



The mission of OCFEC is...
**CELEBRATION OF ORANGE COUNTY'S
COMMUNITIES, INTERESTS, AGRICULTURE AND HERITAGE**
(with results justifying resources expended)

NOTICE OF MEETING
32ND District Agricultural Association
Meeting of the Financial Monitoring Committee
Monday, September 16, 2013
10 a.m.

Administration Building
OC Fair & Event Center
88 Fair Drive
Costa Mesa, California

Committee Members
Ali Jahangiri, Chair
Gerardo Mouet

Secretary-Treasurer
Doug Lofstrom
Chief Executive Officer, OCFEC

32nd DAA Counsel
Roger Grable
Manatt, Phelps and Phillips

Those persons wishing to attend the meeting and who may require special accommodations pursuant to the provisions of the Americans with Disabilities Act are requested to contact the office of the 32nd District Agricultural Association (714) 708-1500, at least five working days prior to the meeting to insure the proper arrangements can be made.

At the discretion of the Committee, all items appearing on this Agenda, whether or not expressly listed for action, may be deliberated and may be subject to action by the Committee. The Committee may convene to closed session pursuant to Government Code section 11126, subdivisions (a) and (e) to consider personnel evaluation and/or possible litigation. Items may not necessarily be taken up in the order shown on this Agenda. This agenda, and all notices required by the Bagley-Keene Open Meeting Act are available on the Internet at: www.ocfair.com

AGENDA

All matters noticed on this agenda, in any category, may be considered for action as listed. Any item not so noticed may not be considered.

MATTERS OF PUBLIC COMMENT - Speakers are requested to sign in prior to the start of the meeting and are limited to three minutes. Public comment is allowed on issues NOT on the current Agenda. However, no debate by the Committee shall be permitted on such public comments, and no action will be taken on such public comment items at this time, as law requires formal public notice prior to any action on a docket item.

Comments will be accepted on Agenda items during the meeting. Speakers wishing to address the Committee on items on the agenda are requested to sign in prior to the start of the meeting and identify the agenda item[s] on which you desire to address the Committee. Speakers are limited to three minutes.

ITEMS FOR CONSIDERATION

- 1. 2012 CDFA Audit Update**
Information Item
- 2. Review of OC Register Article "OC Fair is strictly business" (09/01/13)**
Information Item
- 3. 2014 Budget: Process and Assumptions**
Action Item
- 4. Signing Authority**
Action Item
- 5. RFP Process**
Action Item

ADJOURNMENT

Respectfully submitted,
OC Fair & Event Center



Doug Lofstrom
Secretary-Treasurer
Chief Executive Officer, OCFEC

Date of notice: 12:00 p.m. September 5, 2013



Financial Monitoring Committee Agenda Report

MEETING DATE: SEPT. 16, 2013 ITEM NUMBER: 1

SUBJECT: 2012 CDFA Audit Update

DATE: September 10, 2013

FROM: Doug Lofstrom, Chief Executive Officer

PRESENTATION BY: Sharon Augenstein, Chief Financial Officer

RECOMMENDATION

Information item only.

BACKGROUND

Staff will present an update regarding responses pertaining to CDFA's 2012 preliminary draft financial and management report.



Financial Monitoring Committee Agenda Report

MEETING DATE: SEPT. 16, 2013 ITEM NUMBER: 2

SUBJECT: Review of OC Register Article "OC Fair is strictly business"
(09/01/13)

DATE: September 10, 2013

FROM: Doug Lofstrom, Chief Executive Officer

PRESENTATION BY: Sharon Augenstein, Chief Financial Officer

RECOMMENDATION

Information item only.

BACKGROUND

Staff will review the OC Register article "OC Fair is strictly business" (see attached) published Sept. 1, 2013 and provide background information for points raised.

THE ORANGE COUNTY REGISTER

Orange County's information source since 1905 • www.ocregister.com

OC Fair is strictly business

It's government-run, but it gets no public money. Some question the charges that lead to high profits

O.C. WATCHDOG



TERI SFORZA
REGISTER COLUMNIST

Don't let the deep-fried Oreos and chocolate-dipped bacon fool you: The Orange County Fair isn't just maw-and-paw hominess. It's big business.

Over several years, the fair has hiked the price of admission, parking, booth rentals and more, beefing up its bottom line. Revenues are up, expenses are down and the fair has enough cash to cover its operations for the better part of a year.

The O.C. Watchdog's review of the fair's audited financial statements from 2008 to 2011 shows:

- Overall, revenue grew by 14.1 percent, from \$30 million to \$34.2 million.

- Expenses went down by 1.2 percent, from \$29.1 million to \$28.8 million. (That's an enviable position for any business.)

- The amount of cash the fair had in the bank actually dropped, from \$21.8 million (74.8 percent of expenses) to \$17.7 million (61.7 percent of expenses). Despite this

drop, that's still a number that can spark envy in the heart of municipal bean-counters everywhere.

These figures are from the fair's most recent audits, and those audits, unfortunately, are a bit older than we'd like. The fair's 2012 numbers are due for release soon; we'll have more when those numbers come out.

Understand that while the fair is, indeed, a government entity, it is run like a business. It does not get any public money. But some wonder aloud why the fair should be making quite this much, and how that benefits the good people of California.

The much larger Del Mar Fair in San Diego County had less cash on hand (\$15.8 million), while

SEE **WATCHDOG** • PAGE 23 having revenue and expenses about double Orange County's (\$72 million in and \$70 million out, according to its latest audit).

MONEY IN

Who can put a price on pig races and prized heifers and greasy funnel cakes? Fairs can, that's who.

Back in 2008, admission tickets to the Orange County Fair cost \$9. That rose to \$10 in 2010. And rose again to \$11 in 2011. This price hike contributed to a big jump in admissions revenue over the four years we examined

– up 40.3 percent, from \$6.5 million to \$9.2 million.

The fair has also enraged some vendors by hiking commercial space rental charges, especially for those prized corner spots with primo foot traffic. Revenue there grew 60.9 percent, from \$1.04 million to \$1.68 million.

It also decided to take a bigger chunk of food concessions revenues – which grew 47.2 percent, from \$4 million to \$5.9 million.

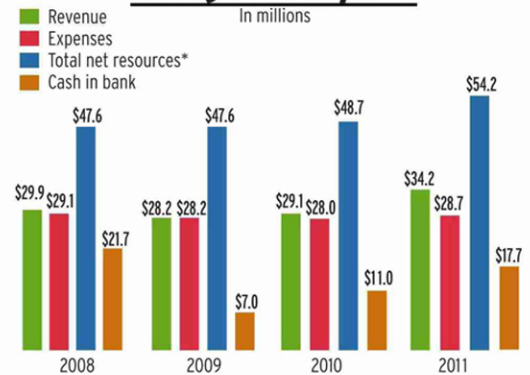
The dough rolling in from the Ferris wheel and midway and carnival area was also up quite considerably – 26.5 percent, from \$2 million to \$2.5 million.

So if you were aghast at what things cost at the fair, this might help explain why. The business folks who sell stuff at the fair – and have been paying more in fees over the years, and passing those costs on to you – say the bite hits their bottom line, and they're not convinced the fair needs to make this much money.

"They need to cut the concessionaires' rates, cut the rental rates, for everybody," said Mike Robbins, owner of Paradise Cigar, who sits on the fair's vendor committee.

The fair now gets 52 percent of what you spend on beer from independent concessionaires; 40 percent of alcohol sales from its master concessionaire, Ovation; and 24 percent of oth-

Orange County fair

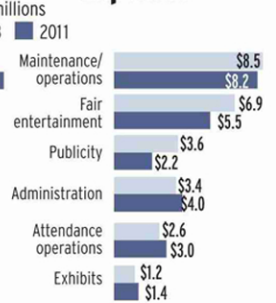


* Includes the value of land and buildings

Revenue



Expenses



Source: Audited financial statements, State Department Of Agriculture

The Register

They need to cut the concessionaires rates, cut the rental rates."

MIKE ROBBINS, OWNER OF PARADISE CIGAR, WHO SITS ON THE FAIR'S VENDOR COMMITTEE

er food and beverage sales.

Prized corner booths, which used to go for about \$3,200, now sell for some \$8,000 to \$10,000 – making them way too expensive for most of the mom-and-pop businesses.

“Only Time-Warner and Verizon and the big corporations can afford that,” Robbins said.

In a written statement, fair CEO Doug Lofstrom said that while the fair is sensitive to vendors’ needs and concerns, “our pricing decisions are based on market rates, demand, added value and location.

“Many of our vendors have been paying below-market rates for a number of years. All net resources generated by the performance of the Fair in excess of expenses are reinvested in the OC Fair & Event Center through capital projects and major repairs/maintenance, as well as funding new program initiatives. The rates our vendors pay are in line, or below, other fairs that are comparable in size to ours,” he said.

MONEY OUT

With new millions coming in, the fair managed to

whittle down most of its biggest expenses. Some exceptions:

- The cost of administration, which grew by 17.8 percent, from \$3.4 million to \$4.1 million.
- The cost of attendance operations, which grew by 14.2 percent, from \$2.7 million to \$3 million.
- And the cost of exhibits, which rose from \$1.3 million to \$1.5 million, a 14.5 percent increase.

Many of the other biggies saw sizable drops in spending. The biggest dive was in what the fair spends on publicity – mainly advertising. That fell from \$3.6 million to \$2.3 million – a 37.1 percent drop.

And if you were turning your nose up at entertainment offerings, that might be because the fair cut back on entertainment spending as well. That went from \$7 million to \$5.5 million, a 21.1 percent drop.

Maintenance costs were down slightly as well, from \$8.5 million to \$8.3 million, or 3.2 percent.

WHAT FOR?

When last we visited the fair’s finances, officials said the price hikes would help

finance \$55 million in new construction over the next decade, including its new administration building and a 30,000-square-foot exhibit hall.

The fair’s cash reserves are well short of that \$55 million, officials said; it is “below market” in admission, parking and concessionaire costs compared with other major California fairs; and officials are confident it still offers a great value to customers “while improving the facility for the public benefit.”

The Orange County Fair is a division of the California Department of Food and Agriculture. That’s where the audits are done, and one goes through Sacramento to get those documents, as they’re not available online. We’re hoping they’ll become more convenient to access soon, and that the fair includes a management analysis of its fiscal picture in there, rather than just the dry numbers from the auditors.

Beer-battered bacon for \$12? Anyone?

CONTACT THE WRITER:
tsforza@ocregister.com



CHRISTINE COTTER, ORANGE COUNTY REGISTER

Fair CEO Doug Lofstrom says vendor pricing is “based on market rates, demand, added value and location.”

What’s the Orange County Fair worth?

Buildings and improvements: \$62,826,829
Less accumulated depreciation: (\$28,581,937)
Net: \$34,244,892

• • •

Equipment: \$5,958,261
Less accumulated depreciation (\$3,551,044)
Net: \$1,748,502

Source: State Department of Food and Agriculture; fair audit dated Aug.17, 2012



Financial Monitoring Committee Agenda Report

MEETING DATE: SEPT. 16, 2013 ITEM NUMBER: 3

SUBJECT: 2014 Budget: Process and Assumptions

DATE: September 10, 2013

FROM: Doug Lofstrom, Chief Executive Officer

PRESENTATION BY: Sharon Augenstein, Chief Financial Officer

RECOMMENDATION

Committee to determine and provide recommendations to the Board of Directors as deemed necessary.

BACKGROUND

Staff will outline 2014 Operating Budget process and timeline as well as review pricing options and operating budget assumptions.



Financial Monitoring Committee Agenda Report

MEETING DATE: SEPT. 16, 2013 ITEM NUMBER: 4

SUBJECT: Signing Authority
DATE: September 10, 2013
FROM: Doug Lofstrom, Chief Executive Officer
PRESENTATION BY: Doug Lofstrom, Chief Executive Officer

RECOMMENDATION

Committee to determine and provide recommendation to the Board of Directors as deemed necessary.

BACKGROUND

Board Policy 2.3.5 states:

“The CEO may not execute a check or purchase commitment of greater than \$50,000, unless such purchase was explicitly itemized in budget monitoring data previously disclosed to the Board. An exception exists for talent guarantees which are no greater than \$300,000. Splitting orders to avoid this limit is not acceptable.”

Staff will present draft language to comply with Board policy and facilitate the timely processing of checks exceeding the approved limit.



Financial Monitoring Committee Agenda Report

MEETING DATE: SEPT. 16, 2013 ITEM NUMBER: 5

SUBJECT: RFP Process

DATE: September 10, 2013

FROM: Doug Lofstrom, Chief Executive Officer

PRESENTATION BY: Sharon Augenstein, Chief Financial Officer

RECOMMENDATION

Committee to determine and provide recommendations to the Board of Directors as deemed necessary.

BACKGROUND

Staff will review the RFP process and identify those contracts for services requiring RFPs going forward.