

OCFEC Board Meeting 11/07/23

Nick Kovacevich First let's Okay, let's call the meeting to order all matters notice on this agenda, in any category may be considered for action as listed any item not so notice may not be considered items listed on this agenda may be considered in any order at the discretion of the chairperson. Number two, the mission of OC FEC is creating equitable community access to agricultural, entertainment, cultural and educational experiences. And now item three, I will ask my colleague, Director Bagneris to lead us in the Pledge of Allegiance.

Everyone I pledge allegiance to the Flag of the United States of America and to the Republic for which it stands, one nation, indivisible, with liberty and justice for all.

Nick Kovacevich Thank you, item for summer. Could you please lead us in a roll call?

Summer Angus Okay, committee chair Kovacevich?

Nick Kovacevich Here.

Summer Angus Vice Chair, Director Bagneris?

Barbera Bagneres Here.

Summer Angus And just for the record, we have Directors La Belle and Director Bilezikjian both Attending via zoom.

Doug Le Belle Hi, everybody.

Summer Angus Thank you.

Nick Kovacevich Thank you guys for attending. All right. And now item number five matters of public comment. Public comment is allowed on issues not on the current agenda. However, no debate by the Board 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. Speakers are requested to fill out and submit a comment card to the meeting Secretary prior to the start of the meeting and are limited to three minutes. This will be an open and interactive workshop where members of the public can ask questions and provide input to the Committee during our session.

Michele
Richards

So I think we'll dispense with a lot of the formalities. I know we do have one or two members of the public. So I'll stop periodically and ask if there are any questions by our committee by board members that are on Zoom or members of the public. So if you're okay, I'll jump right in.

Nick
Kovacevich

Thank you. CEO Richards. Go ahead.

Michele
Richards

All right. Thank you. Okay, just as a reminder, our budget development process our fiscal year runs like the calendar January through December, we create our budget on an annual basis for each department and then each department budget is consolidated and rolled up into an organization wide budget. And there are copies of all of these documents at the back if anyone needs them. There are 51 departmental budgets that are created each year and directly overseen by 18. Members of our management staff who committee are here today, if you have any specific questions by department, through monthly variance reports that the staff completes an oversight by our financial monitoring and Audit Committee. Each department's budget is closely monitored. And as you know, we we do that regularly and openly in board meetings so that the board the staff and the public receive those regular updates. Now also each year as we roll into the budget season, we begin building our budget for the following year and we turn to several sources for economic forecast data. We look at several sources Goldman Sachs looked at Moody's fortune Wall Street Journal, and one of the best resources is from Cal State Fullerton wood Center for Economic Analysis and two of the professor's there Dr. Neil Peri and Dr. Mira Farka. Always do a really excellent job of forecasting not only on a national basis, but also for Orange County. We were very fortunate this year that the Finance Committee Chair Kovacevich and director, Bagneris joined our executive team at this year's conference, which was held a couple of weeks ago. So the forecast for this year was very similar to last year's forecast really. So we studied multiple sources. And we learned that once again, there's a complex mix of both good and bad news regarding the economy. So while real GDP growth posted solid gains in the first half of the year, gross

domestic income fell, the good and the bad. While consumer sentiment improved from last year, but it's still far below average. And yet real consumption spending is seems to be growing and in a lot of sectors. So we've got good, we've got bad mixed with some good. And then corporate earnings fell for three straight quarters. Bad yet the s&p 500 rose nearly 20% In the first half of 2023. Good. So a lot of mixed signals there but most economists do agree that the rate of inflation is expected to decline although it still has a grip on the economy and that's affecting Um, consumer sentiment, the economy is slowing. With GDP growth expected to only be about 1.9% in 2024. Job growth is slowing as well. But that is always a positive for us, it makes it a little bit easier for us to hire for the fair. So most economists agree that in late 2024, we seem to have a recession on the horizon. But those forecasts ranged from a very soft landing all the way to a, quote, garden variety recession. Now, in terms of the local Orange County forecast, it generally mirrors the overall us forecast, unemployment is expected to climb to four and a half percent in 2024. Again, that bodes well for us as we look for good good folks to join us for the fair, inflation is the biggest concern, followed by labor or supply shortages, cybersecurity and government deficits. The Orange County Business executives, there's a survey that is done by Chapman University every year of a number of Orange County Business executives, and in their polling 40.7% per projected either a mild recession, or 33. And a third percent predicted a soft landing. So those seem to be the big factors that went into forecasting for 2024. So it's much of the same sort of conservative budgeting that we did last year. But the good news for this year is that we now have a fair under our belt during a time of recession. So we have actual numbers that we can, we can rely on our budget assumptions for this year, or 2024. That went into the creation of our budget is that we're going to stick with our same fare model for 2020 for where we control our attendance. The budget was built around a 45,000 per day limit on ticket sales, but we're going to talk about that a little bit later. No increase in fair admission pricing is included in this budget. But we can also open that discussion. no increase in parking fees. Again, open for discussion. We have budgeted for 30 shows in the Pacific amphitheater, so that would mean one each night of the fair with shows before the fair and after. This year. We did budget for overtime for part time seasonal employees that was not included in our budget last year. And it accounted for a lot of the overages, you're going to see in this year's budget, we're asking for two additional civil service headcount, which I'll talk about in more detail a parking coordinator, as well as an additional full time security guard. We are budgeting for a feature exhibit the public loved, love,

love that art of music exhibit that we did this year. So we're planning for the same in 2024. Once again, we'll do a two day in person imagine ology event. We will continue our equestrian center revenue and expenses through June. And then we've included a three \$3.25 million capital expenditure program. So we'll go into a little more detail on some of these as we go along. So let's look at changes in our labor expenses, because I think this is the single biggest category of expense increases, our total labor for 2024 is \$24 million. That's a \$1.9 million increase from the 2023 budget. And really, there are several factors. Number one is that minimum wage is increasing to \$16 an hour from 1550 last year, and just like we did in 2023. This year, we are adding a little bit to that to remain competitive in the market. So we will have wage increases for our part time, fair positions to be competitive with other area employers so the lowest wage is 1650. We have included over time this year as required. For our part time seasonal employees. We are seeing increases and our benefits costs health benefits workers comp excetera and that includes increases in our PERS contributions to the public employee retirement system. Our civil service employee East will receive a contracted 3% wage increase that those agreements, labor agreements have already been signed at the state level. And then we have two new civil service headcounts, a parking coordinator, as I mentioned, and a security guard. So as far as the parking coordinator goes, we are taking two part time positions and combining them into one full time to share administrative duties between two different departments for better efficiency. And in terms of the security guard, this is part of our continuing efforts to replace part time temps with our own full time year round security staff. So we've we have relied heavily on part time temps in our security department, and that's worked well for us for a while, but the world is a different place. And we really want to strengthen our year round, permanent security force. So we'll be asking for those two new positions. Okay. I think I'll stop there and see if anyone has any questions or comments.

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|------------------|------------------------------------------------------------------------------------|
| Doug Le Belle | Michelle, this is Doug is the current full time staffing in the security division? |
| Michele Richards | We have currently have six full time staff in our security department. |
| Doug Le Belle | And we have somebody on site 24/7 365? |

Michele
Richards

That's correct. Okay, thank you. You're welcome. Okay, moving on. We did. In fact, I was commenting with staff before the meeting, that I think it was in 2019. We went through barber will remember this, we went through every single department, almost line by line, right. And that was really good educational opportunity for our board of directors. So we're not going to do that today, because I think our board is very well versed in, in our organizational structure and how we build our budget. But there are several departments that have a fairly wide swing, year over year either to the positive or negative. So we want to highlight those particular departments so that the board and public understand where the big changes are coming from. So I will start with the administration department. This is kind of a catch all. budget that encompasses our executive team, but also legal expenses, a lot of our professional services and our interest rates that we earn from our, our accounts, financial accounts. So we have seen quite an increase over the last year in our interest rates went from a low of 1.5 to 1.9%. Early in the year. And we're now over 3.6% earnings. And so we're budgeting 3.25% across the board for 2024. On the expense side, we are seeing an increase in our insurance rates. Sadly, we know that Joan Hamel will be retiring in 2024. And we as we recruit to try to replace her I should say we plan for an overlap of a month. So we'll have two executives serving in that position to allow for some some transition time. We are budgeting a slight increase in our legal services. There is still one pending lawsuit that we're responsible for so and then we've eliminated per the board's decision last month, we're eliminating monthly retained legislative services in our budget. But we are still keeping \$10,000 in the budget for for the year in case we have a special opportunity that we need to to use legal or legislative services. Okay. On the operation side. labor expenses have increased there's an addition of a union negotiated stipend. We're reclassifying a maintenance worker position to senior maintenance worker on the expense side. Many, many of our contracts service contracts are increasing due to inflation. We're increasing the number of parking lot sweeps that we're doing it In order to comply with stormwater management requirements, and then we've taken bits and pieces of different service contracts that were in various departments throughout the organization, and consolidating them all under one umbrella in this budget. And so that's causing an increase in a decrease in those other budgets, but an increase in in operations. Safety and security. This is all about labor in safety and security. So we have the addition of the

one new headcount, that's an addition of a civil service headcount for the security guard. In addition, last year, the board as part of that, that initiative to decrease the number of part time, folks in order to add year round permanent security, there were two positions that were approved in 2023. But we never hired those individuals. So we are moving to higher this year, and we've budgeted for them as well, again, overtime costs for all of those part time folks that work additional shifts, and then an increase in in purchased contributions and benefits costs all affecting that budget. But it's all about labor in that budget. For the Equestrian Center. On the revenue side, we are budgeting revenue based on August 2023, actuals, were at 63% capacity. And we're going to continue that flat through June. So that we don't over budget for revenue, if we are able to identify an operator and that revenue increases, that'll just be an upside to the budget. Rental revenues are based on an average of June through August actuals. And on the expense side, again, the current EQC model runs through June 2024, switching either to an independent operator model or ceasing operations per the board direction, we are beginning January 1 going to be closing the EQC office. So we'll eliminate those staffing hours, we find that that's not a necessary staffing in the new year. And then we're reducing the parking lot sweeping to every other week as opposed to every week now. So in terms of the Equestrian Center, were budgeting 574,000 in revenue 226,000 in labor, for total expenses of 941,000. And that will for that the loss for that running six months will be 593,000. So, you know pending the outcome of the RFP process, we may see adjustments there. Okay. Couple more, and then I'll take a pause on event parking. We are adding one new civil service position the parking coordinator as I said, we're taking two part time positions and combining into one full time position and then spreading those duties over to departments on the expense side. This year, we are including Costa Mesa police department services for pre and post their concert traffic management, and director Bonner Reese, you asked me a question the other day about were we charged for pre and post concert. We were charged. It wasn't included in our budget last year. So we're making sure that those expenses are covered this year. An increase in temporary staffing hours based on actuals. Again, this is a good opportunity for us to look at the 2023 fair and use actual hours and staffing. Okay. Fair admissions. So, in last year's budget, we discovered that we had duplicated the fair admission that gets rolled into concert tickets. So you know, when you buy a concert ticket, your fair admission is included. So we duplicated that in two different departments in 2023. So we're deleting the fair admission in this department and making sure that it stays in the pack and hangar and action sports arena

budgets. The revenue is based on 2023 actuals, including our sell out dates. So again, we've got some really good rolling date. For the last several years to forecast our attendance, this budget does include the everyday passport revenue, that's our annual pass. And on the expense side, there's an increase in temporary staffing hours based on actuals. There's the addition of credit card fees related to our everyday passport sales. And that's it for that department. So I think I'll do a little pause here and see if we have any questions. Or comments?

Doug Le Belle Michelle, this is Doug, I have a couple of comments if I could, Nick and Barbara. First of all, and I did kind of chat with Michelle about this earlier, in addition to our annual pass program, to, to the summer fair, I'd kind of like to see if staff, in the next few months could look at kind of a super pass to the, to the Fair, where you could add other benefits, just as an example. In addition to getting admission to the fair, each day, you know, add some additional number that would give the purchaser of that maybe three rides or some food benefit, or whatever the case may be, I don't know if it makes any sense or not. But I know some of the venues like Disneyland do that. So I would think it's at least worth kind of taking a look at maybe some super, super pass options. The second thing which I can speak to later, that 10,000 You have in the special projects, I'd like to see that doubled to 20,000. And I'll speak to it later in terms of a couple of thoughts I have, but obviously, none of it would be expended without, you know, board approving a specific project or task. But I think there's some things that we ought to be looking at that might necessitate that additional amount. So that would be my comments at this point.

Michele Richards Okay, thank you noted. Yes, yes, no, no. Do you want to step up to the microphone. So folks on Zoom can hear you as well.

Sue Lezyk Hi, I'm. So I'm calling for I'm here for the UK. I'm sorry. I'm nervous. The equestrian center. Michelle, you mentioned that the Office won't be staffed. I know that's not. There's some things that logistically could be a problem without staffing the Equestrian Center. So is there a plan for receiving money moving people in and out calls, things like that? Or should there be a budget item for that?

Michele Richards I'm going to turn that over to Evey. I know that's something that that they've planned for.

Evey That so... (inaudible)

Sue Lezyk Are LW I'll be taking in the office. Okay.

Evey --Visiting the office--We also have staff that can. Winners.(in audible)

Sue Lezyk Okay. And then I just wanted to make sure that the assumption for the equestrian center not showing revenue beyond June is purely that it's going to be or the assumption is that at least there'll be an operator in place or the the facility be closing in June. And right now.

Michele Richards You know, what, Evey? We're not picking you up on on Zoom, because you're not at the mic. So there you go.

Evey Yes, at this point in the process, we don't know if a suitable operator is found, what that amount would be. So we didn't really want to speculate on on what those potential revenues would be. Okay.

Sue Lezyk And when the operator comes in, I noticed in the financials that we received from 1999 forward, that there was revenue coming in from the previous operator, but yet there were expenses applied to it for electricity and things like that, because I don't think they were picking it up. So with the operator, new operator, those assumptions will be their expenses, correct?

Michele Richards Well, those those assumptions will be included in the RFP. So I don't I can't really go into detail about because that will be a bid document that needs to hit the street, you know, to be available to all of the public at the same time. But I think the board made it very clear that an operator would need to pick up all of the expenses that were related to operating the equestrian Senator which I know, you know, electricity and water, all of that would, would be part of operating the Equestrian Center.

Sue Lezyk So when the revenue comes to the fairgrounds or to the, the district, there's not going to be a deduction for any other expenses, if there will be free and clear or be shown properly.

Michele Richards Yeah. So if there's a, an operator that is identified, as a result of the RFP, that operator would be responsible for accepting revenue, you know, rental fees from each of the borders, and then the operator would be responsible for paying the district, you know, a certain amount on a monthly basis.

Sue Lezyk And then when the district receives that there's not conveying expenses

below it, so the revenue that goes to the district will be...

Michele
Richards

Free and clear,

Sue Lezyk

Profitable...

Michele
Richards

Yes. Yeah. And also, I do want to just add a little bit to your previous question. The reason that we didn't budget for revenue after June, is for exactly the reasons that, you know, the EV mentioned, however, if we're able to identify an operator, and that revenue is coming in, that will just be an upside to the budget, rather than trying to come up with a number out of our, you know, out of our heads. And then if that doesn't come through, it ends up being a budget deficit.

Sue Lezyk

Is this the forum to ask you if capex expenses to the operator will be identified?

Michele
Richards

You know, what, we we will share what our CapEx plans are for 2024. So, but the board also was very clear that the capital expenditures would be the responsibility of the...

Sue Lezyk

Correct, I was just, yeah, trying to narrow it down to you being able to say these are the capital expenditures.

Michele
Richards

We haven't identified what those capex.

Sue Lezyk

Okay, I know that they are getting a little , A little out there.

Michele
Richards

No, thats a good questions.

Sue Lezyk

Thanks you very much.

Michele
Richards

Yeah. And you know, just speak out if you have any other questions as we're going along. Yeah. Raise your hand or say, Hey, you Yeah.

Barbera
Bagneres

okay. We find it works a lot better this way when these kinds of committee meetings, so just speak up anytime. And...

Sue Lezyk

I appreciate that. Thank you.

Michele
Richards

Sure. Okay, moving on to fare safety and security. So we talked about year round safety and security. But again, this is another labor heavy department, we are adding 15 temporary staff for a mobile patrol parking lot team. The last couple of years, we've had a few incidents in the parking lots that are, you know, a concern from a safety and security standpoint. And so we'd like to reinstate a team that we used to have, and that's a bike patrol that patrols the parking lots to ensure the safety and security of the property and our guests. And then, of course, inclusion of overtime. For those part time seasonal folks, that we are seeing an increase in our Orange County Sheriff's Department contract to the tune of an additional 185,000 this year. And then of course, there will be some expenses related to the addition of the mobile Patrol team for our parking lots. In terms of fair maintenance, an increase in the number of part time seasonal table cleaners during peak hours as well as staff to assist with trash and recycling. So we learned this past year that we were challenged with having enough staff to staff to keep up during peak hours with trash and table cleaning. And certainly that is very important to ensuring a great guest experience. So we wanted to add some staff in that department to ensure that that good service. Okay, on the expense side. The search service contracts have increased due to inflation that's across the board. And then there were equipment rental expenses and several of various departments throughout the organization. So we're consolidating all of that into this budget just makes it easier to manage on an ongoing basis. Okay, department 64 is our concessions and our commercial shopping program. On the revenue side. We're asking for our annual small increase in fair merchant space fees to maintain our competitive of position in the market, we are going to lose a number of camping spaces that are available to our our fair partners due to the construction of the administration building. So less camping spaces means less camping revenue. And then certainly this past year, while our attendance was pretty even year over year, we did see a flattening of concession sales. We saw that in the carnival as well. So economic pressures due to economic pressures, people were making decisions about how they spent their money. They paid for parking, they paid to get into the fair, but they certainly made decisions. Once they got into the fair, we saw a decrease in carnival spending. And we did not see a significant increase at all in concession sales. So we're adjusting for that this year. On the labor side, we are asking for two part time seasonal folks to manage or oversee our campground. And that's again to add an extra layer of safety and security to the partners that that camp here during the season. Okay. Parking sales. So this is not during the fair, but this is parking sales year round. We've adjusted down. I know, I guess it does include Fair,

fair time as well. Yes, thank you. We adjusted down the number of vehicles that we can park per day. And it's based on actuals for 2023. And we know that we're losing our parking at Davis School. So that's going to throw more more vehicles on site. And then there's a reduction in parking spaces due to the administration building, construction. So all of that is affecting the revenue change for for parking sales. Okay, couple more. And then we'll take a pause, department 70 as attractions and that largely accounts for the action sports arena and the hangar we are on the revenue side seeing an upside. Because we're allocating for year one and year two e tick signing bonus we, through a competitive RFP process we were able to identify a new ticket provider through Etix and there was a pretty nice signing bonus that was included with that. In addition to an increase in the revenue share that we're getting from Etix as opposed to our previous contract. We're seeing we are projecting an increase in performance admissions revenue, and that's based on 2023 actuals. We're hoping for another really good year in the hangar and action sports arena. On the expense side, we want to add the rental of two additional bleacher sections for the action sports arena that will add a reserved viewing area. So the people that really want to get up close and personal to the monster trucks and demolition derby, they'll be able to reserve seats in that viewing area. And then we've included the revenue share not previously included in last year's budget for brouhaha, which is our craft beer festival during the year. We partner with brouhaha productions on that event and we share revenue. So we'll be including that in the budget. Okay. And then one more and we'll we'll take a pause for the Pacific amphitheater. Again, the allocation of the year one and year two Etix signing bonus, an increase in the revenue share that we're going to get from Etix. All of that is adding two additional upside to revenue in the Pacific amphitheater. The This budget does include the fair admission that's built into those concert tickets. And then revenues that are budgeted for a total of 30 Pack am shows if we can do more than 30. We absolutely will do 30 But we're budgeting for 30. And then of course there are expenses related to those those 30 shows. So again, pause if anyone has any questions or comments.

Barbera
Bagneres

For the Etix, do we know how much we benefit by moving from Ticketmaster?

Michele
Richards

Dan, you want to answer that?

Barbera
Bagneres You should be good.

Michele
Richards Yeah, yeah. Dan come up to the microphone if you would. So the people on Zoom can hear too.

Dan We are signing bonuses a million dollars for the best just signing, that's not for the term and we could exit out of the contract at some point everyone, we'd still retain that. And then there's \$375,000 each year following the initial initial 1 million. So it's quite a bit of quite a bit of money. Right, the there is a decrease in the amount of service charge that's charged to the customer buy the ticket service provider. However, we are allowed to add service charge revenue of our own for the venue on top of that. So our service charges are actually going to decrease but our cut of it is going to increase.

Barbera
Bagneres That sounds like a raise.

Michele
Richards Yeah it was a very good deal. Yeah,

Dan Did you say bonus, is that what you asked?

Barbera
Bagneres You need a bonus. That's a great deal.

Michele
Richards I must say. Etix worked very, very hard on that on putting in a competitive bid. And they've been a really great group to work with so far. So we're happy about that. Yes.

Sue Lezyk Hi, it's me again. Yeah. I got a notice that somebody said on your slide, it said that no staff on Sundays, and we think we heard no staff at all.

Michele
Richards No, no, no Sunday's.

Sue Lezyk Thank you. Yeah, I was panicking. Yes. No, no, no, I could not imagine office staff. Okay, so we're open for four hours, Monday through Saturday, and nobody will be there. Okay. hours, eight hours Monday through Friday. And eight hours on Saturday. And no Sunday next year.

Michele Richards So we're just you were just not opening the office on Sundays for the previous four hours.

Sue Lezyk Was it 2024? Year? Yes. Awesome. Okay, good. I thought nobody was gonna be in the office at all?

Michele Richards No, gosh, no. Okay. All right. So we know from our research with other area venues and other Southern California fairs of our size, mainly County Fair and the LA County Fair, that we are still well below other venues in terms of the rental rates that we charge year round for event promoters to rent our buildings, and also for the space that we charge for our vendors during during the fair. So for year round rental pricing. Based on our survey of other area venues, we're taking a very nominal increase of 50 to \$75 per day, per building, depending on the size and location, it's more about keeping up with the market and reflecting our value, you can see that the overall revenue that's being generated is just a little over 29,000. It's a very small increase. But again, it keeps us current with the market and reflective of the value of our property. In terms of the merchant space, during the fair, that space is increasing anywhere from \$25 to \$125, for the entire run affair. So for all 23 days, depending on the size of the space and the location of where that space is. That's under a 2% increase little over \$28,000. And again, it's more to reflect the value of that space and what we bring to the table and also to cover our expenses for operating those buildings as well. Okay, so you'll you'll see those increases are built into the budget.

Nick Kovacevich Are we still then also still behind those other venues? Even with the increase?

Michele Richards I don't think we're behind. I think we're fairly caught up Howard, a little, maybe a little less.

Doug Le Belle What we do when we take a look at the rates at at our competitor or competing venues is to take a look at the dollar per square foot. So we've gotten very close to where they are in the past and where they are now. The only difference is that our square footage differs building the building from theirs. So everything's competitive and pretty equal in that manner. Right. Okay.

Michele Richards Okay. ,I'm so glad you came otherwise, no board meeting we all talk to ourselves.

Sue Lezyk Well, I just hated being all about the EQC but that's my biggest concern. I don't want to retire my horse in July. So I Um, this is a all encompassing budget. When will you be providing subsidiary budgets, departmental budgets,

Michele Richards Those are included with this budget. So there's a consolidate copy of a consolidated budget, but department by department budgets are available on request to. So if you wanted to see department 25. Is that what you're asking for? Yeah. Yeah. So what I what I'd like to do, I mean, we can send it to you now. It's it's in draft form, though. And this is just a committee meeting. So until the board approves it, yeah. So happy to happy to provide you with a copy of that our cruise ship, and that'll be you know, line by line.

Sue Lezyk So it'd be for all the different..

Michele Richards Yeah. Yeah, absolutely.

Sue Lezyk Thank you.

Michele Richards Yeah, I think what she's requesting is a detailed, yeah. Detailed line by line budget for department 25. Yeah, we can get that to her. Okay. Okay, let's talk about our capital budget. So there is one project that is being carried carried forward from 2023. It will not be completed in 2023. It's a estimated \$70,000 project to replace the roof in the Pac M kitchen, which is in in much need of replacing the budget is, is broken down into three categories, capital expenditures, major expenditures and equipment expenditures. So these are the projects that are involved in the capital expenditures. It's a little under 1.5 million. In the materials that were included. There is a breakdown of you can see the projects here. We have been over these projects with the Facilities Committee, but wanted to provide them as part of the budget as well. So you can see each individual project and...

Tanya Bilezikjian Michelle the second to last one and the third the last one, it just has replacements. What are what are you replacing?

Michele Richards Is that the asphaltting? Yes, it's asphalt.

Tanya Bilezikjian So like spa repairs?

Michele Richards Correct. I think it's more than a spa repair, it's no. Yeah. Do you want to speak to that? Okay.

Ken Karns Questions been answered...

Michele Richards I don't know that she heard. Oh, okay she's here.

Summer Angus Reggie Mandikus when you're ready, go ahead and speak.

Reggie Mandikus Hi, Reggie, here. Thanks for the great presentation. I have a question on the exterior parking lot lights. There are several gates, where diesel generator powered lights are brought in to provide what's called Task lighting, to people performing security functions are taking tickets or checking credentials at those gates. And that's done because the parking lot lights are too far up to provide enough illumination at the task where the task is being done. When the exterior parking lots are replaced, is there going to be task level lighting put in so that we don't have to use those portable lights powered by generators anymore?

Ken Karns Great question Reggie. That is not included in the ash vaulting and parking lot replacement line item gate 4, we put in permanent electrical and as we work our way around. Yeah, that's that's on the ongoing list. We're testing some solar lights on on some signage, but point well taken. The team is aware that we would like to eliminate the generators if we can get permanent electrical to those spots, but not included in the in that specific lighting or parking lot replacement budget.

Michele Richards Sorry, I'm making a note here. Okay. Okay, let me move to major expenditures. You can see the list here and again, we've gone over this in detail with the Facilities Committee, but these major expenditures, total 452,500 And you can see the variety of of expenses. that are involved in that. I bet nobody else has silo oxen structure painting. Right? Right. Okay. And then the last piece is equipment. And I just want to point out a couple of things. You'll see, I think it's number five. The fifth project down, is replacing a forklift in our maintenance department. And it says a QMD requirements. So there are new requirements for maintenance equipment, large equipment that have to meet a QMD standards. And so we're sunsetting some of our equipment and replacing it with a QMD compliant equipment. And you'll see that near the bottom with our water truck as well.

So we'll be retiring our water truck and replacing it with one that is a qmD compliant.

Nick
Kovacevich Are we allowed to sell that equipment?

Michele
Richards Oh, Jerry, that's a good question.

Jerry We send it off to the auction as the state so we can just sell it to the public, it has to go to an auction house.

Nick
Kovacevich Ritchie brothers. Yes, sir.

Michele
Richards You know them. Okay, so here's how our cap x major projects roll.

Tanya
Bilezikjian Sorry, can I ask one question?

Michele
Richards Yes.

Tanya
Bilezikjian Hey, sorry. I don't remember if it was last meeting or the meeting before, but we had a gentleman that made a comment that the bike parking area was kind of close to some protesters. And we had talked about possibly adding an additional bike parking area or or moving the one is that something that we can add as a probably a fairly small line item on this budget?

Ken Karns We've reached out spoke with the gentleman. So we did close that loop. It will be taken care of and resolved, doesn't rise to the level of the need for capital expenditure. But the issue will be resolved through our fair development. Thank you.

Tanya
Bilezikjian That's wonderful. I appreciate that.

Barbera
Bagneres And we're also going to have the the patrol.

Michele
Richards

Yes, sound.

Barbera
Bagneres

So that should help.

Michele
Richards

Yeah. Yeah. And Ken reached out to that. That member of the public immediately after the board meeting, so that was great. And he's he's a great, fair guest. And as he mentioned in his comment, he submits a lot in our competitive program to in different floral probe. Floral and collections. Yes, that's right. Yeah, really nice man. So capital expenditures, little under 1.5 million major projects, 452,000. Equipment, 1.1 million, we've got a subtotal of a little over 3 million, we add our \$100,000 contingency plus the carry forward project from this year, the roof replacement for the pack and kitchen. So we have a grand total of 3.254 million for our CapEx program this year, that includes 20, capital expenditure projects, 18 major projects and 21 pieces of equipment. Also want to mention that part of that capital program is the next project that's up in the Master Site Plan. And that is to design and develop two restrooms at a cost of about 200,000. But that's for the design and development fee. The preliminary budget for that project is 10 million. But that would also include the the demolition of the existing and replacement of the existing facility, the pack amp dressing rooms, that's kind of an ongoing project that's in development. There's a preliminary budget of 3.5 million. Obviously, both of these projects will come back to the board individually and there'll be a vote about whether or not to fund those projects as part of the Master Site Plan. Okay. And I'll pause again, see if anybody has questions. All right, coming down the homestretch here. Each year as part of our budget, we anticipate what our travel needs will be. And per board procedure, we provide the board with a list of all of the possibilities for out of state travel also at the same time that the board is approving the budget, they're also approving out of state travel. So that previous travel ban has been lifted Hallelujah. And we're very happy to be able to send employees to conferences, conventions and trainings that they have not been able to participate in over the last several years. So you can see the list of conferences and conventions. There are mandatory state compliance training that we would like to send our folks to. And then we always like to send people to other fairs, to do survey trips to see what's new and what they're doing. So we're going to send a few folks to the Minnesota State Fair. And then Western Fairs Association always announces a feature fair tour at the January convention. We don't know

where that's going to be. But for the last several years, we haven't been able to go so we're, we're anxious to find out where that might be. And we'll, we'll send a few folks there as well. Okay.

Nick
Kovacevich

They get to ride the rides when they go?

Michele
Richards

Yeah, we require it, especially the hairy ones that come back and make a full report, right. Okay, this one is always fun. So board policy 4.05.02 authorizes the CEO to sign for purchase commitments of \$50,000 or less and to execute talent guarantees of 600,000 or less. exempt from the policy are certain mandatory payments like for utilities, Cal card expenditures, insurance, payroll or stamped state mandated services or anything else the board authorizes as part of the annual budget. So included in that authorization or any other expenses on this this table. So anything that we anticipate could be over 50,000, which this year includes any sales and use tax, state fire marshal fees, attorneys fees, California non resident withholding, ribbon and remittance or any unemployment fees. So by approving the budget, the board is also approving these potential expenses that may or may not be over 50,000 but are nevertheless mandatory expenses. Okay, so are we ready for the big roll up? Here's what the 2024 budget looks like. On the revenue side. OSI FEC self produced event revenue, that's largely the fair 46 point 9 million total rental revenue for year round events program 9.7 million, our total non operating revenue, which includes our interest, income, 1.4 million, so we're projecting revenue of 58. Point 1 million in 2024. Against expenses of 54 point 6 million, which includes operating expenses of 50 million, and then non operating expenses with our major projects and depreciation. So total expenses 54 point 6 million, so we're looking at net proceeds of three, just a little under 3.5 million. I do want to add that Gatsby 68. And director binaries, you'll be familiar with Gatsby. So that's the governmental accounting and Standards Board, right. They require government agencies to include their net pension liability. On the annual statement of operations. We, we have approximately 5 million in in net pension liability. And while we reflect this amount on our annual stop report as required, it's not a cash related entry, and therefore, we don't include it in the budget in the budget roll up. And that \$5 million amount is provided to us by CDFA. So they have told us your net net pension liability for 2024 is \$5 million. So we we include that under you're below the line because it's not a cash entry. But this is what we anticipate the net proceeds to be excluding that that \$5

million net pension liability. Yeah.

Nick
Kovacevich

Wow.

Barbera
Bagneres

Were you able to roll in the increase from 45,000 to 50,000?

Michele
Richards

We're gonna get to that.

Barbera
Bagneres

Okay.

Michele
Richards

Yes, we're gonna get to that. So And then this is what the fare looks like, again, with, without any of the adjustments that the committee met about yesterday, attractions and services revenue adds up to 47 million, you can see the different categories of expenses related to the fair, total expenses of 25 point 9 million. So we're projecting net proceeds from the fare of 21. Point 2 million. And just to give you a comparison year over year, last year's budgeted net proceeds are this year sorry, for 2023 was 22.7 5 million. So you can really see how those expenses are, are affecting things. And actually, if you go back to the the full budget roll up, you can really begin to see that net proceeds number shrinking a bit. Because as we hold our attendance, you know, the same, but our expenses are increasing, then that's going to that's going to shrink that margin a little bit. So to your point, the question about the the increase in potential increase in attendance. So let's look at a couple of options here. We did not build in an increase this year for parking or fair admission and fair admission is based on that sales capacity of 45,000 per day. But the committee wanted to take a look at well, what if we increase our sales capacity for the fare to 50,000 per day? So this is a bit, it's a little bit of a complicated question, because it doesn't just involve adding 5000 more people per day. So in 2022, there were 11 sold out days, with the remaining days already having additional capacity available. So we did not sell out 12 of those days. At this year's fair, there were 12 sold out days with the remaining 11 days having additional capacity. So adding 5000 More people two days that didn't sell out is kind of a moot point. In both 2022 and 2023. We saw a noticeable increase in attendance on closing weekend, due to many of the employee

tickets, neighbor tickets and the donated tickets being used on our closing weekend. In fact, I think we had the Friday, Saturday and Sunday that were all over 50,000 in attendance. Yep. And all of this was taken into consideration and creating the revenue projections that you see on this slide for increasing attendance. So this would result if we did increase our attendance to 50,000. Taking into consideration our normal number of sold out days, not impacting closing weekend, etc. It would generate an additional 828,000.

Barbera
Bagneres And if we added the 50,000 to all days, what would that number be?

Michele
Richards Well, if we added that capacity, it would be 1.5 million, but not every day is going to sell out.

Barbera
Bagneres Yeah, we don't know right now.

Michele
Richards No, we don't know that.

Barbera
Bagneres How would you monitor that, like "today, we're 45,000, tomorrow we are 50,000". How are you really going to monitor that? It'll make it kind of hard for the public...

Michele
Richards Sure.

Nick
Kovacevich I think we're we would probably do is increase it to 50,000. But budget told me of half the days hitting them. Because even though we can achieve that number on other days going up prudent to budget, because it's shown historically that we come up short on half the days.

Michele
Richards Yes. And there will be some additional pressure on our operations by adding people per day you know, making sure that we've got the right amount of staffing, our our parking, you know, we know what the capacity for our parking is, although our parking is in big demand. So we're going to talk about that in a minute as well. But you're exactly right. Chair Kovacevich that we could we could add the ability to bring in 50,000 more but budget for what we think you know, will will sell on those days do we have a comment?

Summer Angus	We have comment, Reggie Mandikus when you're ready.
Reggie Mandikus	Hi. I have a question about parking regarding increasing the capacity. Before we went with capacity limits Shall we just say, parking was a challenge. And as parking became more of a challenge, the neighbors became more of a challenge to deal with. Do it, is there a feel for what capacity limit is the point at which we can stop self parking, and then have to rely on other parking facilities to park the event? And if that question is answered in another section, that's fine. But that's one of my concerns. And this. Thanks. Yep.
Michele Richards	And if you'll hold that question, we'll, we'll give you that information. So this, this slide is related to the full budget roll up, right? If we isolate just the fair, again, this is how would it would impact net proceeds for the the fair using that 828,000 In additional in additional revenue? Okay, so would, it would kick up the projected net proceeds for the fair, from 21. 2 million to 22 million?
Barbera Bagneres	So we'll bring it to the board, we're gonna we're gonna include that we are?
Michele Richards	Absolutely. Okay, we also wanted to introduce a few other budget options, should the Board want to consider an increase in parking. So option number one is as presented with no parking increase. So this is the full budget revenue and expenses full year budget. And you can see the bottom line of just a little under 3.5 million in net proceeds, if we were to increase year round parking \$1. So from \$12, what it is now to \$13. That would, that would increase that bottom line 447,000 to produce net proceeds of 3.9 million. Now, this is a an option that I want to explain. And it's increasing fair parking \$3. So from \$12 to \$15 \$15, helps us operationally to keep the line moving, because anytime we have to give back change, particularly an odd dollar amounts, it slows down the line \$15 would make us more competitive with the current market. We're prepared to share some comparatives from other venues. And you can see that even at \$15, we're well below what other venues are charging, it would encourage ride share, it would encourage public transportation. In other words, parking on this property is in high demand, very high demand. And we think that the parking fee should reflect that. You know, we're not proposing any admission increases, because when a family of four comes to the fair, and you increase the fair admission that impacts every person in that car. When

you increase parking by \$3. You know, it's less than \$1 per head. So that would increase revenue by 648,000. And net proceeds for the year would be 4.14 million.

Nick Kovacevich So I like that optional. I was thinking the same things. During fair time. I think it is I think 12 is a little expensive, honestly, non fair time, but I think 15 is very appropriate. Right fair time. So I'm glad you guys thought of that as well.

Barbera Bagneres And then the 828 rolls on top of that.

Michele Richards Yeah, yeah. Oh, yes.

Nick Kovacevich We were at 3.4. So this was 650.

Barbera Bagneres I want you to lose that eight. 828.

Michele Richards No, no, no. These bottom line numbers do not include the eight.

Nick Kovacevich That brings us up to about 5 million.

Barbera Bagneres So we raise the parking you three and we increase those 50,000 attendance days and you add another 828 to them.

Nick Kovacevich What's the percentage of parking revenue fair versus non fair?

Evey 260,000 cars during fair time. It's 246 year round.

Nick Kovacevich Okay. So it's so it's the year round actually eclipses the fair.

Evey Better include some of the vendor name tags that we sell to the vendor?

Nick Kovacevich Yeah.

Evey It does eclipse.

Nick Kovacevich Okay.

Michele Richards So I hope that answered your question, Reggie. You know, I too am always concerned about the impact that the Fair has on the the neighborhoods. We've worked extremely hard over the last couple of years to be good neighbors. And it's reflective in the drastic decrease in I'm looking at Thane, because he's the one that takes all of those calls and, and they've just about been eliminated. So we don't ever want to go back to where we were before. But, you know, we want to encourage rideshare. We want to encourage people taking the bus, Uber into the fair, and our parking is obviously in high demand, high demand.

Nick Kovacevich Yeah, I think I think it's a great solution. Because like you said, it moves it faster, it should deter people to consider those rideshare options. I know, from personal experience to it, I feel like the ride sharing just got so expensive, and that's starting to come down. Yeah, you know, so I think the ride sharing is gonna be more affordable, especially with some of the economic data. And that's a good solution for people in 2024.

Barbera Bagneres Okay, so what do we need to do now, as a committee? We've got it, we're making some recommendations, and then we're gonna bring them to the board. Correct. And so...

Michele Richards I'm sorry, I was gonna say week, we can bring all of these options back to the board to if you'd like, and, you know, open that up for for full discussion.

Barbera Bagneres The dollar doesn't make sense that \$3 does. But as option one, go ahead and rolled in the 828, and then add on the \$3.

Michele Richards Okay.

Nick Kovacevich Yeah, they, the committee's aligned on that preference. So I guess our recommendation would be to increase the attendance to 50,000. And increase the parking during fair time to \$15. And then find a few more dollars, we get to even five.

Michele Richards You like even numbers.

Barbera Bagneres Well, it's gonna be better now. I feel better.

Michele Richards Yeah.

Nick Kovacevich Very close.

Barbera Bagneres So let me ask you a question is, is that your last slide?

Michele Richards It is. Well, actually, my last slide is the date for the board meeting. But yes.

Barbera Bagneres So I'm looking at this is the the big budget sheet, snapshot, there's no contingency? Should there be number one, I would think we'd want to have some contingency for this budget. The only line item that has nothing on it is community outreach. And if we decide to do something, we need to take it from somewhere?

Michele Richards It actually that that department was eliminated as a budget, it's been rolled in to others. So we should probably take that off the chart. Take it off the list altogether. Thank you.

Barbera Bagneres Okay. So contingency, yeah, contingency.

Michele Richards So we build that into our, you know, our CapEx program, but we've never included a contingency in the budget rollup. Would you have a recommendation on an amount? For an combined contingency? You mean for unexpected expenses? Yeah.

Barbera Bagneres If something comes up, how do you fund it? You'd have to come back to the board, right? If you had a contingency, you could move it in or out of that account? Sure. So this nothing, it may not be something we've done, but I don't know. We don't want to do it either.

Michele Richards Yeah, yeah. Ken is reminding me, you know, my signing authority is only up to 50,000. So anything over 50,000? We'd have to come back to the board anyhow, unless it's built into the budget.

Barbera Bagneres Yeah, I agree.

Michele So maybe 100,000? I don't know, I'd have to go back and talk to the team

Richards and see, you know...

Barbera Nick, you have any ideas?
Bagneres

Nick Kovacevich No, I don't. You you you will actually, what I was gonna say is in 2023. You know, what, if historic, what I've noticed is we've typically been, we'd beat budget. Right. And so I think there's a pretty conservative approach to budget, which is good. And I think that kind of has sort of a built in contingency to it. I mean, in normal practice, are you able to move things around if one thing is short?

Michele Oh, yeah. Yeah. But again, I only have signing authority up to 50,000. So if
Richards we had an unexpected expense, that was over 50,000 expense?

Nick Kovacevich That's right. Yeah. But if there was, if one department needed to spend 20,000 For this, and another department needed to spend 40,000, you could approve both of those. With your Yeah.

Michele And then it would just be reflected in the performance of the fair, you
Richards know, that we had those expenses that were...

Nick Kovacevich We've already budgeted conservatively So in essence, that we should be fine there.

Barbera I'm not hung over on it, just asking the question.
Bagneres

Michele Yeah, yeah.
Richards

Nick Kovacevich Yeah, I guess I'm just trying to think through Right. If it if it makes sense or not, I think it's a good question.

Michele We can certainly bring it, bring it up at the board meeting to to see if others
Richards have. I'm not opposed to including it at all. We just haven't done that in the past. Haven't really needed to.

Barbera Then when I saw that blank line, I didn't know you were eliminating that.
Bagneres Yeah. So yeah. So where did they go? If we have a community outreach expense, where does that come from?

Michele Richards Well, we have, you know, depends on what the community outreach is. This, this seems to be kind of a catch all. Like that's what we need to think of it right. Yeah.

Barbera Bagneres I'm okay with that. I don't want to prolong this for that, because that is not going to make the budget. Yeah, you're there. Well, the other question is, I notice how you have, you might have event parking, which is department 32, when you have marketing, sales department 67. So I can distinguish that between fair and other. But when I look at the P&L for the fair, yeah, for example, marketing, and com are total, all included in the fair. But we don't have marketing for anything else. We don't have comps for anything else, or we just feel like it's the majority of it happens there. So just coded them.

Michele Richards And there is a difference between event parking and parking sales. So there's the operation of parking, you know, the labor that is involved, equipment, etc. In the parking operation. And parking sales, involves the staff that sells tickets as you parking tickets as you come into the venue.

Barbera Bagneres Right? And we see as it's called out as fair, yes. Right. But I just noticed that marketing and the right departments 1518 are carte blanche in the p&l. So it's all fair. So I was just wondering, you know, do we, if we wanted to know how much it's cost, we're marketing for the rest of our events? Yeah. We could call that or we could we just assume that the majority of despair, right. So we put it on the fair, but that's right.

Nick Kovacevich Yeah, I know, Newton had brought this up in the past. But I know, we're benefiting obviously, from having a cash balance with interest income to kind of offset some of the expense increase. But I mean, I still think our interest, as Newton brought up is low. Yeah. Is there any like? I mean, little me, I'm getting, on average, about four and a half percent.

Michele Richards So we have very, very limited choices on where we can put state money. Basically, it's it's the life account, the local area investment fund.

Nick Kovacevich Even like financial institutions.

Michele Richards Yeah, we can do that. So our kind of day to day account is with citizens business bank.

Nick Kovacevich But we can't put like more money with them?

Michele Richards	Correct.
Nick Kovacevich	Oh, is it like over the two?
Evey	Yeah, there's some of the CDs, do have some...agency with private banks. We could CDFA really only calls out as far as an investment vehicle leaf, unfortunately. And so we've contact them to see if perhaps there's a couple exceptions, especially when we were near the limit. And it's one of those problems that no one else has really run across. So they aren't really pushing to give us an answer in our favor.
Doug Le Belle	Nick, Could I speak to that? Real quickly, please, a lot of this goes back to the whole bankruptcy scenario. 20 years ago, 25 years ago, virtually every public jurisdiction is limited by what they can do. All of the cities use lathe. And obviously, it's doing a whole lot better now than it was a couple of years ago. But you know, I understand what you're saying, you know, I think individually and business wise we can we can do better. But there are some very significant restrictions that governmental agencies have in general. So it might be able to squeeze a penny or two out of out of your local bank account, so to speak, but lathe is pretty much what we're and the reasoning being, you know, to avoid what occurred in Orange County and other areas a number of years ago, so I just share that as an observation.
Michele Richards	And we are up to closer to Well, I think a little over 3.6% Now with life, so approaching 4% Then we're being conservative again and budgeting 3.25%. Looking at the economic data, if there's a little bit of a downturn toward the end, you know, fourth quarter of next year, if leaf adjust their, you know, their levels.
Nick Kovacevich	I think I remember from our seminar or luncheon that there's going to be one rate increase that are calling potentially to and then no rate cuts until 25, Q1. Yeah, yeah, maybe Q4.
Michele Richards	And again, it's, you know, it's part of our conservative approach to budgeting. But I think about that all the time, even if we were at 4%. How much more that would mean, given our current balances, right. Yeah. Yeah, it hurts.
Summer Angus	Michelle, we have a zoom comment.

Michele Richards Okay, great. Leigh-Anne Kazolas when you're ready.

Leigh-Anne Kazolas Hi, sorry, just circling back to parking for a minute. But you know, looking at all the master site plans and looking at this conversation, I was wondering if there's any, been any thought or consideration into putting in every charging stations. You know, the state of California is headed more towards electric cars and getting rid of gasoline cars. So I'm wondering, even just for staff or for fairgoers, Reva does having year round charging stations, I know that that's actually a pretty decent, it can be a decent income generating passive income, you know, you have a big flat community space. So just wondering if that's ever be considered or should be considered, you know, as a service to the public, you know, for a greener planet, and also, just to generating some extra income for that parking lot.

Ken Karns So we currently have two EV pods on site, one right outside the administration building, and another one just outside the farm. And through the upgrades to the administration building. We're required to have even more, so we have them, and we'll have a little more.

Nick Kovacevich Would it make sense to like, have more of a year round charging station here? Like I'd love to see. I'd love to see like a Tesla super charging, like 25 chargers? I'd be parked here, like on my laptop. But like, is there a do people or companies pay for that? Will they pay us?

Michele Richards Oh, like on a lease? Yeah.

Ken Karns We currently have agreements for the two pods that we already have got it. And I think Jerry in our last one on one telling me he's looking at upgrading some services. And we'll have additional Well, usually the default is one charger. No, I think there's Jerry, four out here and four over there. Yeah.

Nick Kovacevich Are those like ChargePoint. Yeah. Good to know. I don't know.

Michele Richards Any other questions on Zoom? Any other questions from the public leigh-Anne? Or No, i'm sorry, Gibran.

Gibran Stout That was kind of funny. Yes, quick question. Along the lines of what you're

saying it'd be really great to have charging stations, not just for staff, but for the public during the fair. They're open. Yes. But also, if there's some way to with the Master Site Plan and the budgeting that's happening to really look at some more solar type options to generate more electricity and help reduce our utilities. It's 150 acres of flat space and sunshine almost every day. So it seems like that should be something any kind of sustainability and green initiatives, especially solar panels on top of everything on site would be a great way to generate more electricity, and to be more eco friendly. So...

Nick Kovacevich I think we have that in the Master Site Plan. So we're moving that direction, which is great. Okay,

Michele Richards Any questions from the committee?

Barbera Bagneres Guys, do an awesome job.

Michele Richards Thank you, right. So we'll, we'll make some adjustments. We'll we'll delete option two. We'll add the 828,000 to reflect the the additional attendance capacity for options one and three. But we'll keep all of the other slides the same so that the board can see the difference between the 45 and 50,000.

Nick Kovacevich Okay, sounds good.

Michele Richards All right. That's it for us then.

Nick Kovacevich Very, very well done. Thank you guys. I know a lot went into this.

Michele Richards Yeah,well, a lot of people working very hard for that.

Nick Kovacevich It's great. And not only that, it's a it's usually pretty accurate too. Okay, so that's me. Yeah.

Michele Richards So just in closing our November board meeting is scheduled for the 16th. Next Thursday at 930 in this room.

Nick Kovacevich Hope to see everyone there. Meeting adjourned Thanks everyone, bye.