

COUNTY ADMINISTRATOR'S OFFICE

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To: Board of Supervisors
From: Michael D. Johnson, County Administrator
Date: February 22, 2011
Subject: Biweekly Update of Significant Issues

1. County Administrator's Update on Contracts

The County Administrator signed the following contracts of significance since the last Significant Issues update:

- County Administrator's Office, a contract with Bob Meador (effective February 14, 2011 to October 31, 2011) to design, build and maintain the Solano County exhibit at the 2011 California State Fair, \$45,000.

2. Solano County Fair Faces Risks to Unrestricted Reserve Balance

On February 22, 2011, the Auditor-Controller will be presenting an audit report on the Solano County Fair for the 2009 calendar year, which reiterates as one of its findings concerns over continued operating losses. The presentation of these losses differ from the budget presentations the Board has seen prepared by the Solano County Fair Association (SCFA). The distinction stems from how depreciation is characterized in the financial documents. The Auditor-Controller includes depreciation as an operational expense, pursuant to standard financial audit reporting procedures. The SCFA calculates its operational net profit or loss prior to accounting for depreciation, and then shows the impact of depreciation on net profit or loss.

Regardless of the presentation, the continued operating losses are reducing the Unrestricted Reserve balance. In 2008, the SCFA had an Unrestricted Reserve balance of \$1.16 million. This balance was reduced by \$443,036 in 2009 and is anticipated to be reduced by \$136,776 due to operating losses in 2010. The SCFA estimates the beginning Unrestricted Reserve balance of \$582,789 for CY2011 and its CY2011 budget estimates a modest net profit of \$17,080 before depreciation and a contribution of \$3,080 to Unrestricted Reserves.

The proposal by the Governor to eliminate \$32 million in funding would reduce non-operational revenues by \$107,500 in CY2012. If this proposal passes, the SCFA will have to make operational changes to avoid operating losses. The SCFA has already received 75 percent of its State funding and all of its Fairs & Exhibitions flex funding for CY2011. The Division of Fairs & Exhibitions has confirmed with the SCFA general manager that the balance of 2011 funding is not at risk.

The SCFA is working with the Western Fairs Association (WFA) to demonstrate the economic benefit of county fairs, including the tax dollars they generate. The WFA points to a recent California Department of Food and Agriculture report, *California Fairs: Statewide Economic Impacts*, which concluded the economic contributions to be significant, including: \$2.8 billion in consumer spending, \$855 million in income, 25,000 full-time jobs and \$126 million in state and local taxes. In its media blitz, the WFA identified 29 fairs that were at risk for closure if the governor's proposal was passed. The Solano County Fair was not on the at-risk list.

Attached is a spreadsheet that examines the SCFA operating budget since 2007 and projections through 2012, including the impact of the governor's proposal if the SCFA does not make any operational changes.

- Contact: Stephen Pierce, County Administrator's Office, 784-6122 or Mike Paluszak, SCFA General Manager, 551-2001.

3. Nonprofit Workshop Scheduled for March 1

At the December 7 Budget Workshop, the Board tentatively approved several budget reduction measures for incorporation into the FY2011/12 Recommended Budget. Those measures included a total reduction of \$1,854,000 in General Fund support for discretionary activities carried out by non-profit and community-based organizations (NPO/CBO): (\$1,596,000) from programs funded until FY2007/08 by Master Settlement Agreement revenues; (\$99,000) from Children's Alliance staff support; (\$85,000) from Court Appointed Special Advocates (CASA), following the expiration of a five-year support agreement executed in 2005; (\$44,000) from Senior Coalition staff support; and, (\$30,000) from Faith In Action transportation program expenses.

At the time, your Board both specified that no reductions take place during FY2010/11, and asked staff to schedule a Board workshop in early 2011 at which NPO/CBOs could set forth the business case for County contributions and to discuss alternative funding options. The workshop is scheduled for Tuesday, March 1 at 2 p.m. in the County Events Center.

Unlike past workshops with the nonprofit community that focused on improving administrative processes, this workshop will focus on informing Board guidance in FY2011/12 Recommended Budget preparation. In their presentations, NPO/CBOs will discuss the services they deliver, how they are funded, the extent to which County dollars directly leverage revenue from other sources and potential revenue-generating ideas.

CAO and Health and Social Services staff have collaborated with the Solano Non-Profit Coalition in developing information and presentations from interested and impacted NPO/CBOs. The Workshop agenda item will include a new Leveraged Funds report, drawn from data provided directly by participating organizations, as well as tables detailing the County's fiscal and programmatic relationships with NPO/CBOs.

- Contact: Bob Lawton, County Administrator's Office, 784-6116.

4. Workforce Investment Board Receives Grant to Assist Laid Off Workers

The Workforce Investment Board (WIB) of Solano County has been awarded a \$466,447 grant to serve workers who were laid-off this past November and December from O'Reilly Auto Parts (formerly Kragen/CSK) in Dixon. With O'Reilly acquisition of the company, a decision was made to relocate Dixon operations to the Stockton area. Of the 362 employees receiving lay-off

notices, only 130 workers were actually laid-off. The \$466,447 was not included in the WIB's current budget. The Board will receive at its March 22 meeting a request to approve an appropriation transfer to recognize the unanticipated revenue.

The WIB will use the grant to provide needed core job services to the laid-off workers, such as skill assessments, case management, job development services, retraining, and assistance in job search. The goal is to transition job seekers into available and emerging occupations in health care, clean or green energy-related industries, truck driving, and general office employment. The WIB will use its partnership with the community college, adult schools and local union apprenticeship programs to serve as a referral source for education and training.

Funding for the program is drawn from the Governor's 25% portion of Dislocated Worker Funds from Title I of the federal Workforce Investment Act and is under the administrative authority of the California Labor and Workforce Development Agency's EDD.

To better serve the needs of both the Spanish-speaking and English-speaking workers at the former O'Reilly warehouse operation, WIB has established two hotline numbers. For those more comfortable speaking/hearing Spanish can call (707) 863-3510. Those comfortable hearing the information in English can call (707) 863-3556.

- Contact: Robert Bloom, Executive Director, 863-3501.

5. Status Requested Board Reports

Department of General Services Organizational Review and FY2010/11 Budget Reduction Proposal: The County Administrator's staff is continuing to work with our consultant Kevin O'Rourke and the newly hired Director of General Services Mike Lango as well as the staff in General Services and Human Resources to oversee the completion of a report and recommendations regarding additional reductions in the department's operating budget and the potential to restructure the department. The report is anticipated to be completed for the Board meeting on March 22.

- Contact: Kevin O'Rourke, Urban Futures, 784-2498, and George Untal, County Administrator's Office, 784-6111

Historical Records Commission Requests: The County Administrator's Office has been coordinating with the Department of General Services Central Service's Division to collect data and complete a staff report to respond to questions regarding County's records management program as it relates to Historical Records as requested by the Board. County staff anticipate having a report ready for presentation and Board consideration for the March 22 Board meeting.

- Contact: Diane Koutz, General Services Central Services, 784-3105, and Chris Rogers, County Administrator's Office, 784-6481

6. Status on the Solano360 Project

Since the Board's confirmation on February 1, 2011 to continue with the Solano360 project planning, the follow activities have been completed:

Master Plan/Specific Plan Firm: Contract Amendment No. 1 with SWA to provide planning services has been signed, revising the contract timeline and expanding the level of planning

detailed work for the Solano County Fair portion of the project. Planning work with the Solano Fair Board is commencing. A second contract scope amendment to add necessary a civil engineering scope of work to support to the planning process will be included in Contract Amendment No. 2, which is anticipated to be presented to the Board for approval on March 1.

California Environmental Quality Act (CEQA) Professional Services Agreement: The professional services agreement with Michael Brandman & Associates has been signed and coordination with the SWA is under way.

Project Management Services: A request for qualifications with a requested scope of work for project management and public information outreach was distributed to a list of potential firms and individuals suggested who may have the requisite experience to handle the overall project management. The RFQ has been posted to the County website as well. The submittals and review process are detailed in the RFQ. The timeline for completion and selection of a project manager is anticipated to be brought to the Board for consideration and action on March 22.

- Contacts: Birgitta Corsello, Assistant County Administrator, 784-6107, and Bernadette Curry, Deputy County Counsel, 784-6140

Solano County Fair Operating Budget/Projections

As of Jan. 31, 2011. Adjusted for impacts as stated in Gov. Jerry Brown's proposed budget

	2007 Actual	2008 Actual	2009 Actual	2010 Estimated ¹	2011 Budgeted	2012 Projected ²
Operating Revenues						
Admissions to grounds	171,840	181,436	185,348	125,143	161,000	161,000
Commercial space	53,050	60,185	48,084	35,525	59,000	59,000
Concessions (Fair)	135,531	150,301	147,581	102,713	124,900	124,900
Exhibits	8,679	10,416	11,388	12,321	13,000	13,000
Horse racing ³	1,346,813	1,332,307	845,920	487,905	350,000	350,000
Horse racing - backstretch	39,092	51,779	-	-	-	-
Satellite wagering	890,972	785,922	699,761	653,942	632,000	632,000
Fair parking, trailer space	67,658	89,749	72,590	50,315	66,000	66,000
Sponsorship	48,198	33,621	36,351	37,214	47,000	47,000
Electronic sign revenue	245,336	217,567	174,848	144,500	200,000	200,000
Interim revenue	769,278	772,132	606,881	658,629	836,000	836,000
Golf course revenue		232,690	226,249	197,198	223,700	223,700
Auxillary stabling revenue	603,395	92,914	-	-	-	-
Special concerts/sports arena	128,158	119,264		Concerts now part of fair admission		
Lease/Misc. Revenue	355,471	333,651	369,747	350,000	350,000	350,000
Total Operating Revenue	4,863,471	4,463,934	3,424,748	2,855,405	3,062,600	3,062,600
Other Revenues						
Interest	26,671	20,370	9,687	6,827	6,000	6,000
State	40,000	20,000	20,000	65,000	72,500 ⁵	- ⁶
County (.33 monies)	65,554	48,452	67,851	43,275	70,000	70,000
Project Funding ⁴	-	-	-	81,000	-	-
F&E Flex Fund	40,000	32,000	-	15,000	35,000 ⁵	- ⁶
Total Other Revenues	172,225	120,822	97,538	211,102	183,500	76,000
Total Revenues	5,035,696	4,584,756	3,522,286	3,066,507	3,246,100	3,138,600
Operating Expenses						
Wages/Payroll	1,187,663	1,242,890	1,218,761	1,231,619	1,203,006	1,203,006
Workers Compensation/Benefits	316,144	375,730	411,654	397,381	391,464	391,464
Professional Services	974,934	846,393	581,987	400,502	443,000	443,000
Supplies and Expenses	312,930	296,934	231,370	235,586	242,150	242,150
Travel & Meeting	27,040	31,758	27,924	29,781	31,000	31,000
Utilities, Water and Garbage	302,024	323,783	252,498	228,821	237,100	237,100
Equipment Maintenance	72,365	62,768	58,212	58,987	58,750	58,750
Equipment Rental	172,410	170,484	141,387	158,194	171,400	171,400
Buildings and Grounds	44,138	42,407	49,940	45,486	47,000	47,000
Directors Expense	19,370	19,356	23,949	24,659	25,000	25,000
Advertising/Promotions	163,813	146,324	150,122	101,241	114,000	114,000
Entertainment	125,835	115,269	101,809	168,810	173,000	173,000
Special Concerts	479,196	342,723	209,321		These expenses spread to above expense	
Golf Course Expense		260,984	262,500	categories, consistent with all other departments.		
Auxillary Stabling	550,085	83,531	35,858	-	-	-
Premiums	15,499	20,005	21,212	24,303	26,000	26,000
Donated Services	9,589	5,783	13,387	6,700	10,000	10,000
Bank charges, interest, misc.	4,436	3,855	15,754	17,900	18,500	18,500
Bad Debt	-	-	11,461	299	-	-
Equipment	16,816	5,293	2,106	7,338	3,650	3,650
Special Projects	74,559	98,571	48,307	25,330	34,000	34,000
Prior Year Expense/(Revenues)		91				
Total Operating Expenses	4,868,846	4,494,932	3,869,519	3,162,937	3,229,020	3,229,020
Net Profit/(Loss) Prior to Depreciation	166,850	89,824	(347,233)	(96,430)	17,080	(90,420)
Depreciation	306,244	289,588	297,532	252,681	240,000	240,000
Net Profit/(Loss) After Depreciation	(139,394)	(199,764)	(644,765)	(349,111)	(222,920)	(330,420)
Unrestricted Reserve Balance	1,060,283	1,162,601	719,565	582,789	585,869	495,449

¹SCFA actual figures for 2010 are not yet complete but are on track to meet 2010 Estimates.

²Assumes no changes in operations as a result of loss of State dollars and a continuation of expenses and other revenues at the 2011 budgeted level.

³SCFA ended live horse racing in 2009; it will continue to receive a declining amount of horse racing revenues through CY 2016. SCFA received \$487,905 in FY2010; budgeted \$350,000 in CY2011, actuals will be \$414,000 for CY2011 and has already been received. CY2016 amount estimated to be around \$100,000, depending on the volume of horse racing over the next five years.

⁴Potential impact in future funding from the State for SCFA projects is not known at this time.

⁵SCFA has already received 75% of its State Funding and 100% of its F&E Flex Funding. Division of Fairs & Exhibitions confirmed Jan. 31 that 2011 money is not at risk.

⁶Eliminated in Gov. Brown's proposed State budget for 2011/12.

SOURCE: Solano County Fair Association Operating Budgets for 2009, 2010, 2011; SCFA General Manager