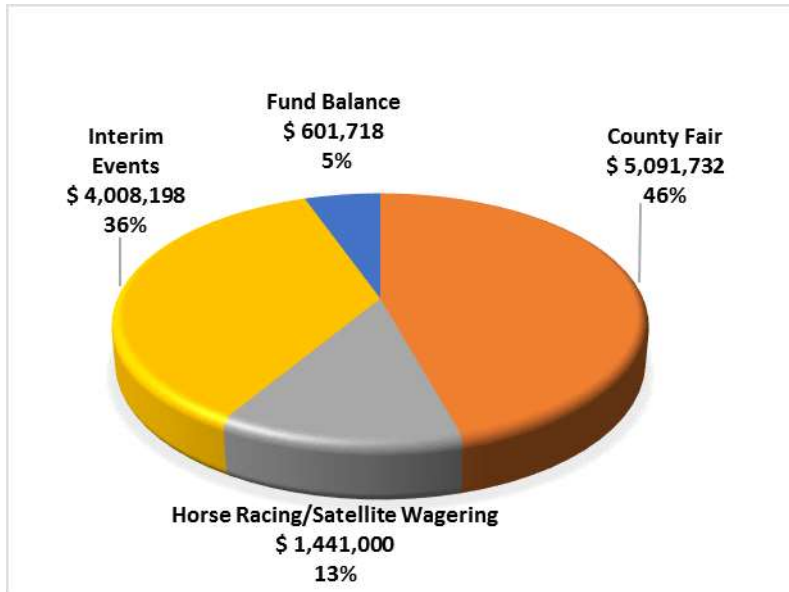
Fund balance is budgeted to decrease \$601,717 in 2020, as compared to a decrease of \$300,193 in 2019, a \$301,578 or 100% change, due primarily to a decrease of \$470,079 in net operating surplus and a \$168,501 decrease in budgeted capital project expenditures, when compared to the prior year.

Discussion:

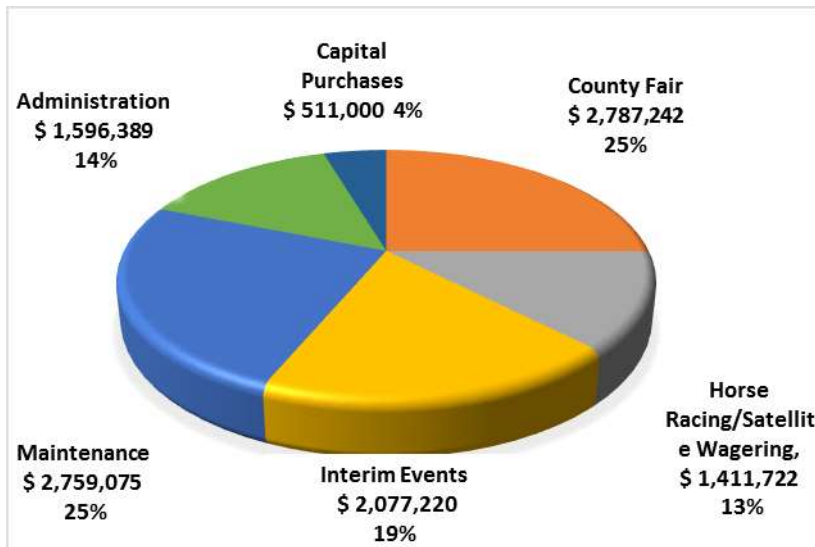
The Fairgrounds 2020 budget is comprised of operational and non-operational components. Operational expenditures by program area include County Fair 25%, Horse Racing and Satellite Wagering 13%, Interim Events 19%, Maintenance 25%, and Administration 14%. Non-operational costs are associated with Capital Improvements 4%. Operating revenues consist of County Fair 46%, Interim Events 36%, Horse Racing and Satellite Wagering 13%.

The following charts represent Fairgrounds 2020 revenues and expenditures by program area:

2020 Revenue Sources



2020 Expenditures by Program



Summary of Significant Budget Changes and Projections from Prior Year's Adopted Budget

Expenses by Category

- Salaries and Benefits increased \$486,645 (8.8%)
 - Increase in the City of Santa Rosa minimum wage affecting approximately 400 seasonal workers. (\$261,099)
 - Increases to employer-paid healthcare premiums and pension rates. (\$164,048)
 - Scheduled merit and projected COLA increases for existing staff. (\$61,498)

- There are no changes to the 30.75 Full Time Equivalent allocations
- 2. Services and Supplies increased \$215,051 (4.9%)
 - Increase in Racing & Satellite wagering expense, due to increases in contracted security costs (due primarily to increase in City of Santa Rosa minimum wage), and race track equipment and supplies associated with maintaining the turf track. (\$150,000)
 - Increase in Administration expenses, Professional Services, \$57,000, primarily due to:
 - Increase in County Cost Plan expenses. (\$28,000)
 - Increase in Other Services in anticipation of upgrading the Fairgrounds Event Management System. (\$10,000)
 - Increase in legal fees associated with renovation of Fairgrounds underutilized assets, and on-going legal support for operations. (\$9,000)
 - Increase in payroll processing fees. (\$10,000)
 - Increase in Fair Attendance expenses, due to increases in contracted security costs as a result of the increase in City of Santa Rosa minimum wage. (\$36,000)).
- 3. Capital Expenditures decreased \$168,500 (24.8%)
 - The budgeted 2020 Capital Expenditures include a new roof on the Finley Building, RV Park improvements, and a large irrigation project in the Carnival Lot.

Revenue (Sources)

- 1. Use of Fund Balance increased \$301,578 (100%)
 - Decrease in overall Fairgrounds net surplus, \$470,079
 - Decrease in Capital Expenditures \$168,500
- 2. Fees and Charges for Services increased \$231,618 (2.2%)
 - Decrease in Fair revenue (-\$195,222) (3%).

The Fair is projecting a decrease in Fair attendance in 2020 by 7,264 as compared to 2019. All Fair revenue line items that are affected by attendance are projected to decrease in 2020. These include Commercial Space, Carnival, Concessions, Exhibits, Parking and Sponsorships. The California Horse Racing Board (CHRB) allowed Alameda County Fair to move their race dates one weekend, which moved the Sonoma County Fair race dates one week further into the year. To be able to offer racing concurrent with the annual fair, fair dates were also pushed one week. Most Sonoma County schools are in session during the second week of the fair, so attendance is projected to decline, during the second week of the fair. Fair management determined that the decrease in revenue would have been greater, had the fair abandoned racing to run the fair during dates when school was not in session. Fair ticket prices were increased to help mitigate the revenue loss by \$98,000 due to the schedule change. Adult and youth tickets increased \$3, at the gate. Advanced adult tickets increased by \$2.
 - Increase in Interim revenue (12%) due to an increase in rental rates, of up to 20%. The fair's facility rental rates remain competitive, within the region. (\$423,055)

Other Budget and Financial information

2020 will be a challenging year for the fairgrounds. The City of Santa Rosa passed a local ordinance that will set the minimum wage within the boundary of the City at \$15 per hour effective July 1, 2020. This will lead to an increase of approximately \$300,000 in fair seasonal employee wages. Additionally, the fair's two security vendors will pass through the increase in the City of Santa Rosa minimum wage with an increase in their rates of almost 30%.

The 2020 annual Sonoma County Fair will run from August 05, 2020 through August 16, 2020 to coincide with the horse racing dates. Many Sonoma County Schools begin session during the second week of the fair. The change in fair dates, due to the change in racing dates, will negatively affect all fair revenue items that rely on attendance.

2019 Financial Overview

2019 Operating Income is projected to be \$1,374,922 less than 2018.

2019 Interim Event net revenue (net revenues other than Annual County Fair that includes facility rentals, and RV Park use) is projected to decrease \$818,000 when compared to 2018. The decrease is primarily due to the \$1,055,000 decrease in revenue from Federal Emergency Management Agency (FEMA), due to the winding down of rental payments for FEMA trailers in the fair's RV park. Additionally, a number of Interim events were cancelled due to the Fairgrounds acting as an evacuation center during the 2019 Kincadee fire.

2019 Annual County Fair net revenue decreased \$429,000 from 2018, primarily due to a \$179,000 decrease in revenues from admissions and horseracing, combined with an \$249,000 increase in expenses from seasonal employee wage increases and increases in horse racing expenses.

Sales at the Junior Livestock sale set another record at \$1,735,000, up by \$88,000 from 2018.

Capital Improvement Project list

The Capital Improvement Project list is shown as Attachment #3. Major expenditures include replacing the roof in the Finley Building \$175,000, improvements to irrigation infrastructure at the Carnival Lot \$175,000, continuing asphalt repair \$75,000, and RV park improvements \$50,000.

Position Allocation List

Please see Attachment #4 for the listing to be approved. There are no requested changes to the existing Allocation List consisting of 30.75 full time equivalent employees.

Strategic Objectives

Programming and facility enhancements will continue to be implemented for the Sonoma County Fair with a continued focus on entertainment that appeals to the broad demographics of Sonoma County; resulting in increased attendance, revenues and community appeal.

Sonoma County Fair & Exposition, Inc. will continue to be good stewards of the fairgrounds properties, through the profitable operation of the fairgrounds while emphasizing agricultural education and community involvement, both of which are core to the Fair's mission.

Prior Board Actions:

The Board of Supervisors approves the fair budget, annually.

FISCAL SUMMARY

Expenditures	FY 19-20 Adopted	FY20-21 Projected	FY 21-22 Projected
Budgeted Expenses			
Additional Appropriation Requested			
Total Expenditures			
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies			
Total Sources			

Narrative Explanation of Fiscal Impacts:

The Sonoma County Fair budget total expenses, revenues, and fund balance use for calendar year 2020 are \$11,142,647.

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Narrative Explanation of Staffing Impacts (If Required):

No change from prior adopted budgets.

Attachments:

Agenda Date: 2/25/2020

Attachment #1 Board Resolution

Attachment #2 Financial Summary

Attachment #3 Capital Improvement Budget

Attachment #4 Sonoma County Fairgrounds Position Allocation List

Attachment #5 Fair 2020 Budget as Approved by Fair Board

Attachment #6 Powerpoint Presentation

Related Items “On File” with the Clerk of the Board: