



The mission of OCFEC is...

**CELEBRATION OF ORANGE COUNTY'S
COMMUNITIES, INTERESTS, AGRICULTURE AND HERITAGE**
(with results justifying resources expended)

NOTICE OF MEETING

32ND District Agricultural Association
OCFEC Board of Directors
Thursday, March 11, 2010
10 a.m.

Administration Building
Orange County Conference Room
OC Fair & Event Center
88 Fair Drive
Costa Mesa, California

Board of Directors
Kristina Dodge, Board Chair
David Ellis, Vice Chair

Gary Hayakawa, Member Dale Dykema, Member
Mary Young, Member David Padilla, Member
Joyce Tucker, Member

Those persons wishing to attend the meeting and who may require special accommodations pursuant to the provisions of the Americans with Disabilities Act are requested to contact the office of the 32nd District Agricultural Association (714) 708-1500, at least five working days prior to the meeting to insure the proper arrangements can be made.

At the discretion of the Board of Directors, all items appearing on this Agenda, whether or not expressly listed for action, may be deliberated and may be subject to action by the Board of Directors. The Board may convene to executive session pursuant to Government Code section 11126, subdivisions (a) and (e) to consider personnel evaluation and/or possible litigation. Items may not necessarily be taken up in the order shown on this Agenda.

This agenda, and all notices required by the Bagley-Keene Open Meeting Act are available on the Internet at:
www.ocfair.com

AGENDA

1. CALL TO ORDER

All matters noticed on this agenda, in any category, may be considered for action as listed. Any item not so noticed may not be considered. Items listed on this Agenda may be considered in any order, at the discretion of the Board Chair.

2. THE MISSION OF OCFEC IS...Celebration of Orange County's Communities, Interests, Agriculture and Heritage (with results justifying resources expended).

3. PLEDGE OF ALLEGIANCE

4. ROLL CALL (Policy Reference: 4.5.2.B)

5. MATTERS OF PUBLIC COMMENT - Speakers are requested to sign in prior to the start of the meeting and are limited to three minutes. Public comment is allowed on issues NOT on the current Agenda. However, no debate by the Board shall be permitted on such public comments, and no action will be taken on such public comment items at this time, as law requires formal public notice prior to any action on a docket item.

Comments will be accepted on Agenda items during the meeting. Speakers wishing to address the Board on items on the agenda are requested to sign in prior to the start of the meeting and identify the agenda item[s] on which you desire to address the Board. Speakers are limited to three minutes.

6. GOVERNANCE PROCESS:

A. Strategic Plan Presentation:

FUTURE FAIR: A COMMUNITY CONTRIBUTION PLAN

Action Item

7. CEO'S OPERATIONAL UPDATE

8. BOARD OF DIRECTORS MATTERS OF INFORMATION

9. NEXT BOARD MEETING: MARCH 25, 2010

10. ADJOURNMENT

Respectfully submitted,
OC Fair & Event Center



Steve Beazley
President & CEO

Date of notice: 4:45 p.m. March 1, 2010



Board of Directors Agenda Report

MEETING DATE: MARCH 11, 2010 ITEM NUMBER: 6A

SUBJECT: **Strategic Plan Presentation:
FUTURE FAIR: A COMMUNITY CONTRIBUTION PLAN**

DATE: March 4, 2010

FROM: Steve Beazley, President & CEO

PRESENTATION BY: Steve Beazley, President & CEO & Dena Heathman, Sr. VP

RECOMMENDATION: Endorse the recommendation of the 2004 California Performance Review of fairs restructuring as Public Corporations and specifically seek approval for the OC Fair to be granted the governance of a Citrus Fruit Fair, thus establishing a greater level of local control.

BACKGROUND:

Summary of 2004 California Performance Review on Reorganizing of Fairs:

California's state agency fairs are revenue generating enterprises that must compete against other entertainment and events businesses to attract patrons. These organizations need the flexibility to operate as business enterprises outside of the state's procurement, contracting, and personnel management rules that were designed to manage the activities of traditional state entities. In addition, fairs are community events that should be managed at the local level for the benefit of their community. California's 54 district agricultural associations and the California Exposition and State Fair should be converted from state entities to public corporations.

Staff has been conducting research on the two Citrus Fruit Fairs in California and has produced the following information:

What is a Citrus Fruit Fair?

- Instrumentality of the state rather than a state agency
- Independent non-profit organization (mutual benefit non-profit corporation) with state oversight

- Two citrus fruit fairs currently exist in California (Cloverdale Citrus Fair in Cloverdale, and National Orange Show in San Bernardino)
- Real property of a Citrus Fruit Fair is owned by the state, and assets of the organization would escheat to the state upon its dissolution
- Management of the fair is shifted to the local level, allowing the fair to operate more like a business by relieving it of bureaucratic burdens that complicate operating a fair, and to respond more appropriately to local conditions.
 - Procurement policies are established locally – the Citrus Fruit Fairs are not subject to Department of General Services procurement policies and requirements
 - Personnel and compensation policies are established locally. Citrus Fruit Fairs are not subject to Department of Personnel Administration and State Personnel Board regulations
- Citrus Fruit Fairs are eligible to offer CalPERS health and retirement benefits to their employees
- Citrus Fruit Fairs are not represented by the Attorney General's office and select their own legal counsel
- The organization is governed by a Board of Directors. Composition, selection, term of service, and duties of the directors are established in the organization's by-laws rather than by gubernatorial appointment
- Board meetings are conducted under the public meeting provisions of the Ralph M. Brown Act
- As members of California's network of fairs, the Department of Food & Agriculture (CDFA) provides oversight of Citrus Fruit Fairs including review of annual budgets and statements of operations. Annual audits are conducted by CDFA auditors.

FISCAL IMPACT:

TBD

CONCLUSION:

OCFEC has been self-sufficient for several years and is prepared to adopt a model of governance that establishes a greater level of local control. A recommendation of this nature was presented in the 2004 California Performance Review of fairs, restructuring them to become Public Corporations. It is the recommendation that the model best suited for OCFEC is that of a Citrus Fruit Fair.

California Performance Review

[Home](#) → [CPR Report](#) → [Issues and Recommendations](#) → [Chapter 5 Resource Conservation and Protection](#) → **RES28**

RES28 Reorganize the 54 District Agricultural Associations and the California State Exposition and Fair as Public Corporations

Summary

California's state agency fairs are revenue generating enterprises that must compete against other entertainment and events businesses to attract patrons. These organizations need the flexibility to operate as business enterprises outside of the state's procurement, contracting, and personnel management rules that were designed to manage the activities of traditional state entities. In addition, fairs are community events that should be managed at the local level for the benefit of their community. California's 54 district agricultural associations and the California Exposition and State Fair should be converted from state entities to public corporations.

Background

California has been conducting fairs for more than 140 years, with the first state agency fairs established in law before the Civil War.^[1]

Today, the state's network of fairs includes 81 fairs operating under a variety of governance structures, including 54 district agricultural associations (state agency fairs); 23 county fairs (18 of which are operated by nonprofit organizations through a contract with the county); two citrus fruit fairs (independent nonprofit organizations with state oversight); and the California Exposition and State Fair (Cal Expo), also a state agency fair.^[2]

California's fairs are well attended and have a significant impact on California's economy. In 2002, fair-time attendance exceeded 11.1 million people, with interim events attracting another 21.6 million people.^[3] According to a study conducted by KPMG LLP, direct spending by patrons at fairs and interim events totaled \$963 million in 2002, which translates to a \$2.55 billion overall impact on California's economy.^[4]

The Department of Food and Agriculture (CDFA) oversees California's network of fairs, including managing revenues from a pari-mutuel wagering tax levied on horseracing. CDFA collects the wagering tax and distributes it to the fairs (state agency fairs, county fairs, citrus fruit fairs, and Cal Expo) based upon their size. Small fairs, most of which are located in rural communities with few opportunities for sponsorship, interim rentals, or increased attendance, receive the largest annual allocation of horseracing revenue. For some of these fairs, the annual allocation represents up to 70 percent of their budget. The largest fairs receive the smallest allocation, representing less than 1 percent of their budgets.^[5]

Although some state agency fairs have been part of the state for more than a century, there are two reasons why the state should transition the district agricultural associations to local control. The first is that the state's system of administrative controls is making it increasingly difficult for state agency fairs to compete against other entertainment and events businesses that are not subject to these requirements. The second reason is that state agency fairs are community events that should be managed at the local level for the benefit of their communities.^[6]

State agency fairs are business enterprises that must operate in a competitive environment against other entertainment and events businesses. As state agencies, however, they are subject to the state's structure of regulatory and administrative controls governing procurement, contracting, and personnel management. Although these rules and regulations serve a useful purpose for controlling the activities of traditional state agencies, they place fairs at a competitive disadvantage relative to other entertainment and events businesses that do not have to follow such rules.^[7]

Similar to other entertainment businesses, fairs face rapidly fluctuating staffing requirements to host different events. The state's personnel policies and practices, however, are not designed to accommodate a fair's cyclical and urgent hiring patterns, specialized market-driven staffing needs for special events, and the cost of living variances that would enable productive recruitment and retention practices.^[8] Recognizing that fairs are businesses with unique operating requirements, most counties (18 of 23) have created non-profit organizations to operate their fairs.^[9]

Second, state agency fairs are community events that should be managed at the local level for the benefit of their community. Fair

organizations enrich their communities in ways that go beyond conducting an annual fair. As institutions, they collaborate with families, schools, community-based organizations, and local government to enhance community life. According to CDFA, volunteer firefighters, church groups, cultural community organizations, and service clubs raise more than 50 percent of their annual revenue on fairgrounds. Literally hundreds of nonprofit groups raise millions of dollars by operating food and craft booths at fairs, much of which stays in the community.^[10]

Recognizing that fairs are local events, some might argue the state should simply get out of the fairs business by transferring or devolving state agency fairs to the counties. Although devolution to the counties would provide more local control, it would also raise several issues. For example, it would create jurisdictional disputes and asset ownership issues between the counties receiving the fairs and the cities where the fairs are located. Several cities own the land on which state agency fairs reside and have much stronger legal claims and cultural ties to the fairs than the counties. Several district agricultural associations encompass multiple counties. In these cases, which county should get the fair? Finally, many rural counties may not willingly accept state agency fairs because of the legal and financial obligations that come with them.

In contrast, reorganizing state agency fairs as public corporations would shift management of the fairs to the local level while avoiding many of the issues discussed above. For example, it would allow district agricultural associations to reorganize in the way that best meets local needs, such as consolidating with a county or city, organizing as a special district, operating under a joint powers agreement, or organizing as a nonprofit organization (similar to citrus fruit fairs). It would allow the fairs to operate more like businesses by relieving them of the bureaucratic burdens that complicate operating a fair (county rules and regulations would be just as onerous as state rules and regulations). It would avoid complications associated with the transfer of assets by leaving the state as the trustee for the real property, which would hold it in trust for its beneficial owner, the district agricultural associations.

One other state that manages its fairs through public corporations is Minnesota. The Minnesota State Fair is one of the largest fairs in the country and serves as a model for fairs throughout North America. The Minnesota State Agricultural Society conducts the annual Minnesota State Fair and manages the maintenance, control and improvement of the state fairgrounds. The society is a semi-state agency, autonomous and self-governing. As a public corporation, the society is not subject to the state departmental process of budgeting, dedicated funding or appropriations. The Minnesota State Fair is financially self-sufficient, with fair revenue funding operations, maintenance and capital improvements to the physical plant. The Minnesota State Fair submits annual reports to the governor, the legislature and the media, and the state auditor examines its books annually.^[11]

Another successful model that California's state agency fairs can emulate is the state's two citrus fruit fairs. Citrus fruit fairs are nonprofit organizations that have many of the same powers as district agricultural associations, but are instrumentalities of the state rather than state agencies.^[12] This organizational structure provides citrus fruit fairs with the administrative flexibility to operate as businesses (i.e., outside of the state's administrative controls) while still being entities of the state. As entities of the state, citrus fruit fairs share in the allocation of horseracing revenue and their assets escheat to the state upon their dissolution.

Recommendation

The Governor should work with the Legislature to amend the Food and Agricultural Code to convert the 54 district agricultural associations and Cal Expo from state entities to public corporations. Public corporations are political subdivisions of the state that are created to administer a part of the affairs of the state, similar to municipal corporations, special districts, and other local agencies and authorities.

This recommendation would transfer control to local communities for managing these local events, providing the flexibility and autonomy that fairs need to succeed as entertainment and events businesses in a competitive marketplace. It would allow district agricultural associations to reorganize in the way that best meets local needs, including consolidation with a county or city, organizing as a special district, operating under a joint powers agreement, or organizing as a nonprofit organization (similar to citrus fruit fairs). It would allow the fairs to operate more like a business by relieving them of the bureaucratic burdens that complicate operating a fair. It would avoid complications associated with transferring assets by leaving the state as the trustee for the real property, holding it in trust for its beneficial owner, the district agricultural associations. Finally, it would eliminate 495 gubernatorial appointments.

Although under this proposal the state would no longer manage state agency fairs, CDFA would continue to oversee California's network of fairs, including allocating horse racing licensing revenues to the district agricultural associations, county fairs, and citrus fruit fairs.

Fiscal Impact

Converting state agency fairs to public corporations would have no General Fund savings from fair operations since the district agricultural associations are self-financed through various enterprise funds, including gate admissions, parking fees, concessions, horse racing licensing fees, satellite wagering, and fair rental activities. Money from these activities funds both the operating costs of the fairs themselves and CDFA's administrative costs to oversee the state's network of fairs.

Eliminating 495 gubernatorial appointments would, however, save the Governor's Office a significant amount of time and energy that it now spends making fair board appointments.

Endnotes

- [1] Department of Food and Agriculture, "Network of California Fairs: 2002 Board of Director's Overview," (Sacramento, California); and Food & Agri. C. Section 3801 et seq.
- [2] Department of Food and Agriculture, "Network of California Fairs: 2002 Board of Director's Overview."
- [3] Department of Food and Agriculture, "Fairs: Exploring a California Goldmine" (Sacramento, California, 2003).
- [4] Department of Food and Agriculture, "Fairs: Exploring a California Goldmine."
- [5] Department of Food and Agriculture, "Network of California Fairs: 2002 Board of Director's Overview."
- [6] Interview with Kim Myrman, deputy secretary, and John Dyer, senior staff counsel, Department of Food and Agriculture, and Stephen Chambers, executive director, Western Fairs Association, Sacramento, California, April 9, 2004.
- [7] Interview with Kim Myrman, John Dyer, and Stephen Chambers; Western Fairs Association, "California's Network of Fairs: Recommendations to the California Performance Review," Sacramento, California, April 9, 2004; and California Department of Food and Agriculture, "District Agricultural Associations: What are they, What are their powers, What are the powers of CDFA & DGS with respect to them?" Sacramento, California, June 14, 2000. A Government for the People for a Change 1129
- [8] Interview with Kim Myrman, John Dyer, and Stephen Chambers; and Western Fairs Association, "California's Network of Fairs: Recommendations to the California Performance Review."
- [9] Interview with Stephen Chambers, executive director, Western Fairs Association, Sacramento, California, May 14, 2004.
- [10] Department of Food and Agriculture, "Fairs: Exploring a California Goldmine."
- [11] Minnesota State Agricultural Society, "Minnesota State Agricultural Society (Minnesota State Fair)," <http://www.yellowpages.state.mn.us/mnyp/yellowpages.nsf/58ff101d11e1f3d786256b2900205e6a/2c4f3c03c712949d86256b050075ce5e?OpenDocument&Highlight=0,fairs> (last visited May 18, 2004).
- [12] Food & Agri. C. Section 4602 and Section 4701.

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