Item 7, Executive Report – Board Annual Work Plan Strategy Session

[Informational Item]

Excerpt from the November Board Meeting Packet

In Brief:

- Policy 3.09 (Organizational Planning) adopted August 8, 2023, outlines the Board's major planning responsibilities for the organization.
- The Board Chair has appointed Committees, and the CEO will present proposed budgets at the November meeting.
- The Executive Committee and CEO have developed a preliminary list of topics to cover and discuss in the January meeting with a goal of setting the Board's intentions, goals, and plans for 2026.

Background:

In 2023, the 22nd DAA Board adopted Policy 3.09, which assigns responsibilities for developing a comprehensive framework for planning, setting priorities, and reporting. Under the policy:

- The Board is responsible for developing a Master Site Plan and Strategic Plan to guide the organization's work and establish CEO performance expectations.
- The CEO is responsible for developing the Annual Operating Plan that supports the strategic direction established by the Board.
- The Board Chair is responsible for preparing and presenting to the Board an outline for the year's meetings and activities that achieves continual improvement of the Board performance including election of officers, delegation of authority, check signing authorities, Board education including State-mandated training courses, and any planned review of the Policies.

Process/Approach:

At the October Board meeting, the Board approved a calendar of meetings for 2026. The 2026 Delegation of Authority and check signing authorities were on the November Board meeting agenda.

For Information Only – Not a Committee Recommendation)
Presented by Director Mark Arabo, Chair – Finance Committee

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Budget Context & Pricing Options (Admission + Parking)

Inflation Reality

- **The Fair did not increase admission or parking pricing in 2024 or 2025, despite roughly 15.7% inflation over the same period.**
- **This means the District absorbed higher operating, labor, insurance, and safety costs with no offsetting revenue.**
- **A modest price adjustment is not an increase beyond inflation — it is catching up to inflation.**

Attendance Facts

- **Attendance in 2025 declined by approximately 100,000 guests, even though prices were unchanged.**
- **This shows pricing was not the cause of attendance decline.**
- **Attendance at county fairs is driven primarily by weather, marketing, programming, and the economy — not small frontline price adjustments.**

Option A – $1 Increase (Admission + Parking)

Financial Impact

- **Admission: 1.034,000 × $1 = $1,034,000**
- **Parking: 275,000 × $1 = $275,000**

Total New Revenue: ~$1.31 million

Why This Option Is Reasonable

- **Minimal impact on families.**
- **Helps restore inflation losses.**
- **Provides needed operational capacity for rising costs.**
- **Still keeps the Fair competitively priced regionally.**

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Option B – $2 Increase (Admission + Parking)

Financial Impact

- Admission: 1.034,000 × $2 = $2,068,000
- Parking: 275,000 × $2 = $550,000

Total New Revenue: ~$2.62 million

Why This Option Should Be Strongly Considered

- Even if attendance dropped 2%–5%, revenue remains significantly higher.
- Protects the District's long-term financial position.
- Supports safety, staffing, capital replacement, and deferred maintenance.
- Best reflects a responsible "inflation catch-up" approach.

Strategic Financial Consultant (NEW)

Proposal

Allocate $100,000 in the 2026 budget for a Strategic Financial Consultant Study.

Why This Matters

- A consultant can conduct a top-to-bottom financial efficiency review.
- Identify new ways to save money, increase transparency, and strengthen financial forecasting.
- Help the Board modernize long-term financial planning and vendor models.
- Provide independent verification and benchmarking of revenue opportunities.

Goal

Support a long-term financial plan that aligns revenue, spending, and capital needs — giving the Board more tools to make strategic decisions.

Financial Health Benchmark: 10% Net Revenue Target (NEW)

Why a Target Matters

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- Most well-run districts and large venues aim for net revenue equal to at least 10% of gross revenue.
- This ensures long-term stability, protects reserves, and supports capital reinvestment.

Recommendation

Begin planning steps to gradually achieve 10% net revenue of gross revenue through

- Modest pricing adjustments,
- Cost containment,
- Operational efficiencies,
- More diversified revenue sources.

This goal strengthens the District without harming the guest experience.

Purpose of These Options

- These are not formal committee recommendations.
- They are informational tools to help the Board evaluate pricing and planning within the 2026 Operating Budget item.
- The objective is to broaden conversation, not lock the Board into one direction.

Three-Year Inflation Impact (15.7%)

The District has not increased Fair admission or parking prices for at least the last three years. During this time, cumulative inflation totaled approximately 15.7%. This means the District has absorbed rising costs (labor, insurance, utilities, materials, entertainment, security) without any corresponding revenue adjustment. Holding prices flat results in a real-term revenue decline and reduces the District's operational capacity.

**Capital Expenditure Discussion – Elevator Replacement

Item 8-A-2

(Information Only – Not a Committee Recommendation)**
Prepared by Director Mark Arabo- Chair of the Finance Committee

Why Elevator Replacement Requires Immediate Attention

The District currently has:

- 8 escalator units – approx. $1.4 million each to replace
- 12 elevator units – approx. $800,000 each to replace

For 2026, only one escalator replacement is included.
Given the age and condition of our infrastructure, elevators now represent a high operational and safety risk if deferred again.

Proposal: Replace 2 Elevators in 2026

Total Additional Cost: ~$1.6 million (from existing surplus reserves)
• Elevator #1 – Turf Club

- Highest-use elevator.
- Essential for ADA access and guest movement.
- Frequent downtime reports and high repair dependency.

• Elevator #2 – High-traffic secondary location

- Reduces operational risk during peak Fair and Racing periods.

- Ensures redundancy if other units fail.

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Why Now? – The Case for Acting Immediately

1. Cost certainty vs. future escalation

Delaying replacement exposes the District to higher pricing, supply chain delays, and emergency failures that cost more than planned replacements.

2. Safety, ADA, and guest experience

Elevators are not optional amenities. They are core safety and ADA infrastructure. A failure during Fair or Racing season exposes the District to liability, guest frustration, and operational breakdowns.

3. Operational reliability

Replacing only one escalator leaves us vulnerable. A single elevator outage can create:

- Congestion
- Delays for guests with mobility needs
- Negative guest experience scores
- Emergency repair expenses at premium rates

4. We have the reserves to do this responsibly

The District currently maintains a healthy surplus.

An additional $1.6 million investment for two elevators:

- Does not jeopardize cash flow
- Is a one-time infrastructure improvement
- Protects the District from far greater emergency costs later

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Conclusion – A Responsible, Moderate, and Necessary Investment

Replacing two elevators alongside the already-planned escalator replacement is a practical, forward-looking step.

• It safeguards guest access and ADA compliance.
• It strengthens infrastructure reliability for the next decade.
• It uses reserves responsibly for essential (not discretionary) capital needs.

This handout is for information only and is not a committee recommendation.

ENTERTAINMENT CONTRACT THRESHOLD DISCUSSION

Item 8-A-3

For Information Only – Not a Committee Recommendation

Purpose:
To offer the Board additional information and a potential option to strengthen financial oversight by adjusting the entertainment contracting threshold from $500,000 to $200,000.

Why Consider a Lower Threshold?

1. $500,000 is a very high limit for a public agency
At the current level, the CEO may approve entertainment contracts up to half a million dollars without Board-level review.
This is unusual among public entities and higher than many state agencies' discretionary limits.

2. A $200,000 threshold improves transparency without slowing operations
Lowering the limit does not take decision-making away from the CEO — it simply ensures that larger commitments receive the same visibility and Board awareness as other major financial decisions.

3. Ensures oversight on the contracts that carry the greatest fiscal risk
The vast majority of entertainment contracts fall below $200,000, meaning daily operations remain unaffected.
The only contracts that would come to the Board or to the appropriate Chair are the ones with the largest financial exposure.

4. Reinforces the Board's fiduciary duty
Higher-value contracts benefit from an additional layer of review.
This is not about micromanaging staff — it is about fulfilling the Board's role of protecting the District's long-term financial health.

5. Supports strong governance while respecting the CEO's role
The intent is not to limit the CEO, but to partner with her:
- routine approvals stay with the CEO
- major bookings simply include Board visibility

This is consistent with best practices at other state fairs and public venues.

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How This Helps the District

- Strengthens financial stewardship.
- Increases public confidence in entertainment spending.
- Provides clarity and alignment between staff and the Board.
- Ensures major entertainment decisions reflect the priorities of the Board, community, and District mission.

Closing Thought

This option is offered only as information, not as a committee recommendation.
It simply gives the Board another tool to consider as part of its responsibility for financial oversight, transparency, and public trust.

2️⃣ NEW HANDOUT: "DMTC Racing Video Screens – Clarified Board Analysis"

You can literally title it this and pass it out.

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Racing Video Screens – Clarified Board Analysis

22nd District Agricultural Association

What this is:
A modernization of three existing video display assets (Grandstand, Paddock, 5 Points) to support racing, the Fair, year-round events, sponsorships, and guest experience.

What This Is NOT

- ❌ A new land use
- ❌ A speculative expansion
- ❌ A racing-only investment
- ❌ An upfront $3M District payment

Key Facts

- Total Project Cost (estimated): $3,000,000
- Funding Structure: DMTC upfront; District reimburses $600,000/year for 5 years
- Asset Life: 10–15+ years
- Uses: Racing, Fair, The Sound, rentals, emergency messaging, sponsorships

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Addressing Staff Concerns (Factually)

Public Works:
If applicable, dictates *process*, not feasibility. Replacement of existing infrastructure with modern equipment is common and manageable.

Cellular Lease:
Coordination issue, not a prohibition. Verizon upgrades already anticipated. Lease

amendments are routine.

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Financing Structure:
Economic exposure identical whether reimbursing DMTC or paying a vendor directly. DMTC structure reduces upfront District risk.

Why Timing Matters

- **Screens are aging and degraded**
- **The Fair depends on visual infrastructure**
- **Sponsorship, advertising, and event value are constrained**
- **Delays increase costs and defer benefits**

What the Board Is Actually Deciding

Not whether screens are "perfectly clean administratively," but whether to:

1. **Authorize modernization now, with conditions; or**
2. **Defer indefinitely, accepting degradation and opportunity loss**

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Finance Committee Handout – DMTC Racing Video Screens

Purpose: Addressing Staff Concerns and Clarifying the Board's Decision Framework

Executive Summary

This handout responds directly to concerns raised in the staff report regarding the replacement and modernization of the Racing Video Screens. While staff appropriately identifies issues for consideration, many of the stated concerns are procedural, solvable, or overstated, and none constitute a valid basis to halt or delay a Board-directed capital improvement.

Key Clarifications and Rebuttals

1. 'Public Works' Classification Is Not a Prohibition

Potential classification as 'public works' does not prevent the project. It simply determines procurement steps. The Board routinely authorizes projects requiring bidding, permits, or CEQA review. These are execution steps, not policy barriers.

2. Screen Size and Structural Changes Are Design Variables

Staff frames enlargement as mandatory. It is not. The Board can approve modernization with size caps, phased implementation, or alternate mounting designs to minimize permitting or construction impacts.

3. Verizon Cellular Lease Risk Is Overstated

Coordination with Verizon and DGS is standard campus practice. The existing lease generates material revenue and does not preclude infrastructure upgrades when properly coordinated.

4. Financing Structure Is a Policy Choice

Whether funded through reimbursement or direct capital expenditure, both approaches are lawful if Board-authorized. This is a structuring decision, not a legal obstacle.

5. 'Additional Research Needed' Cannot Become a Veto

All capital projects involve unknowns at authorization. The Board's role is to set direction and authorize staff to resolve execution details—not to defer decisions indefinitely.

Why the Screens Are a Sound Investment

- Existing Main Track and Paddock screens are 8–10 years old and degraded.
- Screens support racing, the Fair, The Sound, rentals, sponsorships, and safety messaging.
- Modern displays improve guest experience and wagering engagement.
- If racing evolves, the screens remain valuable campus-wide assets.
- Deferral increases long-term cost and failure risk.

Prepared by the Finance Committee Chair for Board Consideration

Item 8-A-4

DMTC Racing Video Screens – Board Handout

Finance Committee Context • Larger Screens • Funding Structure

Important Context

The Finance Committee has not taken an official position on the racing video screens. At the prior Board meeting, however, a majority of Board members expressed support for modernized, larger screens during discussion of the general budget. No formal action was taken at that time. This meeting is intended to allow the Board to formally consider the proposal and, if desired, vote to provide clear policy direction to staff.

What Is Being Requested

- Authorization to modernize and replace existing racing video screens with larger-format displays.
- Confirmation that screens remain in existing locations and general structural footprints.
- Approval of a funding framework whereby DMTC leads implementation.
- Approval of a District reimbursement not to exceed $3,000,000 over five years ($600,000 annually).

Funding Structure Discussed at Prior Meeting

- DMTC funds and manages the screen replacement project upfront.
- The District reimburses DMTC $600,000 per year for five years, not to exceed $3,000,000.
- Phased reimbursement limits District risk and avoids a single-year capital hit.
- Screens remain District-controlled assets serving multiple campus uses.

Why Larger Screens (Same Structure, Modern Technology)

- Existing screens are functionally obsolete and undersized for current guest expectations.
- Larger screens materially improve visibility, safety messaging, wagering engagement, and Fair operations.
- Modern LED technology allows larger displays without fundamentally altering structures.

Governance & Legal Framework (High-Level)

- Board authority includes setting capital priorities and approving funding frameworks.
- Public Contract Code and CEQA govern implementation, not Board authorization.
- Bagley-Keene permits open discussion and formal action at a noticed meeting.

Prepared for Board Consideration – 22nd District Agricultural Association

Racing Screens – Business Case & Operator Request

The request for updated racing video screens originates from the operator, who identified that the existing equipment is outdated, unreliable, and impacts both wagering visibility and guest experience. Updated screens benefit far more than racing: they are used during the Fair, concerts, The Sound, special events, marketing activations, and rentals. This is a campus-wide infrastructure improvement, not a single-program expense.

A phased approach of approximately $600,000 per year allows the District to reinvest without compromising operating stability. Modern screens elevate guest experience, enhance in-venue engagement, and ensure the Fairgrounds remains competitive with other entertainment venues.