



Board of Directors Financial Monitoring Committee Meeting – 2022 Budget Study Session

November 9, 2021

Committee Members

Newton Pham, Chair

Barbara Bagneris, Member

Please take notice that this public meeting of the 32nd District Agricultural Association, a California state institution, is being recorded using video recording equipment. Please also take notice that the 32nd District Agricultural Association will release video recordings of its public meetings where required under California law.

Please silence your cell phones

The Mission of OCFEC is...

Celebration of Orange County's
Communities, Interests, Agriculture and
Heritage

(with results justifying resources expended)





5. Matters of Public Comment

Speakers are requested to sign in prior to the start of the meeting and are limited to three minutes. Public comment is allowed on issues NOT on the current Agenda. However, no debate by the Board shall be permitted on such public comments, and no action will be taken on such public comment items at this time, as law requires formal public notice prior to any action on a docket item.

This will be an open and interactive workshop where members of the public can ask questions and provide input to the Committee.



Budget Process

- Fiscal year runs January through December
- Budgets are created annually for each department and then consolidated into an organization-wide budget
- The 53 departmental budgets are directly overseen by 13 management staff
- Through monthly variance reports, oversight by the Financial Monitoring and Audit Committee, and monthly reforecasting throughout 2022, each department's budget will be closely monitored. The Board, staff and public will receive regular updates



A Look Back at 2021 Budget

- The 2021 budget was developed from a “rebuilding” perspective with much uncertainty
- We took the lessons from 2020 and decided to proceed with “cautious optimism”
- We believed we could bring back events and the fair in 2021
- By March we were able to reforecast a year-end gain in 2021 of \$1.3M
- By May, our losses had stabilized and we began to see a turnaround
- Throughout the year, we continued to focus on cutting costs, providing space for emergency purposes, working with promoters on safe and healthy events, and planning for the return of the OC Fair
- We are now projecting to be \$12.8M favorable to budget by year-end and have a YOY increase in cash reserves of approximately \$15M



2021 Budget Assumptions vs. Performance

2021 Budget Assumptions	2021 Actual Performance
\$10M-\$12M net deficit (35-40% improvement from 2020)	Forecasting \$12.8M favorable to budget
Up to \$2M net proceeds from 2021 OC Fair	\$22.8 net proceeds from 2021 OC Fair
\$825K capital budget	All but one project was completed in 2021; it will be carried forward in 2022 (\$225K)
Minimal event activity in Q1 and Q2; Q4 event activity reduced to 25% of Q4 2019	Reduced event activity in Q1 and Q2; strong activity already booked in Q4; expect to exceed Q4 2019 activity
2021 civil service labor headcount same as 2020 (includes pay cuts)	2021 civil service headcount remained the same as 2020; no layoffs required



2021 Budget Assumptions vs. Performance

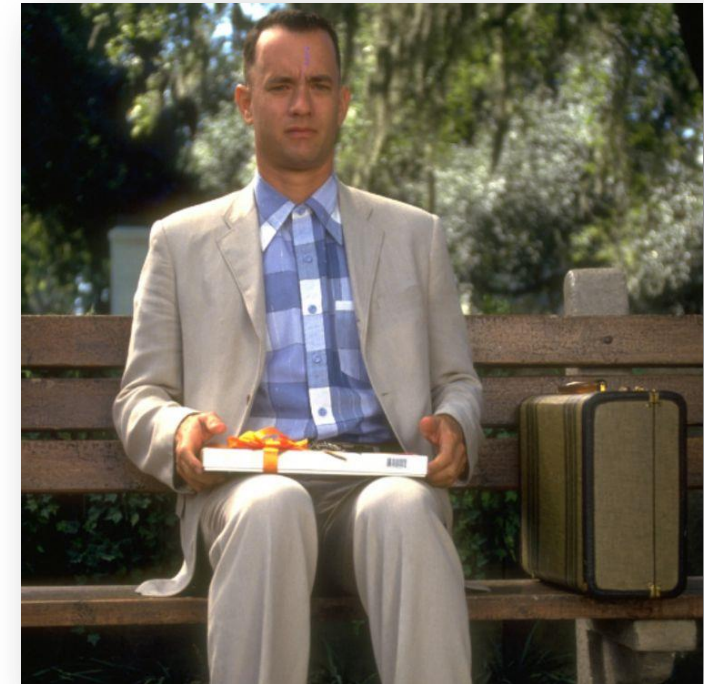
2021 Budget Assumptions	2021 Actual Performance
Reduce utilities and other operational expenses from 2020 budget	2021 operating expenses were budgeted at \$30.5M; \$660K favorable to-date
2021 OC Fair at 50% fixed daily attendance (30,000)	2021 OC Fair at 75% daily attendance (45,000)
2021 OC Fair expenses adjusted per reduction in programming	Budgeted \$13.9M and spent \$14.3M
Pacific Amphitheatre concerts sold at 50% capacity	Pacific Amphitheatre concerts sold at 100% capacity
2021 OC Fair programming adjusted to achieve budget goals	ASA events eliminated; Pig races replaced Heritage Stage
Additional staff/supplies increased for health and safety initiatives	Funds spent on PPE, additional cleaning supplies, signage, information videos and gate screening technology. Achieved GBAC accreditation



Economic Factors Affecting 2022 Budget

Cal State Fullerton, Woods Center for Economic Analysis and Forecasting

- Where are we headed? Inflation, recovery, job growth, uncertainty, optimism and lack of consumer confidence.
- The most pressing and longer-lasting concern is inflation, which will likely become endemic and pervasive, at least over the forecast horizon.
- The consensus at the federal level is that inflation will be high (4.2%) for the remainder of 2021, but only 2.2% in 2022 and beyond.



*"Life is like a box of chocolates.
You never know what you're
gonna get."*



Economic Factors Affecting 2022 Budget

- Our view is that this continues to remain a strong, durable and resilient recovery.
- The economy should be able to withstand the “stallflation” winds and continue to grow over the forecast horizon — a bit more hesitantly over the winter months and more confidently next spring.
- However, slow growth will continue, and the fundamentals of the economy are strong.
- Optimism is high for recovery.



“When everything seems to be going against you, remember that the airplane takes off against the wind, not with it.” – Henry Ford



Budget Assumptions for 2022

- Use the 2021 fair model for 2022 – “bigger is not always better”
- Cap ticket sales at 45,000 per day (advanced online)
- Increase utility expenses to adjust for increased use of the property
- No increase in fair admission pricing
- No increase in parking fees
- Increase budget for credit card fees to reflect advance online ticket sales
- Eliminate the earlier fair opening hour
- Continue the use of Evolv gate screening equipment
- Re-introduce programming in the Action Sports Arena
- Plan for Q1/Q2 events activity to be 75% of 2019
- Plan for Q3/Q4 events activity to be 100% of 2019
- Plan for a 2-day in-person Imaginology event
- Maintain a conservative capital projects budget



Labor Outlook

- Total labor: \$19.6M (\$4.1M increase from the 2021 budget)
- Minimum wage increases to \$15/hr.
- Increased benefits costs, including PERS
- Two new civil service employees
 - Irrigation/Landscape Specialist
 - Digital Communications Coordinator
- Reinstatement of part-time year-round event support staff



Year-Round Event Rental and Fair Merchant Rates

- Increases to reflect competitive market rates
- Year-Round Event Rental Fees
 - Increasing \$50-\$75 per day depending on size/location
 - \$37,500 in additional revenue based on 2019 mix (2.2%)
- Fair Merchant Space Fees
 - Increasing \$50-\$75 for the run of fair depending on size/location
 - \$28,000 in additional revenue based on full capacity (2%)



2021 v. 2022 Budget Changes

Revenue: from \$23.5M to \$53.8M

- Increased event activity
- Interest revenue increase
- Fair admissions revenue (from 30,000 to 45,000 per day)
- Full capacity in Pacific Amphitheatre and Hangar
- Return of programming in Action Sports Arena
- Expansion of Pacific Amphitheatre summer concert series
- Reinstate some competitive entry categories
- Increase in concessions revenue compared to 2021 budget
- Increase in carnival revenue compared to 2021 budget
- Increase in parking revenue compared to 2021 budget; addition of \$10 motorcycle parking



2021 v. 2022 Budget Changes

Expenses: from \$35.3M to \$47.8M

- + Filling the vacant Chief Administrative Officer position
- + Modified in-person Imaginology
- + Return of Market Week and Jr. Livestock Auction during fair
- + Increase in credit card fees
- + Increase in employee wages and benefits costs
- + Reopening of Heroes Hall and Centennial Farm
- + Increased utility expenses due to more property usage
- + Public art project
- + Return of some business travel
- + Allocation for employee training
- ✗ Many expense cuts from 2021 will be carried over in 2022
- ✗ Reduction in unemployment fees
- ✗ Transition to more digital marketing assets, rather than print
- ✗ Eliminate the early fair opening hour, along with related labor costs



Parking and Fair Admission Rates

- Parking

- No increase in parking - \$10
- Add motorcycle parking - \$10
- Off-site parking lot expenses same as 2021

- Fair Admission

- No increase in fair admission. Budget is carrying an average ticket price of \$10.87
- Based on ticket sales capacity of 45,000/day
- Blended rate of current adult, senior and youth admission



2022 Travel Budget

- **Conferences and Conventions:**

- Western Fairs Association Convention – Reno (previously approved by Board)
- USI Annual Conference – St. Louis
- CFA Fall Managers Conference – Sacramento
- Adobe Summit – Las Vegas
- HOW Design Conference – Boston
- IEG Sponsorship Conference – Chicago
- American Alliance of Museums Conference – Boston
- IAFE Management Conference – Phoenix
- IAFE Convention – Indianapolis

- **Training and Learning opportunities:**

- Mandatory State compliance training (Sacramento)

- **All travel is in compliance with CA State law. Banned states include:**

- Alabama
- Arkansas
- Florida
- Idaho
- Iowa
- Kansas
- Kentucky
- Mississippi
- Montana
- North Carolina
- North Dakota
- Ohio
- Oklahoma
- South Carolina
- South Dakota
- Tennessee
- Texas
- West Virginia



2022 Capital / Major Expenditure	FY2022	FY2023	FY2024
2021 Carry-forward (Major Expenditures)			
Lot G – Electrical Utility	225,000		
2020 Carry-forward Total:	225,000	0	0

Capital Expenditure			
Lot G – Sewer/Water utilities	450,000		
Exterior parking lot repairs	100,000	150,000	150,000
Interior parking lot repairs	100,000	100,000	100,000
Back Flow/Valve – replacement (all grounds)	20,000	15,000	15,000
Interior wayfinding (Phase 1)	30,000	50,000	50,000
Box Office roof - replacement		40,000	
Heroes Hall medallion – replacement/repair		250,000	
Administration Building windows – replacement (8)		35,000	
Courtyard – replace shade cloth		50,000	
Administration Building – HR office renovation		70,000	
Parking lot lighting controls		150,000	
Pacific Amphitheatre – restroom remodel		75,000	
Pacific Amphitheatre – irrigation sprinkler system upgrade		50,000	
Pacific Amphitheatre Box Office – repair entry surface		150,000	
Action Sports Arena – replace restroom		200,000	200,000
Box Office – replace drive island			250,000
Administration Building carpet replacement			300,000
Pacific Amphitheatre – restroom roll up doors			60,000
Centennial Farm – welcome center/gift shop			28,000
Maintenance Yard – compactor cover			190,000
Plaza Pacifica South Lawn – serenity garden pathway at Skyhawk			300,000
Capital Expenditure Total:	700,000	1,385,000	1,643,000

Major Expenditures	FY2022	FY2023	FY2024
Perimeter sign changes – new brand	50,000		
Heroes Hall signage	15,000		
Microsoft Office software upgrade	37,000		
Backstage curtains – band separation	15,000		
Pacific Amphitheatre – fall support on speaker towers	6,000		
Santa Ana Pavilion – column repair	26,000		
2 yard dumpster caster (320)	10,000		
2 yard plastic animal waste dumpsters – Farm (4)	6,000		
Storm water full capture system (Phase 1)	30,000	30,000	
Vestibule doors in building entrances	45,000	45,000	
Replace in-grounds electrical boxes	20,000	15,000	15,000
Picnic tables	25,000	20,000	20,000
Fair material	20,000	20,000	20,000
2 yard trash dumpsters (5)	25,000	35,000	35,000
All grounds WiFi	20,000	20,000	20,00
All grounds PA	45,000	45,000	45,000
Surveillance system – upgrade	14,000	14,000	14,000
Box Office gates – replace covering/screening		25,000	
Portable electrical panels		25,000	
Main Mall lighting retrofit – tower lights		20,000	
Parking lot fencing – green wrought iron fence		30,000	
Administration Building exterior resurfacing – color coat		30,000	
Exterior parking perimeter – landscaping		30,000	
Upgrade and renovate berm irrigation		120,000	
Electrical SO cord storage containers		5,500	
Pacific Amphitheatre storm water pumps		80,000	
Pacific Amphitheatre landscaping		15,000	15,000
Fire Lane – curb painting		50,000	50,000
Cable ramps		10,000	10,000
Crowd control stanchions/carts		10,000	10,000
Major Expenditure Total:	409,000	694,500	254,000

Equipment	FY2022	FY2023	FY2024
Hangar projector replacement	100,000		
Valve exerciser	6,000		
John Deere tractor replacement (per AQMD)	130,000		
Aerobic digester	250,000		
Recycle bins (400) Plastic (100) and Organic (100) recycle	40,000		
Taylor Dunn cart – fleet replacement (gas powered) for Event Operations	15,000		
Taylor Dunn cart – fleet replacement (Farm)	15,000		
Taylor Dunn cart – fleet replacement (Maintenance)	15,000	15,000	15,000
Portable restroom (2)	60,000	30,000	30,000
Tablets for Board Members during meetings		18,000	
Box Office awning (electric)		15,000	
Utility Power monitoring system		100,000	
Exhibits & Education passenger cart		15,000	
Portable rolling bleachers (ASA)		28,000	
Garden Kaleidoscope feature		11,000	
Equipment Total:	\$631,000	\$232,000	\$45,000
Major Expenditure Total:	\$409,000	\$2,311,500	\$1,942,000
Contingency:	\$100,000	\$100,000	\$100,000
Capital Expenditure Total:	\$1,840,000	\$2,411,500	\$2,042,000
2021 Carry Forward:	\$225,000	\$0	\$0
GRAND TOTAL:	\$2,065,000	\$2,411,500	\$2,042,000

Capital Expenditures/Major Projects

	FY 2022	FY 2023	FY 2024
Capital Budget total:	\$1,740,000	\$2,311,500	\$1,942,000
Contingency:	\$100,000	\$100,000	\$100,000
Cap-X budget:	\$1,840,000	\$2,411,500	\$2,042,000
2021 Carry forward:	\$225,000		
GRAND TOTAL:	\$2,065,000	\$2,411,500	\$2,042,000

Expenses Over \$50,000

Board of Directors Governing Policy 4.05.02 – CONTRACTING AND SIGNATURE AUTHORITY

- In accordance with Board Bylaws Article VI, the Board may authorize any officer or agent of the 32nd DAA to enter into any contract on behalf of the 32nd DAA. Within this context, the Board authorizes the CEO contract signature authority to execute a check or purchase commitment of \$50,000 or less. Notwithstanding the foregoing, the Board authorizes the CEO contract signature authority to execute talent guarantees of \$400,000 or less. Splitting expenses or orders to avoid these limits is not acceptable. Exclusions from this Contracting and Signing Authority Policy include commitments that have been separately authorized by the Board via the “Over \$50,000 Expenditure Budget Schedule,” which is submitted with each annual budget or an approved contract, LOU or rental agreement or is payment for utilities, Cal Card expenditures, insurance, payroll or State mandated services.*

VENDOR	EXPLANATION
Board of Equalization	Sales and Use Tax
Department of Forestry & Fire Protection	State Fire Marshal Services
Department of Justice	Attorney Services
Franchise Tax Board	CA Non Resident Withholding Remittance
California Economic Development Dept.	Unemployment Fees



IFBs/RFPs To Be Released in 2022

Type of Service	Proposed Release Date
Decorative lights rental	January, 2022
Shower trailer rental	January, 2022
Business Development Area restroom trailer rental	January, 2022
Pacific Amphitheatre audio equipment	September, 2022
Hangar/ASA lighting, staging and production	September, 2022
Pacific Amphitheatre lighting	September, 2022



2022 Budget Roll-Up

2022 PROPOSED BUDGET		
REVENUE		
Total OCFEC Self-Produced Event Revenue	\$45,904,892	
Total Rental Revenue	\$7,688,106	
Total Non-Operating Revenue	\$225,600	
TOTAL REVENUE:		\$53,818,598
EXPENSES		
Total Operating Expense	(\$43,582,308)	
Total Non-Operating Expense <i>(Depreciation, Major Projects, Net Pension Adjustment – GASB 68)</i>	(\$4,249,002)	
TOTAL EXPENSES:		(\$47,831,310)
TOTAL NET PROCEEDS:		\$5,987,288



2022 Budgeted Fair P&L

2022 Budgeted Fair Profit/Loss		
REVENUE		
Attractions:	\$19,995,213	
Services:	\$26,117,385	
TOTAL REVENUE:		\$46,112,598
EXPENSES		
Attractions:	(\$11,322,758)	
Marketing:	(\$1,472,689)	
Services:	(\$4,171,433)	
Total Fair Labor, Benefits, Taxes:	(\$6,617,684)	
TOTAL EXPENSES:		(\$23,584,564)
TOTAL NET PROCEEDS:		\$22,528,034



Questions ?

Upcoming meeting:
Board of Directors Meeting
November 18, 2021
9:00 a.m.

