

OCFEC Financial & Audit Budget Meeting 2024

Newton Pham All right, starting the meeting. This is a meeting and financial monitoring and Audit Committee. Committees all matter and notice on the agenda and any category may be considered for action as listed, any item not say, not consider items listed on may be considered in any order at the discretion of chairperson the mission of the OECFEC is creating equitable community, access to agriculture, entertainment, cultural and educational experiences. And with that, I'll pass it on 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.

Newton Pham All right, roll call, Summer.

Summer Angus Committee Chair Pham?

Newton Pham Here.

Summer Angus Committee member Director Bilezikjian?

Tanya Bilezikjian Here.

Summer Angus Also in attendance for the record is Vice Chair Bagneris.

Barbera Bagneris Here.

Summer Angus Director La Belle?

Doug Le Belle Here.

Summer Angus And Director Jackson?

Newton Pham So, I guess we'll get into the matters of public comment. Public comment is allowed on issues not on the current agenda. However, no date by the Board shall be permitted on such public comments. No action to be taken by the board go back to on such public comment items at this time as law requires formal public notice prior any action on a docket items. Speakers are requested to fill out and submit a comment card to the meeting secretary prior to the start of the meeting. And everybody will get three minutes. And this is an open and interactive workshop. It's a study session for the Financial Auditcommittee in the budget session. So, you know, feel free to ask questions necessary and show yeah.

Michele Richards I'll take it from here. I know we have one member of the public on zoom. I don't know if she has any public comment at this time.

Summer Angus Most of its staff, right?

Michele Richards No, good. Okay, well, then let's get right to it. Also present are our members of our management team, our department heads and directors, and they are adorable. Yes, this is the team that works really, really hard to build the budget they have already spent a considerable amount of time providing information for the roll up that you're going to see today. They're prepared to answer any questions that the committee might have, right guys, yes, okay, all right.

Tanya Bilezikjian Michelle, we just did quick introduction. Though, why don't we start with you love your talent

Everyone ...

Michele Richards All right. Here we go. Just a reminder about how we put the budget together. These are the people that do it, but that the fiscal year runs January through December. We're on a calendar year, so the budgets are created annually for each department and then consolidated into our organization wide budget. There are 52 department budgets that are directly overseen by 17 members of our staff. You know what I neglected? To Ruby. Yeah, Ruby and Howard, yes. Why don't you guys introduce yourselves real quick.

Ruby Lou Good evening. Finance Committee. I'm Ruby Lau, the director of marketing and sponsorship. Thank you for letting me join you this evening. By zoom.

Michele Richards Feel better.

Ruby Lou Thank you.

Howard Sandler Hi everyone. It's Howard Sandler. I'm the Director of Events and Commercial and Concessions, and I'm available for any questions you may have.

Michele Richards Very good all right. We monitored the budget in several ways through monthly variance reports that the team is responsible for. And then, you know, as the committee that we bring the monthly financial reports to you. Those are reviewed at the committee level and then presented by the committee at board meeting so that everyone has an update on a monthly basis. So that's our process, and once again, we use that process. Let me share with you some economic factors that we study that you

know played a role in our numbers this year, and each year, we begin by looking at several sources for forecasting information. And I always turn to Committee Chair Pham to coordinate. Is that what you're hearing too, Newton? Yeah, so I think we're on target for this year as well. Two of the best sources. We attend an annual economic forecast conference held by the Orange County Business Council every year. Um, it was held this year on the date of our October board meeting. So we couldn't go the executive team, but we sent Max. Yes, he did, and he came back with some great information. Melissa and I also attended an economic forecast presentation through the Newport Beach Chamber of Commerce. It was hosted by Christopher Schwartz of UCI Paul Mirage School of Business. Really great information there, too. So all of that rolled up. Here are the factors that went in. Obviously, we study multiple sources. The economy is slower but still positive. Real GTP growth is expected to be around one and a half percent this year. Of course, everyone's talking about the Federal Reserve cuts, they will continue. So that helps us, actually, you know, it helps people who are in the market buy or borrow money. But we, you know, we expect an increase in our interest rate too that we earn. Consumer confidence shows some uncertainty, but it's typically around the more essential items like housing and food, gas. We're all feeling that right? Most economists agree that it's hard to imagine a black swan event, and in finance, a black swan event is something that has a very significant negative impact to the global economy, like the worldwide pandemic, for example. So economists say it's hard to imagine that inflation is chronically sticky, as we know we you know, for anyone that watches the news every morning, it's kind of hard to get over that hump. GTP growth is expected to be around 2% again this year, job growth has slowed, but it's still steady. It's still a good job market, and consumer spending is still higher than pre COVID. So that's kind of an overall view.

Michele Richards

We also look at the local forecasts for Orange County. It generally mirrors the US forecast. Again this year, there's a little bit of a deceleration in the job market and job growth unemployment is expected to rise from point 4.3 sorry, front to 4.3 from 4.1 in 2024. The reason we look at that is because it helps us determine what is our hiring you know, landscape going to look like for the fair so the fact that it's taking up a couple tenths of a percent, this is probably in our favor. We have to include this housing affordability index, because I was just blown away by the number. So the index in Orange County is that currently at 11%. What that means is only 11% of people living in California can currently afford a median priced home. So anyone who owns a home right now good for you. The median priced home, you need about \$350,000 a year in income to afford it, and your house payment is going to be about \$9,000 a month. So housing, you know, rent is, is going to be a factor in this market. This year, we also look at the Orange County Business

index, and this is an annual survey of business leaders within Orange County. 19 and a half percent are forecasting a positive or they're optimistic. 9.8% are pessimistic, 51.2% are cautious about the near term outlook. So once again, that's how we were we approach this budget is cautiously optimistic, right? We we take a conservative approach to our to our revenue projections, we look very carefully at expenses where we can either be more efficient or hold expenses down. And so today, we're delivering what we feel is a really healthy budget for 2025 so at this point, I'm going to turn things over to Melissa goes through what we're expecting for 2025

Melissa Au-Young Well, thank you. We'll go through budget assumptions. If you have any questions, feel free to interject. I will try and remember to pause and clean every every few departments that we go through, just to make sure. But we can go through these budget assumptions that we have provided to all the department heads in order to prepare the budget. The first being that we will use the same controlled attendance model that we used that we've been using the last several years.

Speaker Mayor John Stevens, good to see you...

Melissa Au-Young I think this model with proposing no increases in fair admission pricing or in parking fees, as far as I can, we budgeted based on 30 shows last year. We built 38 shows ultimately. So this is going back to the 30 shows that.

Newton Pham So what was since we did 38 last year, and we seem to be expanding every year. So why we're why are we using 30 for this?

Melissa Au-Young We're just budgeting for 30 that allows us to have a fix on the expenses. But if there are shows that we believe will do really well, we'll add them to Yeah.

Barbera Bagneris When was the last time we had 30?

Michele Richards Dan, two years ago, when was the last time we had 30 shows in 23?

Dan Yes, and then last year we also budgeted for 30 shows...

Ken Karns I don't know I think we're sandbagging.

Michele Richards It's hard to predict.

Ken Karns I know i'm just joking.

Michele Richards We know what our fixed expenses are going to be for production. It's the performance fees that, yeah, don't worry. We won't pass on.

Melissa Au-Young We are proposing the addition of two civil service headcount positions, parking coordinator and a plumber one. And we will hold a inter fair exhibit once again. And so that's included in the budget. The budget anticipates a geomaginology model, which is what we've used for the past two years. This budget also includes the shared model for the Ranch community center, which is the community programming as well as the boarding and training activities. And then we also anticipate \$4.3 million capital expenditure programs. assumptions that based on significant change is in our labor expenses. So labor represents our largest expense. And so it came in at 24.3 million for the budget for 25 which is a slight 232,000 increase from 2024, representing less than 1% income. We did see a 50 cent minimum wage. I'm trying to talk louder. We saw 50 cent minimum wage up to 16.50. We budget across the board. Our lowest wages are actually at \$17 and that's in order to keep us competitive, because although the minimum wage is at 16.50 fast food restaurants, for example, are paying much higher than that, and they tend to be some of our competition for staff, temporary staff. And so we budget and paid at 17 million our lowest wage. There is a temporary single year reduction in our first employer contribution rate. So for this particular one, we wanted to point out, so as part of the governor revised budget in order to low some of the deficit. There was a little bit of shifting of funds, and so some of the supplemental pension payments that we make were credited and included in the 2024 budget. And so that reduced the state's contribution rate, which gave them about \$2 billion savings. But for us, that's resulting in a savings as well. That's the one year reduction that's not going to be there next year, so automatically, we're going to see that bump up \$581,000 and it's going to increase another percentage point for the following year. So it's actually going to jump up about 650 675,000 off the board with no changes in our labor or wages. It's going to be that increase coming into next year.

Newton Pham Just maybe just highlight my memory in terms of, you know, the labor wage increase. You know, why is it only, no less than 1%?

Melissa Au-Young Well, it's labor is the cost of the wages plus all our benefits. And so it's actually gone down because, partly because of the Spurs, kind of offset that they're doing.

Michele Richards But we can't be fooled by that next year, because that's...

Melissa Au-Young It's a one time savings, Yeah. So next year, with no changes, we will come in behind the wall already by 675,000.

Newton Pham Yeah. I'm just saying, you know, terms of cost of living, you know, it's increasing rapidly. Yeah, yeah.

Melissa Au-Young As far as, yes, this is included in the three to 4% wage increases for the civil service employees, and that's dependent on the bargaining group that the employee is in. And it also includes the addition of two civil service headcounts, which is parking coordinator and the plumber, one, which we can we'll get into when we get those departments. So these are already built into the labor expenses for the year. So we'll go through each of the departments and just kind of hit some of the significant highlights, anything of note. And then if there are any questions related to departments that you guys wanted, feel free to interject and stop you along the way as a bad movie.

Melissa Au-Young Alright, six administrations. So major changes in administration. This is where our interest income sits. And so Michelle mentioned there is a decrease in UNC state interest rates and lower than what we had last year. But because of our higher cash balance, we actually will see an increase in our income rates. And so that's an impact, about \$580,000 in revenue. As far as expenditure changes. All our insurance sits in this department as well. And so consistent with the general insurance market, which is increasing at a healthy rate, we are also seeing that. And so there's \$102,000 Insurances. And then we did also budget for the first year for our cyber insurance policy ladders. And then budgeted so this year, we've accounted for that as well. And so that's included. There is a decrease of about 95,000 we had an overlap during retirement of our previous CEO, and to assist with the transition, we had an overlap about three to four months, and so that was accounted for this year. So it did result in a savings as well, of 95,000. I think, we wrote the cyber insurance policy. They did an audit of our systems and came back with a couple recommendations that we got ahead and are working to implement. Couple of which are we? We've added network security monitoring as well some security awareness training software. And so that's budget impact of 27,073 that we've included in this year budget. And then also for accounting, we were able to reclassify a supervisor position to a training and that will just hopefully allow us to capture accounting is one of the harder positions to recruit for right now, and especially at that supervisory position that's been added open for a year, and it feels like a year and a half at this point, with no luck so far. And so doing this, we're hoping to maybe capture someone that's coming out of school or completing their education and is looking for to get in into the

industry. And so hopefully we can get them at that point and develop them a little bit. So it's just kind of changing the focus.

Melissa Au-Young Department 15, marketing. We we are accounting for a \$50,000 contingency for our advertising in case, in case we wanted to do any special projects or any any sort of additional advertising, and to that extent where we would need additional professional services. And then we also have an increase of \$170,000 which is just across the board. Media costs have risen, or all media costs for online, digital billboards, all that, and so we've done it for that as well.

Tanya Bilezikjian That billboard as you, as you're getting...

Michele Richards Yes we, we own one of them, and we have an agreement with the billboard company that we get that one side to, and then they program the the other it's one, yeah, yeah, there's one on the south, south side of the property and on the North Side property.

Melissa Au-Young Any other questions at each point? Department 20, operations. So this department in particular is pretty heavy on labor expenses, but our labor actually, we saw pretty steady. We do include within the labor expenses, reclassification of an electrician, one physician, as well as reclassification of a senior maintenance worker, and that's more to those three promotions that department at a higher cost.

Michele Richards So those are not additional account, but they're promotional.

Melissa Au-Young On the expenditure side. But the demolition of 15, which is c1 society where they were housed, we the number of budget now the rental of the trailer. So that's an impact of about \$46,000 annually. And so where they reside at this point, and so that's included in the operations budget. Department 22 is our facilities department. Finally, as we make improvements to the fairgrounds and all the buildings, as equipment comes up for purchase, we have more opportunities to be utilizing, become energy efficient and so over the years, and that has resulted, as far as our and lower utilities cost, specifically electricity. And so we successfully reduced our our utility costs for electricity by 335,000 this upcoming year. So it's great to see. And then also, this does include, we do have a slight increase in this department for sewer assessment fees that's included on our property tax bill, but, and so that's the kind of flood here.

Melissa Au-Young So. Jump to The Ranch. And so this budget in particular is probably the one out of all the ones we did that has the most uncertainty attached to it. And sure you're aware. And so we could, I know Evie and street, so they were very hard to develop them as accurate as a budget as possible, with that information in mind. And so looking at revenues, boarding revenue

is based on a full year. And so as you'll as a board made a call, last year, we did a six month budget, we're unsure what the second year would look like, and so this year, we're budgeting for the full year, and it also includes both community programming as well as private boarding activities. And so that's an impact this year of 493,950 as far as the revenue. Regarding expenditures, the budget does also include expenditures for the whole year, and it totals 2.1 million in 2025 but this budget also includes startup costs for the Ranch community program, inside of it totaling 160,000 and just to know, in the capital capex program, there's also some Ranch capital improvements sold about 233,000 so it's a combination of the two, but that's for all the community programming.

Barbera Bagneris So you said you going to full capacity at some when you think of that, is there some estimate of when you think that's going to happen?

Melissa Au-Young As far as?

Newton Pham When we going to ramp up.

Michele Richards When we reach full capacity? To be determined, we're going to have to rebuild. So we hope for it to be within the first quarter.

Newton Pham So that number based on ... for the entire year? Or is that...

Michele Richards Full capacity, It's on the boarding side that you know that beside of the property, there's capacity for 60 boarders.

Doug Le Belle Newton? This is Doug. I do have a comment if I could during the course of our many meetings relative to the the ranch, but one of the ideas that came up through. One of the speakers was related to the county of Orange. I believe they have a master plan for trails and systems that has actually a trail system that would tie in with The Ranch, that would certainly provide an opportunity to expand the use of the facility in terms of borders and others who want to experience the system. My understanding from an earlier conversation with Michelle is that this would require some change to the city of Costa Mesa's planning standards relative to the trail system, but I would like to encourage that we include in the budget a number that you know, staff can identify that would that would basically be something that we could work towards in terms of expanding the public use of The Ranch. I think a trail system that the users of The Ranch could then use to, you know, go through various areas in Costa Mesa, down to the the beach area and back would certainly Help the the expansion of that of that facility. And just on a

personal note from my past life, we had probably 30 miles of multi purpose trails in Chino Hills that obviously serve the equestrian community, and it also served walkers and joggers and so on and so forth. So I'd like to see something included as a number in the probably in the capital budget that we could then reach out to the county of Orange and other potential funding sources to see if we could move that forward. So I just wanted to get that comment on the record. Thanks. Newton.

Newton Pham

Yeah, I think that's a neat idea. Just to confirm, you know, adding it to the budget or putting a bracket around it, not necessarily meaning that we're committing to do it. It just means that, you know, it would just thinking about doing it and at least having in the budget, in the budget, kind of at least helps that discussion along.

Michele Richards

Yeah, I think we can coordinate with this. This with the county and this the city, so things would have to change within the city ordinance to make that happen, but maybe there's a budget amount to even cover the costs of, you know, any research or Right, right? Yeah. I mean, it's it. It's a great idea to connect to the county system, and we've approached the county about it before. Yeah, yeah, but I think it would add so much to The Ranch if we could connect into those those county trails, but definitely the city would have to play a part in that. So, yeah, we can include something. I don't even know what to include yet, but we'll do some research between now and when we finalize budget. Yeah, perfect. Yeah.

Newton Pham

Good suggestion Doug.

Doug Le Belle

Thank you. Appreciate it.

Melissa Au-Young

Any other questions on The Right? Yeah?

Melissa Au-Young

Moving on department 30, this is our Event Services, and so this one has staff spends a great deal of time looking at the current year's events and projecting what next year's events and activity look like. And just, I just wanted to highlight. So for example, in the 2024 budget, staff projected 121 year round events, and with the events we've already held and projected contracted events through the end of the year, we will hold 121 events. So just to highlight it's pretty on point. And so for 2025 we're projecting three new events as well the expansion of existing events resulting in an increase in revenues of 1.5 million anticipated for the year. With that, we will have some increasing costs in professional services and security, and so that's going to impact the budget about 102,000 but those are all reimbursed by the event promoter upon reconciliation, so that that's not necessarily an out of pocket cost of the pass through at that point. And so they'll are reimbursed those.

Melissa Au-Young Moving on department 30, this is our Event Services, and so this one has staff spends a great deal of time looking at the current year's events and projecting what next year's events and activity look like. And just, I just wanted to highlight. So for example, in the 2024 budget, staff projected 121 year round events, and with the events we've already held and projected contracted events through the end of the year, we will hold 121 events. So just to highlight it's pretty on point. And so for 2025 we're projecting three new events as well the expansion of existing events resulting in an increase in revenues of 1.5 million anticipated for the year. With that, we will have some increasing costs in professional services and security, and so that's going to impact the budget about 102,000 but those are all reimbursed by the event promoter upon reconciliation, so that that's not necessarily an out of pocket cost of the pass through at that point. And so they'll are reimbursed those.

Melissa Au-Young For department 32 event parking, I'll be both of these at once, and department 33 so we are requesting the two new civil service positions. The first one is parking coordinator, and this person, this will be housing the department 32 budget with an impact of \$108,000. And so this position essentially will support the year round activities, year round parking activities, and we'll replace three temporary attendant positions that we have. So we utilize a lot of temporary staff that we run out of days on. So this person will offset that, and so a lot of their costs will be offset by that. The second requested position is going to be the plumber one and event operations. And so this will be a dedicated plumber or event services that can also be utilized by maintenance as time allows. But this person would assist with that without having to pull resources away from the maintenance department for the general fairgrounds. And that's an impact of \$109,000. Jumping in department 50 our fair admissions. And so we base our revenue estimates on 2024 actuals, which includes the sell out days. So in developing our estimates, we come up with a blended rate, which includes the weekend, weekday, adult tickets as well as child and what that proportion and ratio is to come up with a blended rate. And so for 2024 we realized our rate was a bit too high, and so we've adjusted that. For this year. We've lowered that rate down a bit, and so it'll better reflect what our actuals were this last fair. And so that is a reduction Overall, though, of 387,000 in our revenues. And then we did, we did budget for additional revenues for our everyday passports. And so this year we were budgeting for a sellout, just kind of what we hit in 2024, as well. And so that's an increase of 161,000. As far as expenditure changes. This was our first full year and our first fair with Etixs. And so in that process, we realized that there was a couple things we left out of the budget as we were coming up to reconciliation. Two of those are pretty substantial. So our Etix fee, so it's the \$1 fee that we charge, that we get charged per ticket that sold was not accounted for, and so we needed to so that's 100 or

\$755,000 impact. And then also our credit card fees for were not accounted for fully. We had part of them, but not all of them. And so that's. An impact 256,000 and so this budget does account for that.

Melissa Au-Young

Moving on to department 51. For fair parking. So this 2024, fair, we work with OCT and brought back a limited version of their OC fair express bus with four stops. And so we anticipate, and they've already indicated that they would like to move forward with doing that again this upcoming year, on a, perhaps an expanded basis. And so we've got a gone ahead and include additional staffing for gate 8, which is that gate where the drop off would have occurred, well, while we're looking for it to occur potentially. And so we staffed it up. And so that's \$108,000 impact to the budget. And then department 52 of note, there is our fair, security and safety. We have an increase, our annual increase in the OC Sheriff's Department contract of 195,000 this year. And so that's included in there, kind of offsetting that a little bit we do have a decrease in our contract for our security screening equipment. And so the longer each year, as we progress into that contract, the cost decreases. And so that's decreased 60,000 this year. So that's almost some offset to our Sheriff's Department.

Michele Richards

My favorite.

Melissa Au-Young

Yeah. Well, jumping ahead, Carnival sales. We are projecting increased revenues this year. We actually 2024, fair. We had higher actuals than what we budgeted by a good amount. And so we found ahead and blended the last two years. Since there was a little bit of a we're trying to figure out which one's the trend. And so we were somewhat conservative blended rate of the two years and average. And so we did increase the revenues coming in by 383,000 so it's at 7.4 million total sales budgeted in 2025. And then fair maintenance. This being a very labor staff intensive department, it's very vulnerable to vacancies. And so we've got to kind of include \$100,000 contingency for certain services if we need a project done right away. And we just, we have too many vacancies in that area, we we can use the alcohol services. We don't have to use it, but it makes it available. Sorry, any other Any questions before I jump? Okay, concessions and commercial we are every year we take a small incremental increase to our Merchant space rates, and that's to keep up with the market. And so we don't have a large jump. It's a small incremental increases. So this year, that's resulting in a \$29,000 increase in our fair merchant spaces. And one thing also is these 2024 fair, we saw a good, healthy jump in our food and beverage sales. And so that's that's reflecting the revenue and an increase of 731,000 but you know, we'll with us continuing the taste of and trying to limit the price increases, we think that that's very attainable for this next year. So I hadn't included that, and...

Newton Pham What's your share of the concessions?

Michele Richards Well, it depends on the food category, 20,

Newton Pham Yeah, food on average, 25%

Michele Richards Alcohol more.

Newton Pham And do we have, like, volume count versus just concession price increase?

Michele Richards Okay, yeah, that \$5 taste affair was huge. Oh yeah, yeah, we'll bring that back again, but that resulted in a big uptick in volume as well.

Melissa Au-Young And as far as expenditures, the only thing there is we do have a temporary overlap in civil service positions, as we do we have an upcoming retirement, and so in order to transition smoothly, we'll have a couple minutes overlap there. So it's built into the budget as well. Department 72 this is the one I was wondering. Sorry. So department 72 Pacific amphitheater, we have revenue changes. So we received a signing bonus when Etixs first came on board with the largest amount paid in year one, year two and three it's a reduced amount, and so that reduction is reflected in our revenues decreasing by 457,000 for the year. And then that's actually we split the amount between the venues on a percentage basis. So this is pack amps percentage. We did have record record merchandise sales for a lot of concerts. So that is reflected in a higher revenue amount in the budget as well. And then as far as we budget on 30 performances, but as far as going into 2025 we have a strategy for some higher priced performances that will ultimately reasonable and higher ticket revenue as a result. And so it's, yeah, increasing the caliber of some of those shows.

Barbera Bagneris I see that you aren't going after Beyonce, it only went up 1.5

Ken Karns That was already done.

Michele Richards Barbara, someday, someday.

Tanya Bilezikjian I remember, and this might not be right for this meeting, just for the question, I remember this year we voted to increase your ability to make you know it was 600,000 we need to increase that again?

Michele Richards No, no, we don't. But thank you for asking. I think we're will be good for this year. It still gives some some margins. Yeah, I mean, performance fees have just gone up. Yeah, yeah, but we'll still be good.

Melissa Au-Young And so expenses are based on 30 pack amp shows, but with some of those higher priced, higher caliber performances, that's resulting in increased expenses for securing headline impacts, and so that'll increase the budget by 1.5 million on expenses.

Michele Richards Dan, the pressures on.

Tanya Bilezikjian You ever tried? I was thinking that Blink 182 would be cool. Have we ever tried for that?

Dan We can try for that.

Tanya Bilezikjian There you go, that would be fun?

Melissa Au-Young Department 87 sales. So this we have a decrease in revenue, 128,000 and this is our sponsorship. So we removed, and I can probably explain a little bit better than I could, but last, last year's budget included...

Doug Le Belle Newton, Could I go back to pac-amp real quick?

Newton Pham Sure.

Doug Le Belle Just a general comment. ZZ, top, that was my favorite, favorite group, so ZZ, top, so whatever you can do to get ZZ Top back, get them back.

Michele Richards Director LaBelle, you'll be happy to know we're holding a date this year for ZZ Top, so your dream may come true. Fingers crossed.

Doug Le Belle Thank you.

Michele Richards Any other requests?

Melissa Au-Young We go, sorry, yeah, on the sponsorship. Oh, next one. Sorry, there

Michele Capps So there is budget relieving trade that happens. And so it looks like it's cash, but it's actually not so we took it out. It's, you know, when we're just trading services of advertising.

Newton Pham It's like, not cash. It's almost like a barter Exactly.

Michele Capps Exactly that

Michele Richards It was reflected last year as cash. So that's what that reduction is,

Melissa Au-Young Okay, and last department, one, I will touch on is depreciation. So that's, it's kind of just on paper, but it is an increase as far as an impact of 360,000 and that's due administration building. As soon as it comes online, any part of the year will account for that. And so that's that'll be

on the books. So that's all the departments before I go on any questions department specific. So our year round event rental and fair merchant rates, the three year rolling cycle on looking at the rates and increasing them, so we don't have to do a large wholesale increase in the rates. And so for for this year, we are doing a very nominal, small increase, you know, in building these 50 to \$75 per day, depending on the building itself. And that results in a 2.17% increase, or 27,700 and change of additional revenue. And then for fair merchant spaces, it increases. Their spaces are increasing \$25 to \$125 for the run of the fair, depending on the size and the location, which is resulting in a a small 1.9% increase of. Of resulting \$29,000 in additional revenue. So we do that on a rolling basis, so we don't have to do one large increase at the end of that cycle to catch up with the market. Jumping in, we were presenting a \$4.3 million capital expenditure program broken out into 17 capital projects which are listed here. You know, as you can see, there's, there's several for the Ranch community center back AM, and then we were doing a lot of repairs on our parking lots, and totaling 2.7 2.87 4 million for, for the year, the large which is our parking lot slurry and restriping for our parking lot down by gate eight, or by law, a major expenditures. We have a total of 12 major expenditures. And then this also includes a couple of projects for the ranch, trying to think, if there's anything of note here,

Barbera Bagneris Which ones are The Ranch?

Michele Richards TRCC, The Ranch Community Center, yeah, that's our new acronym.

Newton Pham Excludes...

Melissa Au-Young Correct yes, yeah, that's being done by CCA. And so they're holding our they hold all our money, and they handle the project, and we...

Ken Karns And we show that separately, capital, recurring capex, when we presented those items to the board, getting presented as Master Site Plan projects.

Doug Le Belle Now I have a question, if I could, and Tanya could probably speak to this much better than I can. But as we replace the asphalt areas, obviously, they get a lot of wear and tear. Is there anything we can do from an environmental standpoint that will reduce the the heat impact, so to speak, from from that replacement. Obviously, the asphalt generates a significant amount of heat. Is it, you know, as the summer wears on, is there anything we can do in that area that might minimize that or reduce it to some degree? And I guess it's just a question I'd have for the committee.

Tanya Bilezikjian All depends on how much money we want to spend, because we could put trees in we could pave it with concrete instead of basketball, because it's white instead of black, but I mean, trees need to be watered, and way more expensive than asphalt.

Ken Karns I will share that the final phase of the overall Master Site Plan calls up for overall greening of this property in its final phase. So strategically, at that time when all the buildings have been demolished and rebuilt, the final phase of the master site plan calls for a green up of the property.

Doug Le Belle Thank you.

Ken Karns There's been areas that we've looked at permeable pavers. When we look at our use some of the areas that we're talking about as it relates to this budget, challenging to make that change, but not impossible, but challenging.

Tanya Bilezikjian Just the whole parking lot run off to the basin for...

Ken Karns For the most part, slope two and a half feet from the southwest part to the northeast part. It's a two and a half inch, or two and a half foot of fall, okay, mostly surface run off into storm drains and our trench range and then collects.

Tanya Bilezikjian Thank you so thank you.

Melissa Au-Young And the last piece of our CapEx program is equipment. And so some of this work as as the equipment wears out, we replace we replace it as we're able to and so. So, for example, the diesel forklift replacement, AQM, we're replacing it, and we'll meet you at a UMD requirements. And so this is just we're looking at doing 22 purchases totaling \$810,000.

Barbera Bagneris Oh, grounds. PA?

Ken Karns No, that's been reoccurring for three years, as we've continued to build expand upon it. That's the third year of that program.

Melissa Au-Young And so wrapping that up, there is going to total 4.3 million, broken up by 2.8 for public expenditures, 560,000 major projects and 810,000 for equipment, as well as 100,000 contingency, additional things that may come up.

Tanya Bilezikjian Sorry, just one just caught my eye on money sorter for \$50,000. Yeah, as we use less and less cash, do we just have? One that needs to be replaced, or...

Melissa Au-Young They're older, and yes, they do need to be replaced. We're able to borrow some sometimes. But it does limit. They do require it's the larger nine pocket counting sort of machines that, yeah.

Tanya Bilezikjian Spend money to count your money. There's irony isn't it?

Melissa Au-Young Alright? And then if there's some there or out of state travel requests, so the board's required to approve any out of state requests. And so we've compiled those and lists of training conferences that staff. It's going to some of those are safety. We have, I have the International Association fairs, expositions, yeah, I see a million. There a number of acronyms that can begin to figure out. And so I did want to, there's three fair surveys. So the Texas State Fair, and then Houston Show and Rodeo, and then the WFA feature fair for I did remember convention on there, so the board approved that last meeting, so to allow us to take advantage of some of those early bird rates, so we've already purchased some tickets for that. But other than that, these will we'll start planning for those in 2025.

Barbera Bagneris The fair surveys in city people to visit other fairs, get with their colleague, correct?

Michele Richards Yeah, right. We don't yet know where the Western Fairs Association feature fair will be. It could be in California, a fair in California, but it could be anywhere in the Western US. So if it's out of town, we allotted for it, you know, in the budget, but we also put it on the list so we don't have to come back during those months and ask the board again for approval to travel out of state.

Barbera Bagneris I've been in this Houston one three years now. Yes, really good. It's very good. Well, it's 10 times yes...

Michele Richards Actually, it's actually really nice to see a healthy list again, because you remember that travel ban really limited our ability to send our staff for conferences and specialized training. So it's nice to see this list robust again. All right.

Melissa Au-Young So expenses over 50,000 This is a standard so the CEO is authorized by the board's sign for purchases up to 50,000 or 600,000 for talent, but there are a number of services that exceed that. And so these are unemployment taxes, any payroll taxes, or payroll itself, or any of those. So these are the list of exempt ones that can go over the 50,000 threshold. And we just wanted to highlight so parking and fare admission rates. We are not proposing an increase in either. So non fair time parking is \$12 fare time parking will be \$15 same as this past year. And fair admission will not increase as well, but it'll be on the 50,000 per day capacity that was selling by the board last year. So all that rolls

into the fair PNL for 2025. We are looking at a net proceeds of bear time of 22 point almost 4 million, and so broken out total revenues 51.4 million. And so attractions bring, which includes carnival, livestock, Junior livestock auction, all those are bringing in 27.5 or 23.7 million. And then the services being concession, admissions, parking, and those bring in 27.7 million, total revenue of 51 million. And then the expenses are attraction expenses, also the carnival livestock. All those expenses are 12.3 million marketing expenses, which includes communication and creative services, as well as 2.5.

Melissa Au-Young Our services expenses, which is concessions and emissions, parking sales, are 6.2 million. And then our total labor costs, including benefits taxes, are about 8 million. So all that, it's about 29 million in expenses, and that brings to net proceeds of 22.4 million for the 2025 there. Great, because all that will help with our 2025 budget roll over the whole year. And so the our yearly budget, which of course, includes our Community Give Back programs, our community program needs a technical farm, your assault, year round events. So all those we often run at a deficit. And so rolling with the fair, we're looking at proceeds for the year of 5.2 million. And so our OCFEC, self produced events, which includes the fair, also is 51.3 million in revenue, with rental revenue coming in at 1.6 million. And our non operating revenue is mostly our interest income revenue at 2 million, so totaling 65 million a year, which is an increase of, I believe, over this current year. And then our expenses, our operating expenses, are coming in at 55.3 million. And then our non operating expenses, which is largely depreciation, and our major projects, are coming in at 4.47 for a total of expense of 54, point 8 million, resulting in net proceeds of 5.2 million for 2025. So that's, yeah, that's representative, pretty healthy budget. And I think we're proud of the other directors have done a great deal of work, and so they've done a great job. I know our finance director Max has done a good job pulling everything together. So yeah, good job over there. But yeah, so we're, I represent this budget support.

Newton Pham Looks pretty good. I mean, we first started doing the bottom during your first years...

Tanya Bilezikjian Were talking about the evening, about just doing it by percentage.

Newton Pham Yeah, Denver over the years.

Michele Richards It was the 2019 budget. This public budget study session went on for about four hours.

Newton Pham I remember that.

Michele Richards Yeah, every single director went through their budget and in great detail,

and it really helped set the stage for future budgets. And I think we have a good format, a good template, but, you know, the work is done here at the department level. They deserve a lot of credit for that, and not only for creating their budgets every year, but managing the budget throughout the year, and that's why we've been able to show such, you know, healthy net proceeds at the end of the year, particularly for the fair. But it certainly illustrates the importance of the fair, you know, and the bottom line, the support that that business unit gives to the rest of the year as well. Not to say that our year round events program is, you know, is critical as well. But this, you know, the emphasis certainly is on that, that bottom line with the fair that helps support all of the Community Give Back programs that we, we offer throughout the year.

Newton Pham Oh, it's nice. I mean, I think excluding depreciation and the non cash target, we're looking at like nine to \$10 million in cash flow, so yeah.

Michele Richards Helps pay for some master site plan projects. Right? Coming up.

Barbera Bagneris Question, we did the budget last year, and we had that those etix items that we didn't budget for, we added them back in, what happened that we didn't know about those particular items?

Michele Richards I don't think it's that we didn't they weren't top of mind and they were missed in the budget. It was just an oversight.

Barbera Bagneris So etix is still is a good deal right?

Michele Richards Oh yes, yeah, yeah, yeah. Thank you for asking that question, because yes, for sure.

Tanya Bilezikjian Cost, we get more than 30 shows because that's really a revenue driver. And everybody left it there it shows.

Michele Richards So we budget conservatively. But again, you know, we, as Dan said, we budgeted that way last year, and came in at 38 shows. Actually, we booked 39 it was one one cancelation. So we won't, we won't pass up a good one, for sure. But our, you know, our, our first priority and focus is the court on three days of the fair. And then we, we look at the dates outside the fair to.

Tanya Bilezikjian Is there? I know that there was some concert venue being built down in Irvine. Is there competition to that yet? Is that up and ready?

Michele Richards No, not yet. You know, they've got a temporary facility. I think there's competition for booking, for sure. So it really depends on what people

want to spend their entertainment dollars on. The future of that you know that keeps going back and forth with the City Council, and is it going to be a smaller venue for community programming the symphony ex cetera. Or, you know, is it going to be a big concert venue? I think they've kind of moved off of the idea of a large concert venue at this point.

Tanya Bilezikjian I always thought the intent was to replace our red meadows, yeah, I think that's not happening there, exactly.

Michele Richards Yeah, where's The Ranch in terms of the business unit?

Newton Pham Yeah. Okay, yeah.

Barbera Bagneris

Barbera Bagneris So my only concern is that the new administration that's coming in with the negative impacts to the economy may be for some of the plans that they have. But, you know, we can't predict the big bad right now, but or something, we'll have to watch

Dan I think any administration is going to try to kick the can down the curb as long as they possibly can. This particular administration is predicted to spend a lot more money, and spending means, like multiple things, like spending tax cuts, that's actually an expenditure, you know, for less revenue the terrifs, you know how that will impact inflation, indirectly, indirectly, lots of things. But you know, fundamentally, and at least in medium to near term, like there are certain things you can kind of see in cracks, in terms of employment and things like that, but I think it's going to be kind of like a soft landing scenario, yeah, you know, at least what people can foresee now, yeah,

Michele Richards It's really interesting that, you know, we've been talking about potential recession for so long, and it always ends up being No, but we're predicting a soft landing.

Dan In the system. Yeah, really? And it shows up different things, like the asset markets, right? Housing is increased. Affordability. You saw, yeah, you know, stocks have increased. People are actually using that as kind of an almost de facto inflation hedge, and then you have all these other things that have just kind of increased, but at the same time, you know, at least keeps things chugging along. No, but it'll be interesting.

Michele Richards I think one of the most important things we look at is consumer confidence, because that speaks to expendable income, which is what people bring to the fair, right? And so if consumer confidence is okay, people are going to come to the fair. They absolutely are, even if, you

know, there's pressure on household expenses, like groceries, gasoline, rent, etc, they're, they're, they're gonna, they're gonna come to the fair. They love the fair. And year after year, we see that, you know. And so what's really important, though, is that we offer those family values, family value options, like the \$5 taste affair, which, you know, was a huge hit. Had to hand it to Howard and team for coming up with that this year. Every single day, you know, people had that, that option, and it showed in the food and beverage spending. It was the per capita spending was crazy this year.

Newton Pham

Moderately, everyone's...

Michele Richards

Kind of the spending on on Carnival was way up to the point where we're going to, we're going to do more of a blended, you know, take a blend of a couple years of actuals, because is that, is that the trend, or, you know, was that just such an anomaly this year?

Newton Pham

Yeah, yeah. Doug, you have any comments or questions?

Doug Le Belle

Two things. First of all, great job staff. I really appreciate it. It's very informative, and I think the effort you put in over the years clearly reflects it as we're having this conversation. I just, I'll throw out a thought. You know, I come from the concept that there are no bad ideas. Attorney friend of mine says, yeah, there are bad ideas, but is there just to make an example, my kid, my grandkids and their parents, they go to Knott's Berry Farm. They have that annual pass, which is really cheap, granted, there is something going on all the time. Is there any benefit at maybe looking at a some kind of annual pass for the other events that we have on site that we might be able to sell or market? I just throw that out as a potential idea to kind of look into. I have no idea whether it has any benefit or not, but maybe there's something there that would work in terms of an annual pass for all of the other events that we have on site during the course of the year. So I just throw that into the hopper for staff to kick around. But great job. Really appreciate it, and look forward to our discussion next week on the budget.

Dan

Would that be pretty challenging to do all the better promoters.

Michele Richards

Separate promoters, but I don't know. Maybe there might be a, you know, big five events of the year that, okay, yeah, it would require negotiating with multiple promoters with their event, but I think it's a great idea. Um, maybe it's a a year round parking pass.

Dan

You know that actually could work out, because, you know, Park is not cheap.

Michele Richards No, yeah. Is there anything that the committee would recommend that we change? We'll certainly look at the the including something I don't know what it is yet, about researching that, yeah, connecting that, that trail system. But other than that, you know, we're not recommending an admissions increase or parking increase. We had some options we looked at last year, if you'll remember. But I you know, going into next week's board meeting, is there anything that the committee feels needs to be.

Tanya Bilezikjian No I appreciate the thought it was to the budget. The presentation was really helpful to understand how some of these numbers were built up and to kind of dig into some of the changes year over year. But I think you guys have done a really good job. And I'm comfortable with everything.

Barbera Bagneris Good you guys do a great job. Everybody, awesome, yeah,

Michele Richards Good job. Alright, then we'll, we'll do a quick run through at the board meeting for the second the other board members that were... did we loose Demetria? Yeah, yes, okay, all right. Anything else comes up, let us know in the meantime, but we'll be prepared for next week.