



## 2014 BUDGET

December 2, 2013

TO: Honorable Board of Supervisors

FROM: Chris A. Carpenter

RE: 2014 Proposed Budget

**Recommendation:** Adopt a Resolution accepting the 2014 San Mateo County Exposition and Fair Association budget.

**Background and Highlights:** The Board of Directors and staff prepared the 2014 budget. At the Board Meeting on November 20, 2013 the Board reviewed and approved the proposed budget. We met with County Manager John Maltbie on December 2 to review 2013 and our proposed 2014 budget.

I would like to acknowledge and thank all members of the Board for their time and input towards formulating this proposed budget. I also want to commend Diane Baumann and Ronny Tompot, as well as all SMCEC Managers, for the dedication and hard work they have put into the 2014 budget.

With the input of members of the Board, as well as staff, we recommend the 2014 proposed budget.

### 2014 Budget

As we discussed in a recent SMCEFA Board of Directors meeting, we are forecasting another good year for the San Mateo County Event Center, with sustained operating revenues and controlled expenses. In 2013 the SMCEC once again operated as a completely self-sustained operation, maintaining our reserves to an estimated 20% of overall expenses, after reinvesting a substantial amount of money in the facilities and campus.

As stated above, in 2013 we invested a great deal of money in the SMCEC and will continue to do so in 2014. This includes ongoing maintenance of all facilities, capital improvements as well as the purchase of new equipment.

We are pleased to report the Jockey Club satellite wagering facility is operating slightly above our initial estimates, hence the reason we only projected a 4% decrease in revenue. The \$900k loan that assisted us with the Jockey Club renovation in 2008 from San Mateo County was paid in full in June 2013; five months ahead of schedule. We are also proud to report that the Jockey Club is still the most successful satellite wagering facility in Northern and Southern California, yielding the highest handle.

The 2013 San Mateo County Fair was a success, with increases in both competitive and commercial exhibits. We received positive feedback from patrons who attended the fair, along with suggestions for future enhancements. In addition, we experienced a substantial growth in attendance at both SMC Disaster Preparedness Day and Make it in America. We have, of course, provided projections for the 2014 SMC Fair in our budget, and planning for next year is under way.

The largest change in the budget for 2014 is the addition of bringing food service operations “in house”.

To maintain consistency in reporting, based on historical financials for 2014 budgeting purposes food service, revenue is shown under Fair Concessions Revenue – page 3 (\$221,159); Satellite Wagering Revenue page 3 (\$41,391) and Rental Revenue - page 5 (\$388,121) as well as the new category of Food Service Revenue – page 3(a). These projections are based on the percentage of gross revenues the former food service operator paid to the Association.

All expenses for food service are allocated to Food Service Expense (page 9a). The budget for food service is based on Ovations financial reports for 2012 (year end). We anticipate increasing food service revenue by a net of \$147,146.00 in 2014 by the creation of Creative Touch Catering and Food Services.

All Fair revenue – (Admission to Grounds; Commercial Space; Concessions; Miscellaneous Fair) is based on a three year average with a slight “bump” in revenue for 2014. Fair sponsorships have been increased \$20,000 due to the new sponsorship contract for beer (DBI enterprises)

Exhibits revenue shows an increase of \$66,670 for the SNAP-Ed Grant. The revenue is offset by expenses in Exhibits Expense. This was a Grant for nutrition education coordinated between the CDFA and the federal government.

Satellite Wagering has been budgeted to show a 4% decrease in 2014. This is aggressive, especially in the light of the fact that Hollywood Park is closing December 31, 2013. Even though their race dates will be transferred to other Southern California

tracks and same dates will potentially transfer to Golden Gate Fields, there is a general consensus this could very well have an impact on handle .

Rental Revenue – non Fair is budgeted on a show schedule by month. The Association is anticipating an increase of \$62,334 over 2013 estimated revenues.

We anticipate no significant changes in Administration or Maintenance Expenses. We are budgeting \$493,000 in Special Maintenance Projects for 2014. (Page 6)

Fair publicity expense shows a slight decrease, primarily due to lower food costs for the fair kick off reception.

Fair attendance operations shows a slight increase, primarily for professional services, which is increased security at gates for the Fair, to better serve our patrons upon entering the facility.

Miscellaneous fair expense and Fair Premium Expenses show a slight increase. Fair Exhibits expense shows an increase for the expenses incurred in the SNAP-Ed Grant.

Non Fair Rental Expenses show a slight increase, more shows, more revenue, also more expenses.

Satellite Wagering Expense shows an increase primarily in equipment replacement. We have budgeted \$59,000 for replacement furniture in the Turf Club; more TV's and an addition to the camera surveillance system.

Fair Entertainment Expense is static.

Food Service Expense – this budget is based on Ovations Expenses for year ended 2012.

Property Plant and Equipment: We have budgeted \$485,547 in leasehold improvements. These include improvements to the side rooms of Fiesta so they can be rented for meeting space and improvements to our trash handling operation.

We have budgeted \$340,000 in capitalized equipment purchases including replacing two backup generators on Expo and Fiesta Halls, as well as other equipment.

Net Resources – we are showing a loss of \$102,343.00 after depreciation for 2014. However, due to the investment in capitalized equipment and leasehold improvements, our reserve percentage will drop from 28.8% to 20.0%. This reflects the trend of investing profits from previous years into the facility infrastructure.

The SMCEC team has once again raised the bar to challenge ourselves for the new year through increased bookings/activities, revenues and controlled expenses for the overall operation. As I mentioned earlier in this memorandum, in 2011 we began the process of reinvesting a substantial portion of our operating reserves into required ongoing maintenance, equipment replacement and capital projects. We will continue to do so in 2014.

I would like to thank the County Manager's office and Board of Supervisors for their support and guidance in our efforts toward the continued success of the San Mateo County Fair, Jockey Club and San Mateo County Event Center.