



BOARD OF DIRECTORS AGENDA REPORT

MEETING DATE: **DECEMBER 19, 2024** ITEM: **9A**

SUBJECT: **Presentation of 2025 Budget Submittal Letter**

DATE: December 13, 2024

FROM: Michele Richards, CEO

PRESENTATION BY: Melissa Au-Yeung, CAO

Information Item

BACKGROUND

At its November 2024 meeting, the Board of Directors approved the 2025 budget as presented.

Staff will present 2025 Budget Summary Letter to complete the budget process. A copy of the letter is attached.



Date: December 19, 2024

To: 32nd District Agricultural Association Board of Directors

Subject: 2025 Operating Budget and Capital Expenditures/Major Projects Highlights

We are pleased to present highlights of the 32nd District Agricultural Association 2025 operating budget and capital expenditures/major projects. The 2025 budget provides \$59.8 million of funding to support existing services and programs, consistent with the District's priorities and its stated mission of “[c]reating equitable community access to agriculture, entertainment, cultural and educational experiences.”

This budget is the result of a comprehensive effort by staff and management across 52 departments, working together to create a guiding document for the upcoming year. It represents the culmination of numerous Finance and Audit Committee meetings, countless discussions with individual departments, a public budget study session, and a public board meeting for review and adoption. Preparing the budget requires a team of dedicated and knowledgeable staff to develop a document that not only serves as a blueprint for the year ahead but also reinforces and advances the organization's priorities. This budget successfully achieves these goals.

Strategic Priorities

Although this year marked the culmination of the 3-year strategic plan, the development of the 2025 budget was guided by a continued focus on the District's organizational values and strategic priorities, as outlined in the current Strategic Plan, while considering the future direction of the District. Organizational mission, vision, and values such as Safety, People, Integrity, Stewardship, Compliance, Diversity & Inclusion, Excellence, Community, & Neighborliness serve as a foundation as we develop the strategic plan and direction for the District's next five years. This 2025 budget document furthers the priorities and facilitates progress toward the goals and directives identified within the current strategic plan, as well as the future strategic direction.

Economic Outlooks

In recent years, the economy has been particularly unpredictable, grappling with higher inflation and the lingering effects of the pandemic. Despite increased economic activity, signs of a slowing labor market are emerging, with a projected 0.2% rise in unemployment in Orange County. The 2025 Economic Forecast Report from the Woods Center for Economic Analysis and Forecasting at California State University, Fullerton, evaluates the U.S. economy's resilience amid inflation and geopolitical uncertainties. It highlights the unexpected stability achieved despite challenges like aggressive interest rate hikes and financial uncertainty. The report predicts continued growth without a recession but anticipates sustained inflation above the Federal Reserve's 2% target. The





forecast foresees moderate economic cooling, with cautious optimism about inflation and long-term stability.

Overall, the outlook for 2025 suggests a "soft landing" scenario in which the economy avoids a recession but contends with persistent, slightly elevated inflation rates in the 2.5%- 3% range. We are confident that this budget document effectively balances the District's strategic priorities with the current and anticipated economic pressures.

2025 Budget Overview

This 2025 budget was developed with careful consideration of the economic indicators and forecasting data available. Consequently, the 2025 adopted budget represents a concerted effort to present a fiscally conservative document that adequately supports the District for another successful year of programming and activities. As we once again find ourselves approaching the upcoming year with "cautious optimism," we remain confident that the annual OC Fair, as well as the District's educational assets – including Centennial Farm, Heroes Hall, and the newly-added The Ranch Community Center – are beloved by the community and will remain in strong demand.

At the onset of the budget development process, the following assumptions were provided to staff as a guideline for the upcoming budget year:

- Use the 2024 fair model for 2025
- Control ticket sales at 50,000 per day (advanced online ticket sales)*
- No increase in fair admission pricing or parking fees
- 30 shows in the Pacific Amphitheatre
- Budget for overtime for part-time, seasonal employees
- Two additional civil service headcounts – Parking Coordinator and Plumber I
- Inclusion of a feature exhibit
- Continuation of a 2-day in-person Imaginology event
- New shared model for The Ranch – community and boarding
- \$4.3M capital expenditures program

This year's budget assumptions included a few notable differences from the previous year, including two additional civil service headcounts – a Parking Operations Coordinator and Plumber I – to support our continued operational growth. Additionally, it reflects the new shared model of The Ranch Community Center with community forward equine experiences and programs. Lastly, the 2025 budget includes a \$4.3M capital expenditures program representing an increase of \$1.05M compared to the previous 2024 adopted budget.





Revenue Highlights

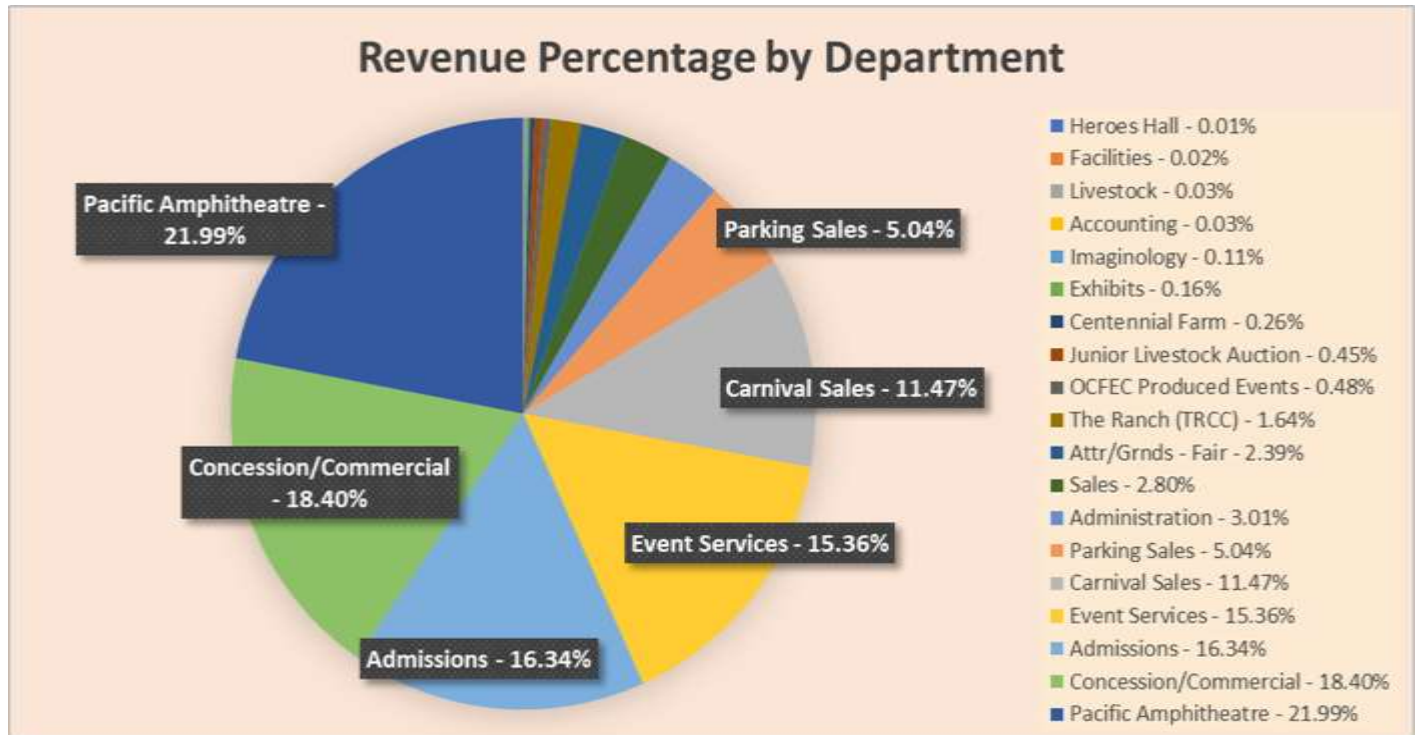
The adopted 2025 operating budget projects total revenues of \$65.09 million, compared to \$59.58 million in 2024, reflecting an increase of \$5.50 million, or 9.2%. Below are some key highlights of significant revenue changes found in the 2025 budget:

- **Department 06 (Administration)** - Interest income revenues are projected to total \$1,939,000, representing an overall revenue increase of \$580,000 from the previous year.
- **Department 25 (The Ranch Community Center)** – In its first year, The Ranch Community Center will focus on creating community forward equine educational experiences and programs, resulting in estimated increased revenues of \$493,950 over 2024.
- **Department 30 (Event Services)** – Modest scheduled increases in year-round building rental and fair merchant space fees, coupled with the addition of three new events and the expansion of existing events, are anticipated to result in total revenues of \$10M, an increase of \$1.5M over 2024.
- **Department 58 (Carnival Sales)** – While carnival sales pricing is not anticipated to increase, carnival sales revenues are estimated to increase \$383,459 over 2025.
- **Department 64 (Commercial & Concessions)** – Modest scheduled increases in fair merchant space fees, will result in increased revenues of \$29,325. Additionally, projected higher food and beverage sales will result in revenue increases of \$842,901 compared to 2024.
- **Department 72 (Pacific Amphitheatre)**: Estimated revenues are anticipated to increase by \$1.98M due to a strategy of contracting higher-priced performances in 2025.





The following chart provides a breakdown of revenue percentages by department:



Expenditure Highlights

Operating expenditures are divided into two categories – department expenditures and labor expenses. For 2025, total operating expenditures for 2025 are projected at \$59,840,037, an increase of \$5,130,464 from the 2024 adopted budget. Regarding departmental expenditures, the 2025 budget reflects a concerted effort by staff to minimize the impact of inflation. As the cost of supplies, contracts, and utilities continues to rise, staff continues to effectively manage individual departmental budgets and contracts to limit the budgetary impact for the upcoming year. However, due to significant increases in certain contracts, including higher performance fees, equipment rental costs, and the addition of The Ranch Community Center, overall department expenditures are projected to increase by \$4,897,881 compared to 2024. A summary of operating expenditures across all departments is provided in the table below:





Function/Department No.	Projected Revenues	Projected Labor	Projected Non-Labor Expenses
Administration - Dept 06	\$ 1,960,090	\$ 1,503,126	\$ 1,302,947
Human Resources - Dept 07	\$ -	\$ 1,090,061	\$ 262,027
Technology & Production - Depts 08, 09, 19	\$ -	\$ 766,340	\$ 1,390,215
Finance/Accounting - Dept 10, 49, 59	\$ 20,600	\$ 690,491	\$ 566,039
Business Services - Dept 12	\$ -	\$ 436,155	\$ 24,530
Exhibits & Education - Depts 11, 14, 27, 29, 41, 42, 43, 44, 46, 53, 62, 82, 84	\$ 666,799	\$ 2,469,538	\$ 1,545,603
Marketing - Dept 15	\$ -	\$ 499,426	\$ 2,287,250
Communications - Dept 18	\$ -	\$ 575,510	\$ 156,900
Maintenance Operations - Depts 20, 22, 28, 63	\$ 15,000	\$ 5,287,295	\$ 4,735,096
Creative Services - Dept 21	\$ -	\$ 502,969	\$ 60,350
Security, Parking & Traffic - Depts 23, 32, 51, 52	\$ -	\$ 3,713,321	\$ 2,505,313
The Ranch Community Center - Dept 25	\$ 1,068,300	\$ 283,973	\$ 2,121,256
Event Services - Depts 30, 33	\$ 10,000,000	\$ 2,566,103	\$ 1,307,600
Admissions - Depts 31, 38, 50, 66, 67	\$ 13,914,602	\$ 1,286,475	\$ 1,140,065
Guest Services - Dept 47	\$ -	\$ 432,050	\$ 86,500
Entertainment - Depts 48, 69, 70, 72, 78	\$ 16,182,886	\$ 1,350,847	\$ 11,255,848
Carnival Sales - Dept 58	\$ 7,463,459	\$ 314,554	\$ 51,000
Concessions & Commercial - Dept 64	\$ 11,975,500	\$ 487,932	\$ 67,100
Sales - Dept 87	\$ 1,821,792	\$ -	\$ 242,234
Major Projects - Dept 97	\$ -	\$ -	\$ 516,000
Depreciation - Dept 99	\$ -	\$ -	\$ 3,960,000
TOTAL	65,089,028	(24,256,165)	(35,583,872)

As seen in the above table, labor expenses for 2025 are anticipated to total \$24,256,165, an increase of \$232,583, or less than 1% over the previous year. Labor expenses take into consideration additional salary and benefits costs for civil service employees, two new civil service headcounts, a 3-4% cost of living adjustment and increased benefits costs amongst all bargaining units, and an across-the-board wage increase for part-time, temporary employees of \$0.50 above the mandated minimum wage to remain competitive in the labor market. It should be noted that labor expense change is minimal compared to 2024 due to the temporary reduction of CalPERS employer contributions from 32% to 26.31%, resulting in a budget savings impact of \$650,000. This temporary, one-time reduction will expire and labor costs will increase in the second half of 2025 as the CalPERS employer contribution returns to 32%.





Net Proceeds

In light of the budgetary pressures anticipated in 2025, net proceeds are projected to total \$5,248,990, representing an increase of \$376,348 compared to the 2024 adopted budget. It should be noted, however, that the District's tendency for conservative financial budgeting and policies has directly resulted in a current cash and cash equivalent balance of \$57.47 million as of November 30, 2024.

Capital Expenditures/Major Projects

The 2025 Capital Expenditures/Major Projects program is comprised of 51 projects totaling \$4.3 million in expenditures, broken out into the following categories: Capital Expenditures, Major Expenditures, Equipment Purchases, and Contingencies.

- **Capital Projects:** \$2,874,000
 - 17 projects ranging from \$15,000 to \$1,100,000
- **Major Expenditures:** \$516,000
 - 12 projects ranging from \$14,000 to \$200,000
- **Equipment Purchases:** \$810,00
 - 22 equipment purchases ranging from \$5,000 to \$200,000
 - Includes the replacement of a forklift and water truck to ensure compliance with AQMD requirements
- **Contingency:** \$100,000

Notable Work Efforts for 2025

Development of 5-Year Strategic Plan

This year marked the culmination of the 3-year Strategic Plan. With the conclusion of the current strategic plan, the District will work with the Board of Directors to finish developing a 5-year strategic plan outlining organizational mission, vision, and values and establishing future strategic directives. This public process will engage the various stakeholders and users of the property, including, but not limited to, the Board of Directors, staff, community partners, and guests, with immediate implementation of Year 1 in 2025.





Master Site Plan – Administration Building Expansion

Phase I of the multi-year Master Site Plan (MSP) expansion of the existing Administration Building, adding 16,600 square feet, began on May 2024 and is well underway with staff currently working in temporary workspaces. The District is optimistic that construction will be completed as scheduled and move into the Administration Building in late Spring 2025. However, should the expansion of the Administration Building not be completed as scheduled, the District is prepared to adapt and continue in the current temporary workspaces through the end of Fair 2025. A comprehensive planning process continues to ensure the impacts are minimized for both year-round and fair-time operations.

The Ranch Community Center

The District issued a Request for Proposals (RFP) to solicit bids for Horse Box Stall Cleaning, Horse Feeding, Daily Arena/Turnout Maintenance, and General Ranch Facility Maintenance to explore opportunities for better pricing, which could result in cost savings for users of the Center. The 2025 budget includes revenues and expenses related to the development of public programs and limited private boarding. District staff will focus on various projects to develop The Ranch Community Center and work to effectively lay the foundation for successful future programming. As the facility transitions from a focus on private boarding and training to incorporating public programs and a new service contract, fluctuations in occupancy may occur. The Ranch Community Center staff will remain committed to customer service, and ensuring the health and safety of horses is a top priority.

Conclusion

We believe the 2025 budget represents a conservative and responsible spending plan that will allow staff to continue advancing the District's strategic priorities while supporting the events and programming that the community values. Additionally, the 2025 budget includes ongoing investments in capital expenditures and the continued maintenance of the property.

The budget is designed to be both responsible and forward-thinking. We are committed to closely monitoring its progress through monthly variance reports, regular meetings with the Finance Monitoring and Audit Committee, and consistent updates to the Board and the public.

In closing, we are grateful to the many staff members across all departments for their time and effort in developing this 2025 budget document. We also thank the OC FEC Board of Directors for their effective policy leadership and continued support. We look forward to the challenges and opportunities of the coming year and remain dedicated to ensuring the OC Fair & Event Center continues to be the beloved and special place it is.

Sincerely,

Michele A. Richards
Chief Executive Officer

Melissa Au-Yeung
Chief Administrative Officer

