



## **BOARD STRATEGIC PLANNING MEETING October 30, 2020**

### **GENERAL OVERVIEW**

Each year the Board sets aside a day and a half to conduct a review of the prior year's achievements, as well as to outline strategic direction for the coming year. Central to this evaluation and planning effort, has been a thorough review of the major components of the annual California State Fair. Given the Governor's state-of-emergency Executive Order N-33-20, the Board prudently voted on April 24, to cancel the 2020 CA State Fair due to the unknown impacts of COVID-19 on major events at that time. Additionally, with COVID-19 restrictions in place, County of Sacramento health officials have not permitted any major events to take place at Cal Expo since Mid-March of this year.

Although the State Fair event was cancelled, Staff awarded recognition to participants in Competitive Categories that had already been judged. If a Competitive Category had not yet been judged, it was cancelled and entries were returned. Staff quickly created several online virtual competitions to keep the spirit of the State Fair alive. A "Drive-through State Fair Food Festival" experience was also conducted over several week. In concert with various partners the State Fair hosted a community food drive, community clothing drive, as well as a blood drive. Produce from the State Fair Farm has been donated to the local Food Bank. After considerable evaluation, the State Fair "Sale of Champions" was cancelled as it was believed that animals could not be properly judged State-wide in order to select the Champions that would then be sold.

**For reference purposes, the Board's evaluation of the Annual State Fair has typically included such areas as:**

- \* Outreach & Attendance
- \* Competitive Programs
- \* Featured Exhibits
- \* Livestock Programs
- \* Concerts & Entertainment
- \* Horse Racing
- \* Sponsorships
- \* Special Events & Operations
- \* Public Safety
- \* Review of Survey Data
- \* Review of Revenues & Expenses

## **ADJUSTING DUE TO FINANCIAL IMPACTS OF COVID-19**

As a non-funded State Agency, Cal Expo had 6 months of Cash Reserves on hand when COVID-19 shut down events in Mid-March. Cal Expo immediately laid off several hundred part-time event related employees and tightened its financial belt. In April, the State Fair was cancelled and by Mid-July, Cal Expo received approval from CalHR to send out formal layoff notices to many of its full-time State employees. The July layoff plan anticipated that events would be allowed to return to Cal Expo in the Fall of 2020. As it became apparent that no events would be allowed during the remainder of 2020, Cal Expo made further adjustments and expanded layoffs to include roughly 60% of its full-time State employees. Cal Expo was encouraged to only retain staff necessary to keep Cal Expo available for emergency support, and to lay off staff whose jobs are predominantly tied to supporting major events and State Fair programs.

## **PIVOTING TO SUPPORT EMERGENCY RESPONSES**

When COVID-19 struck, Cal Expo immediately worked with the State and the County of Sacramento to establish a Drive-through Testing Facility. With more than 40,000 persons tested to date, Cal Expo is the highest volume testing facility in California.

Cal Expo also worked with the State, the County of Sacramento and the City of Sacramento to establish a 68-RV trailer Isolation and Recovery Facility for local Homeless with COVID-19. This secure area was located in such a way as to minimize contact with the Drive-through Testing Facility and other tenants and activities at Cal Expo.

The Governor's Office of Emergency Services (OES) activated Cal Expo several times over the summer during public unrest. In addition to serving as a law enforcement coordination and staging center, and as a Booking Facility, Cal Expo housed more than 1,100 National Guard members. Cal Expo loaned its security barricades to the Capitol and to the Sacramento County Jail. Cal Expo provided large animal panels to other Fairgrounds that were sheltering animals during the recent fires in Northern California. Cal Expo is currently storing some 50 plus Semi-Truck Trailers of emergency equipment for the Red Cross. Additionally, plans are being prepared for Cal Expo to serve as a regional vaccination facility in battling COVID-19.

## **EMERGENCY FUNDING SUPPORT**

Cal Expo explored several options to obtain emergency funding support as its Cash Reserves were being depleted. In pursuing Paycheck Protection Program funds, Cal Expo was advised that it could not use such funds as a State Agency. In pursuing a Line of Credit, Cal Expo was advised that it could not collateralize State property or assets. In pursuing a "bridge loan" from the State, Cal Expo was advised that since it did not have a "Line Item" in the State's Budget, it could not receive a loan from the State. In pursuing having a "Line Item" placed in the State's Budget, Cal Expo was advised that only the State Legislature could place a Line Item into the State's Budget for Cal Expo. At one point, CDFA recommended that Cal Expo layoff 100% of its employees and close down for several years until the event business rebounds.

During the August 2020 revision of the State's Budget, funds were placed in the State's Budget for Cal Expo to assist it to remain open as an "Emergency Support Facility" for the State, through June 30, 2021. Since the Budget did not create a Line Item for Cal Expo, the Department of Finance (DOF) moved funds to the Department of Food & Agriculture (CDFA), and CDFA in turn moves the funds to Cal Expo. Cal Expo has been regularly providing DOF with Cash Flow projections. Based upon these Cash Flows, DOF directed CDFA to release the first \$1.4 million in funding to Cal Expo to help with covering certain Operating Expenses from July to September. This \$1.4 million was received by Cal Expo in Mid-October. According to DOF, should events return to Cal Expo in the Spring of 2021, any related profits will be deducted from the funding that is being provided by the State.

Additionally, the State's Budget included providing CDFA with a \$40 million fund to be used to assist "State-affiliated Fairs" with payroll assistance while Fair Agencies went through the State's formal layoff process. These funds can only be used to cover payroll related expenses during the 4-month layoff process, and only for the actual positions that are being laid off. Cal Expo remains appreciative of these types of temporary support funds from the State.

### **STRATEGIC PLANNING**

In conducting its annual Strategic Planning Retreat via Zoom, the Board is working with a backdrop of the ongoing devastating impacts of COVID-19, including:

- Providing ongoing support to multiple emergency responses;
- Significantly reduced staffing levels due to layoffs;
- Depleted Cash Reserves;
- No clear picture of when Health Officials will allow events to return;
- Limited insight to the level of public participation when events do return;
- Temporary emergency financial support from the State, until June 2021; etc.

***Given that the Board's Strategic Planning effort this year is via Zoom and limited to two-hours, it is respectfully recommended that the Board focus predominantly on the following areas.***

1. Review of Cash Flow projections. (See financial information)
2. Development of 2021 Cal Expo Budget preparation guidelines.
3. Discussion of strategies for the upcoming State Budget cycle. (See legislative information)
4. Discussion of continuing to support emergency services.
5. Discussion of alternative approaches for a significantly modified or a suspended 2021 State Fair experience.
6. Schedule additional time for strategic planning efforts in the coming months.

## **POSSIBLE APPROACHES TO A MODIFIED 2021 STATE FAIR EXPERIENCE**

Given the current COVID-19 restrictions on major events and the recent increase of cases, it is difficult to predict what size and type of events Health Officials will allow in July of 2021. It is also difficult to predict attendance levels when large events begin to take place again.

Since Cal Expo cannot quickly rebuild its Cash Reserves in the first part of 2021, it will be impossible to produce the State Fair at a level that the public has grown accustomed to experiencing. Due to the significant layoff of Staff with event expertise, Cal Expo will be woefully short on Staff that is proficient in producing key elements of the State Fair. This includes such key areas as: competitive programs; educational exhibits; marketing operations; ticketing operations; parking operations; contracts and personnel department; etc.

While certain "Fair expertise" can be contracted for, it is difficult to commit to paying for such services unless Cal Expo is confident that Health Officials will allow a large event to take place next summer.

### **Significantly Modified 2021 State Fair Experience:**

With many unknown factors, a lack of staffing and a lack of Cash Reserves, it is prudent to evaluate significantly modifying or suspending the 2021 State Fair. It may be possible to conduct a two to three weekend "State Fair Experience or Festival" (Fridays-Sundays) in July with, or without bare-bones competitions, exhibits and programming. If funding support or sponsorships dollars become available, it might be possible to conduct a few online "virtual elements" of the State Fair.

Butler Amusements has requested that they be allowed to set up a Carnival Midway at Cal Expo next July (with the approval of Health Officials) even if the State Fair is not conducted. The Midway would include rides, games and food services. If a Carnival is operating, some other traditional State Fair vendors will also want the opportunity to set up at Cal Expo next July - with the approval of Health Officials.

It has also been suggested that a two-weekend version of the State Fair be considered for late October or early November in 2021, in hopes that large events may return by then. While there is a chance that some events may be allowed in the Fall of 2021, Cal Expo will more than likely be without Cash Reserves and adequate staffing.

Of note is that many smaller Fairs in Northern California rely heavily upon the State Fair to anchor a route for commercial vendors, food and beverage providers, carnivals, entertainers, sponsors, etc. Thus, any direction taken by the State Fair will affect many other Fairs, and hundreds of industry partners.