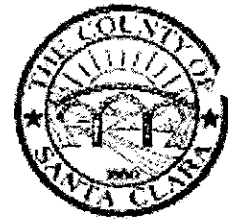


# County of Santa Clara

Office of the Clerk of the Board of Supervisors  
County Government Center, East Wing  
70 West Hedding Street  
San Jose, California 95110-1770  
(408) 299-5001 FAX 298-8460 TDD 993-8272



Maria Marinos  
Clerk of the Board

# FILED

SEP 12 2011

DAVID H. YAMASAKI  
Chief Executive Officer/Clerk  
Superior Court of CA County of Santa Clara  
BY D. ALDYCK

August 17, 2011

The Honorable Richard J. Loftus, Jr.  
Presiding Judge  
Santa Clara County Superior Court  
191 North First Street  
San Jose, CA 95113

RE: Grand Jury Report: Santa Clara County Fairgrounds Management Corporation

Dear Judge Loftus:

At the August 9, 2011 meeting of the County of Santa Clara Board of Supervisors (Item No. 18), the Board adopted the responses from the County Administration to the Final Grand Jury Report and recommendations relating to "Santa Clara County Fairgrounds Management Corporation.

As directed by the Board of Supervisors and on behalf of the Board President, our office is forwarding to you the enclosed certified copies of the responses to the Final Grand Jury Report with the cover memorandum from Mr. Graves. This response constitutes the response of the Board of Supervisors, consistent with provisions of California Penal Section 933(c).

If there are any questions concerning this issue, please contact our office at 299-5001 or by email at [maria.marinos@cob.sccgov.org](mailto:maria.marinos@cob.sccgov.org).

Very truly yours,

A handwritten signature in cursive script that reads "Maria Marinos".

MARIA MARINOS  
Clerk, Board of Supervisors  
County of Santa Clara

Enclosures

MM/mm

# County of Santa Clara Office of the County Executive



CE10 080911

DATE: August 9, 2011

TO: Board of Supervisors

FROM:

Handwritten signature of Gary A. Graves in black ink.

Gary A. Graves  
Chief Operating Officer

SUBJECT: Response to Santa Clara County Civil Grand Jury Report: Santa Clara County Fairgrounds Management Corporation.

## RECOMMENDED ACTION

Consider recommendations relating to Final Grand Jury Report relating to Santa Clara County Fairgrounds Management Corporation.

Possible action:

- a. Adopt response from Administration to Final Grand Jury Report relating to Santa Clara County Fairgrounds Management Corporation.

AND

- b. Authorize the Board President and Clerk of the Board of Supervisors to forward department response to Grand Jury report to the Presiding Judge of the Superior Court

with approval that responses constitute the response of the Board of Supervisors, consistent with provisions of California Penal Code Section 933 (c).

OR

- c. Adopt a separate or amended response to the Final Grand Jury Report relating to Santa Clara County Fairgrounds Management Corporation, and authorize the Board President and Clerk of the Board to forward response to the Presiding Judge of the Superior Court.

**FISCAL IMPLICATIONS**

There are no fiscal implications associated with these Board actions.

**REASONS FOR RECOMMENDATION**

Attached is the Department response to the Grand Jury's findings and recommendations enumerated in the Final Report, Santa Clara County Fairgrounds Management Corporation. The response has been completed pursuant to California Penal Code, Section 933 (c) and 933.05 (a).

The attached response from the Fairgrounds Management Corporation, Inc. (FMC) is provided for the Board's information only. FMC will send its own separate correspondence and response to the Grand Jury Report.

**Child Impact Statement**

The recommended action will have no neutral impact on children and youth.

**BACKGROUND**

The Civil Grand Jury reviewed the operations of the Santa Clara County Fairgrounds Management Corporation through review of numerous Fairgrounds-related documents, interviews with the Administration, members of the FMC Board and FMC staff. The Civil Grand Jury observes that the BOS created the nonprofit FMC as a way to avoid the financial burdens of a County-run department, e.g., higher labor costs and more rigorous purchasing procedures. It is the Grand Jury's position that if the Fairgrounds were operated using best management practices, then FMC should be able to operate with a break-even or positive cash

flow. The Civil Grand Jury has several recommendations for FMC, to which FMC has responded under separate cover (Attached). The Civil Grand Jury has several recommendations for the County. They recommend that the County reconsider whether the nonprofit model is the best way to operate the Fairgrounds. They also suggest that the County commission, or request the FMC Board to commission, an independent performance audit. They comment on the vacancy the FMC Board seat that is to be appointed by Board of Supervisor District 4, and they recommend that Supervisor Yeager should recruit an individual with strong business acumen to fill the vacancy. Furthermore, they recommend that the County should modify the Management Agreement with FMC to require that FMC sustain a break-even or positive cash flow operation. Finally, they recommend that the County should increase wireless communication tower lease rates for the three existing wireless communication leases at the Fairgrounds.

### **CONSEQUENCES OF NEGATIVE ACTION**

The County would not be in compliance with the law in responding to the Grand Jury's Final Report.

### **STEPS FOLLOWING APPROVAL**

Following approval of the responses provided, forward all comments of the Santa Clara County Board of Supervisors to the Honorable Richard J. Loftus, Jr., Presiding Judge, Santa Clara County Superior Court on or before Friday, September 23, 2011.

### **ATTACHMENTS**

- Santa Clara County Civil Grand Jury Final Report
- Response from Asset n Economic Development Director
- Response from the Fairgrounds Management Corporation, Inc.

# County of Santa Clara

Office of the County Executive

County Government Center, East Wing  
70 West Hedding Street  
San Jose, California 95110  
(408) 299-5105



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DATE: July 15, 2011

TO: Gary A. Graves  
Chief Operating Officer

FROM: Bruce Knopf  
Asset & Economic Development Director

SUBJECT: Response to Santa Clara County Civil Grand Jury Report: Santa Clara  
County Fairgrounds Management Corporation

I attach response to the Civil Grand Jury's Final Report regarding the Santa Clara County Fairgrounds Management Corporation, and the Letter of June 22, 2011 addressed to President Cortese.

Attachments:

**Santa Clara County Response  
2011 Civil Grand Jury  
Findings and Recommendations  
Fairgrounds Management Corporation**

**Executive Summary**

The following report responds to the findings and recommendations of the Civil Grand Jury Report and letter to President Cortese, dated June 22, 2011, regarding the Fairgrounds Management Corporation (FMC), a non-profit corporation created by the County in 1995.

**Background**

The County acquired and began operating the Fairgrounds for public entertainment events and the Annual County Fair in 1940. Various buildings were added in the 1950's and 1960's, and the Fairgrounds became the South Bay focal point for concerts and family entertainment. The Fairgrounds prospered through the 1970's, until a decline set in around 1980. The physical condition of the Fairgrounds had deteriorated significantly without a capital improvement plan, and attendance at events decreased sharply.

In 1994, after a long period of financial decline, the former Fair Association went into bankruptcy. In 1995, the Board of Supervisors formed a new governance structure, the Fairgrounds Management Corporation (FMC), a non-profit corporation separate from the County. In 1997, the County and FMC began planning for a significant revitalization of the Fairgrounds, with the intention of providing new entertainment and exposition facilities to return the Fairgrounds to financial solvency. The Board of Supervisors adopted the Fairgrounds Revitalization Plan in 1998, approved the Fairgrounds Revitalization Project concept in 1999, and formally adopted the Final Environmental Impact Report (FEIR) and approved the Project on April 18, 2000.

The main component of the Revitalization Project was the Fairgrounds Theater Project. Following four years of planning, design and the creation of the Silicon Valley Theatre Financing Corporation (Corporation), the Board approved the financing plan and associated legal documents for the Theater Project on May 18, 2004. The Corporation then approved the financial and business documents necessary to implement the financing plan on August 3, 2004, the same day the City of San Jose and the SJ Downtown Association filed lawsuits against the County, effectively suspending the project.

The County continues to pursue a strategy of long term revitalization for the Fairgrounds.

**Discussion**

The following section provides a general discussion of the purpose and historical context in which FMC operates, followed by detailed response to each of the Findings

and Recommendations identified in the Grand Jury's letter to President Cortese, dated June 22, 2011.

Since 1995, the County and FMC have wrestled with many of the same issues identified by the Grand Jury. However, the County has not given FMC sole responsibility, or the resources, to tackle the challenge of making the Fairgrounds a self sustaining operation. The County Board of Supervisors has reserved for itself all decisions regarding Fairgrounds revitalization and the construction of new improvements (per County/FMC Management Agreement, Section (G)(i) and (ii), Page 3). Furthermore, it has been widely recognized that the likelihood of success in accomplishing the goal of making the Fairgrounds a self-sustaining operation is linked to the County's ability to formulate and implement a new master plan/revitalization program. These factors affect both the County's expectations for, and review of, FMC's performance.

Over the past 20 years, the County has undertaken two major revitalization strategies (the House of Blues project and a subsequent developer qualification process) and a recently initiated Ad hoc Community Committee planning and review effort. As yet, none of these efforts have progressed to the point of securing significant new outside investment.

First and foremost, it has been the County's priority to make the Fairgrounds a venue that meets the community's needs and is economically successful. Inherent in this goal has been the widespread understanding that major new investment would be required. In the past, County's approach to attracting/securing such investment has been to master plan the facility and attract a major new private sector partner who would finance and develop the site, thereby creating an economic engine to finance renovation of the public facilities.

For example, the House of Blues Project Objectives for the (then) proposed Santa Clara County Fairgrounds Revitalization Project were to:

- *"...re-create the fairgrounds as a self-sustaining family recreation and entertainment zone in order to overcome the financial obstacles faced by the fairgrounds in previous years:*
  - *Develop a self-sustaining family recreation and entertainment enterprise zone;*
  - *Increase public attendance, broaden participation, and make the fairgrounds vital to the community;*
  - *Use a minimum of County funds and repay funds used to underwrite the revitalization effort; and*
  - *Break even with operating costs within five years".*

(FEIR, Page S-1)

In 1998 and 1999, the memory of the 1995 Fairgrounds Association bankruptcy was still fresh, and it was clear that the Fairgrounds was still experiencing financial difficulties. It

was believed that only a program of major private investment could be expected to turn around the Fairground's financial performance. For example, the No Project Alternative analyzed in the FEIR, observed the following:

*"...the No Project Alternative would maintain the status quo at the fairgrounds ...it (the fairgrounds) would be expected to experience continued dwindling attendance and not achieve the financial goal of breaking even in the next five years."*

FMC's role has been that of providing support, with the County taking responsibility for making all decisions regarding the Fairgrounds revitalization program. FMC's responsibility has been to manage the property not under development, including event rental, operations, maintenance, assisting the County in attracting new development, and planning and overseeing the Annual County Fair. (FMC Management Agreement, Sections (G) and (H), Pages 3 and 4). Therefore, concern about failure of FMC to generate financing sufficient to fund deferred maintenance and to make capital investment to replace Fairgrounds components that have reached the end of their useful life are comments more appropriately aimed at the success or failure of Fairgrounds revitalization efforts, and not FMC.

Finally, not only has FMC had to operate under the constraint of severely limited resources for capital improvements, but the County has also imposed on FMC the operational requirement of covering all costs of producing the Annual County Fair (now the "Annual 4-H and FFA Youth Event") in a climate of declining public interest and Fair attendance and profitability. While the Annual County Fair has been a long standing tradition, providing social and cultural events that serve the public interest, attendance at the County Fair has declined from its peak of about 690,000 visitors in the 1980's to about 100,000 when the Fair Association declared bankruptcy. Fair attendance continued to decline to 35,000 in 2005 and 2006. Fair attendance surged to a level of 58,000 in 2007, when it was held on a trial basis as a five-day Fair in 2007, but still fell far short of reaching its then break-even point of 75,000. In recent years attendance was, as follows: 5,000 in 2008; 10,000 in 2009; and, 25,000 in 2010.

Notwithstanding this difficult situation with attendance, FMC has substantially complied with its contractual requirement to cover the cost of holding an Annual County Fair. Since 1995, the Annual County Fair has created losses totaling \$4,029,468. During this time the County has subsidized the Annual County Fair in the amount of \$1,165,000, leaving \$2,864,468 of un-recovered cumulative losses. The FMC has absorbed all but \$197,412 (or 93%) of these Annual Fair losses through revenue generated by its profit centers, primarily Satellite Wagering.

**Finding 1:** "The County established FMC as a non-profit to operate the Fairgrounds; however, FMC has not been successful. FMC has operated at a loss and has required County bailout in all but one of the past sixteen years."



**Response to Finding 1:** The County established FMC as a non-profit entity to manage and operate the Fairgrounds. However, the Fairgrounds historical lack of profitability has as much to do with County's frustrated efforts to secure new private investment and to implement a Fairgrounds revitalization program, as it does with FMC management. The County anticipated that its efforts to implement a program of major new investment and construction would have both created the economic engine to finance new private development on the site and finance reinvestment in Fairgrounds exposition facilities and infrastructure, whether at the current Fairgrounds location or at a new site.

The County has undertaken two major revitalization efforts described below, both of which were stymied by factors outside of the County's control, House of Blues (1998-2006) and a developer RFQ/RFP selection process (2007-2009). The County currently has established an Ad Hoc Committee of stakeholders to gather community input and to review and analyze past Fairgrounds proposals and provide the Board with policy recommendations on future redevelopment.

House of Blues (1998-2006). In April 2000, the County entered into a Ground Lease with House of Blues for development of an entertainment and performing arts complex, which would have created an 8,300 seat performing arts venue with \$32 million of private financing. The County would have invested \$7.5 million of its share of proceeds from the House of Blues Ground Lease into a new parking structure and backbone infrastructure. Phase Two of this project would have included County construction of a new 175,000-200,000 square foot, multi-purpose Expo Center and a 60,000 square foot recreational facility to be operated by FMC. The County would have financed the \$35+ million cost of these improvements through sale and development of hotel, retail, office and/or housing on the 14-parcel across Tully Road. However, in 2004 this project was suspended by litigation between the City of San Jose and the Downtown Business Association and the County. On August 29, 2006, the Board of Supervisors terminated the project as infeasible in the absence of the County injecting \$15 million to cover cost increases arising from delay caused by the litigation (litigation, it should be noted, in which the County ultimately prevailed).

Given the lack of a viable Fairgrounds revitalization project in 2006 and 2007, the Board of Supervisors approved a total of \$5.5 million of funding for FMC to undertake repair of deferred maintenance and other infrastructure improvements.

Fairgrounds Redevelopment 2007-2009. In 2007, the County began soliciting interest of developers through a Request for Qualifications process in order to implement a real estate development project at the Fairgrounds site. The process never progressed to the point of making decisions regarding ultimate uses. However, development options included two scenarios:

1. Scenario (A) included four elements involving housing on Umbarger Road, commercial development on Monterey Road, and continued public use in the central core area of the Fairgrounds.
2. Scenario (B), "blank canvas" scenario, involved all Fairgrounds acreage, but also would have provided for continued public use of some of the Fairgrounds property as a gathering place for community festivals and similar events, or it would have provided revenue to relocate the Fair to a new south County location.

At its meeting of December 16, 2008, the Board of Supervisors approved entering into an Exclusive Negotiating Agreement with Catellus Development Group. This effort, however, was terminated by the withdrawal of Catellus in early 2009 due to economic decline of the real estate market.

At its meeting of June 9, 2009, District 2 Supervisor Shirakawa proposed, and the Board of Supervisors approved, formation of an Ad Hoc Committee of stakeholders, chaired by Supervisor Shirakawa, to gather community input and to: (1) review and analyze current and past Fairgrounds proposals; (2) hold public hearings to determine community needs; and, (3) provide the Board with policy recommendations on future re-development.

**Recommendation 1:** "The County should reconsider whether the non-profit model is the best way to operate the Fairgrounds."

**Response to Recommendation 1:** The County has implemented Recommendation 1. Continued operation of the Fairgrounds through use of a non-profit entity was assessed in a five-month process in 2010 that evaluated potential in-house management of the Fairgrounds on an interim basis. (See attached Off Agenda Memo dated October 29, 2010, from the Asset and Economic Development Director to the Board of Supervisors). The County confirms that the level of effort and cost of further exploration is not warranted at this time.

As part of the 2010 study, discussion with potential operators suggested that the County would need to finance deferred maintenance and capital upgrades or offer a long term agreement sufficient to amortize private sector investment. The County does not have resources to fund capital improvements, and until recently the County has been unwilling to consider any agreement longer than 12 months. The current Agreement with FMC has been extended for 36 months. It is a priority for the County that there is flexibility to cancel the Management Agreement, as necessary, to accommodate plans put forward by the Fairgrounds Ad Hoc Committee. As such, the current Management Agreement is subject to cancellation by the County upon a 90-day notice.

Staff contact with potential event facility operators in 2010 did not yield private sector interest. Furthermore, no models were found in which a county fairgrounds was contracted out to a for-profit entity.

**Finding 2:** "In the last sixteen years, the FMC Board has not commissioned -- nor has the County requested the Board to commission -- an independent performance audit of FMC, even though FMC's poor performance warrants this type of audit."

**Response to Finding 2:** The County agrees that it has not during the term of the Management Agreement requested the FMC Board to commission an independent performance audit. The County has, however, undertaken its own evaluation of management and operations at the Fairgrounds, as noted above under Response to Recommendation 1.

**Recommendation 2A:** "The County should request the FMC Board to commission an independent performance audit of FMC and the FMC Board."

**Response to Recommendation 2A:** The County concludes that requesting the FMC Board to commission a performance audit would be both unwarranted, considering the limitations under which FMC is required to operate, and the cost would be unreasonable given the added value that such a study would yield.

The County's recent 2010 study by County Fleet and Facilities Department, the Parks and Recreation Department, and the Office of the County Executive was conducted over five months with hundreds of staff hours in on-site visits and interviews. While its primary purpose was to evaluate options for in-house County management of the Fairgrounds on a temporary basis, the process included many of the same components covered by management audits. For example, the County's study included independent evaluation of FMC staffing, management and possible relocation options for the Annual Youth Fair. The study evaluated current job descriptions and position responsibilities and created replacement staffing plans. On this basis, the study concluded that County labor and personnel costs would be at least 20% higher, and perhaps as much as 50% higher, than the \$1.89 million that FMC expended on personnel in 2009. The estimates did not include County fixed cost allocation or the cost to cover unpaid overtime devoted by FMC staff. The analysis concluded that FMC costs are generally lower due to several factors, including: lower salary and benefit costs; the flexibility to utilize staff for multiple functions; the use of part time and casual labor according to the needs of individual events; and, the use of Public Service Program (PSP) and inmate workers.

Though the process of analyzing FMC staffing, both the Fleet and Facilities Department and the County Parks and Recreation Department independently concluded that FMC efficiently uses staff and achieves significant economies with limited resources. For example, staff discussed with FMC their plans for competitive bidding of the catering contract due to expire in 2012, in order to increase revenues. In other areas, FMC achieves certain economies through

creative cost reduction on minor projects such as asphalt surface repair and grading and landscaping by bartering for services with local businesses.

The level of effort required to conduct an outside, independent performance audit has been estimated to involve between 700 and 750 hours. If such a study were undertaken, a typical Task Plan and allocation of time might involve the following:

<b>Task</b>	<b>Hours</b>
1. Entrance Conference	4
2. Survey interviews	50
3. Business Management:	
Concession Agreements/ site leases/ recurring events	50
Events planning	25
Marketing/Advertising	25
Accounting/budget/payroll	40
4. Operations	
Staffing	25
Contract Services	25
Utilities	25
Security	20
Insurance	10
5. Facilities	
Maintenance	20
Capital	20
6. Survey Counties	50
7. Evaluation of:	
New/Additional Events/Uses	40
Relocation Option	80
8. Exit Conference	12
9. Report Writing	200
<b>Total</b>	<b>720 Hours</b>

The cost of such a study could be expected to range between \$85,000 and \$100,000. If a performance audit were to be required, the County could expect FMC to request that the County fund such a study.

**Finding 3:** "The County does not hold the FMC Board accountable for its lack of oversight in ensuring FMC meets its contractual obligations, and the FMC Board does not demonstrate the business acumen necessary to effectively oversee FMC. There is a seat vacant (to be filled by the District 4 Supervisor) on the FMC Board."

**Response to Finding 3:** The County respectfully disagrees with Finding 3.

- A. Throughout the term of the FMC Agreement, the County has held FMC accountable for submitting a balanced annual budget and supporting business plan.

In addition beginning in 2009, the County instituted new systems and procedures to ensure greater monitoring and control of FMC's performance, as follows:

1. Throughout the year, the County Asset and Economic Development (AED) Director from the Office of the County Executive meets as needed with the FMC Executive Director and/or the Chair of the FMC Board on significant issues related to operations, budget and policy, in order to anticipate, discuss and resolve issues of concern, often prior to formal proposals being considered at the FMC Board or the County Board of Supervisors level. The AED Director has always attended meetings of the FMC Board on an ad hoc basis. As of December 2009, the AED Director began monitoring FMC Board actions by attending and participating in all meetings of the FMC Board.
2. This heightened degree of County involvement, for example, led the AED Director in early 2010 to initiate discussions with the Chair of the FMC Board around developing a strategy for Executive Director succession planning. Such discussions resulted in an early transition in FMC management. New management, and subsequent management restructuring later in the year, resulted in overall savings in 2010 and continued savings that will accrue in 2011 and beyond. Savings in personnel costs were a significant factor contributing to an operating surplus in 2010.
3. In order to provide more robust early County review and discussion with all FMC stakeholders, the County instituted a new practice in 2009 involving FMC's presentation of its proposed Budget and Business Plan to the Board of Supervisors Finance & Government Operations Committee prior to presentation to the full Board of Supervisors. As a result, the County worked with FMC in the fall of 2009 and early 2010 revising and refining FMC's Budget and Business Plan with the following positive

outcomes, all oriented toward providing greater FMC financial accountability:

- ❖ In a memorandum dated December 22, 2009, to the County, FMC Board Chair Bill Anderson reported that FMC would be formulating an FMC Dissolution Plan to outline a process, including defining key levels of reserves that would be needed, to wind down affairs of the organization in an orderly manner should the decision ever be made to cease operations.
  - ❖ In a memorandum dated January 4, 2010, from the FMC Executive Director, targets were identified for new revenue generation, and FMC reduced its request for financial assistance from the original request of \$500,000 down to the minimum necessary to cover anticipated unrecovered costs of the Annual Youth (4-H and FFA) Fair, or \$100,000.
  - ❖ Subsequent discussions with FMC management identified an additional \$10,000 of available one-time funds held in an FMC Auction Reserve Fund.
  - ❖ The AED Director, with the support and assistance of FMC Management, brokered collaboration with the Clover Foundation, Inc., supporters of the Annual Youth (4-H and FFA) Event, to undertake first-time-ever fund raising efforts. The Clover Foundation set a fund raising target of \$25,000, and the County subsequently relied on a minimum contribution of \$10,000.
  - ❖ In a memo dated February 18, 2010, to the Board of Supervisors Finance & Government Operations Committee, the County Executive recommended that the County only allow use of \$80,000 from the Fairgrounds Capital Project Fund to cover un-recovered costs associated with conducting the Annual Youth Fair. This recommendation was based on FMC's ability to use \$10,000 of one-time funds and a minimum contribution of \$10,000 from the Clover Foundation.
4. At its meeting of February 23, 2010, the Board of Supervisors directed FMC to provide quarterly financial reports to the Board of Supervisors through the Office of the County Executive.
- B. Regarding the finding that the "...FMC Board does not demonstrate the business acumen necessary to effectively oversee FMC," the FMC Board has had a Board Chair who both leads the Board and provides guidance and direction to FMC Executive Management on key budget and policy actions. This level of Board Chair involvement is not readily evident from the FMC Board Minutes. For example, consider the Board action on April 13, 2010, to: (1) approve resignation of the then Executive Director; (2) promote an existing FMC employee to fill the Executive Director position; and, (3) approve a

professional services contract to retain the previous Executive Director during an interim period of transition. Based on first hand knowledge of the AED Director, it was the initiative and leadership of the FMC Board Chair who charted, with support of the FMC Board, a strategy for transition of the position of FMC Executive Director. Furthermore, in order to ensure a smooth transfer of responsibilities, the Office of the County Executive approved of FMC's retention of the former Executive Director through use of a limited-term, professional services contract.

- C. The Board of Supervisors through their annual appointments is committed to building a strong and active FMC Board. Supervisor Shirakawa recently reappointed William Anderson, former Assistant County Counsel, with strong background representing business and government, including twelve and a half years of experience in private practice. Mr. Anderson joined the FMC Board in January 2006 and served as its Chair between 2008 and March 2011. Mr. Anderson is also a member of the Santa Clara County Assessment Appeals Board (2005-present), and he sits on the Santa Clara County Housing Authority Board of Commissioners (2006-present). Mr. Anderson has served as Chair of the Housing Authority Board of Commissioners since his appointment; he has been reappointed and his term runs through 2014.

In April 2010, Supervisor Cortese named one of his own staff, Mr. Mike Donohoe, to the FMC Board. Mr. Donohoe has a Bachelor of Science in Economics (1975), a Masters of Business Administration (1978) and well over thirty years of business experience. He is a Real Estate Broker (since 1989) with experience in mortgage financing, appraisal and underwriting, and is the owner of his own business, Silver Creek Financial (1996 to the present). In March 2011, the FMC Board elected Mr. Donohoe to the position of Chair to succeed Mr. Anderson.

On January 11, 2011, District 1 Supervisor Wasserman reappointed Don Silacci, business owner and veteran rancher, to the FMC Board. Mr. Silacci owned and operated a successful feed and grain business (Silacci Feed and Grain) for over 25 years, and still owns and operates a large cattle operation on several thousand acres in Gilroy. Mr. Silacci has been involved in the Santa Clara County Fair for over 25 years, dating back to 1985 and the days of the Fair Association. Except for a hiatus in 1995-1997 and in 2007-2008, successive District 1 Supervisors have annually reappointed Mr. Silacci to the FMC Board in order to bring the perspective of a long-standing businessman in the ranching industry.

Mr. Patrick Meyering, a practicing attorney with offices in Cupertino, brings analytical expertise to the FMC Board and the perspective of a business owner for over 21 years. Originally appointed in August 2006, District 5



Supervisor Kniss reappointed Mr. Meyering to the FMC Board on January 11, 2011.

District 4 Supervisor Yeager is committed to continuing his efforts since he assumed office to recruit a strong appointee with the appropriate background.

**Recommendation 3A:** "District 4 Supervisor Yeager should recruit to fill the vacancy with an individual with strong business acumen."

**Response to Recommendation 3A:** Recommendation 3A is being implemented. Supervisor Yeager plans to continue recruitment efforts to fill the vacancy with an individual with strong business acumen.

**Finding 4:** "The County, supported by the Office of the County Executive, appears to have only a "land management" concern when FMC is required by contract to pay all expenses of the fair."

**Response to Finding 4:** The County respectfully disagrees with Finding 4. It is true that the County has subsidized the County Fair during five of the last 16 years (1999, 2000, 2001, 2002 and 2010), and in 2007 the County approved a subsidy for both the County Fair and FMC operational costs. However, the County remains committed to revitalizing and/or redeveloping the Fairgrounds in a way that would finance and support continuation of community activities, whether at the Fairgrounds or at another location. In the meantime, the County expects FMC to operate without subsidy from the County, as demonstrated by the following:

- While the Board of Supervisors had approved an operational subsidy of \$285,000 for 2007 operations, the Board did not approve a similar request on December 11, 2007, for an operating subsidy of \$675,000 for the 2008 Fair and FMC operations.
- At its meeting of February 23, 2010, after having approved a one-time conversion of \$80,000 of capital improvement funds as a subsidy for unrecovered costs of the 2010 County Annual Youth Fair, the Board of Supervisors gave direction to County staff that no further subsidies will be available for any event.
- As noted above under Response to Finding 3, District 3 Supervisor appointed one of his own staff with business and real estate experience to a vacancy on the FMC Board in order to both monitor FMC actions and to actively participate in FMC management at a policy level.
- As noted above under Response to Finding 3, the Office of the County Executive closely monitors FMC's performance including attendance at all FMC Board meetings, with the objective of intervening early on critical items.
- The FMC Executive Director regularly seeks the County's advice regarding significant issues. For example, in an effort to improve event rental revenues, the AED Director worked directly with FMC Executive Director and County Counsel to revise FMC's standard event license agreement to streamline the process of event rental and permitting by the County Fire Marshall.
- Similarly, the FMC Executive Director sought support and guidance from the AED Director and the Office of County Counsel in negotiating and preparing an agreement with a major new event promoter for use of the Fairgrounds arena.

**Recommendation 4:** "The County should modify its contractual agreement with FMC stipulating that FMC be required to sustain a break-even or positive cash flow operation."

**Response to Recommendation 4:** The County believes that implementing Recommendation 4 would be unwarranted. As noted above in response to Finding 3, the County requires FMC to prepare a balanced annual budget as well to submit quarterly financials. The Division of State Fairs also requires FMC to annually submit a balanced budget. Furthermore, the County expects FMC to operate on a break-even basis and has instituted new procedures to ensure improved monitoring of FMC performance.

**Finding 8:** "The County is undercharging communications tower renters, effectively diluting potential revenue to FMC."

**Response to Finding 8:** The County agrees that renegotiating these lease rates would be desirable if it were legally possible. However, these are long-term leases, with fixed rent schedules that are not subject to renegotiation until the leases terminate.

**Recommendation 8:** "The County should increase communications tower rental fees in line with local rates for similar service."

**Response to Recommendation 8:** The County is unable to implement Recommendation 8 at the present time, because it is not permitted under the terms of current agreements. Wireless telecommunication leases are 20 to 30 year agreements that are not subject to renegotiation of rents. Typical of such agreements, the lease rates increase annually according to Consumer Price Index adjustment, and are not subject to renegotiation during the term of the Lease. The Nextel Lease (assigned to American tower) is a five-year lease executed in 1999 and has been extended by the Lessee, at their option, for up to three, five-year terms (running through 2019). The Cellular One Lease, (subsequently assigned to AT&T) is a five-year lease executed in 1997 and has been extended by the Lessee; it does not expire until 2017. The Pac Bell Lease (subsequently assigned to T-Mobile) is a five-year lease executed in 1997, and similarly has been extended by the Lessee. If all options are exercised by the Lessee, the lease will not terminate until 2029.

The foregoing instrument is a correct copy  
of the original.

ATTEST: Maria Marinos  
Clerk of the Board

BY:   
Deputy Clerk

Date: AUG 09 2011

# County of Santa Clara

Office of the County Executive

County Government Center, East Wing  
70 West Hedding Street  
San Jose, California 95110  
(408) 299-5105



October 29, 2010

TO: Board of Supervisors  
Jeffrey V. Smith, County Executive

FROM: Bruce Knopf, Asset & Economic Development Director

SUBJ: Off Agenda Report Back to Provide Further Analysis Relating to In-House Management of the Fairgrounds on an Interim Basis

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## EXECUTIVE SUMMARY

This report is provided for information in response to Supervisor Cortese's request at the Board meeting of February 23, 2010, Agenda Item Number 7(a) for assessment of in-house management options for the Fairgrounds and/or relocation of the Annual 4H/FFA Youth Fair to a County park.

## FISCAL IMPLICATIONS

Monthly financial reports submitted by FMC indicate that FMC will not expend financial reserves other than the \$ 80,000 amount allocated to the 2010 August Youth Fair. According to the financials for the first six months of 2010, FMC is ahead of projections for the year, primarily from having reduced administrative and SATWAG costs. The same trend is expected to be revealed in third quarter financials soon to be distributed.

In late 2009, FMC succeeded in negotiating with State Division of Fairs to reclassify the Santa Clara County (SCC) Fair to a Class IV Fair. This class designation will make the SCC Fair eligible for grant funding in 2011. FGOC will discuss FMC's 2010 financial reports and proposed 2011 Budget, including details regarding grant funding at its November meeting.

Regarding the options evaluated for in-house management or relocation of the Annual Youth Fair, there would be potential fiscal impacts to the General Fund depending on the approach selected.

### **REASONS FOR RECOMMENDATION**

This report responds to a February 23, 2010, request by Supervisor Cortese, Board Meeting Agenda Item Number 7(a), for an analysis of potential-in house management of the County Fairgrounds including a potential relocation of the Annual Youth Fair to a County Park facility.

While the Board referral asked for an evaluation of in-house management of the Fairgrounds, given the higher potential cost of in-house management the staff team engaged in this evaluation would recommend that the County explore soliciting a Response for Information (RFI) to identify interested parties to act as management agency for the Fairgrounds site as an alternative to in-house management. To be effective, the RFI should offer a minimum 3-year agreement with two, one-year options. While there are no models that were found in which a county fairgrounds is contracted out to a for-profit entity, a solicitation process would be a way of testing the market competitively for other potential operators.

Any such RFI/RFQ would clearly state that the County has no financial resources to invest in the facility and that the private entity would be responsible for the cost of all facility upgrade and repair. Initial inquiries suggest that it would be necessary to offer longer than a twelve-month term in order to provide stability for booking events and for amortizing investment in the facility. It does not appear that there would be any interest unless the County were to offer a minimum 3 -year agreement with two, one-year options. It would still, however, be possible to incorporate a cancellation notice provision that would provide the County the ability to terminate the Agreement to allow a publicly conducted redevelopment and reuse process to proceed.

### **DISCUSSION**

This report presents the summary of a five-month process to evaluate options for County management of the Annual Youth Fair and/or operation of the County Fairgrounds. The analysis is outlined according to three approaches:

1. Parks and Recreation Department (Parks) to manage all current activities at the

Fairgrounds; or,

2. Fleet and Facilities (FAF) to manage all current activities at the Fairgrounds; or,
3. Move the Annual 4H/FFA Annual Youth Fair to a County park facility.

While the Board referral asked for an evaluation of in-house management of the Fairgrounds, another strategy for changing management would be to search for a new outside management entity. This concept is recommended for the Board's consideration, but was not yet evaluated at the same level of scrutiny as were options for in-house management.

**Parks and Recreation Department - Park Charter:**

If Park staff were to operate the County Fairgrounds, the County Fairground's use could be construed as a park use under the Park Preservation Act. The Park Preservation Act would complicate future development or disposition of the property for a non-park use. Nonetheless, it is customary for parks staff in cities and counties to manage recreational facilities and to schedule and manage rental of such facilities for community and family events. Consequently, this report does provide a detailed analysis of what would be required for Parks to take on management of the existing County Fairgrounds.

**In-House Management of the Fairgrounds:**

Both Parks and FAF evaluated taking on management of the Fairgrounds site, including the satellite wagering facility, providing year-round events management, operation of the Annual 4H/FFA Youth Fair, and providing continued public access (see attached memoranda from FAF and Parks). In addition, FAF analyzed the option of closure of the Fairgrounds to public events, including the satellite wagering facility, and limiting use of the property to minimal County operations (e.g., storage/warehousing). An overview of the results are shown in Table 1 below.

**TABLE 1: SUMMARY OF COST TO MANAGE EXISTING FAIRGROUNDS OPERATIONS**

	FMC, Inc.	FAF	Parks & Rec.
Deferred Maintenance	(See previous FMC reports: \$23 M)	\$25 Million	\$25 Million
One-Time Fixed Cost (vehicles, equipment and ISD upgrades to meet County standards)	N/A	\$472,000	\$472,000
Annual Salaries and Benefits	\$1,899,583 Total	Approx. \$2,180,000 Does not include: <ul style="list-style-type: none"> <li>• County/Depart. Overhead;</li> <li>• \$175k to replace FMC's use of PSP/Inmate and casual seasonal labor; or</li> <li>• Cost to replace FMC's unpaid overtime</li> </ul>	\$2,883,303 Does not include: <ul style="list-style-type: none"> <li>• County/Depart. Overhead;</li> <li>• \$175k to replace FMC's use of PSP/Inmate and casual seasonal labor; or</li> <li>• Cost to replace FMC's unpaid overtime</li> </ul>
Time to implement	N/A	12-16 months	12-16 months

\*Parks is a Charter Fund Department and does not pay General Fund overhead. Parks pays such costs as direct charges.

These cost estimates have been prepared by each department after having prepared a staffing needs assessment for current operation of the Fairgrounds. As noted in each of the attached analysis, FMC costs are generally lower due to several factors, including: lower salary and benefit costs; having the flexibility to utilize staff for multiple functions; use of part time and casual labor according to the needs of individual events; and, use of PSP and inmate workers.

Costs for each department to manage the Fairgrounds are different for several reasons:

- Neither department's staffing structure aligns with staffing of FMC;
- Each department has certain position classifications that are unique; and,
- Each department has to make different adjustments in order to staff up.



### **Closure of the Fairgrounds or Search for a Third Party Operator**

Given the significantly higher potential costs for in-house management, FAF evaluated two other alternatives:

1. Closure of the Fairgrounds to the public and minimal use of the facility for other County purposes; or
2. Search for another third party operator through a request for information RFQ/RFP process.

Closure of the Fairgrounds to public events, including the satellite wagering facility, discontinuing the Annual Youth Fair and other year-round event rental opportunities. Closure of the site would create a concern about security and building degradation. A portion of the buildings could be used by the County for other purposes, including warehouse storage, force simulation training for law enforcement and emergency vehicle operations course training. FAF estimates annual costs associated with minimum building security and maintenance to be \$1,310,000. This amount includes minimum levels of maintenance, life and fire safety, landscaping and security. Emergency repairs would need to be funded from Fund 50 Backlog Maintenance program, impacting the General Fund. Utility costs are not included and are presently not budgeted in FY 2011. One-time costs to secure the site with fencing and security systems have not been estimated. It would take approximately six months to implement this option, including: terminating the agreement with FMC and vendors currently under agreement with FMC, and to install site improvements for added security. This timeline does not include site modification to accommodate additional use other than warehousing.

Regarding search for another third party operator, FAF observes that the amounts that the County might save by assuming operational responsibility for the Fairgrounds is much less than historical subsidies operating provided to FMC in support of the Fairgrounds. On the other hand, market interest in performing the management function currently handled by FMC could be tested by soliciting a Response for Information (RFI); offering a 3-year agreement, as opposed to the current annual agreement; and, offering two, one-year options to provide stability for marketing and users. If interest is shown by more than one service provider, the RFI could be converted to a Request for Qualifications allowing negotiation with qualified vendors. The RFI would need to address the

parameters for the availability of County funding for investment in deferred maintenance and additional capital improvements. For example, FMC currently accomplishes minor projects such as asphalt surface repair and grading by bartering with local businesses. It would take approximately six months to implement this option, including: developing the RFI scope of work, solicitation and response evaluation. County staff would coordinate amendment to the agreement with FMC.

### **Relocating the Annual 4H/FFA Event to a County Park**

Three County-owned parks and one leased site within a County park were evaluated as potential sites for the Annual 4H/FFA Youth Fair:

- Coyote Lake-Harvey Bear Ranch (San Martin);
- Burnett Area in Coyote Creek Parkway (Morgan Hill);
- Coyote Ranch in Coyote Creek Parkway (Morgan Hill); and
- Martial Cottle Park (San Jose).

These locations were selected based on the following three criteria:

1. **Necessary Features:** a level use area of 25 to 30 acres; 10 acres of additional parking area adjacent to the site or within a reasonable distance; and use area to be located within two miles of a major roadway, freeway off-ramp, or regional transit corridor.
2. **Desirable Features:** site infrastructure available on-site or could be developed on-site to current building code standards, such as internal circulation (roadways and pathways), utilities, telecommunications service, permanent structures, arenas, stable surfacing, outdoor lighting, and fencing.
3. **Land Use Compatibility:** compatibility of a Youth Fair event and its associated activities, including overnight stays and future potential need for indoor event space, with existing or proposed land use within the park, compatibility with surrounding approved land use outside the park, or need to conduct additional analysis or public process to comply with land use or CEQA laws and permitting requirements.

Three of the four Park sites are undeveloped parkland, whereas the Coyote Ranch site is a developed site managed under a lease with a concessionaire. Each location has a site that meets the program size criteria, and with capital investment in site infrastructure could accommodate the 4H/FFA event.

It should be noted that while Martial Cottle Park met the initial screening criteria, this Park is near completion of a three-year master planning effort and has several significant restrictions. There are multiple property owners associated with the park, including the State of California who owns 136.52 acres and the previous property owner/park donor, Mr. Walter Cottle Lester, who reserves 30.9 acres of the park for exclusive use as a Life Estate Area which restricts public access and future development. Under the terms of the 2003 Property Transfer Agreement and grant deed between the County and the previous property owner, Mr. Walter Cottle Lester, overnight public use is also restricted in the park during his lifetime. Since a portion of Martial Cottle Park is owned by the State of California, new uses and capital improvements would require additional review and approvals from California State Parks under a Joint Powers and Operating Agreement between the State and the County. A combined State Park General Plan and County Park Master Plan are nearly completed for this historic agricultural park, where significant resources have already been spent on the public planning process. Finally, the property is undergoing a Williamson Act Contract non-renewal period where certain uses would not be compatible with agriculture and thus would not be in compliance with the contract.

The Memorandum from Parks provides a detailed analysis and site evaluation matrix (Table 3) for all four sites.

Regarding estimating cost to provide public access and to bring in utilities, the Parks Department Equestrian Stables Feasibility Study, completed in 2009, was used as a basis to characterize costs associated with similar categories of infrastructure needs. Costs have not yet been developed for structures or above ground improvements. Preliminary cost estimates to provide site access and utility requirements are detailed in Attachment H of the Parks Memorandum and include \$3,585,000 for West Flat, \$3,798,900 for Coyote Ranch and \$4,552,000 for Burnett Area.

Regarding timeline, Coyote Lake-Harvey Bear Ranch and Coyote Creek Parkway County Parks have Board-approved park master plans, and Martial Cottle Park is near

completion with its master plan. In either of the two scenarios, the Parks Department would need to conduct additional public process to amend the master plan if the Annual Youth Fair were included as a permanent new use. The sites would require Capital Improvement Program (CIP) funding for planning, environmental review, permitting, design and construction of infrastructure to support the event. Use of Park Charter funds for the capital improvements at a park requires prioritization within the existing Parks Department's CIP and the Board's consideration for funding. Should funding be allocated in a future CIP budget, park master plan amendment and development of a new Annual Youth Fair venue may take up to five years to complete.

Park staff resources would also be required annually to maintain the site and potentially provide support during the event. If an independent organizer and separate entity from the Parks Department were to operate the Youth Fair, the estimated Parks support costs associated with a permitted Fair event on County parkland would be \$97,400. However, FMC provides extensive organizational support and staff resources to implement the event. See Parks memorandum for a detailed functional analysis of tasks. Discussions with the Clover Foundation and FFA representatives confirm that they are volunteer organizations who mobilize considerable volunteer effort, but would be unable to assume the event organizational tasks or implementation functions currently handled by FMC staff. If Park staff were the operator for the Annual Youth Fair on County parkland, the estimated total costs for the equivalent County personnel and operational support for the Fair would be approximately \$714,000. Of this amount approximately \$654,000 is personnel and benefits costs of staffing that would be needed to support the event. Note: FMC total cost for personnel and administration is \$1,899,000. It is not readily possible to compare the \$654,000 estimate with the comparable FMC personnel cost, because FMC does not track its staffing and administration costs in a way that would allow them to break out staffing between event rental SATWAG, and the Annual Youth Fair.

**Copy:**

Gary Graves, Chief Operating Officer  
Sylvia Gallegos, Deputy County Executive  
Jeff Draper, Director, Facilities and Fleet  
Julie Mark, Director, Parks and Recreation  
Maria Marinos, Clerk of the Board

**Board of Supervisors**

**October 29, 2010**

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**Attachments:**

- **FAF Fairgrounds Analysis – October 8, 2010**
- **Parks Fairgrounds Analysis – October 7, 2010**



**County of Santa Clara**  
**Facilities and Fleet Department, Administration**

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MEMORANDUM

DATE: October 8, 2010

TO: Bruce Knopf  
Director, Asset and Economic Development Director

FROM: Jeffrey D. Draper  
Director, Facilities and Fleet Department

SUBJECT: Fairgrounds Analysis

Facilities and Fleet (FAF) participated in the Fairgrounds Analysis project working group. This memo outlines three options relating to short-term management of the fairgrounds facility:

- A. Closure of the fairgrounds to public events, including satellite wagering facility, limiting use of the property to minimal County operations;
- B. FAF to assume management of the fairgrounds site, including satellite wagering facility, providing year-round events management and continued public access; or,
- C. Solicit Response for Information (RFI) to identify interested parties to act as management agency for the fairgrounds site; extend annual agreement to a 3-year agreement with two one-year options.

These options assume and concur with the Parks and Recreation analysis of the fairgrounds, including 2010 projected operating losses, and current and future sources of revenue as reported by the Fairgrounds Management Corporation (FMC).

FAF staff recommends *Option C* to minimize costs associated with the fairgrounds as long-term planning for the property remains undefined.

**Background**

The County Fairgrounds began with a capital investment on behalf of the County of Santa Clara. For many years, the primary revenue came from admissions, sale of exhibit space and concessions, and County and State contributions. The Fairgrounds are currently managed by the non-profit Santa Clara County Fairgrounds Management Corporation (FMC) under a month to month agreement with the County of Santa Clara. Over the past decade, declining attendance at both fair and alternative events has declined, leaving few options for the FMC to reinvest in the site. Decline in revenue has resulted in degraded property infrastructure, negatively impacting the ability to attract and retain anchor events.

In the past the fair included a variety of daily attractions ranging from concerts, amusement rides and games, food booths and live horse racing, with regular competitive agricultural and horticultural shows. Greater than sixty pages of state code relate to the fair operations and competitions. A majority of these codes §6500, §99800 and §24002 relate directly to the care, standards and requirements to possess and show animals for the purpose of competition and sale. There are many reasons for the focused legislation associated to live animal shows; participants are required to attain local recognition within qualifying circuits State level best-in-show eligibility, lineage gains value through formal judging processes and the market value of the animal or horticulture is determined.

Many youth groups depend on the annual fair to provide financial support for their members. The largest non-profit organizations in this State are 4-H and the Future Farmers of America (FFA). Both groups focus on providing an opportunity for a diverse community to learn animal husbandry and associated trades. The Santa Clara County 4-H operates as a University of California Cooperative Extension Program. FFA operates within the Santa Clara County school districts, providing off campus program services to middle and high school students. Both organizations provide financial support to students and children in need, allowing open and diverse participation.

These programs teach children to purchase, raise, care and maintain animals. The programs culminate at the annual fair when the animals have matured, resulting in the sale and subsequent reinvestment of funds back into the programs. Within this county, children without yards in urban areas can participate in the programs through private farms that donate land and buildings in support of the program, such as the Prusch Park land at Story and King in San Jose. The programs instill values to children beyond responsibility, focusing on ethical treatment of animals and integrity in competition.

The FMC coordinates all aspects of the competition, including the pre-tag and DNA sample of animals to validate ownership and lineage. The FMC hires both paid and volunteer judges for the events to guarantee impartial results. Each step of the annual competition is a learning exercise for the children, from initial purchase to commercial processing so the children can learn how nutrition and care affects the end product of the animals. Romero (2010) reasoned, "Many children graduate from these programs and translate their skills to the work force. They become farmers, veterinarians, volunteers and staff in local non-profits. Some children develop commercial feed and grain solutions, selling their products from the programs to the industry." All children, regardless of background and economic status are able to participate. The Clover Foundation loans funds to needy children to be repaid when the animal is sold. If the fair were to be discontinued, programs for these children would be negatively impacted or terminated.

The FMC started an important category in 2009; "Bred and Fed" is a new classification for animals born and raised within Santa Clara County. Sustainable food supply is an emerging issue for all global regions. Locally produced food reduces carbon emissions relating to transportation, and is necessary to preserve the ecological stability of the planet. All commercial food stores recognize this need; Walmart reports they are making efforts to identify regional producers, Safeway and Lucky stores advertise sustainable and locally grown foods, Whole Foods and Sprouts sell organic and locally grown foods as specialty markets. Local production of food resources is vital to the health of the planet and the people.

FMC has responded to the fiscal crisis by limiting the days of the annual fair, focusing on livestock and horticultural competition. This event has not been profitable for many years, as far back as 1998. FMC supplements revenue by providing year-round grounds rentals and satellite wagering for horse races.

The following table represents grounds rental events typical for the facility:

**Grounds Rental Income Projection for 2010**

EVENT/ACTIVITY	ADOPTED 2010 GR BUDGET	REVENUE
Nextel/American/Cellular	Cell Tower Placement- Lease	\$76,000.00
Dog Training	Daily Grounds Use Fee	\$20,000.00
Home & Garden Shows	3x/year - 3 days/show	\$111,000.00
Cinco de Mayo	Cultural Festival	\$40,000.00
Kennel Club Show	Daily Grounds Use Fee	\$43,500.00
Festival Del Sol	Daily Grounds Use Fee	\$47,000.00
RV Stays	Daily Grounds Use Fee	\$164,517.00
Quinceaneras	Average 25 per year	\$94,000.00
Norcal Volleyball	Daily Grounds Use Fee	\$33,000.00
West Coast Auto Auction	Anchor Event	\$215,000.00
Marquez Bros	Spring & Summer Concerts	\$22,000.00
Hot San Jose Nights	Club Auto Show	\$44,000.00
Miscellaneous Events	Cultural, Club, Hobby, Craft Shows	\$700,000.00
Contingent Events	Unsigned Agreement Projected	\$125,000.00
<b>Total Revenue</b>		<b>\$1,750,000.00</b>

*Note.* Adapted from Fairgrounds Management Corporation 2010 Report

The projected annual revenue of \$1,750,000 is not sufficient to maintain and operate the Fairgrounds without subsidy from the County or the State.

**2010 Fairgrounds Financial Projection**

Total 2010 Projected Expenditures	\$3,502,283
Total 2010 Projected Revenue	\$3,408,450
<b>2010 Projected Profit/(Loss)</b>	<b>(\$93,833)</b>

*Note.* Adapted from "Fairgrounds Analysis", Marks (2010).

FMC is contracted by the County by an annual agreement with provision for a 30 day cancellation. The agreement is due to expire December 31, 2010. As noted in the Parks Analysis, FMC operates with an estimated 29 FTE's at an annual cost of approximately \$1,899,000 including full-time, part-time and casual labor. FMC is heavily dependent upon casual and temporary employees and inmate labor from the Public Service Program (PSP) through the Department of Correction. Casual staffing is budgeted in 2010 for about \$135,000.

The FMC has three divisions- Administration, Grounds Rental and Satellite Wagering. Financial stability for the FMC depends on its ability to attract and retain anchor events and additional facility rentals throughout the year. FAF believes that the absence of a long term plan for the property, coupled with the County's requirement that FMC enter into short term (1 year) agreements with lessees, undermines the ability of the FMC to attract and retain consistent facility use clients. Nonetheless, FMC successfully added new revenue in 2010, including an auto auction company. At the meeting on



June 8, 2010, Jan Shriner, FMC Chief Financial Officer, reviewed financials that could result in break-even or minimal operating losses resultant from anticipated revenues. Though the projected operating results do not address facility infrastructure concerns, the FMC financial status appears improved as compared to the October 8, 2009 memo from Arthur Troyer, FMC Chief Executive Officer.

### **Option A**

Closure of the fairgrounds to public events, including satellite wagering facility, limiting use of the property would result in closure to the public, discontinuing the fair and other year-round event rental opportunities. Closure of the site creates a security and building degradation concern. A portion of the buildings could be used by the County for other purposes, including warehouse storage, force simulation training for law enforcement, emergency vehicle operations course training.

FAF estimates annual costs associated with minimum building security and maintenance to be \$1,310,000<sup>1</sup>. This amount includes *minimum* levels of maintenance, life and fire safety, landscaping and security. Emergency repairs would be funded from Fund 50 Backlog Maintenance program, impacting the General Fund. Utility costs are not included and are presently not budgeted in FY 2011.

The Fairgrounds are located in an area of San Jose that has little open space and no public parks. In the early 1900s, the City of San Jose had an opportunity to determine future land use plans to incorporate parks for the residents in this district; however, the City opted for industrial and residential development. Of late, San Jose has been actively searching for park space to provide residents in the immediate community a place to have outdoor events and recreation. It is not appropriate to place this burden on the County; yet the County must recognize the importance of the Fairgrounds to the nearby community as well as the county as a whole.

Timeline to implement Option A would be 6 months.<sup>2</sup>

### **Option B**

FAF to assume management of the fairgrounds site, including satellite wagering facility, providing year-round events management and continued public access would require additional funds for both staff and facility improvements. The Fairgrounds operation should be budgeted as an Internal Service Fund to minimize impact to the General Fund.

In an analysis of operations (see below), if the County were to incorporate the operation of the Fairgrounds with the existing Facilities and Fleet Department organization, annual full-time ongoing personnel costs<sup>3</sup> would be projected to be \$2.2M. In addition, the Satellite Wagering Operation costs may be understated as this operation is highly specialized, possibly requiring contract for a portion of the operations (see Parks analysis). Finally, seasonal and extra help employee costs<sup>4</sup> to operate various events throughout the year are estimated to be at least \$175,000, for a total cost of \$2.4M.

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<sup>1</sup> Annual maintenance costs of \$1.31M, excluding repair, is calculated at 2% of existing building asset replacement value base of \$65,500,000.

<sup>2</sup> Option A would require terminating agreement with FMC, vendors currently under agreement with FMC, site improvements for added security. Timeline does not include site modification to accommodate additional use other than warehousing.

<sup>3</sup> On-going personnel costs are detailed in Attachment 1.

<sup>4</sup> Seasonal/Temporary employee costs are based on 10X Fleet ISF Temporary Help budget line; this value is subject to volume of events and availability of volunteer/PSP workers.

To summarize, FAF operation of the facility result in personnel costs greater than \$500,000 more per year plus contracting fees associated with the SatWag operation. FMC is not obligated to compensate fair market wages and benefits. Service and supply cost<sup>5</sup> is forecast to remain constant, at a cost of \$1.6M.

The cost of simply maintaining the Fairgrounds facility infrastructure is increasing because of the age and present condition of the facility. Not including grounds maintenance, there is approximately 182,000 square feet of buildings to maintain. The 2006 Whitestone report indicated backlog capital improvements in the amount of \$23M. At a factor of 2%, current backlog<sup>6</sup> is estimated to be greater than \$25M. Should the County assume management of the facility, the \$25M would be added to the Capital backlog budget of \$450M.

Timeline to implement Option B would be 12-16 months.<sup>7</sup>

### **Option C**

Solicit Response for Information (RFI) to identify interested parties to act as management agency for the fairgrounds site; extend annual agreement to a 3-year agreement with two one-year options. This option provides the least risk to the General Fund. Capital improvements would continue to be a challenge, however certain minor projects such as asphalt repair and grading have been accomplished by FMC bartering with local businesses.

Other options will directly impact the General Fund. Overhead is high with or without the Satellite Wagering Facility. Should the property be limited to the fair event alone, buildings and the grounds will require continued maintenance, safety and security.

Financial stability depends on the ability of the managing entity to provide vendors and exhibitors with guaranteed use over several years to allow vendors to plan on the event. Providing short term stability will allow the County to solidify future land use plans with minimum General Fund subsidy.

Timeline to implement Option C would be 6 months.<sup>8</sup>

### **Summary**

In conclusion, what the County would save by assuming operational responsibility for the fairgrounds site is much less than historical subsidy to FMC in support of the fairgrounds. Option C would enable a compromise between the flexibility of future planning and the current site use. Buildings and grounds are more easily maintained with occupancy; Option C will continue to meet the needs of the community for the least capital investment.

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<sup>5</sup> Service and supply savings from centralized Procurement and government contract rates would be offset by the ability of FMC to trade with local businesses for various services and supplies (parking lot resurfacing, for example).

<sup>6</sup> Backlog is based on the Board Policy for valuation.

<sup>7</sup> Option B timeline includes adding positions to support site operations, transition with Sat Wag ownership, infrastructure improvements, identification of volunteers and coordination of fair operations. During the transition there would likely not be a County fair or other scheduled events.

<sup>8</sup> Option C timeline includes developing RFI, including scope of work, solicitation and response evaluation. County staff would coordinate amendment to the agreement with FMC.

Attachment 1 – On-Going, Full Time Personnel Costs (based on FY 2010 Personnel Costs)

FMC Classification	County Classification	Annual Hours/ Shift	Full Time Employee Factor	Annual Total Comp Salary	County Total Annual Salary
<b>SATELLITE WAGERING OPERATIONS</b>					
Admission Clerk	Office Specialist III	286	13.75%	\$79,464	\$10,926
Janitor	Janitor	634	30.47%	\$72,912	\$22,214
Janitor	Janitor	1872	90.00%	\$72,912	\$65,621
Janitor	Janitor	1560	75.00%	\$72,912	\$54,684
Janitor - Supervisor	Janitor - Supervisor	2080	100.00%	\$101,916	\$101,916
Admission Clerk	Office Specialist III	286	13.75%	\$79,464	\$10,926
Bus-person	Food Service worker	2080	100.00%	\$72,912	\$72,912
Janitor	Janitor	1306	62.81%	\$72,912	\$45,793
					\$384,993
<b>GROUNDS CREW</b>					
Groundskeeper II	Gardener	2080	100.00%	\$86,904	\$86,904
Groundskeeper II	Gardener	2080	100.00%	\$86,904	\$86,904
Groundskeeper II	Gardener	2080	100.00%	\$86,904	\$86,904
Groundskeeper II	Gen. Maint. Mech. II	2080	100.00%	\$77,520	\$77,520
Groundskeeper II	Utility Worker	2080	100.00%	\$76,932	\$76,932
Groundskeeper II	Utility Worker	2080	100.00%	\$76,932	\$76,932
Groundskeeper II	Utility Worker	2080	100.00%	\$76,932	\$76,932
Supervisor/Electrician	Building Ops Supervisor	1680	80.77%	\$142,788	\$115,329
					\$684,357
<b>HOUSEKEEPING</b>	Janitor	2868	137.86%	\$72,912	\$100,517
<b>GROUNDS AND FACILITY-ADMINISTRATION</b>					
Ground Rental Mgr	Asst. Real Estate Agent	2080	100.00%	\$104,232	\$104,232
Ground Rental Assist.	Office Specialist III	2080	100.00%	\$79,464	\$79,464
Secretary/Youth Fair Mgr	Administrative Assistant	2080	100.00%	\$86,904	\$86,904
Fiscal-Sr. Staff Accountant	Sr. Accountant	2080	100.00%	\$139,140	\$139,140
Fiscal-Staff Accountant	Accountant II	2080	100.00%	\$106,320	\$106,320
Fiscal - Clerical	Account Clerk II	1408	67.69%	\$80,364	\$54,398
					\$570,458
<b>SATELLITE WAGERING-ADMINISTRATION</b>					
Manager	Admin Services Mgr II	2080	100.00%	\$150,948	\$150,948
Assistant Manager	Admin. Support Officer II	2080	100.00%	\$115,680	\$115,680
Assistant Supervisor	Supv. Account Clerk	2080	100.00%	\$113,760	\$113,760
SW Clerical	Account Clerk II	187	8.98%	\$80,364	\$7,218
SW Clerical	Account Clerk II	1374	66.04%	\$80,364	\$53,072
					\$440,678
<b>TOTAL</b>					\$2,181,003

Note:

- Personnel costs reflect fair market wages and benefits in current County bargaining unit labor agreements. FMC is not required to compensate fair market wages and benefits.

# County of Santa Clara

## Parks and Recreation Department

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Date: October 7, 2010

To: Bruce Knopf, Director, Asset and Economic Development

From: Julie Mark, Acting Director *[Signature]* For Julie Mark

Subject: County Fairgrounds Analysis, Related to:  
 A. County's interim management of the County Fairgrounds, and  
 B. Potential Relocation of Annual Youth Fair to a County park site

### REPORT SUMMARY

This report provides a program-level feasibility analysis of:

- (a) Parks and Recreation Department's interim management of the County Fairgrounds, and
- (b) Relocation of the Annual Youth Fair from the Santa Clara County Fairgrounds to a County park site.

#### A. Parks and Recreation Department's Interim Management of the Fairgrounds

If the Parks and Recreation Department is charged with the operation of the Fairgrounds, the analysis has two scenarios depending on the legality of a government agency operating the satellite wagering (SatWag) facility, or the policy decision of the Board to not operate a wagering facility. The first scenario is the Parks Department assumes the operation of the grounds and facility rental and SatWag. The second scenario is the Parks Department assumes the management of all operational aspects of the Fairground except the SatWag operation which would be contracted out to a private organization. Both scenarios also assume that the Annual Youth Fair is retained on-site as part of the overall Fairgrounds operation and that events and other operational parameters match the current program under the Fairgrounds Management Corporation (FMC).

The first scenario which includes the SatWag operations requires the most staffing and services and supplies. However, this would be offset by the revenue stream from SatWag, which could be as high as \$1,700,000 per year. Although this revenue source has been stable over the last two years, the trend shows that revenue has sharply declined over the last five years. The salaries and benefits costs for this scenario with SatWag operations would be \$1,899,583 for the FMC, compared to the Parks Department's on-going costs of \$2,883,303, where the Parks Department's costs are approximately \$983,720 more than FMC's costs to operate the fairgrounds.

#### *Ongoing Costs to Parks Department with SatWag*

	FMC	Parks Department
Salaries and Benefits	\$1,899,583	\$2,883,303 <sup>1</sup>
Services and Supplies	\$1,602,700	\$1,602,700
Total Expenditures	\$3,502,283	\$4,486,003
Projected revenue	\$3,408,450	\$3,408,450
<b>Total net cost to operate fairgrounds</b>	<b>(\$93,833)</b>	<b>(\$1,077,553)</b>

<sup>1</sup> See Attachment A

Board of Supervisors: Donald F. Gage, George Shirakawa, Dave Cortese, Ken Yeager, Liz Kniss  
 County Executive: Jeffrey V. Smith

The second scenario, which does not include the SatWag operations, would reduce the number of staffing by 12 FTE's, but would eliminate the significant revenue from the SatWag operations.

***Ongoing Costs to Parks Department without SatWag***

	FMC	Parks Department
Salaries and Benefits	\$1,251,708	\$2,004,421
Services and Supplies	\$935,100	\$935,100
Total Expenditures	\$2,186,808	\$2,939,521
Projected revenue	\$1,665,200	\$1,665,200
<b>Total net cost to operate fairgrounds</b>	<b>(\$521,608)</b>	<b>(\$1,274,321)</b>

**B. Relocation of Annual Youth Fair**

The Parks Department explored two operational scenarios for the Annual Youth Fair on a County park site:

- 1) Development and maintenance of a park site location, with all activities associated with conducting the Youth Fair performed by a non-County entity or independent organizer and;
- 2) Development and maintenance of a park site location whereby County staff would conduct all activities associated with the Youth Fair, formally provided by the Fair Management Corporation (FMC).

Three County parks were evaluated as potential fair sites:

- Coyote Lake-Harvey Bear Ranch (San Martin);
- Coyote Creek Parkway (Burnett Area and Coyote Ranch sites in Morgan Hill);
- Martial Cottle Park (San Jose).

Each park contained a site that met the program size criteria, and with significant capital investment, site infrastructure could be provided. Three of the four Park sites are undeveloped parkland, whereas the Coyote Ranch site is a developed site managed under a lease with a concessionaire.

As explained below, of the four park sites evaluated, Martial Cottle Park has multiple property ownership and use restrictions, deed restrictions from an executed Property Transfer Agreement, and an existing Williamson Act Contract that would preclude the park from being further considered.

Coyote Lake-Harvey Bear Ranch and Coyote Creek Parkway County Parks have Board-approved park master plans, and Martial Cottle Park is near completion with its master plan. In either of the two scenarios, the Parks Department would need to conduct additional public process to amend the master plans if the Annual Youth Fair were included as a permanent new use. The sites would require Capital Improvement Program (CIP) funding for design and construction of infrastructure to support the event. A park master plan amendment (including public outreach process) and development of a new venue may take up to five years to complete. Staff resources would also be required annually to maintain the site and potentially provide support during the event.

Under the second scenario, a significant level of County staff<sup>1</sup> would be required to replicate the complex fair-specific services currently provided by the FMC. The new venue site would become a parks facility, and any revenue generated, while not in use for the Youth Fair, would be allocated to the Park Charter Fund for Park operations and capital improvements. Future revenues associated with the Youth Fair would not revert to the General Fund. Under the second scenario, the Board of Supervisors would also serve as the direct governing authority for the Annual Youth Fair. Administration of tasks related to the

<sup>1</sup>County staff includes Parks Department, FAF, and Sheriff's Office personnel

second scenario could have impacts to the General Fund. Where FMC staff such as the Fair Manager have provided over 20 years of experience and technical expertise with the operation of the Fair event, their services could not easily be replicated by a new operator such as the County or an independent event organizer.

Based upon preliminary cost estimates associated with the planning, development, and construction of support facilities for hosting an Annual Youth Fair at a County Park site location, the range of estimated capital improvement costs associated with the relocation of the Annual Youth Fair would be between \$3.6 million and \$5.1 million, depending on the Park site.

If an independent organizer and separate entity from the Parks Department were to operate the Youth Fair, the estimated Parks support costs associated with a permitted Fair event on County parkland would be \$97,400.

If the County were the operator for the Annual Youth Fair on County parkland, the estimated total costs for the equivalent County personnel and operational support for the Fair would be approximately \$714,000.

### **Recommendation**

Given the need for extensive capital investment and staff support in either scenario, the short-term recommendation is to continue hosting the Annual Youth Fair at the existing County Fairgrounds location. Over the long term, the County could continue to investigate the options for a permanent new location, including possible partnerships with community organizations, other local agencies, and public event-providers that stage similar multi-day festivals.

### **ANALYSIS**

#### **A. Parks and Recreation Department's Interim Management and Operation of County Fairgrounds**

##### ***Existing Conditions***

The Fairgrounds are currently managed by the FMC under a month to month agreement with the County of Santa Clara. The FMC operates with an estimated 29 FTE's with an annual salary of \$1,899,000 including full-time, part-time and seasonal/casual labor. The FMC is heavily dependent upon casual and temporary employees and inmate labor from the Public Service Program (PSP) through the Department of Correction. Casual staffing is budgeted in 2010 for about \$135,000.

The Fairgrounds has two major sources of revenue- Satellite Wagering (SatWag) and the rental of facilities and grounds. Total revenue is approximately \$3,400,000 with the larger portion of revenue coming from Satellite Wagering which is approximately \$1,740,000. The facility hosts approximately 88 events per year with three activities, moto-cross track, paintball activities and West Coast Auto Auction, which are hosted on a more permanent basis. The FMC reports that, as a result of the current recession, bookings for the use of facilities have decreased over the past two years.

According to the 2010 FMC budget, other expenditures include services and supplies of about \$1,600,000. Total expenditures for the FMC are estimated at about \$3,500,000 for 2010.

Total 2010 projected expenditures	\$3,502,283
Total 2010 projected revenue	\$3,408,450
2010 projected profit/ (loss)	\$ (93,833)

The FMC has three divisions- Administration, Grounds Rental and SatWag. The FMC is operating the Fairgrounds and SatWag with half of the staff they had ten years ago and employees have not received a cost of living salary increase since 2000. Many of the staff classifications used by the FMC are unique such as the SatWag Manager, Assistant SatWag Manager and the Grounds Supervisor, who is also the Fairgrounds' electrician. SatWag is a five-day per week operation with two shifts per day, and therefore is quite labor intensive.

For comparison purposes in this report, County classifications that are most similar to FMC positions were used.

### *Interim Management of the Fairgrounds*

If the Parks and Recreation Department is charged with the operation of the Fairgrounds, the analysis has two scenarios depending on the legality of a government agency operating a wagering facility, or the policy decision of the Board to not operate a wagering facility. The first scenario is the Parks Department assumes the operation of the grounds and facility rental and SatWag. The second scenario is the Parks Department only assumes the management of the grounds and facility rental and the SatWag operation is contracted to a private organization. Both scenarios also assume that the Annual Youth Fair is retained on-site as part of the overall Fairgrounds operation and events and other operational parameters match the current program under the FMC.

The first scenario would require the most staffing and services and supplies, however this would be offset by the revenue stream from SatWag which could be as high as \$1,700,000 per year. Although this revenue source has been stable over the last two years, the trend shows that revenue has sharply declined over the last five years. According to the FMC, there is a possibility that the broadcast times for SatWag may be reduced which would further decrease revenues in coming years. The second scenario, which does not include the SatWag operations, would reduce the number of staffing by 12 FTE's, but would eliminate the significant revenue from the SatWag operations.

### *Ongoing Costs to Operate the Fairgrounds*

Besides salaries and benefits of staff where a comparable County position code can replace an FMC position, considerations need to be made to fill certain positions that do not have a comparable County code. For example, the FMC Grounds Crew Supervisor is also the FMC electrician. It is estimated this position spends one-third of his time doing electrical work (electrical panels and feeds for facility rental) and the balance of time supervising the grounds crew. Since there is no comparable County code that meets these requirements of this position, the Parks Department would need to use a full FTE Senior Park Maintenance Worker to supervise the grounds maintenance staff and contract with FAF for about 700 hours for electrical work. The Department would also need to contract with Facilities and Fleet for other trade work such as carpentry, plumbing, HVAC and painting.

The FMC utilizes and is dependent upon, the use of part-time casual labor for events and activities on the fairgrounds. Housekeepers are called in to work at trade shows, home shows and other special events to keep the facility clean during the event. Although the Parks Department does utilize some extra-help staff, agreements with bargaining units severely reduces the amount of part-time help that may be used. The Parks Department would be required to contract this work out.

The FMC is also heavily dependent upon PSP and other inmate workers provided by the Department of Correction and General Assistance workers provided by the Social Services Agency. The workers provide manual labor in the form of mowing grass, raking leaves, trimming bushes, setting up for events and sweeping. They provide essential support to a very lean grounds crew. Currently, the Parks Department has an agreement with SEIU Local 521 that prohibits the supervision of inmate labor by 521 staff. To make use of this labor source, the Parks Department would need to meet and confer with 521 members to

permit the supervision of these workers. If no agreement can be reached, the Department would be required to add permanent staff to do the work. This additional staffing cost has not been estimated nor included in the total on-going costs below.

Another consideration regarding the staffing of SatWag is the requirement of some staff to be licensed by the California Association of Racing Fairs (CARF) to operate the facility. Staff selected to work at SatWag would also need to meet these requirements. In addition to being licensed, the manager and assistant managers of SatWag have unique knowledge of horse racing. It may be very difficult for the Department to find qualified candidates to fill these positions. A policy decision will be necessary to either discontinue SatWag at the fairgrounds or seek a contractor to operate SatWag.

In order to determine the estimated cost to operate the Fairgrounds, a few assumptions were made. The first assumption is that the current services and supplies expenditures incurred by the FMC would be similar to whoever operates the Fairgrounds. Analysis of the FMC 2010 Budget showed their anticipated expenditures are reasonable and was used in factoring the cost to operate the fairgrounds. The second assumption is the current revenue projections for FMC will be consistent with a new operator.

#### *Ongoing Costs to Parks Department with SatWag*

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As indicated by the two tables above, salaries and benefits would be considerably higher when compared with the FMC. If the Parks Department assumed operation of the fairgrounds, the difference in net operational costs vary from \$270,000 to \$450,000 greater than those of the FMC, depending on the inclusion of the SatWag operations. This cost range illustrates the importance the revenue from SatWag plays in the viability of the current Fairgrounds operation.

#### *One-Time Costs to Operate the Fairgrounds*

Several considerations must be made when analyzing the costs to operate the Fairgrounds. There will be some one-time expenditures such as setting up the computer network and cabling within the Administration, Fiscal and SatWag offices, office computers, printers, copiers and other office machines and equipment must be considered. Vehicle costs and other equipment which would be required to operate and maintain the fairgrounds is another consideration.

In the current agreement between the County and the FMC, if the FMC is dissolved, all assets would revert to the County, therefore, one-time costs to purchase vehicles, tractors and other equipment would be reduced. A review of the FMC fixed asset list shows nine pick-up vehicles, two dump trucks, two



tractors, two commercial mowers and a variety of other vehicles. Most of the vehicles are over twenty-five years old and one is thirty years old. One of the dump trucks is listed as a 1969 model. It is unknown what these vehicles' serviceable life will be if assumed by the County, but they do not meet the County's current vehicle replacement guidelines. Another consideration is that the tractors and equipment do not meet current California Air Resources Board (CARB) requirements and need to be replaced by 2014. The one-time fixed assets, equipment and tools cost would be \$390,000.

The inventory also includes eighteen computers, one server and a variety of monitors, printers, fax machines and other office equipment. It is unknown if the computer equipment could be utilized for County use or can be networked to the County's computer infrastructure. Staff from the Information Services Department performed an assessment of the existing inventory and provided an estimate for new workstations and printers, licenses, server, network to the County's system, phones and telecommunications charges and ISD support charges totaling \$82,000 in one-time costs with \$48,000 in ongoing costs for information technology.

#### ***Total One-Time Fixed Costs to Parks Department***

Vehicles <sup>1</sup>	\$225,000
Equipment and tools <sup>2</sup>	\$165,000
Information technology and telecommunication <sup>3</sup>	\$82,000
<b>Total one-time costs</b>	<b>\$472,000</b>

<sup>1</sup> New vehicles would include: Five (5) utility vehicles, two (2) pick-up trucks, and a dump truck.

<sup>2</sup> New equipment and tools would include: skip loader, flail mower and small or medium ride-on mower for turf maintenance.

<sup>3</sup> The County Information Services Department (ISD) identified the need for 1-time costs for network information support as \$82K, with ongoing service fees of \$48K.

#### ***Deferred Maintenance of the Fairgrounds***

Another important consideration when evaluating the overall costs of the Fairgrounds operations is the condition of the facilities' infrastructure. In a 1997 assessment of the fairground's facilities, it was estimated that \$23,000,000 would be required to refurbish the complex's assets and bring facilities up to code. Subsequently, about \$4,000,000 has been allocated to the FMC for capital improvements. Projects included sewer and storm drain repairs, renovations of restrooms, improvements to lighting, electrical and HVAC systems in Expo Hall, replacement of rain gutters, painting of facilities and the construction of arena bleachers. All totaled, the cost of these improvements was \$4,652,809.

As of November 2009, the fairgrounds had six major capital projects totaling \$864,700 on hold pending funding. These projects include replacement of the HVAC system in Gateway Hall, repairs to the Community, Country and Pavilion kitchens, improving the lighting in the Pavilion Hall and repairs to a restroom. In January 2010, Facilities and Fleet made an assessment of the fairground's 14 restroom facilities in regards to compliance with the Americans with Disabilities Act (ADA). Their assessment calls for the replacement of fixtures and partitions and the repair of tile and flooring and painting. The cost estimate for this work was \$908,676.

In addition to needed structural improvements, asphalt paving within the fairgrounds is in poor condition and is crumbling away. FMC is doing some patchwork repairs to the road surface, however the paving throughout the fairgrounds is in need of replacement. A conservative estimate to resurface the hardscape of \$1,500,000 to \$2,000,000 has been provided to the FMC.

#### ***Timeline for Implementation***

The timeline for the Parks Department to implement this interim management would be 12 – 16 months. The timeline includes the addition of new positions to support site operations, contracting with other departments for services, infrastructure improvements, and purchase of fixed assets and equipment.

## B. Relocation of Annual Youth Fair to a County Park

The Parks Department explored two operational scenarios for the relocation of the Annual Youth Fair to a County park site:

1. Development and maintenance of a park site location, with all activities associated with conducting the Youth Fair performed by a non-County entity or independent organizer and;
2. Development and maintenance of a park site location whereby County staff would conduct all activities associated with the Youth Fair, formally provided by the FMC.

### *Analysis Methodology*

Staff conducted an inventory of space use for the Annual Youth Fair at the existing Fairgrounds; developed a sample program for a Youth Fair at another site; cataloged the tasks and staff resources needed to plan and host the Youth Fair; developed criteria to evaluate park sites; analyzed four park locations as possible sites; assembled preliminary costs to prepare/operate each site under two possible scenarios; and conducted investigation as to how other county fairs and public festivals in the area are operated.

### *Overview of Existing Annual Youth Fair*

The Santa Clara County Fair has been conducted annually since the mid 1940's. Many of the structures built to support the Fair in the 1950's and 1960's at the existing fairgrounds are still in use today. To generate the revenues needed to support the facility, the Fairgrounds are operated on a year-round basis by FMC, hosting approximately 88 events per year separate from the Youth Fair.

In 2008, FMC's governing board refocused the County Fair to be a youth-oriented agricultural event. It was re-titled as the "Annual Youth Fair" at that time. Currently, Santa Clara County has 13 local 4-H Clubs, with about 650 youth members and 350 adult participants, operating under the guidance of the University of California's Cooperative Extension.<sup>2</sup> The Future Farmers of America have approximately 10,000 participants in the Central Coast region, which includes Santa Clara County, and an estimated enrollment of over 57,000 students throughout the state.<sup>3</sup>

Local clubs and school programs are active in a wide range of activities that support youth interest in the evolving art, technology, and business of agriculture. In addition to small animals and livestock competitions that range from poultry and rabbits to cattle, goats, sheep, swine and horses, the Youth Fair includes non-live animal entries for competition, known as "stills," which may include non-perishable and perishable stills entries. There are 28 divisions of categories that range from food products to horticulture, arts and crafts, mechanical and electronic entries and much more. Participation in the Fair is open to all residents. Many K-12 students in urban areas participate in the stills and small animal categories. This year there are 253 entries in the livestock divisions, 289 entries in small animal divisions, and 1,536 entries in the age-specific stills categories. The Fair will be open to the public for four days, on August 5<sup>th</sup> to 8<sup>th</sup> with actual on-site event preparation commencing on July 17<sup>th</sup>. The FMC staff begins planning and organizing work 10 months in advance of the event.

**Table 1: Recent Santa Clara County Fair Attendance<sup>1</sup>**

Year	Type of Fair	Estimated attendance <sup>2</sup>	Number of days
2006	County Fair	34,000	3
2007	County Fair	58,000	5
2008	Youth Fair	5,000 <sup>3</sup>	3
2009	Youth Fair	10,000	4

<sup>1</sup> Figures supplied by the Fair Management Corporation (FMC)

<sup>2</sup> Figures are estimates only. Admission has not been charged since 2005 and parking fees have not been charged since 2006. <sup>3</sup> County Fair was refocused to Annual Youth Fair format in 2008.

<sup>2</sup> Biannual Report: University of California Cooperative Extension - Santa Clara County. 2005-2006

<sup>3</sup> California Department of Education: Agricultural Education Enrollment Data Summary Report, 2000

### *Existing Space Use and Facilities Inventory for the Annual Youth Fair*

Staff conducted an inventory of space use at the existing County Fairgrounds to evaluate how much was used and what infrastructure was needed to support the uses programmed for the Annual Youth Fair. Only facilities normally used during the Youth Fair were included in the inventory. See Attachment E.

As currently configured, the Youth Fair occupies 39 acres. This is comprised of the core outdoor area of the fairgrounds, two event halls, areas used for livestock-related activities, fenced arena, and exhibitor/vendor parking. On average, an additional 10 acres is used for attendee parking. Access to the site is via Tully Road or Umberger Road. Freeway access to Hwy 87, Hwy 101, and Hwy 280 is available within a one to two mile radius. Public transportation is available via VTA bus (bus line 26-Eastridge-Sunnyvale/Lockheed) and light rail to the Curtner station with a transfer to bus line 26.

### *Current Operational Model for County Annual Fair*

The FMC currently provides the staffing, expertise and resources for the planning, coordination, hosting and facilitation of the actual Fair event at the County fairgrounds. A summary of the FMC's actual 2009 Budget and adopted 2010 Budget is provided in Table 2. An overview of the FMC's duties related to management of the Fair is listed in Attachment F. Staff responsibilities are listed in Attachment G.

**Table 2: Summary of 2009-10 Budget for County Fair<sup>1</sup>**

	Actual 2009	Budget 2010
Total Revenue	\$30,700	\$30,000
Total Costs of Goods Sales (COGS)	0	0
Total Direct Cost	\$90,704	\$77,200
Total Marketing	\$5,361	\$2,100
Total Administration	\$47,839	\$50,100
<b>Total Operating Profit</b>	<b>(\$113,204)</b>	<b>(\$99,400)</b>

FMC's Proposed 2010 Budget

### *Role of the Clover Foundation*

In addition to the operation and management of the Youth Fair by the FMC, additional community groups and non-profit organizations volunteer at the event. Recently, long-time participants in local and state 4-H and FFA programs created a separate community organization (the Clover Foundation) to further the goals of those youth programs and offer assistance to the Youth Fair. The Clover Foundation of Santa Clara County is a non-profit 501(c)3 organization dedicated to the development and growth of the County's youth. The Foundation utilizes private resources to enable individuals or organizations to advance the membership, leadership, and influence of 4-H and other youth development programs. The Foundation's mission is to provide financial support not currently available through public sources. It accomplishes this through raising monetary donations from individuals, businesses, foundations, and civic groups.<sup>4</sup>

The Clover Foundation provides agricultural education program opportunities, activities and scholarship programs for families and children in targeted disadvantaged and lower-income neighborhoods within the urban areas. The Foundation's modified bylaws allow it to have a separate and distinct role from 4H which is overseen and funded by the University of California Cooperative Extension.

On May 1, 2010, the Clover Foundation of Santa Clara County sponsored its 1<sup>st</sup> Annual Fair Gala to support Santa Clara County youth at the Santa Clara County Fairgrounds. Over 300 fair supporters attended this inaugural event, and raised \$12,500 to benefit the 2010 Santa Clara County Youth Fair.

<sup>4</sup> Source: The Clover Foundation from <http://thecloverfoundation.org>.

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***Significant findings from Overview of Existing Youth Fair, Site, Facilities, and Management:***

- The event occupies up to 39 acres, with an additional 10 acres on average for attendee parking.
- Large amounts of indoor building space are currently used to securely house and display small animals and stills.
- A full range of site utilities, i.e. electrical power, outdoor lighting, water, sanitary, and reliable telecommunications is needed on-site to conduct a modern-day fair.
- There is a need to provide and/or store a significant amount of site furnishings used only during the Fair, i.e. portable pens, corrals, spectator seating, shade structures, display tables, etc.
- There is a need to temporarily house on-site an estimated 300 to 500 people (exhibitors and their families, volunteers, and vendors) during the Fair, adhering to past practices that support a unique immersion experience for youth participants.
- FMC's staff performs a complex array of duties necessary to promote, operate, manage, and ensure compliance of the event with the standards established by the State of California necessary to conduct a sanctioned fair, such as preparation of a Premium Book and selecting State-qualified judges for the livestock judging.
- Planning for the event starts ten months in advance, including outreach to community groups, schools, and appropriate vendors/entertainment providers.
- offset-up at the site for the Annual Youth Fair begins at least two weeks prior to event
- Under FMC's current operational model and budget, the number of hours required of FMC staff for the Annual Youth Fair cannot be easily separated from other responsibilities related to operations of the County Fairgrounds. The model also relies heavily on seasonal hourly workers and volunteers for the event and inmate workers for site preparation and maintenance.
- Commu nity organizations such as The Clover Foundation, 4-H chapters, and others play a dynamic and evolving role in the Youth Fair, providing financial support and thousands of hours of volunteer support in conducting the event.

***Site Program for County Park Site***

As a result of the findings from the overview of the existing Youth Fair and associated site inventory, a simple program for the physical site layout was developed for evaluating other potential sites for the event:

*Any site to be considered should be of adequate size to host a desirable Annual Youth Fair event, with the ability to provide site access and infrastructure reflective of current accepted standards, in a relevant setting, and compatible with both its natural surroundings and the general community. Programming for any site will also include all existing comparable uses and activities at the Youth Fair, with the exception of the amusement rides.*

### *Site Evaluation Criteria for a County Park Site*

Based upon the identified physical site program (with some additional economy of space), criteria were developed to consider alternative sites. These criteria focus only on the actual attributes of the site itself and do not evaluate the socio-economic character of the community or gauge public support for a new location. Future planning and public process would be needed to address these socio-economic factors at a new site for the Annual Youth Fair. Table 3 summarizes the evaluation.

*Necessary Features:* a level use area of 25 to 30 acres; 10 acres of additional parking area adjacent to the site or within a reasonable distance; and use area to be located within two miles of a major roadway, freeway off-ramp, or regional transit corridor.

*Desirable Features:* site infrastructure available on-site or could be developed on-site to current building code standards, such as internal circulation (roadways and pathways), utilities, telecommunications service, permanent structures, arenas, stable surfacing, outdoor lighting, and fencing.

*Land Use Compatibility:* compatibility of a Youth Fair event and its associated activities, including overnight stays and future potential need for indoor event space, with existing or proposed land use within the park, compatibility with surrounding approved land use outside the park, or need to conduct additional analysis or public process to comply with land use or CEQA laws and permitting requirements.

Using these criteria, four County park sites were evaluated as possible locations for the Fair:

- West Flat Area of Coyote Lake-Harvey Bear Ranch,
- Burnett Area in Coyote Creek Parkway,
- Coyote Ranch in Coyote Creek Parkway, and
- Martial Cottle Park.

Each site met the criteria for necessary features and, with capital investment, the desired features could be provided. The first three sites are part of a Board-approved park master plan. Modifying uses in these approved park plans would require additional public process if the Annual Youth Fair were included as a permanent new use. Therefore the compatibility with surrounding land uses is still undetermined. The evaluations are summarized in Table 3. Background on each park site is provided in Attachment B.

Martial Cottle Park, near completion of a three year planning effort, has several restrictions. There are multiple property owners associated with the park, including the State of California who owns 136.52 acres and the previous property owner/park donor, Mr. Walter Cottle Lester, who reserves 30.9 acres of the park for exclusive use as a Life Estate Area which restricts public access and future development.

Under the terms of the 2003 Property Transfer Agreement and grant deed between the County and the previous property owner, Mr. Walter Cottle Lester, overnight public use is also restricted in the park during his lifetime. Since a portion of Martial Cottle Park is owned by the State of California (136.52 acres), new uses and capital improvements would require additional review and approvals from California State Parks under a Joint Powers and Operating Agreement between the State and the County. A combined State Park General Plan and County Park Master Plan is nearly completed for this historic agricultural park, where significant resources have already been spent on the public planning process. Finally, the property is undergoing a Williamson Act Contract non-renewal period where certain uses would not be compatible with agriculture and thus would not be in compliance with the contract.

Table 3: Park Sites Evaluation Summary

Site Evaluation Criteria		Site Evaluation Comparison				
		Existing Fairgrounds	West Flat Area Coyote Bear	Burnett Area Coyote Creek	Coyote Ranch Coyote Creek	Martial Cottle Park
Necessary Features	Minimum core site area: 25 to 30 acres level area	✓	✓	✓	✓	✓
	10 acres onsite or within shuttle distance	✓	✓	✓	✓	✓
	Within two miles of major roadway or transit corridor	✓	✓	✓	✓	✓
Desired Features	On-site power and other utilities	✓	\$	\$	\$	\$
	On-site structures or assembly space	✓	\$	\$	\$	\$
	On-site features or furnishings	✓	\$	\$	\$	\$
Land Use Compatibility	Compatible with existing or planned park uses on-site	✓	⓪	⓪	⓪	⓪
	Compatible with existing/planned adjacent land uses	✓	⓪	⓪	⓪	⓪
	CEQA compliance complete	✓	⓪	⓪	⓪	⓪
	Ability to hold multi-day event, with overnight stays	✓	✓	✓	✓	⊘

- ✓ Site meets acceptable level of requirement
- ⓪ Property Deed Restriction and government codes (e.g. Williamson Act) prohibits acceptable level of requirement
- \$ Capital investment required to meet acceptable level of requirement
- ⓪ Additional public process required to determine acceptable level of requirement

#### *Preliminary Estimates for Site Planning, Development, and Construction Costs*

Based upon costs associated with planning, development, and construction of like facilities in the Parks Department CIP budget, anticipated costs associated with the relocation of the Annual Youth Fair are compiled in Attachment H. These are one-time costs, applicable to both Scenario # 1 and #2. Costs include only the minimum items required to host a functional Youth Fair in a safe, code-compliant and secure manner. Since a site plan and detailed program for the Annual Fair has not been developed at this time, additional costs associated with above ground structures, site furnishings, permanent indoor space, permanent restrooms, entry kiosks, administrative office space for Fair personnel, corrals, pens, shade structures, RV sites, outdoor event space, arena, spectator seating, hand-wash stations, portable toilets, or other facilities to house exhibits were not evaluated. Actual costs associated with final site development will likely be higher.

### Scenarios for Costs Associated with Operation of a Youth Fair Site at a County Park

Two scenarios were identified for operation of the Youth Fair at a County Park site.

#### Scenario #1:

- An independent organizer and separate entity from the Parks Department would operate the Youth Fair under a lease, license or annual special use permit;
- Event would be open to the public for four full days;
- Special use permit fee (rate is dependent on number of people at event); reservable group picnic site fees (if required); vehicle entry fee, off-site parking (if required); reimbursement of Parks staff time for event, traffic control plan and compensation to California Highway Patrol (CHP), Sheriff's Office, or local City Police Department, with a minimum call back time of four hours; and insurance coverage with the County as an additional insured.
- No County staff time would be allocated to any duties necessary to promote, operate, or manage the Fair, or to secure compliance of the event with the standards established by the State of California necessary to conduct a sanctioned fair.
- Annual site maintenance and patrol responsibilities necessary to preserve the site while not in use for the Annual Youth Fair would be conducted by Parks Department personnel
- As part of Special Use Permit application, reimbursement would be required for Parks Department personnel involved in the Youth Fair, such as Park Rangers, Park Maintenance Workers and Park Service Attendants prior to, during or after the event.

**Table 4: Scenario #1: Estimated Costs associated with Permitted Event on County Parkland  
(Four-day Fair Event for the Public)**

Costs for a Permitted Event	County Park Site
Special Use Permit Fees	\$900
Park Maintenance staff <sup>1,2</sup>	\$28,600
Park Ranger Staff for security during event <sup>1</sup>	\$6,200
Traffic control (CHP, Sheriffs, local city Police Department) <ul style="list-style-type: none"> <li>• Shuttle bus service (\$2,400/day)</li> </ul>	\$9,600
Vehicle, Equipment and Rental Needs <sup>3</sup> <ul style="list-style-type: none"> <li>• FMC's FY10 equipment rental costs for County Fair (\$38,500)</li> <li>• Truck rental for transporting equipment (\$500)</li> </ul>	\$39,000
Incidental custodian, janitorial and specialized trade responsibilities (electrician, carpenter, painter) performed under contract with FAF or vendor <sup>3</sup> <ul style="list-style-type: none"> <li>• FMC's FY10 service contracts/technical support costs for County Fair (\$7,500)</li> </ul>	\$7,500
Event trash collection <ul style="list-style-type: none"> <li>• San Jose Conservation Corps Contract (\$1,400/day)</li> </ul>	\$5,600
<b>Estimated Annual Costs:</b>	<b>\$97,400</b>

<sup>1</sup> Based on the 2010 staffing support provided by the Parks Department for the County's Festival in the Park event at Hellyer County Park and approved FY2011 Fees for Parks staff support to a permitted event (\$70.00 per hour per staff person which includes Rangers, Maintenance Workers, and Park Service Attendants). Otherwise Parks staff time would not be allocated to any duties necessary to promote, operate, or manage event, or to secure compliance of the event with the standards established by the State of California necessary to conduct a sanctioned fair.

<sup>2</sup> Parks Department's side agreement with SEIU Local 521 limits use of Department of Corrections and General Assistance workers currently used as manual labor for annual routine site maintenance at existing Youth Fair site.

<sup>3</sup> Since a detailed Program for the Fair at a new site has not been developed, the Parks Department has used the cost of vehicle, equipment and rental needs and service contracts from FMC's FY2010 budget for the Youth Fair.

#### Scenario #2:

- In addition to providing annual site maintenance responsibilities and securing the site, County staff would plan, organize and operate the Youth Fair, allocating its staff time toward the execution of any duties necessary to promote, operate, or manage the Fair, or to secure

compliance of the event with the standards established by the State of California necessary to conduct a sanctioned fair, replacing the support now provided by the FMC staff,

- County staff that would be involved and responsible for organizing the Youth Fair would include: Assistant Real Estate Agent, Office Specialist III, Administrative Assistant, Senior Accountant, Accountant II, Account Clerk II, Gardener, General Maintenance Mechanic II, Utility Worker, Building Operations Supervisor and Executive Management positions.

**Table 5: Scenario #2: Annual Site Maintenance & Youth Fair Operation Costs by County**

Costs	County Park Site
Park Ranger staff for site security during event <sup>1</sup>	\$6,200
Traffic control	\$9,600
Vehicle, Equipment and Structures Rental	\$39,000
Event trash collection	\$5,600
Event administrative staff and management <sup>2</sup>	\$653,800
<b>Estimated Annual Costs:</b>	<b>\$714,200</b>

<sup>1</sup>Costs based upon analysis of this task in Scenario #1

<sup>2</sup>Costs based upon analysis of County personnel costs provided in Table 10 and Attachment C.

### *Assumptions for Personnel Costs for County's Operation and Management of Annual Youth Fair*

The FMC was unable to provide an estimate of the number of hours that their personnel spends on the on-going management and operation of the Annual Youth Fair. For the administrative functions related to developing the Annual Youth Fair program, premium book, event committees and other functions related to event coordination, management and operations, the FMC Fair Manager estimates approximately 55% to 60% of her time would be needed for 10 months of the year. For the actual event operations and coordination, various FMC staff positions provide varying degrees of involvement with the Fair event, where concentrated time would be needed during the five to six weeks that the Annual Youth Fair set-up, coordination and post-event site maintenance activities take place at the existing Fairgrounds. Based on the FY10 FMC budget for the Fair personnel costs, the Parks Department has estimated approximately six (6) FTE positions and personnel costs of approximately \$654,000 would be needed for the on-going operations of the Annual Youth Fair. See Attachment I.

As identified in Table 5, Scenario #2 contains significant additional costs associated with the organization, management and operation of the Youth Fair by County staff. In addition to the need to conform to provisions in current unit labor agreements that determine wages and benefits for County positions, not all positions such as the Fair Manager, Building Superintendent/Electrician, Painter, Carpenter, Housekeeping, etc. exist in current County job codes. The County would need to reassess how these services would be provided under current provisions. As the Parks Department does not routinely include the following positions in their staff, the Parks Department would have to contract out for the following services with other County departments, such as FAF, or outside vendors: Building Operations Supervisor; Gardener; General Maintenance Mechanic II; Electrician; Carpenter; Painter; and Housekeeping/Janitorial Services.

For the Annual Youth Fair, the FMC shared with the Parks Department that their staff provides many, unpaid hours, and their volunteers, parents and children, and community members devote countless hours to the Fair event, which are not captured in the personnel costs. The Parks Department would also have to rely heavily on volunteer and community support for the Annual Youth Fair at County Park site. The Parks Department has hosted a medium to large scale community event in a County Park, such as Festival in the Park, which is a one-day event held annually at Hellyer County Park in South San Jose. The 2010 Festival in the Park event required 1,300 hours of Parks staff time, 800 hours of documented Parks volunteer time and undocumented community support hours. The number of volunteer hours has not been estimated for the Annual Youth Fair at a County Park.



### *Limitations on Use of Park Charter Fund for Annual Youth Fair*

Under Scenario #1, use of Park Charter funds, specifically capital improvement funds, may be appropriate to install the necessary infrastructure to support the Annual Youth Fair at the two park sites which are considered raw land at the present time (Burnett area of Coyote Parkway County Park and the West Flat area of Coyote Lake Harvey Bear County Park) because an event venue at these locations would be created that could be used to host other Park events that may generate revenue for the Parks Department. Since the site would be a parks facility, any revenue generated, while not in use for the Youth Fair, would be allocated to the Parks Charter Fund for on-going park operations or capital improvements and would not revert to the General Fund or any other entity identified to support the Youth Fair. However, it would not be appropriate to expend Park Charter Funds at the Coyote Ranch site without careful considerations of long-term direct benefit to the Parks Department, because it is a currently leased facility.

Under Scenario #2, substantial County staff (Parks Department, FAF, Sheriff's Office, etc.) and vendors would be required to replicate the complex, Fair-specific services currently provided by the FMC. The County Board of Supervisors would need to consider whether the annual Youth Fair serves a Parks purpose for the expenditure of Park Charter funds. If it were determined that the Youth Fair does not serve a Park purpose, the Board would need to consider what County funding source would be needed to subsidize the annual operational fund related to the Youth Fair. Under this second scenario, it is assumed that the FMC Board of Directors would continue functioning as the direct governing authority for the Annual Youth Fair. The administrative costs to support this governing body have not been estimated. These unknown costs could further increase the overall, on-going costs associated with the Youth Fair. FMC staff such as the Fair Manager have provided over 20 years of experience and technical expertise with the operation of the Fair event, such that their services could not easily be replicated by a new operator such as the County or other.

### *Compliance to County ordinances, policies, and procedures pertinent to events on park sites*

For both Scenarios #1 and #2, the operator (whether it would be an independent operator or the County) would be required to comply with applicable County ordinances, policies and procedures for the Annual Youth Fair on County parkland. Attachment J is a list provides County ordinances, policies and procedures that the Fair operator would need to consider at a Park site.

The Board of Supervisors would need to consider exemptions to the Parks Department's Lease Preparation and Monitoring policy (revised December 9, 2008) in order to provide a favorable and competitive situation for the Annual Youth Fair event venue on County parkland.

Policies related to the management and operation of County parkland would also require Board-approved modifications to accommodate an Annual Youth Fair event on park property, such as amendments to Park Hours and Pets in Parks Ordinance to accommodate evening use when the park is closed and live animals in the park.

### *Summary of Investigations of Other County Fairs and Local Festivals*

**Monterey County Fair:** The annual Monterey County Fair takes place at the Monterey County Fairgrounds, an event center set on 22 acres. The Fairgrounds also hosts many major public and private events on the Central Coast and is the site of the Monterey Bay Race Place, a Satellite Wagering Facility. The Monterey County Fair is the 7th District Agricultural Association of the State of California. The 74<sup>th</sup> annual Fair will take place from September 1 through September 6, 2010, for a six-day fair event. The Fair organizers anticipate 290 animals, including market sheep, goats, swine and beef cattle. In addition there will be an open goat show with approximately 200 animals, where this Fair will host this solo show of goats for the first time. The Fair also hosts 8,000 to 10,000 stills exhibits (adults/juniors) in the Hallmark Building, a 7,100 SF banquet hall which also provides the stage for night activities at the Fair. The total indoor building space needs for the Monterey County Fair is 34,000 SF, including the Banquet

Hall building, Agricultural building, 4H/FFA building, Visual Arts building and Floral building. The Fairgrounds also provides an arena for paid rodeo shows for the Fair, three (3) outdoor, community stages for night entertainment and limited parking of 180 spaces. Free parking is provided off-site along streets or at a nearby community college where shuttle service is provided to the Fair.

In 2009, the annual Monterey County Fair was a five-day fair with 65,000 attendees which used to take place during the second week of August. In 2010, the Fair will be a six-day event which will take place during the Labor Day weekend with an estimated attendance of 70,000. A pilot program is being conducted to accommodate the overlapping schedules of both the Santa Cruz County Fair and the Monterey County Fair, where exhibitors can enter both Fairs. Since Monterey County Fair takes place earlier, Monterey County staff would transport registered exhibits to Santa Cruz County Fair to avoid impacting the entries for their respective fairs.

RV parking is provided for vendors who rent the space where 30 hook-ups are provided for rental. There is typically not sufficient RV parking for exhibitors and/or their families. On-site security is provided with two roving security guards during the fair event.

The Monterey County Fair received approximately \$115,000 in annual funds to operate the fair. The Fair nets approximately \$30,000 to \$35,000 in revenues. The Fair is funded by the District Agricultural Association which is a State agency and not operated by the County. In the past, the Monterey County Fairgrounds received \$81,000 from the State for one-time capital improvements. The Fair is a Class IV Fair and the Friends of the Fair Foundation, a 501 c(3) organization provides an annual contribution of \$50,000 toward the Fair event.

In addition to the annual Fair, Monterey County also hosts three other non-profit agriculturally-oriented community events at the fairgrounds. "Big Farm Day" is a one-day youth agricultural day that takes place in October, geared towards community learning, where fees are not charged for animal exhibition and judging. The "Jackpot Show" is another community event where children bring their livestock to the fairgrounds the night before or the day of the event for show. There are two areas set up for this livestock show during the last weekend of March. The Jackpot Show has received over 300 entries, mostly exhibitors and parents, although not many members of the public participate. In addition, there is a one-day cage carrying event for rabbits and poultry hosted by the California Junior Livestock Association.

***Gilroy Garlic Festival:*** The Gilroy Garlic Festival is in its 32<sup>nd</sup> year at Christmas Hill Park in the City of Gilroy. It is an annual event typically scheduled on the last weekend in July; this year's event will occur from July 23 through 25th. The Gilroy Garlic Festival does charge admission, \$17 for adults, \$8 for seniors and children from 6-12, and free admission for children under 6 years of age. Parking, entertainment on three stages, cooking demonstrations and a separate children's area are all included in the price of admission. The festival has annual attendance of 100,000 and has a volunteer corps of 4,000.

The Gilroy Garlic Festival Association has invested approximately \$1 million in improvements to benefit both the event as well as the park for general public use. Improvements include electrical and water outlets, permanent sleeves for canopies, pedestals to accommodate booths, fire trails, fencing and additional picnic areas. The event lay-out does not vary much from year-to-year because of the location and placement of the utility outlets and sleeves. Approximately 125-150 tents are rented annually and a generator is on-hand for emergencies but event organizers have not had to use it in many years. Two areas of Christmas Hill Park are used for the Gilroy Garlic Festival; the main part of Christmas Hill Park and the Ranch site which is separated from the park proper by Miller Ave.

Christmas Hill Park is a City of Gilroy community park that is approximately 50 acres in total size. In 1990, the County acquired 15.61 acres next to Christmas Hill Park and has leased it to the City of Gilroy for development, operation and maintenance of an expanded park. The lease agreement is in effect until 2015. Staff from both agencies are currently in the process of renegotiating a renewal of the agreement.

**Attachment A****On-going, Full Time Personnel Costs for Interim County Fairgrounds Management**

FMC Position	FMC FTE	County Equivalent Position	Annual Total Comp Salary <sup>1,2</sup>	County FTE	Total Annual Staff Costs <sup>3,4</sup>
<b>ADMINISTRATION/ FISCAL SUPPORT</b>					
General Manager	1	Program Mgr II	\$151,876	1	\$151,876
Exec. Sec/ Fair Manager	1	Management Analyst	\$127,733	1	\$127,733
Receptionist	0.5	Office Specialist III	\$78,564	0.5	\$39,282
Office Assistant/Clerical	0.5	Office Specialist III	\$78,564	0.5	\$39,282
Purchasing	0.5	Account Clerk II	\$52,442	0.5	\$26,221
Grounds Rental Mgr.	1	Park Use Coordinator	\$113,748	1	\$113,748
Grounds Rental Asst	1	Office Specialist III	\$78,564	1	\$78,564
CFO/Controller	1	Sr. Accountant	\$137,364	1	\$137,364
Account Clerk	0.55	Account Clerk II	\$43,698	0.5	\$21,849
Senior Staff Accountant	1	Accountant II	\$105,024	1	\$105,024
<b>GROUNDS CREW</b>					
Grnds Crew Supervisor	0.74	Sr. Park Maint. Worker	\$108,913	1	\$108,913
Grnds Laborer	1	Park Maint. Worker I/II	\$93,590	1	\$93,590
Grnds Laborer	1	Park Maint. Worker I/II	\$93,590	1	\$93,590
Grnds Laborer	1	Park Maint. Worker I/II	\$93,590	1	\$93,590
Grnds Laborer	1	Park Maint. Worker I/II	\$93,590	1	\$93,590
Grnds Laborer	1	Park Maint. Worker I/II	\$93,590	1	\$93,590
Grnds Laborer	1	Park Maint. Worker I/II	\$93,590	1	\$93,590
Grnds Laborer	1	Park Maint. Worker I/II	\$93,590	1	\$93,590
<b>HOUSEKEEPING</b>					
Electrician	0.5	Electrician	\$86,374	0.5	\$43,187
Carpenter	0.5	Carpenter	\$73,562	0.5	\$36,781
Painter	0.5	Painter	\$73,561	0.5	\$36,781
Liaison/ Housekeeping	1	Facilities Maint. Rep.	\$64,453	1	\$64,453
Chief Custodian	1	Janitor Supervisor	\$101,916	1	\$101,916
<b>SATWAG OPERATIONS</b>					
Housekeeping	1	Janitor	\$72,912	1	\$72,912
Manager - Sat Wag	1	Admin Services Manager	\$150,948	1	\$150,948
Asst. Mgr - Sat Wag	1	Admin. Support Manager	\$115,680	1	\$115,680
Asst. Supervisor	1	Supervising Acct. Clerk	\$113,760	1	\$113,760
SW Clerical	0.75	Acct Clerk II	\$52,442	0.75	\$39,331
Admission Clerk	0.25	Office Specialist III	\$78,564	0.25	\$21,852
Janitor	1	Janitor	\$72,912	1	\$72,912
Janitor	1	Janitor	\$72,912	1	\$72,912
Janitor	0.6	Janitor	\$43,747	0.6	\$43,747
Janitor Supervisor	1	Janitor Supervisor	\$101,916	1	\$101,916
Bus-person	1	Food Service Worker	\$72,912	1	\$72,912
-	1	Parks Volunteer Coordinator	113,748	0.5	56874
<b>Sub-total</b>	<b>21.29</b>		<b>\$2,309,402</b>	<b>21.5</b>	<b>\$2,823,860</b>
10% Contingency for Contract Services <sup>3</sup>					\$59,443
<b>Total</b>					<b>\$2,883,303</b>

## Notes:

1. Personnel costs reflect fair market wages and benefits in current County bargaining unit labor agreements.
2. Personnel costs do not include County and Department overhead charges.
3. Costs to replace the FMC's use of PSP/Inmate and casual seasonal labor were not included.

Board of Supervisors: Donald F. Gage, George Shirakawa, Dave Cortese, Ken Yeager, Liz Kniss  
County Executive: Jeffrey V. Smith

Costs to replace the FMC's unpaid overtime were not included.

## **Attachment B**

### ***Background on Park Sites Evaluated as Possible Youth Fair Locations***

#### **West Flat Area (Coyote Lake-Harvey Bear Ranch County Park, San Martin)**

The West Flat Area is 285 acres of grassland on the western edge of the 4,448 acre Coyote Lake Harvey Bear Ranch County Park. Located in the unincorporated community of San Martin, the entrance to the West Flat Area is 1.2 miles east of the north-bound San Martin Avenue exit off Hwy 101. Historically the area has been in row crops, hay production, and pasture. Now part of a County park, it is primarily pasture land, with some recreational use for trails and as a trails staging or parking area.

The majority of the West Flat Area would be characterized as "raw land." Rudimentary overhead electrical power to serve two former residences and the barn complex exists. No other utilities exist on-site. The former residences were served by wells or spring boxes located elsewhere in the park but connections to these have not been evaluated for public use. Residential phone service and septic systems are defunct. No habitable structures exist on-site. The existing barns are included in the grazing lease operation and have not been evaluated for public use. The surrounding area of San Martin is unincorporated, with rural residential parcels averaging 5 acres in size.

The master plan process for Coyote Lake-Harvey Bear Ranch was conducted between 2001 and 2003 and included a total of 30 public meetings before final approval before the Board of Supervisors in January 2004. Total Parks Charter Fund Capital Improvement Plan Fund costs for the development of the master plan and EIR was over \$260,000 (FY 2001).

The master plan proposed a range of relatively intense recreational uses for the West Flat Area. These included an 18-hole golf course with practice range, events center able to host up to 200 people, five acre youth-oriented fishing pond complex, family and group picnic areas, off-leash dog park, and dirt bike area. The master plan included preservation of historic areas onsite and development of an equestrian event or agricultural education center at the existing barn complex. The West Flat Area is also considered the western gateway to the 30+ miles of trails proposed for the park.

Since 2004, a new entrance for the West Flat Area has been completed, with unpaved parking for 40 cars and 15 trailers to provide access for the 19 miles of trails that have been constructed in the park. In 2008, a 10' wide paved trail around the perimeter of the West Flat Area was completed. A number of organized trail events occur in the park each year and usually stage from the West Flat Area. Equestrian camping by special use permit is allowed in conjunction with these events. The portions of the West Flat Area reserved for future development are included in a grazing lease with a private operator and the existing barn complex serves as the main on/off loading area for that grazing operation.

#### **Burnett Area (Coyote Creek Parkway County Park, Morgan Hill):**

The Burnett Area is 142 acres of grassland on both sides of Coyote Creek in Coyote Creek Parkway County Park. Located in an unincorporated part of Morgan Hill, the midpoint of the site is 1.2 miles from the intersection of Burnett Avenue and Monterey Highway. The midpoint of the site is 2.5 miles from the Cochrane Avenue interchange on Hwy 101. The site is less than 0.5 miles from Ann Sobrato High School. Historically the area has been vineyard, orchard crops, and pasture. A portion of the Coyote Canal transects lands on the east side of the creek. The area has reverted to grassland and riparian habitat.

The Burnett Area would be also characterized as "raw land." Rudimentary overhead electrical power to serve two former residences and the barn complex exist. No other utilities exist on-site. The former residences were served by wells and none have been maintained for public use. Residential phone service and septic systems onsite are defunct. No habitable structures exist on-site. The existing barn on the east side of the creek is used by Parks maintenance staff for storage and is access via a narrow pedestrian bridge.

In 2007, the Board of Supervisors approved a master plan for Coyote Creek Parkway County Park. Total Parks Charter Fund Capital Improvement Plan Fund costs for the development of the master plan and CEQA was approximately of \$255,000 (FY 2005). In the master plan, a multi-purpose active recreational use was planned at the Burnett Area, compatible with its creekside location on the west side of the creek and restoration of the historic Malaguerra winery and vineyard complex on the east side of the creek. The master plan estimated parking for 200 cars on the site. To date, no capital improvements have been made and none are identified within the next five years. A number of organized trail events occur in the park each year but none stage out of this area. No overnight use occurs on this site but it is not expressly prohibited. The Burnett Area is adjacent to Coyote Creek, a steel head and salmon fishery undergoing intense scrutiny by the public resource agencies for habitat enhancement under the Santa Clara Valley Water District's Three Creeks Habitat Conservation Plan.

**Coyote Ranch (Coyote Creek Parkway County Park, (Coyote):**

The Coyote Ranch is a 37 acre historic ranch site on the east side of Coyote Creek in Coyote Creek Parkway County Park. Located in an unincorporated area known as Coyote, near the southern limits of the City of San Jose, the site is 2.5 miles south of the Bernal Avenue off-ramp from Hwy 85 and 1.2 miles north of the Bailey Avenue off ramp from Hwy 101. The site is accessed directly from Monterey Highway and is less than 0.5 miles from the Coyote Grange Hall. As parkland, the area is leased to the Coyote Ranch Corporation, who operates the site for catered parties, corporate picnics, and western-themed events.

Coyote Ranch is a developed park site. Electrical power and other utilities exist on-site and the site is served by a potable well owned by the County. Residential phone service and septic systems onsite are functional. A number of business-related structures exist on-site. All site maintenance is the responsibility of the lessee. While meeting the minimum site size criteria to be considered as a possible Youth Fair location and supplied with utilities, it is likely that these services would need to be upgraded to handle larger events. Also, Coyote Ranch does not have enough land onsite to meet the needs for attendee parking. Possible parking sites exist within reasonable distance, with use of a shuttle service.

Also included in the study area of the Coyote Creek Parkway Master Plan approved by the Board of Supervisors in 2007, no change in use was identified for this area. The current lease stipulates that the County may use the site for up to seven days a year for a scheduled event. No overnight public use occurs on this site but it is not expressly forbidden.

**Martial Cottle Park (San Jose)**

Martial Cottle Park consists of 256.64 acres where the County owns 120.12 acres and the State owns 136.52 acres. The joint ownership of the park property is governed by a Joint Powers and Operating Agreement between the State of California and the County of Santa Clara. In addition, there remains a Life Estate area adjacent to the public property (30.9 acres) which the property donor/former owner, Mr. Walter Cottle Lester, retains exclusive use of the Life Estate, as specified in the Property Transfer Agreement between Mr. Lester and the County. No portion of the Life Estate Area is available for public use. The site is roughly bounded by Branham Lane to the north, Snell Avenue and the Life Estate to the east, Chynoweth Avenue, Colony Field Drive, and State Route 85 to the south. To the west, the site abuts the rear lots of private residential properties. Overall, the park is completely surrounded by residential and commercial development within a suburban neighborhood of South San Jose.

Since this is an undeveloped park property, there is currently no public access to the site, except to the produce stand located on Snell Avenue during the stand's business hours. The site can be accessed by Highways 85, 87, and 101. The Blossom Hill Road exit from Highway 85 would be the nearest highway interchange, located approximately a half-mile to the southeast of the site. Local access to the site is provided via two major arterials, Branham Lane on the north and Snell Avenue to the east.

Public transit is available to the site, where the nearest bus stop is located on Snell Avenue immediately east of the site and the Blossom Valley VTA light rail station is located immediately south of the site. The Blossom Hill Caltrain station is located approximately two miles east of the site.

The majority of Martial Cottle Park is characterized as flat, open fields that have been seasonally cultivated for agricultural production for nearly 150 years, whereby it would be essentially "raw land." Aside from the 1940s pump house with a well that used to provide irrigation for the agricultural areas, there are no other structures and utilities on-site. The Life Estate adjacent to the park contains the main residence and ranch complex buildings, where residential phone service and septic systems exist. The existing barns are also part of the Life Estate Area and not available to the County for public use at this time, since the property donor has exclusive use of his residence and the structures as part of the grant deed.

Since 2007, the Parks Department has been working towards the completion of a State Park General Plan and County Park Master Plan ("Park Plan") along with an Environmental Impact Report for Martial Cottle Park. The proposed Park Plan identifies recreational activities, such as trails, picnic areas, day use facilities, a visitor center, multi-use outdoor pavilion, and grassy park area for community-gathering and events. In addition, the Park Plan includes enhancement of seasonal wetland habitat and trails along the Canoas Creek channel, a small native plant nursery, a community-based urban forestry program, community gardens, educational and interpretive programming related to the site's agricultural, cultural and natural resources. Agricultural and youth agricultural uses related to the site's history and on-site marketing opportunities for farmers would also be a component of the Park Plan.

**Attachment C****On-going County Personnel Costs to Operate Annual Youth Fair on County Park Site**

FMC Position	FMC FTE	County Equivalent Position <sup>3,4</sup>	Annual Total Comp Salary <sup>1,2</sup>	County FTE	Employee Factor for Fair Event Activities	County FTE dedicated to Fair Operation	County Total Annual Cost <sup>6</sup>
<b>ADMINISTRATION/ FISCAL SUPPORT</b>							
General Manager	1.00	Program Mgr II	\$ 151,876	1.00	20%	0.20	\$ 30,375
Exec. Sec/ Fair Mgr.	1.00	Management Analyst	127,733	1.00	55%	0.55	\$ 70,253
Receptionist	0.50	Office Specialist III	78,564	0.50	50%	0.25	\$ 19,641
Office Asst/Clerical	0.50	Office Specialist III	78,564	0.50	50%	0.25	\$ 19,641
Purchasing	0.50	Account Clerk II	43,698	0.50	50%	0.25	\$ 10,925
Grnds. Rental Mgr.	1.00	Park Use Coordinator	113,748	1.00	25%	0.25	\$ 28,437
Grounds Rental Asst	1.00	Office Specialist III	78,564	1.00	25%	0.25	\$ 19,641
CFO/Controller	1.00	Sr. Accountant	137,364	1.00	25%	0.25	\$ 34,341
Account Clerk	0.55	Account Clerk II	43,698	0.50	25%	0.13	\$ 5,462
Sr. Staff Accountant	1.00	Accountant II	105,024	1.00	45%	0.45	\$ 47,261
<b>GROUND CREW</b>							
Grnds Crew Sup.	0.74	Sr. Park Maint. Worker	108,913	1.00	25%	0.25	\$ 27,228
Grnds Laborer	1.00	Park Maint. Worker I/II	93,590	1.00	25%	0.25	\$ 23,398
Grnds Laborer	1.00	Park Maint. Worker I/II	93,590	1.00	25%	0.25	\$ 23,398
Grnds Laborer	1.00	Park Maint. Worker I/II	93,590	1.00	25%	0.25	\$ 23,398
<b>RECOMMENDED PARK POSITION</b>							
Grnds Laborer	1.00	Park Maint. Worker I/II	93,590	1.00	25%	0.25	\$ 23,398
Grnds Laborer	1.00	Park Maint. Worker I/II	93,590	1.00	25%	0.25	\$ 23,398
Grnds Laborer	1.00	Park Maint. Worker I/II	93,590	1.00	25%	0.25	\$ 23,398
Grnds Laborer	1.00	Park Maint. Worker I/II	93,590	1.00	25%	0.25	\$ 23,398
<b>Sub-total</b>	<b>21.29</b>		<b>\$ 2,309,402</b>	<b>21.50</b>		<b>6.20</b>	<b>\$ 594,432</b>
<b>HOUSEKEEPING</b>							
Facilities Agency	0.50	Electrician	86,374	0.50	25%	0.13	\$ 10,797
Carpenter	0.50	Carpenter	73,562	0.50	25%	0.13	\$ 9,195
Painter	0.50	Painter	73,561	0.50	25%	0.13	\$ 9,194
<b>Total/ Housekping</b>	<b>1.00</b>	<b>Facilities Maint. Rep.</b>	<b>64,453</b>	<b>1.00</b>	<b>25%</b>	<b>0.25</b>	<b>\$ 65,675</b>
Chief Custodian	1.00	Janitor Supervisor	101,916	1.00	25%	0.25	\$ 25,479
Housekeeping	1.00	Janitor	72,912	1.00	25%	0.25	\$ 18,228

Board of Supervisors: Donald F. Gage, George Shirakawa, Dave Cortese, Ken Yeager, Liz Kniss  
 County Executive: Jeffrey V. Smith

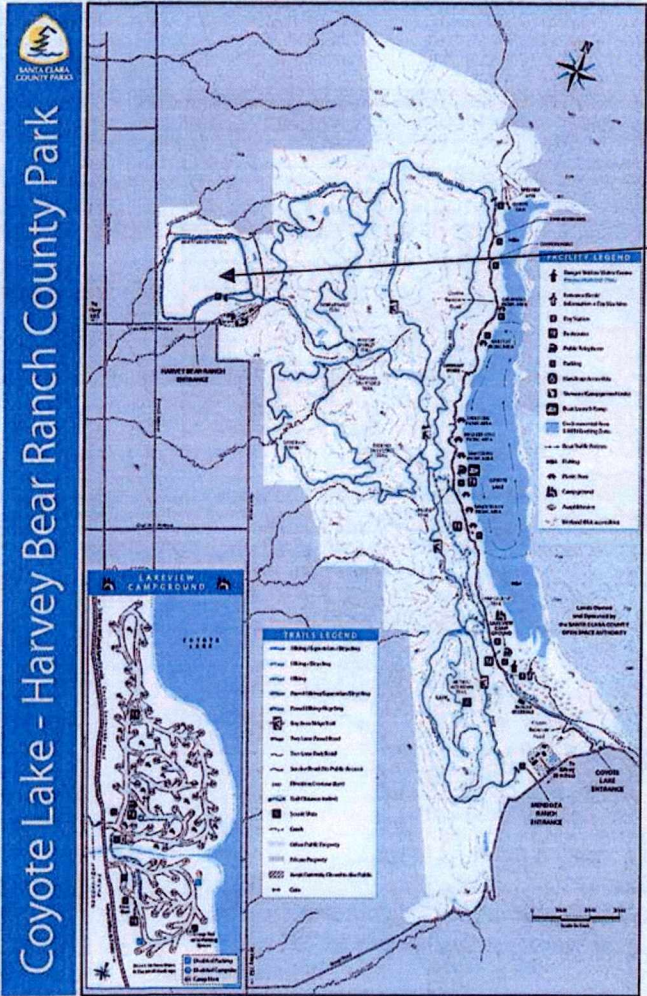
Notes:

1. County personnel costs reflect fair market wages and benefits in current County bargaining unit labor agreements. The FMC is not required to compensate fair market wages and benefits.
2. County personnel costs do not include County or departmental overhead charges.
3. County personnel costs do not reflect contract hours or services provided by FMC Livestock Superintendent/ Asst Livestock Superintendent.
4. County personnel costs do not include the additional six (6) FTE's that would need to be added to off-set the loss of PSP/inmate workers that the FMC currently uses as casual labor, if agreement is reached with bargaining units for use of PSP workers.
5. The Parks Department recommends addition of a Parks Volunteer Coordinator to address volunteers and community groups involved with the Fair event.
6. Overtime costs for positions assigned to the Fair are to be determined.

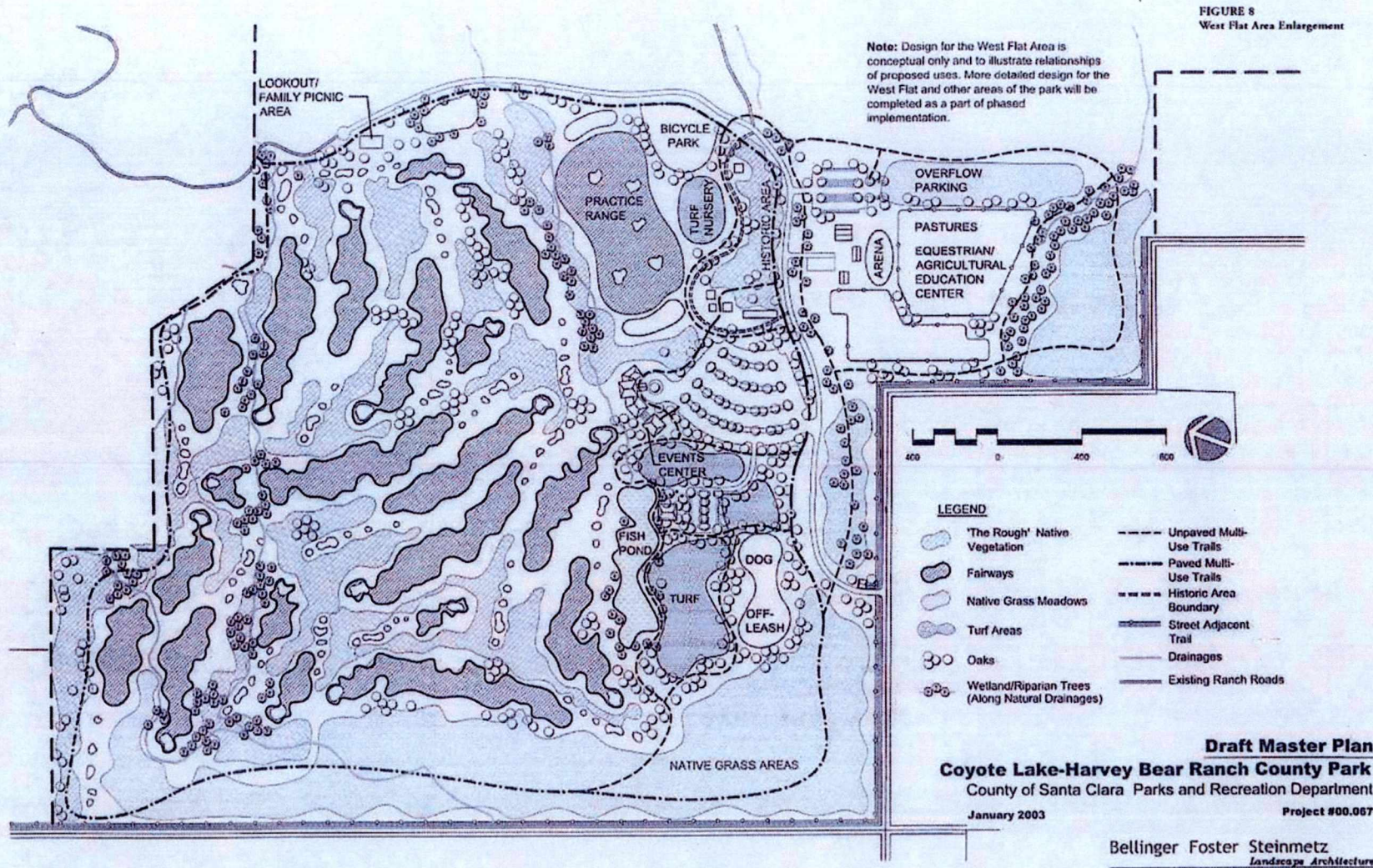


**Attachment D: Maps of Four County Park Sites Evaluated**

**Coyote Lake Harvey Bear Ranch County Park, San Martin**

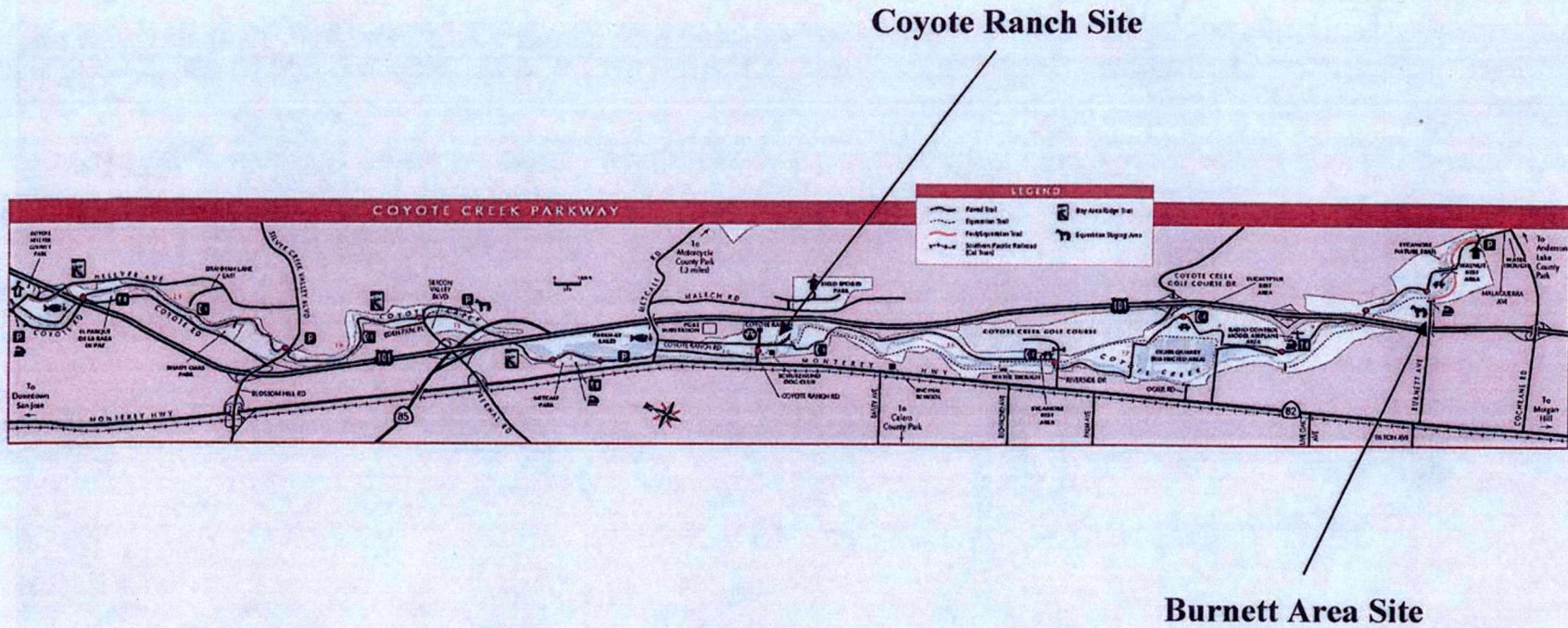


West Flat Area



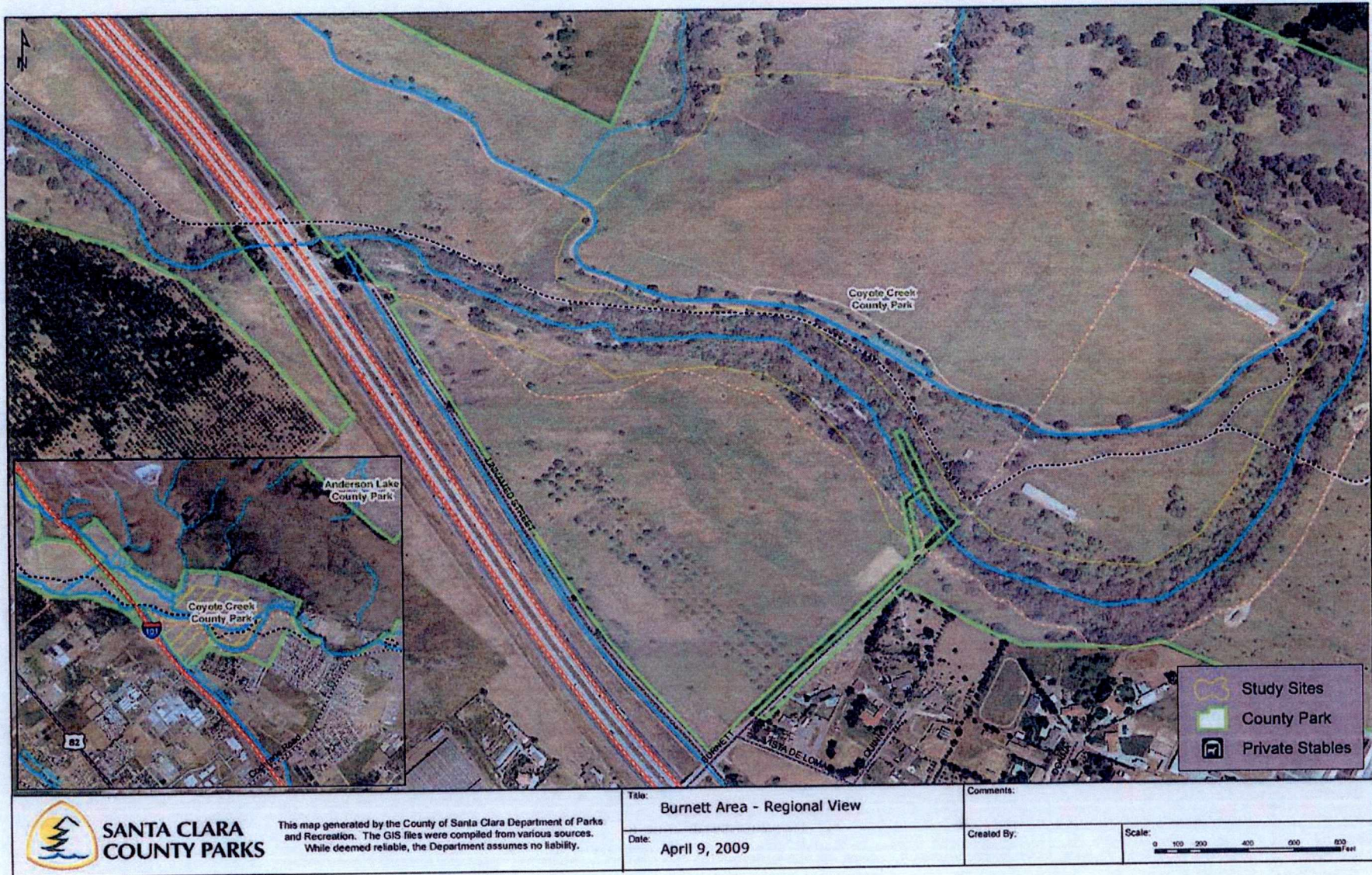
Board of Supervisors: Donald F. Gage, George Shirakawa, Dave Cortese, Ken Yeager, Liz Kniss  
County Executive: Jeffrey V. Smith

# Coyote Creek Parkway, Morgan Hill



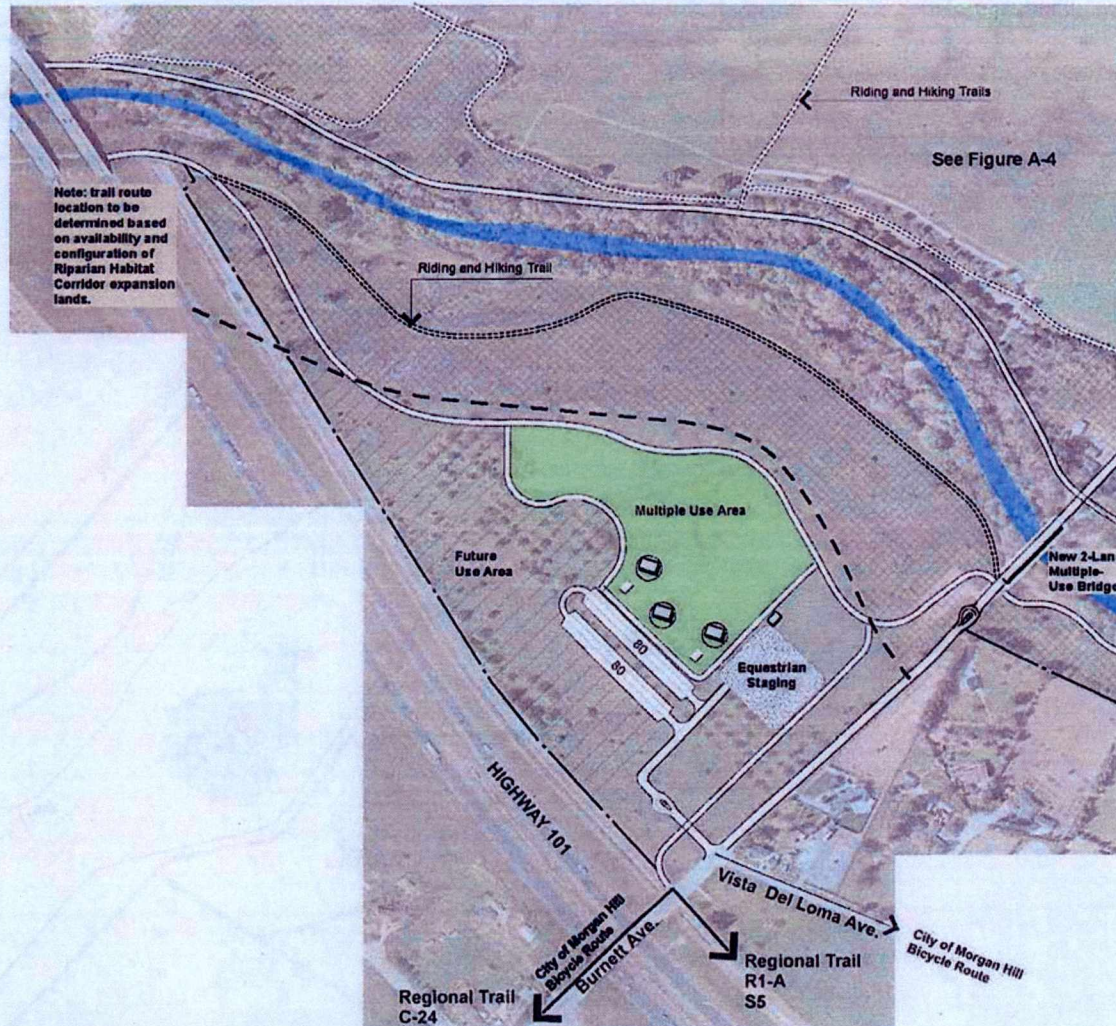
Board of Supervisors: Donald F. Gage, George Shirakawa, Dave Cortese, Ken Yeager, Liz Kniss  
County Executive: Jeffrey V. Smith

### Coyote Creek Parkway (Burnett Area Site)



**Board of Supervisors:** Donald F. Gage, George Shirakawa, Dave Cortese, Ken Yeager, Liz Kniss  
**County Executive:** Jeffrey V. Smith

# Coyote Creek Parkway (Burnett Area Site)



**FIGURE A-3:  
Burnett Avenue  
Recreation Area**

**Program**

- Area staging (equestrian and general)
- Family and group picnic
- Water and restrooms
- Multi-purpose active recreation use area (use not designated)

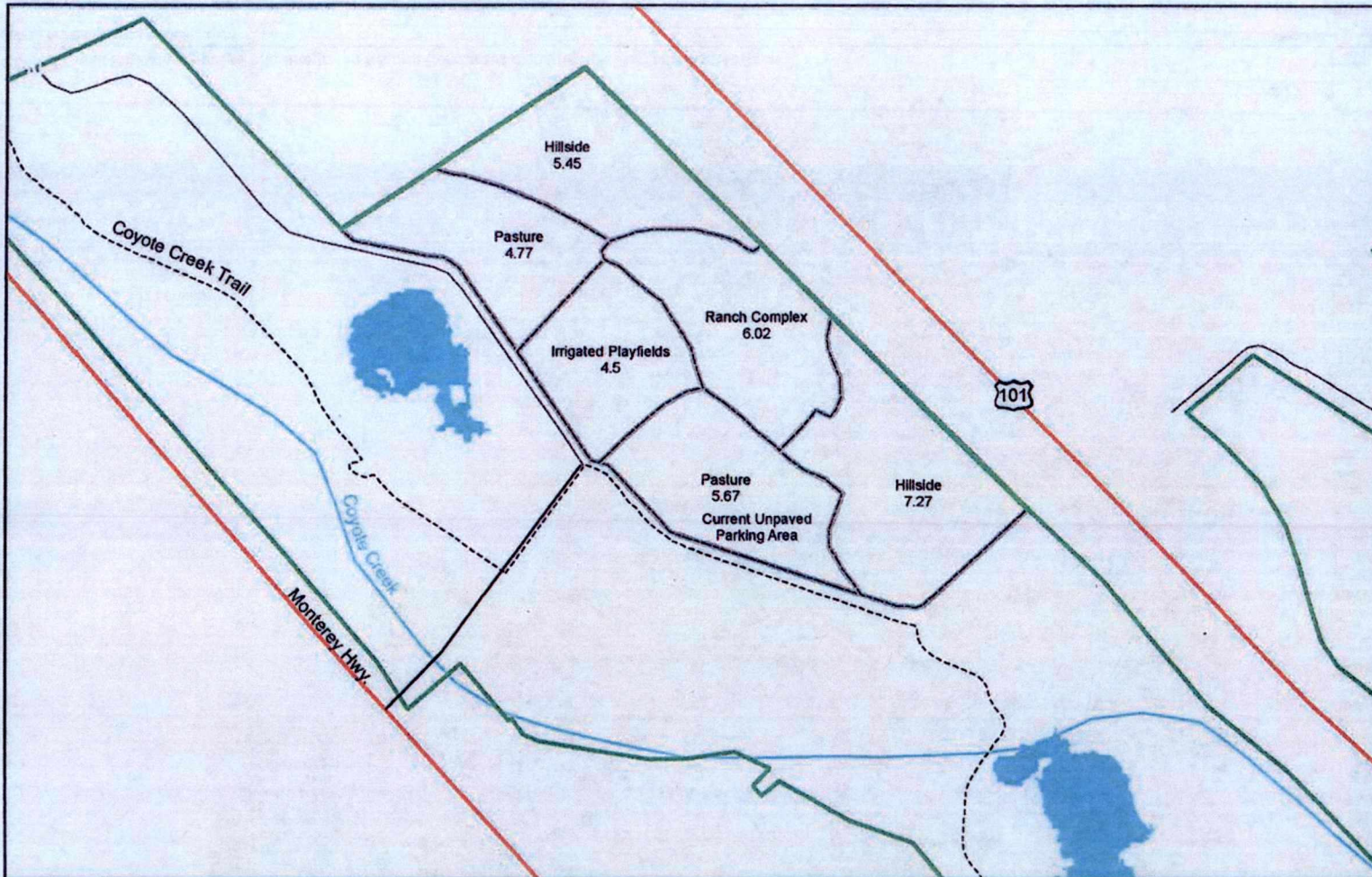
Total Parking: 160 Spaces with Equestrian Staging  
Expansion Potential: Yes


**LEGEND**

- Existing Park Boundary
- Roads
- Trails
  - Shared Use Trail
  - Riding and Hiking Trail
- Group Picnic Area
- Entrance Kiosk
- Restrooms
- Meadow Use Area
- Edge of Riparian Habitat Corridor
- Welland / Riparian Infill and Enhancement Areas
- Coyote Creek - Generalized Low-Flow Channel

See Figure A-2

### Coyote Creek Parkway (Coyote Ranch Site)



 <b>SANTA CLARA COUNTY PARKS</b> <small>This map generated by the County of Santa Clara Department of Parks and Recreation. The GIS files were compiled from various sources. While deemed reliable, the Department assumes no liability.</small>	<b>Title:</b> Coyote Ranch Land Use	<b>Comments:</b>	
	<b>Date:</b> October 5, 2005	<b>Created By:</b> J Falkowski	<b>Scale:</b> 0 100 200 400 600 800 Feet

Board of Supervisors: Donald F. Gage, George Shirakawa, Dave Cortese, Ken Yeager, Liz Kniss  
County Executive: Jeffrey V. Smith

### Martial Cottle Park, San Jose

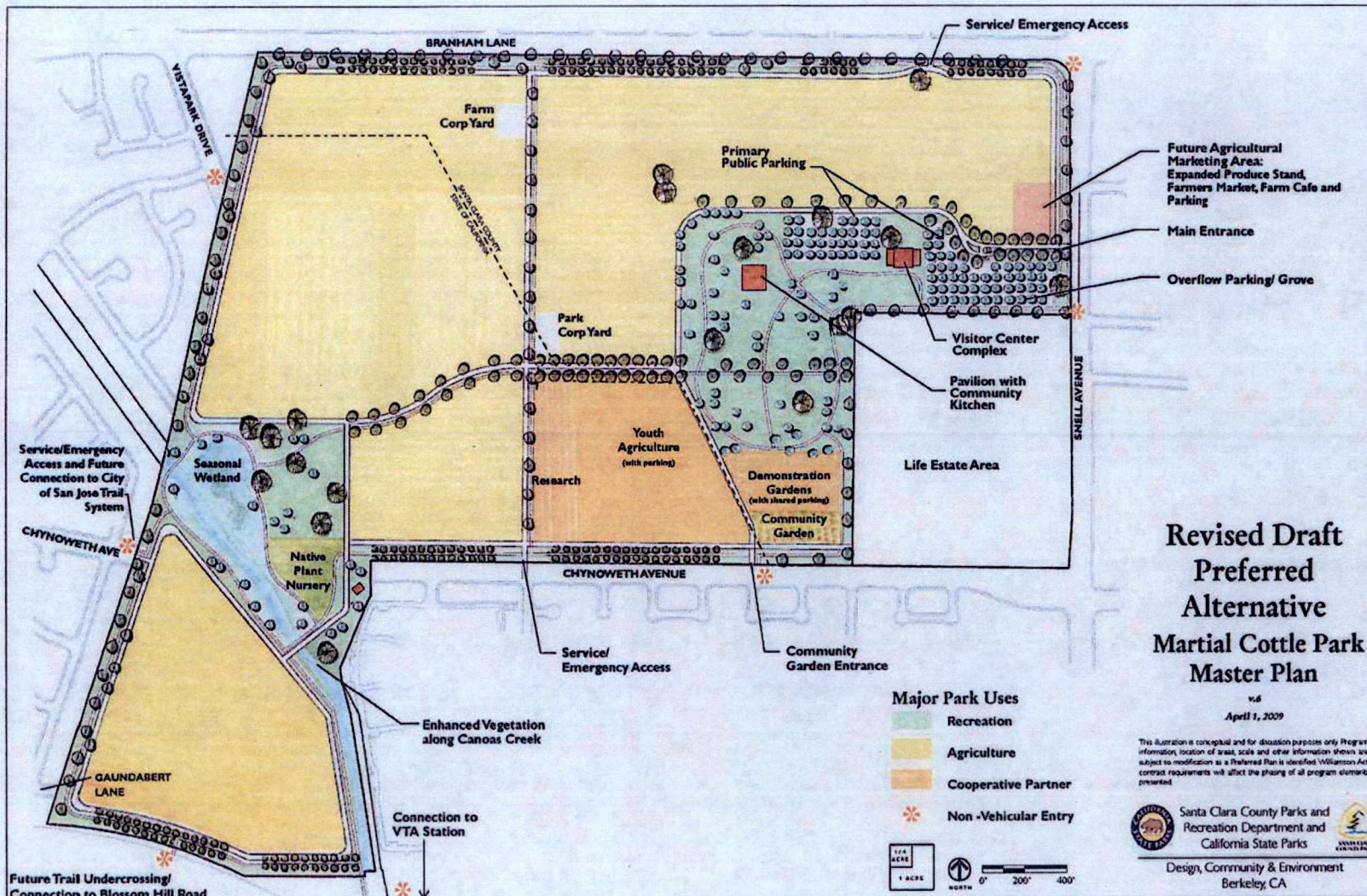


### Martial Cottle Park: Project Area



Board of Supervisors: Donald F. Gage, George Shirakawa, Dave Cortese, Ken Yeager, Liz Kniss  
County Executive: Jeffrey V. Smith

# Martial Cottle Park, San Jose



Board of Supervisors: Donald F. Gage, George Shirakawa, Dave Cortese, Ken Yeager, Liz Kniss  
County Executive: Jeffrey V. Smith





### Attachment E: Existing Youth Fair Space Use and Facilities Inventory

Fairgrounds Area	Types of Uses for Youth Fair	Size	Significant Features
Expo Hall	<ul style="list-style-type: none"> <li>▪ Rabbit Show</li> <li>▪ Cavy Show (Guinea Pig)</li> <li>▪ Poultry Show</li> <li>▪ Small animals</li> <li>▪ Stills</li> <li>▪ 2 stages or demo areas</li> <li>▪ Poultry check /pens/judging areas</li> </ul>	1.5 acre footprint	<ul style="list-style-type: none"> <li>▪ Potable water, electrical power and Restrooms</li> <li>▪ Kitchen</li> <li>▪ Roll up Doors/rear access</li> <li>▪ Air conditioning</li> <li>▪ Ability to secure exhibits</li> <li>▪ 45,000 sf indoor space</li> </ul>
Expo Hall Complex	<ul style="list-style-type: none"> <li>▪ Expo Hall parking</li> <li>▪ Employee Parking</li> <li>▪ Corp Yard, Outdoor Storage</li> </ul>	5.3 acres	<ul style="list-style-type: none"> <li>▪ Main vehicular/EMG access to site</li> <li>▪ Service entry and paved parking</li> <li>▪ Warehouse and Storage Area</li> </ul>
Pavilion Hall	<ul style="list-style-type: none"> <li>▪ School projects and stills</li> <li>▪ Family-oriented vendors</li> <li>▪ Community-based organization uses</li> <li>▪ One (1) indoor stage</li> </ul>	1.3 acre footprint	<ul style="list-style-type: none"> <li>▪ Potable water, electrical power, and Restrooms</li> <li>▪ Kitchen</li> <li>▪ Vendor parking and roll up doors Ability to secure exhibits</li> <li>▪ RV dump station in rear</li> <li>▪ 33,000 SF indoor space</li> <li>▪ 10,000 sf patio space at rear</li> </ul>
Fairgrounds Administration Building	<ul style="list-style-type: none"> <li>▪ Fair Manager's offices</li> <li>▪ Reception Area</li> <li>▪ Clerical Staff office (4 cubicles)</li> <li>▪ Meeting room(s) and general purpose areas</li> <li>▪ Storage Rooms</li> <li>▪ Staff Parking</li> </ul>	0.18 acres	<ul style="list-style-type: none"> <li>▪ Year round operation</li> <li>▪ Full utilities</li> <li>▪ Internet/phone service</li> <li>▪ Air conditioning</li> <li>▪ ADA access</li> <li>▪ Rest rooms</li> <li>▪ 8,000 sf indoor space</li> </ul>
Warehouse and Storage Sheds	<ul style="list-style-type: none"> <li>▪ Fair Furnishings Storage (bleachers, tents, portable stages and sound systems, portable pens and enclosures, benches, picnic tables, chairs, umbrellas, exhibit tables, etc...)</li> <li>▪ Site Maintenance shop and office</li> </ul>	0.55 acres	<ul style="list-style-type: none"> <li>▪ Year Round operation</li> <li>▪ Full utilities</li> <li>▪ Coordinated site maintenance and repair operations</li> <li>▪ Site support office space</li> <li>▪ Approx. 25,000 sf indoor space</li> </ul>

Livestock Areas	<ul style="list-style-type: none"> <li>▪ Northern corral – Swine (112 – 8 ft x 8 ft corrals installed)</li> <li>▪ Central corral – Main show area for livestock shows/ concrete pad with scale for weighing livestock animals</li> <li>▪ Southern corral – Sheep/goat (112 – 8 ft x 8 ft corrals installed in ground)</li> <li>▪ Adjacent parking area for livestock trailers/wash rack (0.5 acre)</li> <li>▪ Location of Swine, Meat Goat, Lamb and Sheep, Dairy Cattle, Beef Cattle, Super Steer, Dairy Goat, Pygmy Goat Shows</li> <li>▪ Over the Hill Showmanship Competition</li> <li>▪ Small and Large Animal Master Showmanship</li> <li>▪ 4-H &amp; FFA Animal Exhibitors Awards</li> <li>▪ Junior Livestock Auction</li> </ul>	4.6 acres	<ul style="list-style-type: none"> <li>▪ Potable water</li> <li>▪ Electrical power</li> <li>▪ Four (4) tents / canopies for livestock, judging</li> <li>▪ Separate tent canopy for vet check and pens near drop-off area to Livestock Arena</li> <li>▪ Adequate turnaround area for trailers</li> <li>▪ Stage for Awards Ceremony and Livestock Auction</li> <li>▪ Hook up for Sound System for Auction</li> <li>▪ Pen flooring</li> <li>▪ Weigh Scales (rented annually)</li> <li>▪ Power supply and pad for Judges/Event coordinators portable trailer</li> <li>▪ Wash racks (2)</li> <li>▪ Trailer for Livestock Office</li> </ul>
Horse Activities Area	<ul style="list-style-type: none"> <li>▪ 300' x 150' area for 22 portable stalls for horses</li> <li>▪ Adjacent trailer parking area</li> <li>▪ Horse Show – showmanship, halter, western, pony, etc...</li> </ul>	2.4 acres	<ul style="list-style-type: none"> <li>▪ Parking area for 30 -50 trailers</li> <li>▪ Permanent Fencing</li> <li>▪ Seating for Spectators</li> <li>▪ AV Equipment/ Sound System Hookup</li> <li>▪ 45,000 SF arena</li> </ul>
Promenade Lawn setup and vendor staging	<ul style="list-style-type: none"> <li>▪ Concessionaires and vendors staging and storage area</li> <li>▪ Adjacent parking area for exhibitors</li> <li>▪ Vendor RV parking</li> </ul>	0.54 acres	<ul style="list-style-type: none"> <li>▪ Potable water</li> <li>▪ Fenced and securable area</li> </ul>
Promenade Lawn	<ul style="list-style-type: none"> <li>▪ Children's carnival rides (Butler Entertainment)</li> <li>▪ Play Area for Toddlers ("Little Hands on the Farm")</li> <li>▪ Animal Shows and Demonstrations</li> <li>▪ Petting Zoo</li> <li>▪ Pony Rides</li> <li>▪ Pack goats/miniature horses</li> <li>▪ Climbing Wall</li> </ul>	2.25 acres	<ul style="list-style-type: none"> <li>▪ Potable water</li> <li>▪ Benches</li> <li>▪ Power Drops</li> <li>▪ Portable Shade</li> <li>▪ Stable Surfacing</li> <li>▪ Grassy or turf areas for gathering space</li> <li>▪ Access to exhibit halls</li> <li>▪ Flexible space for events and demonstrations</li> </ul>
Esplanade	<ul style="list-style-type: none"> <li>▪ Alternate family carnival rides area and family-oriented activities</li> <li>▪ Civil War Re-enactments</li> <li>▪ Medieval/Renaissance Activities</li> <li>▪ Dog Shows</li> <li>▪ Food vendors</li> </ul>	4.80 acres	<ul style="list-style-type: none"> <li>▪ Fairgrounds Entry Feature</li> <li>▪ Potable water</li> <li>▪ Tables/Benches</li> <li>▪ Portable Shade/ Umbrellas</li> <li>▪ Outdoor lighting</li> <li>▪ Power drops</li> </ul>
RV Parking Areas	<ul style="list-style-type: none"> <li>▪ RV space for Approx. 300 to 500 people, with up to 100 spaces provided for vendors' RV parking</li> </ul>	9.82 acres	<ul style="list-style-type: none"> <li>▪ RV Hook-ups</li> <li>▪ RV dump station</li> <li>▪ Use of existing Fairgrounds' restrooms and showers</li> </ul>

Emergency Response Center	<ul style="list-style-type: none"> <li>▪ Office space for first aid station, security staff, County Sheriff's staff, and safety volunteers</li> </ul>	0.03 acres	<ul style="list-style-type: none"> <li>▪ 1200 sf indoor office space</li> </ul>
Hospitality/Center	<ul style="list-style-type: none"> <li>▪ Office space and rest area for event staff and volunteers</li> </ul>	0.10 acres	<ul style="list-style-type: none"> <li>▪ Use of the "Peppersteak House" restaurant and kitchen area</li> <li>▪ 4500 sf indoor space</li> <li>▪ Restrooms</li> </ul>
General Site Circulation	<ul style="list-style-type: none"> <li>▪ Category includes internal roads, walkways, loading docks, etc...</li> </ul>	5.62 acres	<ul style="list-style-type: none"> <li>▪ Landscaped areas</li> <li>▪ Incidental picnicking</li> <li>▪ Employee parking</li> <li>▪ Loading zones</li> </ul>
<b>Youth Fair Space Used:</b>		<b>39 acres</b>	
Attendee Parking	Daily attendee parking	10 acres	Acreage is an average, derived from 6.0 acres unpaved area south of Fair and 13 acres paved for north of Tully Rd
<b>Total Acreage Used:</b>		<b>49 acres</b>	

**Attachment F: Key FMC Management Responsibilities associated with 2010 Annual Youth Fair**

	<b>Responsibilities/Tasks/Assignments</b>	<b>FMC Staff Involved</b>
1	Compliance with California State Fair standards	Fair Manager
2	Preparation/distribution of an Annual Premium Book (e.g. website posting, printing of limited copies, etc.)	Fair Manager; Office Assistants
3	Event marketing and promotion (radio advertising, print advertising, website)	Fair Manager
4	Selection and retention of State-certified judges	Fair Manager
5	Pre-tagging/ Collection of DNA samples from animals	Fair Manager; Office Assistants
6	Data entry associated with the registration and entries, judging results, etc.	Fair Manager; Office Assistants
7	Coordination of event space (e.g. space planning, compliance with Fire Marshal Office req., etc.)	Fair Manager; Building Superintendent/ Electrician
8	Coordination of event committees	Fair Manager
9	Coordination of volunteers	Fair Manager
10	Coordination of the live animals and their show areas (e.g. Livestock check-ins, registration, security, scales for weighing animals, show arenas, etc.); addressing livestock care and supervision	Fair Manager; Livestock Superintendent; Assistant Livestock Superintendent
11	Coordination of grounds crew	Fair Manager
12	Coordination of Junior Auction Sales	Fair Manager
13	Coordination of Fine Arts Auction	Fair Manager
14	Coordination of concessionaires and vendors (e.g. food, crafts vendors, Butler Entertainment for the carnival, etc.)	Fair Manager
15	Coordination of exhibitors and entries (e.g. live animals, stills, community-based organizations, etc.)	Fair Manager
16	Coordination of temporary residents (RV sites for vendors [100 spaces] and exhibitors)	Fair Manager
17	Coordination of trailer parking	Fair Manager
18	Administration of services and goods contracts (\$1,700 budgeted in 2010 for professional services)	Fair Manager; Corporate Controller; Purchasing
19	Equipment Rentals	Fair Manager; Purchasing
20	Hospitality/ Catering? (\$400 budgeted in 2010) Event public parking, security, and crowd management (private security and Sheriff Office)	Fair Manager
21	Pre-event site preparation (picnic tables, umbrellas for food vendor areas, community-gathering areas)	Fair Manager; Building Superintendent/ Electrician
22	Stage/ Show Area preparations	Fair Manager; Building Superintendent/ Electrician; Painter; Carpenter; Electrician
23	On-going event site needs during the week of the event	Fair Manager; Building Superintendent/ Electrician
24	Tabulation of final results of judging and auctions	Fair Manager; Office Assistants
25	Post-event site clean-up and de-mobilization	Fair Manager; Building Superintendent/ Electrician
26	Financial transactions/payments, deposits, accounts payables, etc.	Corporate Controller; Sr Accountant; Accounts Payable
27	Rental agreements; purchasing supplies	Purchasing
28	Preparation of reports to the State as needed to comply as sanctioned event	Fair Manager

**Attachment G: FMC Staff Responsibilities for 2010 Youth Fair**

<b>FMC Position</b>	<b>Responsibilities with 2010 County Fair Event</b>
Executive Director/ General Manager	<ul style="list-style-type: none"> <li>• Overall Facilities Operation and Management</li> </ul>
Fair Manager/ Commercial & Competitive Exhibits Manager	<ul style="list-style-type: none"> <li>• Event coordination</li> <li>• Compliance with California State Fair standards</li> <li>• Preparation/distribution of an Annual Premium Book</li> <li>• Event marketing and promotion</li> <li>• Selection and retention of State-certified judges</li> <li>• Coordination of event space planning</li> <li>• Coordination of event committees and volunteers</li> <li>• Coordination of Junior Auction Sales</li> <li>• Coordination of Fine Arts Auction</li> <li>• Coordination of concessionaires and vendors</li> <li>• Coordination of exhibitors and entries</li> </ul>
Receptionist (Part-time)	<ul style="list-style-type: none"> <li>• Relieves Fair Manager of these daily duties to focus on the Fair event responsibilities during event period</li> </ul>
Office Assistants/ Clerical (Part-time)	<ul style="list-style-type: none"> <li>• Pre-tagging/ Collection of DNA samples from animals</li> <li>• Data entry associated with the registration and entries, judging results, etc.</li> </ul>
Purchasing (Part-time)	<ul style="list-style-type: none"> <li>• Rental agreements</li> <li>• Supplies purchases</li> </ul>
Building Superintendent/ Electrician	<ul style="list-style-type: none"> <li>• Pre-event site preparation (picnic tables, umbrellas for food vendor areas, community-gathering areas)</li> <li>• Post-event site clean-up and de-mobilization</li> <li>• On-going event site needs during the week of the event</li> <li>• Coordination of grounds crew</li> </ul>
Livestock Superintendent	<ul style="list-style-type: none"> <li>• Contract positions (on demand)</li> <li>• Provide around-the-clock assistance with the livestock for two weeks during the Fair event</li> </ul>
Assistant Livestock Superintendent	<ul style="list-style-type: none"> <li>• Contract positions (on demand)</li> <li>• Provide around-the-clock assistance with the livestock for two weeks during the Fair event</li> </ul>
Grounds Crew (7- crew member)	<ul style="list-style-type: none"> <li>• Pre-event site preparation (picnic tables, umbrellas for food vendor areas, community-gathering areas)</li> <li>• Post-event site clean-up and de-mobilization</li> <li>• On-going event site needs during the week of the event</li> </ul>
Electrician (part-time)	<ul style="list-style-type: none"> <li>• Pre-event site preparation (picnic tables, umbrellas for food vendor areas, community-gathering areas)</li> <li>• Stage / show area prep</li> <li>• Transitions show arenas into auction arenas and awards ceremony area</li> </ul>
Carpenter (part-time)	<ul style="list-style-type: none"> <li>• Pre-event site preparation (picnic tables, umbrellas for food vendor areas, community-gathering areas)</li> <li>• Stage / show area prep</li> <li>• Transitions show arenas into auction arenas and awards ceremony area</li> </ul>

Painter (part-time)	<ul style="list-style-type: none"> <li>• Pre-event site preparation (picnic tables, umbrellas for food vendor areas, community-gathering areas)</li> <li>• Stage / show area prep</li> <li>• Transitions show arenas into auction arenas and awards ceremony area</li> </ul>
Liaison/ Housekeeping	<ul style="list-style-type: none"> <li>• Coordinator works with housekeeping and custodian staff to keep the grounds clean, addresses on-site issues and works with the Grounds Crew.</li> </ul>
Chief Custodian	<ul style="list-style-type: none"> <li>• Works with Liaison/Housekeeping and custodian staff to keep the grounds clean, addresses on-site issues and works with the Grounds Crew.</li> </ul>
Housekeeping	<ul style="list-style-type: none"> <li>• Works with Liaison/Housekeeping and custodian staff to keep the grounds clean, addresses on-site issues and works with the Grounds Crew.</li> </ul>
Seasonal Help	Duties as assigned.
Corporate Controller	<ul style="list-style-type: none"> <li>• Presides over the Fair's financial transactions and payments</li> <li>• Responsible for making fiscal deposits and balancing the books</li> <li>• Controller is present during auctions to accept payments on-site.</li> </ul>
Sr Accountant/ General Ledger/ Accounts Receivable	<ul style="list-style-type: none"> <li>• Senior Accountant is present during auctions to assist Controller with payments</li> </ul>
Accounts Payable/ Payroll	Some involvement but unknown what specific duties/responsibilities are at this time.
Internal Auditor	Some involvement but unknown what specific duties/responsibilities are at this time.

### Attachment H: Preliminary Estimates for One-time Site Planning and Improvement Costs

Costs <sup>1,2</sup>		West Flat Area	Burnett Area	Corral Ranch	Regional Cost Park
Land Use Planning Costs	Amend master plan and/or determine compatibility with community	\$65,000	\$65,000	\$50,000	\$100,000
	Determine other uses for site, consistent with Fair	\$20,000	\$20,000	\$20,000	\$25,000
	Mitigation Measures and Monitoring Plan (CEQA compliance)	\$25,000	\$50,000	\$50,000	\$200,000
	LAFCO Annexation Fees (to facilitate connection to local utility providers)	\$3,200	\$3,200	\$2,400	\$3,200
<b>Estimated Planning Costs:</b>		<b>\$113,200</b>	<b>\$138,200</b>	<b>\$122,400</b>	<b>\$328,200</b>
Site Planning and Improvement Costs	Off/On-site utilities: potable water, electricity source, septic system, lighting	\$930,000	\$955,000	\$470,000	\$900,000
	Site preparation grading, and necessary ADA compliance	\$503,000	\$585,000	\$285,000	\$325,000
	Storm-water management and pollution prevention <sup>3</sup>	\$59,000	\$51,000	\$25,000	\$42,000
	Fire Suppression Tank and System <sup>4</sup>	\$320,000	\$315,000	\$190,000	\$200,000
	Entrance and internal roadway improvements <sup>5</sup>	\$433,000	\$1,065,000	\$1,100,000	\$1,350,000
	Minimal miscellaneous on-site improvements and/or installation of mitigation measures per CEQA	\$250,000	250,000	300,000	\$375,000
	Off-site Vehicle Parking	0	0	300,000	\$300,000
	RV Dump Station	\$150,000	\$150,000	\$150,000	\$200,000
	Site Fencing and gates	\$30,800	\$30,800	\$12,500	\$30,800
	Site design, engineering, permits (approx. 18% of total construction costs)	\$480,000	\$610,000	\$510,000	\$670,000
Project Contingency (10%)	\$316,000	\$402,000	\$334,000	\$439,000	
<b>Estimated Site Planning &amp; Improvement Costs:</b>		<b>\$3,471,800</b>	<b>\$4,413,800</b>	<b>\$3,676,500</b>	<b>\$4,831,800</b>
<b>Estimated Above-ground Site Facilities and Building Costs<sup>6</sup></b>		<b>TBD</b>	<b>TBD</b>	<b>TBD</b>	<b>TBD</b>
<b>Preliminary Estimated Total Costs:</b>		<b>\$3,585,000</b>	<b>\$4,552,000</b>	<b>\$3,798,900</b>	<b>\$5,160,000</b>



<sup>1</sup> Costs extrapolated from Parks Department Equestrian Stables Feasibility Study, 2009, and are only intended to characterize costs associated with similar categories of infrastructure needs. Actual costs of final site development will likely be higher.

<sup>2</sup> Costs include only the minimum items to host a functional Youth Fair in a safe, code-compliant and secure manner.

<sup>3</sup> State Water Quality Control Board mandate for sites one acre or larger.

<sup>4</sup> Current County Fire Marshal Office's requirement for park sites with enclosed occupied areas, including large capacity tents, and overnight public occupancy.

<sup>5</sup> Off-site roadway improvements not included.

<sup>6</sup> Since a site plan and detailed program for the Annual Fair has not been developed at this time, additional costs associated with above ground structures, features, site furnishings, permanent indoor space, permanent restrooms, entry kiosks, administrative office space for Fair personnel, corrals, pens, shade structures, RV sites, outdoor event space, arena, spectator seating, or other facilities to house exhibits were not estimated.

**Attachment I: Scenario #2: Equivalent County Personnel to Provide Administrative Staff and Operational Support for Annual Youth Fair<sup>1</sup>**

	<b>County FTE Positions</b>	<b>County Total Annual Costs</b>
Administration/ Management/Fiscal Support	2.8	\$286,000
Grounds Crew	2.0	\$191,000
Housekeeping	1.0	\$89,000
Additional Volunteer Coordination	0.25	\$28,400
Contract Services (i.e. Livestock Superintendent, etc.)	n/a	\$59,400
<b>Total</b>	<b>6.0</b>	<b>\$653,800</b>

<sup>1</sup>Attachment 3 for detailed breakdown of positions and costs

## **Attachment J**

### **County Ordinances**

- Noise
- Integrated Pest Management (IPM)
- Division B14 – Parks and Recreation Ordinances
- Pets in Parks (e.g. live animals)
- Park Hours

### **Board of Supervisor Approved Policies**

- Policies on Contracting and Bidding
- Policies on Sustainability
- Policy on Purchase of Recycled Materials
- Procurement Policy on “Degradable Plastic” Products
- Policy on Waste Reduction and Recycling in County Facilities
- County Fairgrounds Policy
- Nutritional Policy relating to Vending Machine Products and County-sponsored Meetings and Events
- Corporate Sponsorship and Marketing Policy
- Comprehensive Vehicle Policy
- No Smoking Policy
- Policy related to Purchase of Single Serving Bottled Water
- Policy related to Restricting Single Use Plastic Bags
- Lease Preparation and Monitoring Policy for County Parks
- Green Building Policy for County Government Building
- County Fairgrounds Policy
- Dogs on-leash Policy (Parks Department)

**CIVIL GRAND JURY  
RESPONSE DOCUMENTS**

**SANTA CLARA COUNTY  
FAIRGROUNDS MANAGEMENT  
CORPORATION, INC.**

**15 JULY 2011**

**ATTENTION: GARY GRAVES, C.O.O  
OFFICE OF THE COUNTY EXECUTIVE  
COUNTY OF SANTA CLARA**

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**I. CIVIL GRAND JURY REPORT RESPONSE DOCUMENTS FROM THE  
SANTA CLARA COUNTY FAIRGROUNDS MANAGEMENT CORP, INC.**

## **Santa Clara County Fairgrounds Management Corporation**

### **Response to Grand Jury Report dated June 22, 2011**

**July 15, 2011**

1. The Board of directors and management of the Santa Clara County Fairgrounds Management Corporation (FMC) have reviewed the Grand Jury Report dated June 16, 2011.
2. Although the FMC Board of Directors presently consists of four members, for most of the last four years there have only been three Board members. The Grand Jury chose to speak to only two of the four Board members, one of whom has served throughout the last four years, and the other of whom was only appointed to the Board in April 2010.
3. FMC sets out below the Grand Jury's Findings and Recommendations and FMC's responses thereto, in accordance with Penal Code Section 933.05(a) and 933.05(b).
4. **GJ Finding 1:** The County established FMC as a nonprofit to operate the Fairgrounds; however, FMC has not been successful. FMC has operated at a loss and has required County bailout in all but one of the past sixteen years.
5. **FMC Response to GJ Finding 1:**
  - a. FMC disagrees with Finding 1 that FMC has not been successful, and that FMC has operated at a loss and has required County bailout in all but one of the past sixteen years.
  - b. The attached spreadsheet – **Appendix 1 - Comparison of Statement of Activity 1996 - 2009** (which was provided to the Grand Jury by FMC and appended to the Grand Jury Report) – shows that FMC made a profit in eight of the fourteen years between 1996 - 2009. The Grand Jury Report confirms that FMC made a profit in 2010, meaning that FMC has been profitable in nine years out of the past fifteen, or 60% of the time.
  - c. The attached spreadsheet – **Appendix 2 - Comparison of Statement of Activity 1996 – 2010** shows that FMC's three-hundred-sixty-day business (its day-to-day operations excluding the County Fair mandated by the County) has been profitable in all but three of the past fifteen years (80% of the time), and has made profits during that time totaling \$2,667,056.
  - d. The attached spreadsheet – **Appendix 3 – Impact of FMC's management of fairgrounds on County's General Fund** – shows that FMC's operation of the Santa Clara County fairgrounds has saved Santa

Clara County taxpayers more than \$10.8 million dollars over the past sixteen years.

- e. The attached spreadsheet – **Appendix 4 – Equity (Fund Balance) and Profits and Losses since inception** – shows that FMC has operated for fifteen years without the benefit of any capital (equity or reserves), and demonstrates the years in which FMC made profits or losses, and its equity deficiency at the end of each year.
- f. The County has provided a total of \$1,165,000, in six different years (1999, 2000, 2001, 2002, 2007 and 2010), to support the mandated County Fairs. Despite those subsidies the County Fairs have lost \$2,864,468 over those fifteen years.
- g. As a result of the \$2,864,468 of County Fair losses, the profits of \$2,667,056 generated by the three-hundred-sixty-day businesses were reduced to an overall loss for FMC of \$197,412 over that period of time.
- h. The story of the Fairgrounds over the years since their management was taken over by FMC was explained in detail to the members of the Grand Jury:
  - i. In 1995 FMC took over management of the fairgrounds from the Fair Association which had managed the fairgrounds for many years. The Santa Clara County fairgrounds had first been brought into use in 1946, with additional infrastructure built in the period 1946 – 1970.
  - ii. The Fair Association incurred losses for years as a result of which, the physical plant of the fairgrounds was allowed to deteriorate under its management. When the Fair Association declared Chapter 11 bankruptcy, the County took back the fairgrounds and placed it in the hands of the FMC. Nothing was done at that time to alleviate the years of neglect and deferred maintenance.
  - iii. At the time of its formation in 1995 FMC had no capital (that means no equity, no reserves, no fund balance) and depended entirely on the cash flow from its various businesses for its day-to-day survival. During the ensuing sixteen years FMC has not been able to be consistently profitable to enable it to accumulate the reserves which a prudent nonprofit would expect to have. FMC's Board has discharged its responsibility to obtain sufficient capital resources by obtaining funding from the County to catch up with some of the deferred maintenance and for capital improvements to the County's property, and to finance the losses on the County-mandated County fairs.



- iv. The County, as owner of the fairgrounds, had not invested any money to improve or repair the complex's infrastructure over a period of twenty years. The Facility Conditions Assessment Final Report dated March 6, 1998 (prepared by Kitchell, a firm of land-use development consultants) indicated that improvements and repairs to the existing infrastructure would involve an estimated expenditure of in excess of \$21,400,000. No nonprofit, regardless of its management skills, could conceivably generate that kind of capital given the fairgrounds business model and operating impediments.
- v. As a result of the Kitchell report, the County and FMC prepared a Master Land Use Plan for the fairgrounds designed to result in substantial redevelopment of the fairgrounds. That redevelopment was stopped when the City of San Jose and the San Jose Downtown Association filed law-suits against the County to stop the fairgrounds redevelopment taking place (Superior Court Case # 442629). The Court ruled in favor of the County on February 16, 2006, and the City paid the County's legal fees. However, the delay undermined the redevelopment plan and caused the proposed partners in the redevelopment to walk away from the project.
- vi. To make way for that redevelopment plan, in 1998 the car race track and other significant revenue-generating facilities were torn down, and FMC experienced a subsequent reduction in its operating revenues.
- vii. In 2006 the County, together with FMC, initiated the Repair and Modernization Project (RMP) to improve the physical plant of the fairgrounds. In the years 2006 – 2008 the County invested a total of \$5,523,000 in catching up with deferred maintenance on, and improving, the facilities which it owned at the fairgrounds. **Appendix 5 – Fairgrounds RMP Project** – shows how those funds were spent and demonstrates that 42% of the funds were spent on essential maintenance, which had been neglected for many years, and the replacement of aged equipment, and 58% of the expenditures were on improvements to the fairgrounds infrastructure. A balance of RMP Project funds of \$406,000 remained unspent at December 31, 2010.
- viii. Following completion of the RMP project, business at the fairgrounds began to improve, and the complex staged some newsworthy events, such as renting the newly-air-conditioned Expo Hall to the Department of Homeland Security, U.S. Citizenship and Immigration Services, for the swearing in of a

large number of new U.S. citizens on August 7 and 14, 2008. Those two events generated an additional \$60,000 in new revenue for FMC.

- ix. On July 31, 2008 the County Executive's Office announced that it expected to recommend to the Board of Supervisors (BOS) that the County enter into an Exclusive Negotiating Agreement (ENA) with Catellus Development Group, the recommended development team for the Fairgrounds Development. Catellus announced on August 1, 2008 that its preliminary vision for the fairgrounds project incorporated a network of streets and paths that would encourage walking and cycling, office and retail buildings that featured green building technology, community gathering places and parks, and affordable housing.
- x. Catellus's plans called for the re-development of the whole site (158 acres) with only a very small amount of space to be retained for public events. The precise nature of that public space was not identified. Catellus's plans were expected to result in the entire existing fairgrounds infrastructure being torn down and replaced by housing and retail development. It was also expected that FMC would cease to exist.
- xi. As the Fairgrounds Development plans unfolded over the summer of 2008 it became clear that the development plans would result in FMC ceasing major operations at the fairgrounds in the first quarter of 2011. FMC immediately began the process of developing its business plan to wind down operations towards the scheduled closure of the fairgrounds in 2011.
- xii. Beginning in September 2008, the largest world-wide economic downturn in 75 years occurred. Santa Clara county businesses suffered huge losses during this period, and there were many lay-offs. FMC suffered a substantial decline in its business, but avoided laying-off any of its employees. The full effect of the Great Recession was felt in 2009 when FMC suffered its largest-ever loss of \$348,000. Catellus withdrew from the Fairgrounds Development project in March 2009.
- xiii. In 2010, with the national economy turning around, the benefits of the County's \$5,523,000 investment in the fairgrounds complex began to be felt, and FMC became profitable.
- xiv. In 2010 the County entered into a three year management agreement with FMC. Prior to that time FMC had only had yearly management agreements, whose short-term nature and short-notice

cancellation provision were not conducive to building profitable business arrangements at the fairgrounds.

xv. At no time has the County “waived” any fees charged by County agencies to the Fairgrounds. Indeed, all of the examples listed by the Grand Jury as having been “waived” are clearly shown as liabilities on FMC’s financial statements, and FMC’s independent auditors have consistently given their professional opinion that FMC’s financial statements present fairly the state of FMC’s liabilities.

xvi. Major fairgrounds in California have been unable to maintain profitability, except for those with modern exposition facilities and at least one other substantial-revenue-generating enterprise (e.g. horse-racing; car-racing) to subsidize the operations and maintenance of the fairgrounds. Urban fairgrounds have increasingly become exposition and entertainment centers where private and community-based events are held and the Annual Fair is an ancillary event. Annual fairs have been losing attendance across the State, and not doing well financially.

6. **GJ Recommendation 1:** The County should reconsider whether the nonprofit model is the best way to operate the Fairgrounds.

7. **FMC response to GJ Recommendation 1:**

a. FMC is not the appropriate party to take action.

8. **GJ Finding 2:** In the last sixteen years, the FMC Board has not commissioned – nor has the County requested the Board to commission – an independent performance audit of FMC, even though FMC’s poor performance warrants this type of audit.

9. **FMC Response to GJ Finding 2:**

a. FMC disagrees with Finding 2. FMC disputes the Grand Jury’s unsubstantiated assessment of poor performance, as fully set out above in response to Finding 1.

b. During 2009 two departments of the County (Parks and Recreation, and Facilities) independently performed operational audits of FMC to determine if they would be able to operate the fairgrounds more efficiently than FMC. Each of them found that they could not. The Grand Jury Report identifies that in 1995 the County had calculated that for County departments to operate the fairgrounds, rather than FMC, would cost Santa Clara County taxpayers an additional \$900,000 per year. The operating

audits performed by County departments in 2009 found that it would now cost taxpayers at least \$2,000,000 per year to operate the fairgrounds as a County department, rather than leaving the fairgrounds under the management of FMC.

- c. FMC's outside auditors (Froshman, Billings and Lewandowski; Abbott Stringham and Lynch, and Berger/Lewis and Company) have routinely commented on FMC's operations by issuing Management Letters, in which they identified any potential deficiency in FMC's organizational structure or internal controls. FMC's Board and management have ensured that the auditors' recommendations were adopted.
- d. FMC has on staff a person with substantial experience in performance auditing (having been requested by San Jose State University to develop and teach courses on the subject for mid-career professional auditors from abroad). That expertise is consistently applied to the business of FMC.
- e. During the past sixteen years highly-qualified staff from the Office of the County Executive have analyzed FMC's business extensively.
- f. A land-use consultant - Kitchell - reported on the property/infrastructure in 1998.

**10. GJ Recommendation 2A:** The County should request the FMC Board to commission an independent performance audit of FMC and the FMC Board.

**11. FMC Response to Recommendation 2A:**

- a. FMC is not the appropriate party to take action.
- b. Requiring FMC to pay an expensive outside consultant (estimated fees \$75,000-90,000) for services that it already receives does not seem to FMC to be a wise business decision.
- c. If the FMC were to be required to hire and pay for an expensive outside consultant to tell it what it already knows about its operations, FMC would need to request funding for those services from the County.

**12. GJ Recommendation 2B:** The FMC Board should require FMC to comply with its contractual requirement to produce an annual budget and business plan and financial audit.

**13. FMC Response to Recommendation 2B:**

- a. The recommendation to have an annual audit for the year ended December 31, 2010 will be implemented by December 31, 2011.

- b. FMC already produces an annual budget and business plan each year for the past sixteen years in accordance with the instructions contained in the Budget Preparation Guide published annually by the California Department of Food and Agriculture, Division of Fairs and Expositions. Each year's budget and plan has been approved by the Santa Clara County Board of Supervisors and the State's Division of Fairs and Expositions.
- c. As the Grand Jury Report states on Page 6, paragraph 1: "FMC has prepared financial audits". Financial statement audits have been completed by FMC's independent CPAs for thirteen of the past sixteen years. In 2008 and 2009, FMC obtained a waiver from the County to have its independent CPAs perform Financial Statement Reviews (which are less in scope than an audit) rather than audits. Work is in now process on the audit of the 2010 financial statements, and will be completed before December 31, 2011.

14. **GJ Finding 3:** The County does not hold the FMC Board accountable for its lack of oversight in ensuring FMC meets its contractual obligations, and the FMC Board does not demonstrate the business acumen necessary to effectively oversee the FMC. There is a seat vacant (to be filled by the District 4 Supervisor) on the FMC Board.

15. **FMC Response to Finding 3:**

- a. FMC disagrees with Finding 3.
- b. The explanations of the reasons for disagreement are:
  - i. FMC is not the appropriate party to take action.
  - ii. FMC Board members have considerable knowledge and experience of the fairgrounds business. One has served on FMC's Board since its inception in 1995, and before that served on the Board of the Fair Association. Another Board member, while employed by the County, provided legal services to FMC's Board and management.
  - iii. As stated under Finding 1 above, FMC was formed in 1995 without benefit of capital or reserves, and the FMC Board has consistently sought to discharge its responsibility to "obtain sufficient capital resources" by requesting the County to provide adequate funding.
    - 1. With its cash balances dwindling fast during the Great Recession in 2009, FMC requested that the County

“approve conversion of unspent and unobligated capital hedge against emergency repairs and as an operating reserve for the period 2010-2012”. This request would have allowed FMC to wind down its affairs in an orderly fashion in the event that its business continued to deteriorate during 2010. Had such a deterioration occurred FMC would have been forced to liquidate its operations. Since FMC has been operating for sixteen years without any reserves, these funds would have enabled FMC to pay all of its third-party obligations in the event of a liquidation.

2. No commercial provider of finance would be willing to finance the operations of a fairground.
  - iv. The Grand Jury asserts that “to engage in satellite wagering, FMC must convene an annual fair”. There is no longer any connection between Satellite Wagering and the holding of an Annual Fair.
  - v. Satellite Wagering is a year round business operating five or six days per week. In 2010 the Satellite Wagering business made a contribution to FMC of \$600,000. FMC used those funds to support its total fairgrounds facilities and operations (including Satellite Wagering) which was the reason Satellite Wagering was originally attached to county fairgrounds by the State of California.
16. **GJ Recommendation 3A:** District 4 Supervisor Yeager should recruit to fill the vacancy with an individual with strong business acumen.
17. **FMC Response to Recommendation 3A:**
  - a. FMC is not the appropriate party to take action.
18. **GJ Recommendation 3B:** The FMC Board should hold the FMC Executive Director accountable for ensuring appropriate actions are taken to operate FMC as a well-run, break-even or profitable operation.
19. **FMC Response to Recommendation 3B:**
  - a. The recommendation has been implemented.
  - b. The FMC Board continues to hold the FMC Executive Director accountable through a process of performance review.
20. **GJ Finding 4:** The County, supported by the Office of the County Executive, appears to have only a “land management” concern when FMC is required by contract to pay all expenses of the fair.

**21. FMC Response to Finding 4:**

- a. FMC disagrees with Finding 4.
- b. The explanations of the reasons for disagreement are:
  - i. FMC does not seem to be the party required to take action, in so far as FMC can understand what this Finding is about.
  - ii. As stated above, during the past sixteen years highly-qualified staff from the Office of the County Executive have analyzed FMC's business extensively, and have provided advice and counsel from which FMC has benefited.

**22. GJ Recommendation 4:** The County should modify its contractual agreement with FMC stipulating that FMC be required to sustain a break-even or positive cash flow operation.

**23. FMC Response to Recommendation 4:**

- a. FMC is not the party to take action.
- b. FMC continues to generate new business revenues and continues to strive to retain existing business revenues, to cut costs wherever and to generate profits and positive cash flow from an aging facility - the four major buildings rented by FMC for events, and their related infrastructure, were constructed between 1953 – 1972. The injection of \$5,523,000 in capital improvements by the County, even though its full fruits were delayed by the Great Recession, is beginning to have a positive impact, but bringing new paying customers to the fairgrounds will continue to be a challenge.

**24. GJ Finding 5:** FMC has not optimized its supplier contracts and has demonstrated inability to fully perform its own contract to effectively manage the Fairgrounds, costing the taxpayers in the form of County bailouts.

**25. FMC Response to Finding 5:**

- a. FMC disagrees with Finding 5.
- b. FMC is already developing its plans to bid the catering concession contract so that a new contract is in place when the existing agreement ends on January 31, 2012.

- c. FMC has entered into bartering arrangements with its paving and landscaping contractor permitting them to park their equipment at the fairgrounds in exchange for reduced cost services.
- d. FMC is working continuously to retain existing and generate new business revenues, to cut costs, and to generate positive cash flow from a facility that is sixty-six years old.

**26. GJ Recommendation 5A:** The FMC Board should require FMC to prepare plans and implement changes geared toward increasing revenue to cover costs.

**27. FMC Response to Recommendation 5A:**

- a. Recommendation 5A has been, and is continuously implemented. The County injected \$5,523,000 in deferred maintenance and capital improvements into the fairgrounds between 2006 - 2008 and, even though the full fruits of that investment were delayed by the Great Recession, it is now beginning to have a positive impact, but bringing new paying customers to the fairgrounds will continue to be a challenge.
- b. FMC continuously strives to improve the facilities, with its limited resources, in order to generate new revenues. Examples include the recent agreement with Marquez Brothers to install shading over the Arena greatly increasing its revenue potential.

**28. GJ Recommendation 5B:** The FMC Board should require FMC to restructure the concessionaire contract to a best practices model, such as paying FMC a percentage on sales, not profits, and should seek competitive bids for this and all other contracts as a means to increase revenue and profits.

**29. FMC Response to Recommendation 5B:**

- a. FMC will implement Recommendation 5B upon termination of the existing agreement in 2012.
- b. The concessions contract with Ovations emanated from a bid process that was conducted a decade ago. There was only one bid. Ovations were not willing to enter into a contract with a percentage of gross sales arrangement.
- c. The current contract with Ovations runs for a term of six years ending on January 31, 2012. FMC's management action to change that contract could not be taken earlier.
- d. FMC will seek competitive bids for the concessionaire contract as it does for all major contracts.



30. **GJ Recommendation 5C:** The FMC Board should require FMC to seek to increase short- and long-term use agreements to improve the positive cash operation.
31. **FMC Response to Recommendation 5C:**
- a. FMC is implementing Recommendation 5C on an ongoing basis.
  - b. FMC's Board has consistently required FMC to seek to increase short- and long-term use agreements to improve the positive cash operation.
  - c. Rates for Long Term Leases and Annual Licenses are constantly under review. In 2009 rates for the Paint Ball licensee were increased 17% over those of 2008. Their rates were increased 5% in 2010 and in 2011. Rental rates for motocross increased 5% in 2010 over 2009, and another 5% in 2011. Rates are generally on par with other facilities, especially considering the age of the buildings.
32. **GJ Recommendation 5D:** The FMC Board should require FMC to be in compliance with the contractual management agreement.
33. **FMC Response to Recommendation 5D:**
- a. The recommendation is being implemented with regard to the completion of FMC's financial statement audit for the year ended December 31, 2010. That independent audit is currently in process and will be promptly completed in the next two-three months.
  - b. FMC is unaware of other specific issues of contract non-compliance.
34. **GJ Finding 6:** FMC paid bonuses to employees in 2010. The reason for these bonuses has no apparent connection to any operational decisions that would ensure continued profitability. Rather, the bonuses looked like a distribution of an unexplained windfall.
35. **FMC Response to Finding 6:**
- a. FMC disagrees with this Finding.
  - b. As a means of containing costs during difficult economic times, FMC's rank and file employees did not receive routine cost-of-living salary increases; step increases; bonuses, or merit increases for the ten year period between 2000 and 2010, simply because of losses that were absorbed by the nonprofit on the annual fair.

- c. In 2010 FMC's Board approved payment of a one-time merit payment to all of FMC's 40 employees. The total amount of that merit payment was \$65,000, and it was paid equally to all employees based on their years of service.

**36. GJ Recommendation 6:** The FMC Board should not permit bonuses to be paid unless FMC demonstrates the ability to consistently run a profitable operation, as measure against specific goals. To this end, the FMC Board should require FMC to develop and implement a business plan with measurable goals specifically tied to the operational success of the Fairgrounds.

**37. FMC Response to Recommendation 6:**

- a. See previous comments.

**38. GJ Finding 7:** The FMC Board does not adequately perform its oversight function of FMC.

**39. FMC Response to Finding 7:**

- a. FMC does not agree with this Finding.
- b. FMC Board meets regularly; receives and approves the annual budget, and periodic and annual financial reports; meets with FMC's independent CPA auditors; discusses, advises on, and approves FMC management's plans for the fairgrounds; considers the future financing needs, and reviews and approves management plans to enter into significant long-term contracts.
- c. Two members of FMC's Board attended training sessions conducted by the Western Fairs Association (WFA) in November 2010, in order to better-educate themselves about the problems facing fairgrounds in today's marketplace.
- d. FMC management meets with individual Board members from time-to-time between Board meetings to facilitate communication and receive appropriate advice and guidance.
- e. With the full knowledge and approval of the Board a plan to restructure the FMC management team during 2009 and 2010 was implemented saving the nonprofit roughly \$150,000 over that same two year period.
- f. Appointing an existing member of the management team to head the organization following the former Executive Director's resignation was unequivocally justified in light of his lengthy and successful tenure, his

direct involvement in implementing new contractual agreements that were underway, and his demonstrated skills as a manager.

40. **GJ Recommendation 7A:** The FMC Board should require that FMC provide a training program with orientation for current and future incoming Board members, defining roles, duties and fiduciary responsibilities. This would familiarize board members on how this nonprofit business can be managed.

41. **FMC Response to Recommendation 7A:**

- a. FMC agrees with this Recommendation. FMC will train and orient incoming Board members when appointed.

42. **GJ Recommendation 7B:** The FMC Board should review and approve all requests for proposals and bid documents that would precede issuing a contract to ensure that the best interests of the Fairgrounds are reflected in such requests.

43. **FMC Response to Recommendation 7B:**

- a. FMC's Board has received and reviewed all proposal and bid documents issued by FMC, and the relevant responses.

44. **GJ Finding 8:** The County is undercharging communications tower renters, effectively diluting potential revenue to FMC.

45. **FMC Response to Finding 8:**

- a. The tower rental contracts are currently-binding, long-term contracts not subject to rent renegotiation.

46. **GJ Recommendation 8:** The County should increase communications tower rental fees in line with local rates for similar services.

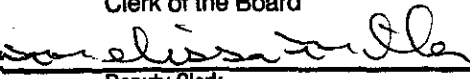
47. **FMC Response to Recommendation 8:**

- a. FMC disagrees with Recommendation 1.
- b. The recommendation will not be implemented by FMC because:
  - i. FMC is not the appropriate party to take action.
  - ii. The tower rental contracts are long-term contracts that were established years ago, with escalator clauses to provide increases in annual rental rates based on the Cost of Living Index. When these contracts are up for renewal – in 2017 and 2019 respectively –

FMC anticipates that the County will re-negotiate them at then-current rates.

The foregoing instrument is a correct copy  
of the original.

ATTEST: Maria Marinos  
Clerk of the Board

BY:   
Deputy Clerk

Date: AUG 09 2011

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**SANTA CLARA COUNTY FAIRGROUNDS MANAGEMENT CORP.**  
**Comparison of Statement of Activity**  
**1996-2009**

APPENDIX 1

NOTE: 2009 results are as projected in Fall 2008, for details of actual 2009 results see APPENDIX 2

	Statement of Activity for Combined Admin., Grounds Rental and Satellite Wagering, Exclusive of County Fair													Projected (See NOTE) 2009	Fourteen Year (See NOTE) Total
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		
Revenue	3,576,778	3,715,381	4,765,939	5,457,011	5,282,665	5,090,200	4,629,247	4,401,440	4,360,223	4,357,839	3,925,336	3,704,841	3,554,850	3,049,468	59,821,228
COGS			492,977	845,594	890,689	656,284	564,354	536,395	538,335	519,448	342,236	277,830	233,607	223,823	5,723,293
Direct Costs	2,347,205	2,465,787	2,898,550	3,020,370	2,839,106	2,185,782	1,905,018	1,889,255	1,787,285	1,814,611	1,810,857	1,867,341	1,685,855	1,855,828	29,480,950
Other Direct Costs						22,895									22,895
Marketing	25,976	10,086	2,240	24,592	12,512	14,141	12,126	10,601	3,728	4,356	21,041	13,481	46,135	41,528	245,537
Administration Costs	864,630	949,709	1,456,580	1,834,853	1,848,812	1,897,174	2,013,370	1,869,125	1,819,937	1,812,442	1,528,472	1,387,388	1,471,789	1,411,589	22,053,059
Profit/(Loss) Exclusive of County Fair	335,967	289,719	(22,408)	131,602	(156,457)	314,244	134,360	284,125	239,642	106,979	424,729	358,803	137,464	(283,196)	2,295,794

	Statement of Activity - County Fair Only														Fourteen Year Total
	1998 (12 Days)	1997 (11 Days)	1998 (16 Days)	1999 (10 Days)	2000 (15 Days)	2001 (10 Days)	2002 (3 Days)	2003 (3 Days)	2004 (3 Days)	2005 (3 Days)	2006 (3 Days)	2007 (5 Days)	2008 (3 Days)	2009 (4 Days)	
Revenue	2,483,703	2,432,171	2,312,116	2,134,572	2,198,200	1,760,845	579,111	520,107	518,054	300,059	247,349	591,984	24,199	30,930	16,133,369
COGS	8	0	14,499	9,689	3,947	4,219	0	0	0	0	0	0	0	9	32,354
Direct Costs	1,422,022	1,295,928	1,143,149	1,001,648	1,015,262	1,004,965	484,350	272,432	340,307	234,431	238,417	455,093	77,461	82,006	9,058,590
Other Direct Costs	0	0	0	0	0	229,274	0	0	0	0	0	0	0	0	229,274
Marketing	1,032,413	881,366	1,073,436	750,771	898,615	884,497	267,585	275,655	259,063	90,281	114,400	458,811	2,073	5,361	8,989,325
Administration Costs	429,944	509,688	509,040	524,909	510,721	469,149	127,299	114,905	154,878	95,034	102,504	138,995	50,067	45,688	3,773,518
Profit/Loss Exclusive of County Subsidy	(391,676)	(254,838)	(428,009)	(152,845)	(230,345)	(631,159)	(280,123)	(142,685)	(233,181)	(119,667)	(208,971)	(458,815)	(108,422)	(112,125)	(3,949,862)
County Subsidy	8	0	0	200,000	200,000	200,000	200,000	0	0	8	0	285,909	8	0	1,985,000
Profit/Loss	(381,676)	(254,838)	(428,009)	47,355	(30,345)	(631,159)	(60,123)	(142,685)	(233,181)	(119,667)	(208,971)	(173,915)	(105,422)	(112,125)	(2,864,862)

	Statement of Activity for Facility and Grounds Rental Only													Projected 2009	Fourteen Year Total
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		
Revenue	1,429,467	1,449,458	2,632,612	3,013,258	2,867,633	2,537,098	2,329,416	2,095,032	2,081,782	2,045,193	1,747,707	1,456,579	1,580,808	1,314,117	28,580,388
COGS	0	0	315,633	367,872	370,561	299,613	231,842	235,442	235,066	218,911	10,045	0	0	-14,877	2,288,308
Direct Costs	781,110	809,030	1,414,899	1,543,847	1,700,441	1,526,361	1,278,676	1,139,689	1,186,115	1,204,770	992,343	1,007,187	1,037,072	1,082,126	16,710,885
Other Direct Costs	0	0	0	0	0	22,595	0	0	0	0	0	0	0	0	22,595
Marketing	28,976	8,127	2,240	21,521	11,512	10,718	5,864	1,734	2,948	2,638	8,675	9,012	44,595	20,077	178,433
Administration Costs	530,755	635,887	1,061,998	1,271,288	1,482,884	1,470,132	1,570,256	1,454,618	1,355,263	1,434,848	1,039,101	863,945	1,017,788	1,038,887	18,237,126
Profit/(Loss) Facility & Grnds Rental	88,596	(5,365)	(162,058)	(191,070)	(687,365)	(792,641)	(758,820)	(733,650)	(697,629)	(814,854)	(302,458)	(423,565)	(538,647)	(822,096)	(6,836,762)

	Statement of Activity for Satellite Wagering Only													Projected 2009	Fourteen Year Total
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		
Revenue:															
Admissions	469,471	423,889	423,734	412,483	378,998	320,822	297,068	508,080	476,083	430,453	424,185	410,745	409,788	369,600	5,755,937
Commissions	847,418	862,683	930,086	1,187,676	1,198,789	1,218,025	1,130,987	1,073,948	1,043,536	1,046,648	1,911,365	1,018,531	899,770	962,469	14,362,238
Net Revenue	830,482	979,361	779,307	893,614	787,045	1,013,257	871,776	724,502	758,862	839,237	742,059	818,968	714,496	403,201	11,133,265
Total Revenue	2,147,371	2,265,933	2,133,127	2,443,753	2,344,832	2,553,104	2,299,829	2,306,408	2,278,461	2,312,736	2,177,829	2,248,262	1,994,044	1,735,351	31,240,840
COGS	0	0	177,044	277,922	320,128	366,351	332,712	302,693	303,266	302,836	332,181	277,830	233,607	236,500	3,454,985
Direct Costs															
Facility Fees	497,080	500,544	512,259	484,668	401,357	0	0	0	0	0	0	0	0	0	2,375,808
Utility Fees	247,401	293,085	139,650	322,573	74,700	0	0	0	0	0	0	0	0	0	1,877,409
Net Direct Costs	821,814	693,128	789,942	689,382	662,811	658,401	626,342	562,396	581,170	609,841	618,514	690,154	628,788	583,800	9,317,645
Total Direct Costs	1,666,095	1,656,757	1,421,851	1,478,623	1,138,668	656,401	626,342	562,396	581,170	609,841	618,514	690,154	628,788	583,800	12,770,265
Marketing	0	1,859	0	3,071	1,000	3,425	8,461	8,887	777	1,720	12,368	4,489	1,540	21,449	87,104
Administrative Costs	333,676	314,132	394,582	363,665	354,128	427,042	443,114	414,607	455,674	477,594	487,371	523,441	484,003	372,702	5,815,930
Profit/(Loss)	247,401	293,085	139,850	322,672	539,908	1,106,885	861,200	1,017,675	837,671	921,043	727,187	782,388	670,111	538,900	9,152,656

Change in Catering Contract  
 County fees and impact fees abolished

	Statement of Activity for Combined Divisions													Projected 2009	Fourteen Year Total
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		
Combined Profit/(Loss)	\$ (55,709)	\$ 34,881	\$ (459,417)	\$ 178,857	\$ (666,666)	\$ (316,915)	\$ 54,267	\$ 141,340	\$ 8,701	\$ (12,688)	\$ 215,758	\$ 184,888	\$ 32,042	\$ (393,321)	\$ (568,868)

SANTA CLARA COUNTY FAIRGROUNDS MANAGEMENT CORP.  
Comparison of Statement of Activity  
1996-2010

APPENDIX 2

NOTE: A copy of this report was provided to the Grand Jury

Statement of Activity Exclusive of County Fair															Fifteen Year	
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
Revenue	3,676,778	3,715,391	4,766,939	6,467,011	5,232,665	5,090,200	4,629,247	4,401,440	4,360,223	4,357,838	3,925,336	3,704,841	3,554,850	3,100,713	3,617,893	63,350,366
COGS			492,977	645,594	690,689	656,284	564,384	538,335	536,335	519,449	342,238	277,830	233,607	287,550	201,263	5,968,483
Direct Costs	2,347,205	2,465,787	2,838,559	3,020,370	2,839,109	2,185,782	1,906,018	1,699,255	1,767,288	1,814,611	1,610,857	1,607,341	1,665,855	1,516,366	1,641,289	30,882,678
Other Direct Costs						22,595										22,595
Marketing	28,976	10,086	2,240	24,582	12,512	14,141	12,125	10,601	3,723	4,358	21,041	13,461	49,135	36,185	20,068	260,244
Administration Costs	884,630	949,799	1,456,580	1,634,953	1,846,812	1,997,174	2,913,370	1,869,126	1,910,937	1,912,442	1,526,472	1,387,388	1,471,789	1,489,999	1,430,844	23,589,310
Profit(Loss) Exclusive of County Fair	335,967	289,719	(22,408)	131,502	(159,457)	314,244	134,380	284,125	239,942	106,979	424,729	359,803	137,464	(238,363)	324,429	2,667,066

Statement of Activity - County Fair															Fourteen Year	
(# of days of County Fair)	1996 (12 Days)	1997 (11 Days)	1998 (10 Days)	1999 (10 Days)	2000 (10 Days)	2001 (10 Days)	2002 (3 Days)	2003 (3 Days)	2004 (3 Days)	2005 (3 Days)	2006 (3 Days)	2007 (5 Days)	2008 (3 Days)	2009 (4 Days)	2010 (4 Days)	Total
Revenue	2,483,703	2,432,171	2,312,115	2,134,572	2,198,200	1,760,845	979,111	520,107	519,054	300,059	247,349	591,984	24,199	30,700	51,187	18,184,366
COGS	9	8	14,499	9,689	3,947	4,219	0	0	0	0	0	0	0	0	0	32,354
Direct Costs	1,422,022	1,285,926	1,143,149	1,001,849	1,015,262	1,004,865	464,350	272,432	340,307	234,431	239,417	455,093	77,491	89,002	75,278	9,130,858
Other Direct Costs	9	9	0	0	0	229,274	0	0	9	8	9	9	0	0	0	229,274
Marketing	1,032,413	861,395	1,073,436	750,771	898,816	884,497	287,585	275,656	258,053	90,261	114,400	456,811	2,973	6,361	3,225	6,992,550
Administration Costs	420,944	509,688	509,040	824,909	518,721	489,148	127,299	114,605	154,876	95,034	102,504	138,995	50,067	47,907	53,063	3,828,790
Profit/Loss Exclusive of County Subsidy	(381,878)	(264,838)	(428,009)	(152,645)	(230,345)	(631,159)	(286,123)	(142,585)	(233,181)	(119,667)	(208,971)	(459,915)	(105,422)	(111,670)	(80,361)	(4,029,469)
County Subsidy	0	9	0	200,000	200,000	200,000	200,000	0	0	0	0	285,000	0	0	80,000	1,165,000
Profit/Loss	(381,878)	(264,838)	(428,009)	47,355	(30,345)	(631,159)	(80,123)	(142,585)	(233,181)	(119,667)	(208,971)	(173,915)	(105,422)	(111,570)	(381)	(2,864,469)

Satellite Wagering - Statement of Activity																
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
Revenue:			*			‡										
Admissions	489,471	423,889	423,734	412,483	378,998	320,922	287,066	508,060	478,063	430,453	424,188	410,745	409,788	378,715	350,285	6,114,737
Commissions	647,416	962,683	930,086	1,137,676	1,196,789	1,219,025	1,130,987	1,073,846	1,043,536	1,046,046	1,911,385	1,018,531	869,770	788,278	793,983	14,952,037
Other Revenue	890,482	979,361	779,307	893,914	787,045	1,013,257	871,776	724,502	758,862	836,237	742,059	818,986	714,489	578,846	702,480	12,011,220
Total Revenue	2,147,371	2,285,933	2,133,127	2,443,783	2,344,832	2,553,104	2,299,829	2,306,408	2,278,461	2,312,736	2,177,629	2,246,262	1,994,044	1,728,837	1,846,688	33,077,894
COGS	0	0	177,944	277,922	320,128	398,351	332,712	392,893	303,289	302,538	332,191	277,830	233,907	228,904	201,263	3,644,652
Direct Costs																
Impact Fees	497,080	500,544	512,259	464,568	401,367	8	0	8	8	0	0	0	0	0	0	2,376,808
County Fees	247,401	293,085	139,650	322,573	74,700	0	0	0	9	8	0	0	0	0	0	1,077,409
Other Direct Costs	821,614	983,129	769,942	689,382	662,811	659,401	928,342	582,368	581,179	609,841	918,514	660,154	828,783	555,525	585,484	9,674,257
Total Direct Costs	1,566,095	1,836,767	1,421,851	1,476,523	1,138,868	889,401	626,342	582,368	581,179	609,841	618,514	660,154	828,783	555,525	585,484	13,327,474
Marketing	9	1,989	9	3,071	1,089	3,428	6,461	8,967	777	1,720	12,366	4,469	1,540	8,320	1,868	58,843
Administrative Costs	333,875	314,132	394,582	363,998	354,128	427,942	443,114	414,887	458,674	477,594	487,371	523,441	464,603	379,919	386,018	6,189,185
Divisional profit/(loss)	247,401	293,888	139,690	322,572	530,908	1,106,885	891,209	1,017,075	937,571	921,043	727,187	782,368	676,111	559,169	712,035	9,860,860

Statement of Activity for Combined Divisions																
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
Combined Profit/(Loss)	(55,709)	34,881	(488,417)	176,857	(188,892)	(316,918)	54,267	141,540	6,761	(12,688)	215,758	184,886	32,042	(347,933)	324,068	(197,412)
Proof with Appendix 1									(8)	(8)						

\* = Change in Catering Contract  
\*\* = County fees and impact fees abolished

**Impact of FMC management of Fairgrounds on County's General Fund**

**APPENDIX 3**

1995 estimate of annual amount that a County-managed department would cost in excess of FMC costs as reported by Grand Jury in their report dated June 2011.

\$ 900,000

Since those savings were expressed in 1995 dollars they need to be re-calculated on an annual basis into then-current dollars. The following CPI index year-on-year increases are used to calculate the annual savings for each of the years 1996 - 2010

Year-on-year  
increase

CPI Index of price increases:

1995	2.80%	\$ 900,000
1996	3.00%	\$ 925,200
1997	2.30%	\$ 952,956
1998	1.60%	\$ 974,874
1999	2.20%	\$ 990,472
2000	3.40%	\$ 1,012,262
2001	2.80%	\$ 1,046,679
2002	1.60%	\$ 1,075,986
2003	2.30%	\$ 1,093,202
2004	2.70%	\$ 1,118,346
2005	3.40%	\$ 1,148,541
2006	3.20%	\$ 1,187,591
2007	2.80%	\$ 1,225,594
2008	3.80%	\$ 1,259,911
2009	-0.04%	\$ 1,307,788
2010		\$ 1,307,265

Anticipated cost to County of running Fairgrounds over actual cost generated by FMC

\$ 17,526,668

Amounts paid by County as subsidies to FMC:

Subsidies provided by County to support County-mandated County Fairs - 1999, 2000, 2001, 2002, 2010

880,000

Subsidy provided by County to FMC in support of County Fair and for general operations - 2007

285,000

Amount paid by County to Improve County-owned property at the Fairgrounds, 2005-2008

5,523,000

**Total savings to County General Fund over sixteen years of Fairgrounds being managed by FMC**

**\$ 19,838,668**



Equity (Fund Balance) and Profits and Losses since inception

	Per annual P&Ls		FMC Equity (Fund Balance)			
	Profits	Losses	Beginning	P&L	FY Adj.	Ending
1995	Equity deficiency on inception FMC operated for part-year only in 1995					(50,593)
1996		(55,709)	(50,593)	(55,709)		(106,302)
1997	34,881		(106,302)	34,881		(71,421)
1998		(450,417)	(71,421)	(450,417)		(521,838)
1999	176,857		(521,838)	176,857		(342,981)
2000		(186,802)	(342,981)	(186,802)		(529,783)
2001		(316,915)	(529,783)	(316,915)		(846,698)
2002	54,257		(846,698)	54,257		(792,441)
2003	141,540		(792,441)	141,540		(650,901)
2004	6,761		(650,901)	6,761		(644,140)
			(644,140)		127,159	(516,981)
2005		(12,688)	(516,981)	(12,688)		(529,669)
2006	215,758		(529,669)	215,758		(313,911)
			(313,911)		(62,422)	(376,333)
2007	184,868		(376,333)	184,868		(191,445)
2008	32,042		(191,445)	32,042		(159,403)
2009		(347,933)	(159,403)	(347,933)		(507,336)
2010	324,068		(507,336)	324,068		(183,268)
	<u>1,173,052</u>	<u>(1,370,464)</u>	<u>(50,593)</u>	<u>(197,412)</u>	<u>64,737</u>	<u>(183,268)</u>
Profit(Loss) reported fifteen years, internally reported		(187,412)				
Add:	Prior period adjustment in 2005 related to 2001	189,580				
	Prior period adjustment in 2005 related to 2003	(62,421)				
	Net 2005 Prior period adjustment	127,159				
	Prior period adjustment in 2006	(62,422)				
Profit(Loss) for fifteen years		<u>\$ (132,675)</u>				

<b>FROM INCEPTION:</b>	
Number of years with profits	9
Number of years with losses	6
<b>PAST TEN YEARS - 2001-2010</b>	
Number of years with profits	7
Number of years with losses	3

12/31/2010	Total Fund Balance per unaudited Balance Sheet	727,421
	Long-term debt due to SC County	(910,689)
	<b>Total Equity (Deficiency)/Fund Balance per unaudited Balance Sheet</b>	<u><b>(183,268)</b></u>
	Proof	(0)

**RMP PROJECT EXPENDITURES  
Maintenance & Improvements to Fairgrounds)**

**APPENDIX 5**

	\$	%
<b>Deferred maintenance &amp; replacement equipment expenditures:</b>		
Sewer repairs	551,554	
Electrical repairs - Expo Hall	326,117	
Ceiling repair - Expo Hall	79,699	
Grounds maintenance	38,179	
Structural repairs - Fiesta	18,210	
Underground transformers	61,520	
Roofing repairs:		
Admin building	38,077	
Fiesta Hall	74,306	
Cafeteria and Restrooms	65,981	
CTRC	54,747	
Painting, preparation, gutters, concrete, etc.	526,965	
Misc. repairs	55,164	
Replacement equipment:		
Irrigation	5,800	
Tractor/mower	38,760	
Kitchen equipment	64,098	
Gator tractors	28,732	
Computers & office equipment	26,655	
Operational equipment	23,475	
Traffic control system	5,030	
Water truck	46,621	
<b>Total deferred maintenance &amp; replacement equipment</b>	<b><u>2,129,690</u></b>	<b>42%</b>
<b>Fairgrounds Improvements:</b>		
Airconditioning:		
Expo Hall	1,399,711	
Pavilion	484,410	
Gateway	163,685	
Fire control system	13,594	
Expo Hall lounge conversion	76,052	
Bleachers for Arena	849,853	
<b>Total fairgrounds improvements</b>	<b><u>2,987,305</u></b>	<b>58%</b>
<b>Total RMP expenditures to December 31, 2010</b>	<b>5,116,995</b>	<b>100%</b>
Funds available at December 31, 2010 for future projects	406,003	
<b>TOTAL RMP PROJECT FUNDING</b>	<b><u>\$ 5,522,998</u></b>	