



Legislation Text

File #: 2020-1367, **Version:** 2

To: Sonoma County Board of Supervisors

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

Staff Name and Phone Number: Rebecca Bartling, 707-545-4218

Vote Requirement: Majority

Supervisorial District(s): All

Title:

2021 Sonoma County Fairgrounds Budget

Recommended Action:

Adopt a Resolution approving the 2021 Operating and Capital Improvements Budget and the 2021 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 2021 annual budget, as adopted by the Fair Board of Directors on December 22, 2020, and subsequent revisions adopted by the Fair Board at the special meeting on January 14, 2021.

The 2021 budget is unprecedented, in that it forecasts no 2021 County Fair, due to the effects of the COVID-19 public health emergency. Fair management cannot predict when the Public Health Officer will order the lifting of restrictions against mass-gatherings and if restrictions are lifted too late in 2021, this will not allow for the successful planning and execution of a profitable County Fair.

If circumstances improve that allow the County to loosen restrictions resulting from mass-vaccinations in early 2021, the Fair will return to the Board of Supervisors with an adjusted budget to reflect the changes in projected revenues and expenditures, as well as a request for a revision to our allocated positions.

**There are no specific statutes governing the Board of Supervisors process for consideration of the Fairgrounds budget, thus Government Code 29064 public hearing noticing requirements do not apply.*

2021 Budget Overview

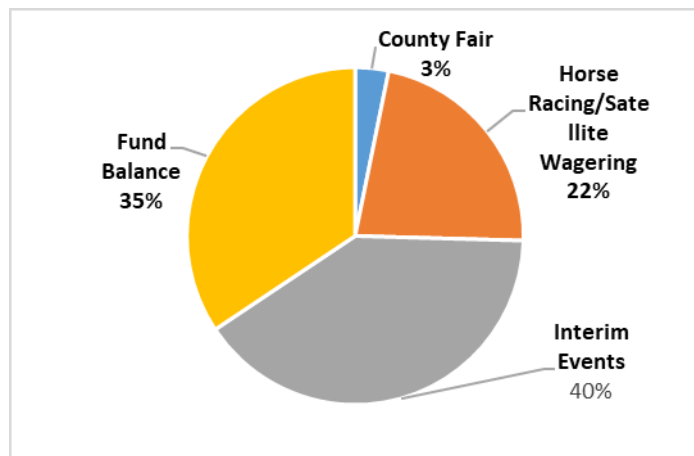
The 2021 budget includes \$5,058,817 in expenditures financed with \$3,320,702 in revenues and \$1,738,115 in fund balance, which is a 54.6% decrease over the prior year, primarily due to a reduction in all operational costs attributable to renting the fairgrounds and producing the annual County Fair. The budget projects a net operating loss of \$951,239, and identifies capital improvement projects of \$113,000, funded by Fair funds.

Fund balance is budgeted to decrease \$1,738,115 in 2021, due primarily to a \$951,239 net loss, \$113,000 in capital improvements, and \$673,875 in U.S. Small Business Administration (SBA) Paycheck Protection Program loan debt service. The Fair obtained a \$940,000 loan in April 2020 under the Paycheck Protection Program. The Fair has submitted a loan forgiveness request to the SBA and is awaiting response. The 2021 fund balance decrease compared to 2020, a \$601,717 decrease results in a 188.9% change from the prior year.

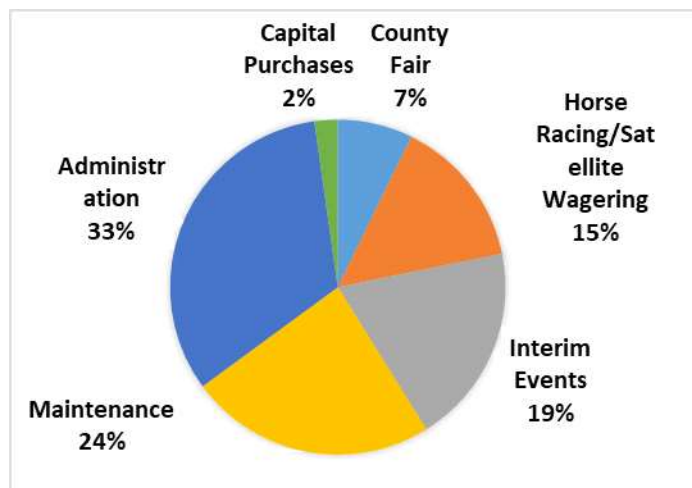
Discussion:

The Fairgrounds 2021 budget is comprised of operational and non-operational components. Operating revenues consist of Interim Events (non-fair building and facility rentals, and Recreational Vehicle Park and golf course use) 40%, Horse Racing and Satellite Wagering 22%, and County Fair 3%. Operational expenditures by program area include County Fair 7%, Horse Racing and Satellite Wagering 15%, Interim Events 19%, Maintenance 24%, Administration and Debt Service 33%, and Capital Improvements 2%. The following charts represent Fairgrounds 2021 revenues and expenditures by program area:

2021 Revenue Sources



2021 Expenditures by Program



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

Expenses by Category

1. Salaries and Benefits decreased \$3,899,147 (65%)
 - Decrease in labor costs associated with producing the annual County Fair. (\$1,206,031)
 - Decrease in Interim labor costs due to restrictions on mass gatherings. (\$784,489)
 - Decrease in Administration and Maintenance labor due to decreased operational activity and further staff reductions, due to revenue shortfall. (\$1,734,213)
 - Decrease in Satellite Wagering labor due to continued closure of the facility (\$174,419)
 - Full Time Equivalent allocations decreased from 30.75 to 15
2. Services and Supplies decreased \$2,460,558 (53.1%)
 - Decrease in expenses associated with producing the annual County Fair. (\$1,544,049) \$161,607 is included in Fair expenses to produce a livestock show and sale.
 - Decrease in Interim expenses, due to restrictions on mass gatherings. (\$334,812)
 - Decrease in Administration and Maintenance expenses due to decreased operational activity and further expense reduction, due to revenue shortfall. (\$437,556)
 - Decrease in Satellite Wagering expenses due to continued closure of the facility (\$144,141)
3. Capital Expenditures decreased \$398,000 (78%)
 - The budgeted 2021 Capital Expenditures includes replacement of asphalt and improvements to security and infrastructure at the RV Park. The reduction in budgeted Capital Expenditures is due to funding and cash shortfalls.
4. Other Expenses increased \$673,875 (100%)
 - The increase in Other Expenses is due to scheduled debt service payments on the Fair's Paycheck Protection Program loan, should the loan not be forgiven by the SBA.

Revenue (Sources)

1. Use of Fund Balance increased \$1,136,398 (188.9%)

- Net operating income loss of \$951,239
- Capital expenditures \$113,000
- Principal payments on Paycheck Protection Program loan \$673,875

2. Fees and Charges for Services decreased \$7,220,227 (68.5%)

- Decrease in Fair revenue \$4,930,124 (96.8%).
 - a. The County Fair will not be held in 2021. Sponsorship revenue of \$161,607, to fund a livestock show and sale is included in 2021 Fair revenues.
- Decrease in Interim revenue \$1,973,187 (49.24%).
 - a. Only non-mass-gathering events are budget in 2021
- Decrease in Live and Satellite Horse Racing \$315,916 (21.92%)
 - a. Live Horse Racing to be run off-site at Golden Gate Fields. Restrictions on mass gatherings limits on-track wagering.
 - b. The Jockey Club is projected to remain closed for most of 2021.

Other Budget and Financial information

Cash Balances - 2021 will be another challenging year for the fairgrounds. Cash reserves are projected to decrease to approximately \$2,505,000 by the end of calendar 2021, a \$1,738,000 decrease from projected year-end 2020. The Fair will need to keep a minimum of \$2.2 M in cash reserves to fund the 2022 County Fair.

Debt Service - As noted in the 2020 Financial Overview, the Fair obtained a \$940,000 loan in April 2020 under the U.S. Small Business Administration (SBA) Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Paycheck Protection Program (PPP) provided small businesses funds for 8-24 weeks of payroll costs including benefits, rent, and utilities. The Fair used loan proceeds to cover payroll expenses excluding staffing costs funded by the County disaster fund. The program provides borrowers the opportunity to apply for loan forgiveness after all loan proceeds are used, up to the maturity of the loan. The Fair has applied for loan forgiveness and believes that most, or all, of the loan will be forgiven. However, as of the date of this writing, neither the Fair's lender, nor the SBA have determined the forgiveness amount. There will be no monthly loan payments due if the loan is 100% forgiven. Should the loan not be forgiven, monthly loan payments of approximately \$68,000 will be due beginning on March 01, 2021. In the event that the loan is not forgiven by SBA, the Fair will use available cash reserves to make payments. The impact of debt payments on cash is reflected in the 2021 budget.

2020 Financial Overview

2020 pre depreciation net income is projected to be \$118,399, compared to a \$993,974 pre-depreciation net income in 2019 (a \$875,575 decrease).

2020 Interim Event net revenue (net revenues other than Annual County Fair that includes facility rentals, and RV Park use) is projected to decrease \$811,000 when compared to 2019. The decrease is primarily due to the cancellation of all major events, and the majority of smaller events, held after the March outbreak of COVID-19. This decrease was partially offset by site rental income from CalFire for base camp services during the

Glass and Walbridge fires.

2020 Annual County Fair net revenue decreased \$2,619,719 from 2019, due to the cancellation of the 2020 Annual County Fair, due to the outbreak of COVID-19. The Fair was able to run its 2020 horserace meet at Golden Gate Fields, in Berkeley, and realized net revenue of \$212,000 on the meet.

Despite the cancellation of the County Fair, the Fair was able to hold a successful, virtual, Junior Livestock Auction. Proceeds from the sale of animals helps the junior exhibitors pay for the raising of the animal as well as provide much-needed funds to further their education. Approximately \$1,200,000 was raised from the sale of 290 animals.

In April 2020, the Fair applied for, and received, a \$940,000 loan under the SBA's Payroll Protection Program. The loan carries an annual interest rate of 1% and a term of two years.

Capital Improvement Project list

The Capital Improvement Project list is shown as Attachment #3. Improvements include asphalt replacement and security and infrastructure improvements at the RV Park totaling \$113,000.

Position Allocation List

Please see Attachment #4 for the listing to be approved. Due to the projected reduction in operational activities, requested allocations total 15 full time equivalent employees, a 15.75 or 51.2% decrease from the prior year. The 2020 adopted budget permanent positions totaled 30.75, however in June 2020, a total of 15.75 positions were eliminated due to impacts from COVID-19, resulting in the remaining 15 full time equivalent allocations in the proposed 2021 budget before you today.

On June 2, 2020, the Board of Supervisors adopted a resolution amending the 2020 Sonoma County Fair & Exposition, Inc. Position Allocation List to delete 19.75 full-time equivalent position allocation as a result of the impacts from the COVID-19 public health emergency. On June 23, 2020 the Board allocated funding through December 31, 2020 to restore 4.0 full-time equivalent Maintenance Worker positions to ensure necessary staffing available to maintain, respond to and fulfill future County requests to have the fairgrounds act as an evacuation center in the event of a disaster emergency. Further, on December 15, 2020, the Board approved funding for continued COVID-19 Response Plan efforts which included funding for the 4.0 Maintenance Worker positions through June 30, 2021, as these staff have been providing critical support to the RSS Warehouse during the duration of the pandemic. As the funding for the 4.0 full-time equivalent Senior Maintenance Worker allocations terminates on June 30, 2021, it may be necessary to return to the Board in spring 2021 and seek authority to implement layoff procedures and to delete the allocations effective July 1, 2021. The estimated cost to fund the 4.0 Senior Maintenance Workers for an additional 12 months is approximately \$518,000.

	Calendar Year 2020 Adopted Budget	June 2, 2020 Board Action	June 23, 2020 Board Action	Calendar Year 2021 Recommended Budget	Change from 2020 Adopted Budget
Total Permanent Positions	30.75	(19.75)	4.00**	15.00	(15.75)

Strategic Objectives

Due to the unknown time-frame for the roll-out of the vaccination for COVID-19 and due to the continuing inability of the Fairgrounds to hold mass gatherings, the Fair will move cautiously into 2021. Our focus will be on holding expenses to a minimum and seeking revenue from events that are approved in whatever Tier Sonoma County may fall into.

Although this budget contemplates no Fair for 2021, staff and the Fair Board are cautiously optimistic and are preparing a contingency plan for a County Fair or a modified County Fair in hopes that one may be held in 2021.

Prior Board Actions:

The Board of Supervisors approves the fair budget, annually.

FISCAL SUMMARY

Expenditures	FY 20-21 Adopted	FY21-22 Projected	FY 22-23 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 2021 are \$5,058,817.

STAFFING IMPACTS:

Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)
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Narrative Explanation of Staffing Impacts (If Required):

Requested position allocations total 15 full time equivalent employees for 2021, a 15.75 or 51.2% decrease from the prior year (Attachment 4).

Attachments:

Attachment #1 Board Resolution

Attachment #2 Financial Summary

Attachment #3 Capital Improvement Budget

Attachment #4 Sonoma County Fairgrounds Position Allocation List

Attachment #5 Fair 2021 Budget as Approved by Fair Board

Attachment #6 PowerPoint Presentation

Related Items "On File" with the Clerk of the Board:

None