

St. BCC / Fair Board Mtg

**VANVACTOR William A**

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**From:** VANVACTOR William A  
**Sent:** Friday, July 22, 2005 10:11 AM  
**To:** WONG Warren G  
**Cc:** WILSON Teresa J; GARNICK Dave L  
**Subject:** Fair Board report of July 14, 2005

Warren

Wow, my compliments to you and the Fair Board you did great work at your July 1 work session. Really a great report on what all is involved in a project of this scope.

As you would expect, a well prepared report like this naturally gets ones mind working, so I have a few thoughts.

1. Privatization. In your discussion you assume that this would dramatically change what actually occurs on the site. That would certainly be true it was a total delegation to a company to run the Fairgrounds. Another way to approach the issue would be to developed an RFP wherein the site is managed by a non profit corporation. In the contract certain activities of a high priority are specified to continue. 4H youth fair, Ice rink, Youth sports, etc. While you might still need a subsidy, it could be reduced as the public sector wage levels and benefits could be reduced. Sort of a half measure to reduce costs.

2. Request for feedback on page 11. What it intentional that you describe the first service as core, the second important the third nice? This seems like an implicit value judgment in the way the questions are asked. Also on the third question, the reference to sports services skips over the issue you had talked about earlier, serving youth. That seems like a separate question.

3. Options. It seems to me there are more options then track # 1 or # 2.  
How about a track #3. Commit to current location for 10 years. (that period is selected as apparently the entire Fair Board does not see it operating past 10 year.) During that period only do the minimum maintenance necessary to keep the facility operational. Take the excess TRT now going for upgrades and use those funds to fund the study to determine future programs and activities which would occur at a new Expo and Fair site, evaluate the true value of existing Fairgrounds, calculate the costs to move, the costs to develop new site, and then if all this information is favorable toward relocating, use the funds to acquire and develop the new site. Should the costs prove too high, then reverse the decision to close in 10 years and develop an strategic plan for the Fairgrounds at the existing site. This approach would allow you to maintain the continuity of programs, activities and customers currently occurring at the site. This would also allow time for a public involvement process. With a decision as large as this is, we need to make sure our citizens know what is going on and have an opportunity to talk to the decision makers. Finally, somewhere in this 10 year period, it also provides time to develop new funds. While the TRT flow should be enough to fund the required studies, it would not produce the new capital necessary to develop a class A Fairgrounds and Expo center.

I hope these thoughts help.

Bill

DATE: July 14, 2005  
TO: Board of County Commissioners  
FROM: Fair Board  
SUBJECT: Board Order #05-6-22-9  
Status Report  
Commission Input Requested

This memorandum is a report on the Fair Board's July 1, 2005 Special Worksession. If you have questions, please call Chair Tom Hunton, 998-1121, or Warren Wong, Managing Director, 682-7375.

### **BACKGROUND**

At the May 4 Joint Meeting of the Board of County Commissioners (henceforth referred to as "Commission") and Fair Board (henceforth referred to as "Board") and at the June 22 Commission meeting, the Commission gave the Fair Board the following directions as enshrined in Board Order #05-06-22-9:

1. The Board of County Commissioners expresses its commitment to the Fairgrounds facility for the foreseeable future.
2. The Board of County Commissioners requests the Fair Board explore future options for the Fair, the Fairgrounds and the exhibition facilities, and that at such time as the Fair Board deems prudent, return with such options to the Board of County Commissioners for further discussion.
3. 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 in the amount of \$60,000, which is the remaining balance owed.

At the June 22 meeting, the Commission provided further clarification on "2" above. Two key issues were raised:

1. Operating Budget Deficit
2. Fairgrounds Location

A synopsis of the discussion is that the Board should examine **ALL** viable options to address the two key issues raised. Inclusive in this review is whether the Fairgrounds should remain at the present site or relocate.

At its June 28 Regular meeting, the Board discussed the directions from the Commission, attempting to arrive at a consensus on the directions and next steps. The Board determined that there was urgency on the part of the Commission and to respond accordingly, scheduled a Special Worksession for July 1.

The Fair Board conducted a Worksession on Friday, July 1, and spent nearly five hours discussing various issues in response to the Commission's directions. Commissioners Stewart and Green were in attendance. We appreciate their time and commitment to being involved in this effort and their input at the Worksession and their insights on the issues discussed.

From the Worksession, a series of issues have emerged and are discussed in this report. Prior to expenditure of financial and staff resources, feedback from the Commission is requested to affirm the Fair Board's position and to provide further direction to the Fair Board as it attempts to respond to the Board Order.

## **ASSUMPTIONS**

In addressing the directions from the Commission, the Fair Board made the following assumptions that were incorporated into the Worksession and this report. The underlying assumptions are:

- ❖ Complexity and Integration – The issues being addressed are very complex and have many layers and ramifications. Thus, the Fair Board has attempted to capture the “essence” of the issue, without going into infinite minutiae.
- ❖ Span of Review – The Commission wanted **ALL** options reviewed and the Board has taken that charge to heart in its discussions.
- ❖ Timing of Response – There seems to be an urgency to the Commission's directions and accordingly the Fair Board has approached its work expeditiously, albeit with appropriate and prudent caution. The due date for a response to Board Order #05-06-22-9 is December 14, 2005; but, the Fair Board believes that a more timely response is appropriate to ensure that it is in alignment with the desires of the Commission.
- ❖ Expenditure of Resources – The Fair Board has taken the position that it will not expend substantial out-of-pocket resources until given further direction from the Commission. The available resource to expend on any of these options is Excess Transient Room Tax which is limited and critically needed for capital and equipment replacement, operating subsidy and payment of debt service. There are no operating resources, aside from staff, available given the financial condition of the Fair Board.

Given the assumptions, the approach the Fair Board has taken is to submit to the Commission a "scoping statement" that outlines the issues and presents to the Commission question(s) to validate the Fair Board's position and to provide further direction on work required.

The sequence in which the issues are presented is important as to some extent they are clearly distinct issues; but, there is a logical order to addressing each issue. Timing of implementation may be very different for each issue. Thus, the first key issue addressed is the Operating Deficit and the second key issue is the Fairgrounds site. The Fair Board also identified other related issues and included them in this report.

### **ISSUE – OPERATING DEFICIT**

The Operating Budget Deficit has been addressed by the Commission on several occasions in the past four years, the most recent being on June 22 with the passage of Board Order #05-06-05-22-9 which authorized up to \$450,000 of Excess Transient Room Tax to be used in the FY06 Operating Budget. It may be possible to generate a profit but this would require nearly daily use of the Lane Events Center and that is unlikely to happen in the current market or foreseeable future. The financial environment in which the Fair Board operates as a department of Lane County with its attendant cost factors literally precludes a profit.

However, the Fair Board is not willing to simply accept an Operating Deficit, per se. The Fair Board is committed to every reasonable strategy to eliminate or moderate the magnitude and growth of the Operating Deficit. For example, building rents will be increased by 10% in this fiscal year and will probably be increased further in FY07. The difficulty in increasing rates is that the client does not see any added-value given the condition of our facilities and infrastructure when compared to competing venues that have invested in upgrading their facilities.

To a certain extent, the Fair Board competes in a market that is not only geographically dispersed but also consists of a number of venues that provide events planners and organizers many options besides the Lane Events Center. The Fair Board continues its effort to increase Events Center usage, often in new and different formats. For example, a first-event at the Lane Events Center was the Country Coach Employee Picnic (2,500 attendees). Another strategy has been the major effort and investment to attract a Junior B Hockey Team to the Ice Center this Fall.

As presented to the Commission on May 4, most Oregon Fairs, including the State Fair, receive an operating subsidy. Some fairs receive General Fund resources and others, like Lane County, receive hotel and motel taxes. The Fair

Board is no different than many other public sector services such as cultural facilities, libraries, recreational programs, etc., that receive an operating subsidy directly or are tax supported.

The Fair Board has taken the position that services such as the County Fair and exhibition and trade show facilities are too important to the Lane County community fabric and economy to eliminate. The "privatization" option which would eliminate the Operating Deficit is certainly viable and has been presented to the Commission as recently as March 31, 2004. At that time, the Commission unanimously rejected the privatization strategy. Rather, the Commission, in previously approved Board Orders #03-6-19-1, #04-6-16-7 and #05-6-22-9 have basically agreed to a subsidy to address the Operating Deficit and allowed Excess Transient Room Tax to serve as the source of the subsidy.

### **ISSUE – EXCESS TRANSIENT ROOM TAX COMMITMENT**

Board Order #02-1-9-4 authorized the allocation of Excess TRT to the Fair Board for capital-purposes and other annually authorized uses, such as repayment of the Planetarium Loan or as an Operating Budget subsidy. The Fair Board greatly appreciates the Commission's commitment of this resource to them. Excess TRT has been used to implement capital projects, replace obsolete equipment, install technology, extinguish debt and subsidize the Operating Budget. Without the Excess TRT, the Fair Board would be a dramatically different organization today and services such as the County Fair would probably not exist as we now know it. From a business-continuation perspective to provide visitors and clients with certainty as to the viability of the Lane Events Center, it is critical that this resource be available in the foreseeable future.

Board Order #02-1-9-4 that authorizes the Excess TRT calls for a review in FY06 and the Board intends to conduct the review with the Commission in the Fall, perhaps at the scheduled Joint Meeting. The Board Order expires on June 30, 2007 and the Fair Board will ask the Commission to renew this authorization for a comparable term as the initial Board Order.

### **ISSUE – FAIR BOARD SERVICES**

The Fair Board had an extensive discussion of the "business" in which it is in. The basis for this discussion was the Mission Statement, which basically calls for the Fair Board to provide:

- ❖ A venue for community celebrations and events – County Fair, Asian Celebration, Black Sheep Gathering, Holiday Market, etc.
  
- ❖ Supporting the visitor and convention industry – Oregon Logging Conference, Home and Garden Shows, RV/Auto/Boat Shows, etc.

- ❖ Programs that support family, youth and community values – Ice and Sports Centers, 4H/FFA Youth Fair, KMTR Kid Jam, Farmer’s Market, etc.

The Fair Board unanimously and emphatically believes that the County Fair is the basic core service it must and should provide. The Fair’s financial success is a key determinate in the Fair Board’s overall financial outcome. The Fair is one of the few—but probably the largest—event that celebrates the rural heritage of Lane County and provides an opportunity for the urban-rural interface of residents and visitors to Lane County.

The provision of exhibition or trade show (“flat space”) was determined to be a closely-related core service. In most cases, this function breaks-even financially. The facility is one of the few in Lane County with sufficient flat-space to meet the needs of large clients such as the Logging Conference or Country Coach Rally. These shows, whether public or private events, are an integral part of the local economy; and, in many situations, generates room nights for the hotel/motel industry.

Sports functions were rated as desirable but not core, given that there are many other entities providing similar services. Youth activities such as the 4H/FFA Youth Fair or sports activities are, in effect, internally or externally subsidized. An additional note on sports facilities is that the current programs involving ice or basketball are driven by geographic proximity to the population base; and, the current Fairgrounds is amenable to these kinds of sports activities.

The consensus of the Fair Board on its service continuum has immense impact on the subsequent issue of “fairgrounds location”, especially in relation to site characteristics such as acreage, transportation access, size and kinds of facilities, site topography, etc.

#### **COMMISSION INPUT REQUESTED**

- ✓ Does the Commission concur with the Fair Board that the County Fair is a core service?
- ✓ Does the Commission concur with the Fair Board that exhibition or trade show facilities are an important service provision?
- ✓ Does the Commission agree with the Fair Board that sports services are “nice to have” but not necessarily core to the Fair Board’s services?

#### **ISSUE – FAIRGROUNDS LOCATION–CURRENT SITE**

The Fairgrounds has been located at its current site for approximately 100 years. Over a period of time, the site has transitioned from a traditional fairgrounds to

what we currently have at the Lane Events Center – a “fairgrounds” with some of the traditionally associated amenities, exhibition or trade show facilities and Ice/Sports Center. Essentially, the Fairgrounds or Lane Events Center functions as a trade-show facility for eleven months of the year and a “fairgrounds” for one month in the year, with sports activities throughout most of the year.

The significant positive attributes of the current location are: its proximity to Downtown Eugene; located within the Metropolitan Area and its population base; relatively good access off the Interstate; good transportation access including Lane Transit District service; existing facilities and infrastructure including extensive surface parking; municipal utility services; and, not to dismiss lightly, its location and services are a “given” in people’s minds. In addition, the OSU Extension Services office is located adjacent to the Fairgrounds and works well for the 4H/FFA Youth Fair. The significant disadvantages are: it is not large enough to have some of the traditional facilities a fairgrounds has such as an outdoor arena; environmental limitations with the adjacent Amazon Creek preclude large animals all-year; old and outdated facilities that are expensive to maintain and repair; no acreage for major expansion; limitations on programs or services due to being situated in a residential neighborhood; and, external pressures for alternative use of the site. Further, due to limitations in acreage and facilities, Lane County is unable to hold the County Fair and the 4H/FFA Youth Fair simultaneously, as do all other Fairs in Oregon.

A phenomenon that was discussed is that the County Fair, exhibition and sports facilities “work” at the current site with the existing infrastructure. The Lane Events Center is the only venue in Lane County that can host certain events such as the Oregon Logging Conference or the Asian Celebration. The Sports Center, because of its accessibility to the transportation systems and population mass, serves over 40,000 youth visits through the nine-month season. Any move from the current site would entail a significant transition, requiring time and financial resources to replicate the facilities and renew client/visitor patronage.

Clearly, the Fairgrounds “works” and adequately meets the needs of visitors and clients. However, the Fair Board does see issues on the horizon including aging facilities; lack of adequate and appropriate space for clients; probably more restrictive standards under which animals can be exhibited, requiring facility upgrade or construction; and, eventually sufficient pressure to have the site used for a “higher and greater” use from a land management perspective. No one on the Fair Board sees the Fairgrounds as being a viable facility and site in 10-20 years.

Nevertheless, the Fair Board conducted an extensive discussion of what actions are required to remain at the current location and continue to be a viable entity in the near-term. The Fair Board discussed stronger efforts to develop partnerships, perhaps with other governmental entities such as Lane Community

College or the various agricultural related federal and state agencies. Another possibility might be the siting of a hotel to complement the exhibition facilities.

Certainly, much capital investment needs to take place, primarily in three facets. First, upgrade of existing facilities to meet code, such as ADA requirements, and to bring the facilities and infrastructure up to current technology and service requirements; examples in this category would be air conditioning in the Wheeler or restrooms in the Events Center. Second, replace facilities that simply do not work functionally or are bordering on safety and structural deficiency; an example in this category would be the Expo complex. Third, to meet customer demands, expansion of space including perhaps a third exhibition hall and more breakout rooms is desirable. Since the restriction on large animals all-year at the Fairgrounds is a significant detriment of the current location, a capital upgrade may be covering the areas required by animals and installing a system to capture and process animals waste. The question of how to finance Fairgrounds capital investment was not discussed; the most likely approach would be a General Obligation Bond measure and, maybe for a small portion of the financing, as a private-public partnership.

## **ISSUE – FAIRGROUNDS LOCATION–RELOCATION**

The Fair Board also spent a considerable amount of the Worksession discussing relocation of the Fairgrounds and the advantages and disadvantages therein. One aspect of relocation revolves around co-location. At the present site, there is a synergy of a fairgrounds, exhibition or trade show facilities and sports venues. A threshold question is whether all of these functions are relocated to one location or to separate locations. To a large extent, this is an unanswerable question until additional analysis is conducted on site availability and location, how much acreage is required, site requirements, etc. As mentioned previously, some of the functions conducted at the present location, such as the Ice Center, are not amenable to being in a low-population area such as on the fringe of or outside the Urban Growth Boundary.

The obvious advantage of relocation is, hopefully, adequate acreage to meet current needs and future expansion. Many of the traditional venues associated with fairgrounds including stables, riding area, an arena, etc. could be created providing for all-year long animal events. Other traditional fairgrounds-type venues such as a race track could be built on a larger site with a compatible land use designation. The exhibition facilities could be built to current standards, technology and space requirements, with acreage for future growth.

In the spirit of “brainstorming”, Fair Board members discussed the feasibility of adding sports along the lines of playfields, perhaps a site for the Civic Stadium should that move come about, and a variety of other functions that could be integrated into a new fairgrounds site. Another possibility is the central location



of OSU Extension Services and the various federal and state agricultural related agencies and non-profit partners, perhaps even a growers market or a demonstration farm.

There was general discussion that a site should have amenities such as municipal utility service, transportation access, public safety (police and fire) services, relative ease to businesses such as restaurants and hotels and flat topography. Although not part of the general charge to the Fair Board, discussion did take place as to likely locations with the areas north of Eugene such as along I-5, Highway 99 or in the vicinity of the airport being favored.

If the track of pursuing the relocation option is selected, much analysis and other work are required on the operating budget, programming, economic and market feasibility, site, facilities, financing, phasing, etc. Clearly, the Board recognizes a significant transition period and costs are involved in such a move, not to mention community buy-in and education. For example, the literature and anecdotal information would indicate there may initially be a significant loss of attendance at the Fair and clients renting flat-space before the attendance and usage return to and begin to exceed the current levels; and, from a financial management perspective, this would call for large reserves or an increase in the operating subsidy during this transition-period. A well-designed community (citizens, clients, attendees, etc.) involvement process could go a long way toward overcoming many of the obstacles to a Fairgrounds move.

### **SUBSEQUENT “WORK TRACKS”**

As evidenced by the discussion above, the Fairgrounds location issue is very complex. The Fair Board, in its Worksession, skimmed the surface in a comprehensive discussion on the issues, options and ramifications. Any further effort requires acquiring more data, ranging from architectural and engineering work to market analysis to property availability to community engagement processes.

To simplify the discussion, the Fair Board developed the following “tracks” which dichotomize the Fairgrounds location issue into two, distinct options. Each track will cost significant financial resources to pursue. For example, the work that EWEB is currently conducting on the identical issue of relocation will cost over \$1 million. Although the Fairgrounds is not quite as complex with respect to infrastructure, in many ways the Fairgrounds is equally complex because of the variety of clients served, services provided and the many and varied constituent groups that are stakeholders in the Fairgrounds. The Board could follow either or both tracks and incorporate many of the issues identified in the section titled “Other Issues”.

- ❖ **Track #1** – Remain at current location and conduct necessary threshold studies to upgrade the facilities and infrastructure to remain competitive over the next 20-30 years.
- ❖ **Track #2** – Relocate and conduct necessary threshold studies to determine cost of relocation including site availability, land acquisition and infrastructure and facilities required to have a viable replacement fairgrounds that would be competitive for 30-50 years.

A critical issue that requires further direction from the Commission is the timeframe for completion of the work. For example, is the timeframe for completion in the current fiscal year or can this effort overlap several fiscal years? Directly related is how this additional work is funded. Does the Commission have resources to fund this additional work? As indicated above, the Fair Board could use Excess TRT resources and trade-off current budgeted capital project and equipment requirements to facilitate the above work. In reality, given the Budgeted Excess TRT for FY06 and the Projected Excess TRT for FY07, it would take at least two fiscal years to garner sufficient resources of TRT to fund the additional work.

#### **COMMISSION INPUT REQUESTED**

- ✓ Select track(s) for Fair Board to pursue.
- ✓ What is the timeframe for completion of the work outlined in the tracks?
- ✓ How will this additional work be funded?

#### **OTHER ISSUES**

There are many other issues that were not discussed in detail by the Fair Board but are raised to “get them on the table”. This list is by no means comprehensive and the Fair Board has not taken a position on them.

- ❖ **General Timing** – Is this the appropriate time for the Commission to be dealing with either the upgrade or the relocation of the Fairgrounds given other pressing issues facing County Government, including the reauthorization of the Secure Rural Schools Funding, public safety funding or a Public Health facility?
- ❖ **Decentralization of Functions–Relocation** – The primary functions that take place at the Fairgrounds are the County Fair, exhibition and trade show events and sports events. Does Commission want, to the greatest extent feasible and practicable, all functions to move to one site; or, is “splitting” the functions to the most optimal site acceptable?

- ❖ Outstanding 2002 Revenue Bonds – There is \$7.615 million in Revenue Bonds outstanding whose proceeds were used to build and equip facilities at the Fairgrounds. If the relocation option is selected and if the property is sold, will these bonds be extinguished by those proceeds?
- ❖ Constituent Input – What kind of process will be used to solicit community input? The Fair Board certainly will work with its clients, attendees, adjacent neighbors and others directly involved in the Fairgrounds; but, what about other governmental jurisdictions, voters, etc.
- ❖ Financing – Clearly the magnitude of the dollar amounts that will come out of either analysis are large and if pursued will require voter approval of bonds. Is the Commission willing to contemplate such a General Obligation Bond ballot measure in the foreseeable future?
- ❖ Land Transaction – The Fair Board clearly understands that any disposition or acquisition of real estate is the sole prerogative of the Commission and will follow your lead in this area.
- ❖ Fairgrounds Appraisal – Should the current Fairgrounds site be appraised? Who pays for it?
- ❖ Fairgrounds Sale or Lease – Is the Commission interested in an outright sale of the Fairgrounds or does the Commission wish to pursue some type of lease arrangement?
- ❖ Fairgrounds Lease Proceeds – Where do the proceeds go? Options include: to the Fair Board to subsidize the Operating Budget; to support debt service on capital financing for a new fairgrounds; or, to the County General Fund?
- ❖ Fairgrounds Sale Proceeds – If the Fairgrounds is sold, where do the sale proceeds go? Options include: pay part of the relocation costs to move the Fairgrounds or to the General Fund?
- ❖ OSU Extension Services and Lane County Historical Museum – While not directly related to the Fair Board, these functions are closely identified with the Fairgrounds campus. What is their future?

## **SUMMARY**

In response to Board Order #05-6-22-9, the Fair Board had a spirited and productive Worksession to prepare a response to the Commission. As discussed above, this is a very, very complex issue with significant ramifications for the

Fairgrounds and its many constituents as well as the County and other interested parties.

Regarding the Operating Budget Deficit, it needs to be reiterated that the Fair Board does not see a way to avoid it given our current structural format as a County Department and public sector service delivery entity. That said, the Excess Transient Room Tax is pivotal to supporting this format of the Fair Board and its renewed commitment is a critical decision-point this fiscal year.

The Fair Board did not formally take a position on the “stay” vs. “relocate” issue. However, it would be accurate to state that the Fair Board does not believe the Fairgrounds will be viable at the current site in 10 years or so. That being said, planning for the Fairgrounds for the next fifty years is a prudent and strategic action.

The Fair Board hopes this scoping statement provides sufficient substance for the Commission to dwell on and to provide feedback and direction to the Fair Board. Below, we summarize the questions that the Fair Board requests the Commission provide feedback on:

- ✓ Does the Commission concur with the Fair Board that the County Fair is a core service?
- ✓ Does the Commission concur with the Fair Board that exhibition or trade show facilities are an important service provision?
- ✓ Does the Commission agree with the Fair Board that sports services are “nice to have” but not necessarily core to the Fair Board’s services?
- ✓ Select option(s) for Fair Board to pursue:
  - Track #1 – Remain at current location and conduct necessary threshold studies to upgrade the facilities and infrastructure to remain competitive over the next 20-30 years.
  - Track #2 – Relocate and conduct necessary threshold studies to determine cost of relocation including site availability, land acquisition and infrastructure and facilities required to have a viable replacement fairgrounds that would be competitive for 30-50 years.
- ✓ What is the timeframe for completion of the work outlined in the tracks?
- ✓ How will this additional work be funded?

The Fair Board appreciates the Commission instigating the discussion that has resulted in raising these very critical issues on the viability and future of the Fairgrounds. The Commission and Fair Board should be mutually working toward developing a goal and strategic plan that ensures such services as the County Fair and exhibition facilities are addressed over the next fifty years. The Fair Board is available to meet with you in Joint Meeting or the Chair and Vice Chair can attend a Regular Commission meeting when you process this report.