



**MEMORANDUM**  
**PUBLIC WORKS AND FACILITIES**  
**PROPERTY MANAGEMENT DIVISION**  
County of Placer

TO: Board of Supervisors DATE: October 11, 2016  
FROM: Ken Grehm, Director of Public Works and Facilities  
By: Mark Rideout, Deputy Director  
SUBJECT: 9:10 / Property Management / Placer County Fairgrounds Update and Annual Report

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**ACTION REQUESTED**

Receive an update and annual report on the Placer County Fairgrounds, including the Placer County Fair Association Operating Agreement and the Fairgrounds Revitalization Committee.

Authorize the Director of Public Works and Facilities, or designee, to negotiate agreements with South Placer Tourism, Inc., to operate the Placer County Fairgrounds located at 800 All America City Boulevard in Roseville, including the annual County Fair beginning in 2018, interim event rentals, and the All American Speedway; and to perform feasibility analysis of a potential new indoor sports and event center building at the Fairgrounds.

**BACKGROUND**

The Placer County Fairgrounds comprises approximately 61 acres of land and improvements near the intersection of Washington and Junction Boulevards within the City of Roseville (Fairgrounds). Operation and management of the Fairgrounds is the responsibility of the Placer County Fair Association (PCFA), pursuant to County Contract No. 11520 (Agreement). Under this Agreement, PCFA conducts and promotes events at the Fairgrounds including community functions, the All American Speedway, and the Placer County Fair (Fair) that has been held at the Fairgrounds since 1937.

Prior to 2010, the State of California provided annual funding to the 78 County and District Agricultural Fairs, and through that program PCFA received approximately \$200,000 annually as a general allocation plus up to \$150,000 for capital improvements and deferred maintenance. Following a 3-year suspension of this State support, in 2013 the State began providing \$30,000 annually as a general allocation and limited funding for deferred maintenance. For 2016 the general allocation was increased to \$40,000, and PCFA was awarded \$45,000 for a range hood and fire hydrant. Since the State's 2010 suspension, PCFA has struggled financially, which dictates reduced staffing levels affecting marketing, facility maintenance, and financial accounting.

Entities that operate fairgrounds typically rely on revenues from interim event rentals to produce the annual fair and operate the site. Similar to many fairgrounds statewide, PCFA is challenged to increase interim event revenue given the Fairgrounds' physical condition, including: aging facilities and infrastructure, accessibility needs, unpredictable plumbing, and deferred maintenance. Many of these issues result from 80 years of site development, with Jones and Johnson Halls being built in the late 1940's, and Lauppe Hall in the 1960's.

Recognizing the long term fiscal and physical challenges of the Fairgrounds, on July 9, 2013 your Board awarded a contract to the RCH Group, Inc. for a comprehensive assessment and feasibility study. RCH identified opportunities to enhance the Fair and Fairgrounds, and affirmed

the viability of a new Event Center in South Placer that could serve as a community resource and foster regional economic growth. RCH recommended a Request for Proposals (RFP) for a new Fairgrounds Operator, and a Fairgrounds Revitalization Committee (FRC) assist with the RFP and provide other advice to the County.

On January 6, 2015 your Board appointed 11 residents with diverse backgrounds as members of the FRC, who provided significant input during RFP development. Procurement Services conducted the RFP solicitation, and on September 15, 2015 your Board affirmed staff's recommendation to reject the two responsive proposals as neither addressed the RFP goals. To provide continuity of Fairgrounds events including the 2016 Fair, on November 17, 2015 your Board approved Amendment 5 to the Operating Agreement, which provides a 3-year extension of the term to December 31, 2018.

In 2016, an audit and four financial reviews were conducted by the Placer County Auditor-Controller's Office to assist PCFA's effort to meet State requirements and to allow for eligibility for PCFA to receive State funding. Financial reviews were conducted for 2010, 2011, 2012, and 2013, and an audit was performed for 2014. The audit identified two key items, insufficient record keeping and significant deficiencies in internal control, that need to be corrected going forward. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. Andrew Sisk, County Auditor-Controller, presented his findings at the PCFA Board of Director's meeting on July 20, 2016 and outlined steps PCFA could take to make improvements, including the formation of a Board Finance Committee, better record keeping, training for accounting staff, and including budget to actuals reporting. The PCFA Board voted unanimously to adopt all of the Auditor-Controller's recommendations.

Regarding 2016 Fairgrounds operations, PCFA adopted its annual budget on May 18, 2016 (attached), which projects Total Expenses of \$1,263,520 and Total Revenue of \$1,172,664. The 2016 Speedway schedule commenced on April 9<sup>th</sup> and the 27 race events include 8 practice dates and 19 race dates. The season will conclude on October 22, 2016, and PCFA continues to implement operating restrictions on the Speedway to mitigate impacts to the surrounding area, including one race-free weekend per month.

PCFA considers the 2016 Fair to be a success as a product of enhanced marketing and additional entertainment. In 2016, interim event usage increased to 99 year-to-date, compared to 81 uses for 2015. The most recent PCFA Financial Statements, which their Board adopted on September 21, 2016, indicate a net loss of \$42,520 year-to-date for Fairgrounds operations. While it is difficult for PCFA to allocate utility and staffing expenses with certainty based on the configuration of site utilities, it appears approximately \$12,000 of the loss is attributable to the Speedway and \$54,000 of the loss is attributable to the Fair event.

In addition to revenues derived from site operations and the State allocation, as in prior years the County provided \$25,000 to PCFA for conducting the 2016 Fair, and contracting for interim community events. To address the seasonal nature of Fairgrounds cash-flow, on February 24, 2015 your Board approved a loan of up to \$100,000 and to date PCFA has requested loan disbursements totaling \$85,000 and has repaid \$30,000.

As previously discussed, the Agreement includes a non-renewal provision your Board could exercise before October 24, 2016, which would terminate the Agreement on December 31, 2016. Other provisions include the mandatory assignment of the Agreement to a new operator

selected by County. PCFA is excited to begin planning the 80<sup>th</sup> Anniversary 2017 Placer County Fair and is prepared to contract for interim events through December 31, 2018.

#### Fairgrounds Revitalization Committee

Through their 19 committee meetings to date, FRC members assisted staff with brainstorming and refining concepts associated with Fairgrounds repair, operations, and vision.

The Repair discussions resulted in your Board approving a \$200,000 Capital Project on November 17, 2015, and subsequent prioritization of the repairs completed before the 2016 Fair. Several hazardous trees were removed, small buildings re-roofed, and Boy Scouts from Troops 1, 120, and 1051 painted electrical pedestals, small buildings, and the olive orchard park. Volunteers repaired the tile entry mosaic, and the Northern California Construction Training program painted light poles and concession stands. Of the \$200,000 appropriated, \$125,656 has been encumbered to date leaving a balance of \$74,344. To further prioritize Fairgrounds needs, assessments are underway for the electrical and sewer systems, and ADA Accessibility.

Although the FRC also discussed site operations and provided PCFA with marketing advice, the long-term vision was of primary interest to the FRC in 2016. Vision conversations at the August 24, 2016 FRC meeting clarified the following options:

- Close Fairgrounds - repurpose property, with or without the Fair continuing elsewhere
- Keep Existing Site - operate Fairgrounds and Fair in a sustainable manner
- Relocate to New Site - conceptually near the landfill or on other privately held land

Members used a matrix to evaluate each option in terms of Vision, Risk, Financing, and Timing; and received a presentation from Placer Valley Tourism (PVT) on the concepts described below, which became the FRC's top-ranked concept. This position was affirmed at the September 21, 2016 FRC meeting, when the FRC also revisited and affirmed their preference to "Keep Existing Site."

#### Fairgrounds Revitalization Committee Recommendation

Through an Action Item at its September 21, 2016 regular meeting, the FRC offered the following recommendation to the Board of Supervisors:

- Keep the Fair and Fairgrounds at the existing site.
- Continue discussions with PVT to explore a potential partnership in connection with their proposal, with the understanding PVT could operate the Fairgrounds property as a multifaceted event center, potentially working with partners on various aspects including managing interim rentals, conducting the annual Placer County Fair, Speedway events, or other future operations.
- The FRC concluded the PVT proposal embodies the objectives set during the FRC visioning process, encompassing Youth, Community, Health, Education, Authenticity, Identity, Tradition, and Quality.

#### Placer Valley Tourism

South Placer Tourism, Inc., doing business as Placer Valley Tourism (PVT), is a California non-profit corporation and also manages a Business Improvement District (BID). PVT created a separate 501c3 non-profit corporation in anticipation of potentially operating a sports facility to benefit the local economy. The geographic footprint of the PVT BID includes hotels in the three cities of Roseville, Rocklin, and Lincoln. PVT exists to market the region as a tourism destination in order to generate incremental room nights in hotels in these cities. Each hotel

property within the footprint currently pays a \$4.25 assessment into the BID for each paid room night in the respective hotel and this assessment is scheduled to increase to \$6.50 in January 2017 to provide support for proposed PVT facilities.

PVT's primary expertise is in event marketing and production, and they search nationally, regionally, and locally to recruit events. They have worked successfully with several sports leagues to bring indoor sports tournaments such as volleyball, basketball, pickleball and wrestling to the region. PVT envisioned if the region had a facility that could effectively host large indoor sports tournaments and events, it would increase weekend hotel room occupancy especially in the winter months when the hotels have more availability and would potentially provide a significant boost to the region's economic development.

In 2015, PVT hired Hunden Strategic Partners (HSP) to perform a market assessment of indoor athletic and event facilities in South Placer. In their report, HSP evaluated the market and demographic trends, compared the functionality and supply and demand of a variety of sports activities and completed other key market analysis tasks in order to arrive at recommendations for a sustainable and market appropriate indoor sports and event project. Key conclusions and recommendations of the HSP study suggest an Indoor Sports Complex be developed to fill a void in the greater Sacramento area. HSP also recommends investigating a variety of management alternatives, and the effect of reinvesting proceeds in the Indoor Sports Complex. PVT believes the economic, fiscal and employment impact of these investments will be significant in terms of new jobs, spending, hotel room nights and local taxes.

HSP presented these findings to a diverse group of community members at a meeting on May 17, 2016. At that meeting, PVT indicated its financial commitments to the Longfield Complex in Roseville necessitated a 5-10 year development horizon for an Indoor Sports Complex, and although they studied a variety of building models, a preferred site had not been identified. PVT informed County staff it subsequently identified a need for additional evaluation of PVT involvement in the Longfield Complex, and approached the County with a potential concept for the Fairgrounds. PVT hired a local architect to develop conceptual plans to renovate existing Fairgrounds buildings, parking lots, and other facilities; and to potentially construct a new 100,000 - 180,000 square foot building and related amenities.

Staff recommends your Board direct Public Works and Facilities to negotiate agreements with PVT that may result in PCFA assigning the PCFA/County Agreement for operation of the Fairgrounds to PVT, and in PVT performing a feasibility analysis for Fairgrounds renovations and a potential a new indoor sports and event center building at the Fairgrounds. Staff further recommends your Board not exercise the non-renewal provision of the PCFA/County Agreement. By not taking this action, the PCFA/County Agreement will extend beyond December 31, 2016, allowing PCFA to produce the 2017 Placer County Fair and contract for interim events through December 31, 2018.

#### **ENVIRONMENTAL IMPACT**

Negotiation with PVT is exempt from review pursuant to Section 15306 of the California Environmental Quality Act Guidelines. This exemption allows for data collection, research and resource evaluation activities. Any proposals recommended by the proposed feasibility analysis would be subject to separate environmental review. Ongoing PCFA operations are Categorically Exempt from review pursuant to Section 15301 of the California Environmental Quality Act Guidelines. This section provides for activities, including leasing of existing facilities, where there is no expansion of use beyond that previously existing.

**FISCAL IMPACT**

Funding for staff time and professional services associated with County administration of the PCFA Operating Agreement, and evaluation of the PVT Fairgrounds concept is available in the FY 2016/17 Property Management Division budget.

**ATTACHMENTS**

PCFA 2016 Budget

## PCFA 2016 BUDGET

**Summary of Operations**

**Placer County Fair**

	Acct. No.	Actual 2014	Budgeted 2015	Estimated 2015	Proposed 2016
<b>OPERATING REVENUES:</b>					
Admissions to Grounds	41000	\$51,732		\$51,400	\$61,071
Commercial Space	41500	28,375		28,375	40,788
Concessions	42000	107,411		108,000	137,689
Exhibits	43000	1,367		1,375	21,700
Horse Show	44000				
Horse Racing (Live)	45000				
Satellite Wagering	45005				
Fair Attractions	46000	110		2,190	250
Motorized Racing	46109	340,219		347,785	394,520
Interim Attractions	46009				
Miscellaneous Fair	47000	47,371		27,050	39,420
Miscellaneous Non-Fair Programs	47005	22,061		18,841	8,000
Interim Revenue	48000	545,684		554,937	441,947
Prior Year Revenue Adjustments	49000				
Other Operating Revenue	49500	5,508		1,970	27,279
<b>TOTAL OPERATING REVENUES (to Page 1)</b>		<b>1,149,838</b>		<b>1,151,923</b>	<b>1,172,664</b>
<b>OPERATING EXPENDITURES:</b>					
Administration	50000	174,322		158,054	253,044
Maintenance & General Operations	52000	134,386		151,897	201,786
Publicity	54000	23,008		30,000	17,257
Attendance Operations	56000	64,367			46,495
Miscellaneous Fair	57000	31,476		69,774	46,078
Miscellaneous Non-Fair Programs	57005	5,404		270,681	11,449
Premiums	58000	4,440		2,505	10,452
Exhibits	63000			4,012	70,611
Horse Show	64000				
Horse Racing (Live)	65000				
Satellite Wagering	65005				
Fair Entertainment	66000	25,200		25,200	55,000
Motorized Racing	66109	287,828		322,450	364,866
Interim Entertainment	66009			5,026	
Equipment (Funded by Fair)	72300	10,691			3,560
Prior Year Expense Adjustments	80000			610	
Cash (over/under)	85000	331		350	1,851
Other Operating Expense	94000	270,877			181,071
<b>TOTAL OPERATING EXPENDITURES (to Page 1)</b>		<b>1,032,320</b>		<b>1,040,559</b>	<b>1,263,520</b>
<b>NET OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION</b>		<b>117,518</b>		<b>111,364</b>	<b>(90,856)</b>
Depreciation Expense	90000	59,494		59,276	59,948
<b>NET OPERATING PROFIT/(LOSS) AFTER DEPRECIATION</b>		<b>58,024</b>		<b>52,088</b>	<b>(150,804)</b>
<b>LOCAL (BASE) ALLOCATION - (From Page 1)</b>	31200				38,190
<b>OTHER FUNDS - ACCT. #313, #325, #330, #340 (From Page 1)</b>		56,577			52,599
<b>UTILIZATION OF UNRESTRICTED NET RESOURCES (If applicable)</b>					
<b>NET PROFIT/(LOSS) BEFORE DEPRECIATION, CURRENT YEAR</b>		<b>\$174,095</b>		<b>\$111,364</b>	<b>(\$67)</b>
<b>NET PROFIT/(LOSS) AFTER DEPRECIATION, CURRENT YEAR</b>		<b>\$114,601</b>		<b>\$52,088</b>	<b>(\$60,015)</b>