



Board Committee Report

MEETING DATE: FEBRUARY 21, 2020 **ITEM NUMBER:** 9A(iv)

SUBJECT: Financial Monitoring Committee

DATE: February 21, 2020

FROM: Directors Pham and La Belle

PRESENTATION BY: Directors Pham and La Belle

SUMMARY OF COMMITTEE MEETING

- Staff reviewed the 2019 closing and January statements with the Committee.
- To finalize the 2020 budget, staff reviewed the Statement of Operations report which incorporates the Board approved \$1 increase in the year-round parking fee. In addition, staff presented a budget submittal letter from the CEO which will accompany the statement to be posted on the www.ocfair.com web site. The statement and letter are both attached.
- Staff also presented projected 2020 balance sheet and cash flow projections report per the Committee's request during the budget process. Copies of the reports are attached.
- The Committee was briefed on our SB84 pension payback obligation which will not hit our budget until 2021. Our total payback amount over five years is \$1,739,579, with the first installment of \$316,798 due in the first half of 2021.
- Staff has received the 2019 Statement of Operations report template and will be submitting the completed report to CDFA by the deadline in a few weeks.
- Per Board direction, staff is continuing to conduct research for the Committee relative to fair admission prices. The plan is for the Committee to review and discuss the information in April with full Board discussion in May.

FOLLOW-UP

The next Financial Monitoring Committee meeting is scheduled for March 20, 2020.



Date: February 21, 2020
To: 32nd District Agricultural Association Board of Directors
Subject: 2020 Operating Budget and Capital Expenditures/Major Projects List

On behalf of the entire staff of OC Fair & Event Center, it is with great pleasure that I present to you the 2020 operating budget and capital expenditures/major projects list for the 32nd District Agricultural Association.

Operational Highlights from 2019

As the second largest fair in California, the eighth largest fair in the U.S., and a premier event venue choice in Southern California, OC Fair & Event Center continues its upward trend of growth and expansion as we serve the residents of Orange County. Most notably, the year of 2019 brought us record revenues from the summer fair, expansion of Imaginology programming to include a second year of the Dia del Nino cultural festival and the new ESports Playground, the celebration of Heroes Hall's second anniversary and the installation of the new A4-M Skyhawk, a celebrated summer concert series which grossed \$11.7 million, and 70 completed capital/major projects.

The annual OC Fair continues to be the largest revenue generator for the organization with 71% of overall 2019 revenue attributed to this beloved community event. The 2019 OC Fair posted record revenues from admissions, concerts and attractions, parking, merchant space rentals and concessions of over \$36 million.

2020 Budget Overview

The approved budget for 2020 is a \$50.4 million package of programs and projects that benefits the organization and the surrounding community. The budget maintains all existing business and community programs. The budget also includes a Board approved \$1 increase in the year-round parking rate from \$9 to \$10.

The 2020 budget estimates revenues from the annual OC Fair, along with year-round event revenue to total \$52.2 million. This includes the following revenue categories:

- Admissions to Grounds – \$11.8 million
- Commercial Space Rentals – \$1.4 million
- Carnival & Concessions Revenue – \$13.2 million
- Exhibits Revenue – \$101,476
- Attractions Revenue - \$7.9 million
- Misc. OC FEC-Produced Event Revenue – \$4.9 million
- Year-Round Rental Revenue - \$11.5 million
- Non-Operating Revenue - \$1.3 million

Projected net proceeds of \$1.8 million from the 2020 budget represents a 35% decrease over the 2019 budget, due primarily to increased labor costs.



2020 Budget Assumptions and Considerations

Despite the fact that staff faced many challenges going into the 2020 budget preparation process, they did an excellent job of creating a sound proposal for driving revenue and controlling costs. A change in executive leadership right before the start of the budget cycle, increased operating expenses and increases in both minimum wage and civil service wages added to the challenges.

As such, a strategic decision was made to “start from scratch” with a zero-based budget approach. This allowed staff to create the budget from the ground up, resulting in more accurate projections for both revenue and expenses.

In addition, certain assumptions were built into the 2020 budget, including:

- **Economic Outlook** – We are in the midst of the longest economic expansion in our nation’s history, and while we hope it continues, we know the future can’t be predicted. Therefore we have taken a very conservative approach to revenue projections and a more realistic approach to planned expenditures.
- **Anticipated Labor Cost Increases** – We have built into our labor budgets across the board the \$1 per hour minimum wage increase, along with projected PERS contributions for our civil service staff. As such, we are not planning for staffing increases for most of our departments, with some departments even planning for slight decreases as staff finds new efficiencies.
- **GASB68** – The General Accounting Standards Board has projected our pension liability for 2020 to be \$600,000 so that number is included in the 2020 project.

Due to significant unknowns, certain anticipated expenses for 2020 were not included in the budget. The plan is to bring those costs back to the Board as specific cost information becomes available, and incorporate those costs into a mid-year budget review and amended projections for the year. We anticipate those expense categories to include:

- **Parking Initiatives** – As staff and the Storage, Parking & Traffic Committee work together to identify additional opportunities for off-site parking and storage, there may be associated costs for rental of facilities and parking space. Staff would review each opportunity and associated costs with the Storage, Parking & Traffic Committee and make recommendations for full Board approval above and beyond the approved 2020 budget.
- **SB84 Obligations** – The OC Fair & Event Center is obligated to contribute \$1,739,579 to cover the amount borrowed by the State from the State’s Surplus Money Investment Fund in order to fund employer contributions into PERS for the 2017-18 fiscal year. The total amount owed can be paid back over a 5-year period starting with our first yearly payment of \$316,798. Since the State operates on a fiscal year beginning on July 1, OCFAEC is anticipating making the first payment in the 2021 budget and still meet the obligation of paying during the State’s 2020-2021 fiscal year. If, however, the State requests payment in the second half of 2020, we will bring approval for that expense back to the full Board.



2020 Capital/Major Projects Highlights

The 2020 Capital Expenditures/Major Projects plan is \$2,730,784. Highlights of the 2020 plan include:

- **“The Big Five”** – The Board has identified five capital/major projects in 2020 for which they would like regular oversight. Those projects and their associated budgets include:
 - Storm Water Infrastructure - \$251,736 (amount carried over from original 2019 budget of \$300,000)
 - Landscaping for Business Development Area - \$250,000
 - Landscaping for Pacific Amphitheatre Berm - \$15,000
 - All Grounds Infrastructure Audit - \$100,000
 - Storm Water Management Desilting Bin - \$75,000
- **Safety Related Capital Projects and Equipment Purchases** – Several capital projects and major expenditures in the plan address safety issues:
 - Fire Sprinkler Repair (Costa Mesa Building, Huntington Beach Building, OC Promenade and Santa Ana Pavilion) - \$35,000
 - Fire Alarm Panel (Costa Mesa Building) - \$6,000
 - Surveillance System - \$37,000
 - All Grounds PA Sound System - \$30,000
- **Other Notable Projects** – Several significant capital/major projects and major expenditures that exceed \$100,000 include:
 - Lot G Utilities - \$220,000
 - Parking Lot Maintenance - \$100,000
 - Exterior Parking Lot Repairs - \$150,000
 - Interior Parking Lot Repairs - \$100,000



2020 Budget Summary By Department

Function	Projected Revenue	Projected Labor Expenses	Projected Non-Labor Expenses
Administration	\$1,234,000	\$1,556,723	\$1,414,614
Sales	\$1,882,550	\$5,800	\$226,250
Community Engagement	\$0	\$0	\$207,450
Human Resources	\$0	\$848,790	\$209,600
Carnival Sales	\$4,109,750	\$410,581	\$252,400
Finance	\$20,000	\$747,697	\$278,050
Business Services	\$0	\$445,408	\$44,650
Admissions	\$10,632,000	\$953,295	\$193,351
OC Market Place	\$2,172,919	\$0	\$130,000
Maintenance Operations	\$185,950	\$5,083,000	\$4,486,000
Technology & Production	\$0	\$763,885	\$1,736,790
Entertainment	\$12,567,000	\$719,041	\$9,222,000
Security, Parking & Traffic	\$0	\$3,326,000	\$2,811,000
Communications	\$0	\$379,941	\$71,461
Guest Experience	\$0	\$326,315	\$60,150
Marketing	\$0	\$441,811	\$2,052,776
Exhibits & Education	\$758,489	\$2,476,649	\$2,066,000
Event Services	\$8,736,062	\$994,000	\$631,000
Commercial & Concessions	\$9,937,000	\$374,000	\$191,000
Creative Services	\$1,000	\$527,758	\$43,745
All Other	\$869	\$3,723,767	
Total:	\$52,237,589	\$50,432,748	



Summary

The result of the work to create the 2020 operating budget includes realistic revenue projections, responsible expense projections that will control costs but maintain the level of quality our guests have come to expect, necessary contributions to our pension obligations, and adequate staffing levels to ensure a safe and secure environment for our guests.

I would like to thank the Board of Directors for their guidance and support with the public budget study session and throughout the entire process. I sincerely appreciate the hard work that staff contributed to the new budget process and the oversight they will provide to manage their individual department budgets throughout 2020. I'm grateful for the excellent guidance and outstanding service Esther Dusi, Director of Finance, provided to the management team in preparing the budget. And, I would like to thank the public for their thoughtful feedback throughout the process.

Most sincerely,

Michele Richards
Chief Executive Officer

32nd D A A - OC Fair & Event Center

Statement of Operations - Budget 2020

	Full 2020 Budget
OCFEC-PRODUCED EVENT REVENUE	
ADMISSIONS TO GROUNDS	
Gate Admissions	\$ 8,550,000
Advance Admissions	3,267,278
Subtotal	11,817,278
COMMERCIAL SPACE RENTALS	1,419,635
CARNIVAL & CONCESSIONS	
Carnival	4,109,750
Concessions	9,058,943
Subtotal	13,168,693
EXHIBITS REVENUE	
Entry Fees	83,293
Exhibit Awards	3,732
Garden Classes & Misc Sales	14,451
Subtotal	101,476
ATTRACTIONS REVENUE	7,963,108
MISC OCFEC-PRODUCED EVENT REVENUE	
Parking	2,571,795
Sponsorships	1,896,750
Livestock Auction Receipts	293,609
Camping	131,200
Exhibitor Fees	42,600
Miscellaneous Other Self Produced Revenue	-
Subtotal	4,935,954
TOTAL OCFEC-PRODUCED EVENT REVENUE	39,406,144
RENTAL REVENUE	
RENTAL OF FACILITIES	
Grounds Wide Rentals	42,300
Building 10	349,300
Building 12	158,100
Building 14	126,500
Building 16	136,800
The Hangar	243,900
Parade of Products	103,400

32nd D A A - OC Fair & Event Center **Statement of Operations - Budget 2020**

	Full 2020 Budget
Breezeway	89,800
Wine Courtyard	2,000
Silo Building	2,600
Millennium Barn	7,100
Little Theater	11,400
Baja Blues Restaurant	14,400
Parking Lot	2,319,119
Lawns	10,500
Event Camping	53,500
Festival Grounds	44,700
Mall	67,600
Grandstand Arena	20,800
Trailer Rallies	1,500
Individual Camping	47,800
Pacific Amphitheater	12,400
Subtotal	3,865,519
OTHER RENTAL EVENT REVENUES	
Interim Admissions	257,600
Interim Parking	2,832,300
Revenue from Personnel Services	1,924,072
Equipment Rentals	867,900
Year-Round Concessions	1,048,600
Outside Caterers	309,400
Outdoor Signs	48,480
Subtotal	7,288,352

32nd D A A - OC Fair & Event Center **Statement of Operations - Budget 2020**

	Full 2020 Budget
EQUESTRIAN CENTER REVENUES	
Stall Rentals	137,750
Subtotal	137,750
OTHER RENTAL REVENUES	
Miscellaneous Rental Revenues	195,024
Subtotal	195,024
TOTAL RENTAL REVENUE	11,486,645
TOTAL OPERATING REVENUE	50,892,789
NON-OPERATING REVENUE	
Interest Earnings	1,230,000
Discounts Earned	20,000
Grants	45,000
Donations	49,800
Prior Year Revenue	-
TOTAL NON-OPERATING REVENUE	1,344,800
TOTAL REVENUE	52,237,589
OPERATING EXPENSES	
Payroll and Related:	
Salaries/Wages - Permanents	7,996,978
Salaries/Wages - Overtime	96,609
Salaries/Wages - Temporaries	6,547,064
Employee Benefits	5,761,040
Travel Expense	120,944
Training and Recruiting Expense	74,850
Subtotal	20,597,485
Professional Services:	
Professional Services	6,708,416
Judges	42,605
Subtotal	6,751,021
Directors Expense:	
Directors Expense	1,500

32nd D A A - OC Fair & Event Center

Statement of Operations - Budget 2020

	Full 2020 Budget
Directors Mtg Expense	20,100
Subtotal	21,600
Insurance Expense	425,105
Telephone & Postage	225,450
Supplies and Equipment:	
Office Supplies	132,842
Signs/Banners	172,485
Decorations/Props	276,635
Small Equipment	49,680
Audio Visual	13,850
Software	37,360
Computer Hardware & Peripherals	33,500
Farm	86,150
Ticketing/Wristbands	99,296
Equipment Rental	2,415,973
Equipment Maintenance & Supplies	231,019
Uniforms & Laundry	109,492
Subtotal	3,658,283
Facility and Related:	
Maintenance of Buildings/Grounds	331,950
Utilities	1,347,399
Trash/Waste Removal	1,696,600
Rental of Facilities	-
Special Repairs	575,600
Subtotal	3,951,549

32nd D A A - OC Fair & Event Center

Statement of Operations - Budget 2020

	Full 2020 Budget
Publicity and Related:	
Photography	20,400
Newsletters	-
Contests	-
Printing	113,330
Advertising - Outdoor	289,000
Advertising - Radio	295,000
Advertising - TV	500,000
Advertising - Print	101,980
Advertising - Online	537,000
Promotional Expense	111,352
Brochure Printing	10,600
Buttons Printing	10,000
Media Relations	10,000
Public Relations Expense	161,150
Design & Production	6,000
Sponsorships	369,650
Special Projects	35,500
Subtotal	2,570,962
Self-Produced Events Attractions Expense:	
Arena/Hangar Acts	650,000
Grounds Acts	594,734
Major Acts	5,135,000
Attractions Expense	153,452
Subtotal	6,533,186
Other Self-Produced Event Expense:	
Competition Handbook	30,420
Jr. Livestock Auction Costs	280,910
Subtotal	311,330
Premium Expense:	
Cash Premiums	117,700
Trophies, Ribbons	27,200
Subtotal	144,900
Other Operating Expenses:	
Cash Shortages/(Overages)	8,670
Dues & Subscriptions	58,475
Bank Charges	478,593

**32nd D A A - OC Fair & Event Center
Statement of Operations - Budget 2020**

	Full 2020 Budget
Miscellaneous Expense	<u>285,139</u>
Subtotal	<u>830,877</u>
TOTAL OPERATING EXPENSE	<u>46,021,748</u>
Non-Operating Expenses	
Depreciation Expense	3,300,000
Major Projects	511,000
Net Pension Adjustment - GASB 68	600,000
Prior Year Expense	-
TOTAL NON-OPERATING EXPENSE	<u>4,411,000</u>
TOTAL EXPENSES	<u>50,432,748</u>
NET PROCEEDS	<u><u>\$ 1,804,841</u></u>

OC Fair & Event Center

Balance Sheet Projection

December 31, 2020

	Projected	Actual	Actual	Actual
	<u>Dec 2020</u>	<u>Dec 2019</u>	<u>Dec 2018</u>	<u>Dec 2017</u>
Assets				
Cash	\$ 1,366,544	\$ 1,504,707	\$ 1,279,737	\$ 1,393,825
Investments	57,931,409	53,431,409	48,951,014	42,183,671
Accounts Receivable	2,602,602	1,646,430	988,933	660,763
Reserve for Bad Debt	(70,926)	(47,559)	(26,779)	(22,192)
Prepaid Expenses	181,655	159,741	140,471	72,914
Deferred Outflows - Pension	4,984,585	4,984,585	5,488,718	4,332,393
Total Assets	66,995,869	61,679,313	56,822,094	48,621,374
Capital Projects in Process	1,017,248	968,808	140,946	1,643,369
Land	133,553	133,553	133,553	133,553
Buildings and Improvements	97,969,547	96,735,428	95,875,663	93,071,569
Equipment	8,584,268	8,053,898	7,509,743	7,326,656
Accumulated Depreciation	(61,166,990)	(57,866,990)	(54,449,983)	(51,018,981)
Total Capital	46,537,626	48,024,697	49,209,922	51,156,166
Total Assets	\$113,533,496	\$109,704,010	\$106,032,016	\$99,777,540
Liabilities				
Accounts Payable	1,409,910	1,114,197	1,231,159	757,259
Deferred Revenue	2,514,131	1,502,852	890,628	537,039
Payroll Liabilities	650,166	637,149	624,393	439,855
Deposits	43,743	43,743	151,300	32,102
Other Liabilities	-	-	-	436,674
Loan Payable - SB84	1,739,579	1,739,579	-	-
Compensated Absences Liability	1,276,422	1,171,786	1,078,416	987,550
Deferred Inflows - Pension	1,230,841	630,841	163,845	36,550
Pension Liability	15,722,914	15,722,914	17,556,172	15,917,666
Total Liabilities	24,587,706	22,563,061	21,695,913	19,144,695
Net Resources				
Investment in Capital Assets	46,537,626	48,024,697	49,209,922	51,156,166
Net Resources - Designated Use	504,460	504,460	563,003	959,341
Net Resources - Available for Operations	51,485,348	47,189,114	43,097,041	33,468,979

Unrestricted Net Position - Pension	(11,369,170)	(11,369,170)	(12,231,299)	(11,621,823)
Net Resources - Auction Fund	(17,315)	(17,315)	(5,822)	4,299
	87,140,949	84,331,786	80,632,845	73,966,962
Net Proceeds from Operations	1,804,840	2,809,163	3,703,258	6,665,883
Total Net Resources	88,945,789	87,140,949	84,336,103	80,632,845
Total Liabilities and Net Resources	\$113,533,495	\$109,704,010	\$106,032,016	\$99,777,540

OC Fair & Event Center
Cash Projection
December 31, 2020

	<u>Cash</u>	<u>Investments</u>	<u>Combined</u>
Beginning of Year Balance	\$1,504,707	\$53,431,409	\$54,936,116
Add: Net Proceeds (ex-Depreciation, GASB 68)	5,704,840	-	5,704,840
Less: Capital Spending	(1,812,929)	-	(1,812,929)
Change in Working Capital	469,926	-	469,926
Movement of Cash to Investments	(4,500,000)	4,500,000	-
Projected Year Ending Balance	\$1,366,544	\$57,931,409	\$59,297,953