

2023 Operating Budget

22nd District Agricultural Association
Board of Directors, January 10, 2023



125,058	154,568	95,054	124,500
125,487	56,845	97,511	125,000
124,000	110,000	99,011	154,000
150	150,000	99,216	95,000
35,000	35,000	101,090	154,200
		101,684	110,000
		101,962	89,000
			50,000
			700

Economic Outlook

22nd District Agricultural Association

2023 Operating and Capital Expenditures Budget Presentation

January 10, 2023

Economic Outlook Affecting 2023 Budget

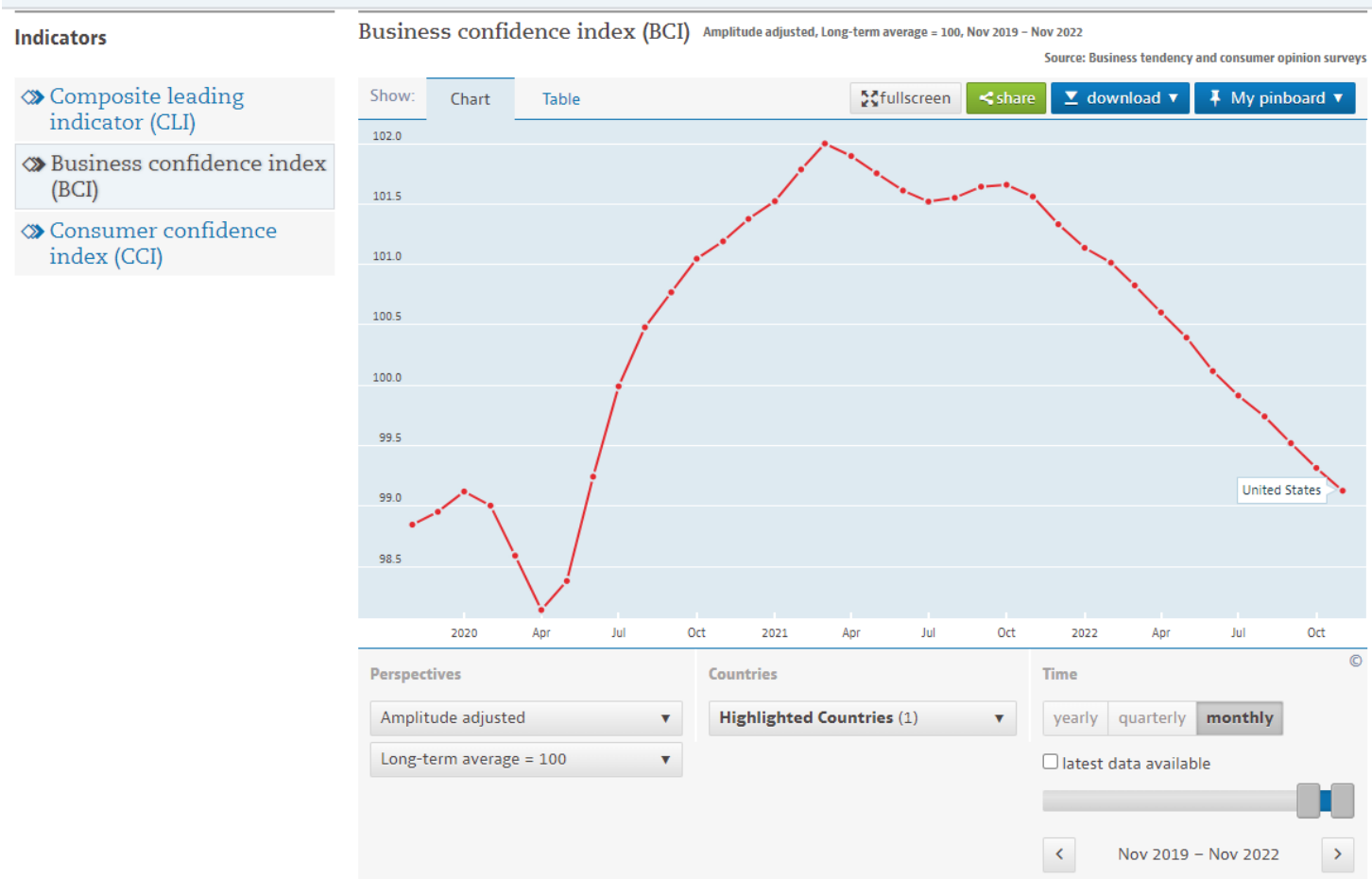
Economic Analysis and Forecasting:

- Inflation is expected to be a factor until mid to late 2024
- Risk of recession fears are elevated
- 42% of economists say no recession; 58% lean toward recession but are split on the reasons why

Still much contradictory data:

- Real GDP grew by 5.9% in 2021 – fastest in 27 years – fallen for two consecutive quarters in the first half of 2022
- 3.3 million jobs added in first 11 months, but consumer confidence has never been so depressed
- Business sentiment took turn for the worse, Economists agree, will be tough next two years

Business Confidence Index (BCI)



Source: The Organization for Economic Co-operation and Development (OECD)

<https://data.oecd.org/leadind/business-confidence-index-bci.htm#indicator-chart>

Consumer Confidence Index (CCI)

Indicators

- Composite leading indicator (CLI)
- Business confidence index (BCI)
- Consumer confidence index (CCI)

Consumer confidence index (CCI) Amplitude adjusted, Long-term average = 100, Nov 2019 – Nov 2022

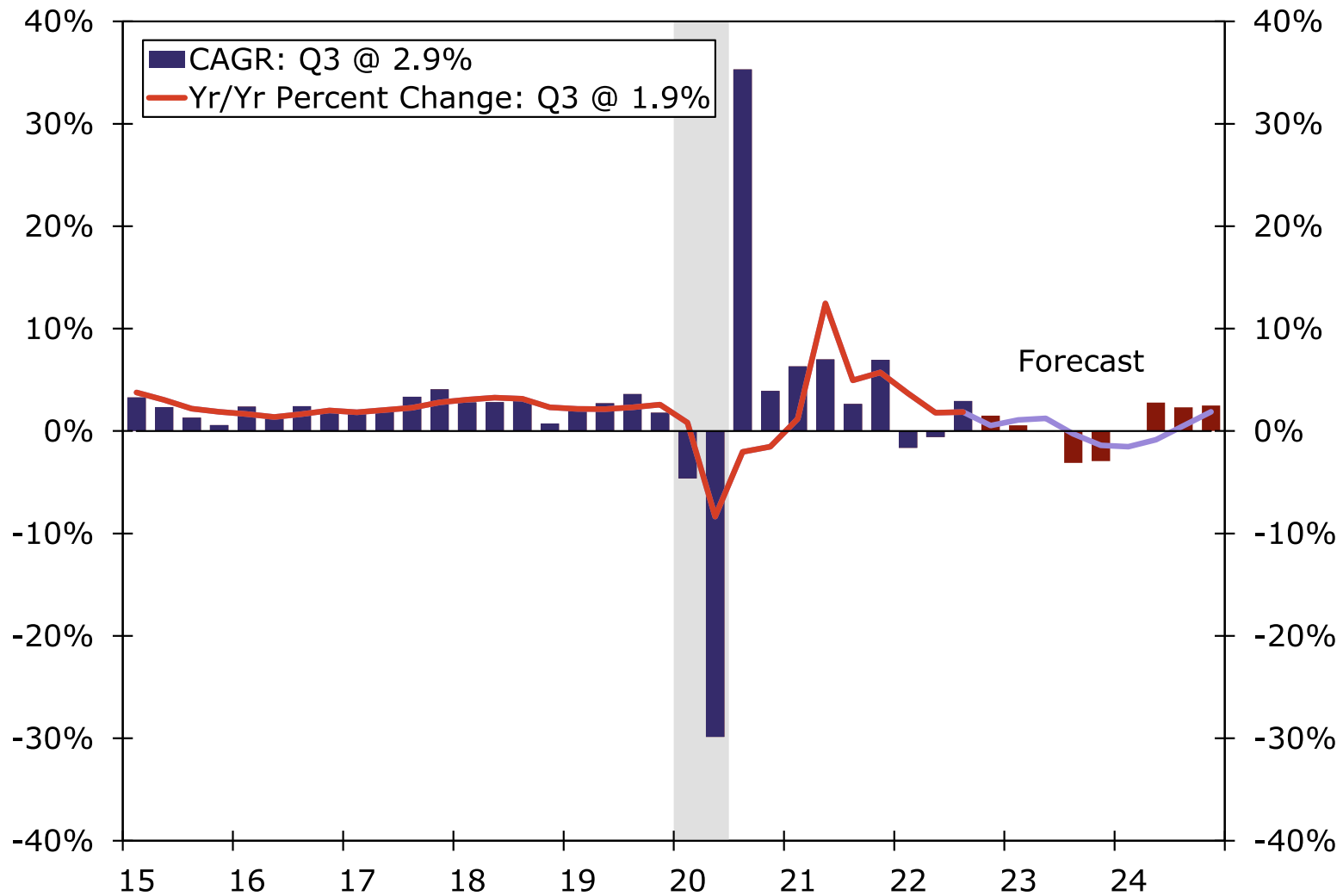
Source: Business tendency and consumer opinion surveys



Source: The Organization for Economic Co-operation and Development (OECD)

<https://data.oecd.org/leadind/business-confidence-index-bci.htm#indicator-chart>

U.S. Real GDP Growth

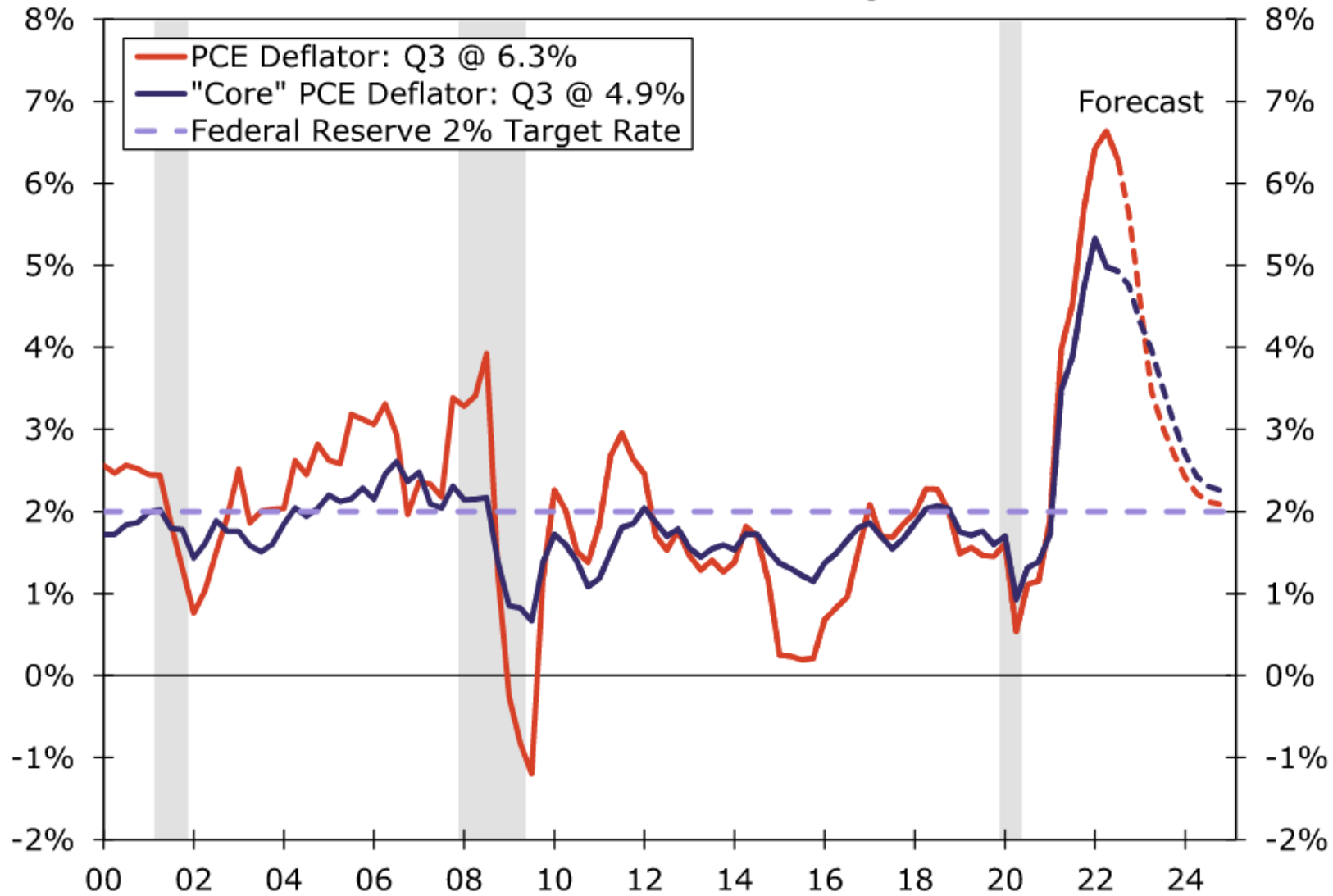


Source: U.S. Department of Commerce and Wells Fargo Economics

<https://wellsfargo.bluematrix.com/docs/html/212de8b0-79b2-410c-ab24-2b1d6f3f9a5f.html>

PCE Deflator & "Core" PCE Deflator

Year-over-Year Percent Change



Source: U.S. Department of Commerce and Wells Fargo Economics

<https://wellsfargo.bluematrix.com/docs/html/212de8b0-79b2-410c-ab24-2b1d6f3f9a5f.html>

Macro Level Risk Factors Beyond District Control

Risk factors that may affect results materially from those forecasted:

- Further deterioration in domestic economic conditions
- General health concerns and their impact on our business
- Consumer preferences and acceptance of our product, offerings, pricing model
- Labor market
- Adverse weather conditions or natural disasters
- Availability of suitable talent

Key Points and Process

22nd District Agricultural Association

2023 Operating and Capital Expenditures Budget Presentation

January 10, 2023

Key Points

- Aligned with strategic direction set by Board
 - San Diego County Fair
 - The Sound
 - Equestrian activities resuming at Horsepark
 - Investment in our environmental stewardship
 - Develop capital improvement budget, separately, with revenues identified to support necessary investments
 - Realistic
- Continues process of Zero-Based Budget Program Format since 2021
- Fiscal year runs January through December

Process

- Updated Electronic Tools:
 - Budget Tool
 - Scheduling Tool
- Provided Supplemental Resources:
 - GL Report from 9-1-2021 through 8-31-2022
 - Active Contracts List with current spend to-date
 - Payroll Temp 9-1-2021 through 8-31-2022
 - Assumptions for 2023 Budget

More About Our Process

A COLLABORATIVE APPROACH:

- Budget Workshop for Department Heads
- Each Department developed their budget
- Budget Presentations to colleagues and Executive Leadership Team
 - Additional Budget Presentations to incorporate adjustments
- Full-time, Civil Service Staffing Plan developed
- Overall roll-up of all departments
- Presented to Finance Committee
 - Incorporated comments and feedback
- Final Review by Finance Committee

Process: Timeline

September 20, 2022

- Budget Workshop for all Department Heads

October 31, 2022

- Budgets completed by Department Heads

November 1-4, 2022

- Budget roll-up by Finance

November 29, 2022

- Follow up presentation by Department Heads to Peer Group and Executive Team

November 14 & 15, 2022

- Department Heads presented budgets to Peer Group and Executive Team

November 10, 2022

- Budget analysis by Director of Finance & Executive Team

December 6, 2022

- 2023 Budget presented to Finance Committee

January 4, 2023

- 2023 Budget adjustments presented to Finance Committee

January 10, 2023

- 2023 Budget presented to Board of Directors for final approval

Budget Assumptions

22nd District Agricultural Association

2023 Operating and Capital Expenditures Budget Presentation

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Budget Assumptions

- The 22nd DAA is a self-sustaining organization responsible for generating the necessary revenue to pay for program, operating, payroll, and capital expenses of this 324-acre public venue asset on behalf of all San Diegans
- San Diego County Fair:
 - Days of operation (22 vs. 21)
 - Dates of operation (June 7th - July 4th)
 - Attendance (60,000 per day – 45,000 paid)
 - Rates (including admissions, concessions, commercial, parking)
- Fifty shows at The Sound

More Budget Assumptions

- Horsepark in full operation beginning July
- Del Mar National Horse Show produced by a third party
- Paquin Entertainment operating 7-days a week, January through first week of May
- Revenue rate changes, i.e., non-fair parking, facility rentals, etc.
- 2022 included \$10.5 million in pandemic-related grant funding
 - 2023 overcome grant subsidy
- Net operating revenue to fund portion of 2023 Capital Expenditures

2023 Fair Rates – Previously Approved

- Gate Admission Rates
 - Monday, Wednesdays, Thursdays – \$15 GA, \$12 kids/seniors/military
 - Friday to Sunday – \$20 GA, \$17 kids/seniors/military
 - Kids Day – Every Friday (Kids 12 and younger receive free admission)
 - Kids 5 and younger are always free
- Parking
 - \$15 online; \$20 onsite, \$50 preferred @ fairgrounds; \$10 @ Horsepark; Free at Torrey Pines everyday
- Concessions: 25% of gross after sales tax
- Commercial Vendors: same as 2022

Rates – Under Consideration with Budget

Independent Midway Rates

- Ride Operators: 48% gross revenue retained by District
- Game Operators: 30% gross revenue retained by District
- Individual Ticket: \$1.25
- Pay-One-Price Wristband: \$49

Facility & Event Rental Rates

- 10% increase across the board
- Non-fair Parking: \$15
- Increase to reflect competitive market rates
- Has held steady (no increase) since 2019

Investing in Our People & Culture

22nd District Agricultural Association

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Human Resources

STATE CIVIL SERVICE

- 91 positions (28% growth)
- Salary ranges and fringe benefit rates set by CalHR
- Fringe benefits include District portion of
 - Cal PERS retirement
 - Medical, dental, vision
 - Workers Comp insurance
 - Other Post-Employment Benefits (OPEB)

SEASONAL AND TEMPORARY

- Necessary to support the fair program, safety and security of the facility, traffic and parking services at events throughout the year, etc.
- Will fill in with temporary help until full-time positions achieved - may result in offsetting expenses

Employee Recognition & Awards

- Quarterly Safety Awards for Facilities Department
- Superior Accomplishment Awards
- Employee Suggestion Awards
- Arduous Pay considerations
- Temporary & Seasonal Employees appreciation

Professional Development Opportunities*

- Western Fairs Association
 - *Annual Conference & Convention: Reno, NV – January 15-19
 - Feature Fair Tour – TBA
 - California Fairs Alliance Fall Conference: Sacramento, CA – November 2-4
 - Supers' School: Roseville, CA – February 8-9
- International Association of Venue Managers
 - *Academy of Venue Safety & Security: Pittsburgh, PA – February 26-March 3
 - *Senior Executive Symposium: Georgetown University – May
- International Association of Fairs & Expositions
 - *Annual Conference & Convention: Salt Lake City, UT – November 26-December 1

**denotes Out of State Travel requiring Board Approval and subject to AB 1887 prohibitions*

Professional Development Opportunities (cont'd)

- International Facility Management Association
 - Facility Fusion Conference & Expo: San Francisco, CA – April 11-13
- AccountingWare:
 - *Accounting Conference: Las Vegas, NV – April 23-26
- National Independent Concessionaires Association
 - *Annual Conference: Las Vegas, NV -November
- Other Training and Learning Opportunities:
 - Cal HR online: Mandatory required training for Supervisors, Managers, and Executives
 - Optional learning opportunities: CPS HR (online), CDFA Online University
 - *Adobe Summit- Las Vegas, NV, March 19-23
 - CAPIO- California Public Information Officials Conference, Monterey May 1-4
 - *Minnesota State Fair: St. Paul, MN – between August 24–September 4

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Environmental Stewardship

22nd District Agricultural Association

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Environmental Stewardship

- Professional Services necessary
 - Least Tern Nesting - \$165,000
 - Annual Parking and Traffic Studies - \$22,500
 - Five, 9-yr Parking Studies - \$35,000
 - Storm Water Permits - \$70,000
 - Storm Water Treatment Building \$87,500
 - Wetland Lake Management - \$56,000
 - South Overflow Lot Phases 1 & 2 - \$170,000
 - Coastal Development Permit - \$125,000
 - Coastal Development Lobbyist - \$150,000
 - Legal Fees - \$318,000
- **ANNUAL INVESTMENT \$1.2M**

Understanding the Impacts of the State Race Track Leasing Commission and Del Mar Race Track Authority

22nd District Agricultural Association

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22nd DAA
22nd District Agricultural Association
Del Mar Fairgrounds

- Pledged Revenue = Net Food & Beverage, if shortfall of Net Horse Racing

- Direct Payment = Rent

DMTC
Del Mar Thoroughbred Club

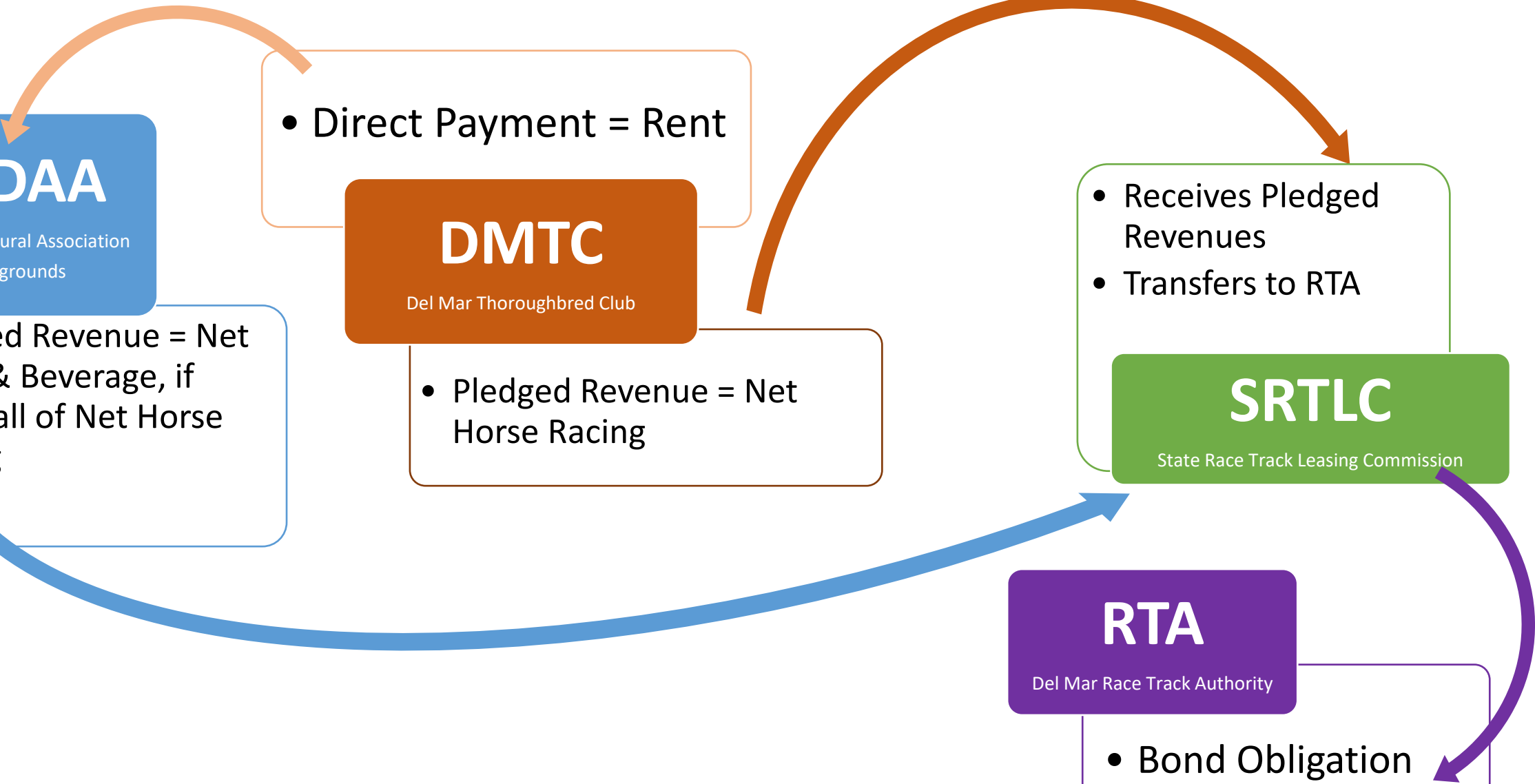
- Pledged Revenue = Net Horse Racing

- Receives Pledged Revenues
- Transfers to RTA

SRTLTC
State Race Track Leasing Commission

RTA
Del Mar Race Track Authority

- Bond Obligation



2023 Operating Budget

22nd District Agricultural Association

2023 Operating and Capital Expenditures Budget Presentation

January 10, 2023

2023 Operating Budget Revenue by Program

REVENUE SOURCE	San Diego County Fair	Rentals	Horse Racing	The Sound	Admin & Overhead	TOTAL
Admissions	12,337,386	-	-	-	-	12,337,386
Participation (Entry) Fees	335,000	-	-	-	-	335,000
Midway (rides and games)	18,054,362	-	-	-	-	18,054,362
Commercial Exhibit Space	3,131,700	-	-	-	-	3,131,700
SRTLTC Pledged Revenue	-	-	1,785,250	-	-	1,785,250
Concessions	4,422,070	-	-	-	-	4,422,070
Food & Beverage Contract	3,768,573	1,349,526	12,576,379	850,176	-	18,544,654
22nd DAA Sales	10,000	-	56,550	-	-	66,550
Facility Rentals & Cell Towers	317,160	3,435,131	49,600	375,000	469,917	4,646,808
Sponsorships	1,944,800	-	(500,000)	-	55,200	1,500,000
Wagering	-	-	419,200	-	-	419,200
Race Track Operator Agreement	-	-	1,225,000	-	-	1,225,000
Parking	4,039,207	3,048,537	-	330,000	-	7,417,744
Reimbursed Costs	-	334,100	1,187,126	-	45,890	1,567,116
Miscellaneous	104,070	23,020	70,090	-	79,428	276,608
Donations	109,000	-	-	-	-	109,000
Junior Livestock Auction	472,500	-	-	-	-	472,500
Interest	-	-	-	-	270,000	270,000
TOTAL REVENUE	\$ 49,045,827	\$ 8,190,314	\$ 16,869,195	\$ 1,555,176	\$ 920,435	\$ 76,580,947

2023 Operating Budget Expense by Program

NON-PERSONNEL EXPENSE SOURCE	San Diego County Fair	Rentals	Horse Racing	The Sound	Admin & Overhead	TOTAL
Recognition & Awards	866,050	-	-	-	25,400	891,450
Temporary Labor Services	144,800	-	-	-	-	144,800
Marketing & Public Relations	1,095,400	3,000	36,663	-	70,000	1,205,063
Midway Operations	9,897,000	-	-	-	-	9,897,000
Entertainment	4,428,050	-	-	-	-	4,428,050
Repairs & Maintenance	65,500	3,600	-	-	563,760	632,860
Rental of Equipment	1,534,660	-	50,895	-	46,665	1,632,220
Insurance	80,000	7,500	-	-	855,137	942,637
Professional Services	7,175,210	101,550	209,800	266,440	2,518,556	10,271,556
Supplies	788,375	11,050	4,000	2,500	1,088,310	1,894,235
Dues, Subscriptions, Permits	38,088	4,250	-	-	322,530	364,868
Professional Development	9,250	-	-	-	74,225	83,475
Travel & Transportation	115,663	-	-	-	29,420	145,083
Utilities	963,000	-	768,000	-	2,039,000	3,770,000
Office & Miscellaneous	14,200	9,000	-	-	120,058	143,258
Service Fees: Bank, Credit Card	2,080,664	43,057	-	7,623	24,000	2,155,344
Food & Beverage Contract	2,531,383	1,941,691	9,251,058	589,279	-	14,313,411
Loan Interest Expense	-	-	1,785,250	100,000	871,997	2,757,247
TOTAL OPERATING EXPENSES:	\$ 32,021,892	\$ 2,125,597	\$ 12,106,266	\$ 965,842	\$ 8,757,408	\$ 55,978,707

2023 Net Operations by Program

22 nd DAA	San Diego County Fair	Rentals	Horse Racing	The Sound	Admin & Overhead	TOTAL
Revenues	\$ 49,045,827	\$ 8,190,314	\$ 16,869,195	\$ 1,555,176	\$ 920,435	\$ 76,580,947
Non-Personnel Expenses	\$ 32,021,892	\$ 2,125,597	\$ 12,106,266	\$ 965,842	\$ 8,757,408	\$ 55,978,707
Net Operations	\$ 17,023,935	\$ 6,064,717	\$ 4,762,929	\$ 589,334	\$ (7,836,973)	\$ 20,602,240
Less Personnel						\$ (18,433,708)
Net Operating = Contribution for Capital Improvements						\$ 2,168,532

2023 Operating Budget Monthly Flows

22 nd DAA	January	February	March	April	May	June	July	August	September	October	November	December	Year
Revenues	3,647,216	1,018,859	1,251,253	1,405,191	1,468,002	36,739,175	16,325,162	5,186,380	3,836,430	2,076,549	1,642,048	1,984,682	76,580,947
Non-Personnel Expenses	1,735,249	1,625,426	1,890,947	2,098,382	2,870,363	19,536,635	12,680,171	4,960,745	2,813,673	1,681,146	2,339,879	1,746,091	55,978,707
Personnel													
Full-Time	538,483	538,483	550,321	574,548	591,058	591,038	645,727	645,962	645,962	645,962	645,962	645,962	7,259,487
(FT) Fringe Benefits	370,739	370,739	378,889	395,569	406,936	406,916	444,575	444,736	444,736	444,736	444,736	444,736	4,998,063
Seasonal	129,661	209,357	291,876	277,851	745,678	2,708,652	664,842	30,012	71,418	118,766	30,238	38,638	5,317,009
(S) Fringe Benefits	20,953	33,832	47,167	44,901	120,502	437,701	107,438	4,850	11,541	19,193	4,886	6,244	859,148
Total Payroll	1,059,836	1,152,411	1,268,253	1,292,869	1,864,174	4,144,307	1,862,582	1,125,560	1,173,657	1,228,657	1,125,822	1,135,580	18,433,708
Total Expense	2,795,085	2,777,837	3,159,200	3,391,251	4,734,537	23,680,942	14,542,753	6,086,305	3,987,330	2,909,803	3,465,701	2,795,085	74,412,415
Net Operations	852,131	(1,758,978)	(1,907,947)	(1,986,060)	(3,266,535)	13,058,233	1,782,409	(899,925)	(150,900)	(833,254)	(1,823,653)	(810,403)	2,168,532

Putting the Pieces Together



2022 vs 2023 Budget Changes

Revenue: from \$60.5M to \$76.5

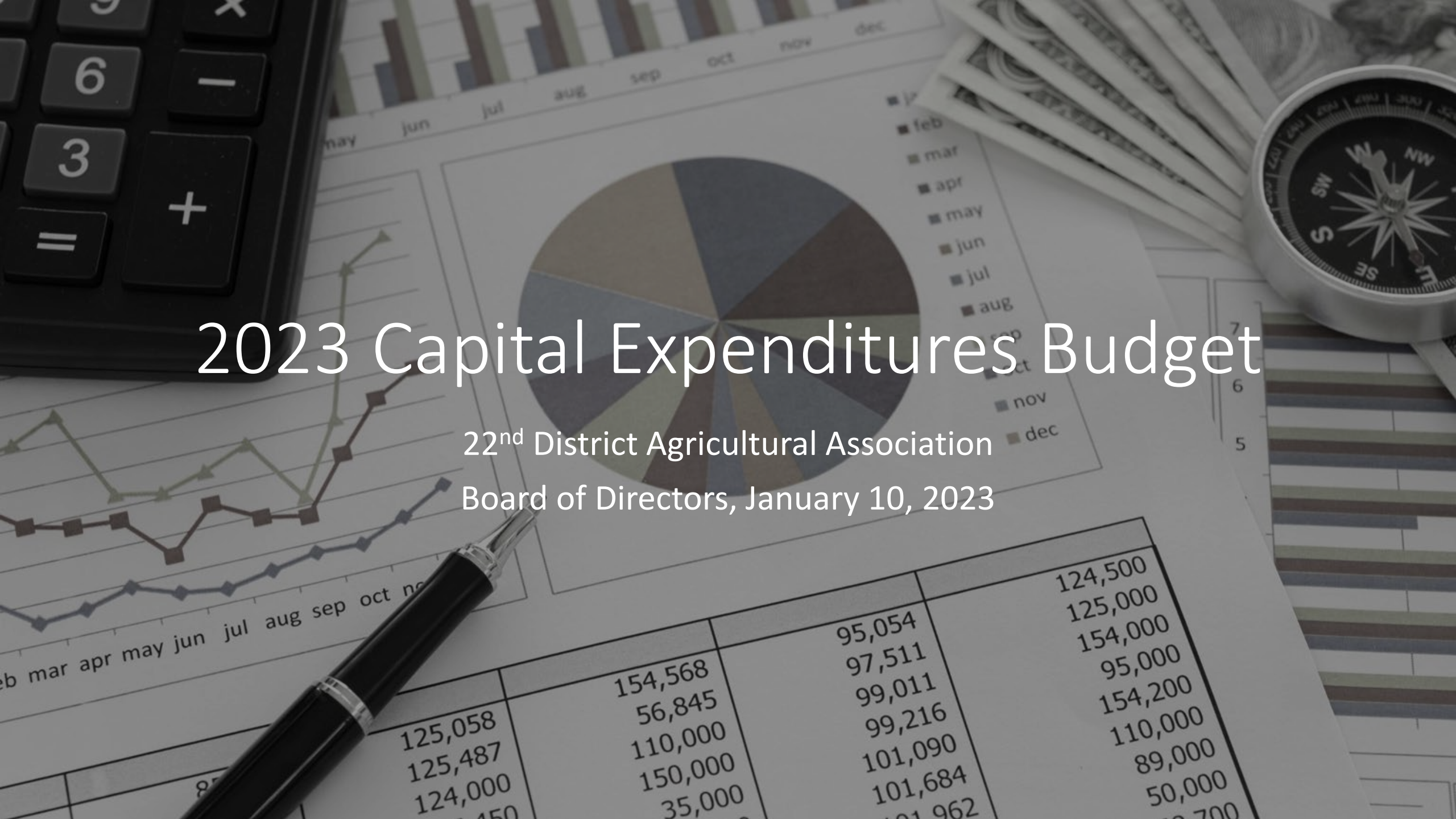
- Increase non-fair parking \$609K
- The Center: 50 shows \$1.5M
- Horsepark July-December \$120K
- Independent Midway revenue gross \$14.5M

Expense: from \$57.5M to \$74.3

- Increase in civil service salaries and benefits
- Minimum wage increases \$0.50/hr.
- Utility increases
- Inflation
- Independent Midway expense \$10M + labor

2023 Capital Expenditures Budget

22nd District Agricultural Association
Board of Directors, January 10, 2023



2023 Capital Expenditures - Facilities

Priority	Project	Cost Estimate
1	Asphalt	\$ 1,100,000
1	Front Side Housing Teardown	\$ 360,928
1	Front Side Housing Post-removal Enhancement	\$ 350,000
1	DMTC Executive Office Building HVAC replacement	\$ 350,000
1	Electric switchgear Exhibit Hall Transformer & Switchgear	\$ 360,000
1	Surfside Center offices HVAC upgrade	\$ 350,000
1	Grandstand Simplex System upgrade (Fire Alarm)	\$ 380,000
2	Backstretch housing improvements	\$ 750,000
3	Roof replacement Bing Crosby Hall	\$ 500,000
3	Roof replacement Surfside Center	\$ 100,000
4	Grandstand HVAC computerized network replacement	\$ 200,000
4	Replace 3 HVAC air handling units at Mission Tower	\$ 75,000
5	Surfside Center stairwell enhancement	\$ 125,000
A	Surfside-Arena fire wall	unknown
	TOTAL FOR FACILITIES CAP EX	\$ 5,000,928

2023 Capital Expenditures - Equipment

Project	Cost Estimate
Purchase radio signal booster	\$ 40,000
Replace server room switch	\$ 80,000
Replace mechanic service truck	\$ 60,000
Replace one (1) patrol vehicle	\$ 37,000
Purchase electronic traffic signs – ADD QUANTITY	\$ 25,000
Upgrade marquee in Arena	\$ 50,000
Upgrade parking lot marquee on Arena front	\$ 40,000
Infield video & tote board	\$ 95,000
TOTAL FOR EQUIPMENT CAP EX	\$ 427,000

2023 Capital Expenditures Funding Plan

<u>Cap Ex Expenses</u>	
Total Facilities Improvement Cap Ex	\$ 5,000,928
Total Equipment Cap Ex	427,000
Total Cap Ex Projected Expense	\$ 5,427,928
<u>Revenue Sources</u>	
2023 Operating Budget Projected Net	\$ 2,168,532
Shortfall	(3,259,396)
<i>Carryover from 2022 Actual Operations Net</i>	\$ 3,259,396

Conclusions

22nd District Agricultural Association

2023 Operating and Capital Expenditures Budget Presentation

January 10, 2023

That's a Wrap

- Proud of entire Executive and Senior Leadership Team effort
- Recognize that District is saturated on expense cutting
 - Costs will continue to rise in the future
 - Rates need to rise accordingly
 - Annually need \$5-6 million capital investment to maintain facilities and grounds
- Need additional and new revenue sources in 2024 and beyond
 - The Sound: anticipate an increase in activity 2024 over 2023
 - Horsepark for full year in 2024
- Hence, continued need for strategic planning, feasibility studies, etc.

Questions? Consideration to Approve 2023 Operating and Cap Ex Budgets

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