

June 2009

To: Members, Joint Committee on Fairs Allocation and Classification

Subject: 2009/2010 Expenditure Plan for the Network of California Fairs

Pursuant to Business and Professions Code 19621(c), I respectfully submit the 2009/2010 Expenditure Plan for the Fair and Exposition (F&E) Fund and Satellite Wagering Account for your approval. This expenditure plan will serve the interests of the State of California and your constituents, as well as deliver the maximum benefit to California fairs at the local level.

In this year of unprecedented changes and financial challenges within the State of California, it is more important than ever that we support the fairs' efforts to assist their local communities. I believe this plan supports the fairs' local efforts.

The formulation of the plan received significant input from the California fair industry via a special committee formed through the California Fair Alliance (CFA), a subsidiary of the Western Fairs Association (WFA). The plan received unanimous approval by the CFA Board of Directors in May 2009.

The Fair and Exposition Fund is administered by the Department of Food & Agriculture (CDFA), which serves as the steward of these funds, ensuring their appropriate use and monitors the fairs' adherence to sound fiscal policies. Several important factors are noteworthy relative to the fairs in California:

First, the State experiences a huge economic return from fair activity statewide. With the approximate \$27 million designated for fair support in the F&E Fund, actual fair budgets total more than \$350 million annually, supported by local user fees including admission charges, event rental fees, sponsorship income, event production, etc. This translates into more than \$136 million in direct state and local income from sales, income and other tax sources; the creation of more than 28,000 jobs; and a total economic impact to the State of more than \$2.55 billion.<sup>1</sup> It is truly a remarkable entrepreneurial accomplishment and one that provides significant educational and social benefits as well. Fairs are an important part of California's economy and a very important investment in our communities.

<sup>1</sup> *Fairs – Exploring a California Gold Mine*. California Department of Food and Agriculture. 2003.



Second, California fairs provide a significant social impact by connecting communities with their non-profit and charity-based community organizations, providing a venue to raise awareness of their programs and services and to raise funds to support causes for the benefit of local citizens. For many local non-profit groups, a majority of their annual charitable budgets are derived from fundraising activities at fairgrounds in California.

Lastly, fairs in California play a pivotal role each year during natural disasters by working closely with the California Emergency Management Agency (CalEMA) and the State's Homeland Security organization to assist with preparedness by serving as staging sites and rescue locations for people and animals during forest fires, floods, earthquakes and other emergencies. For example, during the height of the raging forest fires in northern California last summer and fall, 17 fairs in the state provided refuge for thousands of people and animals in addition to housing fire camps for firefighting personnel.

While the benefits of California fairs are clear and quantifiable, economic challenges continue to hamper these 80 revenue-producing enterprises known as California's network of fairs. The F&E Fund provides direct assistance to the fairs to ensure they can continue to provide the basic level of support their communities have come to expect and deserve.

My staff and I look forward to the opportunity to discuss this plan with you. If you would like additional information, please contact Michael Treacy, Director for the Division of Fairs and Expositions, at (916) 263-2952.

Sincerely,



A.G. Kawamura  
Secretary

Enclosure

# Table of Contents

Executive Summary.....	i
Report on 2009/2010 Expenditure Plan.....	1
Program Descriptions.....	22
Revenue and Expenditure Plan.....	27
<i>Combined Revenue &amp; Expenditure Plan (191 &amp; 192)</i>	
<i>Fair and Exposition Fund (191)</i>	
<i>Satellite Wagering Account (192)</i>	
Funding Strategy and Methodology.....	30
California Fair Listing.....	35



*An absolutely stunning sunset at the Orange County Fair in Costa Mesa.*

## Executive Summary

The following report presents the 2009/2010 Network of California Fairs Expenditure Plan to the Joint Committee on Fairs Allocation and Classification.

### California Fair Network

The network of California fairs includes 80 fairs divided into four categories (the latter three are non-DAA organizations):

- ◆ 54 DAAs: state government entities
  - 52 active DAAs
  - 2 DAAs were deactivated during fiscal year 1997/98
- ◆ 23 county fairs: county government or not-for-profit organizations
- ◆ 2 citrus fruit fairs: not-for-profit organizations
- ◆ The California Exposition and state Fair (Cal Expo): a state department

### 2009/2010 Expenditure Plan Highlights

A new era for California fairs begins in 2009/2010 as the fair industry's 77-year



*Kids just cannot get enough of their furry friends at the local county fair.*



*"Aside from their rich history, California's fairgrounds are unheralded community assets that must be preserved, protected and appreciated."*

*– A.G. Kawamura,  
Secretary, California  
Department of Food &  
Agriculture*

relationship with horse racing as a primary fund source comes to an end.

Pursuant to Senate Bill 16xx (Ashburn, Chapter 12, Statutes of 2010), the primary fund source for the Fair and Exposition Fund will shift from horse racing license fees to the state General Fund, effective July 1, 2009.

With the new fund source comes the renewed opportunity to stimulate the fairs and their local communities.

- ◆ Increase in base allocations for Class I through Class V fairs for the first time since 2001.
- ◆ All additional programs bolstered to fulfill the objectives identified in the fairs' "Future Vision" conference of 2006.
- ◆ Major funding available for capital improvements and infrastructure for the first time in five years.
- ◆ New support programs established to assist fairs with best business practices.
- ◆ New support program for fairs' role in emergency response and community services.

**NETWORK OF CALIFORNIA FAIRS  
2009/2010 EXPENDITURE PLAN**



*Get Ready, Get Set, Squeal! At the Monterey County Fair, pig races are held for all visitors at the fair to enjoy.*

This fund shift is occurring at a time when horse racing in California is struggling to survive and revenue shortfalls within the Fair and Exposition Fund are at record highs, thereby jeopardizing the solvency of many California fairs.

The Fair and Exposition Fund began experiencing unprecedented revenue shortfalls in 2004/2005 when the Fund incurred a first-time-ever \$3 million shortfall that has continued to increase annually. Today, an estimated revenue shortfall of \$10 million (one-third of the Fund's total annual budget for local assistance to fairs) is projected for the 2008/2009 fiscal year ending on June 30, 2009. With the implementation of SB 16xx in July 2009, funding to the California fair industry will be whole for the first time in five years.

**Guaranteed Return on Investment**

California fairs have immense economic, educational, social and cultural impacts. They embody the entrepreneurial excellence, quest for knowledge, innovative drive, and community spirit that is the Golden State.

While the current environment presents reasons for some concern, it has only

highlighted the importance of the fairs to their local communities and the state of California as a whole. The state's return on its \$32 million investment in fairs is undeniably positive in all respects, as fairs continue to be a beacon of light for many.

Therefore, the Department of Food and Agriculture and the California fair industry as a whole remain confident that regardless of fund source, the legislature and public at large will continue to see financial support of fairs as a tremendous investment for all of California.

- ◆ \$2.55 billion positive economic impact on California based on spending by all participants at fair time and interim events.
- ◆ \$963 million in attendee direct spending at fair time and interim events annually.
- ◆ \$791 million in annual income impact from attendee, fair organization and fair-related business spending.
- ◆ 28,000 annual jobs created by fairs through direct employment and multiplier impacts.
- ◆ \$136 million in annual state and local government tax revenues from fair-related activities.



*Say Cheese! KC the Bull poses with a friend at the Kern County Fair in Bakersfield.*

**NETWORK OF CALIFORNIA FAIRS  
2009/2010 EXPENDITURE PLAN**

- ◆ \$30 million in non-profit and community benefits annually.
- ◆ Fairgrounds are the ideal vehicle for broad-based economic stimulus.
- ◆ Fairs serve as community lifelines during natural disasters.
- ◆ Fairs play an enormous role in meeting recreational needs throughout the state.
- ◆ California's fair network is at the forefront of renewable (solar) energy production in the country.
- ◆ Fairs continue to play an essential role in promoting the quality and diversity of California agriculture and community in both rural and urban areas.

Understanding the benefits of having quantifiable data to support the financial and social benefits of fairs, F&E plans to pursue an updated economic and social impact study for the California fair network within the next couple of years.

***Emergency Preparedness & Response***

California fairs continue to be called upon by federal, state and local public health and safety agencies on a regular



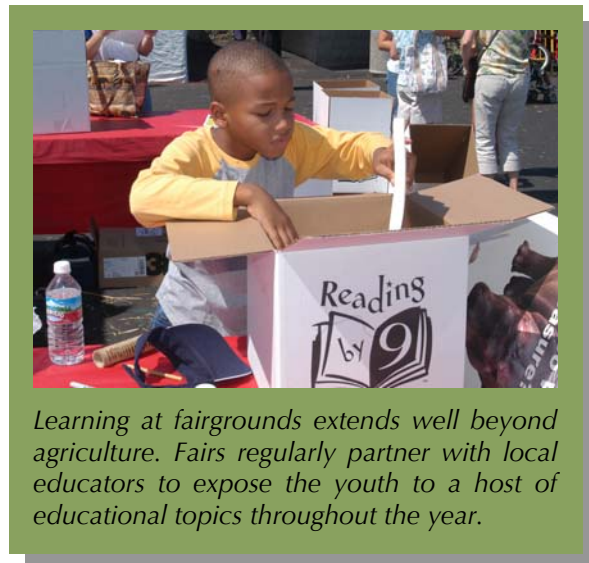
*Governor Schwarzenegger holds a press conference at the Santa Barbara Fair & Expo in May 2009 to address the status of the devastating Jesusita Wildfire in Santa Barbara County.*

basis to assist with emergency preparedness and response. Fairgrounds are an invaluable resource during emergencies such as earthquakes, floods, fires, and other natural or unnatural disasters. The roles fairs play during these exercises and emergencies vary significantly and occur frequently.

Examples of current and past fairground usage include mobilization and emergency staging sites, evacuation centers for people and animals, fire camps, emergency preparedness training locations, and temporary homeless shelters.

**Funding Strategy**

In 2007/2008, the Department of Food and Agriculture's Division of Fairs and Expositions (F&E) introduced the most significant change in fair funding allocation strategy in more than 15 years. The strategy, which revolves around fund growth and sustainability, was inevitable due to increasing competition from neighboring venues, an ever-decreasing fund source from horse racing, and deteriorating fair facilities.



*Learning at fairgrounds extends well beyond agriculture. Fairs regularly partner with local educators to expose the youth to a host of educational topics throughout the year.*

NETWORK OF CALIFORNIA FAIRS  
2009/2010 EXPENDITURE PLAN



*Fairs create fond memories that will be cherished forever.*

The 2009/2010 Expenditure Plan continues to emphasize these renewed areas of focus in year three of F&E's multi-year funding strategy for fairs.

**Revenue Source**

Beginning in 2009/2010, fair funding that is not self-generated will be derived entirely from the state General Fund. Pursuant to Senate Bill 16xx, state horse racing license fees will now be retained by racing associations, racing fairs, and horse owners in an effort to stimulate the struggling horse racing industry. The California Horse Racing Board, however, will continue to receive an allocation from license fees for its regulatory oversight of racing associations and fairs as well as California's network of satellite wagering facilities.

**Expenditures**

*(See pages 27 through 29 for details)*

**Administrative Oversight**

12% of the expenditure budget is earmarked for the operational budget of the Department of Food and Agriculture (\$4.4 million).

**Fair Local Assistance**

88% of the expenditure budget (\$31.6 million) is earmarked for the direct support of California's fair network.

- ◆ **Baseline Funding and General Fair Programs:** 46% of the local assistance budget is earmarked for baseline operational support for fairs, incentive programs, and the Fair Intervention program.
- ◆ **Operational Support:** 18% of the local assistance budget is earmarked for bond debt service, construction services, and property insurance.
- ◆ **Horse Racing Support:** 12% of the local assistance budget is earmarked for improvements to live horse racing and satellite wagering programming and facilities, supplemental horse racing purses at California racing fairs, and race track preparation costs.
- ◆ **Infrastructure/Health & Safety:** 23% of the local assistance budget is earmarked for the Division's infrastructure programs funding by the infrastructure sinking fund, which is intended to generate significant capital to address aging infrastructure at California fairgrounds.
- ◆ **Training & Education:** One percent of the local assistance budget is earmarked for the development and delivery of training seminars and workshops on emerging fair issues, and professional development for fair personnel and boards of directors.

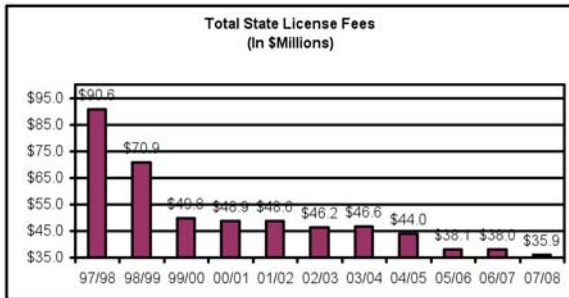


*Fairgoers catch dance fever at the Napa Town and Country Fair.*

**NETWORK OF CALIFORNIA FAIRS  
2009/2010 EXPENDITURE PLAN**

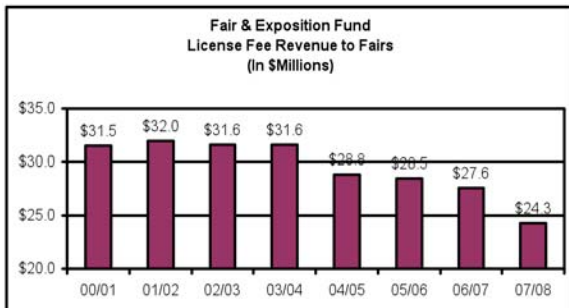
**Fiscal Trends**

Since 2004/2005, the F&E Fund has experienced unprecedented revenue shortfalls each year from horse racing wagering activities, directly impacting valuable programs and resources that benefit California's network of fairs. The shortfalls in fair funding during the years 2004/2005 through 2007/2008 occurred because the total amount of state license fees was inadequate to fully fund all designated beneficiaries to the extent allowed by law.



Source: CHRB Annual Reports

Because the law is silent on funding priorities, the fairs have absorbed the full impact of the annual shortfalls, totaling approximately \$15 million in the aggregate between 2004/2005 and 2007/2008. With the projected \$10 million shortfall in 2008/2009, total shortfalls to the Fair & Exposition Fund will reach a staggering \$25 million over a five year period. The chart below depicts the steady decline in license fee revenue to the fairs since 2004/2005.



Source: Division of Fairs and Expositions

Starting in 2009/2010, the General Fund will allow fair funding to be fully restored to early 2000's levels, as is consistent with the intent by law.



*A tower of homemade jams and jellies entices fairgoers at the Alameda county fair in Pleasanton.*

**Fiscally Challenged Fairs**

As with many businesses, the effects of the uncertain economy have taken their toll on some of California's fairs. Currently, the single largest number of fairs in any given year are experiencing financial challenges, prompting swift action by the Department of Food and Agriculture.

Operating under its statutory intervention authority, the Department of Food and Agriculture's Division of Fairs and Expositions established a new business unit in 2008/2009 focused strictly on assisting and rehabilitating fairs that are experiencing operational and/or financial difficulties.

Under the law, the Division may assume full responsibilities of the board of directors at a district agricultural association (state-owned) fair or the California Exposition and State Fair if the Division deems there to be a lack of administrative and/or fiscal control at the local fair level. While this authority grants the Division broad powers, the



**NETWORK OF CALIFORNIA FAIRS  
2009/2010 EXPENDITURE PLAN**

---

Division has chosen to take a cooperative approach with its intervention program that seeks remedies for these fairs in equal partnership with the respective boards of directors.

**The Future of Fairs & Horse Racing**

While the funding relationship between fairs and horse racing will cease to exist come July 2009, horse racing will continue to play an important role at numerous California fairgrounds.

“The racing industry is approaching a crossroads as increasing real estate values strain the economic model that governs operator-owned, private commercial race tracks. As land values increase, private race track owners are compelled to consider developing their property for purposes other than racing.”<sup>1</sup>

“Fairs are proposing a concept for the future that envisions a larger role for publicly-owned venues at Fairs, perhaps along the lines already in place at Del Mar. In that example, a private racing association operates in a lease agreement with a public facility owned by a Fair. Fairs are diversified entertainment and commercial enterprises, less susceptible to the impact of changing real estate values than are operator-owned, private commercial tracks.”<sup>1</sup>

“Millions of Californians already visit Fairs each year. Fairs have and can finance expansion and improvement of their existing racing facilities through public bonds secured by revenue from pari-mutuel wagering. The model that Fairs envision keeps California racing revenues in California for the benefit of California participants. We believe that

such a model provides a solid foundation on which to build a strong and stable future for the California racing industry.”<sup>1</sup>

Because of the fair industry’s inherent ties to horse racing and the sentiments reflected by the California Authority of Racing Fairs regarding the future of racing in California, the 2009/2010 Expenditure Plan once again reflects a continued commitment to fair horse racing. This commitment includes competitive funding to preserve the existing fair horse racing infrastructure as well as competitive funding to support the fair industry’s effort to seize future racing opportunities for the betterment of racing fairs.



*Horses race to the finish line at the Sonoma County Fair in Santa Rosa.*

<sup>1</sup> “Some Observations on the Future of California Racing”, by Christopher Korby, Executive Director, California Authority of Racing Fairs; *California Fair Racing Venues: Preserving a Heritage/Building for the Future*, July 2007

# Introduction

This report presents the 2009/2010 Expenditure Plan to the Joint Committee on Fairs Allocation and Classification within the California State Legislature. This publication includes an overview of the network of California fairs, the roles and responsibilities of various state, county and private organizations, an explanation of the new fund source and funding strategy for fairs, and a comprehensive program list explaining the full range of programs supported by the Expenditure Plan.

## Authority

The California Department of Food and Agriculture (CDFA) provides fund administration and broad policy oversight to the network of California fairs through the application of law; development of policies, procedures

and regulations; and broad supervision over fair fiscal and administrative matters.

Business and Professions (B&P) Code Sections 19620 and 19606.1 authorize CDFA oversight of the Fair and Exposition Fund and Satellite Wagering Account, respectively. B&P Code Sections 19621(c) and 19606.1(c) require CDFA to prepare an annual expenditure plan for review and approval by the Joint Committee on Fairs Allocation and Classification. The annual plan also incorporates input from the California fair industry and fair business partners to ensure its relevancy and support by key stakeholders.

Table 1 shows the various types of expenditures authorized and approved for the two accounts administered by F&E.

**Table 1**

<b>Fair and Exposition Fund (Acct. 191)</b> (B&P Code § 19620.1, 19630)	<b>Satellite Wagering Account (Acct. 192)</b> (B&P Code § 19605.9(b), 19606.1, 19606.3)
Local (Base) Allocations to Fairs – Operational Support	Bond Debt Service (Satellite Wagering Network)
Unemployment Insurance Cost Reimbursements	Health and Safety Projects / Accessibility Upgrades
Capital Infrastructure and Deferred Maintenance Projects	Fairground Property Insurance
Fair Professional Development and Training	Fair Racing & Satellite Wagering Support
Agricultural Education	Supplemental Horse Racing Purses
Fair Emergency Response Support	Revenue Generating Programs
CDFA (F&E) Operational Support	Environmental Investment (Renewable Energy)
CDFA Support – Fair Audit Program	California Construction Authority (CCA) Operations

# The Division of Fairs and Expositions

CDFA’s Division of Fairs & Expositions (F&E) provides fiscal and policy oversight of the network of California fairs and ensures the best use of available funding and other services. F&E is comprised of 18 staff members dedicated to serving California’s network of 80 fairs.

## Fair Network Oversight

This oversight responsibility includes the following (B&P Code Section 19620):

- ◆ Manage and monitor the solvency of the Fair and Exposition Fund and the Satellite Wagering Account.
- ◆ Distribute available state resources to the network of California fairs for local (base) allocations, health and safety repair projects, revenue generating projects, horse racing facility improvements, and other fair programs.

- ◆ Create a framework for administration of the network of California fairs, allowing for maximum autonomy and local decision making authority.
- ◆ Provide incentives for fairs to seek matching funds and generate new revenue from a variety of sources.
- ◆ Ensure that annual fiscal audits and biennial compliance audits are performed.
- ◆ Support continuous improvement of fair programs to ensure California fairs remain highly relevant community institutions.

F&E provides varying levels of oversight depending on the fair type. Table 2 provides examples of the type of oversight provided to District Agricultural Associations (DAA) and non-DAA fair organizations.

**Table 2**

Oversight of DAAs	Oversight of Non-DAAs
Approve annual operating budgets	Approve annual operating budgets
Conduct fiscal and compliance audits	Conduct or review fiscal and compliance audits
Review annual end-of-year statements of operations	Review annual end-of-year statements of operations
Define criteria and reporting requirements for funding programs	Define criteria and reporting requirements for funding programs
Provide consultation to boards of directors and staff on state policies and procedures	Provide consultation to boards of directors and staff on applicable state policies and procedures
Analyze fair-related legislation	Approve carnival bid packages
Facilitate personnel transactions	Review contractual agreements between the fair organization and host county
Approve contracts and carnival bid packages	Provide consultation to fairs experiencing managerial, fiscal, or operational challenges
Intervention Authority – provide oversight to fairs experiencing managerial, fiscal, or operational challenges	

# Network of California Fairs

## Overview

B&P Code Section 19622.1 defines a state-supported fair organization as any fair that conducts an annual fair and adheres to the CDFA's reporting requirements, which include but are not limited to the submittal of an annual operating budget and statement of operations. The generic term of "fairs" refers to DAAs, county fairs, citrus fruit fairs, and the California Exposition and State Fair.

The network of California fairs includes 80 fairs divided into four categories (the latter three are non-DAA organizations):

- ◆ 54 DAAs – state government entities
  - 52 active DAAs
  - 2 DAAs were deactivated during fiscal year 1997/98
- ◆ 23 county fairs – county government or not-for-profit organizations
- ◆ 2 citrus fruit fairs – not-for-profit organizations
- ◆ The California Exposition and State Fair (Cal Expo) – a state department



**It's all about the animals at California's fairgrounds. Animal lovers rejoice!**

# Map of California Fairs

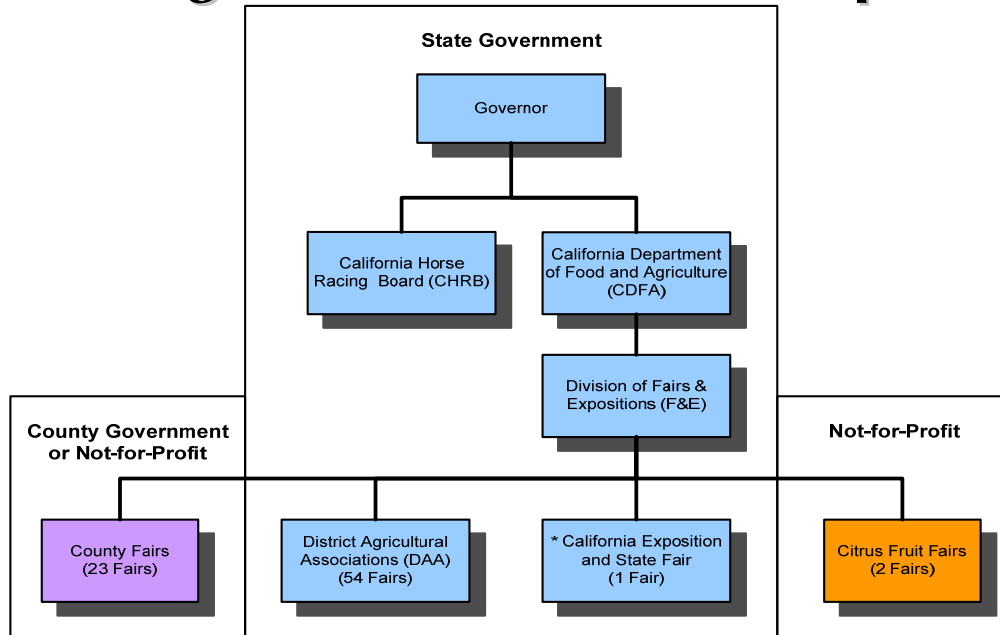


**LEGEND**

- Fair Site
- + Fairs with Live Racing
- Satellite Wagering Facility
- Special Event Centers
- OES Mobilization Sites

DAA= District Agricultural Association

# Organizational Relationships



\* California Exposition and State Fair is a state agency.

## State Government

**California Department of Food & Agriculture (CDFA):** A state department responsible for the oversight of California's agricultural industry, including the network of California fairs.

**Division of Fairs and Expositions (F&E):** Division of CDFA that provides fiscal and policy oversight for the network of California fairs and ensures the best use of available funding and services.

**California Horse Racing Board (CHRB):** Regulates pari-mutuel wagering, promotes the horse racing and breeding industries and maximizes State of California tax revenues from horse racing. CHRB provides regulatory oversight to six privately owned racetracks, nine racing fairs, and 33 simulcast facilities.

**District Agricultural Association (DAA):** Holds fairs, expositions, and exhibitions to showcase various industries, enterprises, resources, and products, and to highlight California agriculture. Each DAA is governed by a nine-member gubernatorially appointed board of directors.

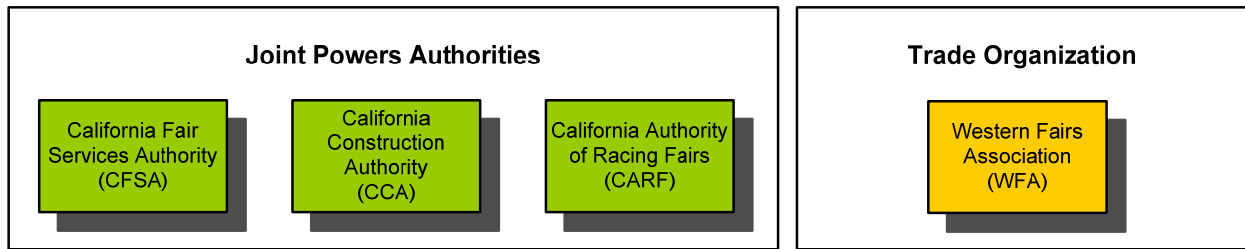
**California Exposition and State Fair (Cal Expo):** A state department in Sacramento responsible for holding the annual California State Fair and exhibitions to highlight various industries, enterprises, resources, and products of the State.

## County Government or Not-for-Profit

**County Fairs:** Holds fairs to highlight a county's agricultural and natural resources.

**Citrus Fruit Fairs:** Holds annual fairs to celebrate the citrus fruit harvest.

# Organizational Relationships



In addition to state government, there are other organizations involved with fair operations and industry direction. Abbreviated descriptions of each organization's major roles are described below:

## Joint Powers Authorities (JPA):

Three JPAs have been formed in California to provide specified services to the fair industry. CDFA is a party to the joint powers agreement that authorized the formation of each of the following JPAs:

**California Fair Services Authority (CFSA):** Administers risk-sharing pools (general liability, workers' compensation, revenue protection and all-risk property) designed to protect the Fair & Exposition Fund and local fair organizations; provides safety programs, facility inspections; and provides accounting, payroll, purchasing, computer, employee benefits, and management services.

**California Construction Authority (CCA):** Provides financing, design, and construction services for capital infrastructure, deferred maintenance, health and safety improvements, and horse racing facilities on fairgrounds.

## California Authority of Racing Fairs (CARF):

Provides legislative and operational support and professional development services for its members, all of which are horse racing fairs; assists CDFA with site selection and development for satellite wagering facilities; manages the track preparation agreement; and recommends an annual Satellite Wagering Account and racing track improvement plan.

**Trade Organizations:** The following not-for-profit association provides services to the fair industry:

**Western Fairs Association (WFA)/ California Fairs Alliance (CFA):** Sacramento-based trade association representing 72 of California's 80 fairs. Services include educational activities, training programs, and legislative advocacy.



*The Big Fresno Fair displays a beautiful pirate ship for kids to sail away with their imaginations.*

## Fair Organization Classifications

California fairs submit operating budgets to F&E for review and approval annually. These budgets are comprised of both locally generated revenue and state support. Approved budgets are required for state funding eligibility. The state support is distributed as annual local (base) allocations and special programs. See Table 3 on the following page.



*Fairgoers take a leisurely spin on the merry go round at the California Exposition and State Fair in Sacramento.*

Local (base) allocations are provided to the fair network to help offset operating costs and infrastructure needs. The amount each fair receives is based on their annual operating budget. Small fair organizations receive a greater percentage of their budget in state support than larger fairs do. This staggered funding takes into account the fair organization's ability to generate enough revenue to be self-sustaining. Regardless of size, all fair organizations augment their operating budgets with revenues received through their year-round events and activities.

To ensure equitable distribution of local (base) allocations, F&E established an

allocation policy providing support to fairs within seven budget-related classifications. The result is that the *smallest* fairs, those in classes I-IV, receive the largest annual (base) allocation of local assistance funding from the General Fund (\$115,000 - \$198,000). Classes I through IV fairs have annual operating budgets of less than \$3 million. The fairs are truly the heart of the community and maintaining state support is critical to their success. For some class I fairs, the annual allocation represents up to 70% of their annual budget.

This year's plan reflects an increase in base allocations for Class I through Class V fairs for the first time since 2001. Classes I through IV fairs have increased 10% from the previous year, while the Class V (base) allocation has increased to \$25,000, from \$20,000. The largest fair organizations, those in classes VI and VII, receive zero (base) allocations. However, funding to the unemployment insurance and property insurance programs that benefit the largest fairs has increased.



*Young exhibitors compete for awards at the Yuba-Sutter Fair in Yuba City.*



**NETWORK OF CALIFORNIA FAIRS  
2009/2010 EXPENDITURE PLAN**

**Table 3 - Local (Base) Allocations for 2009/2010**

Profile of Fair Class Levels and 2009/2010 Local (Base) Allocations						
Allocation Criteria						
Class Level	Operating Revenue (\$1,000's)	Fair Attendance (1,000's)	Perm/Temp Staff	# of Fairs Per Class	Local (Base) Allocation	Total Allocation Per Class Level
I	Up to 200	Up to 20	Up to 7	13	\$198,000	\$2,574,000
II	200 - 450	20 - 40	7 - 10	20	165,000	3,300,000
III	450 - 1,000	40 - 80	10 - 20	19	136,000	2,591,600
IV	1,000 - 3,000	80 - 175	20 - 40	10	115,000	1,155,000
V	3,000 - 6,000	175 - 250	40 - 80	5	25,000	125,000
VI	6,000 - 10,000	250 - 400	80 - 120	6	N/A	N/A
VII	Over 10,000	Over 400	Over 120	4	N/A	N/A
Special Events (Supplemental Allocation):						
Grand National Rodeo (1-A DAA)					140,000	140,000
Great Western Livestock Show (24th DAA)					50,000	50,000
San Benito County Saddle Horse Show					50,000	50,000
					Total	\$9,985,600



*Fairgoers sit on the edge of their seats during a daring fire juggling performance. Redwood Empire Fair, Ukiah CA .*



*Fond memories of childhood being made.*

## Benefits of California Fairs



Fairs entertain, but they also educate people about each other and the contributions that all segments of our society make to California. Through this vital education come the understanding, appreciation and social harmony so necessary for a healthy and productive society.

Fairs provide a location for cultural and social interaction as well as a focal point for community members to:

- ◆ Celebrate their heritage
- ◆ Compete in a variety of events
- ◆ Hold family reunions
- ◆ Display and view artwork
- ◆ Learn about other cultures
- ◆ Demonstrate new technology
- ◆ Showcase the best of California

In addition to providing facilities and activities for educational purposes and broad community services, fairs also

provide valuable community activities such as:

- ◆ Field trips
- ◆ Agriculture in the classroom
- ◆ Cultural events
- ◆ Concerts
- ◆ Head Start programs
- ◆ Pre-school programs
- ◆ Before/after school programs
- ◆ Charitable activities
- ◆ Weddings & other celebrations
- ◆ Auto shows
- ◆ Livestock events
- ◆ Farmers markets

State and local government agencies use fairs to disseminate vital information regarding the protection of California's natural, industrial, and agricultural resources. These public outreach efforts offer communities a first-hand look at California agriculture and the essential role of this \$30 billion-a-year industry.

As an added benefit, California fairs promote awareness of the Golden State's cultural diversity. Approximately 33 million people attend fairground events held in rural, suburban, and urban settings annually. These events attract people from various ethnic and age groups, creating a diverse cultural representation.

## Emergency Preparedness & Response

California fairs are regularly called upon by federal, state and local public health and safety agencies to assist with emergency preparedness and response. The roles fairs play during these exercises and emergencies vary significantly and occur frequently. Fairs serve as community lifelines during earthquakes, floods, and wildfires.

*"California's fairgrounds are essential to the state's ability to respond to natural disasters and emergencies. Without our fairgrounds, I can't imagine being able to effectively respond to disasters. For example, during California's recent wildfires we utilized the fairgrounds to stage emergency vehicles and fire equipment, and to provide sanctuary to thousands of displaced residents and animals."*

*- Frank McCarton, Undersecretary, California Office of Emergency Services*

Fairgrounds often serve as command centers for the Office of Emergency Services, Homeland Security, Law Enforcement and FEMA.



*A sign at the Earl Warren Showgrounds (a.k.a. Santa Barbara Fair & Expo) thanks local firefighters for their efforts during the Jesusita Wildfire in May 2009.*



*Rows of fire trucks line the grounds of the Santa Barbara Fair & Expo.*

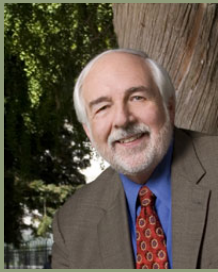
Examples of current and past fairground use for emergency preparedness and response include:

- ◆ Command center, mobilization and emergency staging sites (e.g., Office of Emergency Services, U.S. Dept. of Defense, Dept. of Homeland Security, local police and fire)
- ◆ Essential shelters and evacuation centers for animals and humans
- ◆ Fire camps
- ◆ Emergency preparedness training (e.g., police, fire, SWAT, county health, post-9/11 drills)
- ◆ Strategic National Stockpile
- ◆ Cooling and warming centers
- ◆ Military staging site for hurricane Katrina response
- ◆ Life-flight staging site
- ◆ Mass vaccination training and county inoculation sites
- ◆ Temporary homeless shelters

## Environmental Leadership

Because of its network of fairs, California once again leads the nation in renewable energy sources through solar power generation.

By converting the Golden State's plentiful sunlight into solar power, 26 California fairs generate 8.1 megawatts of electricity statewide, enough to power 6,400 homes or a city of 22,000 people. The photovoltaic systems, which convert light into electricity, are mounted on the expansive roofs of the fairs' exhibit buildings and barns.

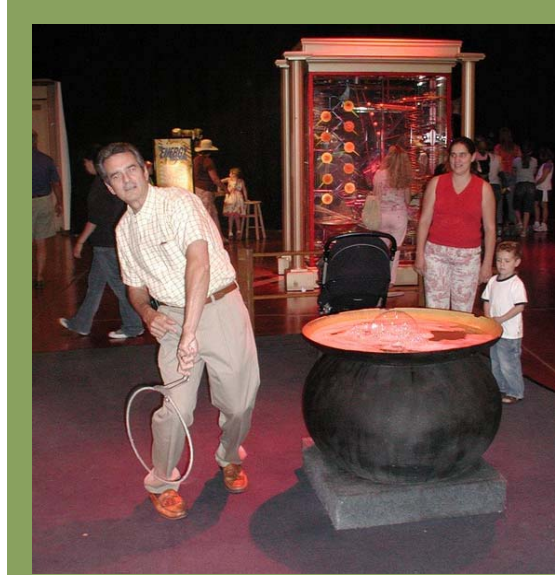


*"California Fairgrounds have been in the forefront of solar energy production in California, and are important labs for future alternative energy development."  
- Winston Hickox, Former Secretary of Cal-EPA*

The incredible achievement was initiated in 2001, is a joint effort of the State of California and its network of California fairs, with grants from the California Energy Commission, local electrical utilities, and the Fair & Exposition Fund.



*Solar panels line the rooftops at the Colorado River Fair in Blythe.*



*Marin County Fair and Expositions hosts hands-on activities for both adults and children to enjoy.*

## Guaranteed Return on Investment

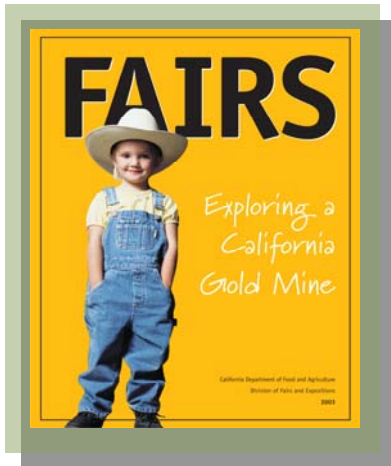
California fairs have immense economic, educational, social and cultural impacts. They embody the entrepreneurial excellence, the quest for knowledge, the innovative drive, and the community spirit that is the Golden State.

While the current environment presents reasons for some concern, it has only highlighted the importance of fairs to the state of California and to their local communities. The state's return on its \$32 million investment in fairs is undeniably positive in all respects since fairs continue to be a beacon of light for many.

Therefore, the Department of Food and Agriculture and the California fair industry as a whole remains confident that regardless of fund source the legislature and public at large will continue to see its financial support of fairs as a tremendous investment for all of California.

## California Fairs Statewide Social Economic Impact Report

In 2002, the California Department of Food and Agriculture's Division of Fairs and Expositions measured the social and economic impacts of the statewide fair system. The resulting report, *Fairs – Exploring a California Gold Mine*, demonstrates that the economic and social impacts of California fairs are significant.



Furthermore, cultural aspects of the fair industry add an intangible human element to the impressive quantitative findings. The report discusses these various impacts and concludes that, for the investment, the return for Californians is invaluable.

The following highlights from the economic impact study provide quantifiable answers to the question "What is California's return on this \$27 million investment into the fair network?"

- ◆ \$2.55 billion positive economic impact on California based on spending by all participants at fair time and interim events.
- ◆ \$963 million in attendee direct spending at fair time and interim events annually.



Competitive exhibit programs bring out the wacky imaginations in old and young alike at the Nevada County Fair.

- ◆ \$791 million in annual income impact from attendee, fair organization and fair-related business spending.
- ◆ 28,000 annual jobs created by fairs through direct employment and multiplier impacts.
- ◆ \$136 million in annual state and local government tax revenues from fair-related activities.
- ◆ For each worker the fair organization and related business employ, an estimated 2.62 jobs are created. For each dollar that economic participants pay their employees, an estimated \$2.10 in income is produced.
- ◆ Each dollar spent by fairs and interim event participants generates an estimated \$0.39 of additional spending in the state, for a total impact of \$1.39 per dollar spent.



An old fashioned jamboree at the Yolo County Fair in Woodland.

**NETWORK OF CALIFORNIA FAIRS  
2009/2010 EXPENDITURE PLAN**



*Tomato, tomato! However you say it, it's used for almost everything here at the California State Fair, Sacramento, CA.*

**Agriculture**

A central feature of fairs is to educate the public about the importance of agriculture in California.

- ◆ 69% of fairgoers surveyed felt that they knew more about agriculture after going to a fair.
- ◆ Fairs are a critical part of the junior livestock program, which educates young people about the breeding, raising and grooming of farm animals. Junior livestock auctions at fairs gross more than \$21 million annually. In 2002, 42,000 animals were purchased by nearly 19,000 buyers. Students receive 95% of auction proceeds and are encouraged to use the funds to further their education.

**Community Groups**

California's fairs are major venues for community groups and nonprofit organizations to raise money and awareness of their programs.

- ◆ \$8 million raised for community programs by nonprofit groups at California fairs.

- ◆ One nonprofit organization, the Turlock Lions Club, raises approximately 85% of its annual budget from fundraising events held at the Stanislaus County Fairgrounds. Proceeds from these events go to fund scholarships for local high school students, eye exams and glasses for needy children, youth sport teams, youth attendance at camps for the hearing impaired, and school playground equipment.

**Attendees**

Californians love their fairs and fairground events.

- ◆ Annual paid fair time attendance exceeds 11 million people, and interim events attract another 21 million people. Total annual attendance on fairgrounds is almost 33 million people—roughly the same as California's population of nearly 35 million people.



*Talk about a grand prize, here at the Big Fresno Fair patrons can win life size toys!*

**NETWORK OF CALIFORNIA FAIRS  
2009/2010 EXPENDITURE PLAN**

- ◆ Paso Robles—with a population of 29,000—hosts the California Mid-State Fair, which draws more than 570,000 attendees throughout the year. Ventura—with a population of 110,000—hosts the Ventura County Fair, which draws more than 721,000 attendees.
- ◆ The average visitor attends the fair 2.1 times per year and lives within 100 miles of the fair.



**Fair-Related Businesses**

Fair related businesses provide many goods and services that are essential to the fair experience.

- ◆ Carnival companies generate more than \$41 million in total annual spending, \$18 million in personal income and \$2 million in state and local taxes.
- ◆ Fair time and master concessionaires create \$131 million in total annual spending, \$66 million in personal income, and \$10 million in state and local taxes. Attendee direct spending on food and beverages exceeds \$120 million annually, which generates more than \$5 million in state and local taxes.

*"Perhaps no institution more positively touches more citizens and more communities than the state's vast network of Fairgrounds, which are the heartbeat of urban, rural and suburban California."*

- United States Rep. Dennis Cardoza (D-Modesto), Former California Assembly Member, Chairman of the Joint Committee on Fairs Allocation and Classification



- ◆ Commercial exhibitors generate in excess of \$491 million in total spending, \$219 million in personal income and nearly \$17 million in state and local taxes. Attendee spending on commercial exhibitor merchandise totals more than \$406 million, which generates \$32 million in state and local taxes.
- ◆ Entertainers at fairs create in excess of \$28 million in total annual spending, \$17 million in personal income, and \$1.6 million in state and local taxes.

**Social and Cultural Impacts**

**Giving Back**

While the economic impact of fairs is noteworthy, it is the social and cultural impacts of fairs that may leave the most lasting impression on Californians.

- ◆ Fairs provide a focal point for community members to celebrate their heritage, compete in a variety of events, hold family reunions, display and view artwork, learn about other cultures, introduce new inventions and showcase the best of California.

NETWORK OF CALIFORNIA FAIRS  
2009/2010 EXPENDITURE PLAN



Eager shoppers enjoy the variety of unique products at the Sonoma County Fair in Santa Rosa.

Central to being human is creating community. Community is created for a purpose and needs:

- ◆ Faith and Meaning
- ◆ Family
- ◆ Civic Culture
- ◆ Neighborhood



Learning about California agriculture can be fun for all ages. Centennial Farms at the Orange County Fair in Costa Mesa.

Fairs play a critical role in creating community by:

- ◆ Being meaningful and relevant
- ◆ Creating and celebrating points of connection

- ◆ Providing a safe haven
- ◆ Being a place of civic responsibility
- ◆ Recognizing and uplifting excellence
- ◆ Recognizing and uplifting beauty
- ◆ Supporting activities that are meaningful to the community
- ◆ Building community relationships



The Great Pumpkin makes an appearance at the Yolo County Fair in Woodland.

The 2002 economic and social impact study also revealed the following:

- ◆ 95% of attendees surveyed agreed that the fair they attended provided worthwhile community benefits.
- ◆ More than 1.2 million people, 11 percent of total fair time attendance, participates in fair events and organized activities such as shows, exhibit programs, stage performances and contests.
- ◆ Many fairs offer free tours to schools, free youth admission on certain days, and valuable educational experiences throughout the year.



# Funding

## Fund Administration

F&E applies the following accounting principles to administer local assistance funding from the Fair and Exposition Fund (F&E Fund) and Satellite Wagering Account (SWA) on behalf of California's network of fairs.

- ◆ Since the F&E Fund and SWA are continuously appropriated, unencumbered reserves at fiscal year end will be included in the total available resources in the following year's expenditure plan. Therefore, total expenditures may exceed current year revenue projections. Expenditures may also be adjusted during the year to accommodate funding fluctuations among local assistance programs, upon approval by the Secretary of Food and Agriculture.



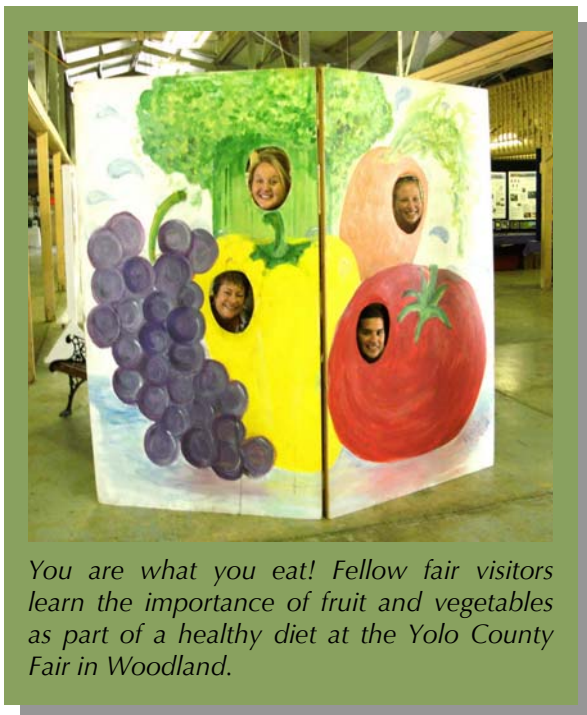
*Beep! Beep! Children race around the Chowchilla-Madera County Fair rides.*

## Revenue Source

A new era for California fairs begins in 2009/2010 as the fair industry's 77-year relationship with horse racing as a primary fund source comes to an end. Beginning in 2009/2010, fair funding that is not self-generated will primarily be derived from the state General Fund.

Pursuant to Senate Bill 16xx (Ashburn, Chapter 12, Statutes of 2010), the primary fund source for the Fair and Exposition Fund will shift from horse racing license fees to the state General Fund effective July 1, 2009. On this date, and every year thereafter, the General Fund is required by law, to pay \$32 million into the Fair and Exposition Fund to support the California fair network. As a continuous appropriation set in statute, this funding is not a component of the states annual budget process.

Fairs remain special fund agencies as the General Fund is obligated to only a fixed sum. Local fair deficits and/or surpluses remain a local responsibility.



*You are what you eat! Fellow fair visitors learn the importance of fruit and vegetables as part of a healthy diet at the Yolo County Fair in Woodland.*

**NETWORK OF CALIFORNIA FAIRS  
2009/2010 EXPENDITURE PLAN**

All other components of the fair funding structure including the annual expenditure plan review process by the Joint Committee on Fairs Allocation and Classification and the role of the Division of Fairs and Expositions in fund management remain intact.

This fund shift is occurring at a time when horse racing in California is struggling to survive and revenue shortfalls within the Fair and Exposition Fund are at record highs, thereby jeopardizing the solvency of many California fairs.

*"It was very clear that the Legislature needed to act to identify a new and more stable source of funding for our fairgrounds."*

*"It's a bright spot in the budget process that we succeeded in establishing a new funding source for fairs, restored lost revenues and mitigated the unintentional impact tribal gaming has been having on California's historical source of fair funding, while saving thousands of jobs in the process. Additionally, the horseracing industry, and the tens of thousands of jobs that go with it, has been given new life."*

*- Senator Roy Ashburn (R-Bakersfield), who authored the new budget legislation to fund California fairs*



*Mendocino County Fair and Apple Show on a busy and spectacular night of fun. Boonville, CA.*

This eroding fund source is due to a number of factors that include a decline in horse racing revenue deposited to the F&E Fund, legislation that has reduced state license fees significantly, and trends in bettors' preferred means of wagering.

While nearly 63% of Californians take part in some form of gaming, revenues from horse racing have eroded as a result of a highly competitive marketplace, which includes the evolution of Indian gaming facilities, lotteries and other wagering outlets.

With the implementation of SB 16xx in July 2009, funding to the California fair industry will be whole for the first time in five years.

The Fair and Exposition Fund began experiencing unprecedented revenue shortfalls in 2004/2005 when the Fund incurred a first-time-ever \$3 million shortfall that has continued to increase annually. Today, an estimated revenue shortfall of \$10 million (one-third of the Fund's total annual budget for local assistance to fairs) is projected for the 2008/2009 fiscal year ending at June 30, 2009.



*"Given the dire situation confronting us, the fair industry convened to develop a strategy for shifting funds to a more stable source. Swift action was necessary to avert disaster."*

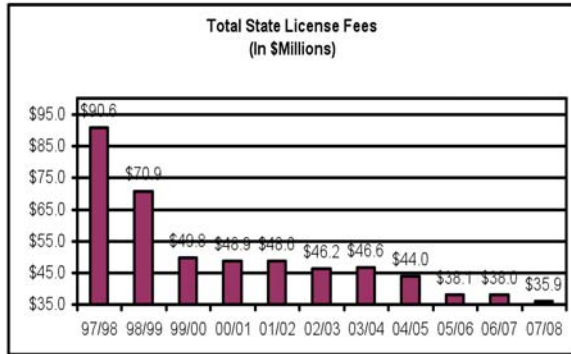
*- Rebecca Desmond,  
Former Chair, California  
Fair Alliance*

**NETWORK OF CALIFORNIA FAIRS  
2009/2010 EXPENDITURE PLAN**

**Fiscal Trends**

Since 2004/2005, the F&E Fund has experienced unprecedented revenue shortfalls each year from horse racing wagering activities, which directly impacted valuable programs and resources that benefit California's network of fairs. The shortfalls in fair funding during the years 2004/2005 through 2007/2008 occurred because annual total state license fees were inadequate to fully fund all designated beneficiaries to the extent allowed by law.

**Table 4 – State License Fee Trends**

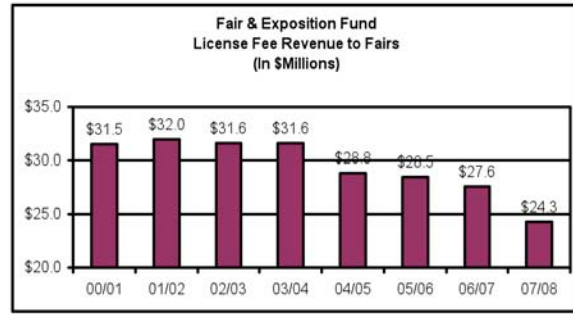


Source: CHRB Annual Reports

Because the law is silent on funding priorities, the fairs have absorbed the full impact of the annual shortfalls totaling approximately \$15 million in the aggregate since between 2004/2005 and 2007/2008. With the projected 10 million shortfall in 2008/2009, total shortfalls to the Fair and Exposition Fund will reach a staggering \$25 million over a five year period. The chart below depicts the steady decline in license fee revenue to the fairs since 2004/2005.

Starting in 2009/2010, fair funding will be fully restored via the General Fund to those levels in the early 2000's, which is consistent with the intent by law.

**Table 5 – Fair & Exposition Fund Trends**

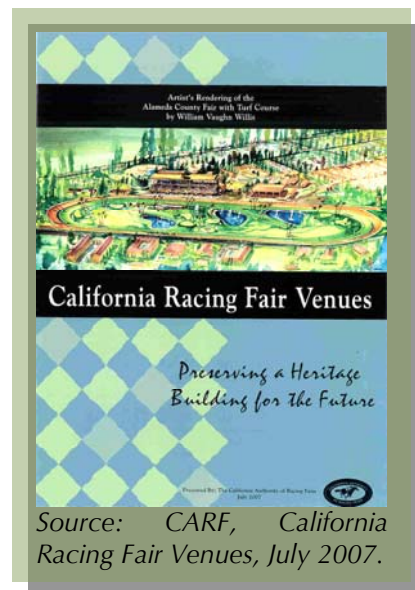


Source: Division of Fairs & Expositions

**Fairs and Horse Racing –  
Looking to the Past and Future**

While the funding relationship between fairs and horse racing will be significantly modified come July 2009, horse racing will continue to play an important role at numerous California fairgrounds.

The California Authority of Racing Fairs (CARF) produced a publication in July 2007 titled *California Racing Fair Venues – Preserving a Heritage Building for the Future*, which precisely addresses the current state of fair horse racing and the opportunities that lie ahead for racing fairs and the horse racing industry. Excerpts from CARF's publications include the following:



Source: CARF, California Racing Fair Venues, July 2007.

<sup>1</sup> "Some Observations on the Future of California Racing", by Christopher Korby, Executive Director, California Authority of Racing Fairs; *California Fair Racing Venues: Preserving a Heritage / Building for the Future*, July 2007.

**NETWORK OF CALIFORNIA FAIRS  
2009/2010 EXPENDITURE PLAN**



*Thoroughbred horse racing excites the crowds at the California State Fair in Sacramento.*

“Fairs have a grand old tradition of horse racing in California going back over 150 years to the days of the Gold Rush. So when pari-mutuel wagering came along in the early '30s, the Fairs embraced it like an old friend.”<sup>1</sup>

“Fairs and horse racing share a long political heritage, reflecting a balance of interests that has served the racing industry well since 1933, when support from Fairs helped assure passage of the referendum approving pari-mutuel wagering. That referendum laid the foundation for modern racing in California.”<sup>1</sup>

“The racing industry is approaching a crossroads as increasing real estate values strain the economic model that governs operator-owned, private commercial race tracks. As land values increase, private race track owners are compelled to consider developing their property for purposes other than racing.”<sup>1</sup>

“Fairs are proposing a concept for the future that envisions a larger role for publicly-owned venues at Fairs, perhaps along the lines already in place at Del Mar. In that example, a private racing association operates in a lease agreement with a public facility owned by a Fair. Fairs are diversified entertainment and

commercial enterprises, less susceptible to the impact of changing real estate values than are operator-owned, private commercial tracks. Millions of Californians already visit Fairs each year. Fairs have and can finance expansion and improvement of their existing racing facilities through public bonds secured by revenue from pari-mutuel wagering. The model that Fairs envision keeps California racing revenues in California for the benefit of California participants. We believe that such a model provides a solid foundation on which to build a strong and stable future for the California racing industry.”<sup>1</sup>

Because of the fair industry's inherent ties to horse racing and the sentiments reflected by the California Authority of Racing Fairs regarding the future of racing in California, the 2009/2010 Expenditure Plan once again reflects a diminished, but continued, commitment to fair horse racing. This commitment includes competitive funding to preserve the existing fair horse racing infrastructure as well as competitive funding to support the fair industry's effort to seize future racing opportunities for the betterment of racing fairs.



*Speed and grace at the Sonoma County Fair horse races. Santa Rosa, CA.*

<sup>1</sup> *"Some Observations on the Future of California Racing"*, by Christopher Korby, Executive Director, California Authority of Racing Fairs; *California Fair Racing Venues: Preserving a Heritage / Building for the Future*, July 2007.

## Programs

### New Program Modifications for 2009/2010

#### ***Fair Intervention Program***

As with many businesses, the effects of the uncertain economy have taken a toll on some of California's fairs. Currently, the single largest number of fairs in any given year are experiencing financial challenges, prompting swift action by the Department of Food and Agriculture.

Operating under its statutory intervention authority, the Department of Food and Agriculture's Division of Fairs and Exposition established a new business unit in 2008/2009 focused strictly on assisting and rehabilitating fairs that are experiencing operational and/or financial difficulties.

Under the law, the Division may assume full responsibilities of the board of directors at a district agricultural association (state-owned) fair or the California Exposition and State Fair if the Division deems there to be a lack of administrative and/or fiscal control at the local fair level. While this authority grants the Division broad powers, the



Division has chosen to take a cooperative approach with its intervention program that seeks remedies for these fairs in equal partnership with the respective boards of directors.

\$225,000 has been allocated to this program in 2009/2010.

#### ***Environmental Investment Program***

This new funding source will be used to create additional successful environmental programs at fairs. Fairs in California are currently the top producer of solar energy of any organization in the United States. Twenty-six fairs in our state now produce solar energy at their fairgrounds. This fund will assist additional fairs to install photovoltaic systems and expand the existing network. In addition, this fund will help fairs install energy efficient HVAC and lighting systems at their facilities, reducing their consumption of energy and lowering their operating costs. Finally, the fund will be used to research grants and additional funding sources to continue to make California fairs "green."

\$75,000 has been allocated to this program in 2009/2010.



**NETWORK OF CALIFORNIA FAIRS  
2009/2010 EXPENDITURE PLAN**



*Southern California residents come together as a community with Del Mar fairgrounds as its home base during the local fires.*

***Emergency Response Program***

Over the past two years, every fair in California has been used in some capacity as an emergency response center. Examples of fairground uses include, but were not limited to, evacuation centers for floods, fires and mudslides to cooling centers and refuge from freezing temperatures. In local or regional emergencies, there is often no source of reimbursement funding to help the fairs defray the expenses incurred by opening and operating their buildings and grounds to assist during these extreme conditions.

This program offers reimbursements to fairs for actual expenses incurred, such as utility and personnel costs, etc. that are not recouped from external fund sources.

\$100,000 has been allocated to this program in 2009/2010.

***Capital Investment and Infrastructure***

Annual infrastructure sinking fund resources will be allocated among the following primary infrastructure programs:

- ◆ *Infrastructure Loan Program*: provides loans for major capital improvements at all fairs. \$3.6 million allocation.
- ◆ *Replenishment Fund (Investment Capital)*: F&E will serve as a “venture capitalist” by providing working capital for strategically identified projects at fairs with a demonstrated history of success. Program replenishment features are based partly on the success of the project. \$350,000 allocation.
- ◆ *Infrastructure Matching Fund (Grant)*: focuses on repairs and maintenance needs at all fairs and requires match funds from fair. \$2.55 million allocation.

All programs within the Expenditure Plan will be reevaluated annually to determine highest and best use of existing resources that is consistent with the spirit of F&E’s new funding strategy and goal of administering its programs with a business-like approach.



*Professional development and training of fair management and staff continues to play an important role for the Division of Fairs and Expositions. 2009 Maintenance Mania staff training at the Gold Country Fair in Auburn.*

## Program Descriptions

The following briefly describes programs recommended for funding in the 2009/2010 Network of California Fairs Expenditure Plan.

### **Administrative Oversight Total: \$4,396,000**

---

CDFA Support – Fairs and Expositions (F&E)	Budget Act appropriation for operational support of F&E (B&P Code Sections 19620.1(b)). Operational support budget includes the assessment pro rata (share of State’s overhead costs) imposed by the Department of Finance.
CDFA Support – Audit Program	Budget Act appropriation for annual fiscal and biennial compliance audits of all DAAs and selected county fairs. Assures individuals entrusted with public resources are accountable to the public and other levels and branches of government.

---

### **Local Assistance Total: \$31,635,600\***

#### ***Operational Support: \$5,800,000***

---

Bond Debt Service	Pays debt service on revenue bonds issued for the construction and maintenance of fair facilities (B&P Code Section 19606.1 (a)(1))
California Construction Authority (CCA)	Funds the operational support of CCA, a Joint Powers Authority, which provides design, engineering, construction, and master planning services to fairs.
Property Insurance	Provides funding for the purchase of property insurance to protect fair facilities.

---

#### ***General Fair Programs & Funding: \$14,280,600***

---

Local (Base) Allocation	Provides funds for discretionary use by local fair organizations with classification criteria that assign greater support to smaller fairs.
Cal Expo Pro Rata Reimbursement	Reimburses Cal Expo pro rata costs (overhead), not to exceed \$265,000 annually.

---

*\* Total local assistance expenditure budget of \$31,635,600 excludes the \$35,000 in expected abatements.*

---

**General Fair Programs & Funding (Cont'd)**

---

Contingencies and Special Projects Includes funding for legal billings (Department of Justice & CDFA); Administrative and Fiscal Assistance (Intervention) Program; Employee Assistance program cost for DAAs; policy development; transition costs associated with fair governance reform; and funding for economic uncertainties and liabilities.

---

Fair Intervention Program Funding to support the Department of Food and Agriculture's statutory intervention authority to assist a DAA fair or Cal Expo in the event of administrative and/or fiscal challenges. Program involves a host of resources to the fair and fair board of directors that includes, but is not limited to:

- ◆ State-wide and regional best practices consultation from industry experts
- ◆ Facilitation of strategic planning sessions
- ◆ Development of a business continuity plan
- ◆ Financial and cash flow management consultation
- ◆ Reimbursement of interim personnel resources

---

Flex Capital An incentive program by which fairs are eligible to receive funding based on their annual performance rating.

Funding is available for all fairs with an acceptable performance rating as established by F&E. Funds may be spent on a variety of items including, but not limited to:

- ◆ Training for staff and board members
- ◆ Information technology upgrades
- ◆ Real estate analysis, development, and planning
- ◆ Equipment purchases
- ◆ Address audit concerns
- ◆ Modernization of operations
- ◆ Capital improvements / Health and safety projects

---

Regional Marketing Support Program An incentive program that rewards fairs that collaborate on innovative regional marketing and advertising opportunities. Provides matching grant funds to fairs that leverage their resources for this purpose.

---



**NETWORK OF CALIFORNIA FAIRS  
2009/2010 EXPENDITURE PLAN**

---

***General Fair Programs & Funding (Cont'd)***

---

Unemployment Insurance	Budget Act appropriation to offset fairs' unemployment costs (B&P Code section 19620.1(b)).
------------------------	---

---

***Health & Safety: \$350,000***

---

Emergency Response Program	Provides funding to fairs to cover non-reimbursable costs associated with their emergency response efforts during fires, floods, mandatory evacuations, and other similar emergency situations within their local communities. See page 18 for details.
----------------------------	---

---

Health Department Program	Provides funding for inspection of fair facilities by the California Department of Health Services to ensure they meet recognized standards for health and safety including storm water runoff, backflow devices, and safe drinking water.
---------------------------	--

---

Urgent Needs Fund	Provides funding for urgent, unexpected expenses related to damage caused by natural disaster, financial hardship caused by facility failures, and other unexpected one-time circumstances that create an urgent need.
-------------------	--

---

***Infrastructure: \$6,875,000***

---

Infrastructure Matching Grants Fund	Provides funding for repairs and maintenance, accessibility upgrades, revenue generating projects, emergency projects. See page 31 through 33 for details.
-------------------------------------	--

---

Infrastructure Loan Program	Provides loans for major capital improvements at all fairs. Competitive financing terms and rates will be available. See page 31 through 33 for details.
-----------------------------	--

---

Replenishment Fund (Investment Capital)	F&E will serve as a "venture capitalist" by providing working capital for strategically identified projects at fairs with a demonstrated history of success. See page 31 through 33 for details.
---	--

---

Environmental Investment Program	Provides incentive funding to fairs that encourages environmentally friendly and conscious programs and projects at California fairgrounds. See page 17 for details.
----------------------------------	--

---

---

***Infrastructure (Cont'd)***

---

Project Planning – New Funding Model	Provides planning funds to the Division for implementation of its new funding model for California fairs. Costs include, but are not limited to, project scoping and budgeting, preliminary plans, construction documents and bidding, and project construction.
--------------------------------------	--

---

***Training & Education: \$430,000***

---

Professional Development & Compliance	<p>Provides training funds for the development and delivery of seminars and workshops on emerging fair issues. The following is a listing of all training opportunities provided to the fair industry annually in which F&amp;E provides training funds:</p> <ul style="list-style-type: none"><li>◆ Annual Western Fairs Association Convention and Trade Show: Industry trends and issues and mandatory compliance training</li><li>◆ Executive Development Program - fair management training program</li><li>◆ California Fairs Alliance Fall Managers Conference: Industry trends and issues and mandatory compliance training</li><li>◆ Fair Administrative Services Training (FAST): Hands-on accounting, contracts, personnel, insurance, and human resources training</li><li>◆ Exhibit Supers' School: Exhibit program ideas, techniques, and design</li><li>◆ Livestock Training (alternates years with Exhibit Supers' School): Industry trends and issues</li><li>◆ Satellite Wagering Facility Symposium: Update on industry trends and issues and planning for the year ahead</li><li>◆ Maintenance Mania: Technical updates and proficiency training (CPR, Cal OSHA, forklift, networking, etc.)</li><li>◆ Fair internship program –provides training and employment opportunities for students interested in the fair industry</li></ul>
---------------------------------------	---

**NETWORK OF CALIFORNIA FAIRS  
2009/2010 EXPENDITURE PLAN**

---

***Racing & Satellite Wagering Support: \$3,900,000***

---

Race Track Preparation	Provides funds to supplement the purchase and installation of track preparation materials. Program ensures consistency in track preparation, reducing the risk of injury to horse and jockey.
Supplemental Purses	Provides appropriation to supplement purses at Northern California fairs and Los Angeles County area (B&P Code Sections 19605.9 and 19606.3).
Wagering Facility Improvements	Supports improvements to live horse racing and satellite wagering programming and facilities based upon the priorities identified in industry-wide facility surveys (backstretch, paddock, grandstand, etc.). Funding will focus on ensuring the nine racing fairs meet the California Horse Racing Board backstretch housing regulations.

---

**Division of Fairs & Expositions**  
**Fair & Exposition Fund (191) and Satellite Wagering Account (192)**  
**2009/2010 Revenue and Expenditure Plan**

	Actual 2007/2008	(a) Budgeted 2008/2009	Projected 2008/2009	(b) Proposed 2009/2010	(b - a) Variance
<b>Beginning Balance</b>					
Fairs and Expositions (F&E)	\$2,303,899	\$904,335	\$3,225,392	\$571,371	(\$332,964)
<b>Revenues</b>					
General Fund (B&P 19620.2)	0	0	0	32,000,000	32,000,000
<b>License Fees</b>					
Live Racing (B&P 19620.1(a))	5,933,767	9,200,000	2,400,000	1,215,000 <sup>2</sup>	(7,985,000)
1.0% Live Racing Fair Handle (B&P 19614(a))	1,004,728	1,150,000	950,000	1,000,000	(150,000)
Off-Track - Satellite Wagering (B&P 19606.1 & 19620.1(a))	26,858,191	27,414,000	27,308,049	1,300,000	(26,114,000)
SMIF Interest Revenue	383,555	290,000	195,000	250,000	(40,000)
<b>Total Revenues <sup>1</sup></b>	<b>34,180,240</b>	<b>38,054,000</b>	<b>30,853,049</b>	<b>35,765,000</b>	<b>(\$2,289,000)</b>
<b>Fund Transfers &amp; Other Receipts</b>					
<b>Transfers in</b>					
Project Cost Savings	2,500,000	1,125,000	5,900,000	0	(1,125,000)
<b>Transfers to Other Funds</b>					
Retired DAA Employee Benefits	(246,000)	(246,000)	(246,000)	(246,000)	0
<b>Total Available Resources</b>	<b>\$38,738,139</b>	<b>\$39,837,335</b>	<b>\$39,732,441</b>	<b>\$36,090,371</b>	<b>(\$3,746,964)</b>
<b>Expenditures</b>					
<b>Administrative Oversight</b>					
California Horse Racing Board Support (CHRB)	9,221,382	10,131,000	10,131,000	0	(10,131,000)
CDFA Support - Fairs & Expositions (F&E)	2,317,523	3,263,000	2,878,000	3,240,000	(23,000)
Pro Rata Assessment	167,180	0	0	0	0
CDFA Support - Audit Program <sup>3</sup>	1,125,000	1,146,000	1,146,000	1,156,000	10,000
<b>Total Administrative Oversight</b>	<b>12,831,086</b>	<b>14,540,000</b>	<b>14,155,000</b>	<b>4,396,000</b>	<b>(\$10,144,000)</b>
<b>Local Assistance</b>					
<b>Operational Support</b>					
Bond Debt Service	2,660,352	2,650,000	2,711,021	2,750,000	100,000
California Construction Authority (CCA)	1,453,400	1,615,000	1,455,000	2,500,000	885,000
Property Insurance	750,000	450,000	950,000	550,000	100,000
	4,863,752	4,715,000	5,116,021	5,800,000	1,085,000
<b>General Fair Programs &amp; Funding</b>					
Local (Base) Allocations	9,001,000	9,086,000	9,086,000	9,985,600	899,600
Cal-Expo Pro Rata Reimbursement	265,000	265,000	265,000	265,000	0
Contingencies and Special Projects	365,804	350,000	625,000	400,000	50,000
Fair Intervention Program	0	0	0	225,000	225,000
Flex Capital	2,095,000	1,820,000	1,820,000	2,130,000	310,000
Regional Marketing Support Program	0	0	0	125,000	125,000
Rural Healthcare Equity Program	49,647	65,000	65,000	0	(65,000)
Unemployment Insurance	950,000	950,000	950,000	1,150,000	200,000
	12,726,451	12,536,000	12,811,000	14,280,600	1,744,600
<b>Health &amp; Safety</b>					
Emergency Response Program	0	50,000	0	100,000	50,000
Health Department Program	100,000	100,000	100,000	100,000	0
Livestock Quality Assurance	0	15,000	0	0	(15,000)
Urgent Needs Fund	0	85,000	85,000	150,000	65,000
	100,000	250,000	185,000	350,000	100,000
<b>Infrastructure</b>					
Infrastructure Matching Grants Fund	1,230,000	2,550,000	2,550,000	2,550,000	0
Infrastructure Loan Program	0	510,000	0	3,600,000	3,090,000
Replenishment Fund (Investment Capital)	0	340,000	0	350,000	10,000
Environmental Investment Program	0	75,000	0	75,000	0
Project Planning - New Funding Model	300,000	300,000	0	300,000	0
	1,530,000	3,775,000	2,550,000	6,875,000	3,100,000
<b>Training &amp; Education</b>					
Professional Development & Compliance	337,823	485,000	485,000	430,000	(55,000)
	337,823	485,000	485,000	430,000	(55,000)
<b>Racing &amp; Satellite Wagering Support</b>					
Race Track Preparation	550,000	600,000	600,000	600,000	0
Supplemental Purses	1,344,968	1,400,000	1,294,049	1,300,000	(100,000)
Wagering Facility Improvements	1,450,000	2,000,000	2,000,000	2,000,000	0
	3,344,968	4,000,000	3,894,049	3,900,000	(100,000)
<b>Abatements &amp; Accrual Adjustments <sup>4</sup></b>					
	(67,475)	(385,000)	(35,000)	(35,000)	350,000
<b>Total Local Assistance</b>	<b>22,835,519</b>	<b>25,376,000</b>	<b>25,006,070</b>	<b>31,600,600</b>	<b>6,224,600</b>
<b>Total Current Year Expenditures</b>	<b>35,666,604</b>	<b>39,916,000</b>	<b>39,161,070</b>	<b>35,996,600</b>	<b>(3,919,400)</b>
<b>Total Prior Year Adjustments</b>	<b>(153,856)</b>	<b>(100,000)</b>	<b>0</b>	<b>0</b>	<b>100,000</b>
<b>Total Expenditures</b>	<b>\$35,512,747</b>	<b>\$39,816,000</b>	<b>\$39,161,070</b>	<b>\$35,996,600</b>	<b>(\$3,819,400) <sup>5</sup></b>
<b>Ending Balance</b>	<b>\$3,225,392</b>	<b>\$21,335</b>	<b>\$571,371</b>	<b>\$93,771</b>	<b>\$72,436</b>

<sup>1</sup> Proposed 2009/2010 revenues exceed 2008/2009 projected revenues due to funding restoration via Senate Bill 16XX (Ashburn, Chapter 12, Statutes of 2010).

<sup>2</sup> This revenue source may be eliminated as a result of legislative cleanup language. Should this occur, any reduced revenue will be offset by a corresponding decrease to the Infrastructure Loan Program.

<sup>3</sup> 2008/2009 increases due to negotiated labor contracts for personnel salaries and benefits.

<sup>4</sup> Reflects expense reimbursements received, including fair loan payments, and prior year accrual adjustments.

<sup>5</sup> Represents Total Expenditures variance only.

**Division of Fairs & Expositions  
Fair & Exposition Fund (191)  
2009/2010 Revenue and Expenditure Plan**

	Actual 2007/2008	Budgeted 2008/2009	Projected 2008/2009	Proposed 2009/2010
<b>Beginning Balance</b>				
Fairs and Expositions (F&E)	\$1,692,514	\$199,101	\$1,342,339	\$285,339
Prior Year Adjustments	0	0	0	0
	<u>1,692,514</u>	<u>199,101</u>	<u>1,342,339</u>	<u>285,339</u>
<b>Revenues</b>				
<b>General Fund (B&amp;P 19620.2)</b>	0	0	0	<b>21,000,000</b>
<b>License Fees</b>				
Live Racing (B&P 19620.1(a))	5,933,767	9,200,000	2,400,000	1,215,000 <sup>2</sup>
1.0% Live Racing Fair Handle (B&P 19614(a))	1,004,728	1,150,000	950,000	1,000,000
Off-Track - Satellite Wagering (B&P 19620.1(b))	14,366,000	15,014,000	15,014,000	0
<b>SMIF Interest Revenue</b>	146,955	100,000	45,000	100,000
<b>Total Revenues <sup>1</sup></b>	<u>21,451,450</u>	<u>25,464,000</u>	<u>18,409,000</u>	<u>23,315,000</u>
<b>Fund Transfers &amp; Other Receipts</b>				
<b>Transfers in</b>				
Project Cost Savings	2,500,000	1,125,000	5,900,000	0
<b>Transfers to Other Funds</b>				
Retired DAA Employee Benefits	(246,000)	(246,000)	(246,000)	(246,000)
<b>Total Available Resources</b>	<u><u>\$25,397,964</u></u>	<u><u>\$26,542,101</u></u>	<u><u>\$25,405,339</u></u>	<u><u>\$23,354,339</u></u>
<b>Expenditures</b>				
<b>Administrative Oversight</b>				
California Horse Racing Board Support (CHRB)	9,221,382	10,131,000	10,131,000	0
CDFA Support - Fairs and Expositions (F&E)	1,830,774	2,787,000	2,402,000	2,760,000
Pro Rata Assessment	167,180	0	0	0
CDFA Support - Audit Program <sup>3</sup>	1,125,000	1,146,000	1,146,000	1,156,000
<b>Total Administrative Oversight</b>	<u>12,344,336</u>	<u>14,064,000</u>	<u>13,679,000</u>	<u>3,916,000</u>
<b>Local Assistance</b>				
<b>General Fair Programs &amp; Funding</b>				
Local (Base) Allocations	9,001,000	9,086,000	9,086,000	9,985,600
Cal-Expo Pro Rata Reimbursement	265,000	265,000	265,000	265,000
Contingencies and Special Projects	365,804	350,000	625,000	350,000
Fair Intervention Program	0	0	0	225,000
Flex Capital	965,000	250,000	0	1,300,000
Regional Marketing Support Program	0	0	0	125,000
Rural Healthcare Equity Program	49,647	65,000	65,000	0
Unemployment Insurance	950,000	950,000	950,000	950,000
	<u>11,596,451</u>	<u>10,966,000</u>	<u>10,991,000</u>	<u>13,200,600</u>
<b>Infrastructure</b>				
Infrastructure Matching Grants Fund	0	550,000	0	2,000,000
Infrastructure Loan Program	0	510,000	0	3,500,000
Replenishment Fund (Investment Capital)	0	340,000	0	250,000
	<u>0</u>	<u>1,400,000</u>	<u>0</u>	<u>5,750,000</u>
<b>Training &amp; Education</b>				
Professional Development & Compliance	337,823	485,000	485,000	430,000
	<u>337,823</u>	<u>485,000</u>	<u>485,000</u>	<u>430,000</u>
<b>Abatements &amp; Accrual Adjustments <sup>4</sup></b>	<b>(69,128)</b>	<b>(385,000)</b>	<b>(35,000)</b>	<b>(35,000)</b>
<b>Total Local Assistance</b>	<u>11,865,146</u>	<u>12,466,000</u>	<u>11,441,000</u>	<u>19,345,600</u>
<b>Total Current Year Expenditures</b>	<u>24,209,481</u>	<u>26,530,000</u>	<u>25,120,000</u>	<u>23,261,600</u>
<b>Total Prior Year Adjustments</b>	<u>(153,856)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Expenditures</b>	<u><u>\$24,055,625</u></u>	<u><u>\$26,530,000</u></u>	<u><u>\$25,120,000</u></u>	<u><u>\$23,261,600</u></u>
<b>Ending Balance</b>	<u><u>\$1,342,339</u></u>	<u><u>\$12,101</u></u>	<u><u>\$285,339</u></u>	<u><u>\$92,739</u></u>

<sup>1</sup> Proposed 2009/2010 revenues exceed 2008/2009 projected revenues due to funding restoration via Senate Bill 16XX (Ashburn, Chapter 12, Statutes of 2010).

<sup>2</sup> This revenue source may be eliminated as a result of legislative cleanup language. Should this occur, any reduced revenue will be offset by a corresponding decrease to the Infrastructure Loan Program.

<sup>3</sup> 2008/2009 increases due to negotiated labor contracts for personnel salaries and benefits.

<sup>4</sup> Reflects expense reimbursements received, including fair loan payments, and prior year accrual adjustments.

**Division of Fairs & Expositions  
Satellite Wagering Account (192)  
2009/2010 Revenue and Expenditure Plan**

	Actual 2007/2008	Budgeted 2008/2009	Projected 2008/2009	Proposed 2009/2010
<b>Beginning Balance</b>				
Fairs and Expositions (F&E)	\$611,385	\$705,234	\$1,883,053	\$286,032
<b>Revenues</b>				
<b>General Fund</b> (B&P 19620.2)	0	0	0	11,000,000
<b>License Fees</b>				
Off-Track - Satellite Wagering (B&P 19606.1, 19606.3 & 19605.9)	12,492,191	12,400,000	12,294,049	1,300,000
<b>SMIF Interest Revenue</b>	236,599	190,000	150,000	150,000
<b>Total Revenues</b>	<u>12,728,791</u>	<u>12,590,000</u>	<u>12,444,049</u>	<u>12,450,000</u>
<b>Total Available Resources</b>	<u><b>\$13,340,176</b></u>	<u><b>\$13,295,234</b></u>	<u><b>\$14,327,102</b></u>	<u><b>\$12,736,032</b></u>
<b>Expenditures</b>				
<b>Administrative Oversight</b>				
CDFA Support - Fairs & Expositions (F&E)	486,749	476,000	476,000	480,000
<b>Total Administrative Oversight</b>	<u>486,749</u>	<u>476,000</u>	<u>476,000</u>	<u>480,000</u>
<b>Local Assistance</b>				
<u>Operational Support</u>				
Bond Debt Service	2,660,352	2,650,000	2,711,021	2,750,000
California Construction Authority (CCA)	1,453,400	1,615,000	1,455,000	2,500,000
Property Insurance	750,000	450,000	950,000	550,000
	<u>4,863,752</u>	<u>4,715,000</u>	<u>5,116,021</u>	<u>5,800,000</u>
<u>General Fair Programs &amp; Funding</u>				
Flex Capital	1,130,000	1,570,000	1,820,000	830,000
Contingencies and Special Projects	0	0	0	50,000
Unemployment Insurance (Supplement)	0	0	0	200,000
	<u>1,130,000</u>	<u>1,570,000</u>	<u>1,820,000</u>	<u>1,080,000</u>
<u>Health &amp; Safety</u>				
Emergency Response Program	0	50,000	0	100,000
Health Department Program	100,000	100,000	100,000	100,000
Livestock Quality Assurance	0	15,000	0	0
Urgent Needs Fund	0	85,000	85,000	150,000
	<u>100,000</u>	<u>250,000</u>	<u>185,000</u>	<u>350,000</u>
<u>Infrastructure</u>				
Infrastructure Matching Grants Fund	1,230,000	2,000,000	2,550,000	550,000
Infrastructure Loan Program	0	0	0	100,000
Replenishment Fund (Investment Capital)	0	0	0	100,000
Environmental Investment Program	0	75,000	0	75,000
Project Planning - New Funding Model	300,000	300,000	0	300,000
	<u>1,530,000</u>	<u>2,375,000</u>	<u>2,550,000</u>	<u>1,125,000</u>
<u>Racing &amp; Satellite Wagering Support</u>				
Race Track Preparation	550,000	600,000	600,000	600,000
Supplemental Purses	1,344,968	1,400,000	1,294,049	1,300,000
Wagering Facility Improvements	1,450,000	2,000,000	2,000,000	2,000,000
	<u>3,344,968</u>	<u>4,000,000</u>	<u>3,894,049</u>	<u>3,900,000</u>
<b>Abatements &amp; Accrual Adjustments</b> <sup>1</sup>	1,653	0	0	0
<b>Total Local Assistance</b>	<u>10,970,373</u>	<u>12,910,000</u>	<u>13,565,070</u>	<u>12,255,000</u>
<b>Total Current Year Expenditures</b>	<u>11,457,122</u>	<u>13,386,000</u>	<u>14,041,070</u>	<u>12,735,000</u>
<b>Total Prior Year Adjustments</b>	<u>0</u>	<u>(100,000)</u>	<u>0</u>	<u>0</u>
<b>Total Expenditures</b>	<u><b>\$11,457,122</b></u>	<u><b>\$13,286,000</b></u>	<u><b>\$14,041,070</b></u>	<u><b>\$12,735,000</b></u>
<b>Ending Balance</b>	<u><b>\$1,883,053</b></u>	<u><b>\$9,234</b></u>	<u><b>\$286,032</b></u>	<u><b>\$1,032</b></u>

<sup>1</sup> Reflects expense reimbursements received, including prior year accrual adjustments.

# **Funding Strategy and Methodology**

## **Fair and Exposition Fund (191) and Satellite Wagering Account (192)**

In 2007/2008, the Department of Food and Agriculture's Division of Fairs and Expositions (F&E) introduced the most significant change in fair funding allocation strategy in more than 15 years. The strategy which revolves around fund growth and sustainability was inevitable due to the increasing competition from neighboring venues, an ever-decreasing fund source from horse racing, and the need for improved fair facilities.

The reality of declining horse racing revenues has had a direct impact on the effectiveness of the funding plan with a revenue shortfall of \$6 million in 2007/2008 and a projected shortfall in excess of \$10 million in 2008/2009. While the shortfalls present a setback for F&E, the foundation of the program remains fully intact. The flexibility of this funding strategy allows F&E to make dollar adjustments as necessary without impacting the core strategy and foundation of the plan as a whole. The eleven-year working capital forecast (see page 34) has been adjusted accordingly.

The 2009/2010 Expenditure Plan continues to emphasize these renewed areas of focus in year three of F&E's multi-year funding strategy for fairs.

### **Funding Strategy**

The current funding program is designed to generate significant working capital during the next ten years and beyond to address deferred maintenance and urgently needed capital infrastructure projects at California's fairgrounds. At the heart of the funding strategy are infrastructure sinking funds and a replenishment model, which leverages the sinking fund resources to create a perpetual fund source for fairs.

InvestorWords.com defines a sinking fund as "a fund into which a company sets aside money over time, in order to retire its preferred stock, bonds or debentures."

Similarly, BusinessDictionary.com defines a sinking fund as a "reserve created by periodically setting aside certain sums in a custodial account (as cash or investment in marketable securities) for future replacement of an asset or repayment of a liability."

F&E's funding strategy is a variation of the sinking fund methods described above, which focuses on setting aside future money over time to address fair infrastructure needs rather than the extinguishment of debt or other liability.

This long-range funding strategy employs the following key objectives:

- ◆ **Investment Approach to Spending:** Return on investment (ROI) is a key objective of the Expenditure Plan that employs focused spending and emphasizes leveraging existing resources to create perpetual funding sources. The fairs' effort to secure matching funds and local contributions continues to be highly encouraged and rewarded.
- ◆ **Consolidation of Resources:** Resources are consolidated within fewer programs to allow F&E to fund larger projects. These types of larger projects have not been feasible due to the dilution of dollars over a larger number of programs and fairs in years past. This consolidation results in strategic fund allocations primarily between fixed costs (e.g., bond debt service, local base allocations, state operations support, and existing contractual obligations) and the infrastructure sinking funds.
- ◆ **Replenishment:** In an effort to continually grow the existing resources within the Fair and Exposition Fund, replenishment through repayment on loans and matching funds from the fairs and local business partners will continue to be a key element of the new funding strategy.
- ◆ **Leveraged Assets:** Leveraging Fair and Exposition Fund (F&E Fund) assets as well as local fair enterprise funds to secure external financing and grant opportunities is a key objective. Once the F&E Fund's existing bond debt obligation is retired in 2011, F&E in cooperation with fair industry partners will likely pursue the issuance of additional revenue bonds to secure capital beyond current levels in order to more aggressively address existing infrastructure projects.



*"While the new funding system stabilizes funding with restoration of funds, we plan to leverage this foundation for infrastructure bonds necessary to rebuild and improve every fairground in California."*

*– Stephen Chambers, Executive Director, Western Fairs Association*

## History of the Current Strategy

The genesis of the revised funding strategy in 2007/2008 resulted from extensive discussions with California fairs and fair business partners during the latter part of 2006 and early 2007, which focused on the "future vision" of the industry and F&E. The following goals and objectives were a direct product of these discussions:

- ◆ Address the fair industry's infrastructure needs by generating significant capital via enhanced programs and fund sources.
- ◆ Incorporate a replenishment strategy in all fair funding programs to ensure future sustainability and self sufficiency.



**NETWORK OF CALIFORNIA FAIRS  
2009/2010 EXPENDITURE PLAN**

---

- ◆ Encourage and support environmental leadership at California fairgrounds.
- ◆ Create an endowment presence in each fair's community to gain assistance in enhancing the fairs' role as a community asset.

### **Funding Methodology**

During the development of the 2009/2010 Expenditure Plan, F&E could not overlook the fact that vital program funding in numerous categories has diminished significantly from five straight years of revenue shortfalls. Therefore, while funding will be whole again in 2009/2010, the Division intends to take a balanced approach to spending in 2009/2010 as follows:

- ◆ Baseline funding programs (e.g., local base allocations and flex capital) that primarily benefit small to medium-sized fairgrounds have been increased to address the ever-increasing costs to conduct business. First time increase since 2001.
- ◆ The bulk of local assistance funding from the General Fund has been allocated to local base allocations and the infrastructure sinking funds in accordance with F&E's multi-year funding strategy.
- ◆ Because of shortfalls over the past five years, a larger proportion of funding has been allocated to diminished programs (e.g., Infrastructure Loan Program) that remain vital to the success of California fairs. Past reductions in program fund balances require the 2009/2010 Expenditure Plan to protect the viability of these programs to meet fair organization needs.
- ◆ The Expenditure Plan takes into account replenishment payments and contributions from fairs that include principal and interest repayment on infrastructure loans, payback of "equity" capital related to strategic capital investments made by F&E at California fairgrounds, and required matching funds from fairs on capital project proposals.
- ◆ F&E continues to encourage all fairs to seek matching funds from local sources (e.g. local government, local non-profits and interest groups, corporate sponsorships) through enhanced community relations. The fairs' ability to secure local funding support will enhance their eligibility for competitive funding allocations and serve as a key performance measure.

The Division is cautiously optimistic that fair funding will now be stable for the foreseeable future. However, until future trends support this conclusion, this balanced approach to spending will likely be needed for several years to reverse the negative effects of the past five years.

The plan continues to include financing, investment capital and grant opportunities that are available to fairs of all sizes.

## Infrastructure Sinking Fund Program Descriptions

Annual contributions will be made to the following infrastructure sinking fund programs from General Fund appropriation receipts.

- ◆ **Infrastructure Loan Program:** provides loans for major capital improvements at all fairs. Competitive financing terms and rates will be available. The Division will also explore external financing opportunities for fairs from state resources as well as from private lending institutions that will complement this program. This effort will be aimed at assisting the largest fairs with their extensive infrastructure needs.

*Note: Program suspended in 2007/2008 and 2008/2009 because of revenue shortfalls.*

- ◆ **Replenishment Fund (Investment Capital):** F&E will serve as a “venture capitalist” by providing working capital for special projects at fairs with a demonstrated history of success. The program contains a replenishment feature. Timing of repayment, however, will be based on project performance.

*Note: Program suspended in 2007/2008 and 2008/2009 because of revenue shortfalls.*

- ◆ **Infrastructure Matching Fund (Grant Program):** focuses on repairs and maintenance needs at all fairs and requires matching funds from the fair. The program contains no repayment feature. Each fair will receive one allocation over a three-year funding cycle; the funding cycle then repeats itself indefinitely, provided adequate funds are available. By spreading distribution over a three-year funding cycle, each fair will have the opportunity to receive a relatively large allocation to make improvements and address deferred maintenance projects.

*Note: This program is the top priority among the three infrastructure sinking fund programs. Therefore, funding for this multi-year program remains intact despite revenue shortfalls.*

Past years’ infrastructure programs, which individually addressed accessibility upgrades, revenue generating projects, emergency projects, deferred maintenance, etc. have been consolidated and will now be addressed via one, or a combination, of the above programs.

Fairs will be required to submit project proposals through a competitive application process to access program resources. Funding and financing opportunities will be awarded based on the merit of the proposals and the applicant’s capacity to incur debt, when applicable.

Because cash receipts from horse racing have been unpredictable, this funding model was designed to withstand the volatile nature of this fund source. In short, the funding model ensures that baseline funding is adequate to cover fixed and priority costs each year, while the three newly created programs that benefit from the infrastructure sinking fund allocations are flexible enough to grow or contract each year based on available funding. For example, loans, capital investments and matching grants will always be available annually. However, the extent of these benefits may be fewer one year, but significantly more in the following year. With

**NETWORK OF CALIFORNIA FAIRS  
2009/2010 EXPENDITURE PLAN**

this flexibility comes a funding strategy and methodology that will withstand unpredictable business climates and be sustainable for years to come. The shift in fund source to the state General Fund in July 2009 is expected to provide a more stable fund source for fairs in 2009/2010 and beyond.

Table 6 summarizes the sinking fund totals for 2010 through 2020 and the respective allocations among the three infrastructure programs each year.

**Table 6 – Sinking Fund Projections by Program**

	<b>Sinking Fund Total *</b>	<b>Infrastructure Loan Program **</b>	<b>Replenishment Fund</b>	<b>Infrastructure Matching Fund</b>
<b>2010</b>	\$6,550,000	\$3,650,000	\$350,000	\$2,550,000
<b>2011</b>	5,900,000	3,000,000	350,000	2,550,000
<b>2012</b>	9,425,000	5,250,000	500,000	3,675,000
<b>2013-2020</b>	9,175,000	4,000,000	1,500,000	3,675,000

\* Projections and actual allocations are subject to change pending actual cash status at the time of budget preparation.

\*\* Previously referred to as the "Investment Reserve Fund."

The significant increase in sinking fund resources in 2012 is due to the retirement of the existing bond debt service in 2011. The projections assume that the additional fund resources will be allocated to the existing three infrastructure sinking fund programs.

Alternatively, F&E may consider the issuance of new revenue bonds in 2012 which would result in significantly greater working capital than the numbers presented in Table 7 below. An assessment of fair needs and market condition will dictate which option is pursued.

**Table 7 - Cumulative Sinking Fund Projections 2010 Through 2020 \*\*\***

<b>2010</b>	<b>\$6.5 million</b>
<b>2011</b>	<b>5.9 million</b>
<b>2012</b>	<b>9.4 million</b>
<b>2013 through 2020</b>	<b><u>73.4 million</u></b>
<b>Total Capital Accumulated in Sinking Fund in 11 Years</b>	<b><u>\$95.2 million</u></b>
<b>Replenishment in 11 Years</b>	<b>\$19.8 million</b>
<b>Total Capital Available to Fairs from Sinking Fund Plus Replenishment in 11 Years</b>	<b><u>\$115 million</u></b>

\*\*\* Projections will be adjusted annually based upon past year actual F&E Fund activity and cash status at the time of budget preparation.

**NETWORK OF CALIFORNIA FAIRS  
2009/2010 EXPENDITURE PLAN**

# CALIFORNIA FAIR LISTING

(Sorted by District Agricultural Association No. or County Abbreviation)

Class	DAA No.	Fair Name	City	County	Fair Start Date	Fair End Date
II	1	Oakland Fair *	Oakland	Alameda	N/A	N/A
VI	01A	Grand National Rodeo, Horse & Stock Show	Daly City	San Francisco	4/1/09	4/5/09
IV	02	San Joaquin County Fair	Stockton	San Joaquin	6/24/09	6/28/09
III	03	Silver Dollar Fair	Chico	Butte	5/20/09	5/25/09
III	04	Sonoma-Marin Fair	Petaluma	Sonoma	6/24/09	6/28/09
I	5	San Francisco Fair *	San Francisco	San Francisco	N/A	N/A
IV	07	Monterey County Fair	Monterey	Monterey	8/12/09	8/16/09
III	09	Redwood Acres Fair	Eureka	Humboldt	6/24/09	6/28/09
II	10	Siskiyou Golden Fair	Yreka	Siskiyou	8/12/09	8/16/09
I	10A	Tulelake-Butte Valley Fair	Tulelake	Siskiyou	9/10/09	9/13/09
II	12	Redwood Empire Fair	Ukiah	Mendocino	8/6/09	8/9/09
III	13	Yuba-Sutter Fair	Yuba City	Sutter	7/29/09	8/2/09
III	14	Santa Cruz County Fair	Watsonville	Santa Cruz	9/15/09	9/20/09
V	15	Kern County Fair	Bakersfield	Kern	9/23/09	10/4/09
V	16	California Mid-State Fair	Paso Robles	San Luis Obispo	7/22/09	8/2/09
III	17	Nevada County Fair	Grass Valley	Nevada	8/12/09	8/16/09
II	18	Eastern Sierra Tri-County Fair	Bishop	Inyo	9/3/09	9/8/09
IV	19	Santa Barbara Fair and Expo	Santa Barbara	Santa Barbara	4/22/09	4/26/09
II	20	Gold Country Fair	Auburn	Placer	9/10/09	9/13/09
VI	21	Big Fresno Fair	Fresno	Fresno	10/7/09	10/18/09
III	21A	Madera District Fair	Madera	Madera	9/10/09	9/13/09
VII	22	San Diego County Fair	Del Mar	San Diego	6/12/09	7/5/09
III	23	Contra Costa County Fair	Antioch	Contra Costa	5/28/09	5/31/09
IV	24	Tulare County Fair	Tulare	Tulare	9/16/09	9/20/09
II	24A	Kings Fair	Hanford	Kings	7/9/09	7/12/09
III	25	Napa Town and Country Fair	Napa	Napa	8/12/09	8/16/09
II	26	Amador County Fair	Plymouth	Amador	7/30/09	8/2/09
III	27	Shasta District Fair	Anderson	Shasta	6/17/09	6/21/09
IV	28	San Bernardino County Fair	Victorville	San Bernardino	5/9/09	5/17/09
II	29	Mother Lode Fair	Sonora	Tuolumne	6/26/09	6/28/09
II	30	Tehama District Fair	Red Bluff	Tehama	9/24/09	9/27/09
V	31	Ventura County Fair	Ventura	Ventura	8/5/09	8/16/09
VII	32	Orange County Fair	Costa Mesa	Orange	7/10/09	8/9/09
I	33	San Benito County Fair	Tres Pinos	San Benito	10/2/09	10/4/09
I	34	Modoc District Fair	Cedarville	Modoc	8/20/09	8/23/09
III	35	Merced County Fair	Merced	Merced	7/21/09	7/26/09
II	35A	Mariposa County Fair & Homecoming	Mariposa	Mariposa	9/3/09	9/7/09
II	36	Dixon May Fair	Dixon	Solano	5/7/09	5/10/09
IV	37	Santa Barbara County Fair (at the Santa Maria Fairpark)	Santa Maria	Santa Barbara	7/15/09	7/19/09
IV	38	Stanislaus County Fair	Turlock	Stanislaus	7/31/09	8/9/09
II	39	Calaveras Co. Fair & Jumping Frog Jubilee	Angels Camp	Calaveras	5/14/09	5/17/09
II	40	Yolo County Fair	Woodland	Yolo	8/19/09	8/23/09
I	41	Del Norte County Fair	Crescent City	Del Norte	8/6/09	8/9/09
II	42	Glenn County Fair	Orland	Glenn	5/13/09	5/17/09
I	44	Colusa County Fair	Colusa	Colusa	6/4/09	6/7/09
III	45	California Mid-Winter Fair & Fiesta	Imperial	Imperial	2/27/09	3/8/09
IV	46	Southern California Fair	Perris	Riverside	10/10/09	10/18/09
II	48	Schools Involvement Fair	Walnut	Los Angeles	4/22/09	4/26/09
II	49	Lake County Fair	Lakeport	Lake	9/3/09	9/6/09
V	50	Antelope Valley Fair	Lancaster	Los Angeles	8/20/09	8/30/09
I	51	The Valley Fair **	Burbank	Los Angeles	N/A	N/A
I	52	Sacramento County Fair	Sacramento	Sacramento	5/21/09	5/25/09
II	53	Desert Empire Fair	Ridgecrest	Kern	10/22/09	10/25/09
I	54	Colorado River Fair	Blythe	Riverside	4/2/09	4/5/09

\* Fair not in operation. Deactivated during fiscal year 1997/1998.

\*\* The 51st DAA has not scheduled a fair event for 2009.

**NETWORK OF CALIFORNIA FAIRS  
2009/2010 EXPENDITURE PLAN**

# CALIFORNIA FAIR LISTING

(Sorted by District Agricultural Association No. or County Abbreviation)

Class	County Abbr.	Fair Name	City	County	Fair Start Date	Fair End Date
VI	ALA	Alameda County Fair	Pleasanton	Alameda	7/1/09	7/19/09
II	BUT	Butte County Fair	Gridley	Butte	8/26/09	8/30/09
I	CLO	Cloverdale Citrus Fair	Cloverdale	Sonoma	2/13/09	2/16/09
III	EDO	El Dorado County Fair	Placerville	El Dorado	6/18/09	6/21/09
III	HUM	Humboldt County Fair	Ferndale	Humboldt	8/13/09	8/23/09
VII	LAN	Los Angeles County Fair	Pomona	Los Angeles	9/5/09	10/4/09
II	LAS	Lassen County Fair	Susanville	Lassen	7/15/09	7/19/09
I	MAD	Chowchilla-Madera County Fair	Chowchilla	Madera	5/14/09	5/17/09
III	MAR	Marin County Fair & Exposition	San Rafael	Marin	7/1/09	7/5/09
I	MEN	Mendocino County Fair & Apple Show	Boonville	Mendocino	9/18/09	9/20/09
II	MER	Merced County Spring Fair	Los Banos	Merced	4/29/09	5/3/09
III	MON	Salinas Valley Fair	King City	Monterey	5/14/09	5/17/09
III	NAP	Napa County Fair	Calistoga	Napa	7/2/09	7/5/09
VI	NOS	National Orange Show	San Bernardino	San Bernardino	5/21/09	5/25/09
III	PLA	Placer County Fair	Roseville	Placer	6/25/09	6/28/09
II	PLU	Plumas-Sierra County Fair	Quincy	Plumas	8/13/09	8/16/09
IV	RIV	Riverside County Fair & National Date Festival	Indio	Riverside	2/13/09	2/22/09
	SBE	San Benito County Saddle Horse Show & Rodeo	Tres Pinos	San Benito	6/26/09	6/28/09
VI	SCL	Santa Clara County Fair	San Jose	Santa Clara	7/30/09	8/2/09
I	SHA	Inter-Mountain Fair of Shasta County	McArthur	Shasta	9/3/09	9/7/09
III	SJO	Lodi Grape Festival & Harvest Fair	Lodi	San Joaquin	9/17/09	9/20/09
IV	SMA	San Mateo County Fair	San Mateo	San Mateo	8/15/09	8/23/09
V	SOL	Solano County Fair	Vallejo	Solano	7/22/09	7/26/09
VI	SON	Sonoma County Fair	Santa Rosa	Sonoma	7/28/09	8/9/09
I	TRI	Trinity County Fair	Hayfork	Trinity	8/28/09	8/30/09
VII	XPO	California Exposition & State Fair	Sacramento	Sacramento	8/21/09	9/7/09