

County of Santa Clara Office of the County Executive



CE02 111406

Prepared by: Patrick Love
Special Projects Director

DATE: November 14, 2006

TO: Board of Supervisors

FROM: 
Peter Kutras Jr.
County Executive

SUBJECT: Report on the Condition of the County Fairgrounds and Recommendations for Interim Repairs & Improvements (Board Referral # 092606.21.1); Amendment to Management Agreement with Fairgrounds Management Corporation, Inc.; Amendment to Agreement with MacKay & Somps Civil Engineers

RECOMMENDED ACTION

Accept report and consider recommendations related to interim repairs & improvements at the Fairgrounds, the Fairgrounds Management Corporation (FMC) Agreement, and the MacKay & Somps Civil Engineers Agreement.

Possible action:

- a. Under advisement from September 26, 2006 (Item No. 21.1): Approve a transfer of \$4.5 million from the County Executive's Office Special Programs budget, Fairgrounds Infrastructure Project, to the Fairgrounds Management Corporation for the purpose of

needed repairs and infrastructure improvements, in accordance with the list of projects, which amount would include an operational subsidy of \$285,000 to assist the FMC in managing its 2007 operations, including the 2007 County Fair.

- b. Approve Second Amendment to Management Agreement with the Fairgrounds Management Corporation relating to fairgrounds management for period December 31, 2006 to December 31, 2007.
- c. Approve Sixth Amendment to Professional Services Agreement with MacKay & Somsps Civil Engineers relating to professional consultation services in an amount not to exceed \$1,473,000 for period ending December 31, 2008.

FISCAL IMPLICATIONS

1. A total of \$9,000,000 is budgeted in the Fairgrounds Infrastructure project budget within the County Executive's Office Special Programs budget, previously earmarked for the Fairground Infrastructure Project. This transfer would be approximately half the fund balance within that project budget.
2. There is no impact to the General Fund associated with the time extension of the FMC Management Agreement. Under this Agreement, the FMC manages the Fairgrounds and its events and activities on behalf of the County, who owns the Fairgrounds land and buildings. This action would simply extend the term of the Agreement for one year.
3. There is no additional impact to the General Fund from the recommended amendment to the MacKay & Somsps Agreement. Funds are available for designation within the previously approved budget for the Fairgrounds Infrastructure Project in the County Executive's Special Programs budget.

REASONS FOR RECOMMENDATION

Condition of the Fairgrounds

On September 26, 2006 Supervisor Alvarado made a referral to Administration requesting a status report on the physical condition of the Fairgrounds and a recommended list of necessary repairs and improvements. The Fairgrounds has deteriorated significantly over the past twenty years, and needed improvements have been on hold since the late 1990's, pending the implementation of the Fairgrounds Revitalization Project and the Theater Project. However, on August 29, 2006, when the Theater Project was brought before the Board for reapproval following the settlement of litigation and the updating of the financing plan, the Board decided not to re-approve the project. The Administration will report back to the Board in Spring 2007 to initiate discussions about potential long-term development concepts or disposition plans for the Fairgrounds. It will likely take a few years to implement whatever new development or disposition is ultimately adopted for the property.

In the meantime, the deteriorated condition of the Fairgrounds buildings and infrastructure requires that certain improvements be made for the short-term continued viability of the Fairgrounds and its operations. Such improvements include electrical upgrades, air-conditioning of buildings, replacement of collapsed underground sewer systems, upgrades of public restrooms, food service upgrades, and low-cost landscape improvements on the south side of the property, which has become an unsightly dust bowl and nuisance to the neighbors. The recommended repairs and improvements are an interim measure to enable the Fairgrounds to function properly in the short term until policy decisions are reached about the future of the Fairgrounds.

The recommended repairs and improvements will also enable the Fairgrounds to continue functioning as an important community gathering place, and enhance its ability to host a wide variety of community festivals and related events. For over sixty years, the Fairgrounds has hosted not only the annual County fair, but also served as the gathering site for a wide range of festivals, non-profit gatherings, family celebrations and for-profit events such as trade and consumer shows. A sampling of the events that are routinely hosted at the Fairgrounds affords some insight on the complex's importance to the community: northern California's largest gathering to celebrate the Vietnamese Tet Festival, one of the region's largest Cinco de Mayo and Fiesta Del Sol festivals, American Indian festivals, East Indian festivals, Islamic celebrations of Ramadan, the annual Puerto Rican festival, and the annual County Fair. All of these events and gatherings routinely draw from 5,000 to 20,000 visitors on a given day, and their promoters would be hard pressed to find a suitable alternative site for their event if it were not for the County Fairgrounds. The Fairgrounds is also used for many other community and family events, such as receptions, parties, and more than 100 weddings and quinceaneras per year.

Funding Transfer for Fairgrounds Repairs and Short-Term Improvements

The FMC Executive Director and County Executive staff have compiled the attached list of needed repairs and improvements, along with preliminary cost estimates for accomplishing the work. Also attached is a narrative describing the repairs and improvements. Some of the items represent mitigations and improvements to allow the fairgrounds to build business and work toward a stabilized financial condition.

The total list of repairs and improvements is estimated to exceed \$6 million, not counting the operational subsidy. The Administration recommends that \$4.5 million of the approximate \$9 million Infrastructure Project fund balance be made available for this purpose. This level of funding would enable the FMC to execute repairs and improvements from the attached priority list, starting with the top priority of replacing the sewer lines, through item 29, electrical upgrades and air conditioning for the Fiesta Building. At that recommended level of improvements, all of the exposition spaces will have been air conditioned, making them much more attractive for event rentals.

Included in the recommended funding transfer of \$4.5 million is an operating subsidy of \$285,000 to allow the FMC to enhance the 2007 fair without jeopardizing its entire 2007 operating budget. The request, which is discussed in more detail in the Background section below, would allow the FMC to expand the length of run for the 2007 Fair from 3 days to five days, add attractions designed to rekindle public interest in the event, and expand the entertainment and marketing budgets.

In 2005 the Board of Supervisors approved a \$750,000 allocation of funds out of the revitalization project reserve to replace leaking roofs on various fairgrounds buildings and to also replace two electrical transformers on the grounds. Addressing the problems that have been identified in the current report would reinforce the Board's commitment to maintaining County assets at its Fairgrounds.

In 1998, FMC commissioned a study by Kitchell Construction Management of the Fairgrounds facilities and infrastructure. At that time, the Kitchell study concluded that \$21.4 million would need to be spent to modernize existing exposition space and provide improved multipurpose facilities for the Fair. It is not the intent to resurrect the 1998 recommendations, but merely to provide the context that past professional surveys have found significant problems with the buildings and grounds. The interim repairs and improvements in this report are also modest in comparison to the previously recommended Revitalization Project, and many of the currently recommended improvements would not be seen by the public. The improvements are vital, however, if the fairgrounds is to remain open for business, enhance its revenue generating capacity, and rekindle public interest in the annual fair.

Amendment to FMC Agreement

The County's Management Agreement with FMC expires December 31, 2006. A one-year time extension is recommended to continue the same terms and conditions through 2007. The contract extension was approved by the FMC Board of Directors at its October 18, 2006 meeting. The extension would continue FMC's basic event and property management oversight for the fairgrounds through 2007. The FMC Agreement was extended for a single year in late 2006, and year-to-year extensions are recommended during this interim period until the Board of Supervisors provides further direction regarding the ultimate development or disposition of the Fairgrounds.

Amendment to MacKay & Somps Agreement

This amendment for additional funding authorization and extended time of completion is necessary to provide ongoing professional consultation services to the County Executive's Office and FMC in support of FMC's efforts to address deferred maintenance issues as well as to evaluate and implement improvements needed to accommodate additional revenue generating interim uses. MacKay & Somps has been the engineer of record for the Fairgrounds Revitalization Project, as well as for the new Valley Health Center at Tully Road, and the adjacent affordable housing development currently under construction. They have extensive experience in providing professional design services for the Fairgrounds site and are uniquely equipped to guide FMC in its efforts resolve maintenance issues and implement interim improvements. Maintenance and improvement plans would include repair of on-site sanitary sewer systems, installation of limited storm drain facilities to alleviate seasonal flooding, erosion and dust control measures in the area previously planned for the theater, and new temporary parking areas.

BACKGROUND

Repairs and Improvements

While the Fairgrounds has struggled in recent years, the public demand for exhibit and special event space continues to grow in Silicon Valley. Last year, the Fairgrounds hosted nearly 200 booked events. Many of the events involved only a few hundred people, but a significant number of events were in the range of 1,000 to 5,000 attendees. A small number of events generated daily attendance in the range of 5,000 to 10,000, while the Fair and the major community festivals brought over 15,000 daily visitors through the gates. Collectively, booked events brought over 750,000 visitors to the Fairgrounds during the past year. That, however, was the lowest attendance level the Fairgrounds has experienced over the past thirty years. Annual attendance has continued to decline because the Fairgrounds has lost the capacity to compete with more modern and better-equipped urban exposition centers in the region.

To remain financially independent and address ongoing maintenance requirements, the Fairgrounds needs to book events that will generate approximately 1.2 million visitors per year. The kind of repairs and improvements recommended in this report are not guaranteed to result in that magnitude of increase in net attendance, but they would greatly facilitate efforts to move in that direction. FMC management estimates that every 100,000 increase in annual attendance generates \$430,000 in net new revenue to FMC. Increasing booked events and attendance throughout the year is critical to generating cash reserves that underwrite the fair. An attractive and well-maintained Fairgrounds will significantly enhance that effort.

Most of the needs identified on the attached list are repair-oriented. Funding is needed to fix what is broken or so obsolete that it is beyond repair (e.g., plumbing, kitchen and concession areas). Some other needs included on the list are modernizing in nature, such as air-conditioning the exposition facilities, which often sit idle during summer months because event organizers won't rent facilities without air conditioning. These upgrades will enhance the FMC's ability to book more major events and increase its revenue-generating capacity. Funding is also recommended for mitigation work on the back half of the Fairgrounds, which was demolished in anticipation of the Revitalization Project. About eighty acres of this area is now bare dirt, and it is not only an eyesore for the surrounding neighborhood but also a generator of dust in the warm months and unusable due to muddy conditions in the winter.

A request for new bleachers and seating, to replace old antiquated equipment and add to the FMC's net capacity, also has been included to allow the Fairgrounds to better service outdoor entertainment events for the Fair and major community Festivals. These amenities would be rented by the FMC throughout the year to private promoters and used during the annual Fair as a temporary arena for musical entertainment. A request to free up previously allocated money for the purpose of relocating and consolidating CTRC's railroad equipment also is included on the list. This effort, along with an allocation of funds to repair amenities that now exist in this same area for a "short stay" RV park, would add a revenue-generating capacity to the Fairgrounds and mitigate what is presently a major blight on the complex.

Cost estimates for the recommended repairs and improvements are preliminary in nature and came from a combination of industry sources and County Building Operations. Upon Board approval, the scope of work for each activity would be precisely defined, cost estimates would be refined, and bids would be taken by FMC to perform the work. For example, the rough estimate of the cost of major underground plumbing repairs at the fairgrounds needs to be refined after the completion and analysis of camera inspections of the complex's sewer systems. FMC is also pursuing a grant to replace all restroom fixtures at the fairgrounds with low-flow equipment, which if obtained, would reduce the amount or remove that item from the County-funded list.

Funding the repairs and enhancements identified in this report will not result in a comprehensive refurbishment of the Fairgrounds. Addressing the needs that are on the list would merely allow the fairgrounds to operate more effectively for the next several years. Some of the requested enhancements also would enable the FMC to build its cash reserves by bringing back some of the business it has lost over the past ten years. Doing so is important to the FMC's chances of remaining financially solvent. It also is essential to the FMC's goals for rekindling interest in the annual County fair.

The Fair

Attached for additional background, including discussion of the recommended enhancements to the Fair, is a paper, "Assessing Our Fair and Its Future", written by the FMC Executive Director Arthur Troyer.

CONSEQUENCES OF NEGATIVE ACTION

Without the needed repairs and improvements, FMC will not be able to operate the Fairgrounds in an effective and revenue-generating manner for the interim time until the long-term future of the property is decided.

Without the term extension to the FMC Management Agreement, it would expire on December 31, 2006 and FMC would no longer be under contract with the County to operate the Fairgrounds.

Without the engineering agreement amendment, FMC will lack the ability to effectively evaluate and design repairs and improvements to the Fairgrounds site by utilizing the firm that already has extensive knowledge of the site and has designed all site improvements to date for the Fairgrounds Revitalization as well as the new Valley Health Center and the affordable housing project.

STEPS FOLLOWING APPROVAL

Upon approval of the repairs and improvements, the FMC will finalize the scope of each project and implement the improvements.

Upon approval of the MacKay & Soms amendment, FMC and the County Executive's Office will direct them to begin evaluating substandard conditions at the Fairgrounds site, recommend appropriate repairs, and provide engineering designs and plans to correct the conditions as appropriate.

ATTACHMENTS

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- Repair and Modernization List – Santa Clara County Fairgrounds
- Repair and Modernization List – Project Description
- Paper, Assessing our Fair and Its Future, Arthur Troyer, FMC Executive Director
- Second Amendment to Management Agreement with FMC
- Sixth Amendment to Agreement with MacKay & Soms Civil Engineers, Inc.

**REPAIR & MODERNIZATION LIST
SANTA CLARA COUNTY FAIRGROUNDS**

<u>Priority</u>	<u>Category</u>	<u>Cost</u>	<u>Running Totals</u>
1	Replace sewer lines	472,000	472,000
2	Restroom fixtures	143,500	615,500
3	Restroom tile repair	54,500	670,000
4	Electrical Expo	402,500	1,072,500
5	Air condition Expo	237,600	1,310,100
6	Electrical Pavilion	430,100	1,740,200
7	Air condition Pavilion	187,800	1,928,000
8	Expo ceiling tiles	48,000	1,976,000
9	Hydro-seed (60 acres)	144,000	2,120,000
10	Gravel (10 acres)	410,000	2,530,000
11	Irrigation Equip.	58,000	2,588,000
12	Tractor-mower	38,000	2,626,000
13	Main kitchen upgrades	20,800	2,646,800
14	Expo lounge conversion	82,000	2,728,800
15	Community kitchen	43,100	2,771,900
16	Country kitchen	36,800	2,808,700
17	Pavilion concessions	17,400	2,826,100
18	Bleachers (3,500 seats)	282,000	3,108,100
19	Bench seating (1,500 seats)	92,000	3,200,100
20	Portable concession stands	65,000	3,265,100
21	CTRC move	142,000	3,407,100
22	RV park improvements	122,000	3,529,100
23	Franklin-McKinley	25,000	3,554,100
24	Livestock tent	166,500	3,720,600
25	Painting & gutters	87,800	3,808,400
26	Electrical upgrades Gateway	105,000	3,913,400
27	Air condition Gateway	108,400	4,021,800
28	Fiesta electrical	115,000	4,136,800
29	Fiesta air conditioning	58,700	4,195,500
30	Parking lighting upgrades	67,000	4,262,500
31	Trees (150)	110,000	4,372,500
32	Portable mesh fencing	18,500	4,391,000
33	Portable lighting	12,500	4,403,500
34	Perimeter fencing	134,000	4,537,500
35	Gateway concessions	10,400	4,547,900
36	SATWAG concessions	9,700	4,557,600
37	Warehouse ice machine	15,500	4,573,100
38	Artificial turf (fair arena)	20,500	4,593,600
39	Pepper Steak house elec.	213,400	4,807,000
40	Onsite Paving	787,500	5,594,500
41	Tully reseal	322,000	5,916,500
	Total	5,916,500	

Repair & Modernization List **Project Description**

Attached is a list that ranks all proposed projects. The rankings were arrived at by assigning one or more of the following criteria to each project or subcategory within the project and then weighing its relative merits against other needs:

- Essential repair or enhancement
- Essential but requires refined cost estimates.
- High priority mitigation.
- Modernization and refurbishment requirement
- Cost cutting and/or revenue generating enhancement or acquisition.
- Can be deferred pending refinement of master land use decisions.
- Can be deferred and undertaken at a later date.

A total of forty-one (41) items appear on the list and they are ranked from 1 through 41 with a “1” being the highest priority. It should be noted that those assigned a lower priority remain important; however, staff has determined that the work can be deferred for the time being, taken on incrementally at a later date, or perhaps put on hold pending a refinement of land use decisions (e.g., the Tully lot).

There are subcategories within each of the following consolidated project descriptions that may rank higher than others within the same description because of their operational impact on the fairgrounds. Example: completing electrical upgrades and installing air conditioning in the fairgrounds two major halls (Expo and Pavilion) is considered more important than completing similar upgrades for the two smaller halls because of rental income potentials and historical use patterns.

In certain instances, requested acquisitions would enhance the fairgrounds operational performance by reducing rental costs or dramatically improving revenue-generating opportunities, and items within these categories are thus assigned a relatively high priority in comparison to other basic repair or maintenance items. In isolated cases (e.g., the exterior painting of Expo and Pavilion), the work called for in the project description category may already exist on the FMC’s standard maintenance schedule. However, funds to undertake this work are requested because a lack of resources has forced the FMC to defer this work beyond recommended timetables.

The priority designation for each of the following categories and subcategories corresponds to the number assigned to the item on the attached list.

Project List

- 1. Sewer Lines* – various sewer lines on the fairgrounds are cracked and/or have collapsed in places because of root damage and root incursions, as evidenced by camera inspections of the lines. These lines are antiquated clay pipe and need to be replaced with code compliant iron or PVC pipe. A rough cost

estimate for replacing all of the lines (materials and labor) came to **\$472,000**. This estimate needs to be refined after a full assessment of Building Operations camera sweep is completed, at which point a determination can be made as to the exact number of linear feet that requires replacement.

Priority 1

- 2. **Restroom Fixtures & Stalls** – the fixtures and stalls in most of the fairgrounds restrooms are antiquated and require frequent maintenance. Grant funds may be available from the Santa Clara Valley Water District to replace all fixtures with water conserving new equipment. If a grant is not available, the estimated cost of replacing the fixtures and stalls will approximate **\$143,500**.

Priority 2

- 3. **Restroom Tile Repair** – other than painting, most of the tile work in the fairgrounds restrooms has not been refurbished since they were constructed. The estimated cost of demolishing and replacing the tile comes to **\$54,500**.

Priority 3

- 4. **Air Conditioning** – the Santa Clara County Fairgrounds is the only major operator of exhibition space in the region that does not have air conditioned facilities in its main halls. This is an impediment to renting the facilities for events during hot summer months. An increase in rental rates to cover the equipment and operating costs will recoup the investment over its anticipated useful life as well as provide a boost in rental income to the fairgrounds. Of the fairgrounds major exposition halls, the two largest (Expo and Pavilion) generate the greatest degree of major rental activity and would contribute the highest return on investment in air conditioning. Accordingly, Expo and Pavilion have been assigned a higher priority than Fiesta and Gateway.

Cost estimates per hall (as obtained from Airserco) total:

Expo	\$237,550	Priority 5
Pavilion	187,800	Priority 7
Gateway	108,400	Priority 27
Fiesta	<u>58,700</u>	Priority 29
	\$592,450	

- 5. **Electrical Repairs** – the fairgrounds frequently experiences electrical failures because of antiquated panels and a lack of capacity to handle heavy loads. Upgrading overall capacity also will become necessary if the exposition halls are equipped with air conditioning. It should be noted, however, that a portion

of the electrical work on Gateway and Fiesta could be deferred if a decision is made to forego air conditioning for these facilities at this time. How much the estimated cost of the proposed electrical upgrades for these facilities would be reduced if air conditioning were not installed cannot be determined without further analysis by an independent contractor.

Note that higher costs on a per building basis are principally triggered by a recommendation to replace main substations and panels that serve the building. All buildings need to be equipped with more modern energy efficient lighting, which will pay for itself within a relatively short timeframe through reduced electrical usage. Also note that the full magnitude of electrical upgrades that were called for by an independent contractor are not recommended for the Pepper Steak House at this time, as this building does not generate sufficient use or income to reasonably amortize the improvement.

The estimated cost of this work (per Rosendin Electric) totals:

Expo Hall	\$ 402,500	Priority 4
Fiesta	115,000	Priority 28
Gateway	105,000	Priority 26
Pavilion	430,100	Priority 6
Pepper Steak House	<u>213,400</u>	Priority 39
	\$1,266,000	

- 6. ***Kitchen & Concession Upgrades*** – only isolated improvements have been completed on the fairgrounds kitchen facilities and concessions sales outlets during the past twenty years (principally related to fire suppression). Much of the equipment is antiquated or broken and many amenities are needed in the way of food preparation and serving utensils to host catered events and prepare food for large gatherings. In addition, renovation work is needed in an area of Exposition Hall to convert an office and reception room that was utilized by Rollin Ice (a vacating tenant) to a food and beverage sales outlet. Refurbishment efforts also are needed in the way of more modern signage, canvas overhangs, counters and paint. Cost estimates (per Ovations) for kitchen upgrades, the lounge conversion, and equipment are as follows:

Equipment purchases	\$ 53,400
Lounge conversion (Expo)	82,000
Kitchen/concession repairs	<u>100,300</u>
	\$235,700

Note that certain items within this category have been given a higher priority than others on the attached list. All have value as a modernization and revenue enhancer. They comprise **Priorities 13, 14, 15, 16, 17, 35, and 36.**

7. ***Painting, Refurbishment & Gutter Replacement*** – the exteriors of Exposition Hall and Pavilion need to be painted. The entirety of the interior of Expo also needs painting. The interior of Pavilion needs some touchup work. Gutters on these buildings also need to be replaced. Cost estimates obtained for this purpose total **\$87,800**.

Priority 25

8. ***New ceiling tiles, Expo Hall*** – all of the ceiling tiles in Exposition Hall need to be replaced after Rollin Ice vacates the building, as many of the tiles are broken and/or discolored from water damage that was incurred prior to replacing a new roof on the building. The cost estimate for this work is **\$48,500**.

Priority 8

9. ***Mitigation Work*** – the back half of the fairgrounds, which was leveled some six years ago in preparation for the revitalization groundbreaking, is now bare dirt and an eyesore for the surrounding community. It also is a nuisance generating problem during windy weather, as dust is carried to neighboring areas. Problems additionally arise during the heavy rainy season, as parts of the back half of the property become muddy. To mitigate these problems, a plan has been developed to hydro-seed roughly 60 of the 80 acres on the back half of the fairgrounds and extend irrigation lines to these areas so they can be watered. The perimeter planting of 150 fast growing trees also would occur. Equipment (irrigation lines and portable rainbirds) would be purchased with the amount requested and connected to recycled water outlets that presently exist on the fairgrounds. The remaining 20 acres, which includes roadways coming on to the fairgrounds off of Umbarger and Monterey, as well as an approximate 10 acre section for overflow parking, would be covered by gravel or the crushed remnants of the old grandstand (the latter had been earmarked for use as an underlying base for the theater parking lot). A multi-purpose tractor-mower also would be purchased to mow the hydro-seeded areas – this piece of equipment would be used for other purposes around the fairgrounds as well. Some lighting also would be installed in the areas that are used for parking to increase late evening safety for patrons. The estimated cost for this work:

Gravel (10 acres)	\$410,000
Hydro-seeding (60 acres)	144,000
Lighting	67,000
Irrigation lines & equipment	58,000
Trees (150)	110,000
Tractor-mower	<u>38,000</u>
	\$827,000

The above improvements comprise **Priorities 9, 10, 11, 12, and 31.**

10. ***Portable Seating for Fair & Special Events*** – the fairgrounds presently has bleacher seating for roughly 2,500 patrons but most of it is old, requires frequent repair when it is moved from one location to another, and in certain instances fails to meet current safety code requirements. For larger events, such as the fair and major festivals, the FMC and/or private promoters are required to rent additional seating for outdoor events, particularly for outdoor musical entertainment. Funding to replace existing bleachers and add capacity (seating for a total of 5,000 patrons) for major outdoor events is requested. The seating would be used by the FMC for the fair and rented to private promoters for special events (a revenue generator). New portable concession stands also are needed to service special outdoor events along with portable mesh fencing with gates and portable lighting when outdoor arenas are created. In addition, a large section of artificial turf is needed to cover the dirt floor area of a temporary arena that would be used for the fair. Combined costs:

Bleachers (3,500 seating)	\$ 282,000
Bench/floor seating (1,500 seats)	92,000
Portable concession stands	65,000
Artificial turf	20,500
Portable mesh fencing w/gates	18,500
Portable lighting	<u>12,500</u>
	\$ 490,500

The above enhancements comprise **Priorities 18, 19, 20, 32, 33 and 38.**

11. ***Perimeter Fencing*** – to improve the appearance of the Umbarger and Monterey frontages of the fairgrounds, and provide an added mitigation measure for the 80 acre dirt area of the property, the FMC proposes to replace the old mesh and barbed wire fences with new, eight foot, green mesh fencing. The fence lines along Umbarger and Monterey are unsightly and in need of repair in various sections. The estimated cost of this work with four main gates to service traffic entering and exiting the fairgrounds approximates **\$134,000** (roughly 3,200 lineal feet).

Priority 34.

12. ***Franklin-McKinley Flood Mitigation*** – during last year’s heavy rains, runoff from the area of the fairgrounds along the back fence line of the Franklin-McKinley playground became flooded. School district officials have asked that the County prevent this problem from occurring in the future by installing a catch channel and storm drain along the fence line. This is of a priority concern to the school, as plans are in-place for creating new soccer fields in the area that became flooded. Some civil engineering assistance will be

needed to finalize a plan for mitigating this problem, but we estimate that the cost of the work will not exceed **\$25,000**.

Priority 23.

13. ***Consolidate CTRC Equipment*** – funds were previously allocated to consolidate CTRC’s rail equipment along the western fence line of fair family park. Presently, the equipment is spread throughout the 5 acre park and is an eyesore and nuisance. Board approval is needed to allocate previously appropriated funds for this purpose to the FMC. The FMC will then coordinate this work and erect a fence line to separate the CTRC equipment from the balance of the park area. Cost for work is estimated at **\$142,000**.

Priority 21.

14. ***RV Park Improvements*** – prior to CTRC’s occupation of the fair family park area, this five acre section of the fairgrounds was used for special outdoor gatherings and RV parking. The loss of this area depleted part of the fairgrounds revenue-generating capacity and money is needed to renovate its lawn areas, its restrooms, and its hookups for RV’s. This mitigation effort will enhance the fairgrounds revenue-generating capacity by a minimum of \$250,000 per year. The estimated cost for this work totals **\$122,000**.

Priority 22.

15. ***Paving Repairs, Grounds Proper*** – the FMC has managed to repave approximately 20 percent of the asphalted areas on the roadways and pedestrian walkways that connect areas of the complex on the fairgrounds proper (not the Tully lot). CSFA grants have been obtained for this purpose, and the most damaged of areas have been given priority attention. The balance of the paved areas on the fairgrounds, all of which require varying degrees of attention, also needs attention. The cost of this work is estimated at **\$787,500**.

Priority 40.

16. ***Tully Parking Lot Repaving*** – this 12 acre paved parcel is the main parking lot for the fairgrounds, and its asphalt is cracking and in need of serious repair. A cost estimate for patching severely worn areas and putting a chip-seal layer over the entire lot came to **\$322,000**.

Priority 41.

17. ***Tents*** – the FMC currently spends \$28,500 per year to rent tents that are used to cover the livestock exhibits for the fair. The purchase of tents to negate this rental expense will come to **\$166,500**. **Priority 24.**

Assessing Our Fair and Its Future

Arthur Troyer
Executive Director, Fairgrounds Management Corporation

The annual County Fair has not been well attended for many years, and the declines in attendance have generally mirrored the Fairgrounds' deteriorating overall performance. The two are directly related for reasons that are discussed in more detail in sections of this report. As the financial health of our Fairgrounds has suffered, the pressure has mounted to cut corners on the annual Fair and reduce the amount that has been spent on the event, particularly in the area of entertainment. That in turn has translated into poor attendance, which ultimately caused the Fair to be reduced from a ten to three-day run. Despite efforts to preserve the essential mission of the Fair (4-H and FFA youth activities), and efforts to make the event extremely affordable for families with young children, attendance has continued to plummet. With the 2006 Fair having set a record for low attendance, we are at a crossroads with the event, and the FMC will need some financial assistance from the County if we are to have a reasonable chance of rekindling public interest in the Fair.

There are several key sources of financing that support major fairs in California and throughout the country, each of which is important to the event's success.

- State and local government allocations typically support county fairs throughout the nation. In California, fairs are ranked by their size, and the level of support they receive from the state is proportioned on that basis. The Santa Clara County Fair receives \$35,000 per year from the California Fairs Service Authority (CFSA). Our Fair has historically been ranked as a class 6 fair (next to the largest designation, which is a class 7 fair), although its recent attendance levels should place it in a category 4. Smaller fairs receive larger stipends than major fairs.
- Private donations and sponsorships are a critical source of financing for all major fairs, particularly corporate stipends. Private donations are often a gauge of how committed a community is to supporting its fair. Business or corporate donations are typically a form of marketing for the donor, and the amount a fairgrounds can raise to support its fair is generally related to attendance levels and the extent to which the surrounding business community targets its product to the profile of the fair-going public. As a general rule, larger crowds will result in higher donations. Last year, the Santa Clara County Fair received \$18,000 in donations, a level of support that is extremely low for a county of our size. Since 1997, the FMC has twice contracted with independent professional fundraisers to solicit greater contributions from the business community. Neither effort proved successful.
- Carnival, vendor rental income, and concession sales all constitute key sources of income for a fair. All also are highly dependent on attendance. Revenue from these sources has declined at our Fair in recent years because of poor attendance

(impacting as it does revenue sharing). Advanced sales for vendor rental booths have been slow because of the decline in attendance and reduced run of our Fair.

- Gate admission charges and parking fees constitute major sources of income for large fairs. The amount charged for parking is generally market driven; i.e., it is set consistent with prevailing rates for similarly sized entertainment events in the surrounding community. The amount that can be charged for admission also is market driven but in a way that is different from parking. Admission fees for fairs largely mirror the quality of the entertainment and exhibits that are booked for the fair. In surveys of California fairgoers, musical entertainment ranks higher than any other fair attraction as an attendance generator except for live horse or motorized racing. Carnivals rank second on the list of popular attractions.
- Live racing, either horse or motorized, contributes major income to many of America's larger fairs. At the largest fairs, rodeos also drive attendance. These attractions, which run concurrently with other aspects of the fair, boost attendance and therefore generate additional parking and concession sales income for fairs.
- No single source of financing for a fair is more important than a fairgrounds' cash reserves, which underwrite much of the cost of the event and to a great degree determine the capacity of a fairgrounds to finance its entertainment and exhibits lineup. Adequate reserves are needed to fund not only setup and marketing (advertising) efforts for these activities but to guarantee payment to entertainers. Adequate reserves also are needed to cushion the fairgrounds against the risks associated with attendance fluctuations at the fair.

Assuming the above financing mechanisms come together and can be maintained over time, a fairgrounds will have the ability to host successful fairs on an ongoing basis. If a combination of the key variables crumbles, particularly the capacity of the fairgrounds to generate sufficient cash reserves, the chances of success become increasingly problematic. Risks are inherent under any circumstance. Example: Paso Robles' generally well-attended mid-state fair ran into serious financial difficulties several years ago after attendance at its very upscale musical entertainment series radically declined. This again emphasizes the importance of maintaining a sound financial footing so that a fairgrounds can weather the "ups and downs" of its fair.

A question arises as to what factors in the above formula are missing in our Fair? The simple answer is attendance, or the lack thereof, which hurts all other sources of income for a major fair other than allocations of state money. Income from sponsorships, admission and parking fees, vendor rental income, the carnival and concession sales have all declined because of repeated drops in attendance. But a more meaningful answer lies in the inability of our Fairgrounds to financially weather the "ups and downs" of our Fair. Most fairs endure fluctuating attendance levels, but most of California's major fairgrounds generate sufficient reserves throughout the year from other business interests to overcome a poorly attended fair. Our Fairgrounds has not been able to do that, for the most part because business in general has not been good for quite some time. Business

has not been good, at least to the extent it needs to be, to build adequate cash reserves, because of the generally poor condition and lack of amenities at our Fairgrounds.

On average, the level of the FMC's operating cash reserves at the close of each of the past eight fiscal years has approximated three payroll periods, and that lack of cash has come at a time when the Fairgrounds enters a slow winter period for booking events and generating new income. It also comes at a time when entertainment for the ensuing year's Fair needs to be booked. Simply put, the FMC hasn't had the money to schedule better entertainment for our fair or to rent the amenities that are needed to host an upscale event in an outdoor venue. That has translated into repeated declines in attendance, and it has brought on a downward cycle for our Fair that will be difficult to break out of without an infusion of cash. It is again important to reiterate what drives attendance at a fair. The key generator, and the most important variable in the formula for financing fairs, is popular entertainment. Without it, attendance will drop and all other revenue generators for a major fair will fail with the exception of government stipends.

How, then, do we fix our Fair? The answer over the long term (if the County maintains the Fairgrounds for this purpose) would be to correct the deficiencies and upgrade our Fairgrounds. This would positively impact grounds rental activity throughout the year and create an improved environment for hosting major events such as community festivals and the annual Fair. It is a given that our Fairgrounds will never have live horse or motorized racing to help draw patrons to our Fair. But without the other amenities one typically finds at major fairgrounds – such as more modern exhibit halls, a venue that can host higher-end musical entertainment, and basic improvements in parking and landscaping – the complex will not be able to book the number and type of events that are needed throughout the year to put it on a sound financial footing. At a minimum, the FMC's operating cash reserves at the close of its fiscal year should approximate \$800,000 rather than \$200,000 if our fairgrounds is to once again host a major ten-day fair.

Setting that standard as a long-term goal raises the question of whether short-term options exist for generating greater attendance at the Fair. The answer is *yes*, provided the event is afforded an infusion of cash to add some desperately needed pizzazz to its entertainment lineup. If the idea of a truly "bare bones" fair is unacceptable to our policymakers (i.e., the type of fair one would typically find in a smaller county), then a subsidy will be needed from the County to restore the level of cash reserves the FMC requires to undertake a more elaborate fair.

An infusion of cash approximating \$285,000 would allow the FMC to book and market a popular musical entertainment series for a five-day Fair as well as add fireworks for the opening and closing days of the Fair. The kind of entertainment that would be booked would generally mirror that which is found at the Santa Cruz Boardwalk. A temporary open-air venue that would rely on bleacher and bench seating would be created to host daily entertainment during the five-day run. Both an admission charge for adults at the gate and a parking fee would be levied in an effort to recoup the cost of the entertainment, which would cost between \$20,000 and \$30,000 per act. Marketing and equipment rental costs to support the acts would increase these costs on average by about

\$12,000 per day. Based on discussions with local promoters, this type of entertainment series would likely increase daily attendance at the fair by 5,000 to 8,000 people. In the past, efforts made by the FMC to book entertainers in the \$5,000 to \$8,000 range have not done much to boost attendance. Again, however, the FMC for the past eight years has not been able to afford better entertainment because of its lack of cash reserves.

Other benefits would accrue from lengthening the run of the fair. Increasing its run from three to five days would allow the FMC to fill Exposition Hall (to be vacated by Rollin Ice in December 2006) and the grounds areas surrounding our other facilities with the type of vendors that were reluctant to participate in a shorter three-day fair. More traditional 4-H and FFA exhibits would continue to be located in Pavilion with a mix of interactive games for kids. Other attractions, such as antique shows, also would be booked to fill our other halls.

We would envision this type of fair as continuing to appeal to families with children, as the mix of interactive games, carnival rides, and animals (the petting zoo in particular) continue to be popular. Grounds acts such as pig races and roving clowns also would enhance the lineup of attractions. It is important to note, however, that the vast majority of families with young children, as well as seniors, frequent the fair in the afternoon and vacate the grounds by the early evening. What has been missing in our Fair is an ability to seriously boost attendance in the evening hours with adult paid admissions.

Booking a better lineup of entertainment should address that problem. If an infusion of cash at the level suggested (\$285,000) were dedicated to higher-end entertainment, and assuming that lineup of entertainment generated an increase of 5,000 paid attendees per day, a five-day run for the fair would generate a combined increase in net income to the FMC of approximately \$370,000. That amount would recoup the setup and booking fees associated with the entertainment lineup and also allow the FMC to cover much if not all of the remaining cost of the Fair that is not covered by state allocations, sponsorships, vendor rental income, food concessions, and carnival percentages. In other words, the FMC would be looking at a breakeven scenario on the Fair rather than a loss of \$150,000 or more. If that were to occur, and we believe that it could, then the stipend from the County would be one-time. If for some reason the effort failed to generate increased paid attendance, then the FMC would be back to the drawing boards.

The FMC is optimistic about the prospect of rekindling public support for our annual Fair, tempered as that expectation may be by the status of efforts to refurbish our Fairgrounds, and stymied as our optimism has been by our lack of cash to maintain a popular entertainment lineup at the event. Despite all that has been written about the challenges that confront our Fair – e.g., our region's changing economy and demographic, its evolving tastes in entertainment, the intense competition for entertainment dollars, and the deteriorated condition of our Fairgrounds – a reasonable degree of public interest in our Fair can be maintained on an ongoing basis if the right kind of entertainment is booked for the event. Again, however, the "fix" over the long haul will emanate from improvements to the Fairgrounds, without which the FMC will not be able to build cash reserves to finance a robust fair with a ten-day run.

