



Board of Directors Committee Meeting

November 8, 2017

Please silence your cell phones



2018 OCFEC Financial Monitoring Committee Budget Study Session

November 8, 2017



Policy 2.5 – Financial Planning & Budgeting

Financial planning for any fiscal year or the remaining part of any fiscal year will not deviate materially from the Board’s Ends priorities, risk financial jeopardy, or fail to be derived from a multi-year plan.

Accordingly, the CEO will not prepare, present or allow budgets that:

1. Risk incurring those situations or conditions described as unacceptable in the “Financial Conditions and Activities” Board policy.
2. Omit credible projection of revenues and expenses for each of the business units (Summer Fair, year-round events/rentals, Pac Amp and Orange County Market Place), separation of capital and operational items, cash flow, and disclosure of planning assumptions.
3. Plan the expenditure in any fiscal year of more funds than are conservatively projected to be received.
4. Provide less for Board activities during the year than is set forth in the Cost of Governance policy (see policy in Governance Process).



Budget Implementation

- Fiscal year runs January through December
- Budgets are created annually for each department and then consolidated into an organization-wide budget
- Each Department Manager (Supervisor and/or Director) is responsible for managing his/her budget
- Through monthly variance reports, each department's budget is closely monitored



Financial Management Structure

- Fiscal year runs January through December
- Budgets are created annually for departmental units which are summarized into five business units:
 - Fair / Self Produced Events
 - Pacific Amphitheatre - Fair
 - Pacific Amphitheatre - Year-round
 - Year-Round Events (includes Orange County Market Place)
 - Support Services (Administration, Accounting, Purchasing, HR, Facilities, Operations, etc)
- The 57 departmental budgets are directly overseen by 21 management staff



Organizational Initiatives 2018 Operating Budget

TECHNOLOGY

COMMUNITY ENGAGEMENT

PLANNING

PEOPLE



2018 OCFEC Produced Event Revenue

	2018 PROPOSED BUDGET	2017 FORECAST	2016 ACTUAL
<i>Total OCFEC Produced Revenue</i>	37,023,995	36,167,719	34,143,590

Primary Growth Areas:

- Pacific Amphitheatre – Forecasting three additional Year Round shows in 2018 for a total of 31 (23 fair-time)
- Food Concessions – \$275K, 6%
- Gate Admissions - \$161K, 2%
- Year Round & Preferred Parking - \$154K, 8%



2018 OCFEC Rental Revenue Year Round Events

	2018 PROPOSED BUDGET	2017 FORECAST	2016 ACTUAL
Rental of Facilities	3,344,091	3,568,600	3,366,357
Other Event Rental Revenues (including parking, personnel, equip. rental)	5,957,967	5,035,084	5,019,303
Total Rental Revenue	9,302,058	8,603,684	8,385,660

Growth is from parking and other services associated with Year Round events (\$700K)

- New Business Development Activities
 - *Cirque, large parking lot event (March 1-25, 2018)*



2018 OCFEC Operating Expenses

	2018 PROPOSED BUDGET	2017 FORECAST	2016 ACTUAL
Labor Expenses	\$17,037,252	\$14,862,806	\$12,492,253
Non Labor Expenses	\$23,864,285	\$22,202,900	\$20,812,618
Total	\$40,901,537	\$37,065,706	\$33,304,871

Primary Expense Increases

TEMP LABOR

\$20K - Contingency for possible recruiting difficulties for fair time seasonal positions

\$98K - Minimum Wage increase - *Approximately 882 Seasonal Employees impacted by Minimum Wage increase*

PERMANENT LABOR

\$242K - New headcount for 2018 (salary, civil service benefits & employer costs):

- Community Outreach Director, Marketing Specialist

\$650K - COLA, Bargaining Unit Contracts, PERS, employer contributions to benefits

\$500K - Authorized open positions that carried over from 2017

Professional Services Expenses

- \$57K** EBMS (Ungerboeck)
- \$60K** Gonsalves & Son (Legislative Representatives)
- \$20K** Heroes Hall Curator
- \$15K** Forecasting/Analyst part-time staff
- \$166K** Sound Monitoring
- \$27K** Meltwater (Media Monitoring Service)
- \$430K** New Ad Agency – Expanding services to include Rebranding & Marketing/PR Outreach
- \$80K** Arborist
- \$30K** Patron Survey for Fair
- \$12K** Videographer (Year-round & Fair)



2018 Out of State Travel

There are several criteria for approval of out-of-state travel plans. The criteria relevant to OCFEC's operations are:

- 1. Survey** – An on-the-spot review and evaluation of an operation/function to improve/initiate a similar operation/function performed by OCFEC staff.
- 2. Training** – Upgrading specific employee skills to meet job requirements. The need must be urgent and not reasonably available within the State.
- 3. Conferences and Meetings** – Attendance at conferences and meetings with topics directly concerning normal departmental activities.

The 2018 operating budget includes **\$103,688** for employee and Board member travel and training.

****This year all travel/training expenses have been rolled into Administration budget (06). In prior years it lived in individual department budgets.***

Provided that the overall travel budget has not been exceeded, out-of-state travel to any of the following are considered to be approved by the Board via the budget process. Any out-of-state trips which do not meet the state guidelines will be individually approved by the Board.



2018 Out of State Travel

2018 OCFEC Travel Plan – Potential Staff Travel Expenditures

Survey

- Eastern States Exposition – The Big E (West Springfield, MA)
- Minnesota State Fair (St. Paul, MN)
- Other member fairs of the Western Fairs Association (WFA)

Training

- AVSS Security Academy (Minneapolis, MN)
- EBMS (event management software) Users' Group (generally in St. Louis, MO)
- IAVM Venue Management School (Wheeling, WV)
- IAFE (Int'l Assoc. of Fairs & Expositions) Spring Management Conference (Minneapolis, MN)
- Institute of Fair Management Summit (Louisville, KY)
- nQativ (business system software) Users' Group (location varies, recently in Las Vegas, NV)

Conferences and Meetings

- Adobe Users Summit (Las Vegas, NV)
- AIMS Conference (Galveston, TX)
- American Assoc. of Museums Conference (Phoenix, AZ)
- HOW Design Conference (Boston, MA)
- IAFE Annual Convention (San Antonio, TX)
- IAVM (Int'l Assoc. of Venue Managers) Annual Conference (Toronto, ON, Canada)
- IEG Sponsorship Seminars and Conferences (Chicago, IL)
- IFEA (Int'l Festivals & Events Assoc.) Annual Convention (location varies, 2018 location TBD)
- Midwest Fair Managers Conference (Tucson, AZ)
- PRSA (Public Relations Society of America) (New Orleans, LA)
- Ragan PR & Social Media Conference (Orlando, FL)
- Travel Events & Management in Sports Conference (Louisville, KY)



Overview

	2018 PROPOSED BUDGET	2017 FORECAST	2016 ACTUAL
REVENUE	(\$48,227,068)	(\$45,787,306)	(\$44,085,055)
Labor Expenses	\$17,037,252	\$14,862,806	\$12,492,253
Non-Labor Expenses	\$23,864,285	\$22,202,900	\$20,812,618
TOTAL EXPENSES	\$40,901,537	\$37,065,706	\$33,304,871
Depreciation	\$3,300,000	\$3,222,036	\$3,145,163
NET PROCEEDS	(\$4,025,531)	(\$5,499,564)	(\$7,635,021)
EBITDA	\$7,325,531	\$8,721,600	\$10,780,184



Forecasted 2018 Cash Position

	\$ in millions
2017 Ending Cash Positon	\$42.00
Plus 2018 Budgeted Cash from Operations	4.9
Less Capitalized Projects	2.2
2018 Projected Ending Cash Position	\$44.70
Liquidity Requirement (25%)	\$10.25
Committed Capital	2.2
Restricted Capital - RCS (Carnival)	0.7
Total Restricted Cash	\$13.15
Total Cash Available for Investment	\$31.55



2018 Interest Income



**JOHN CHIANG
TREASURER
STATE OF CALIFORNIA**



PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
09/25/17	1.12	1.08	175
09/26/17	1.12	1.08	173
09/27/17	1.12	1.08	179
09/28/17	1.13	1.08	180
09/29/17	1.13	1.08	180
09/30/17	1.11	1.08	190
10/01/17	1.11	1.11	191
10/02/17	1.13	1.12	198
10/03/17	1.13	1.12	200
10/04/17	1.13	1.13	198
10/05/17	1.13	1.13	197
10/06/17	1.13	1.13	196
10/07/17	1.13	1.13	196
10/08/17	1.13	1.13	196
10/09/17	1.13	1.13	193
10/10/17	1.13	1.13	194
10/11/17	1.13	1.13	192
10/12/17	1.14	1.13	193

LAIF Performance Report

Quarter Ending 09/30/17

Apportionment Rate: 1.07%
 Earnings Ratio: .00002942867511750
 Fair Value Factor: .999042071
 Daily: 1.11%
 Quarter to Date: 1.08%
 Average Life: 190

PMIA Average Monthly Effective Yields

Sept 2017 1.111
 Aug 2017 1.084
 July 2017 1.051



DAA's Pension Liability – GASB 68

At its December 21, 2016 meeting, the CalPERS Board of Administration approved lowering the CalPERS discount rate assumption, the long-term rate of return, from 7.50 percent to 7.00 percent over the next three years. This will increase state employer contribution costs beginning in Fiscal Year 2017-18.

The phase-in of the discount rate change approved by the Board for the next three Fiscal Years is as follows:

Valuation Date	Fiscal Year for Required Contribution	Discount Rate
June 30, 2016	2017-18	7.375%
June 30, 2017	2018-19	7.25%
June 30, 2018	2019-20	7.00%

Lowering the discount rate means plans will see increases in both the normal costs (the cost of pension benefits accruing in one year for active members) and the accrued liabilities. These increases will result in higher required employer contributions.

Projected Future Employer Contribution Rates with Discount Rate Changes (as a percentage of payroll)

Fiscal Year	State Miscellaneous	State Industrial	State Safety	Peace Officers and Firefighters	California Highway Patrol
2016-17	26.646%	18.365%	18.753%	40.276%	48.719%
2017-18	28.8%	20.2%	20.2%	43.5%	52.2%
2018-19	31.3%	22.2%	21.9%	47.1%	56.1%
2019-20	34.7%	25.1%	24.4%	52.3%	61.7%
2020-21	36.9%	26.9%	25.9%	55.7%	65.4%
2022-23	38.7%	28.3%	27.1%	58.6%	68.4%
2023-24	39.7%	29.1%	27.7%	60.1%	70.1%
2024-25	40.3%	29.6%	27.6%	61.2%	71.2%

Organizational Initiatives 2018 Operating Budget

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Technology Audits Conducted in 2017

Network Audit

Reviewed:

- Entire Network Fiber, Servers, PCs & Network Management
- Server & Virtualization Architecture
- Data Backup, Recovery, Disaster Recovery Configuration
- Network Security

Recommendations:

- Firewall Replacement
- Replace All Network Switches
- Virtual Server Expansion
- Budget Item For 2018: \$135,000 – Major Projects

Wifi Audit & Infrastructure Expansion

Reviewed:

- Building & Grounds Coverage
- Existing Infrastructure In Place
- Centralized Management Capability

Recommendations:

- Replace All Existing Wifi Access Points With Centrally Manageable System
- Improve Building Coverage With Additional Hardware
- Introduce Parking Lot & Perimeter Coverage
- Budget Item For 2018: \$60,000 – Major Projects



ocfair.com – 2018 Website Upgrade

External

- New E-commerce Engine for Central Management
- New Vendor Portal
- Super Pass Upgrade
- HR Integration
- Departmental Applications
- Document Portal / Public Records Requests

Internal

New Intranet Website

- Improved Form Function for Tasks
- Message Bulletin Board
- Improved Fair Equipment Support & Ordering
- Staff Information
- Ungerboeck Connectivity



2018 Business Operating Software Applications



Space Booking & Scheduling
Invoicing, Collections & Payment Processing
Inventory Management & Scheduling
Proposals & Contracts
Work Order Fulfillment
Sales Forecasting



General Ledger
Purchasing
Accounts Payable
Accounts Receivable
Payroll & Human Resources
Bank Reconciliation
Fixed Assets



Celayix Software
Workforce Management Solutions

(currently exploring a demo for this vendor)

Time & Attendance with Reporting
Scheduling & supervisor control center
Custom or standard billing & payroll interface
Custom reports & budgeting
Employee availability
Visual scheduler
Time-off requests



2018 New Department (88) Community Relations

Focus:

- Community Outreach and Relations
- Program Development and Promotion of Educational Assets; Centennial Farm, Heroes Hall, Table of Dignity

New Staff – Director Level:

- Existing Staff that will report to new department:
 - Guest Experience Supervisor
 - Heroes Hall Supervisor



2018 New Department (88)

Community Relations

Community Programs / Partnerships:

- Pacific Symphony Partnership – \$100K
- National Restaurant Foundation (Pro-Start) - \$50K
- Vanguard University Partnership - \$75K
- OC Fair Kids Club - \$12K

Rental Relief Program:

- New Community Give Back \$200K (*10% annual Year Round rental revenue*)
 - Non-profits, community organizations, government



Future Planning

2018 Business Planning

- Ten Year Master Site Plan
 - Board approve Ten Year Master Site Plan
 - Financial forecasting to support Ten Year Master Site Plan
 - CEQA & EIR process
- Five Year Strategic Business Plan
 - Board approve Five Year Strategic Business Plan
 - Staff develop tactical goals to support Five Year Strategic Business Plan

2019 – 2021 Future Business Planning

- Minimum wage impact on future profitability
 - 2019, 2020, 2021 – Minimum wage increase \$1 each year
- Competitive analysis of facility rental rates (2019-2021)
(2018 last year of current 3-year rental rate strategy)
- OC Fair Food Concession pricing analysis
 - Look at different rate strategies (flat vs. tier/location)
- Future OC Fair gate admission pricing models and impact on profitability



Organizational Succession Planning

- 31% of Civil Service employees eligible for retirement **NOW**
- 54% of Civil Service employees eligible for retirement in the **NEXT 5 years**

These employees have a combined 632.5 years of experience.

Succession Planning Initiatives

- Conducting future based job analysis for Civil Service positions that are eligible for retirement **NOW**
- Identified four positions within the organization that can provide cross department support in addition to current duties
- Documentation of key processes and duties



2018 Proposed New Civil Service Positions

Department	Annual Base Salary (approx):
Director, Community Relations Outreach/Education – New Department (88)	\$83,677
Marketing Specialist	\$48,251



2018 Rental Rate Per Square Foot Year-Round Events

	OCFEC	LA FAIRPLEX	SAN DIEGO COUNTY FAIR
\$\$ PER SQ FT	\$.1194	\$.1414	\$.1200

Exhibit Building Rental Fee Comparison

- Above \$\$ Per Square Foot Based On Comparable/Similarly Sized Buildings
- San Diego County Fairgrounds Requires a 2 Day Minimum Rental



Year Round Venue Rental Rate Increases

	Proposed 2018	2017	2016
Buildings	\$50-\$100/day	Increased \$50-\$100/day	Increased \$25-\$100/day
Grounds	\$50/day	Increased \$50/day	Increased \$25-\$100/day
Personnel	\$1/hr. (trades increase \$2.50/hr.)	Increased \$1/hr. (trades increased \$2.50/hr.)	Increased .50/hr. (trades increased \$2.50/hr.)
Total Increased Revenue	\$74,979 (3.62%)	\$74,979 (3.75%)	\$68,352 (3.59%)

- 2018 is the last year of a 3-year rental rate plan
- A follow-up 3-year rental rate analysis will be developed next year for 2019-2021



OC Fair Merchant Rate Increases

	Proposed 2018	2017	2016
Carnival of Products	\$0-\$75/space	Increased \$50-\$100/space	No increase
Parade of Products	\$75/space	Increased \$100/space	No increase
Festival of Products	\$0-\$75/space	Increased \$52-\$120/space	No increase
Outside Space	\$50-\$75/space	Increased \$75/space	No increase
Crafter's Village	\$60-\$120/space	Increased \$100-\$500/space	No increase
Green Gate Village	\$345-\$805/space	Increased \$345-\$805/space	Increased \$345-\$805/space
Total Increased Revenue	\$31,810	\$42,845	\$7,820

- Green Gate Village included a multi-year plan to bring former Market Place Village merchants equal to other similar spaces



2018 Gate Admissions For Top California Fairs

San Diego County Fair	Adult	\$18	Child/Senior	\$11
LA County Fair	Weekday Adult	\$14	Weekday Child/Senior	\$8
	Weekend Adult	\$20	Weekend Child/Senior	\$12
Orange County Fair	Weekday Adult	\$12	Child/Senior	\$7
	Weekend Adult	\$14		

Last gate admission price increase for OC Fair was 2017, increasing from \$12 to \$14 on weekends only.

San Diego County Fair is again increasing gate admissions \$2 in all categories for 2018.

Los Angeles County Fair has no plans to increase their 2018 general admission rates.



2018 OC Fair Gate Promotions

Current promotions for 2018 will remain the same as 2017

Opening Day	"Free 'Til Three"	Free admission and half price parking from Noon to 3 p.m.
Wednesdays	We Care Wednesday (Noon – 3p.m.)	Free admission with donation
Thursdays	Kids Days	Free all day (12 and under)
Fridays	Seniors Day	\$5 admissions + free Ferris Wheel & Merry-Go-Round rides
Sat/Sun	OC Fair Express - OCTA	\$3 admissions; \$2 ride each way OCTA direct bus
Sat/Sun	"Best Deal Ever" (11a.m – 1p.m.)	\$7 general admission plus half the carnival tickets to ride
Full Run	Children 5 and under free	Free admission
Full Run	Active Military and Veterans	Free admission with military ID
Full Run	Farm to Fair	\$1 child admission for all students who tour CF
Final Weekend	First Responders	Free admission for first responders with ID
Full Run	Super Pass*	

*Super Pass debuted in 2009. The last across the board pricing change was in 2014
Proposed increase in Super Pass would result in approximately \$90K in additional gate revenue



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Full Run	Super Pass*	<p>*Presale Period 1: \$30Adult/\$23 Youth Senior</p> <p>*Presale Period 2: \$35 Adult/\$33 Youth Senior</p> <p>*Regular Price: \$40 Adult/\$33 Youth-Senior</p>

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2018 Capital Expenditures

2018 Capital Expenditures			
2017 Carry Forward	FY 2018		
Bioswale - Internal Storm Water Management	300,000		
Heroes Hall - (Retention held)	20,000		
AV equipment	18,000		
Furniture & Equipment (partitions/ cubicals)	25,000		
2017 Carry Forward Total:	363,000		
2018 Major Capital – Buildings & Improvements	FY 2018	FY 2019	FY 2020
Maintenance restroom remodel	50,000		
Arlington chainlink fence (Fairview / Newport - 3000 lft)	180,000		
Hanger staging	50,000		
Admin water intrusion repair	30,000		
Huntington Beach HVAC	50,000		
ADA sidewalk access - Heroes Hall	20,000		
Lot G storage expansion	30,000		
Chicken Coop - Centennial Farm	28,000		
Replace all the Sikaflex in the main mall / concrete repairs	50,000		
Property site survey (Utilities & building locations)	80,000		
Master site plan	50,000		
Costa Mesa HVAC retrofit	60,000	60,000	
Parking lot maintenance (seal / Stripe)	150,000	200,000	200,000
Exterior parking lot repairs	100,000	150,000	150,000
Interior parking lot repairs	350,000	350,000	350,000
Store front insert doors (3) bld. 12,14,16	60,000	60,000	60,000
Replace asphalt in action sport arena pit	40,000	50,000	60,000
Property signage	100,000	100,000	100,000
Wash rack for animals		25,000	
Parking lot lighting controls		150,000	
Pac Amp roll up doors		25,000	
Ranch bld - install trellis		35,000	
Gate 10 sidewalk- Mesa Dr / Newport Blvd.		20,000	
Pac Amp - coating outer concourse		100,000	
Replace shade cloth - Court Yard		50,000	
Maintenance yard compactor cover		100,000	
Asphalt at west side of E&E building		12,000	
Replace island at Box Office (ficus and curb)		250,000	
Sound wall		1,000,000	
2018 Capital Total:	1,478,000	2,737,000	920,000



2018 Capital Expenditures

Major Projects	FY 2018	FY 2019	FY 2020
Pac Amp 3rd base fence replacement	15,000		
Pac Amp bridge wrought iron replacement	25,000		
Triangle Square sewer R/R	7,000		
CEQA / EIR	250,000		
High mass light towers rewire - B,C, D, F (internal)		11,000	
Lot G sewer line install		85,000	
Replace in ground utility boxes (Crafters Village / Park Plaza)		5,500	
Flooring/locker room @ restrooms in the Millennium Barn		15,000	
Heroes Hall keyless entry		20,000	
Repair bld floors - crack fill / polish or stain		50,000	50,000
Replace rusted in-grounds electrical boxes		30,000	30,000
Lot P electrical upgrade		7,500	7,500
2018 Major Projects Total:	297,000	224,000	87,500
Equipment	FY 2018	FY 2019	FY 2020
Forklift - LP/Gas, 20,000 lb. triple mass	150,000		
Hydraulic power lift - mechanic shop	15,000		
Cabs for utility carts	5,000		
Migrant Agricultural Memorial (equipment)	50,000		
Time center software	40,000		
Time scheduling software	37,000		
All grounds Wi-Fi upgrade	60,000		
Umbrella purchase	10,000		
Exhibit equipment	90,000		
Debris catch systems for storm drains (MS4 requirement)	15,000		
All grounds network & server upgrade	135,000		
Cable ramps	12,000	12,000	12,000
2 yard trash dumpsters	25,000	25,000	25,000
Electrical SO cord storage containers	8,000	5,500	5,500
Picnic table	15,000	15,000	15,000
Crowd control stantions	7,000	7,000	7,000
Forklift - LP/Gas, 5000 lb. / side shift / rotator / triple mass		45,000	
85' Genie Boom lift		175,000	
IT emergency support generator		450,000	
Taylor Dunn carts - fleet replacement		35,000	35,000
Portable elect panels		40,000	40,000
Portable rolling bleachers		30,000	30,000
Power monitoring system		25,000	25,000
2018 Equipment Total:	674,000	864,500	194,500
2018 Capital / Major / Equipment project Totals:	2,449,000	3,825,500	1,202,000
2018 Contingency:	151,000	191,275	60,100
2018 Cap-X budget:	2,600,000		
2018 Cap-X and 2017 Carry Over Accumulative Totals:	2,963,000		



Capital & Major Projects Budget

Category	2018	2019	2020
Major Capital, Building & Improvements	\$1,478,000	\$2,737,000	\$920,000
Major Maintenance	\$297,000	\$224,000	\$87,500
Equipment	\$674,000	\$864,500	\$194,500
Contingency	\$151,000	\$191,275	\$60,100
Total	\$2,600,000	\$4,016,775	\$1,262,100



2018 Capital & Major Projects

- Parking lot maintenance
- Arlington chainlink fence
- ADA sidewalk access - Heroes Hall
- Property site survey
- CEQA / EIR
- Forklift – 20,000 lb.
- All grounds network / server upgrade





Next Board Meeting November 16, 2017

