

State of California

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MEMORANDUM

Date: September 24, 2019

To: Board of Directors
California Exposition & State Fair

From: Tom Martinez, Chief Deputy General Manager
Robert Stroud, Chief of Plant Operations

Via: Rick Pickering, Chief Executive Officer

Subject: Update on Deferred Maintenance Projects at Cal Expo

Att: Status of 2019 Deferred Maintenance Projects

BACKGROUND AND FUNDING – DEFERRED MAINTENANCE ITEMS

This agenda item is intended to provide an initial overview of the progress that has been made on key Deferred Maintenance items.

As part of the State's 2018/19 Budget process, the State allocated \$15 million to Cal Expo in July of 2018 to perform much needed Deferred Maintenance throughout the State's fairgrounds. As you may recall, the State had a difficult time in moving the \$15 million to Cal Expo since the State's Budget has no line items for Cal Expo. Nonetheless, in January of 2019 the State wrote Cal Expo a \$15 million check as a vendor to the State. As required, Cal Expo provided the State with an outline of specific projects that the \$15 million would be used to address. These projects were derived from the 2018 infrastructure needs assessment by Sierra West, which identified some \$136,525,000 in projects. Cal Expo's proposed project list was then reviewed and approved by the Chair of the Budget Conference Committee Chairwoman, Senator Holly Mitchell. Cal Expo has been closely documenting expenditures and tracking the progress of each project.

STATUS OF PROJECTS

Cal Expo completed several projects before the 2019 State Fair, such as the replacement of 38 swamp coolers on the Pavilion roof and the drilling of a replacement water well. Other projects began immediately following the State Fair, with Cal Expo having to work around numerous rental events.

Of the \$15 million in identified projects, Cal Expo currently has some \$8,894,000 of projects in progress that includes projects in stages such as: engineering/design; out for bids; awarded

contracts waiting to begin work; work-in-process; and completed projects. The projects are organized by category, such as roof work, water wells, etc. (See attached spreadsheets.)

Many of the deferred maintenance projects are large in scope. For example, Cal Expo has more than 9,400 fire sprinklers heads that will be replaced and some 6,000 feet (more than a mile) of gas lines that are scheduled to be renovated.

Infrastructure Assessment by Sierra West

In 2017 Cal Expo, contracted with Sierra West, as 3rd party experts, to assess the conditions of the infrastructure at Cal Expo and assist in establishing strategic projects. Sierra West completed a similar review of Cal Expo in 2002. The following is a very brief summary of the some 80 pages contained in the 2018 Sierra West study.

1. Sierra West noted that between 2002 & 2017, Cal Expo has self-funded more than \$17M in infrastructure related Capital Improvements. Over this same period, Cal Expo had invested multi-millions in annual facility maintenance and repairs.
2. Sierra West noted that Cal Expo's facilities have generally been well maintained within the resources available for maintenance and repairs.
3. Sierra West stated that no facilities were found to be unsuitable for use by the public, yet many facilities were found to be reaching their serviceable life span – having been put in place 50 years ago.
4. Sierra West noted that many of the now needed facility improvements are the results of new legislation, new building standards, new energy requirements, new codes, etc.
5. Sierra West identified some \$136,525,000 in recommended facility improvements, if Cal Expo is to remain in service for the next 50 years.
6. Sierra West placed facility needs into various categories, and recommended that Categories related to Fire Life and Safety, as well as Immediate Infrastructure be considered the most important. The combined total cost of those categories is \$78,834,000.

Issued in 2018, the Sierra West report represented a prudent step in addressing the sustainability of Cal Expo into the future. Strategizing to address these infrastructure challenges will impact the legacy of Cal Expo and the State Fair for future generations. Based upon this study, Cal Expo Staff developed a priority listing of the most urgent infrastructure projects. By coordinating projects around Cal Expo's busy rental events, these initial projects are scheduled to be completed in early 2021.

FUTURE FUNDING OPPORTUNITIES

Cal Expo Staff continue to work alongside designated members of the Board of Directors to communicate our deferred maintenance needs. These efforts extend to members of the Administration, State Legislature, as well as various State Agencies, which have purview over designated sales tax and bond monies. As an example, AB1499 funds, which are derived from a legislatively approved $\frac{3}{4}$ of 1% sales tax from all fairgrounds in California, may contain monies for additional deferred maintenance projects. For 2019, AB1499 is expected to generate \$18 million, and these funds are to be distributed at the discretion of the Department of Food and Agriculture. CDFA is going through a regulations development process aimed at determining how these funds will be distributed. Another example of potential funding is the 2018 passage of Proposition 68, (commonly known as Parks and Water Bonds.) Prop 68 identified \$18 million

to be made available to CDFA for distribution to California's network of 75 Fairs. CDFA is working to distribute 1/3 of the Prop 68 funds each year for the next three years.