

W.G.A.

DATE: April 22, 2005
TO: Board of County Commissioners
FROM: Fair Board
SUBJECT: Response to Auditor's Management Letter Workplan

The Fair Board appreciates the opportunity to meet with you. It will give both of us time to share information on various issues, strategies and concerns about the Lane Events Center at the Fairgrounds.

At your April 6th meeting, the Auditor's Management Letter Workplan was discussed. As a result, you requested a discussion on the Fair Board's long-term strategy concerning financial stability and the future of the Fairgrounds.

FINANCIAL ISSUE:

BACKGROUND:

Attached is a memorandum dated March 9, 2004 for a March 31, 2004 Joint Meeting of the Board of County Commissioners and Fair Board (ATTACHMENT A). Rather than update this memorandum, we provide it as background on the Fair Board's finances and history of efforts to achieve financial stability. As a result of the meeting with you and, subsequently, the Budget Committee on May 13, 2004, the Commission approved on June 16, 2004 Board Order #04-6-16-7 (ATTACHMENT B) that authorized up to \$250,000 of Excess Transient Room Tax be allocated to the FY05 Operating Budget. The transferred resources could be used to address any deficit and to establish a Cash Reserve. The Fair Board continues to operate under this authority and is recommending its continuance in the FY06 Budget.

In reviewing the financial history of the Fair Board over the past ten years, it is clear that during the early part of this period that the Fair Board was able to operate at a profit and actually had Cash Reserves. However, two intervening factors took place beginning in the mid-late 1990's that bring us to where we are today.

First, the Fair Board undertook several operating and capital initiatives to create a sustainable entity from a programming and financial perspective. Some initiatives proved to be successful and others not. From a programming perspective, a number of initiatives were undertaken to increase activity and, hence, revenue at the Fairgrounds to solidify and grow the "bottom-line". Such initiatives include the Fourth of July Fireworks, the Holiday Lights and the Planetarium. All efforts required "start-up" cash and some of the Cash Reserves were used to initiate these efforts.

From a capital perspective, not much reinvestment had taken place at the Fairgrounds for nearly 15 years. Thus, capital initiatives such as the Atrium, parking and transportation access improvements, paving and ultimately the Summer Stormwater Collection system to allow large animals on site took place. Some of the Cash Reserves were spent on this effort in addition to Revenue Bond proceeds, Road Fund and Transient Room Tax resources.

Much of the Cash Reserves the Fair Board had at the beginning of this period was spent on these operating and capital efforts. Thus, there no longer was a cash working capital by 2001; and, thus, the Fair Board resorted to a Bank Line of Credit for cashflow. The Line of Credit has been used for the three prior fiscal years, at times simply to pay Payroll. However, thus far in FY05, we have not had to draw on the Line of Credit due to your support in establishing a Cash Reserve with the Excess TRT.

Second, public entities in Oregon began to experience large increases, often in the double-digit percents, in PERS and health insurance. This phenomenon, which continues to this date, has essentially caused the expense curve to grow at a rate far in excess of the revenue curve growth rate.

Also, there are some specific issues to the Fair Board that have driven up the cost curve. As a result of the incidence of E coli O157:H7 at the 2002 Fair, the Board has committed a substantial amount of resources in the implementation of its Animal (Prevention) Disease Workplan to ensure the health and safety of visitors, staff and exhibitors at the Fair and other animal events. Another additional expense, related to degrading capital infrastructure, is the now annual shutdown in the Ice Center to contain and reduce the permafrost below the ice sheet. An unexpected expense was the City of Eugene's increase in the Stormwater Fee on discovery of a mistake they had made a decade or more ago. The point is that expenses continue to increase as they do for other public (and private) entities; but, it seems we cannot easily pass the increase on to the Fair attendee, ice skating student, basketball player or venue user.

The end result is a revenue and expense structure that is not sustainable. In essence, the revenue curve is being driven by the private market of competing facilities, rates capped by the condition of facilities and by client's ability to pay. On the other hand, the expense curve is somewhat comparable to the private market except for employee benefits. Given the gap caused by the structural parameters of the revenue and expense curve, the solution set recommended by the Fair Board and accepted by the Budget Committee and Commission is a resource infusion (subsidy) to the Operating Budget using Excess TRT.

The financial situation of the Fair Board is not atypical in Oregon and probably in other similar venues across the country. Staff did a survey (ATTACHMENT C) of several Oregon Fair Boards and, basically, most Fair Boards including the State Fair receive some type of operating subsidy.

FY05 AND FY06-11 FORECAST:

As of March 31, the Net Operating Loss Prior to Extraordinary items and Depreciation is \$183,505. The genesis for the loss is basically an expense curve increasing at a greater rate than the revenue curve and the lower actual Net Revenue from the 2004 Fair. The projection for FY05 is to end at a deficit of \$275,000 - \$375,000.

Staff has updated the Financial Forecast out to FY11. Unless there are significant changes to the financial structure of the Fair Board, it is unlikely that the bottom-line will ever be out of a deficit mode on a sustainable basis. In other words, expect operating losses into the future. Further, with the continuing increase in benefit costs, expect that the \$250,000 transfer of Excess TRT to the Operating Budget to increase incrementally over time.

The Fair Board has established financial stability as its overarching goal for the past four years. As part of the effort to keep the Board apprised of its progress toward realizing that goal, a set of financial performance measures has been developed and is tracked quarterly by the Board (ATTACHMENT E). You will note that progress is "mixed" but, in our opinion, substantive in areas such as Cash, not drawing on the Operating Line of Credit and development of a Cash Reserve.

The technical reason for the apparent incongruity between the Operating Profit/Loss and the positive Cash situation has to do with the accounting treatment of the Excess TRT transfer to the Operating Budget. This transfer is treated below the Revenue and Expense lines and, hence, does not impact the Operating Profit/Loss line; but, Excess TRT does impact the Cash account positively.

There is a way to avoid these annual citations in the Management Letter. It basically requires a re-categorization of the Fair Board from an Enterprise Fund, which is what the Fair Board is presently classified as, to a General Fund SubFund. See ATTACHMENT F for discussion of methodology.

WHAT IS THE STRATEGY?

Ceteris paribus, the current strategy that will take place over the next five years is as follows:

- Increase the number of events taking place at the Lane Events Center.
- Increase rental rates as equipment and capital is upgraded.
- Continue to examine and implement methodologies to reduce expenses. However, we are probably close to optimum on this strategy without severe degradation to services provided to clients and the safety of visitors and staff.
- In FY06, FY07 and FY08, continue to add \$125,000 of Excess TRT each year to the Cash Reserve to achieve a target of \$557,935 by the end of FY08. This strategy effectively addresses the Cash Reserve issue.
- FY09, FY10 and FY11, take the \$125,000 of Excess TRT that was being used to create the Cash Reserve and apply it to payment of the PERS Pension Obligation Bond liability to Lane County. This strategy effectively addresses the growing liability for this obligation.
- For the Operating Deficit, continue to transfer in \$125,000 or more of the Excess TRT to offset this deficit. In FY12, the \$125,000 that was allocated to paying the PERS liability can be applied to the Operating Deficit in addition to the amount already allocated.

IMPORTANCE OF EXCESS TRT

As you can discern from the discussion above, the continuance of the Excess TRT commitment to the Fair Board and, further, the infusion of part of that Excess TRT to the Operating Budget is absolutely critical to the survival and viability of the Lane Events Center as a public entity. In our opinion, without the Excess TRT to support operations and capital, the question becomes one of privatization or closure.

The Excess TRT commitment was authorized in Board Order #02-1-9-4 (ATTACHMENT D) and expires in FY07 and is subject to review in FY06. The transfer authority to the Operating Budget is an annual Board Order (ATTACHMENT B). The Fair Board is recommending in its FY06 Budget submittal that the transfer be reauthorized.

Here is additional information on the Excess TRT. The principle payments on the 2002 Revenue Bonds that financed some of the recent upgrades to the Events Center and Fairgrounds begin in FY07 at \$240,000 per year and increase in \$25,000 increments per year. What this translates to is that the amount of Excess TRT the Fair Board receives will be reduced; and, this reduction will only be partially offset by growth in the overall TRT collections. Fortunately, over a period of approximately five years most of the internal debt the Fair Board has, such as the Planetarium Loan and EWEB Energy Loans will be paid off so that reduced amount of Excess

TRT can be offset by internal debt service being reduced. The result is the amount of Excess TRT allocated to equipment and capital as well as the transfer to the Operating Budget will remain at approximately the same levels over the long-term.

DISCUSSION:

At this point, as evidenced by the Background information, there are basically few options available to the Commission and Fair Board. In a nutshell, we see them as:

- Continue as is, with an Operating Budget transfer of Excess TRT.
- Outsource
- Shutdown and "mothball".
- Shutdown and sell Fairgrounds

As discussed last year, the privatization option, although intriguing has significant downsides for some of the most popular events that take place at the Lane Events Center; namely, the 4H/FFA and County Fairs as well as some unique events like the Asian Celebration, Holiday Market and Logging Conference.

The fundamental series of questions are:

- Does Lane County want to have and operate a trade show facility and associated events such as the County Fair?
 - If yes, does Lane County want to continue its commitment of Excess TRT for operating and capital purposes?
 - If yes, this would translate to "continue as is" as per above outlined strategy.
 - If no, this would translate to outsourcing or closure.

NON-FINANCIAL ISSUES:

It appeared from the brief discussion that took place at your April 6 meeting that there are some non-financial issues that you would like to discuss. We assume these issues may have to do with the current site; capital reinvestment in the current site or an alternative site; and, perhaps, Lane County getting out of the Fair and/or exhibition facility business. Since we did not have clear direction on this part of the request, the Fair Board is most willing to have a discussion with you at this Joint Meeting.

RECOMMENDATION:

Continue to monitor the situation and have the Fair Board report annually.

Attachments:

- A. Memorandum dated March 9, 2004
- B. Board Order #04-6-16-7
- C. Oregon Fairs Survey
- D. Board Order #02-1-9-4
- E. Financial Measures, as of 3/31/05

F. Fund-type Change

DATE: March 9, 2004

ATTACHMENT A

TO: Board of County Commissioners

FROM: Fair Board

SUBJECT: Financial Stability

BACKGROUND

The Fair Board is committed to ensuring financial stability for the organization. Our efforts have been focused on this strategic goal in the most recent three years, as financial results have proven to be problematic. The Lane Events Center is a valuable asset to Lane County citizens and visitors. The Board strongly believes the unique set of services provided stimulates the economy and enhances the quality of life in the community.

Given current and projected financial results, the Board directed staff to conduct a thorough analysis of the Fair Board's finances and to present strategies for remediation. Staff has been very conscientious to implement corrective actions to impact both the revenue and expense curves. However, there is a fundamental structural problem with the Fair Board finances and assistance is required that is beyond our influence. Staff prepared the attached memorandum (Attachment "A") that reviews the financial history and outlines strategies and recommendations for long-term financial stability. Please carefully review this document as it is an excellent synopsis of the Fair Board's finances.

After winnowing through all of the business strategies currently underway or that are outlined in the above cited memorandum, it ultimately comes down to two:

- ❖ Continue to operate as a public entity and allocate part of the Excess Transient Room Tax to the Operating Budget, basically to mitigate the "comparative disadvantage."
- ❖ Privatize the Lane Events Center.

Coincidentally, in the Management Letter provided by the External Auditors Jones & Roth, P. C., they too have come down to the above two cited strategies as being viable to achieve long-term financial stability for the Fair Board.

RECOMMENDATION

At its February 24th meeting, the Board unanimously adopted the following recommendation:

- Convert Board Order #02-1-9-4 which authorizes the Excess TRT to a perpetual commitment to the Fair Board;
- Codify the formula to determine the Excess TRT and formalize the process for budgeting this allocation;

- Establish review points in FY07, FY10 and every three years henceforward;
- Rescind Board Order #03-06-19-1 which authorizes the establishment of a Fair "Rainy Day" Reserve and repayment of the Planetarium loan from Excess TRT;
- Authorize the equivalent of the "comparative disadvantage" of being a public entity in Excess TRT to be allocated to the Operating Budget each fiscal year, with the amount to be included in the Fiscal Year Budget Recommendation to the Budget Committee and County Commission;
- Authorize the balance of the Excess TRT to be allocated for capital projects; equipment; debt service associated with a capital project on equipment purchase; and, repayment of the Planetarium loan;
- Allow the Fair Board, in an emergency, to request the County Commission to reallocate a portion of the Capital allocation to Operating; and,
- Reaffirm that this is not a request for General Fund resources nor is it a request for more TRT than currently allocated to the Fair Board; but, it is simply a request to commit in perpetuity the Excess TRT and to expand its allowed uses to the Operating Budget.

INTERNAL CONTROL

The Fair Board recognizes that the Excess TRT is a very valuable and limited resource. The challenge the Board is faced with is a balance between reinvestment in capital infrastructure and equipment and a viable operating entity. Thus, it is the intent of the Board to limit the amount of Excess TRT allocated to the Operating Budget to the "comparative disadvantage", defined as the difference between the public entity benefits of PERS and Health Insurance (health, dental and vision) for the budgeted FTEs and what a comparable private sector entity would provide in 401(k) and health insurance. The Fair Board intends to be extremely judicious in the use of the Excess TRT, probably allocating an amount materially less than the "comparative disadvantage".

Each year, staff would present information to the Fair Board in the ensuing fiscal year budget recommendation to assist the Board in allocating Excess TRT to the Operating and Capital Budgets. The final allocation accepted by the Board would then be submitted as part of the Fair Board Budget Recommendation to the Budget Committee and Commission. Thus, there are several review points, internal and external to the Fair Board, with the ultimate decision being that of the County Commission as it adopts the Fair Board's Budget for the ensuing fiscal year.

TIMING

Given the financial projection for FY04 and the immediate planning horizon, the Board would like to see a decision from the Commission as soon as feasible. If the Commission accepts the Board's recommendation, it would be very much

appreciated if the required modifications to the Lane Code, Manual or Board Orders could take place expeditiously to allow the Fair "Rainy Day" Reserve to be released to the Operating Budget before fiscal year end.

In the staff memorandum titled "Fair Board Financial Stability" dated February 18, 2004 (Attachment A), there is a Schedule M that portrays a financial forecast for the next four years. Attached to this memorandum as Attachment B is a Revised Forecast wherein the projected "comparative disadvantage" is factored into the Operating Budget as a resource, with the resulting bottom-line showing positive throughout the forecast period.

SUMMARY

The Board appreciates the opportunity to meet with you to present and discuss this recommendation. Our goal and commitment is to ensure the viability of the Lane Events Center. We strongly believe that given the known and forecasted financial environment that the recommended strategy should provide the Fair Board with financial stability for the immediate future.

ATTACHMENTS - 2

ATTACHMENT A

MEMORANDUM

DATE: February 18, 2003

TO: Fair Board

FROM: Warren G. Wong, Managing Director

SUBJECT: Fair Board Financial Stability

EXECUTIVE SUMMARY

This memorandum seeks to reaffirm the critical financial delimma facing the Fair Board and to present a long-term sustainable solution.

FY04 is the third year in the Fair Board's long-term strategy to establish financial stability. Despite implementation of numerous mitigating actions, management's conclusion is that financial stability over the long-term will only be achieved with a "contribution" to the Operating Budget. If this is not forthcoming, then the fallback strategy is to privatize the Fair Board operations.

Although Management has no vested interest in which solution set is selected as that is ultimately your choice and that of the County Commission, Management's preference is:

- Convert Board Order #02-1-9-4 to a perpetual commitment of Excess TRT to the Fair Board;
- Enshrine the formula to determine the Excess TRT amount and formalize the process for budgeting this allocation;
- Establish review points at FY07, FY10 and every three years henceforward;
- Authorize the equivalent of the "comparative disadvantage" (of being a public entity) in Excess TRT to be allocated to the Operating Budget each fiscal year, with the amount to be included in the Fiscal Year Budget Recommendation to the Budget Committee and County Commission;
- Authorize the balance of the Excess TRT to be allocated for capital projects, equipment or debt service associated with a capital project on equipment purchase; and,
- In an emergency, allow Fair Board to make a request to County Commission to reallocate a portion of the Capital allocation to Operating. Schedule J and K.

NOTA BENE: This is not a request for General Fund resources nor is it a request for more TRT than currently allocated to the Fair Board; it is simply a request to commit in perpetuity the Excess TRT and to expand its allowed uses.

ASSUMPTIONS

The Fair Board has pursued a goal of financial stability premised on several key assumptions. These assumptions provide guidance to staff as business and financial plans are developed and executed. The assumptions are:

- The Fairgrounds will serve as a venue for Lane County citizens and visitors to attend fairs, festivals, exhibitions and other community or private events.
- Financial Stability – The Fair Board is established as an Enterprise Fund and as such must cover its expenses through self-generated revenue in the form of admissions, rents and other miscellaneous sources. Financial stability also encompasses the provisions of adequate operating cash and operating and capital budget reserves; assurances that employees are fairly compensated, infrastructure is appropriately maintained and replaced; and, clients receive a fair value of services for their payments.
- Public Entity – The Fair Board is established under ORS 565 and is a Department of Lane County. The understanding is that the Board will remain a public entity by law and policy and Fair Board employees are County employees. This is not to say that components of the Board's management or services should not be outsourced if it can be performed more cost efficiently.
- County and 4H/FFA Fairs – The two major fairs each year are the 4H/FFA Fair in July and the County Fair in August. These two programs are the core justification for the entity's existence and a key focus of our overall service continuum.
- Trade Show Facility -- Provide the largest flat-space venue in Lane County for trade shows, exhibitions and other similar events requiring in-door space. This service directly supports the visitor industry.

KEY REVENUE DRIVERS

The Fair Board sets rates for admissions, rents and fees. In establishing these rates, factors taken into consideration include covering direct and indirect costs, competing markets and venues, customer's ability to pay and the quality of product or service being sold.

Rates have been increased in a relatively consistent manner. However, in the past year or so, rates have either not been increased or increased very modestly due to the state of the local economy. The Fair Board has little control over the customer's discretionary use of the Fairgrounds and must make the Fairgrounds an attractive option both from a pricing and service/product perspective. Management's conclusion is that rates are at optimum and only modest increases can be achieved in future years. Greater increases are feasible if the capital infrastructure is upgraded. Schedule A.

When analyzing the revenue composition over a ten year period, it is evident the Fair Board lost revenue by not renting the houses on Jefferson Street (approximately \$21,000 per year) and not being able to stable horses throughout the year (approximately \$75,000 per year). Both revenue streams were basically “net” as there was minimal expense associated with these revenue streams. This revenue loss, in retrospect, was one of several catalysts that began the destabilization of the Fair Board’s finances. Schedule B.

Finally, the state of the local economy drives both client rentals of facilities and attendance at various venues, be it the Ice Arena or the County Fair. Anecdotally, attendance and spending at the 2003 Fair was affected by the anemic state of the local economy. Fortunately, facility rentals have been fairly consistent with the exception of one or two major client losses in the past two years.

KEY EXPENSE ASSUMPTIONS

As in any enterprise, there are innumerable expense items with many of them specific to the type of service or product being delivered. The Fair Board’s expense structure is comparable to that of a hotel providing large meeting spaces or a large entertainment complex. The discussion below highlights the major expense categories.

- Salary and Benefits – The Fair Board has 21 permanent FTEs and also employs hundreds of temporary employees, most of them through an employment agency. Salaries and wages for permanent employees are relatively comparable to the private sector, from what minimal baseline information we have been able to obtain from private entities. As a County Department, Fair Board employees receive County benefits comparable to the balance of the County workforce.

Benefits for permanent employees are comparable to that in the private sector, except for two major cost elements—health (encompasses medical, dental and vision) insurance and retirement. Fair Board employees participate in the County health insurance program. The annual FTE cost for FY04 is \$8,725; this rate is 108% higher than that paid five years ago. The health benefit provider indicates this cost may increase by 20% in FY05. The retirement contribution to the Oregon Public Employee Retirement System (PERS) is 18.83% of covered payroll. (Technically, part of the 18.83% is paid to Lane County for debt service on a bond issued in 2002 for advanced payment of the unfunded liability; and, this does not include the 6% contributed by the employee.) The 18.83% rate is 141% greater than what was paid five years ago and more than likely will increase in future years. The combined dollar value of these two benefits in FY04 is \$317,947.

There is a very important conclusion to be derived from this information. First, as evidenced by the discussion on Revenues, the Fair Board is restricted in its revenue generating capacity to, in essence, that ceiling imposed by the (private

sector) competition. Second, having public sector employees does have a significant marginal cost; namely in the form of PERS and health insurance. Thus, the Fair Board is at a “comparative disadvantage” of competing in the open market. Imputing what the private sector would pay in retirement and health benefits, the Fair Board pays a cost differential of approximately \$234,403. Schedule C.

- Utilities – Rate increases for both electricity and natural gas in the past two years have caused these cost elements to increase significantly. The Fairgrounds uses a large amount of electricity and gas for the Ice Center, grounds lighting and heating and lighting of the various facilities. In conjunction with EWEB, major efforts at energy conservation have taken place in the past three years to reduce energy consumption and costs but this effort has been partially negated by rate increases. For example, \$243,375 was spent on utilities in FY03 vs. \$220,385 five years ago, despite the energy conservation projects.
- Insurance – Premiums for property and liability insurance have increased to \$139,030 in FY04 from \$69,223 five years ago, an increase of 101%.
- 4H/FFA Fair – The Fair Board views this event as a core service and an important justification for its existence. However, what is not commonly understood is that the Fair Board provides approximately \$50,000 - \$60,000 of service at no cost to the Extension Service or participants in the Fair. In fact, \$5,000 is paid to the Extension Services.

HISTORICAL FINANCIAL AND PROGRAM STRATEGIES

In reviewing the last several years of activity, there are two strategies that were undertaken that have benefited the Fair Board and community overall but at a “price”.

- A concerted effort was made to invest in and upgrade the capital investment at the Fairgrounds, given that minimal effort had been made since the initial construction of many of the facilities. Some Operating Cash was expended on capital.
- There was also a strong initiative to create new programs and services at the Fairgrounds in order to generate more revenue (attendance and use) and to provide a wider continuum of services. For example, conversion of the Livestock Building to a multi-purpose facility including sports, a new planetarium, Holiday Lights program, a Pizza facility, an after school sports program, etc. Some of these efforts have been modestly successful and others were not successful.

To facilitate the above-cited strategies, Operating Cash was used for start-up and operating expenses, with no or minimal revenue generation. The Fair Board had approximately \$300,000 - \$600,000 in Cash in the early 1990's. This Operating Cash acted as a cashflow device given that revenues do not come in uniformly throughout the

fiscal year and also as a Reserve for unforeseen financial exigencies. As the Cash Schedule shows, the Operating Cash decreased between FY95 and FY03. The Operating Cash was primarily expended on new program strategies and since these efforts did not generate substantial revenue, the Operating Losses that occurred reduced the Cash once carried by the Fair Board. Schedule D.

The refinancing of the 1998 Fair Bonds and the Board of Commissioners dedication of the remaining Excess TRT to Capital Projects by Board Order #02-1-9-4 in January 2002 rectified the shortage of resources for Capital. Schedule J.

The County Commissioners during the FY04 Budget process agreed to set aside \$125,000 of the Excess TRT for each of the next four years to establish a Fair "Rainy Day" Cash Reserve. This Reserve, however, was specifically designated to address a situation where a Fair did not achieve the Net Budgeted Revenue. In essence, this is a Reserve dedicated to the Operating Budget. Schedule K.

An overall assessment of the financial data results in the following critical conclusions:

- The Fair Board's Operating results are marginal, at best. Operating Profit before Depreciation is projected to be negative this fiscal year; a slight loss in FY03; a profit in FY02; and, six consecutive years of losses previously. The Operating Losses consumed a substantial portion of the Cash that once served as Working Capital and a Reserve for the Fair Board. Based on recent history, it is unlikely that profit can generate sufficient cash required to achieve financial stability in a timely manner. Schedule B.
- The Operating Budget Cash status is problematic. There is insufficient cash for cashflow; causing draws on a Line of Credit on a more frequent basis (see discussion under "Areas of Concern"). Schedule D and L.

In management's opinion, the Fair Board's financial status is precarious and requires substantive remedial intervention to achieve long-term financial stability.

FAIR BOARD MITIGATING ACTIONS

In late FY01, a review and analysis of financial data and reports indicated a problem with the Fair Board finances. This finding was further validated by the FY01 Audit. Simply put, the Fair Board finances were problematic and the issue of a "going concern" was and is a potential finding by the External Auditor. Corrective action was implemented immediately.

At its April 22, 2003 meeting, the Fair Board reaffirmed that financial stability was its paramount goal for FY03 and beyond. The Fair Board has been extremely supportive of management efforts to implement corrective actions, as have been the Board of County Commissioners and County Administrator.

Over the past three years, the following steps have been implemented to remedy the situation and stabilize and improve the Fair Board finances. Some of these actions resulted in immediate payoff and others payoff over time.

Actions taken include:

- FTEs – As Schedule E depicts, the number of permanent FTEs has been reduced to 21 in FY04 from a high of 32. Outsourcing services caused seven of these reductions and the remainder occurred by reengineering work. Schedule E.
- COLA – The organization has not granted COLAs to its employees since 2000. Based on a salary survey conducted in 2002, our salary levels are within market of surveyed private and public sector employers.
- LWOP – In FY02, as a short-term measure, seven management and professional staff were asked to take leave without pay (LWOP) of 120 hours, approximately a 6% salary rollback. The staff voluntarily did this and most continued to work the hours anyway.
- Energy Conservation – Working principally with EWEB, a number of energy conservation projects were initiated in the Convention Center and Ice Arena using EWEB Energy loans and grants as the financing mechanism. Given rate increases over the past three years, these energy conservation projects have slowed the growth rate of utility costs as opposed to the intended decrease in costs.
- Outsourcing Services – Two functions were formally outsourced and a third was informally outsourced. First, the Food and Beverage function was outsourced as of July 2002, and five positions were eliminated. That function has turned from a cost center with an imputed loss of \$(69,886) in FY02 to a profit of \$138,629 in FY03. Second, the Landscaping Services were outsourced as of December 2002 with one position eliminated. Third, a maintenance position was eliminated and contractors are used to perform maintenance on our equipment and buildings.
- Rate Increases – Across-the-board, fees, rates, rents, admission prices, etc. have been increased. However, there are limits in this effort given the acceptance by clients and competing venues. For example, our Daily Fair Admission is at the top end in the State of Oregon. Schedule A.
- Increase Activity – Efforts have been made to increase activity and attendance at all venues. Marketing resources have been expended to ensure adequate advertising of events and a consultant was retained to develop a business plan for the Livestock Building. As a result, a BMX program is in operation in the

Livestock Building during the wet-weather months to supplant the loss of horse riding revenue.

Current efforts underway are as follows. The food concessionaire is attempting to increase the amount of catered events at the Fairgrounds and offsite. A study is currently underway on trade shows that may identify candidates for the Fair Board to pursue, especially to fill in the mid-week period, which is generally open. A representative from the Ice Skating Institute was on site to evaluate the Ice Arena operations, schedules, rates, facility and marketing, given its financial difficulties; and, a report is due at the Fair Board's February meeting. Most recently, two events new to the Fairgrounds included "A Taste of Eugene" and the "Events and Meeting Planner Show" and efforts are underway to ensure their return next year.

AREAS OF CONCERN

There are several areas of concern that are being addressed by existing remediation plans or need to be addressed through an adopted strategy. The principle areas are:

- Capital Investment – The Fair Board has an adopted Capital Improvement Plan and the first year of the CIP is translated into the ensuing fiscal year Capital Budget. With Board Order #02-1-9-4 in 2002, the commitment of Excess TRT has provided a predictable stream of resources for capital investment. The Fair Board, with concurrence of the Board of County Commissioners, is using that resource to: a) repay the Planetarium Loan from the TRT Special Project Account; b) pay the debt service on energy conservation loans and equipment purchases; c) establish a Fair "Rainy Day" Cash Reserve; and, d) fund capital projects and equipment purchases. The Board has focused on major structural needs over the past two years including a stormwater collection system to allow animals on site during the dry-weather period and reroofing the Convention Center and Expo Buildings. In addition to continuing to rehabilitate structural requirements, funds are being focused on replacing obsolete equipment such as chairs, tables and other furnishings. There is an almost endless list of needs in this area. Schedules F, G, J and K.
- Ice Arena – The Ice Arena lost a significant revenue source when the Thunder Hockey Team abandoned its franchise at the end of the FY03 season. A group of investors attempted to put together a team for the FY04 season but was unable to meet several logistical timeframes. A different group has indicated that it is interested in having a team here for the FY05 season. The hockey team provided approximately \$35,000 – \$40,000 net revenue to the Ice Arena.

There are three other factors that impinge on the financial solvency of the Ice Arena. First, attendance is down and this is reflective of a national trend that has seen attendance drop by 30% across the county. Our decrease is not as significant but we are aware of arenas in the Pacific Northwest that have closed

due to low attendance and the consequent financial problems. Second, utility costs have grown significantly given gas and electric rate increases, with more anticipated in the future. Third, the Ice Arena was closed for six weeks this past summer for maintenance, causing a significant loss of revenue.

The end result is that the Ice Arena will not cover its direct costs this fiscal year. Further, if utility costs increase over the next twelve months, this will further exacerbate the financial problem. Enhanced efforts are currently underway to market the Ice Arena to increase skating and hockey attendance and to attract a semiprofessional hockey team back. The FY05 Budget indicates the Ice Arena will not cover its direct operating costs.

- Operating Cash – There is a problem with cash flow since there are basically no Operating Budget Cash Reserves. In the last month of FY03, \$65,000 was drawn on the Operating Line of Credit (LOC) and an additional \$20,000 was drawn in July of FY04, for a total of \$85,000. The \$85,000 draw was repaid with cash generated from the 2003 Fair. Additional draws were made in September, October and November to make payroll and accounts payable. Making LOC draws more frequently and so early in the fiscal year to maintain operations is a telling critique of our financial stability. As of this date, the Operating Line of Credit Draw is \$45,000, an amount that has been consistently outstanding for 2004. Schedule L.
- Utility Rate Increases – EWEB has announced its intent to increase rates this spring.
- Health Insurance – Preliminary indications are the County may be subject to a rate increase in the 17%-20% range in FY05. Further, indicators from the industry are that rate increases will continue into the foreseeable future.
- PERS – The retirement contribution for FY04 is 18.83% of covered payroll and is anticipated to stay the same for FY05. However, the County Budget Manager is projecting a PERS rate to approximately 22% in FY06 if PERS continues its current rate-setting procedure.

FINDINGS

After a review and analysis of the financial data for a ten year period, various financial and operational strategies implemented and forecasting the environment the Fair Board will be in for the next several years, one can derive the following findings:

- Revenue – It does not appear that much additional revenue can be generated through rate increases. The admissions, rents and fees seem to be at maximum for now given the condition of our physical infrastructure, state of the local economy, client's ability to pay and the competing market. It is possible to

increase revenue by more activity and attendance and that is a business strategy we continue to pursue. Schedule A.

- Business Practices – Continuing business practices to reduce cost, outsource and reengineer work can still provide marginal savings and impact the cost curve.
- Public Sector Employees – The Fair Board differs significantly from its private sector “competition” basically in its workforce being government employees and recipients of public sector benefits; namely, health insurance and retirement. Schedule C.
- Other Oregon Fair Boards – In a survey of several other Oregon Fair Boards, a number of them are given a contribution by their governing body to assist in their operating budgets. Schedule H.
- Financial Stability – All evidence to date with all of the implemented and on-going mitigating strategies is that financial stability is simply not achievable in the long-run without dramatic changes to the structure and environment the Fair Board operates. Further, having to continually borrow for cashflow purposes and basically having a negative working capital ratio simply calls into question whether the Fair Board is a “going concern” and can remain viable financially, in the long-term. Schedules I and L.

ALTERNATIVE STRATEGIES

The Fair Board will continue existing strategies, such as increasing revenue and activity and cost reduction measures. However, these strategies are insufficient to address the core problem. Given forecasts of increased costs, dramatic intervention strategies are required. The following are several strategies that are available and of sufficient magnitude that one of them, or several in combination, could address the financial stability issue in the intermediate-to-long term.

- Privatization – There is a continuum of additional services or venues that could be outsourced. The most extreme situation is to privatize the entire Fairgrounds and abolish the Fair Board. In this situation, the County could receive some type of “rent” or profit sharing to cover its expenses. This option requires extensive additional research and analysis. Some initial issues are:
 - ✓ Capital Infrastructure – The issue of capital reinvestment would be a critical negotiating point given the condition of the Fairgrounds infrastructure and equipment.
 - ✓ County and 4H/FFA Fairs – The viability of the two Fairs as we now know and appreciate them may be lost under this scenario, especially the local Lane County ambiance and nuances.

- ✓ Control – Under a management contract with a private operator, the County may lose control over the use and manner in which the Fairgrounds are operated.
- ✓ Viability – It is not clear that there are entities that would undertake the management of a fairgrounds; there are certainly examples of trade show facilities available that the private sector operates.
- ✓ Existing Agreements – There are a number of multi-year agreements that would need to be addressed, perhaps at a cost to terminate.

The dilemma in outsourcing is that existing staff that currently perform the functions cited above also work throughout the year and most of July and August on the County Fair. It is unlikely that a private entity would devote sufficient resources to this effort and would operate the Fair more as a generic entertainment and commercial venture than the current County Fair with its unique ambiance.

- Public Sector Benefits – PERS provisions preclude withdrawing the workforce from PERS or altering the retirement benefit if the Fair Board remains a public entity. On the other hand, the Fair Board could modify the health insurance benefit given your agreement with the County Commissioners to have independent human resources authority. For example, rather than providing the County health insurance plan, a more restricted benefit plan at a reduced cost could be offered to employees. This is a problematic strategy as it would create a “separate class” of County employees and lead to staff morale issues as well as certain other human resource consequences.
- Operating Contribution – Expand the use of Excess TRT to include the Operating Budget. Most public entity trade show facilities, fairgrounds (see Oregon Fair Board survey), cultural centers and convention centers receive some type of contribution for their operation. By Board Order #03-06-18-1, the Commission established a Fair “Rainy Day” Cash Reserve of up to \$125,000 per year and this is basically an Operating Budget “contingent” contribution. Schedule H.

An updated financial forecast projects continuing deficits under the current financial structure. Without some methodology to address the “comparative disadvantage” referenced above, there is absolutely no way the Fair Board can balance its budgets as a public entity in the long-term. Schedule M.

- Do Nothing – In this option, the Fair Board would continue to implement current business practices and strategies. This may be a feasible option for the short-to-intermediate term but is not sustainable and at some point will result in “bankruptcy”.
- Alternative Entity – Transfer responsibility of the Fairgrounds to another governmental or private entity. The logical government would be the City of

Eugene, simply because of the Fairgrounds geographical location; but, there is no rational for the City to take it over.

In reviewing the available options, the only two that have merit and can ultimately resolve the financial dilemma for the long-term are the "privatization" and "operating contribution" options.

MANAGEMENT RECOMMENDATION

Management's recommendation is the following proposal, with key Fair Board discussion issues inserted under each element as applicable:

- Convert Board Order #02-1-9-4 to a perpetual commitment of Excess TRT to Fair Board;
 - ✓ Should this commitment be time-limited, say an additional five years beyond the current term?
- Enshrine the formula to determine the Excess TRT amount and formalize the process for budgeting this allocation;
- Establish review points at FY07, FY10 and every three years henceforward;
- Authorize the equivalent of the "comparative disadvantage" (of being a public entity) in Excess TRT to be allocated to the Operating Budget each fiscal year, with the amount to be included in the Fiscal Year Budget Recommendation to the Budget Committee and County Commission;
 - ✓ Are PERS and health insurance the only elements of the "comparative disadvantage"?
 - ✓ Should the full value of the "comparative disadvantage" be used as the value of the "Operating Contribution"?
- Authorize the balance of the Excess TRT to be allocated for capital projects, equipment or debt service associated with a capital project on equipment purchase; and,
- In an emergency, allow Fair Board to make a request to County Commission to reallocate a portion of the Capital allocation to Operating. Schedule J and K.

management acknowledges that past Fair Managers have promulgated that the Fair Board is self-supporting. There is no argument that that was the situation in the 1980's and most of the 1990's. However, since that period, the financial environment is completely different and circumstances call for an operating contribution for the Fair Board to remain a public entity and financially viable.

TIMING

Resolution of this issue is imperative, especially in light of the projected Operating Budget loss for this fiscal year. The Fair Board should attempt to reach a strategy decision at the February 24th meeting or no later than the March 30 meeting. A Joint Meeting with the Board of County Commissioners should be scheduled shortly thereafter.

ATTACHMENTS

- A. Schedule A – Example Rates
- B. Schedule B – Operating Funds History
- C. Schedule C – Personnel Costs
- D. Schedule D – Net Operating Cash Available
- E. Schedule E – Personnel
- F. Schedule F – TRT Capital Projects
- G. Schedule G – FY04-07 CIP
- H. Schedule H – 2003 Oregon Fairs Financing Survey
- I. Schedule I – Net Working Capital
- J. Schedule J – Board Order #02-1-9-4
- K. Schedule K – Board Order #03-06-18-1
- L. Schedule L – Operating Line of Credit Draws
- M. Schedule M – Financial Forecast

Lane County Fair Board

Example Rates

	FY 00 or 2000	FY 01 or 2001	FY 02 or 2002	FY 03 or 2003	FY 04 or 2004
Fair Dailey Admission	7.50	8.00	8.00	8.00	8.00
Fair Season Pass	12.50	12.50	14.00	14.00	14.00
Fair Commercial Space Rent	730.00	770.00	770.00	808.50	808.50
Exhibit Hall Rent	2,690.00	2,850.00	3,150.00	3,300.00	3,300.00
Performance Hall Rent	1,460.00	1,545.00	1,725.00	1,800.00	1,800.00
Meeting Room # 1 Rent	320.00	340.00	400.00	420.00	420.00
Ice Skating Admission	3.00	3.00	3.00	3.50	3.50
Ice Private Rent (hockey)	195.00	195.00	210.00	235.00	235.00
Sports Rent		15.00	25.00	35.00	35.00

Schedule B

Lane County Fair Board Operating Funds History

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	FY 04 Budget	FY 05 Budget
Revenues													
Fair	926,808	1,168,343	1,222,564	1,470,325	1,476,371	1,452,809	1,727,182	1,777,005	1,815,867	1,804,528	1,627,511	1,834,300	181,900
Ice	473,909	473,907	543,397	512,289	522,137	591,719	506,117	564,558	546,833	586,957	493,557	562,520	506,750
Food & Beverage	640,646	640,642	691,018	712,416	675,499	704,002	696,181	634,357	593,049	579,190	495,562	574,500	560,000
Building & Equip. Rental	492,274	492,271	569,360	672,826	723,580	738,302	751,296	774,445	790,215	800,904	837,928	882,290	910,100
Festivals/Recreation	-	-	-	-	-	38,659	80,299	129,120	64,979	47,471	47,133	48,660	48,525
Planetarium	-	-	-	-	-	-	-	-	119,651	237,324	120,511	-	0
Miscellaneous/Marketing	91,003	38,104	28,740	40,724	100,941	63,298	91,168	84,785	87,292	110,039	199,252	103,800	99,560
Totals	2,624,640	2,813,267	3,055,079	3,408,560	3,498,528	3,588,789	3,852,243	3,964,270	3,997,986	4,166,413	3,821,454	4,006,070	3,943,935
Expense													
Fair	590,933	694,958	769,604	1,125,070	1,130,724	998,279	1,276,345	1,267,315	1,389,104	1,337,766	1,230,535	1,356,200	1,346,759
Ice	406,576	401,488	402,340	472,029	509,392	466,008	404,842	496,691	522,932	534,236	546,524	491,595	552,912
Food & Beverage	513,492	480,570	560,377	611,722	576,006	578,550	649,087	661,254	582,363	555,902	398,914	418,163	416,200
Building & Equip. Rental	440,989	469,794	507,719	570,292	684,979	759,998	780,499	861,875	672,291	640,220	749,733	739,945	824,595
Festivals/Recreation	-	-	-	-	-	67,393	108,159	202,861	162,150	50,534	43,571	42,925	44,336
Planetarium	-	-	-	-	-	-	-	-	49,000	216,567	105,065	-	0
Administration/Marketing	415,652	534,081	606,020	632,972	673,896	734,943	729,334	755,688	763,131	790,800	747,720	805,746	757,994
Totals	2,367,642	2,580,891	2,846,080	3,412,085	3,574,997	3,604,171	3,946,266	4,245,694	4,120,971	4,126,025	3,822,062	3,854,574	3,942,796
Net Gain	256,998	232,376	209,019	(3,525)	(76,469)	(15,382)	(94,023)	(281,424)	(123,085)	40,388	(608)	151,496	1,139
Net (Loss)													

Notes:

FY 93 - 03 are actual from audited Financial Statements
Marketing is included in Miscellaneous Revenue and Admin Expense
Livestock Building Revenue and Expense included in Rentals
Miscellaneous Revenue does not include any interest income
Festivals and Recreation- 97/98 and 98/99 Christmas Festival and 4th of July Event and Sports Center in 99/00 to present
Beginning 1998/99 August Salaries and related benefits are included in Fair expense and other operations reflect 11 months of salaries and related benefits
In 99/00 PERS Employer contribution increased from 7.82% to 13.16%. In 2001 the rate increased to 13.91%
Health Insurance has consistently increased over the years at a rate of approx. 18% per year in recent years
Planetarium revenue and expense includes a \$90,000 RIB grant and purchases made with RIB grant funds in FY 01/02
Planetarium revenue in FY 01 includes \$100,000 loan from TRT Special Projects Fund of which \$70,651 carried forward to FY 02
Planetarium revenue in FY 02 includes \$110,000 loan from TRT Special Projects Fund
Planetarium revenue in FY 03 includes \$80,000 loan from TRT Special Projects Fund

Lane County Fair Board
 Personnel Costs
 Public vs. Private Sector

	<u>Public</u>	<u>Private</u>
Total Annual Payroll	684,797	684,797
<i>Medical Benefits</i>	189,000	63,000
<i>Retirement Benefits</i>	128,947	20,544
<i>Other Payroll Costs</i>	82,518	82,518
Total Annual Personnel Costs	<u>1,085,262</u>	<u>850,859</u>

Public Sector

Assumes \$9,000 annually for Medical Benefits

Assumes 18.83% of Salary for Retirement benefits

Assumes 12.05% annual salary for FICA,SAIF,etc.

Private Sector

Assumes \$3,000 annually for Medical Benefits

Assumes 3% of Salary for Retirement benefits

Assumes 12.05% annual salary for FICA,SAIF,etc.

Lane County Fair Board

TRT/Capital Report

Schedule F

	<u>FY 97-98</u> <u>Actual</u>	<u>FY 98-99</u> <u>Actual</u>	<u>FY 99-00</u> <u>Actual</u>	<u>FY 00-01</u> <u>Actual</u>	<u>FY 01-02</u> <u>Actual</u>	<u>FY 02-03</u> <u>Actual</u>	<u>Revised</u> <u>FY 03-04</u> <u>Budgeted</u>	<u>Proposed</u> <u>FY 04-05</u> <u>Budget</u>
Beginning Balance	42,372	(123,213)	4,282,625	2,814,697	(54,317)	232,606	(354,728)	(278,546)
Resources								
"Excess" TRT Receipts	310,000	625,000	250,000	300,000	424,950	611,895	700,000	775,000
Bond Proceeds - Feb. 1998		4,837,279						
EWEB Energy Loan			408,725	109,377	152,279			
EWEB Energy Grant					151,950			
Bond Proceeds - March 2002					890,500			
City of Eugene Grant	110,000			49,560	50,000			
PCB Equipment Loan								
PCB Equipment Loan								
Planetarium RIB Grant					81,607	36,838		
Funtastic Shows	60,000	20,000	20,000					
Capital Line of Credit PCB								
Interest Earned	5,561	113,467	211,322	52,474	4,993	191,820	400,000	
Total Resources	485,561	5,395,746	530,882	870,576	1,756,279	842,539	1,100,500	775,000
Capital Expenditures								
Land and Improvements	299,240	98,151	19,260	71,816	17,354	49,785	42,686	8,666
1998 Convention Ctr. Proj.			346,391					
Stormwater Project					612,322	751,198		
Buildings & Improvements	269,394	301,608	31,551	102,825	337,180	275,718	258,188	69,668
1998 Convention Ctr. Proj.		237,030	1,245,666	3,435,891	255,100			
Machinery & Equipment	82,512	120,196	42,764	84,353	172,665	53,107	35,000	248,345
1998 Convention Ctr. Proj.		232,923	300,693					
Debt Service			12,485	44,705	74,735	300,065	563,444	220,988
Contingency								32,333
Cash Reserves							125,000	125,000
Deficit Carryforward from previous Year								70,000
Total Capital Expenditures	651,146	989,908	1,998,810	3,739,590	1,469,356	1,429,873	1,024,318	775,000
Carryforward	(123,213)	4,282,625	2,814,697	(54,317)	232,606	(354,728)	(278,546)	(278,546)

Capital Improvement Projects by Department 12/2/2003		FUNDED			UNFUNDED	
		2005	2006	2007	2008	Total
Administration						
Capital Projects						
	Auditorium/Wheeler Exterior Flat Surfaces				527,000	527,000
	Community Green	5,000	5,000	5,000	295,586	310,586
	Contingency	32,333	38,500	60,784	35,000	166,617
	Debt Service	160,988	175,174	134,192	167,810	638,164
	Deficit Carry Forward from Previous Fiscal Year	70,000	110,000	80,000		260,000
	Facilities, Site and Equipment Rehabilitation	10,000	10,000	10,000		30,000
	Fair "Rainy Day" Cash Reserve	125,000	125,000	125,000		375,000
	Pave Northwest Lot				589,000	589,000
	Project Planning, Design Administration	5,000	5,000	5,000		15,000
	Stormwater Fee	60,000	60,000	60,000	60,000	240,000
	Capital Subtotal	468,321	528,674	479,976	1,614,396	3,091,367
Equipment						
	Exhibit Entries Software	5,000				5,000
	PC Replacement Plan	6,000			6,000	12,000
	Scheduling Software				14,000	14,000
	Equipment Subtotal	11,000	0	0	20,000	31,000
Administration Total		479,321	528,674	479,976	1,634,396	3,122,367
Operations						
Capital Projects						
	Auditorium Upgrade - Interior				110,000	110,000
	Auditorium/Admin. Offices - Exterior Paint				20,000	20,000
	Carpet Replacement in Atrium		9,000			9,000
	Convention Center Lobby Lighting	11,000				11,000
	Exhibit Hall Restrooms				170,000	170,000
	Expo 5 Insulation Netting				22,000	22,000
	Expo 7 Sewer and Water				15,000	15,000
	Expo 2, 4 and 6 Restrooms				185,000	185,000
	Expo Structural Rehab				225,000	225,000
	Ice Center Reroof				55,000	55,000
	Lane Events Center Signage				54,000	54,000
	Lighting, Convention Center, West	20,000				20,000
	Lighting - Courtyard				11,000	11,000
	Livestock Building Insulation Netting				22,000	22,000
	Livestock Building Painting (Exterior/Interior)				24,000	24,000
	Lock and Door System				172,800	172,800
	Paint Trusses-Exhibit Hall				25,000	25,000
	Paint Trusses-Performance Hall				15,000	15,000
	Parking Lot Repave and Striping				550,000	550,000
	Power Upgrade - Convention Center				70,000	70,000
	Restroom Signage	6,000				6,000
	Water Pipe Replacement	4,000				4,000
	Wheeler Pavilion Re Roof				170,000	170,000
	Wheeler Pavilion Upgrade		100,000	100,000		200,000
	Wheeler Pavilion HVAC				340,000	340,000
	Capital Subtotal	41,000	109,000	100,000	2,255,800	2,505,800
Equipment						
	Banquet Chairs and Tables	15,000	18,000	27,000	21,000	81,000
	Chair Box Carts	10,000		11,000		21,000
	Classroom Tables	5,724				5,724
	Convention Center Chair Carts				37,800	37,800
	Convention Center Chairs	22,400	32,400	32,400	10,000	97,200
	Electric Carts	7,000		7,000		14,000
	Exhibit Department Equipment	27,270	27,270	27,270	27,270	109,080
	Exhibitor Tables	28,755	28,755	28,755	28,755	115,020
	Folding Chairs	17,280				17,280
	Food Service Equipment	12,000	12,500	15,000	195,000	234,500
	Forklift	23,000				23,000
	Meeting Room Internet, Video, Data Hookups				20,000	20,000
	Meeting Rooms Window Coverings	7,000				7,000
	Person Lift				37,800	37,800
	Pickup Truck				25,000	25,000
	Pipe and Drape	3,500		3,500		7,000
	Scissor Lift				19,000	19,000
	Stage			18,000		18,000
	Trash Cans	5,000	1,651	8,349	25,000	40,000
	Trash Compactor	25,000				25,000
	Equipment Subtotal	208,929	120,576	178,274	446,625	954,404
Operations Total		220,929	229,576	278,274	2,702,425	3,460,204

	FUNDED			UNFUNDED	
	2005	2006	2007	2008	
Capital Projects					
Compressor Reservoirs	22,000				22,000
HVAC for Ice Center Lobby				40,000	40,000
Ice Center Elevator				40,000	40,000
Ice Center Signage				5,000	5,000
Lunch Counter and Eating Area				7,000	7,000
Paint Exterior of Ice Center				25,000	25,000
Remodel of front of Ice Lobby and Office				50,000	50,000
Restrooms at Ice Arena				40,000	40,000
Women's Locker Room				30,000	30,000
Capital Subtotal	22,000	0	0	237,000	259,000
Equipment					
Copy Machine	7,000				7,000
Heaters for Spectators at Ice Arena				21,000	21,000
Color Lights for Ice Arena				5,000	5,000
Ice Resurfacer				70,000	70,000
Rental skates	6,750	6,750	6,750	6,750	27,000
Rubber floor matting	10,000	10,000	10,000	100,000	130,000
Security Cameras				8,000	8,000
Equipment Subtotal	23,750	16,750	16,750	210,750	268,000
Grand Total	775,000	775,000	775,000	4,784,571	7,109,571

SCHEDULE H

Oregon Fairs Survey

2002/03 and 2003/04

What is the amount of subsidy your organization receives? All Fairs receive \$40,000 from State.

	Gen Fund	TRT	Other	TRT Restricted to CIP	CIP Comment
Lane FY03			611,893		
FY 04			700,000		
Klamath FY03		0	350,000		
FY 04		0	378,000		0 TRT Unrestricted
Deschutes FY03		377,401	0	135,343	
FY04		324,582	0	44,100	
Benton FY 03		109,500	0	43,000	
FY04		94,500	0	Loan 254,000	Loan to build RV park
Linn FY03		229,815	0	13,500	\$45,000 from Foundation for bldg upgrade
FY04		354,295	0	7,000	
Josephine FY03		0	0	0	
FY04		25,000	0	0	0 County charges back
Curry FY03		0	0	5,000	\$55,398 for Interfund services
FY04		0	0	184,950	
Tillamook FY03		54,000	0	234,950	
FY04		74,000	0	16,278	Race Commission funds race meet purses
Harney FY03		0	0	99,259	
FY04		0	0	County CIP	
Wallowa FY03		12,000	0	137,336	TRT Unrestricted
FY04		0	8,605	83,189	
Polk FY03		0	30,000	N/A	TRT Unrestricted
FY04		0	30,000	50,000	
Ore. State Fair FY03		663,887	0	10 million for Pavilion	
FY04		663,883	0		
Washington FY03		0	524,000	59,000	TRT Unrestricted
FY04		0	538,000	70,000	
Multnomah FY03		0	0	67,220	
FY04		0	0	N/A	
Douglas FY03		100,000	0	County CIP	
FY04		100,000	0	County CIP	
Lincoln FY03		0	0	\$5 from rentals, fairs, sponsors	
FY04		0	0		
Clackamas FY03		0	331,408	17,190	TRT Unrestricted
FY04		Unknown			
Sources of other revenue?					
	Rental Fees	Annual Fair	Sponsorships	Friends/Found	Other
Lane	x	x	x		
Klamath	x	x			
Deschutes	x	x	x		x
Benton	x	x	x		
Linn	x	x	x		
Josephine	x	x	x		
Curry	x	x	x		x Yr. Rnd events
Tillamook	x	x	x		
Harney	x	x			
Wallowa	x	x			
Polk	x	x	x		Donations
Oregon State	x	x			x Lottery backed bonds for repairs, new pavilion
Washington	x	x			
Multnomah	x	x			x
Lincoln	x	x			
					Auto racing, self produced Xmas show.

Lane County Fair Board

Net Working Capital

Schedule I

1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
317,099	419,428	563,119	409,786	348,003	(55,278)	39,769	(73,176)	(104,441)	(96,774)	(234,862)

Net Working Capital = Liquid Assets - Current Liabilities

This ratio indicates the entity's ability to pay for current operations. Ratio should be positive.

THE BOARD OF COUNTY COMMISSIONERS, LANE COUNTY, OREGON

ORDER NO. 02-1-9-4) IN THE MATTER OF DEDICATING \$890,500 IN
) PROCEEDS FROM THE REFINANCING OF THE 1998
) FAIRGROUNDS MUNICIPAL LOAN AGREEMENT TO
) THE DRY WEATHER FLOW TO CITY SANITARY
) SEWER/INTERCEPT PROJECT AND OTHER CAPITAL
) IMPROVEMENTS AT THE LANE COUNTY
) FAIRGROUNDS AND APPROVING THE USE OF
) UNDEDICATED TRANSIENT ROOM TAX FUNDS FOR
) CAPITAL IMPROVEMENTS AT THE LANE COUNTY
) FAIRGROUNDS

WHEREAS, the Lane County Fair Board and the Board of County Commissioners have a long term business partnership that does not require an operating subsidy of Fairground operations and is evidenced by the Fairgrounds Business Plan, Master Plan and Capital Improvements Plan, and

WHEREAS, the Board of County Commissioners authorized the refinancing of the 1998 Municipal Loan Agreement for improvements to the Lane County Fairgrounds under the authority of ORS 271.390 and ORS 287.053, in Board Order 02-01-09-03, and

WHEREAS, the Lane County Fair Board has demonstrated the need to construct the Lane County Fairgrounds Dry Weather Flow to City Sanitary Sewer/Intercept Project prior to the 2002 Lane County Fair, and

WHEREAS, the Board of County Commissioners and Lane County Fair Board have concluded that the use of proceeds from the refinancing of the 1998 Municipal Loan Agreement in an amount equal to the reserves for the 1998 Municipal Loan Agreement, i.e., \$890,500, is necessary to construct the Lane County Dry Weather Flow to City Sanitary Sewer/Intercept Project prior to the 2002 Lane County Fair, and

WHEREAS, the Board of County Commissioners has approved the use of undedicated transient room tax funds for capital improvements at the Lane County Fairgrounds on April 8, 1998, in Board Order 98-4-8-4 and again on December 2, 1998, in Board Order 98-12-2-3, and

WHEREAS, the Board of County Commissioners finds that dedicating \$890,500 of the proceeds from the refinancing of the 1998 Fairgrounds Municipal Loan Agreement to the Lane County Fairgrounds Dry Weather Flow to City Sanitary Sewer/Intercept Project and approving the use of undedicated transient room tax funds for capital improvements at the Lane County Fairgrounds would be in the best interests of the citizens of Lane County, and

WHEREAS, according to Lane Code 4.175(5), any amounts derived from the Transient Room Tax imposed by LC 4.110(1) for capital debt retirements that are in excess of annual debt service shall be used for future capital projects or as directed by the Board of County Commissioners through the annual budget process,

NOW THEREFORE, IT IS HEREBY ORDERED, that the Board of County Commissioners dedicates \$890,500 of the new proceeds from the refinancing of the 1998 Fairgrounds Municipal Loan Agreement exclusively to the Lane County Fairgrounds Dry

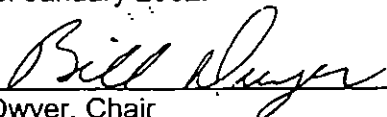
Weather Flow to City Sanitary Sewer/Intercept Project as described in Exhibit A to this Order and other capital improvements at the Lane County Fairgrounds; and it is

FURTHER ORDERED that it is the Board of County Commissioners' intent that any excess transient room tax revenues, as provided by Lane Code 4.175(5) and as determined by the Department of Management Services, be made available for transfer to the Fair Board for capital improvements for a period not to exceed five fiscal years, i.e., beginning at the time of refinancing the 1998 debt (approximately February, 2002) and ending June 30, 2007, to be used for capital projects pursuant to the Fairgrounds Capital Improvements Plan; and it is

FURTHER ORDERED that the Board of County Commissioners intends to conduct a review of any excess Transient Room Tax revenues in the fourth year (FY 05-06) following the refinancing of the 1998 Debt; and it is

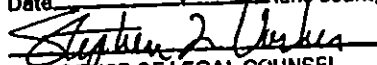
FURTHER ORDERED that Board Order 98-4-8-4 and Board Order 98-12-2-3 are hereby rescinded.

Dated this 9th day of January 2002.



Bill Dwyer, Chair
BOARD OF COUNTY COMMISSIONERS

APPROVED AS TO FORM

Date 1-9-2002 lane county

OFFICE OF LEGAL COUNSEL

IN THE BOARD OF COUNTY COMMISSIONERS
OF LANE COUNTY, OREGON

ORDER NO. 03-06-18- 1

) IN THE MATTER OF APPROVING THE
) REIMBURSEMENT OF TRANSIENT
) ROOM TAX SPECIAL PROJECT FUNDS
) AND THE CREATION OF A FAIR BOARD
) "RAINY DAY" CASH RESERVE FUND

WHEREAS, in December, 2000 (Order No. 00-12-13-3), the Board of County Commissioners approved entering into a Memorandum of Agreement (Agreement) with the Fair Board to provide for a cash flow through the use of transient room tax special projects funds for operating the Planetarium while the Fair Board developed and sought to implement a business plan, and

WHEREAS, the Agreement provided that the Fair Board could draw up to a total of \$330,000 over three years, and that the Fair Board would reimburse the County at least \$35,000 in year 4, \$40,000 in year 5, and the remaining revenues as soon as possible over the next 3 years, and

WHEREAS, the Fair Board in fact has received a total of \$290,000 from the transient room tax special project funds for operations of the Planetarium, while it sought to implement an aggressive business plan which resulted in an unsuccessful election on a measure for capital funds, and

WHEREAS, as a result of the election, the Planetarium has since been closed as a fairgrounds operation, and

WHEREAS, in January, 2002 (Order No. 02-1-9-4), the Board of County Commissioners approved the use of excess transient room tax revenues, as provided by Lane Code 4.175(5), be made available for transfer to the Fair Board for capital improvements for a period ending June 30, 2007 to be used for capital projects pursuant to the Fairgrounds Capital Improvements Plan, and

WHEREAS, the Fair Board met with the County Finance and Audit Committee in November, 2002, and recommended that a portion of these excess transient room tax revenues be used to reimburse the transient room tax special projects funds in accordance with the Memorandum of Agreement over the course of the next 4 years (ending June 30, 2007) and further, that a portion be set aside for a fairgrounds "rainy day" cash reserve fund annually until it accumulates to an amount of \$500,000, and

WHEREAS, pursuant to LC 4.175(5) the Board of Commissioners may authorize such use through the annual budget process,


NOW, THEREFORE IT IS HEREBY ORDERED that the Board of County Commissioners approves the use of \$50,000 of the excess transient room tax revenues

described in Order No. 02-1-9-4 to reimburse the transient room tax revenues special projects fund as the first reimbursement under the Memorandum of Agreement with the Fair Board approved in Order No. 00-121-13-3, and it is further


ORDERED that the Board of County Commissioners approves the use of \$125,000 of the excess transient room tax revenues described in Order No. 02-1-9-4 for the creations of a Fairgrounds "Rainy Day" cash reserve, and it is further

ORDERED that the Fair Board may not expend funds from the Fairgrounds "Rainy Day" cash reserve without the approval of the Board of County Commissioners, upon the occurrence of one of two contingencies: a) if the actual net surplus from the annual fair, determined as of December 31 of the same year, is 10% less than the net fair surplus that is anticipated and budgeted through the annual budget process, or b) if there is an unexpected capital emergency beyond the ability of the Fair Board to manage within its normal cash flow during the year.

DATED this 18th day of June, 2003.



Peter Sorenson, Chair
Lane County Board of Commissioners

APPROVED AS TO FORM
Date 6/5/03 lane county


OFFICE OF LEGAL COUNSEL

SCHEDULE L

Lane County Fair Board
Operating Line of Credit
12/31/03

LINES OF CREDIT: The fiscal year began with an outstanding draw of \$65,000 on the Operating Line and additional draws and payments have been made subsequently. The following recaps the use of the Operating LOC year-to-date:

DATE	DRAW/PAYMENT	BALANCE
7/1/03		\$65,000
7/15/03	20,000	85,000
8/11/03	114,000	199,000
8/18/03	-199,000	0
9/8/03	10,000	10,000
9/9/03	46,720	56,720
9/20/03	-56,720	0
10/8/03	45,000	45,000
10/15/03	55,000	100,000
10/20/03	-100,000	0
11/3/03	50,000	50,000
11/7/03	20,000	70,000
11/12/03	80,000	150,000
12/10/03	-30,000	120,000
12/30/03	-75,000	45,000

Lane County Fair Board

Financial Forecast - FY 05 - FY 08

Summary - Resources and Requirements

SCHEDULE M

	Actual FY 01	Actual FY 02	Actual FY 03	Budget FY 04	Forecast			
					FY 05	FY 06	FY 07	FY 08
Resources								
Administration/Marketing	130,814.96	108,456.81	116,193.00	103,800.00	99,560.00	101,551.20	103,582.22	105,653.87
Event Operations	1,383,264.07	1,380,093.38	1,336,389.89	1,456,790.00	1,470,100.00	1,499,502.00	1,529,492.04	1,560,081.88
Ice	546,832.74	586,956.60	493,557.28	562,520.00	506,750.00	516,885.00	527,222.70	537,767.15
Sports	64,978.87	47,470.88	47,133.24	48,660.00	48,525.00	49,495.50	50,485.41	51,495.12
Planetarium	119,650.52	250,086.50	120,510.63	-	-	-	-	-
Fair	1,815,867.34	1,803,527.87	1,707,671.30	1,834,300.00	1,819,000.00	1,855,380.00	1,892,487.60	1,930,337.35
Total Revenue Operations	4,061,408.50	4,176,592.04	3,821,455.34	4,006,070.00	3,943,935.00	4,022,813.70	4,103,269.97	4,185,335.37
Total Resources	4,061,408.50	4,176,592.04	3,821,455.34	4,006,070.00	3,943,935.00	4,022,813.70	4,103,269.97	4,185,335.37
Requirements								
Salary/Benefits								
Administration / Marketing	347,547.83	420,384.57	349,938.94	405,046.00	369,919.00	396,966.08	413,931.57	432,605.43
Event Operations	419,881.26	374,420.72	376,682.60	406,395.00	415,965.00	447,049.60	468,159.89	491,517.78
Ice	274,771.21	288,767.30	278,605.86	256,795.00	310,112.00	336,695.42	354,077.46	373,404.37
Sports	60,067.60	39,752.42	34,215.50	33,825.00	34,936.00	37,835.82	40,113.69	42,665.30
Planetarium	40,398.12	116,519.08	81,515.59	-	-	-	-	-
Fair	178,870.91	214,190.29	156,835.71	160,500.00	153,672.00	159,752.58	165,710.53	172,198.54
Total Personnel Costs	1,321,536.93	1,454,034.38	1,277,794.20	1,262,561.00	1,284,604.00	1,378,299.49	1,441,993.16	1,512,391.43
Health Insurance	(124,081.22)	(135,030.70)	(135,030.00)	(133,179.00)	(221,956.24)	(281,699.93)	(323,797.39)	(372,386.58)
Life Insurance	(113,686.08)	(135,559.24)	(111,019.00)	(139,362.00)	(150,302.00)	(174,239.00)	(217,753.00)	(257,834.00)
Total Salary/Benefits/Health Insurance	(106,378.13)	(120,419.62)	(97,163.29)	(90,500.00)	(169,345.56)	(222,360.56)	(270,472.85)	(320,465.56)
Materials & Services								
Administration / Marketing	415,600.50	362,471.15	397,780.90	400,700.00	388,075.00	399,717.25	411,708.77	424,060.03
Event Operations	814,758.00	821,701.19	771,964.48	751,713.00	824,830.00	853,521.00	884,005.26	916,440.59
Ice	248,160.41	245,468.30	267,918.06	234,800.00	242,800.00	250,084.00	257,586.52	265,314.12
Sports	101,854.82	10,781.41	9,355.92	9,100.00	9,400.00	9,588.00	9,779.76	9,975.36
Planetarium	8,601.88	99,598.59	23,549.27	-	-	-	-	-
Fair	1,210,460.91	1,124,873.58	1,073,700.20	1,195,700.00	1,193,087.00	1,216,948.74	1,241,287.71	1,266,113.47
Total Materials & Services	2,799,436.52	2,664,894.22	2,544,268.83	2,592,013.00	2,658,192.00	2,729,858.99	2,804,368.02	2,881,903.56
Total Expenditures	4,120,973.45	4,118,928.60	3,822,063.03	3,854,574.00	3,942,796.00	4,108,158.48	4,246,361.18	4,394,294.99
Net Profit/(Loss)	(59,564.95)	57,663.44	(607.69)	151,496.00	1,139.00	(85,344.78)	(143,091.20)	(208,959.62)

Lane County Fair Board
Revised Financial Forecast - FY 05 - FY 08
Summary - Resources and Requirements

Attachment B

Resources	Actual FY 01	Actual FY 02	Actual FY 03	Budget FY 04	Forecast			
					FY 05	FY 06	FY 07	FY 08
Total Resources	4,061,409	4,176,592	3,821,455	4,006,070	3,943,935	4,022,814	4,103,270	4,185,335
Requirements								
Personnel Costs	1,321,537	1,454,034	1,277,794	1,262,561	1,284,604	1,378,299	1,441,993	1,512,391
Materials and Supplies	2,799,437	2,664,894	2,544,269	2,592,013	2,658,192	2,729,859	2,804,368	2,881,904
Total Expenditures	4,120,974	4,118,928	3,822,063	3,854,574	3,942,796	4,108,158	4,246,361	4,394,295
Net Profit/(Loss)	(59,565)	57,664	(608)	151,496	1,139	(85,344)	(143,091)	(208,960)
Comparative Disadvantage								
Health Insurance					244,956	281,700	323,797	372,367
PERS					150,302	174,239	177,723	181,278
Less Private Sector Benefits					(87,578)	(91,070)	(101,173)	(107,985)
Net Comparative Disadvantage					307,680	364,869	400,347	445,660
Adjusted Net Gain/(Loss)	(59,565)	57,664	(608)	151,496	308,819	279,525	257,256	236,700

ATTACHMENT B

IN THE BOARD OF COUNTY COMMISSIONERS OF LANE COUNTY, OREGON

ORDER NO. 04-6- 16-7

-) IN THE MATTER OF APPROVING THE
-) REIMBURSEMENT OF TRANSIENT
-) ROOM TAX SPECIAL PROJECT FUNDS
-) AND CERTAIN OPERATIONAL USE OF
-) ROOM TAX FOR THE FAIRGROUNDS

WHEREAS, in December, 2000 (Order No. 00-12-13-3), the Board of County Commissioners approved entering into a Memorandum of Agreement (Agreement) with the Fair Board to provide for a cash flow through the use of transient room tax special projects funds for operating the Planetarium while the Fair Board developed and sought to implement a business plan, and

WHEREAS, the Agreement provided that the Fair Board could draw up to a total of \$330,000 over three years, and that the Fair Board would reimburse the County at least \$35,000 in year 4, \$40,000 in year 5, and the remaining revenues as soon as possible over the next 3 years, and

WHEREAS, the Fair Board in fact has received a total of \$290,000 from the transient room tax special project funds for operations of the Planetarium, while it sought to implement an aggressive business plan which resulted in a unsuccessful election on a measure for capital funds, and

WHEREAS, as a result of the election, the Planetarium has since been closed as a fairgrounds operation, and

WHEREAS, in January, 2002 (Order No. 02-1-9-4), the Board of County Commissioners approved the use of excess transient room tax revenues, as provided by Lane Code 4.175(5), be made available for transfer to the Fair Board for capital improvements for a period ending June 30, 2007 to be used for capital projects pursuant to the Fairgrounds Capital Improvements Plan, and

WHEREAS, the Fair Board has requested it also be permitted to use a portion of the excess room tax revenues described in Order 02-1-9-4 for operating purposes, and

WHEREAS, in June, 2003 (Order No. 03-06-18-1), the Board approved the use of \$125,000 of excess transient room tax revenues be set aside annually for a Fairgrounds "Rainy Day" cash reserve, and further on May 12, 2004 (Order No. 04-5-12-16), approved draw down of that reserve of \$67,065, leaving a remainder in the reserve of \$57,935, and

WHEREAS, the Fair Board has also requested it be permitted to use the remainder of that cash reserve, and

WHEREAS, pursuant to LC 4.175(5) the Board of Commissioners may authorize such uses through the annual budget process,

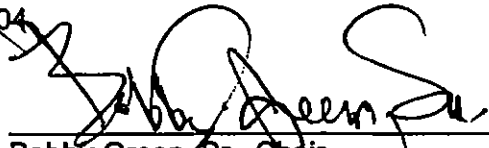
NOW, THEREFORE IT IS HEREBY ORDERED that the Board of County Commissioners approves the use of the excess transient room tax revenues described in Order No. 02-1-9-4 to reimburse the transient room tax revenues special projects fund under the Memorandum of Agreement with the Fair Board approved in Order No. 00-12-13-3 at a minimum of \$50,000 in FY 04-05 and a maximum of the remaining balance owed, the exact amount to be determined by the Fair Board, and it is further

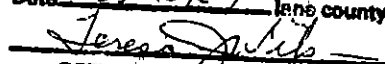
ORDERED that the Board approves the use in FY 04-05 of up to \$250,000 of the excess transient room tax revenues described in Order No. 02-1-9-4 for operating purposes of the Fairgrounds, and it is further

ORDERED that the Board approves the transfer of the remaining balance of \$57,935 in the reserve to the Fair Board budget for operating uses in FY 04-05, and it is further

ORDERED that the Fair Board shall report to the Budget Committee next year the actual amount of the \$250,000 that is used in FY 04-05 for operational purposes, and the impact that had on the Fairgrounds Capital Improvement Plan.

DATED this 16th day of June, 2004


Bobby Green, Sr., Chair
Lane County Board of Commissioners

APPROVED AS TO FORM
Date 5/26/04 lane county

OFFICE OF LEGAL COUNSEL

Fair Budget Survey

ATTACHMENT C

1. How much is your Operating Budget?

Linn Co.	\$981,993
State	\$14 Million
Deschutes	\$3 Million
Douglas	\$1.7 Million
Benton	\$950,000
Lane	\$3 Million

2. How much subsidy does the Operating Budget receive?

- General Fund

Linn Co	\$350,000
State	\$4 Million
Deschutes	\$300,000 (\$105,000 goes to reserves)
Douglas	\$100,000
Benton	\$200,000
Lane	-0-

- Transient Room Tax Fund

Linn Co.	-0-
State	-0-
Deschutes	-0-
Douglas	-0-
Benton	-0-
Lane	\$250,000

3. How much is your Capital Budget

Linn Co.	-0-
State	-0- (Lottery funds used for Cap Projects)
Deschutes	\$44,000 (part of \$3 Mil Operating Budget)
Douglas	\$25-50,000 (larger projects come from contingency fund approved by CC)
Benton	Varies year to year
Lane	\$650,000

ATTACHMENT D

THE BOARD OF COUNTY COMMISSIONERS, LANE COUNTY, OREGON

ORDER NO. 02-1-9-4

) IN THE MATTER OF DEDICATING \$890,500 IN
) PROCEEDS FROM THE REFINANCING OF THE 1998
) FAIRGROUNDS MUNICIPAL LOAN AGREEMENT TO
) THE DRY WEATHER FLOW TO CITY SANITARY
) SEWER/INTERCEPT PROJECT AND OTHER CAPITAL
) IMPROVEMENTS AT THE LANE COUNTY
) FAIRGROUNDS AND APPROVING THE USE OF
) UNDEDICATED TRANSIENT ROOM TAX FUNDS FOR
) CAPITAL IMPROVEMENTS AT THE LANE COUNTY
) FAIRGROUNDS

WHEREAS, the Lane County Fair Board and the Board of County Commissioners have a long term business partnership that does not require an operating subsidy of Fairground operations and is evidenced by the Fairgrounds Business Plan, Master Plan and Capital Improvements Plan, and

WHEREAS, the Board of County Commissioners authorized the refinancing of the 1998 Municipal Loan Agreement for improvements to the Lane County Fairgrounds under the authority of ORS 271.390 and ORS 287.053, in Board Order 02-01-09-03, and

WHEREAS, the Lane County Fair Board has demonstrated the need to construct the Lane County Fairgrounds Dry Weather Flow to City Sanitary Sewer/Intercept Project prior to the 2002 Lane County Fair, and

WHEREAS, the Board of County Commissioners and Lane County Fair Board have concluded that the use of proceeds from the refinancing of the 1998 Municipal Loan Agreement in an amount equal to the reserves for the 1998 Municipal Loan Agreement, i.e., \$890,500, is necessary to construct the Lane County Dry Weather Flow to City Sanitary Sewer/Intercept Project prior to the 2002 Lane County Fair, and

WHEREAS, the Board of County Commissioners has approved the use of undedicated transient room tax funds for capital improvements at the Lane County Fairgrounds on April 8, 1998, in Board Order 98-4-8-4 and again on December 2, 1998, in Board Order 98-12-2-3, and

WHEREAS, the Board of County Commissioners finds that dedicating \$890,500 of the proceeds from the refinancing of the 1998 Fairgrounds Municipal Loan Agreement to the Lane County Fairgrounds Dry Weather Flow to City Sanitary Sewer/Intercept Project and approving the use of undedicated transient room tax funds for capital improvements at the Lane County Fairgrounds would be in the best interests of the citizens of Lane County, and

WHEREAS, according to Lane Code 4.175(5), any amounts derived from the Transient Room Tax imposed by LC 4.110(1) for capital debt retirements that are in excess of annual debt service shall be used for future capital projects or as directed by the Board of County Commissioners through the annual budget process,

NOW THEREFORE, IT IS HEREBY ORDERED, that the Board of County Commissioners dedicates \$890,500 of the new proceeds from the refinancing of the 1998 Fairgrounds Municipal Loan Agreement exclusively to the Lane County Fairgrounds Dry

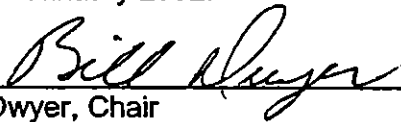
Weather Flow to City Sanitary Sewer/Intercept Project as described in Exhibit A to this Order and other capital improvements at the Lane County Fairgrounds; and it is

FURTHER ORDERED that it is the Board of County Commissioners' intent that any excess transient room tax revenues, as provided by Lane Code 4.175(5) and as determined by the Department of Management Services, be made available for transfer to the Fair Board for capital improvements for a period not to exceed five fiscal years, i.e., beginning at the time of refinancing the 1998 debt (approximately February, 2002) and ending June 30, 2007, to be used for capital projects pursuant to the Fairgrounds Capital Improvements Plan; and it is

FURTHER ORDERED that the Board of County Commissioners intends to conduct a review of any excess Transient Room Tax revenues in the fourth year (FY 05-06) following the refinancing of the 1998 Debt; and it is

FURTHER ORDERED that Board Order 98-4-8-4 and Board Order 98-12-2-3 are hereby rescinded.

Dated this 9th day of January 2002.



Bill Dwyer, Chair
BOARD OF COUNTY COMMISSIONERS

APPROVED AS TO FORM

Date 1 - 9 - 2002 Lane County



OFFICE OF LEGAL COUNSEL

Lane County Fair Board
Financial Measures

ATTACHMENT E

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Operating Cash: Cash in the Bank and investments Goal: To maintain the equivalent of one Full-Not Revenue year balance				
FY 01				
Total Cash	1,379,379	159,471	296,286	231,384
Capital Funds	1,131,599	40,821	73,870	147,396
Operating Cash	247,780	118,650	222,416	83,988
FY 02				
Total Cash	207,979	303,743	185,844	199,128
Capital Funds	13,024	100,089	55,294	50,000
Operating Cash	194,955	203,654 (1)	130,550 (2)	149,128
FY 03				
Total Cash	389,859	187,879	158,363	129,720
Capital Funds	215,782	21,411	9,847	31,163
Operating Cash	174,077	166,468	148,516	98,557 (3)
FY 04				
Total Cash	235,061	220,272	222,056	194,411
Capital Funds	131,038	175,032	174,547	74,116
Operating Cash	104,023	45,240 (4)	47,509 (5)	120,295
FY 05				
Total Cash	238,854	324,746	303,461	
Capital Funds	144,384	144,830	149,831	
Operating Cash	94,470	179,916	153,630	
Cash Reserve: FY 04 Budgeted Cash Reserves: 782,935 Goal: Actual Cash Reserve equal to Budget				
FY 05	94,470	179,916	153,630	
Deferred Revenue Ratio: Operating Cash to Deferred Revenue Goal: Maintained to 100%				
FY 01				
Deferred Revenue	118,766	118,977	218,463	218,343
Op.Cash as % of Def. Rev.	209%	99%	136%	39%
FY 02				
Deferred Revenue	91,827	151,556	214,262	303,452
Op.Cash as % of Def. Rev.	212%	134%	61%	49%
FY 03				
Deferred Revenue	133,241	250,391	159,385	250,879
Op.Cash as % of Def. Rev.	131%	66%	93%	39%
FY 04				
Deferred Revenue	133,512	167,323	71,394	282,152
Op.Cash as % of Def. Rev.	78%	27%	67%	43%
FY 05				
Deferred Revenue	99,750	120,230	176,363	
Op.Cash as % of Def. Rev.	95%	150%	87%	

- (1) FY 02 Second Quarter Cash includes \$200,000 from Operating Line of Credit
 (2) FY 02 Third Quarter Cash includes \$40,000 from Operating Line of Credit
 (3) FY 03 Fourth Quarter Cash includes \$65,000 from Operating Line of Credit
 (4) FY 04 Second Quarter Cash includes \$45,000 from Operating Line of Credit
 (5) FY 04 Third Quarter Cash includes \$80,000 from Operating Line of Credit

Lane County Fair Board
Financial Measures

Operating Income Prior to Depreciation **Difference between Revenue and Expense for core business of Fair Board**
Start with this number positive

FY 01				
Total Revenue	2,127,368	2,681,099	3,449,662	3,997,886
Total Expense	1,927,667	2,707,575	3,449,916	4,120,971
Net Profit/Loss	199,701	(26,476)	(254)	(123,085)
FY 02				
Total Revenue	2,131,540	2,757,896	3,571,974	4,166,413
Total Expense	1,861,470	2,625,477	3,357,544	4,126,024
Net Profit/Loss	270,070	132,419	214,430	40,389
FY 03				
Total Revenue	2,100,648	2,654,338	3,423,117	3,821,455
Total Expense	1,740,746	2,405,834	3,152,503	3,822,063
Net Profit/Loss	359,902	248,504	270,614	(608)
FY 04				
Total Revenue	1,990,831	2,482,455	3,182,052	3,600,773
Total Expense	1,788,554	2,422,283	3,087,513	3,675,928
Net Profit/Loss	202,277	60,172	94,539	(75,155)
FY 05				
Total Revenue	2,000,170	2,509,393	3,141,719	
Total Expense	1,931,461	2,584,213	3,325,225	
Net Profit/Loss	68,709	(74,820)	(183,505)	

Net Working Capital **Difference between Liquid Current Assets and Current Liabilities (if positive)**
Start with this number positive

FY 01				
Current Liquid Assets	442,138	299,934	368,307	340,225
Current Liquid Liabilities	371,913	329,266	354,064	444,666
Net Working Capital	70,225	(29,332)	14,243	(104,441)
FY 02				
Current Liquid Assets	337,861	304,737	239,160	188,370
Current Liquid Liabilities	342,622	607,344	286,282	285,144
Net Working Capital	(4,761)	(302,607)	(47,122)	(96,774)
FY 03				
Current Liquid Assets	322,833	312,622	297,150	158,349
Current Liquid Liabilities	270,708	263,165	175,683	393,211
Net Working Capital	52,125	49,457	121,467	(234,862)
FY 04				
Current Liquid Assets	334,465	294,510	295,081	263,149
Current Liquid Liabilities	290,628	337,738	345,379	350,209
Net Working Capital	43,837	(43,228)	(50,298)	(87,060)
FY 05				
Current Liquid Assets	414,195	371,667	348,711	
Current Liquid Liabilities	420,688	402,733	424,564	
Net Working Capital	(6,493)	(31,066)	(75,853)	

Operating Limit of Credit **\$500,000 available for capital and other expenses**
Start with this number positive

FY 01	-	-	-	-
FY 02	-	200,000	40,000	-
FY 03	-	-	-	65,000
FY 04	134,000	45,000	95,000	125,000
FY 05	-	-	-	

ATTACHMENT F

FUND-TYPE CHANGE

Under governmental accounting principles and practices issued by the Governmental Accounting Standards Board, government-type functions can be classified among several fund-types. The Fair Board has been classified as an Enterprise Fund. The accounting for this fund-type is full-accrual, the same accounting used by for-profit businesses. Emphasis is placed on recovering all costs with charges for services and maintaining the asset base used to supply the service. The transfer of resources such as the Excess Transient Room Tax is not accounted for as "operating revenue" in the computation of operating income (loss), but instead is reported below the line in the computation of "change in net assets".

In the past, this was probably the appropriate fund-type for the Fair Board; but, given the current revenue/expense structure, this is no longer viable. If the financial forecasts are valid, the Fair Board will be in a continuous operating loss situation; and, Management Letter citations are likely to be a routine occurrence. Unfortunately, the Fair Board has no ability to rectify this situation in the "big picture" scheme as the "leverage points" such as benefits control are beyond its authority.

NOTE: This **is not** a recommendation of County Finance or the Fair Board. In discussions with County Finance, it would appear that an alternative fund-type under the circumstances would be a "sub-fund" or "management fund" of the General Fund. The Fair Board management fund would collapse with the General Fund for financial reporting and budgetary purposes. Under this approach, although the transfer of Excess TRT would continue, from a reporting and budgetary perspective the transfer from the Special Revenue & Services Fund would net against the transfer in the Fair Board Management Fund. The separate set of financials for the Fair Board would no longer be presented and instead that activity would be contained within the General Fund financial statements.

For example, at the City of Eugene, the Cultural Services Division is a sub-fund of the General Fund. The Division operates the Hult Center and Cuthbert Amphitheater; and, it receives all of the City TRT revenue (approximately \$1.25 million) in addition to venue generated revenue. At its inception in 1981, the Hult Center was classified as an Enterprise Fund; but, by 1985 it became very clear that it was not self-supporting and was moved to the City's General Fund.

W.6.a.

Survey of Selected Oregon Fairs

ATTACHMENT C

Revised 4-25-05

Fair	Operating Budget	Source	Subsidy	% Subsidy	Capital Budget
Benton	950,000	GF	200,000	21%	varies
Deschutes	3,000,000	GF	300,000	10%	44,000
Douglas	1,700,000	GF	100,000	5%	50,000
Lane	3,000,000	TRT	250,000	8%	650,000
Linn	981,993	GF	350,000	35%	0
Washington	1,375,000	TRT	515,000	37%	0
State	14,000,000	GF	4,000,000	28%	0

GF Denotes General Fund

TRT Denotes Transient Room Tax

W. G. A.

DATE: April 28, 2005
TO: Board of County Commissioners
FROM: Fair Board
SUBJECT: Addendum to April 22, 2005 Memorandum
EXCESS TRANSIENT ROOM TAX RECOMMENDATION

INTRODUCTION:

At its April 26, 2005 Regular Meeting, the Fair Board had an extensive discussion of the Board finances and the issues it faces and strategies it is implementing. Excess Transient Room Tax is the only currently available resource that can facilitate the achievement of financial stability. Excess TRT is presently allocated by the Commission as a fixed dollar amount to the Fair Board's Operating and Capital Budgets, which does not provide flexibility during the fiscal year to make allocation adjustments as circumstances dictate without going through a formal Board Order process.

The Fair Board adopted the following recommendation to the Commission on the use and allocation of the Excess TRT:

Move that the Board of County Commissioners allocate to the Fair Board Excess TRT as per current practice and allow the Fair Board the flexibility to move these resources between Capital and Operating in conformity with stated financial objectives and strategies and as current circumstances dictate.

The authority will be reviewed each year in the annual budget process and at scheduled Joint Meetings of the Commission and Fair Board; and, it must be renewed each year through the annual budget adoption process. Granting of this authority will provide the Board with the management flexibility to respond to issues and opportunities in a timely manner.

BACKGROUND:

There is a history of Commission action in allocating Excess TRT to the Fair Board, including Board Orders:

- #02-1-9-4 – Allocated Excess TRT to the Fair Board initially for Capital including equipment, capital projects and debt service on capital projects or equipment purchases; five-year authorization, expiring in FY07.
- #03-06-08-1 – Authorized the repayment of the Planetarium Loan and the establishment of a Fair "Rainy Day" Reserve out of Excess TRT.
- #4-6-16-7 – Authorized up to \$250,000 in Excess TRT to establish a Cash Reserve and to cover the Operating Deficit as a result of employee benefit costs and a Planetarium Loan payment using Excess TRT.

As evidenced by the series of Board Orders, the use of Excess TRT has broadened and encompasses the entire scope of the Fair Board Budget. The Fair Board, over the nearly

four years that the Excess TRT authorization has been in effect, has fully complied with the direction and parameters established by the Commission.

As discussed in the background material covered by the memorandum dated April 22, 2005, the Fair Board finances continue to be problematic. The Fair Board has as its overarching goal financial stability. As much as the Fair Board has endeavored over the years to narrow or eliminate the “gap” between revenues and expenses, the basic financial environment and expense structure (employee benefits, Animal Disease Workplan, underwriting 4H/FFA Youth Fair, etc.) precludes complete success. Thus, in order to continue as a viable public sector entity, it appears a greater amount of Excess TRT is needed in the Operating Budget. On the other hand, there is an endless list of Capital requirements as evidenced by the Fair Board’s Adopted FY06-11 Excess TRT/Capital Improvement Plan.

It comes down to a balancing act between “keeping the doors open” and capital requirements to replace equipment and maintain or rehabilitate infrastructure. With limited resources, neither gets fully funded; and, yet, neither can be “shorted” due to the symbiotic relationship between operating and capital.

The Fair Board is clearly committed to the following financial strategies and these must be achieved to meet the goal of financial stability:

- ❖ Payoff Planetarium Loan
 - Status – Borrowed \$290,000; paid-to-date \$230,000; final payment in FY06
- ❖ Establish \$500,000 Cash Reserve
 - Status – Funded \$182,535 in FY05; scheduled additions of \$125,000 in FY06, FY07 and FY08; may need to lengthen funding by a year as a result of FY05 actuals.
- ❖ Internal Debt Service
 - Status – On-time payment of debt service on EWEB Energy Conservation loans, bank-financed Ice cutting machine purchase and City Systems Development Charges.
- ❖ PERS Pension Obligation Bond Payable
 - Status – This Payable increases each year as the payment is deferred; Board strategy is to begin payment in FY09 or earlier if feasible.
- ❖ Capital Improvement Plan
 - Status – Completed major capital projects such as the Summer Stormwater Collection System and reroofing of the Events Center and Expo Halls; equipment purchases such as chairs for the Events Center, additional electrical power to parking area for Fair and other parking lot events and replacement of trash compactor; and, improvement to the facilities such as installation of a WiFi System for client use and irrigation systems for landscaping.

The Board has demonstrated a consistent level of discipline in achieving its objectives and conservative financial management over the years. The Planetarium Loan, authorized by Board Order #00-12-13-3, is a demonstrative example of the discipline and conservatism exhibited by the Fair Board. First, the Commission authorized up to \$330,000 as the loan authority; but, the Fair Board only borrowed what it needed, \$290,000. Second, the Board Order which authorized this loan specified repayment over five years; but, the Fair Board will, in fact, pay this loan off in three years!

In summary, over the past four year period the Commission has broadened the authorized uses of the Excess TRT and basically recognized the necessity to “shore up” the Board’s Operating Budget. The Fair Board, in turn, has met or exceeded every requirement imposed by the Commission.

RECOMMENDATION:

Direct Fair Board to process this recommendation through the Budget Committee and direct County Counsel to prepare a Board Order encompassing this recommendation for the FY06 Budget Adoption process.