



**COLORADO**  
Department of Agriculture

November 1, 2016

Millie Hamner, Chair  
Joint Budget Committee  
200 East 14th Avenue, 3rd Floor  
Denver, CO 80203

Dear Representative Hamner:

The Department of Agriculture has submitted the enclosed Strategic Business Plan in response to the Joint Budget Committee's Request for Information #1 and #2.

*Department of Agriculture, Colorado State Fair, Program Costs - The Department is requested to provide on November 1, 2016, a strategic business plan for the Colorado State Fair Authority. The plan should include specific actions and a schedule for those actions that the Authority plans to implement in response to the Colorado State Fair Facility Management Consulting Study that was delivered to the Authority on March 1, 2016. The plan should also include: potential decisions the General Assembly should consider and a time frame in which those decisions should be made; an updated mission statement for the Authority; a staffing plan; a rental fee increase plan for the Colorado State Fairgrounds; and any actions already implemented by the Authority.*

*Department of Agriculture, Colorado State Fair, State Fair Facilities Maintenance - The Department is requested to provide on November 1, 2016, a report on facility maintenance projects for the Colorado State Fairgrounds. The report should include the following for each facility with planned maintenance: facility name; the type and nature of maintenance; the anticipated cost of the maintenance; the expenditures to-date on the maintenance; and the anticipated completion date.*

Please let me know if you have any questions, or need any additional information.

Sincerely,

Don Brown, Commissioner





# *STRATEGIC BUSINESS PLAN*

## **Colorado State Fair**





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# COLORADO STATE FAIR

## Introduction

### **History of the Colorado State Fair:**

Colorado became a state in 1876 and before the Colorado flag flew high, the State Fair was already earning its place in history. In 1869, approximately 2,000 people converged on what is now Pueblo for a horse exhibition; and from that meagre beginning was born the Colorado State Fair.

The Fair continues to call Pueblo home, and in fact, has only cancelled once during its entire history. In 1917, during World War I, the Fairgrounds' horse stables and open space offered an ideal training facility for the Army National Guard.

Since then, the Colorado State Fair has developed into the largest summer event in the State and offers families a fun, educational summer vacation, while serving as a year-round event venue for Southern Colorado.

### **Organizational Structure of the Colorado State Fair:**

The State Fair is led by the General Manager, who currently oversees 9 department heads, and 14 support staff. The State Fair staff organizational structure is identified in the attached Organizational Chart, see page 10.

As a Division of the Colorado Department of Agriculture, the Division is overseen by the Commissioner of Agriculture, Deputy Commissioner, Chief Administrative Officer and ultimately the Governor of Colorado.

The Colorado State Fair Board of Authority, an 11-member board consisting of members who represent all regions of the State of Colorado, serves in an advisory capacity. Two members of the Authority shall represent and reside in the county in which the State Fair is held, and of the remaining nine, at least one shall be a resident of each of the congressional districts of the state and at least two shall be residents of the Western Slope. Of the board, one member must be a certified public accountant, one member must have current management-level banking experience or expertise in finance and one member must have agriculture or 4-H club experience. The Board of Authority meets the last Wednesday of each month.

### **Management Consulting Study:**

In FY 2015-16 the Colorado State Fair received \$50,000 in funding to obtain a Facility Management Consulting Study to assess the operating structure of the Colorado State Fair. A copy of the study is included in Appendix A.

Johnson Consulting, Inc. was retained by the Colorado State Fair to provide an independent review and assessment of management and performance of the Colorado State Fairgrounds located in Pueblo, CO. The 102 acre site is owned by the State of Colorado and operated by the Colorado State Fair Authority, a Division of the Colorado Department of Agriculture. The State Fair is tasked with producing the annual 11-day Colorado State Fair that annually attracts nearly 500,000 visitors, and is also responsible for the year-round operations of the Fairgrounds with an approximately \$9.0 million budget.

The Management Consulting Study states in its Executive Summary, page 4, “the Colorado State

Fairgrounds is an important asset and historical facility that should be cherished and responsibly maintained. The State of Colorado and its citizens are fortunate to have this facility where they can continue to celebrate the state’s western, agricultural and animal heritage. However, the Colorado State Fair has experienced deficiencies in certain areas and as a result, the Fairgrounds have not been operating optimally.”

In several instances the Facility Management Consulting Study refers to the Colorado State Fair as the only entity in the study’s peer set that does not have a clearly defined mission statement, defined goals, or a dedicated source of funding. The Colorado State Fair is also identified as having the third lowest number of staff with facilities that are older and have not received the necessary maintenance and enhancements to keep the facility competitive. The Facility Management Consulting Study acknowledges Colorado State Fair as having the lowest rental rates and least building rental revenue across the peer set (page 5).

The Facility Management Consulting Study identifies multiple projections, one acknowledging the level of deferred maintenance that needs to be addressed by a capital improvement plan and higher ongoing maintenance expense. The study also acknowledges with the historic nature of the buildings, maintenance and upkeep comes at a higher cost. The study further states that it is not reasonable for the normal operations of the Colorado State Fairgrounds to produce enough revenue to keep its historic buildings even in fair to average condition. Johnson Consulting, Inc. acknowledges earned revenue, even with the suggested improvements, cannot be expected to cover cost of an effective operation. Johnson Consulting, Inc. therefore recommends increasing venue rental rates and furthermore recommends identifying a dedicated funding source that will annually appropriate funds to maintain these historic assets (page 7).

## Our Mission

As a result of the Management Consulting Study, the Colorado State Fair Board of Authority developed and approved the following Mission Statement.

The Colorado State Fair’s Mission Statement is to “create an entertaining, inspiring and educational inter-generational experience highlighting the preservation, promotion and exposition of our state’s vibrant and diverse agriculture, industry and culture.”

## Highest Priority Goals

The Colorado State Fair has identified strategic goals to progressively take the Division to its next level of performance.

- **Goal One**

**Fiscal Stability:** transition from a \$1.5 million annual loan to no loan to allow funding for facility maintenance and improvements, program development, and fulfilled staffing levels by 2022.

- **Goal Two**

**Facility Upgrades:** invest at least \$300,000 annually in the infrastructure to transition the facility to a pristine and desirable venue for private and public events in Southern Colorado.



- **Goal Three**

**Organizational Rebranding Campaign:** rebrand the Fairgrounds as a year-round multi-use facility, transition our identity from the “State Fair” to identifying as a year-round event venue by our 150<sup>th</sup> anniversary in 2022, for Southern Colorado and the collection of State Fair Facility users.

- **Goal Four**

**Team Satisfaction:** strengthen team dynamics with the notion of employee satisfaction, through the consolidation of workspaces in a renovated, modern, clean, ergonomic, collaborative, energetic, creative work environment, with all team members under one roof, by 2022.

## Strategies

The strategies below identify performance objectives for the outlined priority goals.

### **Goal One, Fiscal Stability:**

*Transition from a \$1.5 million annual loan to no loan to allow funding for facility maintenance and improvements, program development, and fulfilled staffing levels by 2022.*

To achieve fiscal stability by 2022, the Colorado State Fair is performing comprehensive analysis of its operations. Success will prevail through difficult, yet strategic, management decisions. Staff will be tasked with evaluating budgets, identifying areas of excess, and asked to reduce spending where possible. Revenues will be evaluated, operational strategy will be refined. A budget projection is included on page 12.

The Colorado State Fair is in the process of evaluating revenues, including the increase of rental rates for year-round facility rentals, rental rates of Fair-time commercial space, and recovery of hard costs incurred from rentals. Included on page 11 are rental rate increases that will be implemented January 1, 2017. Rates will be incrementally increased over time, to bring the facility more consistent with comparable venues in the region to an appropriate rate for the scope and condition of our venue. Rates implemented in 2017 will bring State Fair rates closer to regional averages, as rental rates at the State Fair have not been increased since approximately 2010. While elevated rental revenue figures are anticipated in 2107, it is imperative to be mindful that increased rates do not guarantee increased revenue without the retention of the same quantity and scope of users.

Though rental rate increases are anticipated to substantiate elevated rental revenue, there is a slight caveat with the increase of rental rates. Rate increases should be justified by the value of the rental asset. While increases will be implemented in 2017 to bring State Fairs’ current rate structure more consistent with regional averages, significantly increasing rental rates may prove counterproductive, especially in the retention of existing clients, with no perceived value increase in the tangible asset to justify the rise. With continual investments in the maintenance of the facility, rental rates can progressively be increased and adjusted accordingly.

Another consideration when aiming for fiscal stability is analysing how the Colorado State Fair can leverage current funds in new ways; looking for a renewed operational approach. Leveraging existing funds and potential revenue streams will be reviewed by our sponsorship team, and will be considered when working in collaboration with the Colorado State Fair Foundation.

**Staffing Plan:**

As fiscal stability is achieved, the Colorado State Fair intends to expand staffing levels to include a facility sales department with a Director of Sales/Marketing and Sales team member; one additional accounting team member; and additional general labor staff and project manager in the maintenance department. See page 10 for proposed organizational chart.

**Schedule of Action:**

The Colorado State Fair has evaluated and projected anticipated fiscal estimates through FY 2019-2020, included on page 12.

- FY 2017-2019 – focus on reducing fiscal deficit
- FY 2017-2017 – increase facility rental rates, see page 11
- FY 2017-2022 – hire additional staff
- FY 2019-2020 – anticipate positive cash flow
- FY 2020-2021 – continued positive cash flow

**Already Implemented:**

- FY 2015-2016 – updated the facility donation policy to include a payment for hard costs (utilities, staff) when facilities are being donated to various not-for-profit, charitable or partner organizations, through the charge of utility fees. Previously, these costs had not been recovered.
- FY 2015-2016 – evaluated rental fee structure, determined rate increases for 2017

**Goal Two, Facility Upgrades:**

*Invest at least \$300,000 annually in the infrastructure to transition the facility to a pristine and desirable venue for private and public events in Southern Colorado.*

Facility upgrades will be accomplished through the utilization of an anticipated Facility Audit, scheduled to be performed in early 2017. The Facility Audit will be a comprehensive evaluation of the state assets, determining the level of infrastructure improvements needed, maintenance issues, potential new construction, renovation and equipment status for today's immediate needs and tomorrow's future plans. The report will be a guiding tool to direct our efforts to achieve an overall improved venue and manage the physical resources necessary to optimally operate our programs.

The ultimate goal is to procure a Facility Audit that will identify each venue on the facility, the type and nature of maintenance needed, and the anticipated cost of the maintenance. From there the Colorado State Fair will identify work flow based on need and anticipated completion dates.

The physical environment plays an important role for any program; environment is directly related to the success of the programs that are within it. Utilization of this Facility Audit tool will allow the Colorado State Fair to review, evaluate and address accessibility needs, customer safety and comfort, attractiveness of real estate, cleanliness, effective use of the site and venue logistics to provide a clean, safe and functional facility to our users.

Reducing potential risk through facility improvements will decrease potential liability and claims. The reduction of claims with the improvements of safety and property integrity issues will allow for quantifying the success of safety based improvements. Success can also be quantified through frequency of use, increased rental revenues and customer satisfaction surveys, after improvements are made to the facility and the facility becomes a more desirable rental venue. Facility upgrades will also justify the increased rental rates, allowing the State Fair to capitalize on stronger cash flow within our standard operating procedure.

In our current fiscal year, the Colorado State Fair plans to utilize the \$300,000 State Fair Facilities

Maintenance appropriation to address general improvements to the Auditorium and Dining Hall buildings, including structural improvements and infrastructure needs. Future maintenance appropriations will be utilized based on the results of the Facility Audit, barring any emergency or unforeseen expenses.

**Schedule of Action:**

- December 2016 – finalize for Facility Audit scope of work with the Office of the State Architect.
- February 2017 – Facility Audit finalized
- March 2017 – review Facility Audit, present to Board of Directors
- FY 2016-2017 - address general improvements to the Auditorium and Dining Hall buildings with \$300,000 state Fair Facilities Maintenance appropriation.
- April 2017 and beyond – identify areas of most need per the Facility Audit, outline cost proposals, seek funding to implement the recommendations of the Facility Audit.
- FY 2017-18 – \$300,000 State Fair Facilities Maintenance appropriation will be prioritized per the Facility Audit results and emergency/unforeseen needs.
- FY 2018-19 – \$300,000 State Fair Facilities Maintenance appropriation will be prioritized per the Facility Audit results and emergency/unforeseen needs.
- FY 2019-20 – \$300,000 State Fair Facilities Maintenance appropriation will be prioritized per the Facility Audit results and emergency/unforeseen needs.
- FY 2020-21 – \$300,000 State Fair Facilities Maintenance appropriation will be prioritized per the Facility Audit results and emergency/unforeseen needs.
- FY 2021-22 – \$300,000 State Fair Facilities Maintenance appropriation will be prioritized per the Facility Audit results and emergency/unforeseen needs.

**Already Implemented:**

- FY 2016-2017 - \$150,000 in improvements have been made to the Livestock Pavilion
- FY 2016-2017 - \$150,000 in improvements have been made to the Horse Show Area
- FY 2016-2017 – improvements have been made to the flooring VIP Building, through in-kind sponsorship
- FY 2016-2017 – continued considerations for ‘Street Scape Improvements’. Pueblo County is funding the Fair with \$500,000 for street scape improvements, focusing on the gates/points of entry. A design/consulting firm, Populous, was on site during the 2016 Fair to assess current structure, operations and future need.
- FY 2015-2016 – Fairgrounds dorms have been remodelled, funded by the State Fair Foundation

**Goal Three, Organizational Rebranding Campaign:**

*Rebrand the Fairgrounds as a year-round multi-use facility, transition our identity from the “State Fair” to identifying as a year-round event venue by our 150<sup>th</sup> anniversary in 2022, for Southern Colorado and the collection of State Fair Facility users.*

A vehicle to achieving long term success includes the concept of a rebranding campaign for the organization. Currently, the organization identifies as the “Colorado State Fair”. While we ARE the Colorado State Fair, we also represent a state facility that operates 365 days per year through the venue management component of our operation.

Identifying as a year-round venue, home of the Colorado State Fair, will allow the organization to attract a broader spectrum of users. Creating awareness of year-round nature of our organization will create attractiveness to potential partners, such as promoters, sponsors, users, and guests, thus developing stronger revenue streams year round.

Part of the rebranding process will include the development of a Mission Statement for the annual operation; the newly developed Mission Statement for the Fair will be retained as the event's mission statement.

**Schedule of Action:**

- November 2016 – begin conversation at State Fair Board Retreat
- FY 2017-2018 – develop a rebranding concept and marketing plan
- FY 2018-2019 – execute the rebranding campaign when fully developed

**Already Implemented:**

- No reportable action to date

**Goal Four, Team Satisfaction:**

*Strengthen team dynamics with the notion of employee satisfaction, through the consolidation of workspaces in a renovated, modern, clean, ergonomic, collaborative, energetic, creative work environment, all team members under one roof, by 2022.*

There is strong desire to consolidate staff into a single administration office, to allow for more streamlined communication between departments, better collaboration, creative and analytical thinking, and a more unified team. Currently, the administrative staff is housed in 5 separate office spaces, 7 during the Fair season. While separate office space is necessary during the Fair, consolidating full time office space year-round will prove beneficial in both employee engagement and the reduction of utilities, products and services necessary to operate several separate office spaces. The renovation of an existing facility on site will seamlessly allow for this unifying and cost reducing transition. The identified venue will be sizeable enough to accommodate all admin team members, a board room, and meeting rooms, ultimately will improving employee satisfaction with more comfortable, desirable and economic office environment while reducing administrative cost. Success will be measured through the completion of the office consolidation effort, and measured through the biennial employee engagement survey.

**Schedule of Action:**

- January 2017 - utilize existing design planned for Palace of Agriculture, second floor. Remove elevator from existing plan, review project and adapt to fit the Colorado Building footprint.
- FY 2017-18 – review employee engagement survey results, target a 2% increase in favourable responses.
- FY 2018-2019 - review and adjust design as necessary to accommodate future staffing levels, for anticipated increased staffing.
- FY 2018-2020 – secure funding for office renovation and consolidation
- FY 2019-20 – review employee engagement survey results, target a 2% increase in favourable responses.
- FY 2020-2021 – construction and move into new office
- FY 2021-2022 – Occupy consolidated office space
- FY 2021-22 – review employee engagement survey results, target a 2% increase in favourable responses.

**Already Implemented:**

- Preliminary plans were drawn for previous remodel concept

## **Relationships**

The Colorado State Fair is reliant on customer, stakeholder and beneficiary relationships. Business is dependent on the working relationships of our direct customers and stakeholders and directly impacts several beneficiaries.

Direct customers of the Colorado State Fair include: renters, attendees/patrons, vendors, promoters, sponsors, entertainers, 4-H and FFA members, and community participants.

Stakeholders of the Colorado State Fair include: vendors, promoters, sponsors, entertainers, 4-H and FFA members, other governments (City, County and State agencies), local schools, hotels and local businesses, the Department of Agriculture, the State Fair Board of Authority, the State Fair Foundation, various associations and foundations, and the community.

Beneficiaries of the Colorado State Fair include: other government agencies, Colorado's farmers and ranchers, vendors, the community and taxpayers and citizen of Colorado.

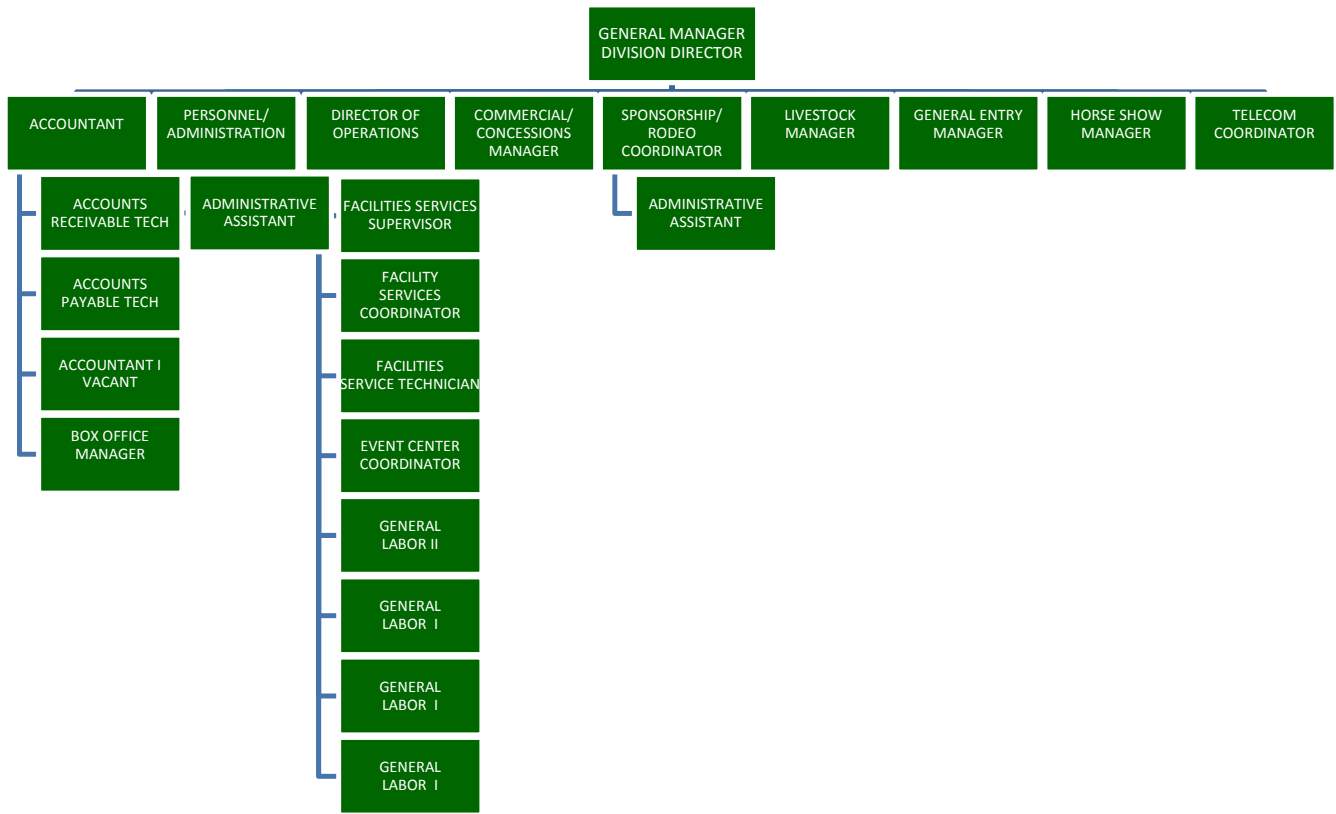
As a result of the implementation of improved facilities, increased staffing, and overall enhancements to the operation and organization, relationships with all direct customers, stakeholders and beneficiaries will strengthen. The organization will see an overall increase of productivity, will drive positive business to our partners, and will enhance the overall appeal of the Colorado State Fair.

## **General Assembly Considerations**

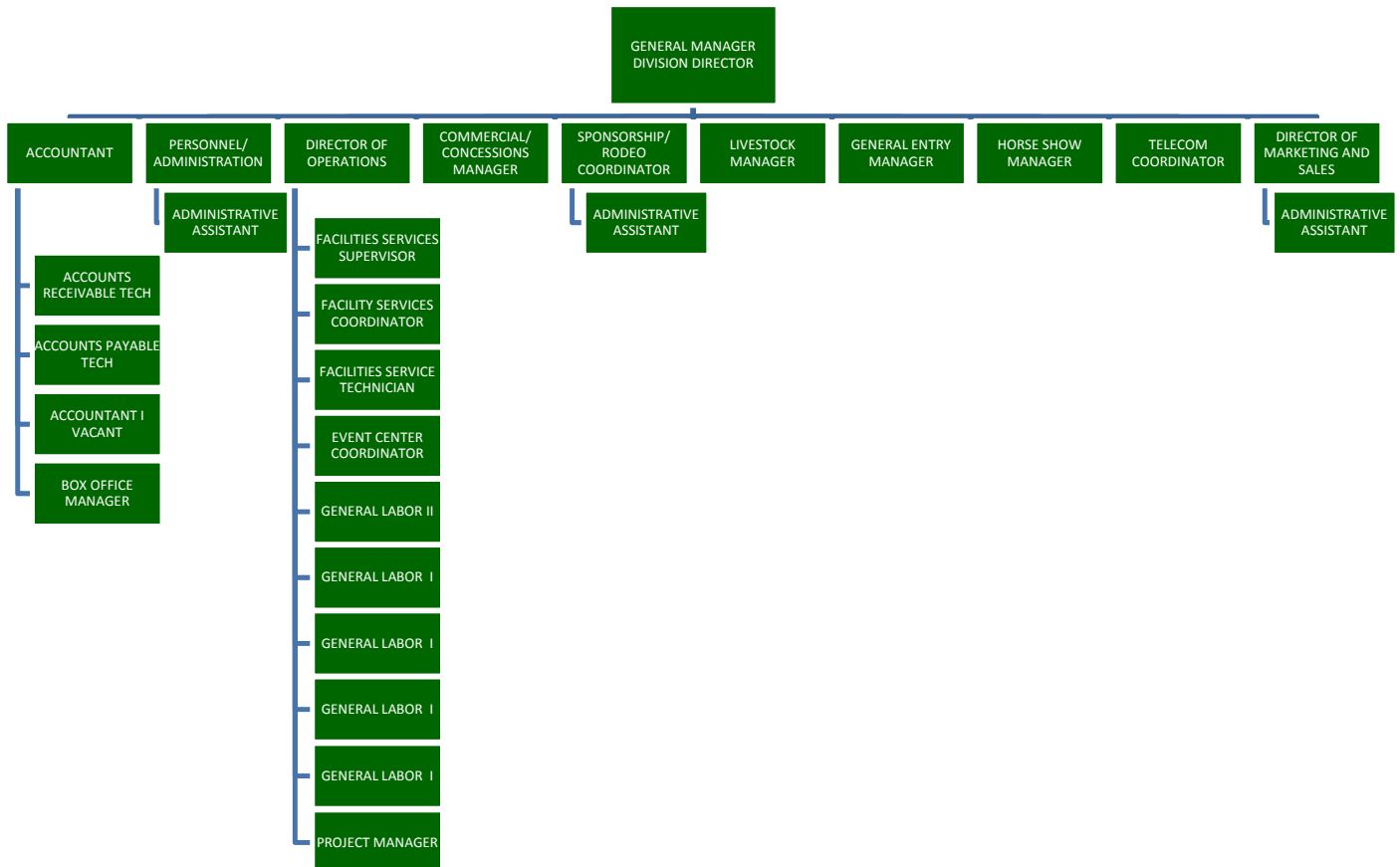
Management of the Colorado State Fair ask the General Assembly maintain at least current levels of funding through 2022. Based on the results of the Facility Audit, the Colorado State Fair may request the General Assembly to consider elevated levels of funding to accomplish necessary facility upgrades.

# Colorado State Fair Organizational Chart

Current 2016



Proposed



## Colorado State Fair Rental Rates

BUILDING	sq/ft USABLE SPACE	2016 RENTAL RATE	2017 RENTAL RATE
Ag Palace	42,220	\$ 1,750	\$ 2,300
Auditorium	5,400	\$ 500	\$ 550
Colorado Building	13,034	\$ 750	\$ 800
Colorado Room	2,312	\$ 150	\$ 150
Creative Arts	11,716	\$ 900	\$ 1,000
Cultural Heritage	2,185	\$ 275	\$ 275
Dining Hall	5,760	\$ 600	\$ 650
Events Center	60,000	\$ 3,500	\$ 3,500
Fine Arts Building	8,512	\$ 600	\$ 650
Grandstand	33,410	\$ 1,750	\$ 1,800
Livestock Pavilion	25,296	\$ 750	\$ 750
Weatherport Tent	14,540	\$ 750	\$ 775
Horse Show Facility		\$ 900	\$ 1,000
Horse Show Stalls - Per Night		\$ 15	\$ 20
Camping - Per Night		\$ 25	\$ 35

# Colorado State Fair Budget

	Budget w/Funding FY 2016-2017	Projection FY 2017-2018	Projection FY 2018-2019	Projection FY 2019-2020
<b>Revenues:</b>				
Gate Admissions	\$ 1,100,000	\$ 1,133,000	\$ 1,166,990	\$ 1,202,000
Carnival	\$ 725,000	\$ 746,750	\$ 769,153	\$ 792,227
Concerts	\$ 875,000	\$ 901,250	\$ 928,288	\$ 956,136
Exhibitors	\$ 850,000	\$ 875,500	\$ 901,765	\$ 928,818
Commercial Space/Exhibitors	\$ 1,210,000	\$ 1,246,300	\$ 1,283,689	\$ 1,322,200
Commercial Sponsorships	\$ 575,000	\$ 592,250	\$ 610,018	\$ 628,318
Miscellaneous Sales	\$ 115,000	\$ 118,450	\$ 122,004	\$ 125,664
Unclaimed Property	\$ 1,140,000	\$ 1,174,200	\$ 1,209,426	\$ 1,245,709
Rentals	\$ 700,000	\$ 721,000	\$ 742,630	\$ 764,909
City of Pueblo	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000
Pueblo County	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000
FY17 Funding	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000
4H/FFA Appropriation	\$ 550,000	\$ 550,000	\$ 550,000	\$ 550,000
Ag Management Contribution	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Estimated Cash Deficit				
<b>Total Revenues</b>	<b>\$ 9,390,000</b>	<b>\$ 9,608,700</b>	<b>\$ 9,833,961</b>	<b>\$ 10,065,980</b>
<b>Personnel/Operating Expenses:</b>				
Personnel Costs	\$ 2,900,000	\$ 2,929,000	\$ 2,958,290	\$ 2,987,873
Personnel Services	\$ 1,900,000	\$ 1,919,000	\$ 1,938,190	\$ 1,957,572
Advertising/Public Relations	\$ 465,000	\$ 469,650	\$ 474,347	\$ 479,090
Insurance	\$ 4,300	\$ 4,343	\$ 4,386	\$ 4,430
Legal	\$ 20,000	\$ 20,200	\$ 20,402	\$ 20,606
Maintenance & Repair	\$ 400,000	\$ 425,000	\$ 450,000	\$ 475,000
Postage	\$ 26,000	\$ 26,260	\$ 26,523	\$ 26,788
Premiums	\$ 950,000	\$ 959,500	\$ 969,095	\$ 978,786
Printing	\$ 34,000	\$ 35,020	\$ 36,071	\$ 37,153
Rental Expense	\$ 180,000	\$ 181,800	\$ 183,618	\$ 185,454
Supplies	\$ 525,000	\$ 530,250	\$ 535,553	\$ 540,908
Travel	\$ 95,000	\$ 97,850	\$ 100,786	\$ 103,809
Utilities	\$ 975,000	\$ 1,053,000	\$ 1,137,240	\$ 1,228,219
Other Operating Expense	\$ 240,000	\$ 242,400	\$ 244,824	\$ 247,272
Capital Lease - Principal	\$ 50,618	\$ 92,042	\$ 99,439	\$ 107,232
Capital Lease - Interest	\$ 41,196	\$ 37,963	\$ 34,465	\$ 30,689
<b>Total Personnel/Operating Expense</b>	<b>\$ 8,806,114</b>	<b>\$ 9,023,278</b>	<b>\$ 9,213,227</b>	<b>\$ 9,410,881</b>
<b>Indirect Expenses:</b>				
State Indirect Expense	\$ 144,016	\$ 145,456	\$ 146,911	\$ 148,380
Workers Compensation	\$ 5,000	\$ 5,050	\$ 5,101	\$ 5,152
Risk Management	\$ 95,000	\$ 95,950	\$ 96,910	\$ 97,879
<b>Total Indirect Expenses</b>	<b>\$ 244,016</b>	<b>\$ 246,456</b>	<b>\$ 248,921</b>	<b>\$ 251,410</b>
<b>Total Expenses</b>	<b>\$ 9,050,130</b>	<b>\$ 9,269,734</b>	<b>\$ 9,462,148</b>	<b>\$ 9,662,291</b>
<b>Net Income/Loss</b>	<b>\$ 339,870</b>	<b>\$ 338,966</b>	<b>\$ 371,813</b>	<b>\$ 403,689</b>
Cash Balance	\$ (1,060,130)	\$ (721,164)	\$ (349,351)	\$ 54,338
<b>Depreciation*</b>	<b>\$ (928,030)</b>	<b>\$ (955,871)</b>	<b>\$ (984,547)</b>	<b>\$ (1,014,083)</b>

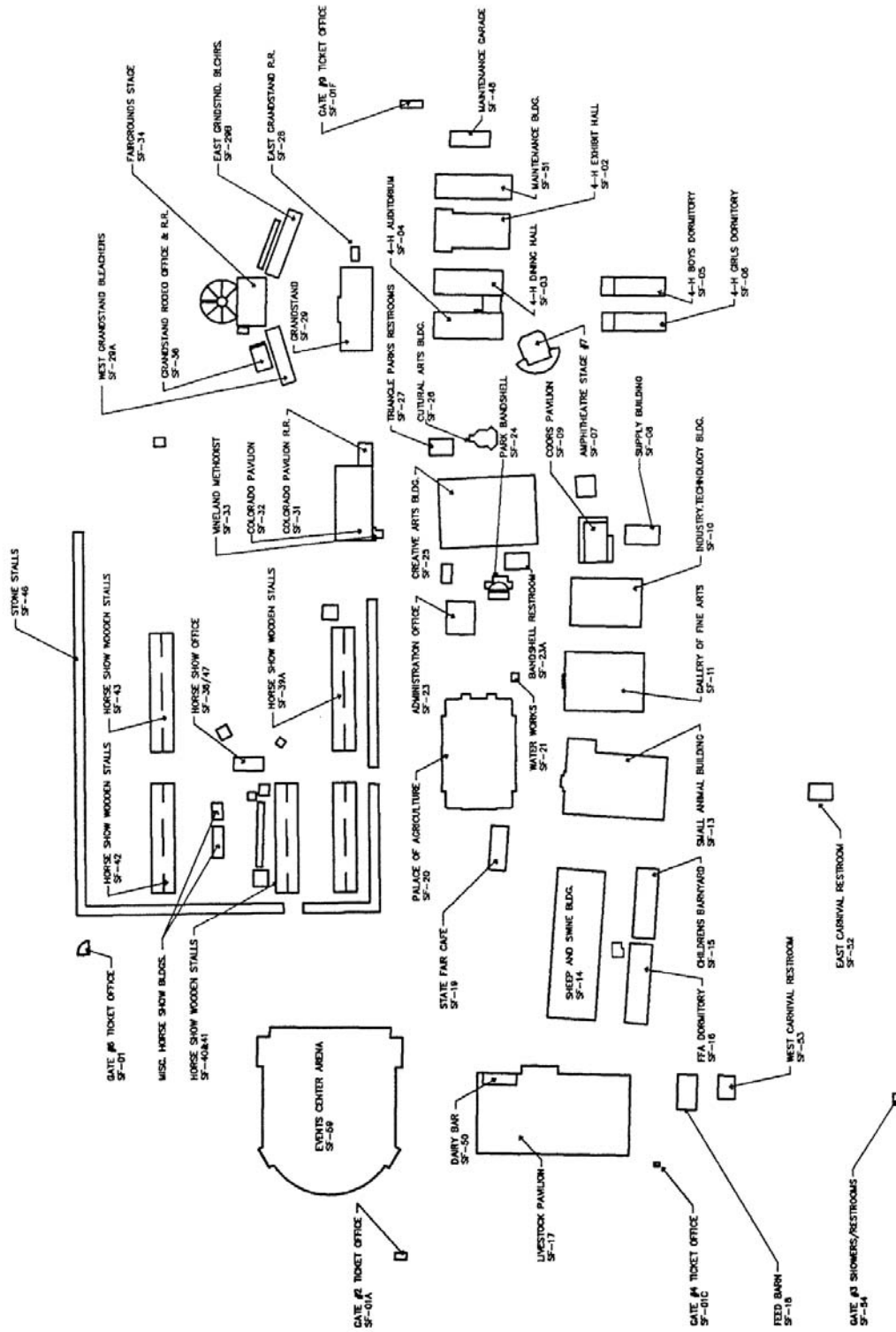
\*Not included in cash expenses



# Colorado State Fair Building Inventory

<u>Building Name</u>	<u>DOA #</u>
Gate #6	SF-01
Gate #2	SF-01A
Gate #4	SF-01C
Gate #9	SF-01F
4-H Exposition Building	SF-02
4-H Dining Hall Building and Restroom	SF-03
4-H Auditorium Building	SF-04
Boy's Dorm	SF-05
Girl's Dorm	SF-06
Amphitheater	SF-07
Supply Building	SF-08
Coors Pavilion	SF-09
Industry Tech Building/ColoPalooza	SF-10
Fine Arts	SF-11
Small Animal Barn	SF-13
Sheep & Swine	SF-14
Children's Barn	SF-15
FFA Dorms	SF-16
Livestock Pavilion	SF-17
Feed Barn	SF-18
State Fair Cafe	SF-19
Palace of Agriculture	SF-20
Water Booth	SF-21
Administrative Office	SF-23
Bandshell Restrooms	SF-23A
Bandshell	SF-24
Creative Arts	SF-25
Cultural Arts Building/Southwestern Art	SF-26
Triangle Park Rest Room	SF-27
Grandstand Rest Room	SF-28
Grandstand	SF-29
West Grandstand	SF-29A
East Grandstand	SF-29B
Grandstand Ticket Office	SF-30
Colorado Pavilion Restroom	SF-31
Colorado Pavilion	SF-32
Vineland Methodist	SF-33
Grandstand Stage	SF-34
Rodeo Office and Restroom	SF-36
Horse Show Office/Restroom/Showers	SF-38/SF-47
Horse Show (Wood) Stalls	SF-39-45
Stone Stalls	SF-46
Maintenance Garage	SF-48
Dairy Bar	SF-50
Maintenance Office	SF-51
Carnival Restroom	SF-52
Carnival Restroom	SF-53
Carnival Showers/Restroom	SF-54
Gate #5	SF-55
Events Center	SF-59

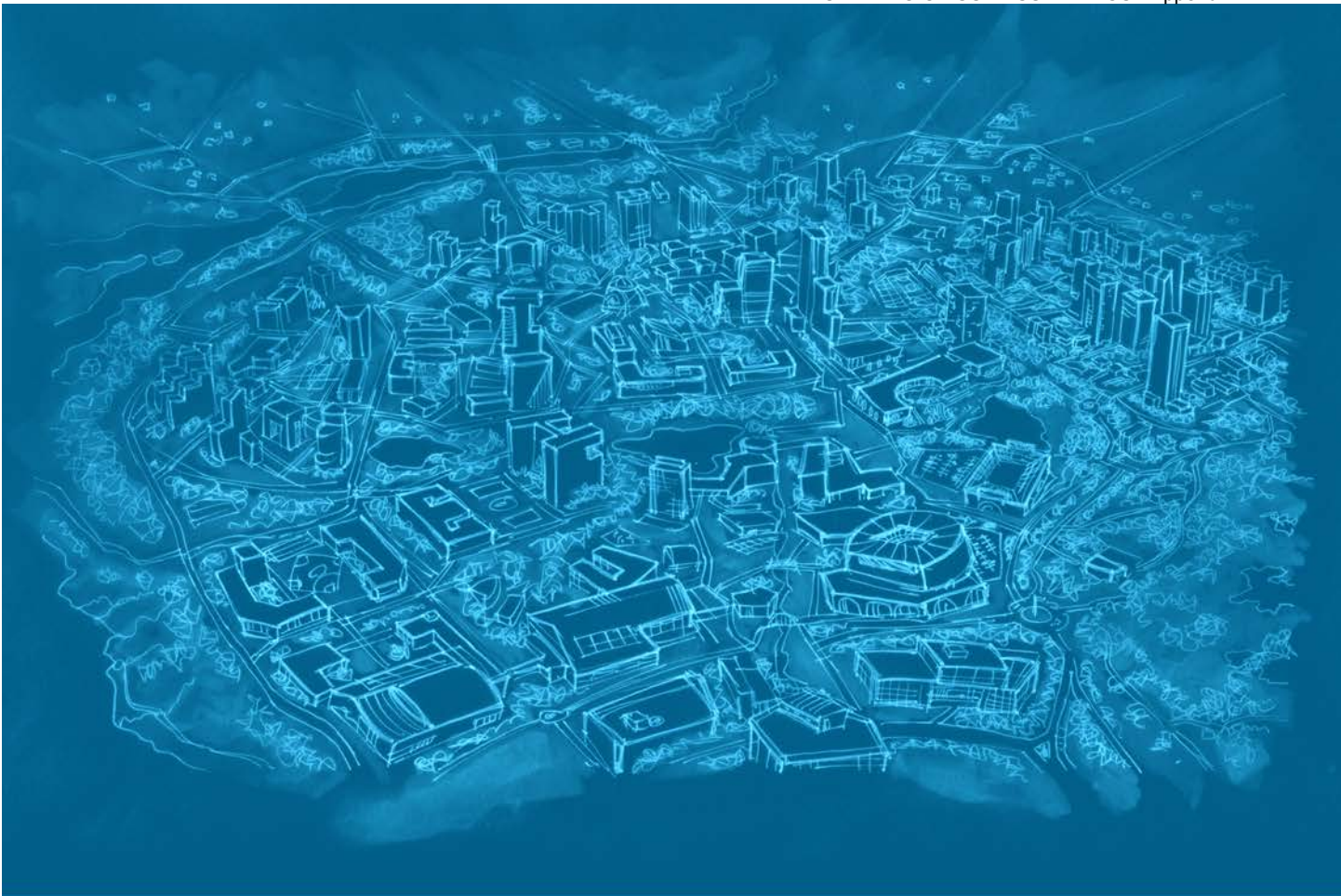
# Colorado State Fair Building Inventory Key



# Colorado State Fair Building Inventory Key

Building Name	Occupancy Type	Acad or GF		Date Built	Date of Facility Audit	F.C.I. (Actual) A/FCI	F.C.I. (Target) T/FCI	Agency Number
		G.S.F.	C.R.V.					
4-H Auditorium Bldg	Other	7,100	\$ 798,038	1938	Feb-98	60%	85%	SF04
4-H Dining Hall Bldg	Dining facility	7,100	\$ 744,583	1930	Feb-98	73%	85%	SF03
4-H Exposition Bldg.	Other	10,712	\$ 1,041,000	1964	Feb-98	56%	85%	SF02
Ag Pavilion	Other	15,728	\$ 1,407,000	1938	Feb-98	74%	85%	SF32
Ag Pavilion, Rest Rm.	Other	1,500	\$ 453,196	1965	Feb-98	77%	85%	SF31
Amphitheatre Bldg	Other	2,100	\$ 321,705	1985	Feb-98	82%	85%	SF07
Bandshell Park Restrooms	Other	1,632	\$ 115,050	1990	Feb-98	85%	85%	23A
Boy's Dorm Bldg.	Hotel/Residency	10,476	\$ 930,000	1974	Feb-98	69%	85%	SF05
Butler Building	Storage	2,880	\$ 302,029	1971	Feb-98	91%	85%	SF08
Children'S Barnyard	Other	7,802	\$ 669,002	1936	Feb-98	77%	85%	SF15
Coors Tavern Concessions	Dining facility	5,300	\$ 595,719	1940	Feb-98	64%	85%	SF09
Creative Arts	Other	17,515	\$ 1,837,000	1928	Feb-98	66%	85%	SF25
Cultural/Heritage Bldg.	Other	2,053	\$ 208,144	1915	Feb-98	86%	85%	SF26
Dairy Bar Concession	Dining facility	1,747	\$ 196,362	1964	Feb-98	85%	85%	SF50
East Carnival Restroom	Other	1,632	\$ 76,561	1989	Feb-98	85%	85%	SF53
East Grandstand Bleachers	Other	4,260	\$ 254,115	1928	Feb-98	27%	85%	SF29B
East Grandstand Restrooms	Other	592	\$ 27,147	1980	Feb-98	65%	85%	SF28
Event Center	Other	62,068	\$ 12,782,000	1995	Feb-98	88%	85%	SF59
Feed Barn	Storage	2,920	\$ 306,223	1945	Feb-98	46%	85%	SF18
Ffa Dorm	Hotel/Residency	7,802	\$ 876,942	1948	Feb-98	33%	85%	SF16
Fine Arts Bldg.	Other	14,097	\$ 1,109,000	1921	Feb-98	69%	85%	SF11
Gate 2 Ticket Office	Other	261	\$ 29,336	1985	Feb-98	81%	85%	SF1A
Gate 3 Carnival Showers/Restroom	Other	442	\$ 107,010	1989	Feb-98	45%	85%	SF54
Gate 4 Ticket Office	Other	456	\$ 8,936	1955	Feb-98	70%	85%	SF01-C
Gate 5 Ticket Office	Other	128	\$ 43,208	1989	Feb-98	79%	85%	SF55
Gate 6 Ticket Office	Other	690	\$ 22,955	1990	Feb-98	64%	85%	SF01
Gate 9 Ticket Office	Other	690	\$ 62,102	1990	Feb-98	85%	85%	SF60
Godone'S Tent Concession	Dining facility	1,320	\$ 61,273	1993	Feb-98	90%	85%	SF57
Girl's Dorm Bldg.	Other	10,746	\$ 950,000	1974	Feb-98	69%	85%	SF06
Grandstand	Other	16,896	\$ 2,417,000	1984	Feb-98	67%	85%	SF29
Grandstand Stage	Other	6,000	\$ 995,955	1987	Feb-98	84%	85%	SF34
Horse Show Feed Barn	None	900	\$ 37,960	1987				SF62
Horse Stalls Abcfg	Other	36,800	\$ 1,054,000	1968	Feb-98	78%	85%	SF39-45
Information Booth	Other	144	\$ 15,247	1940	Feb-98	91%	85%	SF21
Kfc Building	Dining facility	1,596	\$ 115,211	1991	Feb-98	70%	85%	SF56
Livestock Pavilion	Other	24,038	\$ 1,453,000	1984	Feb-98	75%	85%	SF17
Lottery Building	Other	1,120	\$ 201,730	1985				SF7A
Maintenance Garage	Other	3,300	\$ 332,976	1936	Feb-98	36%	85%	SF48
Maintenance Office	Office type contents	11,648	\$ 899,197	1989	Feb-98	83%	85%	SF51
N.W. Carnival Restroom	Other	1,632	\$ 77,785	1989	Feb-98	75%	85%	SF52
Natural Resources	Other	10,100	\$ 1,049,000	1941	Feb-98	74%	85%	SF10
Palace Of Agriculture	Other	55,439	\$ 8,041,000	1978	Feb-98	74%	85%	SF20
Pauliocis Concession	Dining facility	480	\$ 48,335	1991	Feb-98	95%	85%	SF58
Pepsi Stage	Other	1,920	\$ 358,374	1954	Feb-98	70%	85%	SF24
Restroom Bldg. Event Center	Other	1,596	\$ 178,867	2004	Feb-98	95%	85%	SF61
Restroom Bldg. Horse Show	Other	1,596	\$ 178,867	2004	Feb-98	95%	85%	SF62
Restroom Bldg. Vendor Loop	Other	1,596	\$ 178,867	2004	Feb-98	95%	85%	SF63
Rodeo Office	Office type contents	540	\$ 57,178	1977	Feb-98	80%	85%	SF36
Sheep & Swine Barn #14	Other	36,875	\$ 2,908,000	1938	Feb-98	75%	85%	SF14
Small Animal Barn	Other	66,966	\$ 5,414,000	1938	Feb-98	61%	85%	SF13
State Fair Café	Dining facility	2,548	\$ 267,211	1933	Feb-98	54%	85%	SF19
Stone Stalls	Other	30,491	\$ 2,977,000	1937	Feb-98	79%	85%	SF46
Triangle Park Rest Rm.	Other	1,344	\$ 142,307	1953	Feb-98	90%	85%	SF27
Vineland Concession	Dining facility	425	\$ 81,343	1964	Feb-98	75%	85%	SF33
Vip Colorado Clubhouse	Office type contents	4,260	\$ 478,823	1930	Feb-98	61%	85%	SF23
West Grandstand Bleachers	Other	4,260	\$ 254,115	1928	Feb-98	21%	85%	SF29A
West Horse Arena Cover	Other	41,250	\$ 536,336	2003	Feb-98	95%	85%	SF64





## Colorado State Fair Facility Management Consulting Study Pueblo, CO

**SUBMITTED TO**  
Colorado State Fair

**SUBMITTED BY**  
C.H. Johnson Consulting, Incorporated

March 2016



**JOHNSON  
CONSULTING**

Experts in Convention, Hospitality,  
Sport and Real Estate Consulting.



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## SECTION I

### TRANSMITTAL LETTER



March 1, 2016

Ms. Lea Cassidy  
Colorado State Fair  
1001 Beulah Avenue  
Pueblo, CO 81004  
[lea.cassidy@state.co.us](mailto:lea.cassidy@state.co.us)

Re: Colorado State Fair Facility Management Consulting Study

Dear Ms. Cassidy:

**Johnson Consulting** is pleased to submit this draft report regarding the Colorado State Fairgrounds. Pursuant to our engagement, this initial draft report provides an assessment of historic and current management and performance of the Fairgrounds, an analysis of the economic and demographic characteristics of Pueblo and Pueblo County, as well as the broader region; discusses key industry trends; identifies and analyzes key characteristics of regional competitive and comparable venues; summarizes survey results from current and potential users of the facilities; and provides operational and physical improvement recommendations and strategies.

Johnson Consulting has no responsibility to update this report for events and circumstances occurring after the date of this report. The findings presented herein reflect analyses of primary and secondary sources of information. Johnson Consulting used sources deemed to be reliable, but cannot guarantee their accuracy. Moreover, some of the estimates and analyses presented in this study are based on trends and assumptions, which can result in differences between the projected results and the actual results. Because events and circumstances frequently do not occur as expected, those differences may be material. This report is intended for the clients' internal use and cannot be used for project underwriting purposes without Johnson Consulting's written consent.

We have enjoyed serving you on this engagement and look forward to providing you with continuing service.

Sincerely,

C.H. JOHNSON CONSULTING, INC.





**SECTION II**  
INTRODUCTION



## INTRODUCTION

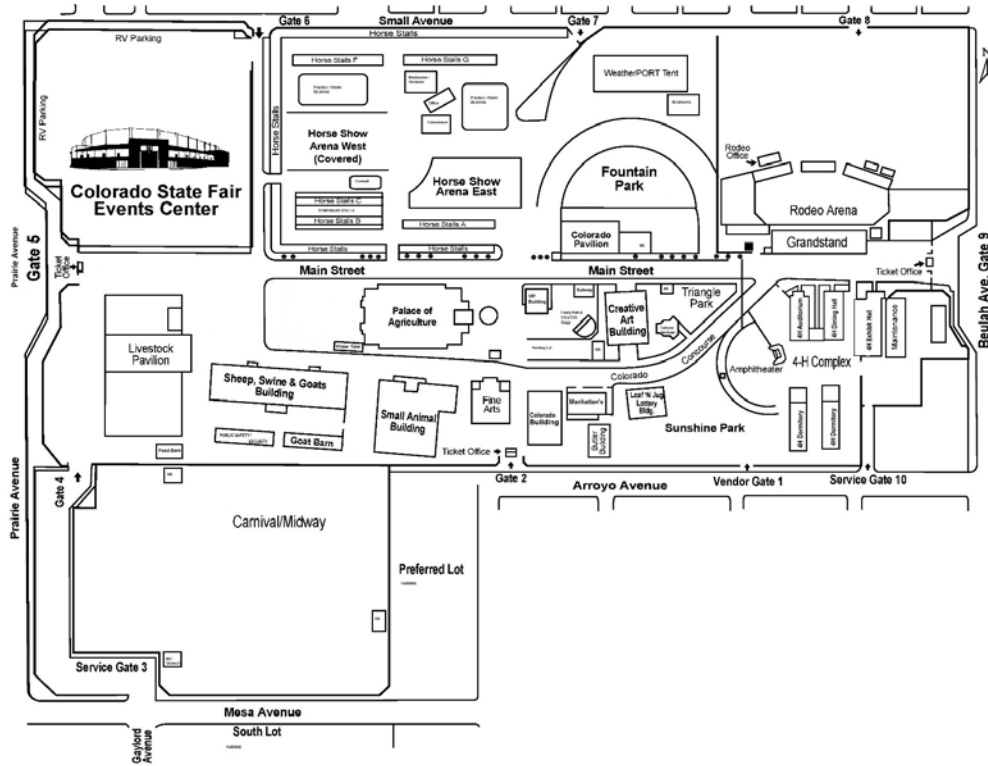
Johnson Consulting was retained by the Colorado State Fair (CSF) to provide an independent review and assessment of management and performance of the Colorado State Fairgrounds (CSFG) located in Pueblo, Colorado. The 102-acre CSFG is owned by the State of Colorado and operated by the Colorado State Fair Authority (CSFA), which is tasked with producing the annual CSF – an 11-day event that attracts around 500,000 visitors each year - and is also responsible for year-round operations of the Fairgrounds. The site is improved with 57 buildings, a number of which are available for rent outside of the Fair. It is this year-round, incremental utilization of the Fairgrounds, and associated revenues and expenses that is the focus of our study.

Revenue from the successful and profitable CSF are used to support operations of the CSFG year-round. The Fairgrounds receives some funding from the State, Pueblo County, and the City of Pueblo, although the amount of this funding has been sizably reduced during recent years. In January 2016, the CSFA appointed a new General Manager of the CSFG. The CSF is now in an ideal position to review historic operations and define a clear direction for the future of the Fairgrounds. Our report serves to provide that review and define strategies to assist the Fairgrounds in moving towards a break even operation on a year-round basis.

## OVERVIEW OF EXISTING FACILITIES

The following figure provides an overview of facilities at the CSFG.

Figure 2 - 1



The following table shows the inventory of facilities at the CSFG that are available for rent outside of the annual CSF.



Table 2 - 1

Colorado State Fairgrounds Inventory of Event Facilities*				
Facility	Event Space (SF)	Max. Capacity (persons)	Seated Capacity (persons)	Off-Season Use**
Southwest Motors Events Center	95,350	8,225	7,884	Private/Public Rentals
Palace of Agriculture	42,220	6,000	2,500	Offices; 4H/Private/Public Rentals
Budweiser Rodeo Arena	33,000	-	9,498	Public/Private Rentals (Outdoor Venue)
Livestock Pavilion	25,296	3,600	1,600	4H Shooting Sports; Hog/Beef Shows; CSU Baseball
WeatherPORT Tent	16,640	2,000	800	Private/Public Rentals (Semi-Outdoor Venue; Not Heated)
Creative Arts	11,716	1,600	780	4H/Private/Public Rentals
4H Dining Hall	5,760	820	350	4H/Private/Public Rentals
4H Auditorium	5,400	770	350	4H/Private/Public Rentals
Cultural Heritage	2,185	-	50	4H/Private/Public Rentals
Amphitheater	-	2,000	-	Private/ Public Rentals (Outdoor Venue)
Colorado Bldg	-	-	100	4H/Private/Public Rentals
Horse Show Complex	-	-	250 (Outdoor Arena); 100 (Covered Arena)	4H/Private/Public Rentals
VIP Building	-	-	-	Offices; Staff/Board Meetings
Fine Arts	-	-	-	Private Rentals
Small Animals Building	-	-	-	Rabbit Shows; Storage (Not Heated)
Sheep & Swine Barn	-	-	-	4H Hog and Goat Shows/Clinics
Ag Pavilion	-	-	-	Storage (Semi-Outdoor Venue; Not Heated)
Carnival Lot	500,000+	-	-	-

\* Includes facilities that are available for rent outside of the CSF. Note: 4H Exhibit Hall not shown as it is used for storage and not available for rent.  
\*\* Private Events, as defined by CSF, relate non-public events only - such as banquets, parties, receptions, and meetings.  
Source: CSF, Johnson Consulting

## METHODOLOGY

In order to complete the analysis required for this project, Johnson Consulting performed the following tasks:

1. Toured the site and surrounding local area.
2. Met with the Management team on numerous occasions to understand issues and opportunities, and reviewed current management and operations.
3. Examined and projected regional economic and demographic trends that may influence demand for the CSFG.
4. Identified and examined relative comparable facilities, regionally and nationally, and prepared a benchmarking analysis vis-a-vis the CSFG.
5. Interviewed current and prior users of the CSFG and other key stakeholders to gather their insights and perspectives.
6. Identified strategies for future operations of the CSFG.

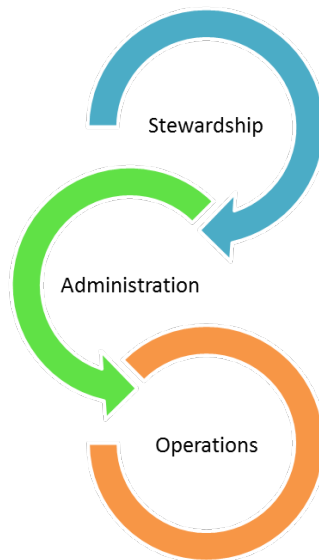


**SECTION III**  
MANAGEMENT ASSESSMENT

## MANAGEMENT ASSESSMENT

This section presents a review of management of the Colorado State Fairgrounds (CSFG), as measured by key performance metrics relevant to the Fairgrounds and the broader industry. There are 3 main tiers in the organizational structure of any organization or event facility – Stewardship; Management and Administration; and Day-to-Day Operations. This hierarchy is highlighted in the following figure.

**Figure 3 - 1**



Source: Johnson Consulting

As any organization or event facility plans its ongoing operations there are tools available to define critical elements for success. Our analysis is based upon what we define as 5 functional areas:

1. **MISSION:** What is the long-term vision of the organization?
2. **GOAL:** What are the goals and objectives of the organization? What are the ends towards which effort and actions are directed?
3. **STRATEGIES:** What are the strategies for achieving these goals and driving the mission of the organization?
4. **STAFF AND STRUCTURE:** How is the organization staffed and structured to implement the strategies necessary to achieve the goals?
5. **RESOURCES:** What resources are available to staff to implement the necessary strategies to achieve the goals and the mission?

Each functional element is equally important and all are interrelated. As such, a holistic approach to management that ensures that all elements work in conjunction with one another and are balanced as

stewardship flows through to administration and to operations is critical to success. The functionality of the organization or event facility directly reflects the ability of management to identify issues and make necessary adjustments to the goals, strategies, staffing, structure, and resources to align with the overall mission. The following figure shows the 5 functional areas and their interrelationship.

**Figure 3 - 2**



Source: Johnson Consulting

The following analysis and observations are based upon data and information provided by the Colorado State Fair Authority (CSFA), which is responsible for the CSF and year-round operations of the CSFG, as well as interviews with members of staff at the CSF and CSFG, members of the CSFA’s Board of Commissioners, and other key stakeholders within the community.

It is recognized that some of the comments below may seem critical, but they are not intended to, as it is our experience that many fairgrounds operate without clearly defined management and operational strategies. The intent of this section is to identify areas that can be clearer and more consistent with industry standards, so the CSFA can be more mission and goal driven, and its accomplishments can be more easily recognized.

## 1. MISSION

The CSFA does not appear to have a clearly codified mission statement for the Fair nor the year-round operation of the Fairgrounds. Pursuant to House Bill 97-1342, which abolished the former Authority and created the current CSFA, the function of the CSFA is “to direct and supervise the CSF.” The CSF’s ‘2015 Fact Sheet’ states that the CSF is “dedicated to promoting Colorado agriculture and supporting Colorado youth.” The statutory obligation that established the CSF (35-65-105 CRS) defines the purpose of the CSF as



being “for the display of livestock and agricultural, horticultural, industrial, mining, water conservation, tourist industry, recreational, educational, and scientific facilities, processes, and products of the State of Colorado.” Based upon our meeting with the new General Manager, a Mission Statement, to be considered by the Board is being drafted.

The Colorado State Fair Foundation (CSFF), which is the 501(c)3 not-for-profit corporation created in 2012 to support the CSF, has a clear mission statement as follows: “to enhance youth programming, education and experiences at the CSF.”

## 2. GOAL

The CSFA does not appear to have any clearly defined goals for the Fair nor the year-round operations of the Fairgrounds. Based upon our discussions with staff and members of the Board of Commissioners, the primary focus of current operations is upon reducing operating costs at the Fairgrounds and increasing revenues. Like the Mission Statement, Goals Statements are being drafted by the new General Manager. They will address event priority types, targeting of non-Fair events and financial goals for events and the complex itself.

The goal of the CSFF is “to look to at expand and enhance youth programs at the CSF”. As stated on the CSF website, the CSFF has also established a more immediate goal “to provide a safe and secure facility for youth development through the renovation of 4-H and FFA facilities.”

## 3. STRATEGIES

Without a clearly defined mission or goals, there is no real framework for defining strategies. Notwithstanding this, the annual CSFA Financial and Compliance Audits, as prepared by Wall, Smith, Bateman, Inc., for FY 2011 through FY 2015, reference a number of “strategies to improve efficiencies”, including:

- **SHORTENING THE CSF:** As of 2004, the number of days that the Fair operates was reduced from 16 days to 11 days.
- **HIRING MANAGEMENT COMPANY:** An entertainment and venue management company was hired to market the Events Center in FY 2006. This is no longer ongoing.
- **PAYING OFF EVENTS CENTER DEBT:** In FY 2009, the CSFA obtained sufficient funds from the State’s Travel and Tourism Promotion Fund to pay off all remaining debt for the construction of the Events Center.
- **CASHLESS PAYMENT SYSTEM:** During FY 2014, the CSFA implemented a cashless payment system for concessions and on-ground attractions during the CSF in an effort to increase revenues from concessions. As stated in the FY 2014 Audit, the system cost the CSFA additional monies due to the





costs to set up the system and hire staff to tend to the kiosk terminal, and concession revenue actually decreased.

In addition, the ‘CSF Five Year Plan FY 2012-2016’, which was prepared by the CSFA in 2011, highlights the following strategies, identified as ‘key accomplishments’ or ‘challenges’:

- **GROUNDS IMPROVEMENTS:** Between 1998 and 2011 the CSF made improvements to the grounds to ensure safety and increased usability, including enhancements to the sewer system, electrical upgrades, storm drainage, three new bathrooms, covered horse arena, camping improvements to carnival lot and other areas of the grounds, and new roofs on the majority of buildings. The State contributed over \$13 million between 1998 and 2011 to help support these improvements.
- **HISTORIC BUILDINGS:** In 2005, many buildings were added to the State Historic Register, resulting in additional funding for the ongoing maintenance of these buildings. It is understood that the CSFA applies annually for funds that are awarded by the State Historical Society but that have not been granted any funding, for at least the past 2 to 3 years.
- **ENERGY AUDIT:** In 2010 the CSF completed an energy audit of all facilities, with subsequent changes to electrical and plumbing systems to provide savings and conservation. A loan was utilized to pay for these improvements.
- **INCREASED GATE ADMISSION CHARGES:** In 2011, the CSFA voted to increase the cost of gate admission (from \$8 to \$10 on weekends and from \$5 to \$7 on weekdays), as well as the cost of an unlimited carnival rides (from \$25 to \$30). Parking fees for the 2015 Fair were \$7 per vehicle.
- **ESTABLISHMENT OF FOUNDATION:** In 2012, the CSFA established the CSFF with the intention of raising funds to offset the cost of education programs. The Foundation raises funds through grant writing, two fundraisers, membership dues for the 1872 Club (to cover administration costs), and each Board member is required to raise a certain amount of funds.
- **PURCHASE OPTIONS AT GATE:** In 2012 the CSF implemented a strategy to offer all possible purchasing options, not just gate admission, at the gate. The intention was to increase overall sales by providing additional options to attendees.
- **MARKETING OF NON-FAIR USE:** In 2011, the Five Year Plan stated that staff were in the process of producing marketing ads for non-fair use of the facilities, with the intention of increasing revenue, while focusing on non-profit organizations. The greatest opportunity was identified as growing revenue from liquor licenses for special events.

Our interviews with CSF staff also revealed the following strategy:

- **INTEGRATION INTO THE STATE’S CORE FINANCIAL SYSTEM:** Finance staff have been transitioning their accounting system to the State’s CORE reporting system. While this is important for the State



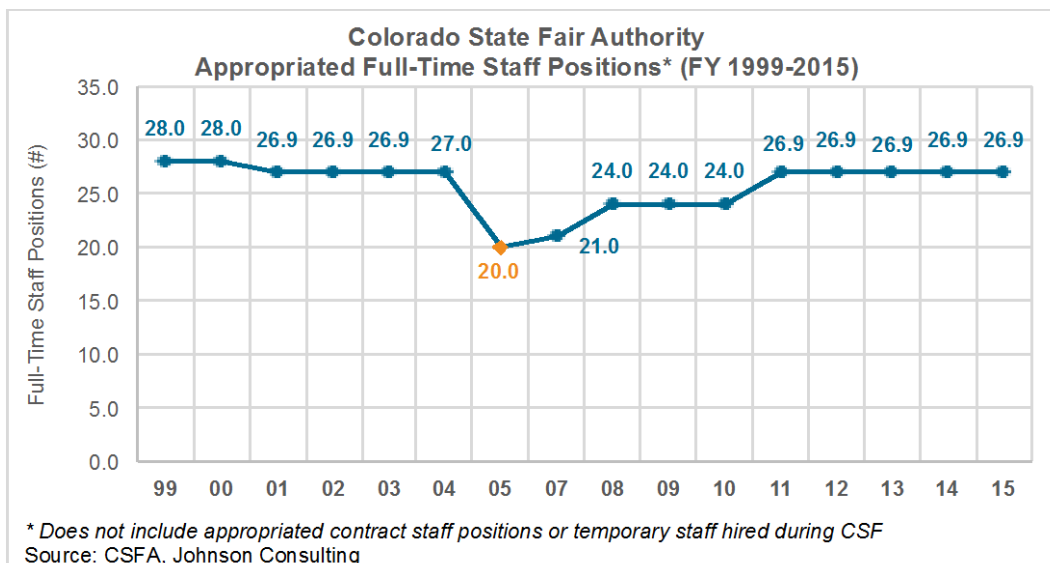
and GASB accounting, the system is tedious and the transition has been consuming limited staff resources in administration. More importantly, the CORE system does not provide a management information system to manage the business operation. Effectively, two different types of bookkeeping are needed - one for compliance using CORE and one for day-to-day management of the business. An interface and business management information system needs to be developed to complement CORE.

#### 4. STAFF AND STRUCTURE

The current CSFA Board of Commissioners has 11 members, of whom 1 must be a certified public accountant, 1 member must have current management-level banking experience or expertise in finance, and 1 member must have agriculture or 4-H club experience. The Commissioner of Agriculture, or the Commissioner’s designee, also serves as a voting member on the Board. The number of Board members has remained consistent since the Authority was created in 1917.

In FY 2015, the CSFA was appropriated 26.9 full-time staff to run year round operations. This figure has remained consistent since FY 2011 but remains below historical figures when the CSFA appropriated 28.0 full-time staff positions in 1999. The following figure shows staff positions between FY 1999 and 2014, highlighting reductions in the staff appropriations, notably in 2005 when staff was cut from 27.0 full-time staff to 20.0 positions.

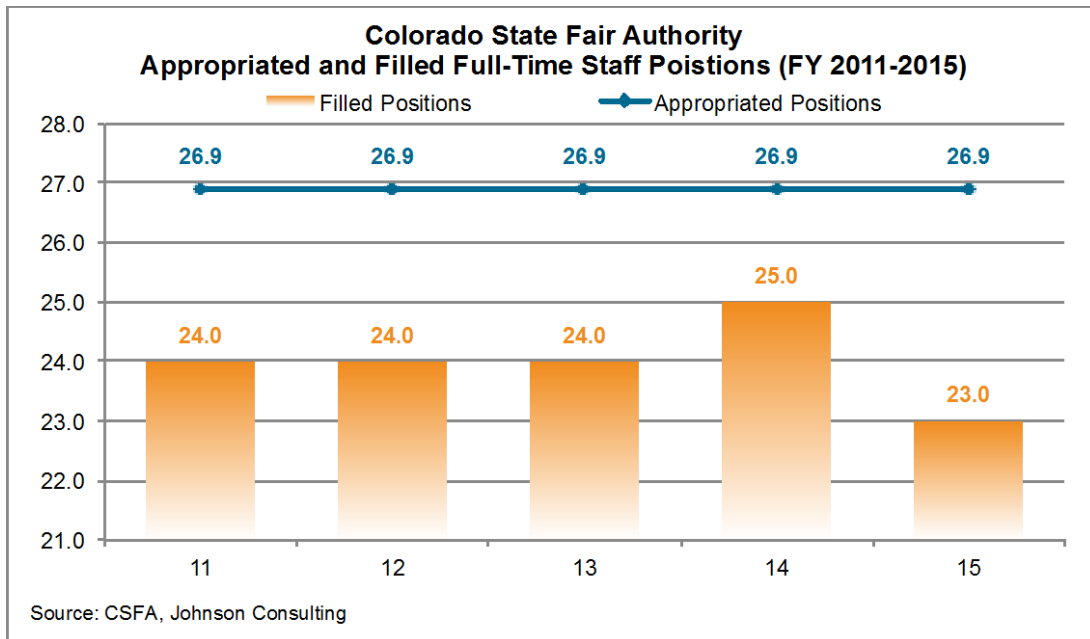
Figure 3 - 3





While the number of appropriated positions at the CSFA remained stable in FY 2015, the actual number of filled positions fell by 2.0 staff. The following figure shows the relationship between staffing allocations and actual filled positions, between FY 2011 and 2015.

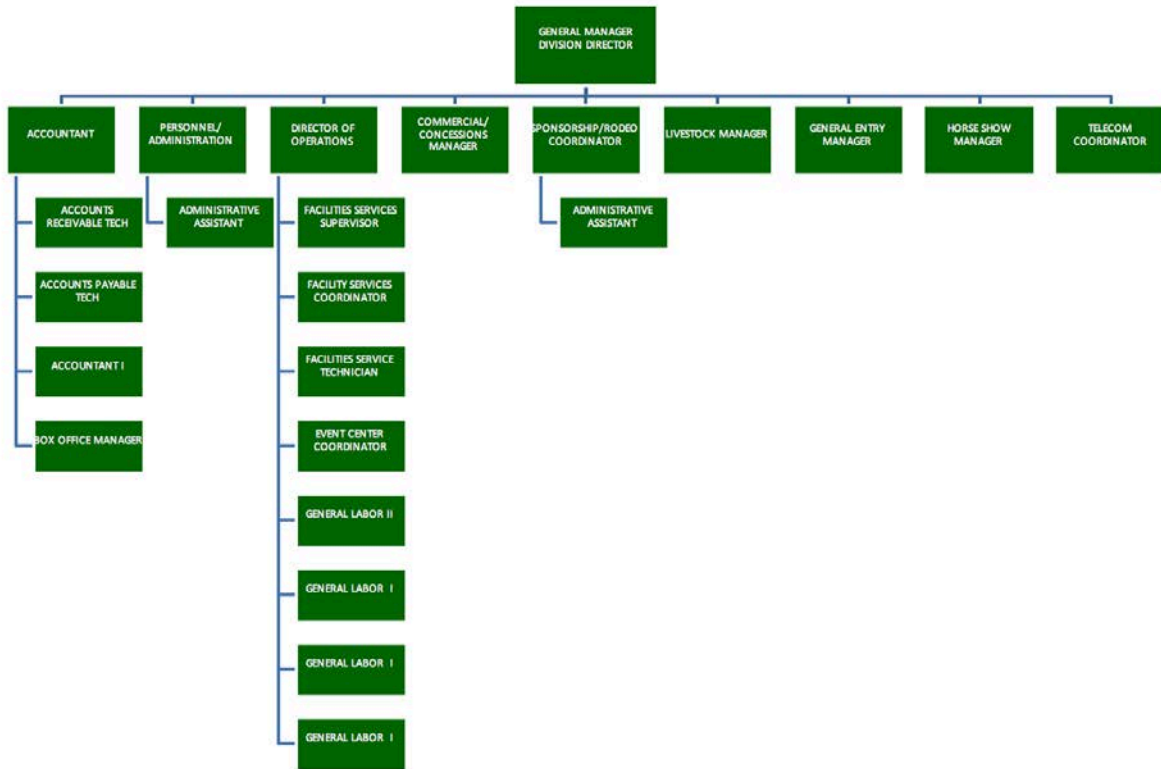
Figure 3 - 4



The following figure shows the organization chart of the CSFA.



Figure 3 - 5



It is our observation that reducing staff has been an unproductive strategy because it had not in fact reduced operating expenses and has resulted in the grounds and departments being untended. We recommend that an in depth analysis of historic and recent staffing structures and strategies be undertaken separate to this overall review of management.

## 5. RESOURCES

### FACILITIES

Improvements on the 102-acre CSFG comprise 57 buildings, of which a number are available for year-round rental, outside of the CSF. The following table summarizes these facilities, including indoor and outdoor venues.



Table 3 - 1

Colorado State Fairgrounds Inventory of Event Facilities*				
Facility	Event Space (SF)	Max. Capacity (persons)	Seated Capacity (persons)	Off-Season Use**
Southwest Motors Events Center	95,350	8,225	7,884	Private/Public Rentals
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4H Auditorium	5,400	770	350	4H/Private/Public Rentals
Cultural Heritage	2,185	-	50	4H/Private/Public Rentals
Amphitheater	-	2,000	-	Private/ Public Rentals (Outdoor Venue)
Colorado Bldg	-	-	-	4H
Horse Show Complex	-	-	250 (Outdoor Arena); 100 (Covered Arena)	4H/Private/Public Rentals
VIP Building	-	-	-	Offices; Staff/Board Meetings
Fine Arts	-	-	-	Private Rentals
Small Animals Building	-	-	-	Rabbit Shows; Storage (Not Heated)
Sheep & Swine Barn	-	-	-	4H Hog and Goat Shows/Clinics
Ag Pavilion	-	-	-	Storage (Semi-Outdoor Venue; Not Heated)
Carnival Lot	500,000+	-	-	Camping/ RV Rallies

\* Includes facilities that are available for rent outside of the CSF. Note: 4H Exhibit Hall not shown as it is used for storage and not available for rent.  
\*\* Private Events, as defined by CSF, relate non-public events only - such as banquets, parties, receptions, and meetings.  
Source: CSF, Johnson Consulting

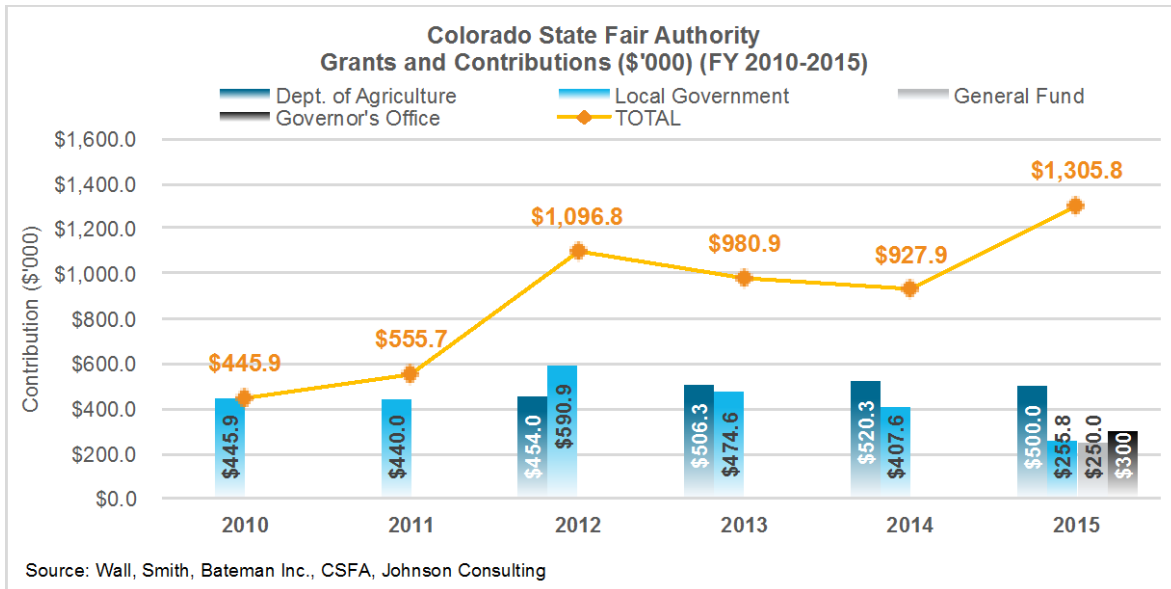
Although the CSFG has a large, and diverse, inventory of facility offerings, the venues are dated and a substantial proportion of operating revenues are reinvested in maintenance and repairs just to keep the buildings up to code.

## FUNDING AND CONTRIBUTIONS

The CSFA receives contributions and grants to support operations from the Department of Agriculture, Pueblo County and the City of Pueblo, and has previously received private contributions. In FY 2015, grants and contributions totaled \$1.3 million, of which \$250,000 (or 19.1 percent) came from the General Fund, \$300,000 (or 23.0 percent) came from the Governor's Office, \$500,000 (or 38.3 percent) was provided by the Department of Agriculture and \$255,792 (or 19.6 percent) came from local government grants. No private contributions were received in FY 2015. The following figure shows total contributions and grants received by the CSFA between FY 2010 and 2015.



Figure 3 - 6

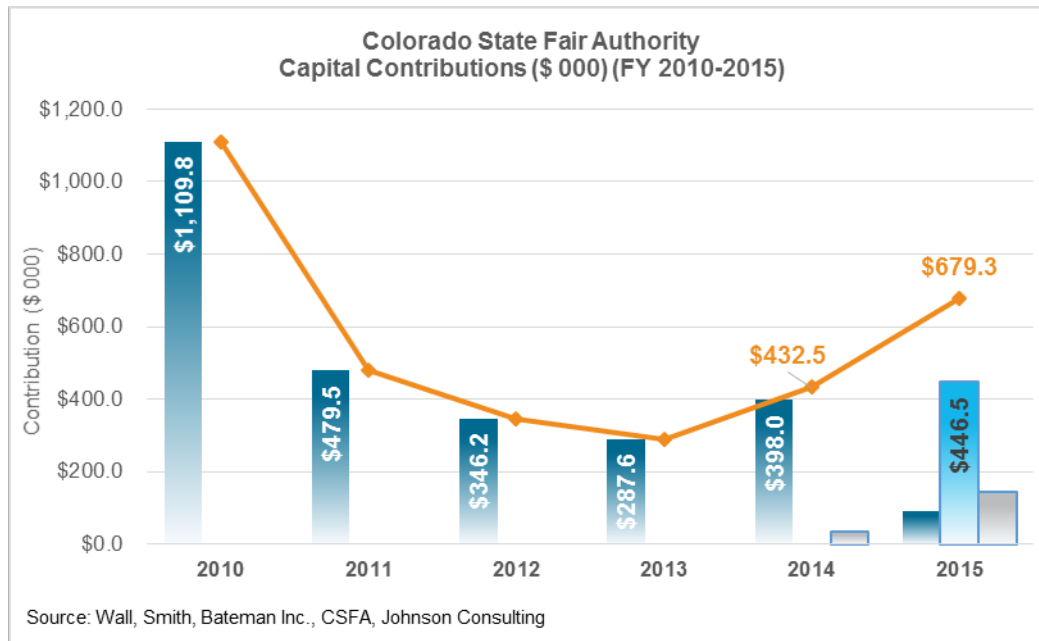


As shown, total contributions in FY 2015 totaled \$1.3 million, exceeding the previous peak of close to \$1.1 million in FY 2012, reflecting new funds allocated from the General Fund and the Governor’s Office in FY 2015. Notwithstanding this, local government contributions have steadily declined since the FY 2012 peak, contracting at an average annual rate of (24.4) percent between FY 2012 and 2014.

The following figure shows capital contributions received by the CSFA between FY 2010 and 2015.



Figure 3 - 7



In FY 2010, the CSFA received \$1.1 million capital contributions for State Controlled Maintenance, with this figure contracting by more than 100 percent to \$479,458 in FY 2011. Despite a slight uptick in FY 2014, State contributions further contracted to just \$90,199 in FY 2015, representing an average annual rate of decrease of (39.5) percent since FY 2010. In FY 2015 new capital funding was provided by the Department of Agriculture in the amount of \$446,480. Since FY 2014, contributions towards capital have also been provided by the CSFF, commencing with \$34,506 in FY 2014 and increasing substantially to \$142,647 in FY 2015.

Overall, the amount of capital contributions made available to the CSFA have varied substantially over the past several years, which makes long-term planning for improvements extremely challenging. Government entities are not well known for protecting their assets. Industry standards indicate that amortization should show reinvestment of the total capital budget over a 30-year period, with a clearly defined capital improvement plan and regular and consistent amounts invested annually.

## MARKETING AND SALES

Our discussions with CSF staff indicated that events outside of the CSF are not actively promoted, primarily reflecting a lack of dedicated marketing staff. As a result, the CSFG is reliant on event category management staff to work their network when they have time, and by direct inquiries from local and regional show and event promoters to drive year-round demand. In many markets, other organizations, such as Convention and Visitors Bureaus (CVB) that play an active role in the marketing of community facilities, such as fairgrounds. The Greater Pueblo Chamber of Commerce serves as the CVB for Pueblo. The Chamber takes a City-wide



approach to the marketing of all event venues. It is understood that they are seeking additional City funding to hire a new sales person.

## OBSERVATIONS

Based upon the preceding analysis of management of the CSF, as measured by the functional areas listed in the introduction to this section, our observations are summarized as follows:

1. **MISSION:** What is the long-term vision of the organization?
  - This needs to be clearly defined for the CSF and the year-round operation of the CSFG.
2. **GOAL:** What are the goals and objectives of the organization? What are the ends towards which effort and actions are directed?
  - The establishment of an overall departmental goal is imperative to establish one direction and one point of success that is to be attained by many people. The absence of having the goal(s), which has been recognized at the Fairgrounds, creates an environment where neither management nor staff have the proper focus and desired result to achieve their daily responsibilities. In talking with staff there is a sense that the goal that they are working to attain, which is producing and managing the successful CSF, is different to what is being communicated to them from the State of Colorado – the Joint Budget Committee (JBC). It is our recommendation that if both the State and the CSF staff work to establish a common goal it will eliminate the frustration and miscommunication.
3. **STRATEGIES:** What are the strategies for achieving these goals and driving the mission of the organization?
  - It is the desired result of the JBC to reduce or eliminate the operating deficit of the Fairgrounds. In our discussions with Fairground staff, there is a desire to reduce and eliminate the deficit as well, however they feel that with the existing staff and resources, coupled with the dilapidated conditions of the existing facilities, it would be difficult to achieve that end result. Therefore it is our recommendation to set a strategy over the next 3 to 4 years by which the State would focus on funding preventive maintenance and facility enhancements, which will bring certain facilities up to a level where they will be desired by the general public for use outside of the Fair.
4. **STAFF AND STRUCTURE:** How is the organization staffed and structured to implement the strategies necessary to achieve the goals?
  - Over the past 5 to 10 years, the strategy for balancing the operating budget has been to reduce the number of full-time staff working at the Fairgrounds. If it is the desire of the JBC to reduce or eliminate the current operating deficit, then a complete overhaul of the current staff will be





- needed. The facility is being staffed at a level that can barely keep up with its current operating responsibility, while at the same time the staff are being asked to increase year-round utilization and increase event revenues. Additionally, the absence of a full-time sales and marketing staff has essentially taken the facility off the market for use by new and unique users.
- Staff adjustments deemed necessary to operate the complex are:
    - a. A minimum of three additional swing labor just to keep up with the buildings and grounds
    - b. Two more staff to support the finance and management information areas
    - c. At least two staff in a marketing and direct sales function.
5. **RESOURCES:** What resources are available to staff to implement the necessary strategies to achieve the goals and the mission?
- Critical elements of the event management business include having an understanding of the inventory that is available to book and sell, the ability to develop a profit and loss statement, and having a reasonable amount of operating staff to manage the facility. Due to the elimination and or misuse of the needed resources to operate an efficient event facility, the CSFG's staff has lost the desire to seek additional event inventory because they are not confident that their operation will be successful. It is our recommendation that a budget be developed that will cover the needed resources to bring a select number of facilities that can generate business (Event Center, Horse Arena and main Stadium) on the Fairgrounds up to market standards, with the corresponding resources needed to operate them, including a centrally managed and exclusive food and beverage operation to support events.



**SECTION IV**  
PERFORMANCE ASSESSMENT

## PERFORMANCE ASSESSMENT

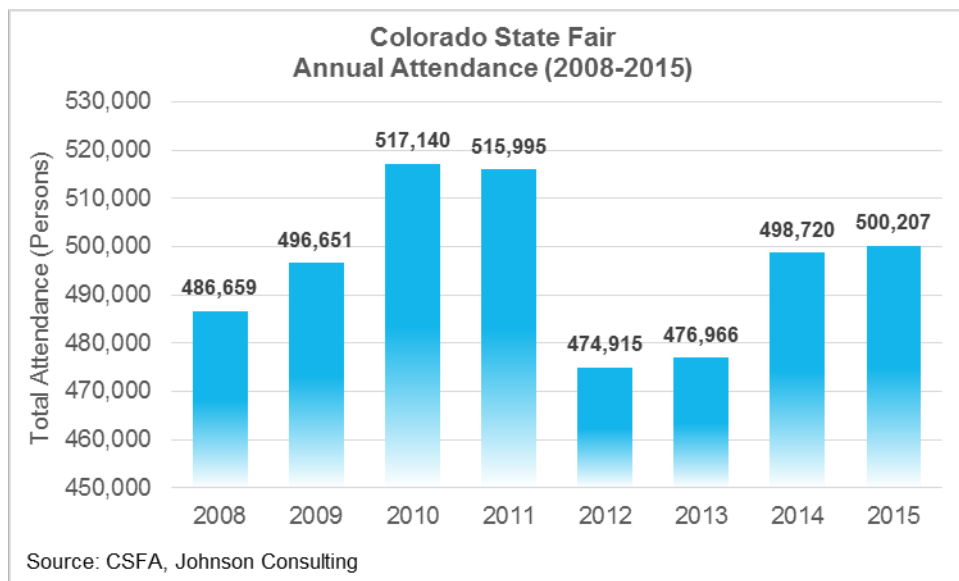
This section presents a comprehensive review of operations at the Colorado State Fairgrounds (CSFG), as measured by key performance metrics including demand and revenues and expenses. Our analysis is based primarily upon data provided by the CSFA for the last 5 years.

### HISTORIC DEMAND

#### FAIR ATTENDANCE

In 2015, the 11-day CSF attracted a very impressive total of 500,207 attendees, representing a slight increase (0.3 percent) over 2014 when the Fair attracted a total of 498,720 visitors. Since 2008, attendance at the CSF has fluctuated, reaching a peak of 517,140 persons in 2010 before falling substantially to a low of 474,915 persons in 2012. Overall, attendance increased at an average annual rate of 0.4 percent between 2008 and 2015, with an upward trend observed since the 2012 low. The following figure shows recorded attendance at the CSF between 2008 and 2015.

Figure 4 - 1



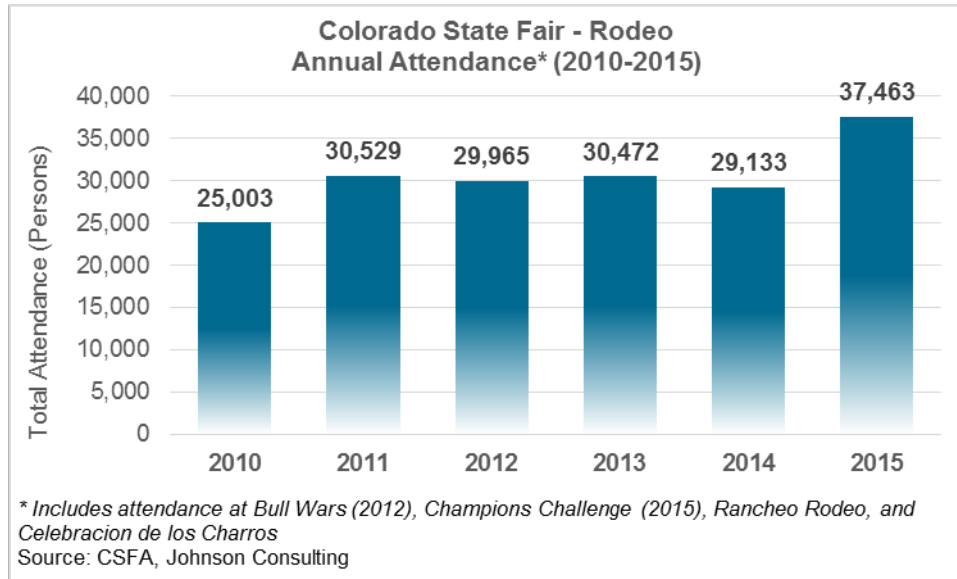
Recorded attendance has historically been highest on the first Saturday of the CSF and Friday through Sunday of the second weekend of the Fair. Between 2008 and 2015, the highest growth in attendance was on the opening Friday of the CSF, increasing at an average annual rate of 10.7 percent.

The CSFA also records attendance at the 5-day rodeo event that takes place during the CSF. In 2015, the rodeo attracted a total of 37,463 attendees, representing a substantial increase of 28.6 percent over 2014. Since 2008, attendance at the rodeo has generally trended upwards, increasing at an average annual rate of 8.4



percent. Attendance for the rodeo are recorded as a subset of total CSF attendance. The following figure shows attendance at the rodeo between 2010 and 2015.

**Figure 4 - 2**



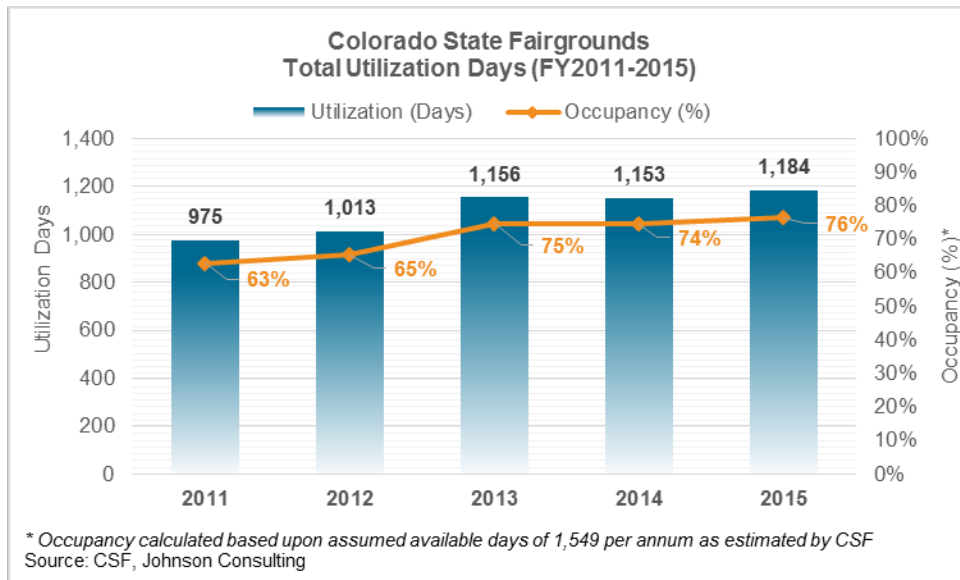
## NON-FAIR UTILIZATION

The CSFA keeps a record of total utilization days of facilities outside of the Fair, as measured by building rentals. The following figure summarizes total utilization days between FY 2011 and 2015, and occupancy based upon total available days as estimated by the CSFA, reflecting whether the building or area could not be rented due to weather/season (lack of heat or air conditioning), CSF (and preparation for Fair), County Fair, and other re-occurring events.

It is noted that these measures are modular, meaning that each facility at the fairgrounds is available for utilization year-round, and if one event utilizes two facilities that is counted as two utilization days (for example, if an event utilizes the Palace of Agriculture and the Agriculture Pavilion for one day, that is counted as two event modules and therefore two utilization days; if the event runs for two days that is counted as two modules, over two days, which is a total of four utilization days). As such, total utilization can, and does, exceed 365 days.



Figure 4 - 3



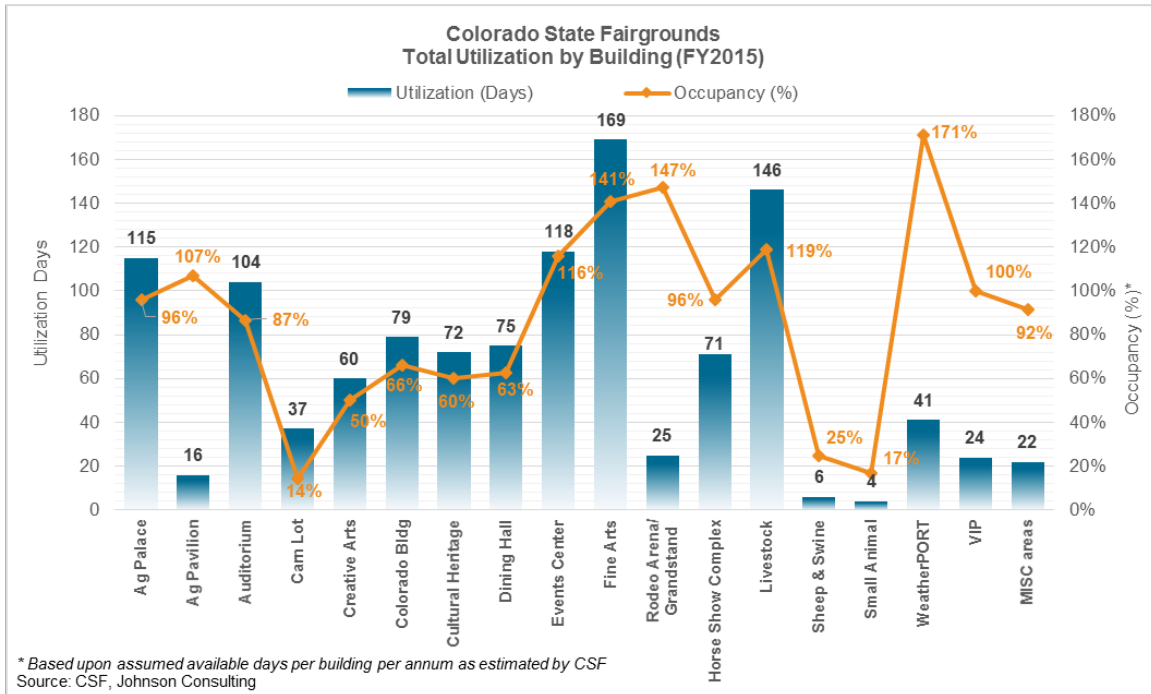
In FY 2015 buildings on the CSFG were utilized for a total of 1,184 days, representing a slight increase over 2014 (2.7 percent), when 1,153 utilization days were recorded, and continuing the general upward trend observed since 2011. Indeed, since FY 2011 total utilization days have increased at an average annual rate of 5.0 percent. During the same period, occupancy has also tracked upwards, increasing at an overall rate of 13 percent. In FY 2015, occupancy was estimated at 76 percent (based upon 1,549 available days as reported by the CSFA).

**NON-FAIR UTILIZATION – BY BUILDING**

The following table provides a breakdown of non-Fair utilization and occupancy by building in FY 2015. Per the graph showing total utilization, occupancy is calculated based upon total available days as estimated by the CSFA, reflecting whether the building or area could not be rented due to weather/season (lack of heat or air conditioning), CSF (and preparation for Fair), County Fair, and other re-occurring events. Accordingly, limited availability of a building may result in occupancy exceeding 100 percent, even though utilization days do not amount to more than 365 days.



Figure 4 - 4



In FY 2015 the Fine Arts building recorded the highest number of utilization days (169 days), followed by the Livestock Pavilion (146 days), the Southwest Motors Events Center (118 days), and the Palace of Agriculture (115 days). The highest occupancy rate was recorded at the WeatherPORT tent, which is estimated by the CSFA to only be available for 24 days reflecting the fact that it is a semi-outdoor venue and is not heated, but was utilized for 41 days, representing an overall occupancy rate of 171 percent. The Rodeo Arena/ Grandstand recorded the next highest occupancy rate of 147 percent, followed by the Fine Arts Building (141 percent).

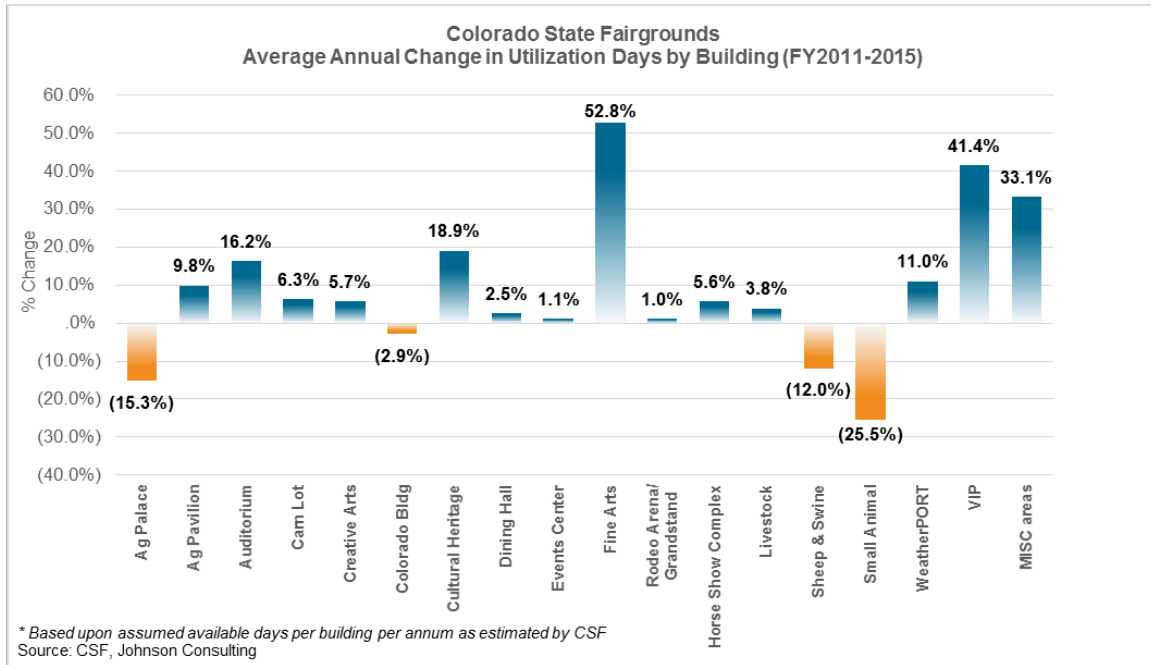
In contrast, the lowest occupancy was recorded for the Carnival Lot (14 percent), which was available for 258 days in FY 2015 but only utilized for 37 days, followed by Small Animal Building, which was available for 24 days but only utilized for 4 days, representing an occupancy rate of 17 percent.

Overall, 7 of the 18 buildings (38.9 percent) available for rent at the CSFG, and monitored by the CSFA, reported occupancy rates in excess of 100 percent in FY 2015, while 11 buildings (61.1 percent) reported occupancy rates in excess of 70 percent.

The following figure shows the average annual change in total utilization days between FY 2011 and 2015, by building.



Figure 4 - 5

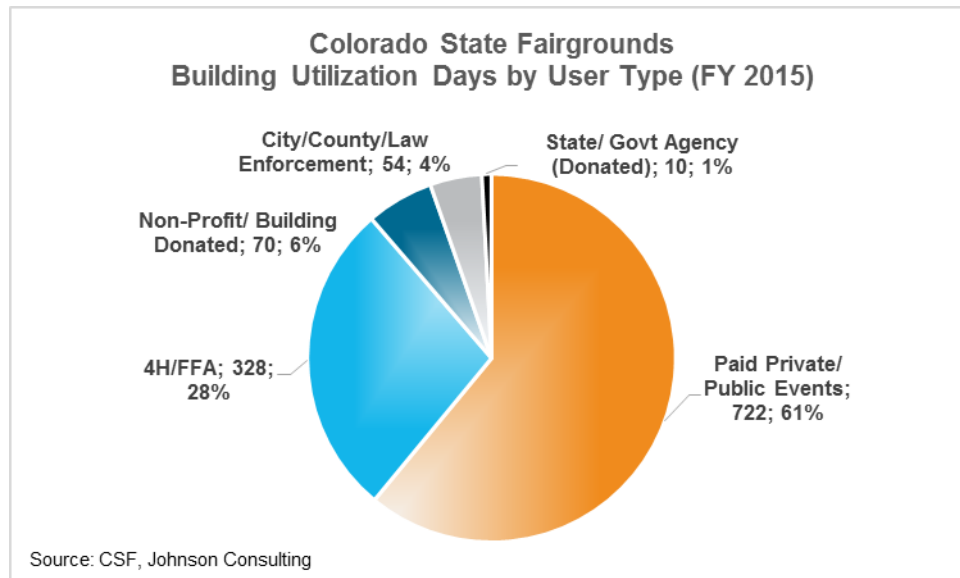


Between FY 2011 and 2015, the greatest increase in total utilization days was recorded at the Fine Arts building, increasing at an average annual rate of 52.8 percent, followed by the VIP building (41.4 percent per annum), and miscellaneous areas (33.1 percent per annum). In contrast, 4 buildings experience an overall decline in occupancy, the greatest of which occurred at the Small Animal building, with an average annual decrease in utilization days of 25.5 percent), and the Palace of Agriculture, declining by 15.3 percent per annum. Overall, 14 of the 18 buildings (77.8 percent) and areas available for rent, and monitored by the CSFA, recorded some increase in utilization between FY 2011 and 2015.

**NON-FAIR UTILIZATION – BY USER TYPE**

The following figure provides a breakdown of utilization days in FY 2015, by type of user, as defined by the CSFA.

Figure 4 - 6



In FY 2015, the majority of non-Fair utilization days of the CSFG facilities related to paid private (non-public events such as banquets, parties, receptions and meetings) and public events, accounting for 722 days or 61 percent of total utilization days. 4H/ FFA utilizations accounted for a further 328 days, or 28 percent of total utilization days. Examples of events include:

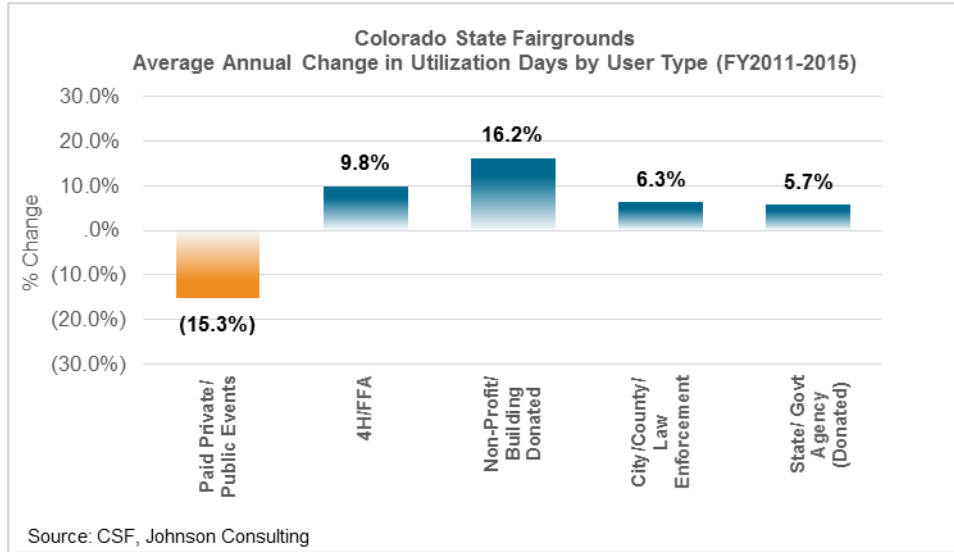
- Home and Garden Show (Pueblo Association of Homebuilders).
- Tanner Gun Show.
- RV Rally (Star Chasers RV Club).
- Sporting Dog Show (Sporting Dog Club of Colorado Springs).
- Indoor Pole Vaulting (Mercury Track Club).
- Fellowship of the Rockies events.
- Pueblo City Schools activities.
- Pueblo Horse Show Pitchers season.
- 4H Pueblo County events.
- Rope the Rockies events.
- Colorado Reined Cow Horse Classic.
- Southern Colorado Cluster Dog Show (Colorado Springs Kennel Club).





The following figure shows the average annual change in utilization, by type of user, between FY 2011 and 2015.

**Figure 4 - 7**



Since FY 2011, the total number of paid private and public events at the CSFG has decreased substantially, at an average annual rate of (15.3) percent. During the same period, the highest growth has been in non-profit events and those for which the buildings are donated free of charge, increase at an average annual rate of 16.2 percent. State and government agency rentals, which are also provide free of charge, have also increased, at an average annual rate of 5.7 percent.

The following table summarizes profit and loss statements for 5 selected events held at the CSFG in FY 2015. As shown there is significant variation in the revenues and expenses associated with non-Fair events.



Table 4 - 1

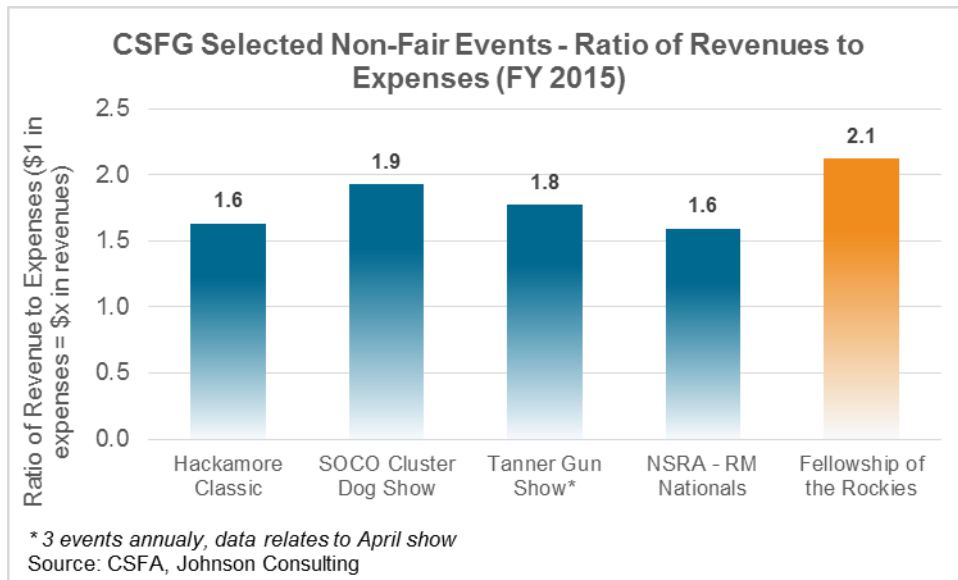
Colorado State Fair Authority Profit and Loss Statements of Selected Events (FY 2015)					
	Hackamore Classic	SOCO Cluster Dog Show	Tanner Gun Show*	NSRA - RM Nationals	Fellowship of the Rockies
<b>Event Days</b>	5	5	2	3	1
<b>Location</b>	Horse Show	Ag Palace, Events Center, Colorado Building	Ag Palace	Grounds	Events Center
<b>Attendance</b>	-	-	2,500-5,000 per day	-	500
<b>Revenues</b>					
Rental Fees	\$3,600.00	\$13,750.00	\$4,375.00	\$10,500.00	\$5,300.00
Camping Fees	3,210.00	7,080.00	0.00	21,870.00	0.00
Stall Fees	17,655.00	0.00	0.00	0.00	0.00
Labor Reimbursement (Security/ Maintenance)	600.00	7,293.00	1,516.50	8,602.15	1,077.00
Full/Equipment/Other Reimbursement	150.00	1,000.00	0.00	360.00	0.00
Billed Damanges	100.00	0.00	0.00	0.00	0.00
Commission from Concessions	2,103.79	1,850.66	1,016.64	27,861.34	0.00
Other Revenue	0.00	0.00	0.00	0.00	0.00
<b>Total Revenues</b>	<b>\$27,418.79</b>	<b>\$30,973.66</b>	<b>\$6,908.14</b>	<b>\$69,193.49</b>	<b>\$6,377.00</b>
<b>Personnel Expenses - Event Direct Labor</b>					
Security	\$1,744.82	\$6,741.18	\$1,421.47	\$14,186.45	\$709.70
Maintenance	7,385.43	4,952.39	1,774.16	13,728.35	1,094.49
Box Office	0.00	0.00	0.00	1,572.33	0.00
Other	0.00	0.00	0.00	383.36	0.00
<b>Total Payroll</b>	<b>\$9,130.25</b>	<b>\$11,693.57</b>	<b>\$3,195.63</b>	<b>\$29,870.49</b>	<b>\$1,804.19</b>
<b>Direct Event Expenses</b>					
Utilities	\$1,357.56	\$3,667.86	\$305.92	\$7,721.64	\$703.20
Janitorial Supplies	524.63	495.95	177.32	2,173.45	347.37
Other Supplies/ Materials	0.00	0.00	0.00	1,000.00	0.00
Damages/ Repairs	50.00	0.00	0.00	0.00	0.00
Fuel	155.27	0.00	0.00	0.00	0.00
Equipment Rentals	0.00	0.00	0.00	294.00	0.00
Other Materials/ Services	150.00	0.00	0.00	0.00	0.00
Contracted Services	1,656.00	0.00	217.09	300.00	0.00
Waste Removal	3,800.00	236.00	0.00	2,153.00	154.00
<b>Total Direct Event Expenses</b>	<b>\$7,693.46</b>	<b>\$4,399.81</b>	<b>\$700.33</b>	<b>\$13,642.09</b>	<b>\$1,204.57</b>
<b>Net Profit (Loss)</b>	<b>\$10,595.08</b>	<b>\$14,880.28</b>	<b>\$3,012.18</b>	<b>\$25,680.91</b>	<b>\$3,368.24</b>

\* Refers to April Show - three 2-day shows held throughout the year  
Source: Wall, Smith, Bateman Inc., CSFA, Johnson Consulting

The following figures summarizes the ratio of revenues to expenses for each event and shows some consistency among the events, with average revenues equating to 1.8 times the expenses associated with each event.



Figure 4 - 8



Based upon our discussions with CSFA management staff, it is understood that profit and loss statements are only prepared for some events. Going forward, it is recommended that a standard of completing these reports for every event held at the CSFG be implemented.

### RENTAL RATES

The following table shows current rental rates for facilities at the CSFG.



Table 4 - 2

Colorado State Fairgrounds Rental Rates for Event Facilities*						
Facility	Private Rental**			Public Rental		
	Rental Fee (Bldg Only)	Event Package	Weekday Special Rate***	Rental Fee (Bldg Only)	Move In/ Move Out (per Day)	Set Up Fee (Optional)
Southwest Motors Events Center	-	-	-	\$3,500	\$1,000	N/A
Palace of Agriculture	-	-	-	\$1,750	\$875	\$300 min.
Budweiser Rodeo Arena	-	-	-	\$1,750	N/A	N/A
Livestock Pavilion	-	-	-	\$700	\$350	\$200 min.
WeatherPORT Tent	\$750	\$750	N/A	\$1,000	\$500	\$200 min.
Creative Arts	\$900	\$1,400	N/A	\$900	\$450	\$200 min.
4H Dining Hall	\$600	\$975	\$75 per hour	\$600	\$300	\$200 min.
4H Auditorium	\$500	\$875	\$75 per hour	\$500	\$250	\$200 min.
Cultural Heritage	\$175	\$275	\$50 per hour	\$275	\$125	\$200 min.
Amphitheater	-	-	-	\$1,000	\$500	N/A
Colorado Room	\$150	N/A	\$50 per hour	-	-	-
Small Animals Building	-	-	-	\$400	\$200	N/A
Sheep & Swine Barn	-	-	-	\$400	\$200	N/A
Carnival Lot	-	-	-	\$1,000	\$500	N/A
Family Park/ Coke Stage	-	-	-	\$350	N/A	N/A

\* Includes facilities that are available for rent outside of the CSF. Note: 4H Exhibit Hall not shown as it is used for storage and not available for rent. No information provided for Horse Show Complex, VIP Building, Fine Arts, or Ag Pavilion.

\*\* Private Events, as defined by CSF, relate non-public events only - such as banquets, parties, receptions, and meetings.

\*\*\* Applies Monday-Thursday 7AM-5PM

Source: CSF, Johnson Consulting

Although event packages are offered for some facilities, they are only available for private rentals. In the Fairgrounds and event venue industry, best practice models typically package rent and equipment across all events. This reflects the fact that events in a particular venue will often require the same baseline numbers of chairs and/or tables. Additionally, no charges are listed for event coordination at the CSFG. A fee for these services is a common practice within the industry, particularly for events spanning more than one day.

The following table summarizes equipment rental and services fees at the CSFG.



Table 4 - 3

Colorado State Fairgrounds Equipment and Services Fees		
Equipment for Rent	Description	Cost
Rectangle Banquet Table	8' x 2' plastic top - seats 8	\$6.00 each
Round Banquet Table - Small	5' diamter - plastic top seats 8	\$7.00 each
Folding Chair	Brown metal - various	\$1.00 each
Events Center Chair	Red, cushioned, interlocking	\$1.00 each
Raised Bleacher	Seats 50-75 - various types	\$75.00 each
Flat Bleacher - Bench Seating	Aluminium - various sizes	\$75.00 each
Podium	Wood with State Fair logo	\$25.00 each
Portable PA/ Sound System with mic	Small portable system with mic	\$100.00 each
Portable Stage - Varied Size	4' x 8' sections	\$25.00 per section
Service/ Labor	Description	Fee
Security	1 guard per 100 guests; minimum 2 guards.	up to \$20.00 per hour each guard
Uniformed Law Enforcement	Uniformed police or sheriff deputy.	\$25.00 per hour each officer
Admissions Staff	Ticket takers & ushers used during ticketed events.	\$12.00 per hour each
Forklift & Operator	Forklift & operator schedule by the hour for loading & unloading.	\$25.00 per hour (2 hour min.)
On-Site Electrician	Licensed electrician scheduled by the hour.	\$55.00 per hour (4 hour min.)
IT/ Telecom Technician	In-house technician for repair/setup.	\$55.00 per hour
Telephone Lines	Analog line with optional telephone set; long distance service available.	\$150.00
Internet Service	Public wifi is provided free of charge in available areas.	N/A

Source: CSFA, Johnson Consulting

It is noted that no specific pricing is provided for AV technicians who are common within the industry and are particularly utilized when events have multiple needs for public address systems, sound systems, projectors, and other display equipment.

The following table compares current facility rental rates with historic rental rates for 1999. It is understood that rental rates have not increased since 2002.



Table 4 - 4

Colorado State Fairgrounds Rental Rates for Event Facilities (1999 vs. 2016)			
	1999	2016	CAGR*
Southwest Motors Events Center	\$2,000	\$3,500	3.3%
Palace of Agriculture	\$1,000	\$1,750	3.3%
Budweiser Rodeo Arena	\$1,000	\$1,750	3.3%
Livestock Pavilion	\$300	\$700	5.1%
Creative Arts	\$700	\$900	1.5%
4H Dining Hall	\$425	\$600	2.0%
4H Auditorium	\$375	\$500	1.7%
Cultural Heritage	\$250	\$275	0.6%
Amphitheater	\$350	\$1,000	6.4%
Small Animals Building	\$150	\$400	5.9%

\* *Compounded Annual Growth Rate (1999-2016)*  
Source: CSF, Johnson Consulting

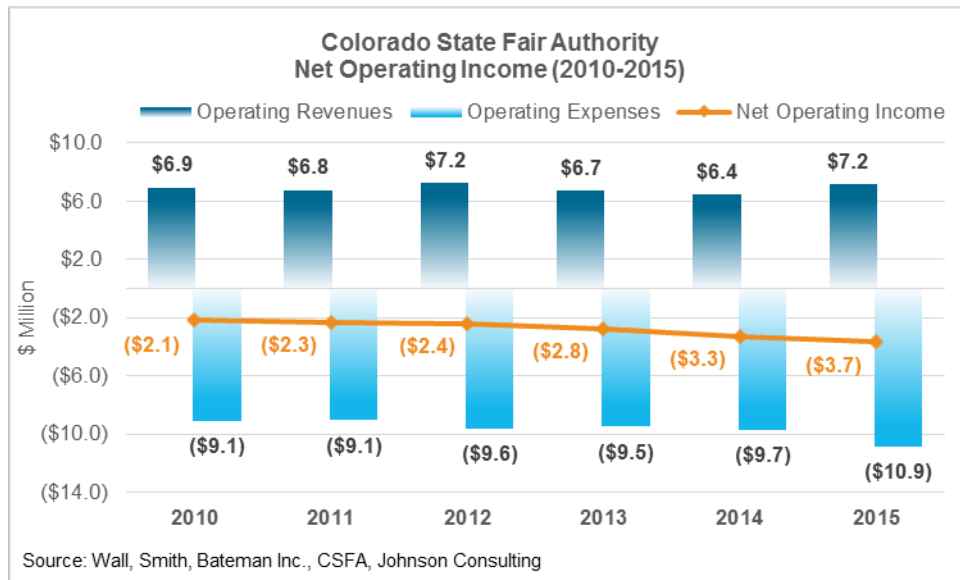
As shown, between 1999 and 2016 the most substantial increases in rental rates have occurred for Amphitheater (6.1 percent per annum), the Small Animals Building (5.9 percent) and the Livestock Pavilion (5.1 percent). Rental rate increases for the 4H facilities and the Creative Arts building have tracked in line with inflation, while rates for the Cultural Heritage have remained relatively stable. Rental rates for the Events Center, Ag Palace and Arena have increase at between 3.3 and 3.5 percent per annum since 1999.

## REVENUE AND EXPENSES

Between FY 2010 and 2015, the CSFA's total operating revenues increased slightly at an average annual rate of 0.6 percent, while operating expenses increased at a higher average annual rate of 1.6 percent. This resulted in an increase in the net operating deficit, before non-operating revenue and expenses, at an average annual rate of 11.6 percent, from (\$2.1) million in FY 2010 to (\$3.6) million in FY 2015. The following figure shows operating revenues, expenses and the operating income (loss) for the CSFA between FY 2010 and 2015, before non-operating revenues and losses and State capital contributions.



Figure 4 - 9



The following table provides a breakdown of the CSFA’s revenue and expense statements for FY 2010-2015.



Table 4 - 5

Colorado State Fair Authority Statement of Revenues and Expenses (FY 2010-2015)							
	2010	2011	2012	2013	2014	2015	CAGR*
<b>Operating Revenues</b>							
Commercial Space/ Concessions	\$1,260,409	\$1,305,290	\$1,278,589	\$1,241,080	\$1,214,276	\$1,183,844	(1.2%)
Gate Admissions	1,829,400	1,857,230	1,821,602	1,718,256	1,563,196	1,783,164	(0.5%)
Box Office Sales	845,303	801,907	856,897	660,614	691,079	981,124	3.0%
Private Sponsorships	1,833,812	1,563,265	1,682,555	1,602,831	1,538,202	1,653,670	(2.0%)
Exhibitor Fees	521,924	520,694	613,137	707,788	666,104	797,444	8.8%
Building Rentals	530,965	565,601	802,803	685,789	644,977	645,150	4.0%
Miscellaneous Revenues	123,001	158,189	170,981	100,937	121,169	120,312	(0.4%)
<b>Total Operating Revenues</b>	<b>\$6,944,814</b>	<b>\$6,772,176</b>	<b>\$7,226,564</b>	<b>\$6,717,295</b>	<b>\$6,439,003</b>	<b>\$7,164,708</b>	<b>0.6%</b>
<b>Operating Expenses</b>							
Personel Service and Benefits	\$2,303,819	\$2,298,942	\$2,460,624	\$2,437,117	\$2,638,450	\$2,893,794	4.7%
Entertainment and Attractions	731,484	777,404	899,139	684,501	1,691,526	2,166,881	24.3%
Advertising and Promotions	1,871,640	1,672,141	1,754,927	1,664,844	1,313,190	1,345,862	(6.4%)
Prizes and Awards	756,601	784,697	861,856	882,270	853,552	895,448	3.4%
Repairs and Maintenance	238,543	209,814	236,958	170,604	157,856	431,866	12.6%
Utilities	962,410	1,034,834	1,053,613	1,041,620	1,057,837	1,054,865	1.9%
Supplies and Materials	222,014	299,744	318,971	259,001	413,568	419,708	13.6%
Contractual Services	839,981	946,873	785,212	777,903	72,170	81,377	(37.3%)
Other Purchased Services	-	-	-	182,774	109,433	150,395	-
Other Operating Expenses	501,016	295,042	473,652	433,632	447,340	354,425	(6.7%)
Building, Vehicle and Equipment Rental	198,267	176,454	187,830	196,251	211,117	192,276	(0.6%)
Travel	35,329	44,873	50,526	56,338	31,512	44,109	4.5%
Depreciation	419,491	526,374	536,238	714,909	741,036	824,682	14.5%
<b>Total Operating Expenses</b>	<b>\$9,080,595</b>	<b>\$9,067,192</b>	<b>\$9,619,546</b>	<b>\$9,501,764</b>	<b>\$9,738,587</b>	<b>\$10,855,688</b>	<b>3.6%</b>
<b>Operating Loss</b>	<b>(\$2,135,781)</b>	<b>(\$2,295,016)</b>	<b>(\$2,392,982)</b>	<b>(\$2,784,469)</b>	<b>(\$3,299,584)</b>	<b>(\$3,690,980)</b>	<b>11.6%</b>
<b>Non-Operating Revenues (Expenses)</b>							
Unclaimed Property Fund Interest Income	\$854,908	\$875,978	\$946,864	\$1,025,794	\$1,067,034	\$1,121,842	5.6%
Department of Agriculture Contribution	-	-	454,032	506,280	520,313	500,000	3.3%
Local Government Grants	445,859	440,000	590,878	474,590	407,631	255,792	(10.5%)
General Fund Appropriation and Governor's Office Contrib	-	-	-	-	-	550,000	-
Private Grants and Contributions	-	115,687	51,896	-	-	-	-
Investment Income	17,206	8,354	428	356	776	-	-
Interest Expense	-	(\$3,531)	(\$70,092)	(53,688)	(56,750)	(46,918)	90.9%
<b>Total Non-Operating Revenues (Expenses)</b>	<b>\$1,317,973</b>	<b>\$1,436,488</b>	<b>\$1,974,006</b>	<b>\$1,953,332</b>	<b>\$1,939,004</b>	<b>\$2,380,716</b>	<b>12.6%</b>
<b>Gain (Loss) Before State Capital Contributions</b>	<b>(\$817,808)</b>	<b>(\$858,528)</b>	<b>(\$418,976)</b>	<b>(\$831,137)</b>	<b>(\$1,360,580)</b>	<b>(\$1,310,264)</b>	<b>9.9%</b>
<b>Capital Contributions</b>							
State Controlled Maintenance	\$1,109,790	\$479,458	\$346,179	\$287,613	\$398,018	\$90,199	(39.5%)
Department of Agriculture	-	-	-	-	-	\$446,480	-
Foundation	-	-	-	-	\$34,506	\$142,647	313.4%

\* Compounded Annual Growth Rate

Source: Wall, Smith, Bateman Inc., CSFA, Johnson Consulting

Between FY 2010 and 2015, the largest changes in the CSFA's operating revenues are summarized as follows:

- COMMERCIAL SPACE/ CONCESSIONS:** In FY 2015, the CSFA reported \$1.1 million in commercial space and concession revenue, down slightly from \$1.2 million in FY 2014. Since FY 2010, commercial space rental and concession revenue has contracted at an average annual rate of (1.2) percent. It is noted that it is unusual for concessions to be included with commercial space rentals in a facility's pro forma.
- GATE ADMISSIONS:** In FY 2015, the CSFA reported \$1.7 million in gate admissions, up from \$1.5 million in FY 2014. Notwithstanding this, since FY 2010, revenues from gate admissions have contracted slightly at an average annual rate of (0.5) percent, despite increased attendance and





increased gate admission charges in FY 2011. This may in part be attributed to the fact that 2015 attendance at the Fair, despite continuing an upward trend, still fell short of the 2011 attendance peak.

- **BOX OFFICE SALES:** In FY 2015, box office sales generated \$981,124 in revenues, up 48.5 percent over FY 2014, when box office sales totaled \$981,124. Between FY 2010 and 2015 revenues from box office sales increased at an average rate of 3.0 per annum.
- **PRIVATE SPONSORSHIPS:** Between FY 2010 and 2015 private sponsorships have contracted at an average rate of (2.0) percent per annum, from \$1.8 million in FY 2010 to \$1.6 million in FY 2015. Notwithstanding this, revenues from private sponsorships increased by 7.5 percent between FY 2014 and 2015, resulting from multiple new sponsors. The revenues from private sponsorship relate to all revenue on site and all is related to the annual CSF.
- **EXHIBITOR FEES:** In FY 2015 exhibitor fees totaled \$797,444, representing an increase of 19.7 percent over the preceding year. Between FY 2010 and 2015, revenues from exhibitor fees grew at an average annual rate of 8.8 percent. This represents the strongest growth across all operating revenue line items, despite a decrease in the number of exhibitors and entries over recent years, from 3,223 exhibitors and 17,514 entries in 2012 to 2,856 exhibitors and 15,930 entries in 2014
- **BUILDING RENTALS:** In FY 2015 revenues from facility rentals totaled \$645,150, representing a slight increase over the preceding year, when building rental revenues totaled \$644,977. Between FY 2010 and 2015, revenues from building rentals grew at an average annual rate of 4.0 percent.

The following table shows total fees charges per building rental in FY 2015 and the calculated average fee per event, highlighting the highest revenue-generating buildings at the Fairgrounds. It is noted that the slight difference in total fees is assumed to be a reporting error but is not considered to be material.



Table 4 - 6

Colorado State Fairgrounds Rental Fees by Building (FY2015)			
Facility	Events	Total Fees	Average Fee per Event
Grounds*	11	\$360,440.10	\$32,767.28
Horse Show Complex	9	\$89,123.63	\$9,902.63
Livestock Pavilion	1	\$9,780.00	\$9,780.00
Events Center	18	\$94,816.53	\$5,267.59
Ag Palace	15	\$60,693.96	\$4,046.26
Rodeo Arena/ Grandstand	4	\$14,984.90	\$3,746.23
Fine Arts	2	\$2,164.64	\$1,082.32
Creative Arts	8	\$7,176.00	\$897.00
Ag Pavilion	1	\$733.00	\$733.00
Dining Hall	9	\$5,467.00	\$607.44
Carnival Lot	1	\$570.00	\$570.00
WeatherPORT	3	\$1,459.70	\$486.57
Auditorium	7	\$3,195.00	\$456.43
Fountain Park	1	\$300.00	\$300.00
Cultural Heritage	9	\$2,175.00	\$241.67
Colorado Building	2	\$350.00	\$175.00
Small Animal	1	\$150.00	\$150.00
VIP	1	\$50.00	\$50.00
<b>TOTAL/ AVERAGE</b>	<b>103</b>	<b>\$653,629.46</b>	<b>\$6,345.92</b>

\* Includes 2014 NLBRF (July 18-27) which paid \$124,210.48 to rent the grounds  
Source: CSF, Johnson Consulting

Overall, the highest revenue-earning buildings include the Grounds area, the Events Center and the Horse Show Complex and these should be the focus of investment and non-Fair marketing of the Fairgrounds facilities for year-round events.

Between FY 2010 and 2015, the largest changes in the CSFA's operating expenses are summarized as follows:

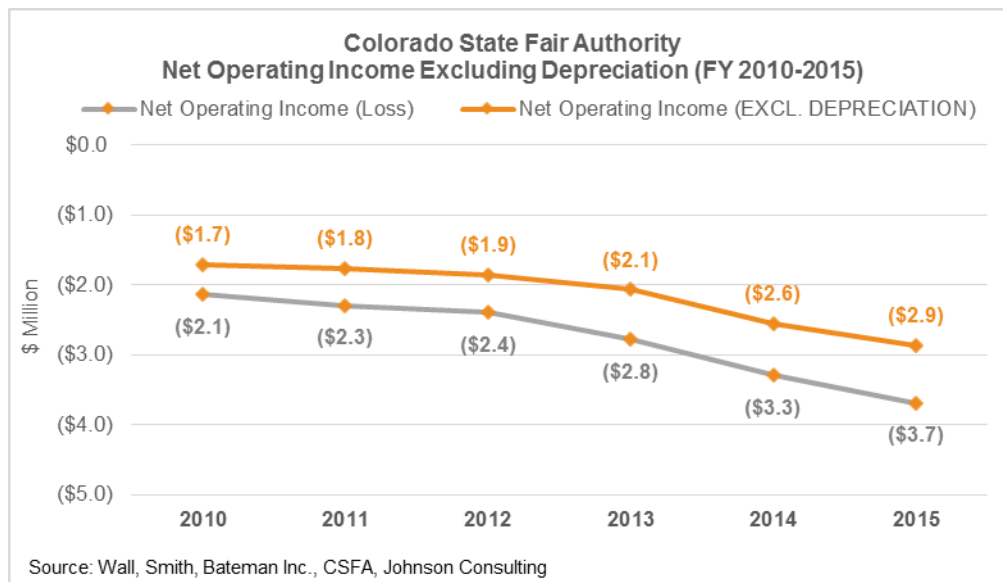
- ENTERTAINMENT AND ATTRACTIONS:** Expenses associated with entertainment and attractions, primarily during the CSF, increased at an average annual rate of 24.3 percent, from \$731,484 in FY 2010 to \$2.2 million in FY 2015. The substantial jump from \$684,501 in FY 2013 to \$1.7 million in FY 2014 suggests the reallocation of some expenses into this line item (see Contractual Services below).
- ADVERTISING AND PROMOTIONS:** Advertising and promotion expenses contracted at an average annual rate of (6.1) percent, from \$1.8 million in FY 2010 to \$1.3 million in FY 2015. As shown in the benchmarking analysis included later in this report, this is a substantial sum of money. Of the \$1.3 million, approximately \$758,000 is in kind, with 99.9 percent of advertising expenditures being directly related to the Fair.
- REPAIRS AND MAINTENANCE:** Expenses associated with repairs and maintenance increased at an average annual rate of 12.6 percent between FY 2010 and FY 2015. This is not unexpected given the age of many of the facilities at the CSFG. In FY 2015, expenses related to repairs and maintenance



totaled \$431,866, representing 4.0 percent of the total operating budget. This proportion is in line with those observed at comparable facilities.

- **SUPPLIES AND MATERIALS:** Increased at an average annual rate of 13.6 percent since FY 2010, reaching \$419,708 in FY 2015.
- **CONTRACTUAL SERVICES:** Contracted at an average annual rate of (37.3) percent, from \$839,981 in FY 2010 to \$81,277 in FY 2015. The sharp decline from \$777,903 in FY 2013, per the FY 2014 audit, to \$72,170 in FY 2014, coupled with the substantial increase in revenues from Entertainment and Attractions suggests the reallocation of these revenues to that line item.
- **OTHER OPERATING EXPENSES:** Decreased at an average annual rate of (6.7) percent, from \$501,016 in FY 2010 to \$354,425 in FY 2015.
- **DEPRECIATION:** Between FY 2010 and FY 2015 the value of depreciation increased by 14.5 percent per annum, reaching \$824,682 in FY 2015. It is noted that including depreciation in the calculation of net operating profit (loss) does not provide a true measure of costs directly associated with operations and is an uncommon practice in the industry, as traditionally venues of this type are judged on cash losses. Moving this line item to non-operating expenses has a material effect on the CSFA’s net operating deficit, which as shown in the following figure improves from a deficit of (\$3.3) million to a deficit of (\$2.9) million in FY 2015.

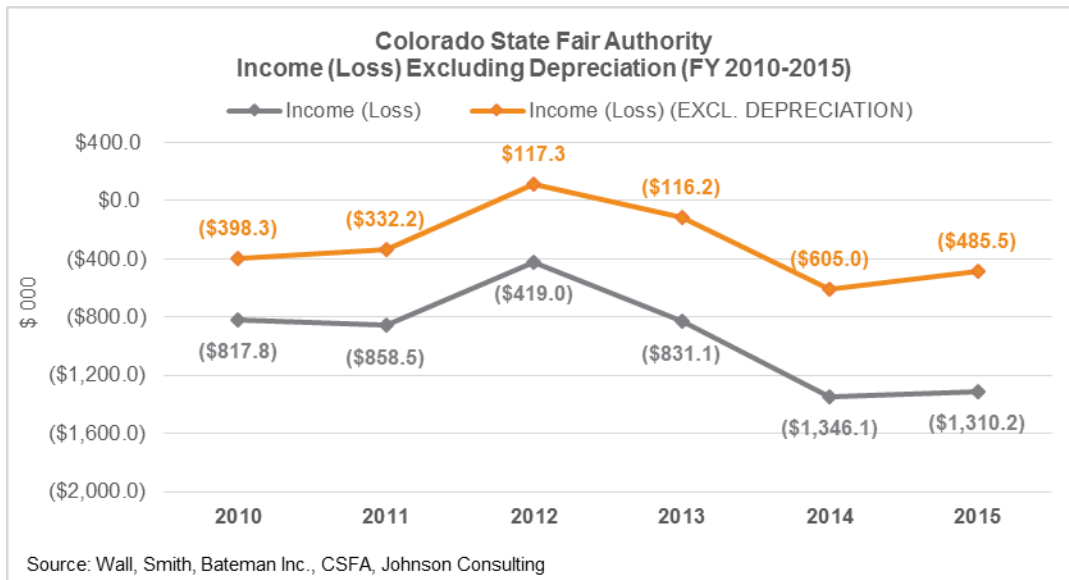
Figure 4 - 10



The following figure shows the impact that removing depreciation has on the overall income (loss) before capital contributions (accounting for non-operating revenues and expenses which are discussed below).



Figure 4 - 11



As shown, the true income (loss) in FY 2015 before depreciation was (\$486,482), which is more than 2.5 times lower than the reported loss of (\$1.3) million, when non-operating incomes and expenses are accounted for, before capital contributions. In FY 2012, when the CSFA actually recorded an income of \$117,300, before falling to a loss of (\$605,020) in FY 2014 but improving in FY 2015. It is our observation and consideration that in the Fairgrounds industry, a loss of this size is not uncommon. By way of example, The Ranch would report a deficit of approximately (\$500,000) annually if a certain amount of operating revenue was not allocated from sales tax collections.

Between FY 2010 and 2015, the largest changes in the CSFA's non-revenues and expenses are summarized as follows (it is noted that a discussion of grants and contributions was provided in the preceding section of this report and is not repeated here):

- **UNCLAIMED PROPERTY FUND INTEREST INCOME:** In FY 2015, the CSFA reported \$1.1 million in unclaimed property fund interest income, representing an increase of 5.6 percent per annum since FY 2010.
- **DEPARTMENT OF AGRICULTURE CONTRIBUTION:** The CSFA has received contributions from the Department of Agriculture since FY 2012, with amounts increasing through FY 2014 before contracting slightly in FY 2015 to \$500,000.
- **LOCAL GOVERNMENT GRANTS:** Since FY 2010, the value of local government grants has contracted at an average annual rate of (10.5) percent, to just \$255,792 in FY 2015.



- **GENERAL FUND APPROPRIATION AND GOVERNOR'S OFFICE CONTRIBUTION:** For the first time in FY 2015, the CSFA received \$250,000 in General Fund appropriations and a \$300,000 contribution from the Governor's Office.
- **INVESTMENT INCOME:** Between FY 2010 and 2014 investment income contracted dramatically from \$17,206 in FY 2010 to \$776 in FY 2014, representing an average annual decrease of (53.9) percent. In FY 2015, the CSFA reported no investment income.
- **INTEREST EXPENSE:** In FY 2010 no interest expense was incurred by the CSFA, reflecting the payment of all outstanding debt in FY 2009, as discussed in the preceding section of this report. In FY 2011 the CSFA reported an interest expenses of (\$3,531), increasing to (\$56,750) in FY 2014 before contracting to (\$46,918) in FY 2015.

Overall, the CSFA's loss before capital contributions increased between FY 2011 and FY 2014, from a deficit of (\$817,808) in FY 2011 to a deficit of (\$1.3) million in FY 2015, although the deficit improved slightly between FY 2014 and 2015. This represents a deterioration in the CSFA's position of (9.9) percent per annum. As discussed above, when depreciation is removed from the operating expenses, the overall loss before capital contributions improved substantially to (\$485,482) in FY 2015.

Between FY 2010 and 2015, the largest changes in the CSFA's capital contributions are summarized as follows:

- **STATE CONTROLLED MAINTENANCE:** In FY 2015, the CSFA received \$90,199 in State Controlled Maintenance contributions, down substantially from \$398,018 in FY 2014, and representing an average annual decrease of (39.5) percent since FY 2010.
- **DEPARTMENT OF AGRICULTURE:** In addition to non-operating revenue support, the Department of Agriculture contributed \$446,480 in capital contributions in FY 2015.
- **CSFF:** In FY 2015, the CSSF gifted \$142,647 in capital contributions to the CSFA, up more than three-fold from FY 2014, when the CSFF gifted \$34,506.

## OBSERVATIONS

While the focus of this analysis is on potential from non-Fair events, we believe it will be helpful if we make other observations about how to enhance revenues for the campus overall:

- The preponderance of buildings on the grounds are small and several are not air-conditioned and do not hold potential to attract a meaningful number of events that would generate much revenue. Areas that seem to have the greatest potential for incremental events include continued exploitation of the parking areas, the event center, more equestrian activities, and better use of the grandstands



area. In our judgment the balance of the grounds can't continue to do public service and incidental events may actually cost money to produce rather than generate revenue.

- Several structural issues affect the ability to optimize event levels at the fairgrounds:
  - The first is the staffing strategy discussed previously. Heretofore, the grounds have run without sufficient staff and quality facilities. This taxes the current employees and does not fund a sales and marketing function for the complex. The reduction in staff or absence of skilled positions limits maintenance to emergency repairs rather than making the facilities enticing to users. In section 3 of this report we identified what we believe to be deficiencies in staffing at the venue and a need for a sales and marketing function to be added to the operation.
  - Secondly, the agreement made with the high school to use the Event Center is a key hindrance to a normal operation of a like arena in other markets. This is no criticism of the high school or the Fairgrounds because this agreement was entered into as a way to fund the Event Center. The consequence is that the Event Center consumes prime dates, typically in the peak concert and family show time season, for high school events that attract a reported 300 to 500 people maximum.
  - As with the Event Center, due to inadequate funding resources, the Fairgrounds worked out an arrangement that limited their investment in the WeatherPORT tent. To provide for the footing for the tent, one of the main concessionaires operating on the Fairgrounds provided that investment, while the Fairgrounds funded the tent. While clever in some regards, this approach also has consequences. The first consequence is the fact that the Fairgrounds did not invest sufficiently in the complex to make it usable year-around and has restricted its control of the venue and had to allow the food service operator, with below market food and beverage commission rates, to allow cost amortization.
  - Food service is not provided by an exclusive contractor. This reduces revenue potential and results in a fragmented food service approach, from a quality and sales standpoint. Fairgrounds are often sensitive to having local flair in their food service offerings. It is not uncommon for a master food service provider to have locally branded offerings. In this case, a single operator takes responsibility for the operation. This simplifies required management from the administrative team, simplifies the sales function for the event coordinator and allows for higher quality to the customer. It should also be more profitable.
  - The grounds are missing what Johnson Consulting would characterize as a normal Expo hall. Traditional consumer shows and festivals are compelled to use smaller venues that are in poor operational conditions. Similarly, the equestrian and animal operations are restricted to good weather periods of the year. In the long range plan, an expo hall with approximately 50,000 square feet of usable space could serve as an indoor connector to the horse arena and the barns. Such a space could serve double duty as a facility for consumer shows and a connector for animal events if designed



properly. The absence of such a space inhibits both consumer show in festival potential and equestrian events. While the Palace of Agriculture is 42,220, it can serve some of these functions, but not accomplish what a new future Expo Building could do.

- The management team believes they have undervalued rent and upselling to events because of the poor quality and condition of the facilities and the limited capacity of staff.

In the concluding section of this report, Johnson Consulting presents a future financial picture for the Fairgrounds, based upon what we see as non-Fair event demand potential, a reflection of recommended staffing increases, a reflection of improved capital improvement spending, and the impact of addressing some of the operational improvements noted above. We also investigate ways to address tools to help fund improved operations.



## SECTION V

### ECONOMIC AND DEMOGRAPHIC ANALYSIS



## ECONOMIC AND DEMOGRAPHIC ANALYSIS

In order to analyze the market potential of the Colorado State Fairgrounds (CSFG), Johnson Consulting undertook a comprehensive review of market conditions in the City of Pueblo and Pueblo County, relative to state and national averages. The size and role of a marketplace, its civic leadership, proximity to other metropolitan areas, land use patterns, transportation concentrations, and the location of competing and/ or complementary attractions, directly influence the scale and quality of facilities that can be supported within that particular market. The key objectives of our analysis were to identify structural factors, and strengths and weaknesses, that may affect the market's ongoing competitive opportunities and to gauge the level of support that exists for the CSFG's facilities.

### MARKET OVERVIEW

Located in southern Colorado at the confluence of the Arkansas River and Fountain Creek, approximately 110 miles to the south of Denver, Pueblo is the county seat and most populous city of Pueblo County, and serves as the gateway to the Southwest. The following figure shows the location of Pueblo and the CSFG in southern Colorado.

Figure 5 - 1



Historically a hub for steel manufacturing, Pueblo has undergone significant transformation and revitalization over the past several decades. New residential and retail developments, particularly in the downtown area, have been complemented by an influx of new industries and technology, and the City has made a conscious



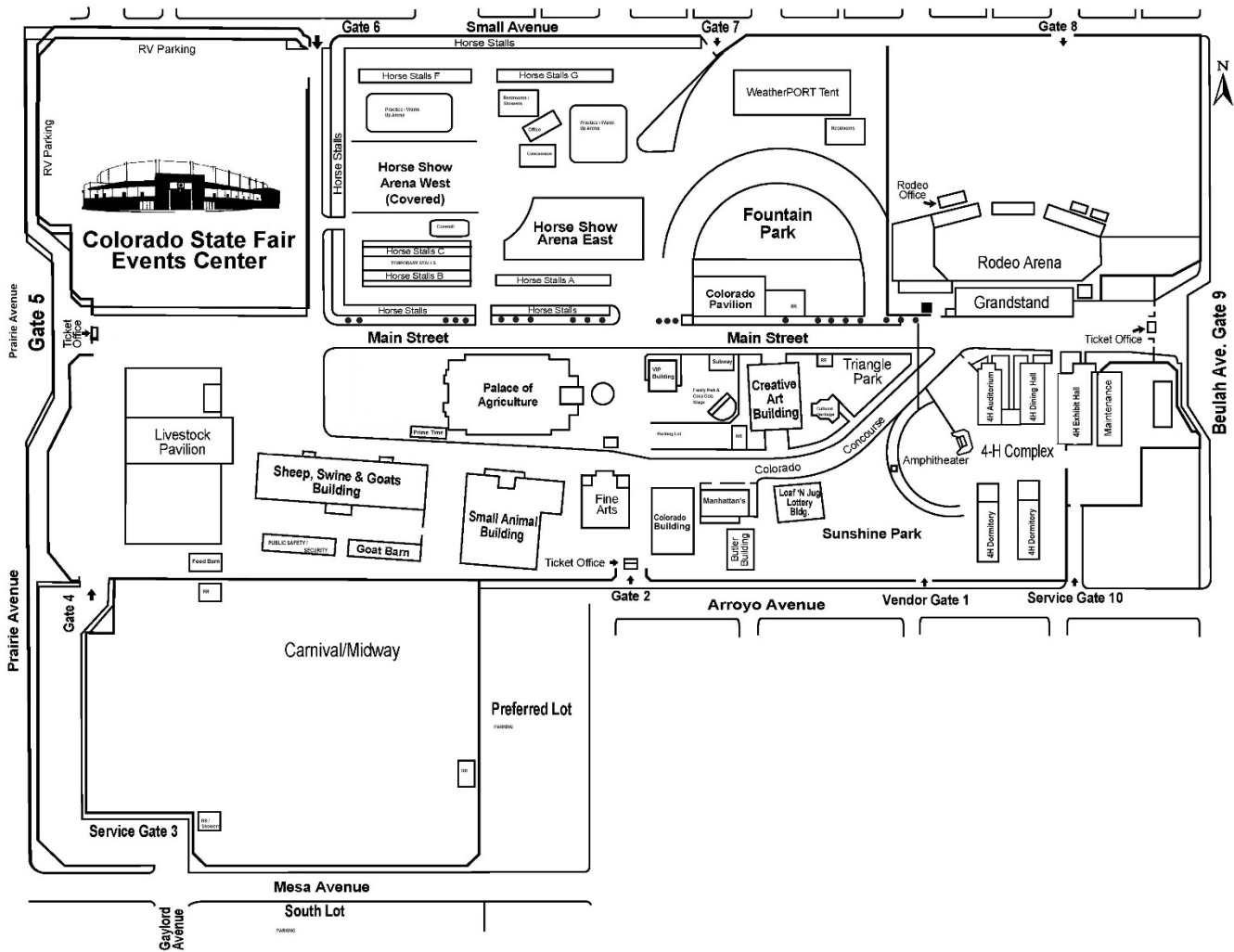
effort to go green. Pueblo also identifies itself as a mecca for culture and arts, and an emerging restaurant scene that leverages proximity to the Saint Charles Mesa’s agricultural land. Additionally, the 32-acre Historic Arkansas Riverwalk of Pueblo is a popular amenity for both residents and tourists alike.

**FAIRGROUNDS**

The 11-day Colorado State Fair (CSF) takes place on a 102-acre site located approximately 2 miles to the southwest of downtown Pueblo. The current site has been home to the CSF since 1901, although the Fair itself dates back to 1872. Site improvements comprise 57 buildings, a number of which are available for rent outside of the annual Fair. The following figure provides an overview of facilities on the CSFG.

Figure 5 - 2

# Colorado State Fairgrounds





## CURRENT POPULATION

The 2015 resident population of the City of Pueblo is estimated to be 107,456 persons, representing two-thirds of the population (66.9 percent) of Pueblo County, which is contiguous with the Pueblo Metropolitan Statistical Area (MSA). Between 2000 and 2015, the population of the City of Pueblo increased slightly, at an average annual rate of 0.3 percent, which was slower than the rates of growth recorded throughout the County (0.9 percent per annum), State (1.3 percent), and the U.S. (0.8 percent).

Going forward, the population of the City of Pueblo is projected to remain relative stable, reaching 108,753 persons in 2020. Throughout the County, population growth is also forecast to be relatively subdued (increasing at an average annual rate of 0.2 percent), with slightly higher rates of growth projected throughout the State (1.6 percent per annum) and the U.S. (0.7 percent). The following table shows population trends in the City of Pueblo, Pueblo County, Colorado and the U.S.

**Table 5 - 1**

Population - Pueblo ('000s) (2000-2020)				
	Pueblo City	Pueblo County	Colorado	U.S
<b>2000</b>	102	141	4,301	281,422
<b>2010</b>	107	159	5,029	308,746
<b>2015</b>	107	161	5,229	318,536
<b>CAGR* (2000-2015)</b>	<b>0.3%</b>	<b>0.9%</b>	<b>1.3%</b>	<b>0.8%</b>
<b>2020 (Projected)</b>	109	163	5,651	330,623
<b>CAGR* (2015-2020)</b>	<b>0.2%</b>	<b>0.3%</b>	<b>1.6%</b>	<b>0.7%</b>

\* Compounded Annual Growth Rate  
Source: Esri ArcGIS BAO, Johnson Consulting

## AGE CHARACTERISTICS

In 2015, the median age of residents of the City of Pueblo was 37.8 years, which was younger than Pueblo County (39.2 years), slightly older than Colorado (36.9 years), and generally in line with the national average (37.9 years). Between 2010 and 2015, the median age of residents of the City of Pueblo increased by 1.1 percent, which was lower than the rates of increase recorded across the County (1.6 percent), State and U.S. (both 2.2 percent). Going forward, the median age of residents of the City of Pueblo is projected to increase to 38.0 years, remaining below the forecast age in Pueblo County (39.5 years), above the forecast age in



Colorado (37.4 years), and generally in line with the U.S. median age (38.6 years). The following table shows the median age characteristics of the City, County, State, and U.S.

**Table 5 - 2**

<b>Median Age - Pueblo (2010-2020)</b>				
	<b>Pueblo City</b>	<b>Pueblo County</b>	<b>Colorado</b>	<b>U.S.</b>
<b>2010</b>	37.4	38.6	36.1	37.1
<b>2015</b>	37.8	39.2	36.9	37.9
<b>Growth (2010-2015)</b>	<b>1.1%</b>	<b>1.6%</b>	<b>2.2%</b>	<b>2.2%</b>
<b>2020 (Projected)</b>	38.0	39.5	37.4	38.6
<b>Growth (2015-2020)</b>	<b>0.5%</b>	<b>0.8%</b>	<b>1.4%</b>	<b>1.8%</b>

Source: Esri ArcGIS BAO, Johnson Consulting

## EDUCATIONAL ATTAINMENT

The educational attainment level of residents of the City of Pueblo and Pueblo County fall below State and national averages, with only 20.6 percent of residents of the City and 22.3 percent of residents of the County, aged 25 years or older, holding a Bachelor's degree or higher, compared to 38.2 percent of residents of Colorado and 30.0 percent of residents of the U.S. The following table provides a breakdown of educational attainment levels in the City, County, State, and U.S.



Table 5 - 3

Educational Attainment - Pueblo ('000s) (2015)								
	Pueblo City		Pueblo County		Colorado		U.S.	
	No.	%	No.	%	No.	%	No.	%
<b>Less than High School</b>	10,686	<b>14.9%</b>	13,507	<b>12.5%</b>	328,857	<b>9.3%</b>	28,251,539	<b>13.2%</b>
<b>High School Graduate</b>	16,279	<b>22.7%</b>	24,420	<b>22.6%</b>	618,817	<b>17.5%</b>	50,510,328	<b>23.6%</b>
<b>GED/ Alternative Credential</b>	4,303	<b>6.0%</b>	6,051	<b>5.6%</b>	137,908	<b>3.9%</b>	8,775,099	<b>4.1%</b>
<b>Some College, No Degree</b>	18,144	<b>25.3%</b>	28,094	<b>26.0%</b>	802,694	<b>22.7%</b>	44,945,631	<b>21.0%</b>
<b>Associates Degree</b>	7,530	<b>10.5%</b>	11,886	<b>11.0%</b>	293,496	<b>8.3%</b>	17,550,199	<b>8.2%</b>
<b>Bachelor's Degree</b>	9,395	<b>13.1%</b>	15,235	<b>14.1%</b>	845,127	<b>23.9%</b>	39,808,987	<b>18.6%</b>
<b>Graduate/ Professional Degree</b>	5,379	<b>7.5%</b>	8,860	<b>8.2%</b>	505,662	<b>14.3%</b>	24,399,057	<b>11.4%</b>
<b>TOTAL</b>	<b>71,715</b>		<b>108,053</b>		<b>3,536,096</b>		<b>214,026,813</b>	

Source: Esri ArcGIS BAO, Johnson Consulting

## EMPLOYMENT

In 2014 (which is the most current data available) the predominant industry of employment in Pueblo County was Government (20.2 percent of employed residents aged 15 years and older), followed by Education and Health Services (19.8 percent), and Trade, Transportation and Utilities (17.5 percent). Between 2013 and 2014 the largest increases in employment were recorded in Manufacturing (7.2 percent) and Professional and Business Services (5.2 percent), while employment in Natural Resources and Mining experienced the greatest decline of (6.0 percent), albeit from a relatively small base. The following table shows employment by industry in Pueblo County. It is noted that data is not available from the Bureau of Labor Statistics (BLS) at the City level.



Table 5 - 4

Non-Farm Employment by Industry - Pueblo County (2013-2014)			
	2013	2014	Growth Rate 2013-2014
<b>Natural Resources and Mining</b>	183	172	(6.0%)
<i>% of Total</i>	0.3%	0.3%	
<b>Construction</b>	2,857	2,986	4.5%
<i>% of Total</i>	5.0%	5.2%	
<b>Manufacturing</b>	4,314	4,626	7.2%
<i>% of Total</i>	7.6%	8.0%	
<b>Trade, Transportation, and Utilities</b>	9,840	10,082	2.5%
<i>% of Total</i>	17.4%	17.5%	
<b>Information</b>	664	667	0.5%
<i>% of Total</i>	1.2%	1.2%	
<b>Financial Activities</b>	1,743	1,744	0.1%
<i>% of Total</i>	3.1%	3.0%	
<b>Professional and Business Services</b>	6,291	6,617	5.2%
<i>% of Total</i>	11.1%	11.5%	
<b>Education and Health Services</b>	11,305	11,399	0.8%
<i>% of Total</i>	20.0%	19.8%	
<b>Leisure and Hospitality</b>	6,456	6,305	(2.3%)
<i>% of Total</i>	11.4%	11.0%	
<b>Other Services</b>	1,304	1,336	2.5%
<i>% of Total</i>	2.3%	2.3%	
<b>Government</b>	11,650	11,624	(0.2%)
<i>% of Total</i>	20.6%	20.2%	
<b>TOTAL</b>	<b>56,607</b>	<b>57,558</b>	<b>1.7%</b>

Source: BLS, Johnson Consulting

## UNEMPLOYMENT

The following table shows the annual unemployment rates for Pueblo County, Colorado, and the U.S., for the period of 2010-2014, which is the most current data available at the County level. It is noted that data is only available at the City level for the 50 largest cities in the U.S.



Table 5 - 5

Unemployment Rate - Pueblo County (2010-2014)						
	Pueblo County		Colorado		U.S.	
	Rate	Change	Rate	Change	Rate	Change
2010	10.4%	-	8.7%	-	9.6%	-
2011	10.4%	0.0	8.3%	(0.4)	8.9%	(0.7)
2012	10.5%	0.1	7.8%	(0.5)	8.1%	(0.8)
2013	9.8%	(0.7)	6.8%	(1.0)	7.4%	(0.7)
2014	7.3%	(2.5)	5.0%	(1.8)	6.2%	(1.2)

Source: BLS, Johnson Consulting

Since 2010, the unemployment rate in Pueblo County has tracked above the State and national average. In 2014, the unemployment rate contracted significantly by (2.5) percent to 7.3 percent, but remained above the unemployment rates in Colorado (5.0 percent) and the national average (6.2 percent).

## HOUSEHOLD INCOME

In 2015 the median household income in the City of Pueblo is estimated to be \$33,930 per annum, which is substantially lower than the median incomes recorded across Pueblo County (\$40,337 per annum), the State (\$59,306), and the U.S. (\$53,217). By 2020, the median household income in the City of Pueblo is expected to reach \$38,886, which remains well below figures for the County (\$47,125 per annum), State (\$69,705) and the U.S. (\$60,683). The following table shows current and projected median household incomes in the City of Pueblo, Pueblo County, Colorado and the U.S.

Table 5 - 6

Median Household Income - Pueblo (2015-2020)				
	Pueblo City	Pueblo County	Colorado	U.S
2015	\$33,930	\$40,337	\$59,306	\$53,217
2020 (Projected)	\$38,886	\$47,125	\$69,705	\$60,683
<b>CAGR* (2015-2020)</b>	<b>2.8%</b>	<b>3.2%</b>	<b>3.3%</b>	<b>2.7%</b>

\* Compounded Annual Growth Rate

Source: Esri ArcGIS BAO, Johnson Consulting

## CORPORATE PRESENCE

A strong corporate and business presence can be an important factor in the success of any public assembly facility, because local businesses can attract residents to an area, provide income and disposable income, and support facilities through donations, advertising, sponsorships, and their requirement for event space. The following table shows the largest employers in Pueblo County. As shown, the largest employers are spread across a number of industries, with an emphasis on healthcare and education. The largest single employer is Parkview Medical Center, with close to 2,000 employees.

**Table 5 - 7**

Largest Employers - Pueblo County (2015)		
Employer	Industry	# Employees
Parkview Medical Center	Healthcare	1,960
Pueblo City Schools	Education	1,800
Evraz Inc.	Steel Products	1,218
St. Mary Corwin Hospital	Healthcare	1,200
Wal Mart	Retail	1,200
School District #70	Education	1,101
Pueblo County	Government	1,100
Colorado Mental Health Department	Mental Health	1,000
City of Pueblo	Government	620
Express Scripts	Pharmacy	600
Loaf N Jug	Distribution & Retail	540
Colorado State University - Pueblo	Education	523
RMS	Call Center	520

Source: Pueblo Economic Development Corp, Johnson Consulting

## ACCESS

The strategic location of Pueblo in southern Colorado makes it accessible via a number of modes of transportation:

- **AIR:** There are 2 municipal and 1 international airports that serve Pueblo:
  - **Pueblo Memorial Airport (KPUB):** Located 6 miles to the east of Pueblo, KPUB is a public airport used for general aviation.
  - **Colorado Springs Airport (COS):** Located 44 miles to the north of Pueblo, COS is owned by the City of Colorado Springs. The Airport is serviced by Alaska, Allegiant, American Airlines, Delta



and United, offering regular daily non-stop flights between Denver, Seattle/Tacoma, Salt Lake City, Las Vegas, Los Angeles, Phoenix/Mesa, Dallas/Fort Worth, Houston, Atlanta, and Chicago. In 2014, 1.2 million passengers utilized the Airport.

- **Denver International Airport (DEN):** Located 130 miles to the north Pueblo, DEN is the 5<sup>th</sup> busiest airport in the U.S. and the 15<sup>th</sup> busiest in the world. DEN is serviced by 17 airlines, offering non-stop flights to a variety of domestic and international destinations. DEN serves more than 53 million passengers annually.

There are also a number of smaller municipal airports located throughout the immediate area.

- **RAIL:** Pueblo Union Station is located in downtown Pueblo. Although it is currently unused, Amtrak offers thruway bus services to Raton, NM and Denver, CO where passengers can connect with the Southwest Chief, which runs between Los Angeles, CA and Chicago, IL, and the California Zephyr, which operates between San Francisco, CA and Chicago, IL. Both Amtrak service operate one daily service in each direction. It is understood that consideration has been given to including Pueblo Union Station as a stop on the Southwest Chief route.
- **ROAD:** Pueblo is located at the crossroads of two major highways – Interstate Highway 25 and U.S. Highway 50:
  - **Interstate Highway 25:** Located approximately 1 mile to the east of the Fairgrounds, the I-25 is the major north-south arterial running through Pueblo, providing connectivity between El Paso, TX on the U.S.-Mexico border to the south and Wyoming (and Interstate Highway 90) to the north. Interstate Highway 25 also links Pueblo with Colorado Springs, Denver, and Fort Collins.
  - **U.S. Route 50:** Serves as the main east-west arterial, providing connectivity to Sacramento, CA and Ocean City, MD.

## UNIVERSITY AND COLLEGE PRESENCE

Pueblo and the surrounding area are home to a number of higher education institutions, including:

- **COLORADO STATE UNIVERSITY (CSU) – PUEBLO:** Located 7 miles to the northeast of the Fairgrounds, the Pueblo campus of CSU encompasses 279 acres. The Pueblo campus offers undergraduate and graduate degree programs across a range of disciplines, with total enrollment of 5,192 students.
- **PUEBLO COMMUNITY COLLEGE:** Located approximately 1 mile to the north of the Fairgrounds, Pueblo Community College offers a range of degree and certificate programs, with an emphasis on STEM specializations (Science, Technology, Engineering, and Math). The 33-acre campus has a total enrollment of 1,924 students.



- COLORADO TECHNICAL UNIVERSITY (CTU):** Located in Colorado Springs, with a satellite campus in Aurora, CTU offers Associates, Bachelor's, and Master's degrees across a variety of disciplines in the schools of Business and Management, Engineering and Computer Science, Healthcare, Information Systems and Technology, Nursing, Project Management, and Security Studies. CTU has a total enrolment of approximately 25,000 students across the two campuses and online.

## HOTEL INVENTORY

Data from Smith Travel Research (STR), which is an independent hotel research firm whose statistics are widely used within the industry, indicates that there are 26 lodging facilities located within 10 miles of the Fairgrounds, offering a total of 2,090 rooms and 12,931 square feet of meetings and event space. The following table provides a summary of these lodging facilities.

**Table 5 - 8**

Inventory of Proximate Lodging Facilities - Colorado State Fairgrounds (2015)			
Hotel	Distance from CSF (miles)	Guest Rooms	Meeting Space (SF)
Coronado Motel	1.4	33	-
Minnequa Motel	1.8	30	-
Courtyard Pueblo Downtown	2.0	166	1,600
Springhill Suites Pueblo Downtown	2.0	105	1,030
Hampton Inn & Suites Pueblo-Southgate	2.3	81	1,126
Santa Fe Inn & Suites Pueblo	2.3	88	-
Microtel Inn & Suites By Wyndham	2.3	63	-
Bramble Tree Motel	2.3	65	-
Travelers Motel	2.5	73	-
Valustay Inn and Suites	3.2	185	-
USA Motel	3.6	23	-
Quality Inn and Suites	4.1	62	-
Rodeway Inn	4.1	65	-
Super 8	4.1	60	-
Baymont Inn and Suites	4.1	68	-
Clarion Inn	4.4	115	5,100
Motel 6	4.4	108	-
Holiday Inn Express & Suites	4.9	89	2,050
Econo Lodge	5.0	53	-
Comfort Inn	5.0	60	-
Wingate by Wyndham	5.1	84	-
Ramada	5.1	111	-
Hampton Inn & Suites Pueblo North	5.1	100	1,300
Best Western Plus	5.2	59	-
La Quinta	5.3	101	725
Econo Lodge West Pueblo	8.1	43	-
<b>Total</b>		<b>2,090</b>	<b>12,931</b>

Source: STR, relevant facilities, mpoint, Johnson Consulting



## OBSERVATIONS

Pueblo is a community that is undergoing significant revitalization, leveraging opportunities created by its strong manufacturing history, while also consciously diversifying its economic base. As a destination, Pueblo can benefit greatly from demand generators, such as the CSF, capable of attracting regional, national, and even international visitors. The historical significance of the CSF must not be overlooked, but as is true in many communities nationally and internationally, Fairgrounds must be able to adapt to become more “modern”, being respectful of their heritage but also capable of embracing broader markets and urban populations.



**SECTION VI**  
INDUSTRY TRENDS



## FAIRGROUNDS AND EVENTS INDUSTRY TRENDS

Fairs were originally developed as an important tool in marketing agriculture. As the population became more urbanized, and improved technology reduced the number of people who were responsible for the production of agricultural goods, the institution of the fair also changed, with varying results. Today, fairs commonly include industrial exhibits, demonstrations, and displays focused on livestock, horticulture, and agricultural advancement. They also place specific emphasis on education activities and the promotion of positive youth activities, such as the 4-H club, FFA, and other similar institutions and programs.

In response to the shifting focus of fairs, the physical programming at fairgrounds has been expanded to include various entertainment offerings and attractions, although many fairs maintain their agrarian traditions. Fairgrounds typically offer facilities that can be used both during an annual fair, as well as for various other types of events including meetings, consumer shows, tradeshow, entertainment and sporting events, festivals, and other events. Because an annual fair will generally not last for more than one week to ten days, the day-to-day demand for fairgrounds facilities is dependent on non-fair events. While a fair will typically generate a disproportionately large share of a fairground's revenue in a short period of time, these other events will also serve to help support the facility's operations throughout the year, and will allow access to the facility by various user groups in the local and regional communities.

### MISSION OF FAIRGROUNDS

In response to declining public funding, increasing facility development and maintenance needs, and a steady decline in attendance at fairs, the California Department of Food and Agriculture's Division of Fairs and Expositions published "Creating the Magic of a Great Fair" in 1999. The report culminated in the formulation of three basic operating principles for successful annual fairs, all of which continue to hold true today, and are applicable throughout the U.S. and abroad:

1. **The public purpose of the annual fair is to provide structure and opportunity for people of a community to celebrate the local identity and character of their community.**

Because fairs no longer exist solely to facilitate the exchange of goods, they should primarily be focused on showcasing the community and building cohesion. A fair is inherently designed to create an understanding among people in a given place and at a given time. To this end, social stability, civic peace, and public safety increase as a result of fairs, making fairs a worthwhile investment and endeavor for the public sector.

2. **The primary goal of a fair organization is to mobilize the community to produce a great fair.**

Historically, several factors have influenced the necessity for fair organizations to become financially self-sufficient. These include, but are not limited to, statutory authorization for multi-purpose use of fairgrounds; a decline in public funding; and increased costs of personnel and facility maintenance in connection with supporting year-round operations. While all of these factors are equally important, the



report concludes that the very focused pursuit of financial self-sufficiency has limited the evolution of the quality of fairs, as the goal of achieving self-sufficiency has superseded the goal of creating a quality event. The fair organization must mobilize the community by reaching out and involving them in the production of the fair, with the goal of attracting new participants, building and maintaining good will, and assisting local exhibitors, vendors and participants by setting standards of production and helping them to meet those standards.

3. **The business of fair organizations is to broker opportunities to reach the appropriate market.**

The report suggests that a fair is primarily a celebration, and secondly a business. However, the business aspect of a fair is what facilitates the celebration. The phrase “opportunity brokering” refers to the fair organization creating opportunities for other entities to be financially successful. The successful execution of opportunity brokering requires a thorough understanding of the local marketplace and the facilitation of a high-quality event.

These three mission statements are important for annual State and County fairs, but are equally pertinent to the year-round mission and function of fairgrounds themselves. Fairgrounds have opportunities each day of the year to celebrate the local identity and character of an area through event programming, and can also use the full year to reach out to new and existing residents who have little connection to the facility or fair. Further, renting out facilities at the fairgrounds year-round generates funding for fairs, education programs, and other self-produced events, as well as facility improvement and expansion.

## ATTENDANCE

The following table shows the top 20 fairs throughout the world, as measured by attendance in 2015.



Table 6 - 1

Top 20 Fairs by Attendance (2015)						
Rank	Fair	City	State	Length (Days)	Attendance	Change Over Previous Year
1	Texas State Fair	Dallas	TX	22	3,503,268	22.7%*
2	Houston Livestock Show & Rodeo	Houston	TX	20	2,483,193	(0.1%)
3	Minnesota State Fair	St. Paul	MN	12	1,779,738	(5.4%)
4	San Antonio Livestock Show & Exhibition	San Antonio	TX	18	1,671,550	(3.9%)
5	Canadian National Exhibition	Toronto	ON (Canada)	18	1,601,000	15.1%
6	San Diego County Fair	San Diego	CA	31	1,503,538	3.2%
7	Eastern States Exposition	West Springfield	MA	17	1,345,961	(10.2%)
8	Orange County Fair	Costa Mesa	CA	30	1,301,445	(2.7%)
9	Los Angeles County Fair	Pomona	CA	24	1,276,817	6.0%
10	Fort Worth Stock Show & Rodeo	Fort Worth	TX	20	1,248,500	9.8%*
11	Tulsa State Fair	Tulsa	OK	11	1,200,000	9.1%
12	Erie County Fair	Hamburg	NY	12	1,172,635	(3.9%)
13	Calgary Stampede	Calgary	AB (Canada)	10	1,168,509	(7.5%)
14	Iowa State Fair	Des Moines	IA	11	1,117,398	10.1%*
15	Arizona State Fair	Phoenix	AZ	22	1,102,044	(3.9%)
16	Wisconsin State Fair	West Allis	WI	11	1,033,053	0.2%*
17	North Carolina State Fair	Raleigh	NC	11	1,019,732	9.7%
18	Western Washington Fair	Puyallup	WA	27	1,000,000	0.0%
19	Ohio State Fair	Columbus	OH	11	982,305	7.2%*
20	New York State Fair	Syracuse	NY	11	908,147	(5.9%)

\* Record attendance in 2015  
Source: IAFE, Carnival Warehouse, Johnson Consulting

As shown, the largest fair in 2015 was the Texas State Fair, with 3.5 million attendees. CSF ranked 37<sup>th</sup>.

## OUTLOOK

If fairgrounds are to succeed in the future and maintain their levels of utilization, they must adapt to the changing demographic and economic characteristics of their market. Like any other attraction, such as shopping centers, theme parks, and downtown areas, reinvestment in facilities, adding new attractions, and maintaining awareness of the target market(s) are fundamental to sustaining and invigorating patronage.

## MEETINGS AND EVENTS

As a whole, the meetings industry has experienced sporadic growth in the past ten years, dipping slightly in the early 2000s, then experiencing a significant period of growth, followed by another wave of decline reflecting the recession and the negative publicity related to hosting meetings in upscale and resort destinations. Indeed, the impact of the recession on the global meetings industry was widespread – new hotel and meeting facility construction was delayed, and in many cases abandoned, corporations and associations



dramatically reduced their meetings and events budgets, attendance levels fell sharply, and negative perceptions of the value of face-to-face meetings prevailed across governments, media and the general public.

Data from the Center for Exhibition Industry Research (CEIR) Index Report, which considers utilization, number of exhibitors, number of attendees, and revenues, indicated the return of positive momentum to the meetings and exhibition industry in late 2010 and increasing through 2014, albeit at a modest pace of 1.8 percent (across all metrics). In 2014, the Financial, Legal, and Real Estate sector experienced the strongest growth (5.8 percent), followed by Building, Construction, Home, and Repair (5.1 percent), while the Education and Finished Business Outputs sectors contracted by (3) percent and (1) percent respectively.

From a venue competition perspective, established destinations are expanding and planning for the future based on an increasingly competitive environment of facilities and destinations, and to reflect need for more meeting space and better technology. Exhibit hall-based events have been lighter and easier to build, in part due to an increased focus on education/training, particularly in medical and health care sectors. Demographics of show attendees are aging and focus is shifting to engaging younger generations. Flexibility of space is emerging as a key differentiator in meeting planner selection criteria, including ability to incorporate latest technology into room capabilities, providing a variety of presenting and learning formats that engage both young and maturing audiences/participants over an increasingly shorter run of the event. The key is to provide a unique, customizable, and engaging destination experiences around and during the run of the event. Event planners are also demanding quality hotel supply, competitive rates, and room blocks at as few hotels as possible.

It is often forgotten that event venues are critical pieces of community infrastructure and that face-to-face exchanges (conventions and tradeshow) are the most effective way of matching buyers with sellers and providing industry specific education. Lack of reinvestment in upkeep and targeted expansion will result in erosion of market share and declining return on investment.

In order to understand the long-term market demand for public assembly facilities, an analysis of entertainment, social event, and meeting industry trends is important. This subsection provides a general overview of the types of meeting facilities that exist in the industry, as well as the types of events that are commonly hosted. Also discussed are the general requirements that meeting planners look for in a prospective location, as well as an overview of current and likely future market trends, focusing on the impact of broader economic conditions on the meetings and events industry.

## TYPES OF FACILITIES

Each event type has unique facility needs. Certain events require large amounts of contiguous space, while others require many smaller meeting rooms. Often a single meeting will use many different types of spaces, such as large exhibit halls, banquet facilities, breakout meeting rooms, and theater seating.





As societies mature and become more sophisticated, so too does the meetings market. The diverse nature of the meetings industry, and the characteristics of various event types, necessitates a variety of alternative facilities. As societies mature and become more sophisticated, so too does the meetings market. The diverse nature of the meetings industry, and the characteristics of various event types, necessitates a variety of alternative facilities.

The main types of public assembly facilities are summarized as follows:

- **HOTEL AND MEETING ROOM FACILITIES:** Many markets have developed a multipurpose or small convention or conference center complex within or adjacent to a hotel, as a means of improving the lure of the hotel and subsidizing its operations. These facilities, which have been undertaken in markets of varying sizes, are frequently developed through public-private partnerships whereby the public sector may assemble land, build parking, and fund meeting space components as a way to execute a project. Often the various project elements are developed as a joint project, in terms of timing, but in some markets, the public elements have been built first with the hotel coming later.
- **CONFERENCE CENTERS:** Conference centers provide a specialized combination of meeting spaces, high-tech amenities, and services in support of training and education initiatives. Most conference centers are operated in conjunction with a hotel, although some are part of a university and a small number operate as stand-alone venues.
- **CONVENTION CENTERS:** On a larger scale, convention centers combine the meeting capabilities of a conference center with exhibit space. These facilities are designed to meet the broad needs of the Meetings, Incentive, Convention, and Exhibition (M.I.C.E.) industry and primarily serve as economic development enterprises for the community. Their mission is to bring outside visitors and associated spending into the community, although they may also host large locally oriented consumer events.
- **EXPOSITION HALLS:** These facilities focus exclusively on product and consumer shows that require little meeting space. Pure exposition halls generally exist in markets that have other convention and/or meeting venues available or in situations where the private sector has responded to a lack of supply by developing an inexpensive facility. Fairgrounds also offer facilities that are exposition-oriented.
- **TRADEMARTS:** Trademarts or merchandise marts typically combine an exhibit facility, permanent display space that is occupied by businesses under long-term lease agreements, and specialized office space. These facilities provide space for the wholesale distribution of products in specific industries, including furniture, clothing, sporting goods, and computers. These facilities occur in large cities that serve as regional wholesale and marketing centers.



- **FAIRGROUNDS:** Fairgrounds combine a number of assembly and exposition elements on a large campus. Facilities may include one or more exhibition halls, along with arena and meeting hall functions, although little meeting space is usually offered on the property. Typically located away from downtown areas, fairgrounds provide acres of parking for large events.
- **EVENTS CENTERS:** Events centers, or arenas, are used as multi-purpose facilities to host a wide range of events, from small to mid-size conventions, and trade shows, to sporting events, concerts, and banquets. These facilities typically host many more locally oriented events than dedicated exhibit and ballroom space within convention centers. Events centers also incorporate breakout and meeting rooms, and often have a full commercial kitchen to cater banquet events.

## TYPES OF EVENTS

As outlined above, the events industry is comprised of various different types of events, including:

- **CONVENTIONS OR CONGRESSES:** These are privately held meetings of professional groups and associations that commonly take place in hotels, convention centers, or civic centers. These meetings attract association members and/or affiliates wishing to meet similar professionals and share ideas.

A convention can consist of a single meeting or a number of concurrent meetings during the event period, and are increasingly featuring exhibits to communicate ideas. These types of conventions are known as “conventions with exhibits.”

The term “convention” is generally used in North America, and “congress” is used in Europe, and sometimes in Asia, to describe the same type of events. However, conventions typically use more exposition space and have a more social nature than congresses, but this distinction is narrowing as congresses are becoming more like North American-style conventions.

Conventions are generally “high-impact” events since attendees normally stay several nights in the host city, generating hotel room nights. In addition to hotel expenditures, attendees purchase other goods and services while in the city such as food and beverage, souvenirs, and transportation that not only contribute to local business but also increase local and state tax revenues.

- **TEMPORARY EXPOSITIONS AND TRADE SHOWS:** These events are designed to bring buyers and sellers of industry-specific products together. Trade shows usually cater to a specific industry, however, multi-industry “trade fairs” also occur. Most trade show events are not open to the public.

Like conventions, trade shows offer a forum for exchanging industry ideas. They differ from conventions, however, because they are more product-and sales-oriented. Tradeshow are exhibit-intensive, and exhibitors prefer column-free, single-story, open-space facilities in which they construct temporary custom booths for product display. Tradeshow typically attract a large number



of attendees, who originate from outside the host city but tend to have a shorter average stay than convention attendees.

The event programs run for a period of three to six days, with equal or slightly less time allocated to setting up and tearing down the event booths. Therefore, individual attendees may have less impact on the host city's economy than a convention attendee.

Temporary exposition events are increasing the number of meetings held during an exhibition in an attempt to educate buyers about products, and as a result, are becoming more like “conventions with exhibits” (see previous point). However, in comparison to more formal conventions with exhibits, temporary expositions tend to maintain higher attendance figures, but a shorter average length of stay for attendees.

The following table displays the most frequent event categories for conventions with exhibits and trade shows.

**Table 6 - 2**

Top Event Categories - Conventions with Exhibits & Trade Shows		
Aerospace & Aviation	Energy & Mining	Police & Fire Fighters
Agriculture & Farming	Facilities, Engineering & Maintenance	Printing & Graphics
Apparel & Fashion	Food & Beverage	Radio, TV & Cable
Art & Architecture	Forest Products	Religious
Associations	Funeral Industry	Safety & Security
Building & Construction	Government	Sanitation & Waste Management
Business & Finance	Home & Garden Furnishings & Supplies	Science
Chemicals	Libraries	Stores & Store Fittings
Communications	Manufacturing & Industrial	Textiles
Computers & Computer Applications	Medical & Health Care	Transportation
Education	Military	Travel Industry
Electrical & Electronics	Ocean Supplies & Equipment	Veterinary

Source: Red7 Media

- **ASSEMBLIES:** These are largely association, fraternal, or religious events that require a large plenary hall, arena, or stadium. Similar to conventions, they are characterized by large numbers of attendees originating from outside the host city.
- **CONFERENCES:** These are smaller convention-type events and are typically held in meeting rooms and ballrooms or in formal conference centers. Like conventions and congresses, they are often



sponsored by associations and corporations, and address current issues and information. Attendees and users typically demand high-quality facilities and most originate from out of town.

- **INCENTIVE MEETINGS:** The corporate market uses incentive meetings as a way to reward employees, combine recreation and business meetings, or to mix employees and clients in a business and recreational setting. Product launches, key account conferences, and award events are all-important aspects of this type of event.
- **CONSUMER SHOWS:** These are public, ticketed events featuring exhibitions of merchandise, such as clothing, food, and antiques. These events are typically held in public assembly facilities such as hotels, convention centers, and exposition centers. They normally attract large numbers of attendees, and depending upon the size, location, and type of merchandise being displayed, these shows normally attract primarily local residents.

The following table displays a summary of the most prevalent types of consumer shows.

**Table 6 - 3**

Top Event Categories - Consumer Shows		
Antique	Golf	RV & Camping
Art	Health & Beauty	Sewing & Needlework
Auto	Holiday	Sports Goods & Guns
Boat	Home & Garden	Super Sale
Computer	Jewelry & Gem	Toys & Hobbies
Ethnic	Jobs, Career & College	Travel
Film	Motorcycle	Weddings
Flower	Outdoor Sports	Woodworking
Gift & Craft	Pets	

Source: Red7 Media

- **ENTERTAINMENT EVENTS:** Including performing arts, concerts, sporting events, and circuses that can be accommodated by a variety of facilities. Although entertainment facilities will typically be dedicated to one or more specific uses, multipurpose venues, such as convention centers, can accommodate a large variety of events, especially if they are designed appropriately. Entertainment event promoters require unobstructed space to arrange the performance and to allow attendees to view the show.
- **PERMANENT EXPOSITIONS:** Permanent expositions are designed to promote commerce by establishing permanent exhibit areas for manufacturers. Although these facilities cater primarily to

businesses, the general public is usually allowed to enter. Show promoters, however, discourage public attendance, as the primary intent of the exhibition is to promote wholesale trade. Permanent expositions use three types of product promotions:

- **Sample Showcases:** These are small advertising displays of various new products. While company representatives do not staff the permanent facility of the showcase, personnel are usually available to provide buyers with information regarding the companies and their products.
- **Export Marts:** These are facilities with staffed booths displaying domestic manufactured products. Export marts are typically arranged by industries and are meant to be one-stop-shops for prospective domestic and international buyers. The display areas are typically 200 to 600 square feet in size and are staffed with three to five people. In industries such as fashion, where seasonal sales patterns occur, booths are only staffed during peak sales periods, despite the fact that annual rents are collected for the space.
- **Import Marts:** Foreign manufacturers use these to display their products to domestic buyers. Like export marts, they are typically arranged by industries, are 200 to 600 square feet in size, and are sometimes staffed (only during buying seasons). Often, trade associations representing mart tenants sponsor temporary expositions, thereby creating a regional draw for the mart. If significant exposition space is provided, these events can become the dominant industry event in the country or region.

## EVENT SPONSORS

The meetings industry includes a wide variety of event types that are sponsored by different types of businesses and organizations, including:

- **CORPORATIONS:** Business meetings are an integral part of the meetings industry. They represent the majority of meetings held throughout the world, and topics can be as wide-ranging as the industries themselves. For the purposes of this report, corporate meetings will refer to off-site conferences, sales, and incentive meetings, such as the events that are often held at hotels.
- **ASSOCIATIONS:** Trade and business associations represent certain industries and strive to keep members informed about current issues related to their industry. Associations sponsor meetings and conventions to serve this educational and informational purpose, and also assist in marketing efforts by holding trade shows where members can display and sell their products.
- **EDUCATIONAL INSTITUTIONS:** Universities are increasingly recognizing that more continuing education occurs at meetings, rather than in classroom settings, and are becoming an important player in developing and sponsoring continuing education activities and conferences.

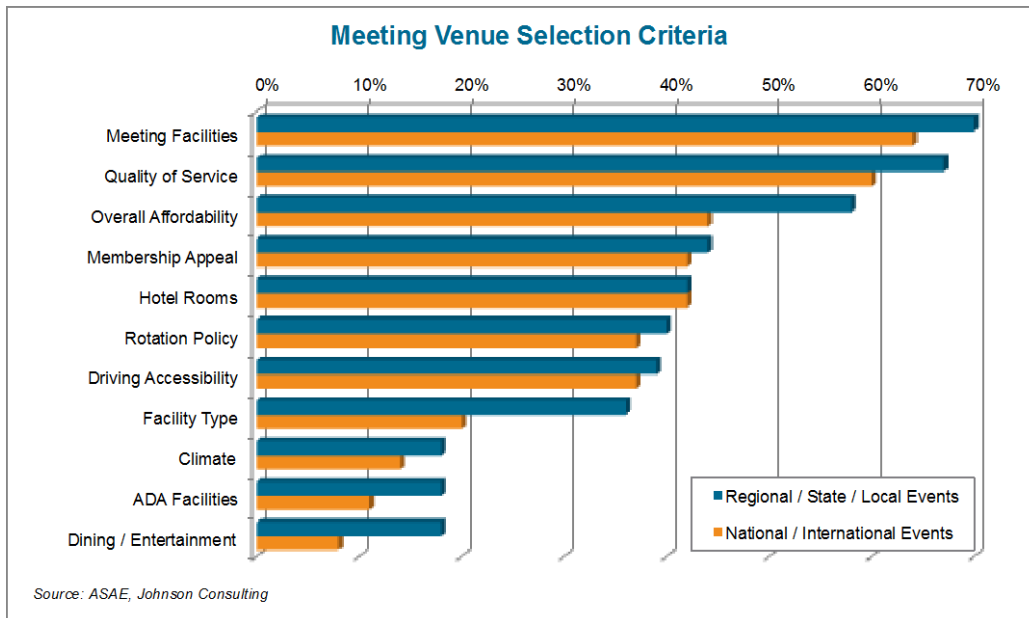


- **GOVERNMENT:** All levels of government hold meetings for the purpose of education, discussion of issues, and policy deliberation. In many countries, governments also create and sponsor trade shows in order to support sectors of the economy.
- **INDEPENDENT SHOW ORGANIZERS, INCENTIVE HOUSES, AND PUBLISHING COMPANIES:** The meetings industry has grown so large that it now supports a growing number of organizations that specialize in the business of producing meeting events. These businesses may work on behalf of corporations and associations, and handle all aspects of a meeting, from booking attendees to event operations. Many publishing companies have trade show and convention management divisions, while incentive houses not only work for their corporate and association clientele, but may also develop programs and conferences as moneymaking ventures.
- **SOCIAL, MILITARY, EDUCATION, RELIGIOUS, FRATERNAL, AND ETHNIC (SMERFE) ORGANIZATIONS:** These organizations typically sponsor convention or assembly events that are not always business-related and tend to be geared more towards social networking and discussion of issues.

## EVENT PLANNER SELECTION CRITERIA

The American Society of Association Executives (ASAE), which is a membership organization of more than 22,000 association executives in 50 countries throughout the world, recently surveyed its members regarding their criteria for selecting a convention center destination. These executives are responsible for selecting destination(s) for a variety of events, ranging from small meetings to large exhibitions. The following figure illustrates the average responses of members who placed events in convention centers, including both regional and local events, as well as national and international events.

Figure 6 - 1



The survey respondents gave a high level of importance to the following criteria when selecting a convention center for either a regional, state or local event, or a national or international event:

- Availability and size of meeting facilities,
- Quality of service,
- Overall affordability,
- Membership appeal, and
- Availability of hotel rooms.

Meeting planners considered climate, ADA facilities, and dining/entertainment options as least important when selecting a venue.

In situations where there are only a limited number of cities with sufficient exhibit space to meet a planner's requirements, data from TradeShow Week, indicates that the most important selection criteria relates to hotel supply. More specifically, the top five criteria when selecting a city, as opposed to a venue, are:

- Hotel room prices and quality (69 percent of respondents);
- Open Dates (66 percent);
- Number of Hotel Rooms and Capacity (60 percent);

- Hotel Block Attrition Rates and Issues (56 percent), and
- Labor Costs and Service Issues (43 percent).

A competitive advantage for cities is gained by having an established and effective tourism and hospitality industry that provides event producers and attendees with high quality experiences and encourages interest in returning for subsequent events and meetings.

### IMPACT OF ECONOMIC CONDITIONS

A recent survey of event planners, conducted by Red 7 Media, indicates that 75 percent of respondents have changed their site selection process due to the recent recession. Perhaps the most significant, and expected, change is that more than 50 percent of planners are now looking for value locations and lower costs for venues, hotels and services, with 46 percent of respondents stating that they are also now booking smaller hotel blocks.

The top five criteria currently used for selecting a city for an event are:

- Hotel Room Prices (72 percent of respondents);
- Convention Center and Exhibition Hall Size (66 percent);
- Airport Capacity and Airfares (64 percent);
- Hotel Room Availability (60 percent), and
- Availability of Open Dates (57 percent).

When compared to the Tradeshow Week data discussed previously, it is apparent that hotels continue to play an important role in differentiating cities. Concurrently, the importance of airlift has grown significantly, reflecting restricted travel budgets for many organizations, along with service and capacity cuts by many airlines. Approximately 64 percent of planners who have changed their selection criteria believe that the changes will remain in place for at least the next two years.

### EVENT ATTRIBUTES

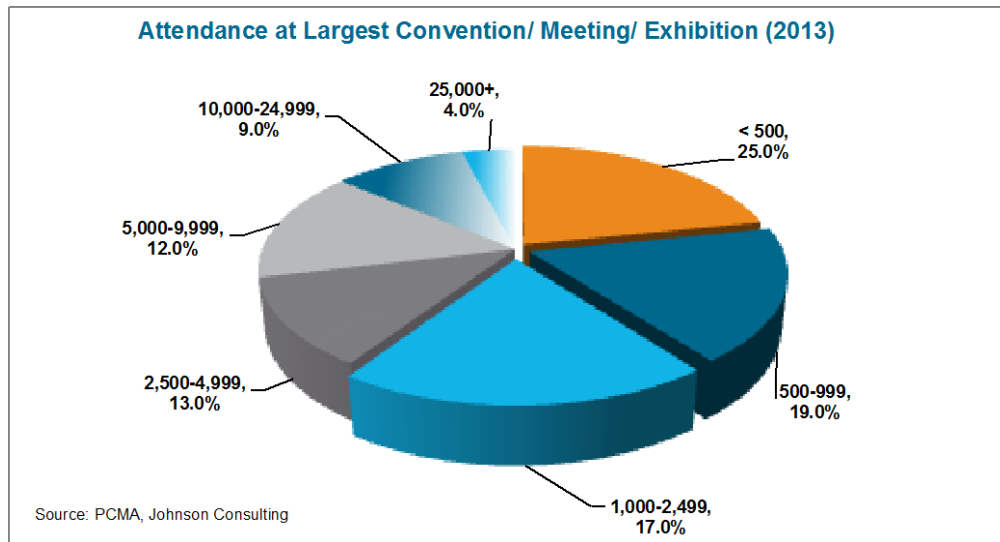
The following analysis of event attributes is based primarily upon data obtained from the Professional Convention Management Association's (PCMA) 2014 survey.

### NUMBER OF ATTENDEES

An important element to consider in terms of the appropriate size and scope of meeting facilities is the size distribution of the events it will pursue. Based on the PCMA's 2014 survey, 30 percent of respondents hosted less than 1,000 persons at their largest convention, meeting or exposition in 2013. The following figure shows the distribution of attendees based on the PCMA's survey responses.



Figure 6 - 2

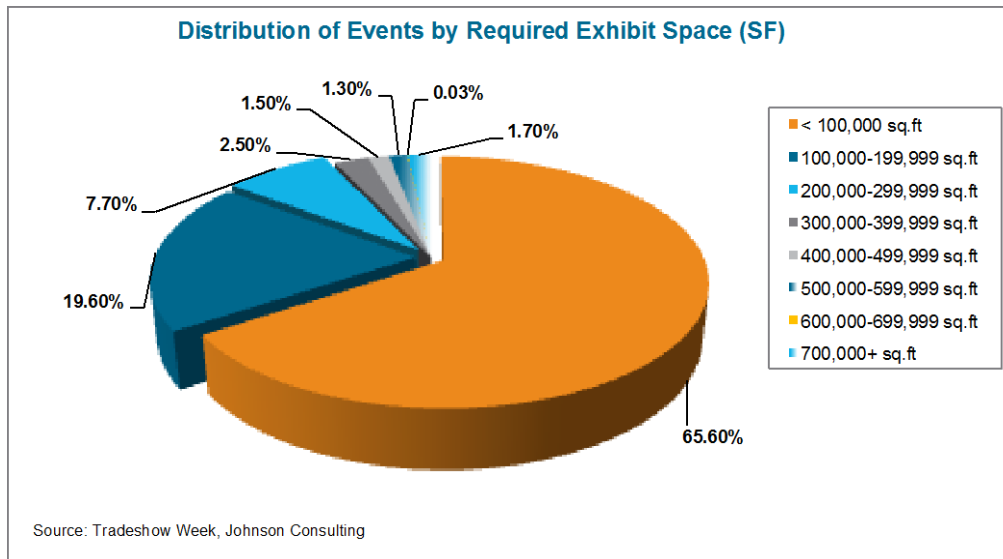


Between 2012 and 2013, 44 percent of survey respondents saw an increase in the number of attendees at their largest convention, meeting or exhibition, although average attendance decreased to 4,866 persons per event from 5,442 person per event in 2012. In 2014, more than half of PCMA survey respondents (53 percent) expect attendance to remain the same, while 41 percent expect attendance at their events to increase, up from 36 percent in the previous year.

**EVENT SPACE REQUIREMENTS**

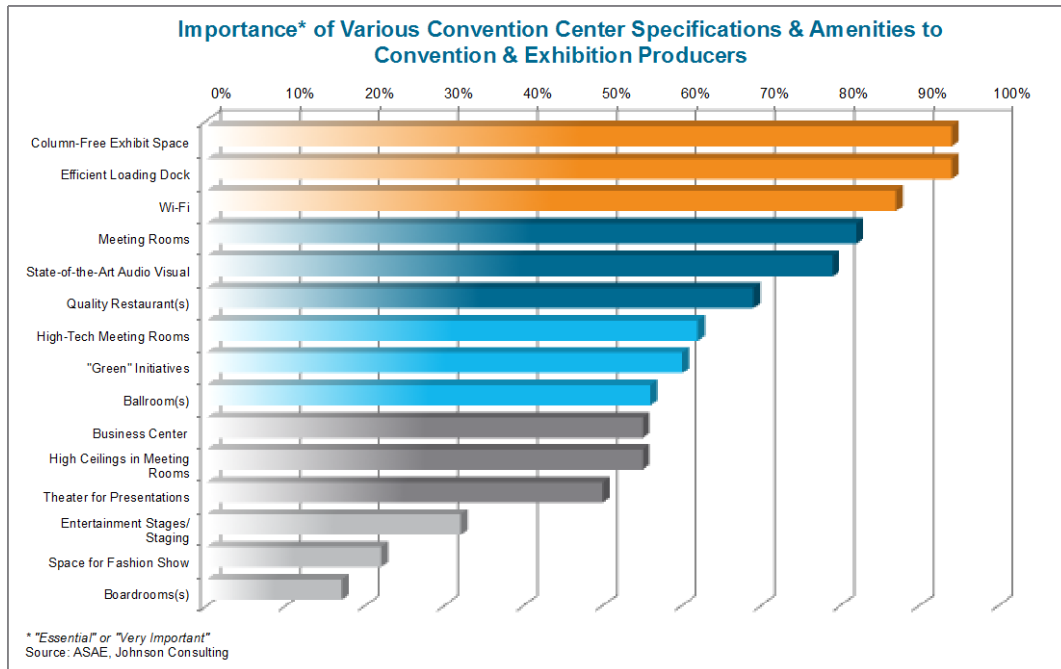
The following figure highlights the distribution of shows by required exhibit space. As shown, the majority of events (nearly 66 percent) utilize less than 100,000 square feet of space.

Figure 6 - 3



The following figure presents the importance of various specifications and amenities of event space to convention and exhibition producers based upon data from a recent Red 7 Media study. As shown, the most important factors relate to column-free exhibit space (94 percent of respondents), efficient loading dock facilities (94 percent), Wi-Fi (87 percent), meeting rooms (82 percent), state-of-the-art audio-visual capabilities (79 percent), and quality restaurants (69 percent).

Figure 6 - 4



**SEASONALITY**

Meetings occur throughout the year. However, just as the number of people taking vacations displays distinct seasonal patterns, so does the level of meeting activity vary from month-to-month. Since 2000, the first and fourth quarters have generally seen the most stable growth. Second and third quarters saw contraction during the beginning of the decade but growth in the past several years, with demand fluctuating much more during the second and third quarters as opposed to the first and fourth.

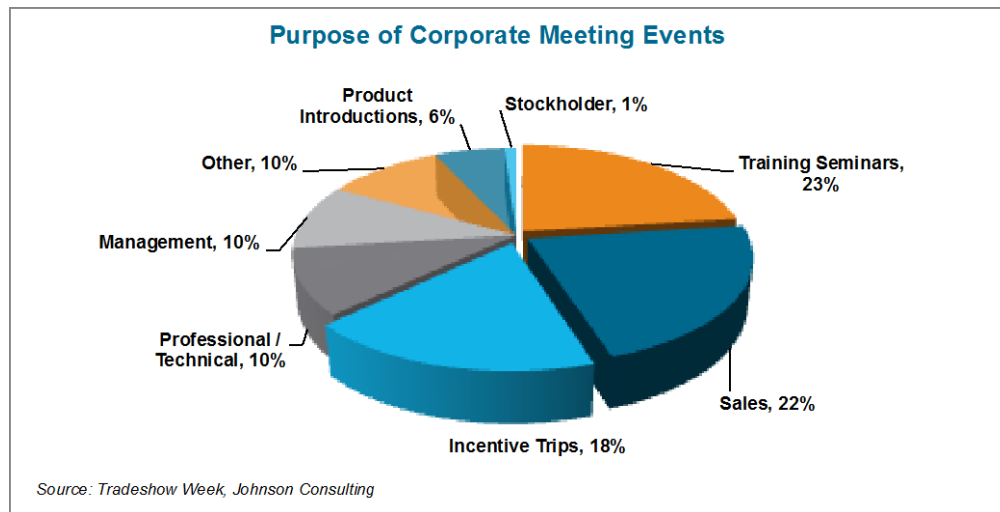
**LENGTH**

The average length of events recorded by the Union of International Associates (UIA) is four days. The increasing trend in meeting events is to concentrate activities into a shorter period of time. However, the UIA’s criterion of a minimum of three days causes its data to exclude a growing number of shorter meeting events from its analysis.

**PURPOSE OF EVENTS**

Corporate activity is responsible for a large share of overall meeting events, with demand often being generated from the local region, although cities and regions that are particularly attractive as destinations can attract meeting attendees from a much broader area. The following figure displays the distribution of corporate meeting types by purpose of meeting.

Figure 6 - 5



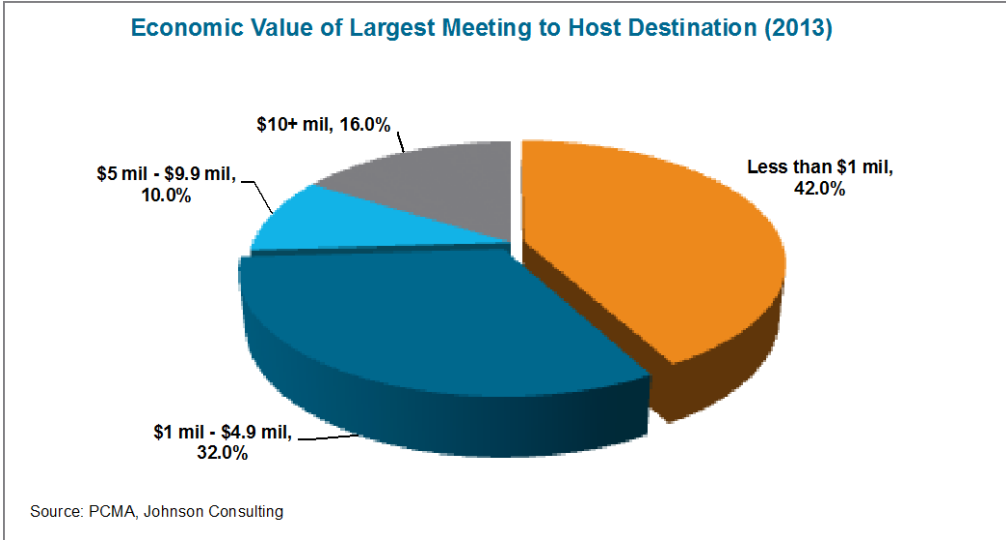
Training seminars, sales meetings, and incentive trips account for the largest share of overall meeting attendees. As shown, the meeting industry is diversified, with no single meeting type accounting for over 25 percent of overall attendees, and seven distinct categories of meetings all contributing significant volumes of attendees. This diversification helps to stabilize overall event demand, as the demand from each individual sub-sector of meeting events ebbs and flows with changes in business cycles and technology.

Overlaying and adding to this is the university training and conference sectors. There are hundreds of conference centers internationally that are affiliated with four year and community college institutions. They host some of the above events, but also create a huge volume of business in their own right.

### ECONOMIC IMPACT

The PCMA's 2014 survey indicates that the average economic impact of respondents' largest convention, meeting or exposition was \$3.6 million to the host destination in 2103, down slightly from \$3.8 million in 2012. The following figure shows the economic value of survey respondents' meetings to host communities in 2013.

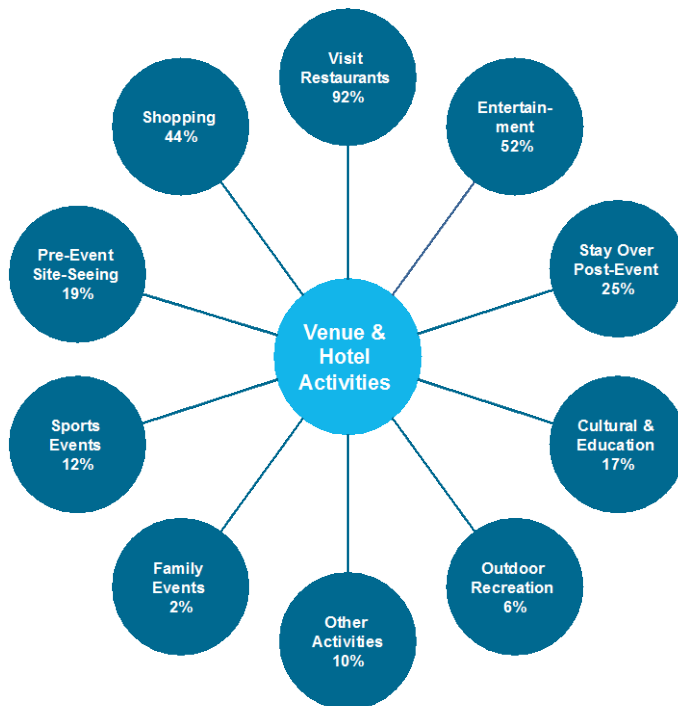
Figure 6 - 6



Generally, association conventions generate the greatest economic impact, reflecting high levels of attendance and associated hotel, restaurant, retail and transportation spending. Exhibitors and corporate sponsors also contribute significantly to the overall impact of an event.

The following figure shows the ‘Convention and Meetings Eco-System’ as defined by Tradeshow Week, which identifies the activities that attendees will typically engage in outside of the convention center and hotel.

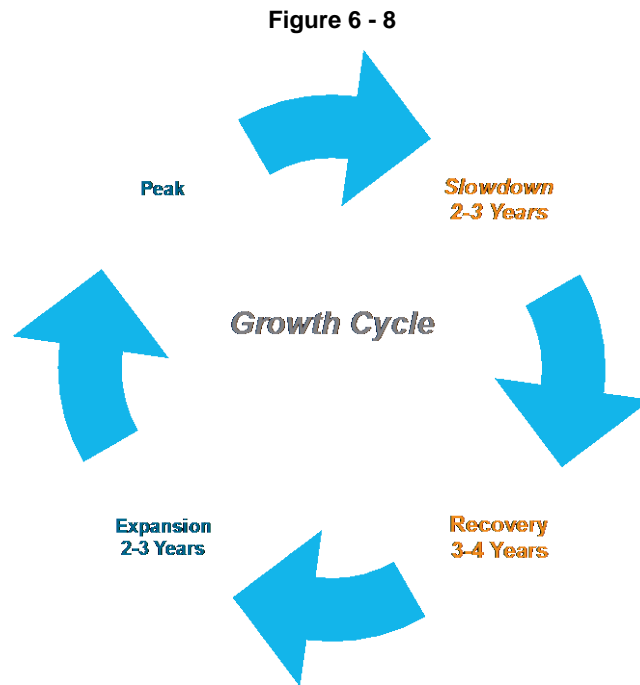
**Figure 6 - 7**



Source: TradeShow Week, Red 7 Media, Johnson Consulting

## OUTLOOK

Conditions in North America’s convention and meetings industry generally remained flat through 2011, in line with the broader economy, however 2012 saw the transition of the industry towards recovery. The following figure shows the typical recovery and growth cycle experienced in the convention and meetings industry.

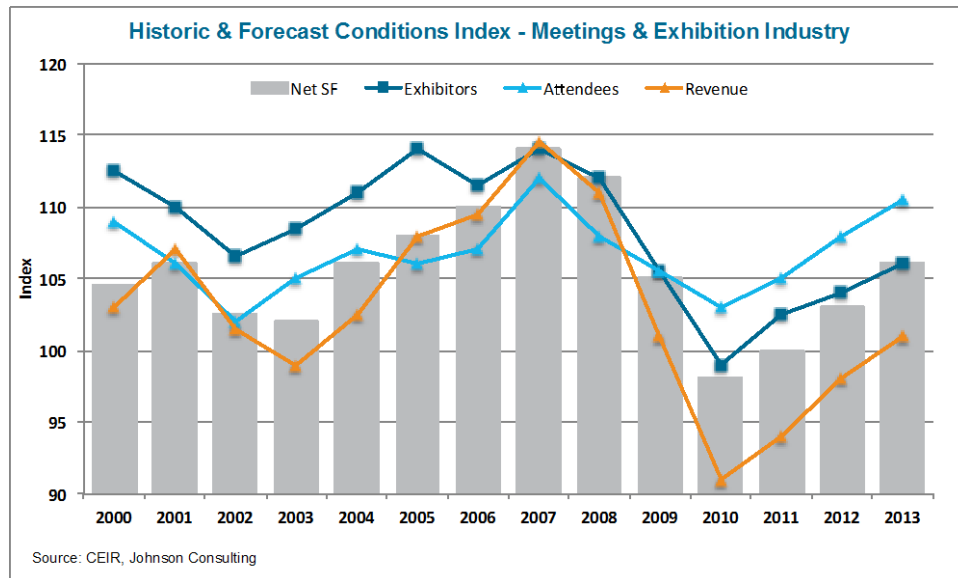


Key indicators of improvement in the industry include:

- **CONSUMER SPENDING:** 70 percent of business events serve markets in which consumers ultimately purchase the products and services.
- **ATTENDANCE VS. EXHIBITORS:** Attendance is continuing to perform better than exhibitor participation, which is a good sign.
- **BUDGET:** Increased by 1.8 percent in 2013, according to PCMA data, compared to a 2.1 percent increase in 2012. In 2014, 58 percent of respondents expect their budget to remain the same, and 32 percent expect it to increase.
- **HOTEL RATES:** Data from Smith Travel Research (STR) date indicates that the U.S. hotel industry performed strongly in 2013, achieving peaks in supply, demand, and Average Daily Rates (ADR) since the most recent downturn. Going forward, STR anticipates that 2014 will see the return of key market indicators to pre-recession levels.

The following figure shows recent trends in the meetings and exhibition industry, based on the Center for Exhibition Industry Research (CEIR) Index Report. The Index considers utilization (net square footage), number of exhibitors, number of attendees, and revenue and shows positive momentum beginning in mid-2009 and increasing through 2013.

Figure 6 - 9



The continued resurgence of positive indicators within the market, along with improvement in the broader economy, is continues to drive the recovery in North America’s convention and meetings market. Industry forecasts indicate that the market will return to pre-recession levels by 2015.

## SUMMARY

There are literally millions of conventions, tradeshows, and meetings happening annually throughout North America and around the world. The rationale for meetings and associations still exists and will continue to do so. In 2014 the market showed increased momentum, with the majority of meeting planners and event organizers maintaining or increasing event levels and anticipating event attendance to remain consistent or improve going forward. The hotel industry also showed significant improvements, reflecting broader growth in the meetings and tourism sectors. This positive growth has continued into 2015 and CEIR predicts overall growth of 2.8 percent, followed by 2.4 percent growth in 2016 and 2.0 percent growth in 2017, at which time the Index will have recovered to within 1 percent of the most recent 2007 peak.





## SECTION VII

### BENCHMARKING ANALYSIS



## BENCHMARKING ANALYSIS

This section presents a benchmarking analysis of comparable regional and national facilities, based upon the key management and performance metrics described earlier in this report:

- **MANAGEMENT:** Mission; Goals; Strategies; Staff and Structure; and Resources.
- **PERFORMANCE:** Demand (Non-Fair Utilization); Rental Rates; and Revenue and Expenses.

The regional and national comparable facilities included in our analysis include:

- **The Ranch Events Complex (Larimer County Fairgrounds) – Loveland, Colorado:** Located just off Interstate Highway 25, approximately 55 miles north of Denver and 35 miles south of Cheyenne, the first phase of the Complex opened in September 2003. The main facilities at The Ranch include the Budweiser Events Center, with a maximum capacity for 7,200 spectators, the 55,000 square foot First National Bank Exhibition Hall, the 25,000 square foot Thomas M. Mckee 4H, Youth and Community Building, and the Ranch-Way Feeds Indoor Arena and Livestock Pavilion, along with 2 outdoor arenas. The Ranch is home to the 5-day Larimer County Fair and Rodeo, held annually in late July/ early August. The Ranch hosts approximately 2,500 events annually.
- **Expo New Mexico – Albuquerque, New Mexico:** Located to the east of downtown Albuquerque, off Interstate Highway 40 and close to the intersection of Interstate Highway 25, Expo New Mexico has been home to the 11-day New Mexico State Fair since 1938. The main facilities at Expo New Mexico include the Manual Lujan Jr. Exhibit Complex, which comprises 3 exhibit halls totaling 62,000 square feet, Tingley Coliseum, with capacity for 9,286 spectators plus 2,000 seats on the floor, an Indoor Horse Arena, Outdoor Horse Complex, 4 barns, 8 additional buildings with meeting and exhibit space, and a variety of outdoor event spaces. The Downs Racetrack and Casino is also located onsite.
- **Oklahoma State Fair Park – Oklahoma City, Oklahoma:** Located to the west of Oklahoma City, just off Interstate Highways 40 and 44, and close to Interstate Highway 235, the Oklahoma State Fair Park is home to the annual 11-day Oklahoma State Fair. The main facilities at the State Fair Park include the 8,000-seat Jim Norick Arena, 10 barns and arenas, two 48,000 square foot Ranch-Way Feeds Pavilions, the 70,000 square foot Cox Pavilion, the 66,800 square foot Oklahoma Expo Hall, 3 additional buildings with meeting and exhibit space, and an outdoor arena.
- **Will Rogers Memorial Center – Fort Worth, Texas:** Located approximately 2.5 miles to the west of downtown Fort Worth, in the City’s Cultural District, the Will Rogers Memorial Center opened in 1936. The Center is home to the annual 23-day Fort Worth Stock Show and Rodeo, which is the oldest stock show in the U.S. The main facilities at the Center include the 2,856-seat Will Rogers Auditorium, the 5,652-seat Will Rogers Coliseum, Amon G. Carter Jr. Exhibits Hall, which includes a 94,460 square foot hall, an 18,000 square foot ballrooms, and meeting space, the 197,000 square foot Burnett Building with 565 permanent stalls, the 215,000 square foot Richardson-Bass Building with



278 permanent stalls, the Charlie and Kit Moncrief Building and W.R. Watt Arena, and 8 connected Livestock Barns. A new \$450 million, 14,000-seat arena and sports facility has been approved for the Complex, with construction slated to commence in January 2017.

- **Oregon State Fair and Expo Center – Salem, Oregon:** Located to the northeast of downtown Salem, the Oregon State Fair and Expo Center opened in 1862. The main facilities at the Fair and Expo Center include the Jackman-Long Building, which features a 45,000 square foot exhibit hall, The Floral Building, which offers a 4,000 square foot hall, a Pavilion with 5,000 permanent seats and 2,000 temporary seats, L.B. Day Amphitheater with capacity for 8,900 persons, the 36,000 square foot Columbia Hall, and the 5,450 square foot Columbia Hall. The Oregon State Fair and Expo Center is home to the annual 11-day Oregon State Fair.
- **Cal Expo – Sacramento, California:** Located to the northeast of downtown Sacramento, off Interstate Highway 80, Cal Expo has been home to the 17-day California State Fair since 1968. The main facilities at Cal Expo include Buildings A and B, both offering 27,700 square foot exhibit halls, Building C with 28,000 square feet of exhibit space, Building D with a 20,000 square foot exhibit hall, the 98,000 square foot Pavilion, the 58,870 square foot Expo Center, The Cove, which is a 4,000 person capacity outdoor amphitheater, the 4,000-seat Show Arena, The Farm, which is a 3-acre outdoor space, and Lot 26, which is a 12-acre paved and fenced parking lot. The broader site also includes the 22,000 square foot Miller Lite Racetrack and Sports and Wagering Center, Bonney Field, which is a 12,000-seat professional soccer pitch, Raging Water waterpark, and a September 11 memorial.
- **Florida State Fairgrounds – Tampa, Florida:** Located to the northeast of downtown Tampa, off Interstate Highway 4 and close to Interstate Highway 75, the Florida State Fairgrounds has been home to the 12-day Florida State Fair since 1977. The main facilities at the Fairgrounds include the 11,000 square foot Bob Thomas Equestrian Center, an 88,000 square foot Expo Hall that can be used in conjunction with the 52,000 square foot Entertainment Hall to create 140,000 square feet of exhibit space, the 62,000 square foot Charlie Lykes Arena, a 40,000 square foot Special Events Center, the 12,000 square foot Florida Center and Botanic Gardens, an 11,000 square foot Pavilion, and the 3,500 square foot Waterfront Café, along with a 1.62 million square foot midway, various outdoor event centers, 3 domes, and Cracker County, which is a museum comprises 13 buildings across 5 acres. The Fairgrounds is also home to the MidFlorida Credit Union Amphitheatre.



## MANAGEMENT ASSESSMENT

### 1. MISSION

As discussed in Section 3 of this report, the CSFA does not appear to have a clearly codified mission table. The following table provides the mission statements of each of the comparable facilities.

**Table 7 - 1**

Mission Statements - CSFA vs. Peer Set			
Facility	Owner	Operator	Mission Statement
<b>Colorado State Fair Authority</b>	State	Colorado State Fair Association	No codified mission - <u>function</u> is "to direct and supervise the CSF"
<b>The Ranch</b>	County	County/ Global Spectrum - Budweiser Events Center	1). Be Customer Driven; 2). Be a Fulfilling Workplace; 3). Create Partnerships; 4). Be Good Stewards of the Publics' Resources; 5). Empower People to Make Decisions
<b>Expo New Mexico</b>	State	New Mexico State Fair Commission	"To bring educational and entertainment opportunities to the community"
<b>Oklahoma State Fair Park</b>	City	Oklahoma State Fair, Inc.	"Dedicated to continuing the organization's heritage of education, entertainment and economic development through the operation of State Fair Park and the annual Oklahoma State Fair"
<b>Will Rogers Memorial Center</b>	City	City	"Deliver an outstanding customer experience"
<b>Oregon State Fair and Expo Center</b>	State	Oregon State Fair Council	"Creating a new, sustainable business model for the Oregon State Fair and Expo Center"
<b>Cal Expo</b>	State	California Exposition and State Fair	"To create a State Fair experience reflecting California including its industries, agriculture, diversity of its people, traditions, and trends shaping its future supported by year-round events"
<b>Florida State Fairgrounds</b>	Florida State Fair Authority	Florida State Fair Authority	"To create positive entertainment experiences and provide opportunities for competitions, education, and community service through the annual Florida State Fair"

Source: Relevant Facilities, Johnson Consulting

As shown, all of the comparable facilities have clearly defined mission statements. Some facilities, such as Expo New Mexico and the Will Rogers Memorial Center, have quite broad mission statements, while others are more specific to the Fair experience. The mission statements of Oklahoma State Fair Park and Cal Expo make specific reference to year-round operations, in addition to the annual Fair.

The mission statement of the Oregon State Fair and Expo Center is very focused and strategic - being to create a "new, sustainable business model" for the facility. This reflects the fact that the Oregon State Fair Council, a public corporation, took over operations of the Fair and Expo Center from the Oregon State



Parks and Recreation Department in January 2015. While this may be a short-term mission for the Council, it highlights current needs for the facility.

## 2. GOALS

As discussed in Section 3 of this report, neither the CSFA nor the CSF appear to have any clearly defined goals. The following table compares the defined goals of 2 facilities within the peer set – Will Rogers Memorial Center and Oregon State Fair and Expo Center.

**Table 7 - 2**

Examples of Management and Operational Goals - Peer Set	
Will Rogers Memorial Center	Oregon State Fair and Expo Center
<p><b>Management:</b></p> <ul style="list-style-type: none"> <li>- Meet and exceed all budgeted revenue goals</li> <li>- Meet and exceed hotel occupancy tax revenues</li> <li>- Meet and exceed annual goal of CVB (225,000 future room night bookings)</li> <li>- Maintain Public Events client satisfaction with ratings of at least 90 percent satisfactory or better</li> </ul> <p><b>Facility Improvements:</b></p> <ul style="list-style-type: none"> <li>- Maintain and improve facilities within approved budget</li> <li>- Complete scheduled pay as you go capital and improvement projects on time and within budget</li> </ul> <p><b>Business Development:</b></p> <ul style="list-style-type: none"> <li>- Meet and exceed division's sales revenue goal</li> <li>- Manage the long-term booking strategy for the division to maximize usage of the facility (use days, event days, attendance, Stock Show attendance)</li> </ul>	<p><b>Increase Visibility:</b></p> <ul style="list-style-type: none"> <li>- Find out who aren't our customers and why?</li> <li>- Who are our competitors?</li> <li>- What is our position in the market?</li> </ul> <p><b>Improve Livability:</b></p> <ul style="list-style-type: none"> <li>- Create a place where people feel comfortable, welcome and cared for</li> </ul> <p><b>Enhance Memorability:</b></p> <ul style="list-style-type: none"> <li>- Create a place where people choose to spend time with family and friends</li> </ul> <p><b>Marketability:</b></p> <ul style="list-style-type: none"> <li>- Create a brand identity</li> </ul> <p><b>Refine Functionality:</b></p> <ul style="list-style-type: none"> <li>- How are our business functions organized to effectively accomplish our mission?</li> <li>- Define roles, responsibilities and expectations by focused conversation between Council and CEO, and further implementation of the Administration, Operations, Marketing and Programming (AOMP) management structure and team by hiring a Director of Administration and Finance</li> </ul>

Source: Relevant Facilities, Johnson Consulting

As shown, both the Will Rogers Memorial Center and the Oregon State Fair and Expo Center have clearly defined goals that are unique to the respective facilities. Key observations regarding these goals are as follows:

- **FOCUS:** The goals for Will Rogers Memorial Center are very budget-focused, reflecting the fact that the venue is owned and operated by the City and often the same, or very similar, goals and targets are imposed across departments. The goals of the Oregon State Fair and Expo Center take a more



strategic, longer-term perspective, commencing with research to understand their position and role in the marketplace and culminating with ensuring that their goals and day-to-day functionality is aligned with the overall mission for the facility.

- **METRICS:** The Business Development-oriented goals of the Will Rogers Memorial Center make specific reference to their long-term booking strategy, highlighting key performance metrics.
- **COLLABORATION:** The goals for the Will Rogers Memorial Center also reference the relationship with the Fort Worth CVB, reflecting the collaborative efforts of both entities to market and promote the Center.
- **FUNCTION:** The AOMP model – Administration, Operations, Marketing, and Programming – in place at the Oregon State Fair and Expo Center suggests a logical division of labor and focused directive with respect to each individual or department role in achieve the goals and mission of the venue. Similarly, for the Will Rogers Memorial Center, the goals are divided into 3 categories – Management, Facility Improvement, and Business Development – that provide directive for achieving each goal.

### 3. STRATEGIES

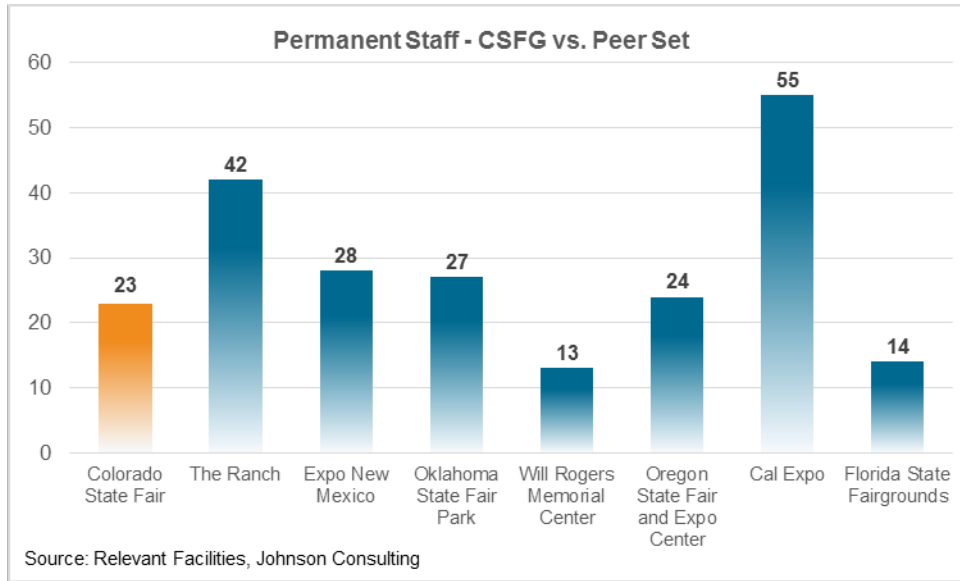
As discussed in Section 3 of this report, the CSFA has at various times developed strategies for improving both the CSF and the Fairgrounds. In the absence of a specific mission or goals, there is no mechanism for monitoring the impact and effectiveness of these strategies. As is our observation of other fairgrounds within the peer set, strategies for the CSFA need to be developed, and revisited, to ensure that the desired outcomes are being achieved within the overarching context of the CSFA’s missions and goals for the Fair and the Fairgrounds.

### 4. STAFF AND STRUCTURE

The following figure shows the number of permanent staff employed by the CSF and comparable facilities.



Figure 7 - 1



As shown, the CSF has the third lowest number of staff behind Florida State Fairgrounds (14 permanent staff) and the Will Rogers Memorial Center (13 permanent staff). The CSF ranks in line with Oregon State Fair and Expo Center (24 employees) with respect to the total number of permanent employees. The Ranch and Cal Expo have substantially larger numbers of permanent employees, with 42 and 55 permanent staff, respectively (it is noted that the figure for The Ranch includes food service and the management company for the Budweiser Events Center).

The following table provides a breakdown of staff by department/ primary role at CSF and peer facilities for which detailed staffing information was available.

Table 7 - 3

Staff by Department - CSFG vs. Peer Set					
Department / Role	Colorado State Fairgrounds	The Ranch	Expo New Mexico	Will Rogers Memorial Center	Peer Set Average
Sales & Marketing	2	4	3	4	4
Event Services	5	7	4	3	5
Maintenance	3	7	2	2	4
Finance	2	5.5	3	1	3
Food and Beverage	1	8	1	1	3

Source: Relevant Facilities, Johnson Consulting



As shown, the CSFA falls below the average across the peer set with respect to the number of staff dedicated to sales and marketing, finance, and food and beverage services (although it is noted that The Ranch has a particularly high number of food and beverage staff).

## 5. RESOURCES

### FACILITIES

The following table provides a comparison of the facility offerings at the CSFG and other venues.

**Table 7 - 4**

Facilities - CSFG vs. Comparable Facilities								
	Colorado State Fairgrounds	The Ranch	Expo New Mexico	Oklahoma State Fair Park	Will Rogers Memorial Center	Oregon State Fair and Expo Center	Cal Expo	Florida State Fairgrounds
Size (Acres)	102	250	256	435	85	185	350	330
Largest Multi-Purpose Facility (SF)	95,350	28,305	62,000	70,000	94,460	45,000	98,000	88,000
Expo Hall	✓	✓	✓	✓	✓	✓	✓	✓
Arena(s)	✓	✓	✓	✓	✓	✓	✓	✓
Pavilion/ Permanent Bams/ Stables	✓	✓	✓	✓	✓	✓	✓	✓
Amphitheater	✓	-	✓	-	-	✓	✓	✓
Camp Ground/ RV Park	✓	✓	✓	✓	✓	✓	✓	✓
Carnival/ Midway	✓	✓	✓	✓	-	✓	✓	✓

Source: Relevant Facilities, Johnson Consulting

As shown, the largest venue at the CSFG – the Events Center – is comparably sized to the largest venues at other fairgrounds. The issue at CSFG is not the size of facilities but their relative age and condition. Many of the comparable facilities have added new facilities, or undertaken substantial renovations and upgrades, within the past 10 years. Having older, somewhat ‘tired’ venues, undermines the CSFG ability to compete effectively with facilities, regionally and nationally, for year-round events.

### FUNDING AND CONTRIBUTIONS

The following table presents a summary of ongoing funding and other sources of financial support received by the CSF and comparable facilities.



Table 7 - 5

Sources of Funding and Contributions - CSF vs. Peer Set		
Facility	Ongoing Funding	Other Support
<b>Colorado State Fairgrounds</b>	Department of Agriculture: \$500,000 in FY 2015; General Fund Appropriation: \$250,000 in FY 2015; Governor's Office Contribution: \$300,000 in FY 2015 Local Government Grants: \$255,792 in FY 2015	Colorado State Fair Foundation, a 501(c)3 corporation, raises funds to support the Fair - \$142,647 gifted as a capital contribution in FY 2015; State Controlled Maintenance: \$90,199 in FY 2015 Department of Agriculture (Capital Contributions): \$446,480 in FY 2015
<b>The Ranch</b>	0.1 percent one-year sales tax to buy Fairgrounds; 0.15 percent sales tax for 20 years (approved in 1999) to finance construction and operations - \$1.0 mil in sales and use taxes allocated in FY 2015 for operations; \$1.3 mil placed in reserve for future projects and/or operating funds for the facility	General Fund: Approximately \$55,000 annually to support administration and 4H awards for the Fair.
<b>Expo New Mexico</b>	Self-Sufficient - as a State enterprise fund, Expo New Mexico is required to generate revenues to cover operating costs	State funding for capital outlay - \$880,000 in pari-mutuel tax proceeds and \$629,000 in transfers for capital improvements in FY 2014; FY 2015 the Commission requested \$11.5 million and was granted \$2.2 million
<b>Oklahoma State Fair Park</b>	6/11 <sup>th</sup> of 5.5 percent hotel tax dedicated to capital improvements, not operating costs, at Fair Park (ongoing as of 2004); Hotel/ Motel Tax Revenues: \$11.1 mil FY 2015 (\$6.0 mil allocated to Fair Park); \$9.8 mil FY 2014 (\$5.4 mil allocated to Fair Park)	MAPS3 Funding for new Expo Building: \$46.7 mil allocation FY 2016, from City sales tax; Improvements to electrical, HVAC, lighting and other capital improvements: \$500,000 FY 2016, from revenue bonds; Norick Arena Improvements (lobby, roof, HVAC and exterior lighting): \$2.0 million FY 2016, from revenue bonds; ADA Improvements: \$25,154 FY 2016, from Capital Improvement Fund
<b>Will Rogers Memorial Center</b>	City's Culture and Tourism Enterprise Fund - supported by 7 percent hotel/ motel tax; Airport car rental revenue share; and Fairgrounds and Convention Center revenues; Total Fund expenditures for WRMC operations were \$10.1 million in FY 2015	FY 2016 \$1.3 mil allocation from Culture and Tourism fund for new Arena
<b>Oregon State Fair and Expo Center</b>	1 percent of unobligated net lottery proceeds, not to exceed \$1.53 mil annually; \$1 mil General Fund allocation ceased upon creation of Council	\$2.5 mil remaining debt service stayed with State Parks and Recreation Department when Council was formed; Oregon State Fair Foundation, a 501(c)3 corporation, raises funds to support the Fair and Expo Center - 2014 net operating income \$19,000; provided \$10,000 in 2015 to support improvements to equestrian facilities
<b>Cal Expo</b>	Self-Sufficient	None
<b>Florida State Fairgrounds</b>	Self-Sufficient	Florida State Fair Foundation, a 501(c)3 corporation, raises funds to support Fair - 2014 net operating income of \$280,161; gifted \$148,000 to Fairgrounds

Source: Relevant Facilities, Johnson Consulting



Key observations regarding ongoing funding for the CSFG relative to the peer set include:

- **SELF-SUFFICIENCY:** Expo New Mexico, Cal Expo and Florida State Fairgrounds are all self-sufficient, generating sufficient revenues to cover operating costs, although all have received government grants for capital improvement projects on various occasions.
- **ANNUAL FUNDING:** The \$1.3 million in funding allocated to the CSFG in FY 2015 was the lowest among the peer set, and fell well short of the operating deficit incurred. Funding ranged from \$1.53 million for the Oregon State Fair and Expo Center, to \$2.3 million for The Ranch, \$6.0 million for the Oklahoma State Fair Park, and up to 10.1 million in fund expenditures associated with operations at the Will Rogers Memorial Center. Additionally, as discussed in Section 3 of this report, contributions to the CSFG in FY 2015 totaled \$1.3 million, exceeding the previous peak of close to \$1.1 million in FY 2012, reflecting new funds allocated from the General Fund in FY 2015. Notwithstanding this, local government contributions have steadily declined since the FY 2012 peak, contracting at an average annual rate of (24.4) percent between FY 2012 and 2014.
- **DEDICATED FUNDING SOURCES:** Among the facilities that receive funding, the CSFG is the only one that does not have a dedicated funding source. The Ranch has a dedicated allocation of sales tax revenues, the Oklahoma State Fair Park and Will Rogers Memorial Center both receive an allocation of hotel/ motel tax revenues, and the Oregon State Fair and Expo Center has a set allocation of unobligated lottery proceeds.
- **FOUNDATION SUPPORT:** CSFG is one of only 2 facilities in the peer set that is supported by a not-for-profit foundation, with the other facility being the Florida State Fairgrounds. A foundation provides another source of income for these venues, with both raising around \$140,000 in funding for their respective facilities in the most recent year.

## MARKETING AND SALES

The following table shows the marketing and advertising expenditures by each facility in the peer set, as an absolute number and as a proportion of total expenditures, for the facilities for which detailed expense data was available. As shown, in both absolute and percentage terms, expenditure by the CSFA on marketing and advertising is the highest among the peer set, totaling \$1.3 million or 12.4 percent of total expenditures. It is noted that this figure includes \$758,000 of in kind media sponsorships. If this amount is removed from the total, the marketing expenditures by the CSFA are reduced to \$587,692, which represents 5.4 percent of total expenditures. This is better aligned with peer facilities.



Table 7 - 6

Marketing Expenditures - CSFA vs. Peer Set (Most Recent Year)			
Facility	Marketing Expenditures	Total Operating Expenditures	Marketing Spend as % of Total Spend
Colorado State Fair Authority	\$1,345,862	\$10,855,588	12.4%
Colorado State Fair Authority (Excl. In Kind \$)	\$587,862	\$10,855,588	5.4%
The Ranch	\$135,053	\$9,749,893	1.4%
Expo New Mexico	\$404,000	\$12,571,625	3.2%
Oklahoma State Fair Park	\$1,281,000	\$17,343,739	7.4%
Oregon State Fair and Expo Center	\$31,925	\$5,024,667	0.6%
Cal Expo	\$2,086,000	\$25,304,797	8.2%

Source: Relevant Facilities, Johnson Consulting

## PERFORMANCE ASSESSMENT

### 1. DEMAND

The following table provides a breakdown of non-Fair events and event days at each of the peer set facilities in the most recent year. Data for CSFG was provided by the CSFA.

Table 7 - 7

Demand - CSFG vs. Peer Set (Most Recent Year)		
Facility	Events	Event Days
Colorado State Fairgrounds	103	722
The Ranch	1,600	2,500
Expo New Mexico	150	488
Oklahoma State Fair Park	200	442
Will Rogers Memorial Center	287	588
Oregon State Fair and Expo Center	175	350

Source: Relevant Facilities, Johnson Consulting

As shown, in FY 2015 the CSFG hosted the lowest number of events but recorded the second highest number of event days, reflecting the fact that there were 12 events held in FY 2015 that utilized the grounds and multiple buildings, (which as discussed in Section 4 of this report is recorded as one event day per



building). Notwithstanding this, the data suggests that relative to peer facilities, the CSFG is well utilized for non-Fair events. This is contrary to the fact that the CSFG operates at an annual deficit, suggesting that the issue may relate to rental rates and rental revenue rather than overall utilization, as discussed in the following subsections.

## 2. RENTAL RATES

The following table shows the current rental rate for the largest facility at the CSFG and each of the comparable facilities.

**Table 7 - 8**

<b>Rental Rates - CSFG vs. Peer Set (2016)</b>			
<b>Facility</b>	<b>Largest Multi-Purpose Facility (SF)</b>	<b>Rental Rate for Largest Exhibit Space (per Day)</b>	<b>Average Rental Rate per SF</b>
<b>Colorado State Fairgrounds</b>	95,350	\$3,500	\$0.04
<b>The Ranch</b>	28,305	\$5,000	\$0.18
<b>Expo New Mexico</b>	62,000	\$3,625	\$0.06
<b>Oklahoma State Fair Park</b>	70,000	\$2,400	\$0.21
<b>Will Rogers Memorial Center</b>	94,460	\$15,000*	\$0.16
<b>Oregon State Fair and Expo Center</b>	45,000	\$5,000	\$0.11
<b>Cal Expo</b>	98,000	\$20,000	\$0.20
<b>Florida State Fairgrounds</b>	88,000	\$5,680	\$0.06

Source: Relevant Facilities, Johnson Consulting

As shown, the current rental rate for the largest exhibit space at the CSFG is the lowest among the comparable set, being \$0.04 per square foot. Across the set, rates range from \$0.06 to \$0.21 per square foot and average \$0.14 per square foot.

The following table provides a breakdown of rental rates at The Ranch's main exhibition facility. The Ranch offers packages tailored to event types. As discussed earlier in this report, this is common practice in the industry and is recommended for all events at the CSFG going forward.



**Table 7 - 9**

The Ranch First National Bank Building Package Rates for Exhibition Halls (2016)					
Rate	Banquet/ Social Event	Trade Show	Conference	Flat Rates	
<b>North or South Halls</b>	Commercial	\$1,800 (Groups of <400) \$2,200 (Groups of 500+)	\$750 + Booth Fee	\$2,400 (incl. 5 Meeting Rooms) \$2,000 (no Meeting Rooms)	\$950
	Standard/ Community	\$1,400 (Groups of <400) \$1,800 (Groups of 500+)	\$550 + Booth Fee	\$1,800 (incl.g 5 Meeting Rooms) \$1,400 (no Meeting Rooms)	\$575
<b>Cowley Hall</b>	Commercial	1350	\$500 + Booth Fee	-	\$700
	Standard/ Community	1050	\$350 + Booth Fee	-	\$450
<b>Morehouse Hall</b>	Commercial	850	\$250 + Booth Fee	-	\$450
	Standard/ Community	275	\$200 + Booth Fee	-	\$300
<b>Inclusions:</b>					
Event Coordinator	•	•	•		
Initial Set-Up Take Down	•	•	•	•	
Pipe and Drape across Front of Room	•		•		
Chairs and Tables	•	•	•	•	
Exhibit Booths		•	•		
Up to 12'x16' Stage, Skirting and Stairs	•		•		
Podium	•		•		
House PA with 1 wireless mic	•	•	•		
Coat Racks	•		•		
A/V Equipment	•		•		
Initial A/V Tech Set-Up and Check-In	•		•		
Free Parking	•	•	•		
Complimentary WIFI (upgrades available for fee)	•				
Labor to Changover Rooms/ Sets During Event			•		

Source: The Ranch

### 3. REVENUE AND EXPENSES

The following table shows the net operating income or loss recorded by each facility in the most recent year.



Table 7 - 10

Net Operating Income (Loss) - CSFA vs. Peer Set (Most Recent Year)			
Facility	Operating Revenue	Operating Expenses	Net Operating Income (Loss)
Colorado State Fair Authority	\$7,164,708	\$10,031,006*	(\$2,866,298)
The Ranch	\$10,328,430	\$9,749,893	\$578,537
Expo New Mexico	\$11,886,233	\$12,571,625	(\$685,392)
Oklahoma State Fair Park	\$18,847,865	\$17,343,739	\$1,504,126
Will Rogers Memorial Center	\$5,712,831	\$9,412,486**	(\$3,699,655)
Oregon State Fair and Expo Center	\$5,175,712	\$5,024,667	\$151,045
Cal Expo	\$26,372,595	\$25,304,797	\$1,067,798
Florida State Fairgrounds	\$15,478,000	\$14,250,000	\$1,228,000

\* Excludes depreciation  
 \*\* Includes capital improvement expenditure  
 Source: Relevant Facilities, Johnson Consulting

As shown, it is not uncommon for fairgrounds to incur an annual operating deficit. Among the peer set, those venues that achieve a net operating profit do so relatively marginally, ranging from a profit of \$151,045 at Oregon State Fair and Expo Center to \$1.5 million at Oklahoma State Fair Park in FY 2015.

The following table provides a comparison of non-Fair building rental revenue, in absolute terms and as a proportion of operating revenues, at each of the facilities in the peer set.

Table 7 - 11

Non-Fair Building Revenues - CSFA vs. Peer Set (Most Recent Year)			
Facility	Building Revenues	Total Operating Revenues	Building Revenues as % of Total Revenues
Colorado State Fair Authority	\$645,150	\$7,164,708	9.0%
The Ranch	\$924,765	\$7,624,727*	12.1%
Expo New Mexico	\$4,302,000	\$11,886,233	36.2%
Oklahoma State Fair Park	\$6,616,000	\$18,847,865	35.1%
Oregon State Fair and Expo Center	\$569,697	\$5,175,712	11.0%
Cal Expo	\$6,475,000	\$26,372,595	24.6%
Florida State Fairgrounds	\$2,810,000	\$15,478,000	18.2%

\* 2014 data  
 Source: Relevant Facilities, Johnson Consulting



As shown, in absolute terms building rental revenue at the CSFG is among the lowest in the peer set. As a proportion of total operating revenues, building rentals account for only 9 percent, which is the lowest proportion recorded among the peer set.

The Ranch utilizes a simple 5 x 5 annual financial report, spanning the most recent 5 years and provide a summary of revenues, expenses, and surplus (deficit). There are multiple 5 x 5 reports prepared by The Ranch, as follows:

1. **BY FUND:** Provides the beginning balance, revenues, expenses, surplus (deficit), and ending balance, along with the loan balance and ending balance inclusive of the loan balance. A separate 5 x 5 report provides detail of the revenues and expenditures of the Complex.
2. **BY PROGRAM:** Includes revenues, expenses and surplus (deficit) for The Ranch Operations, Community and 4H, and the Budweiser Events Center (Global Spectrum) operations.
3. **BY PROJECT:** Includes revenues, expenses and surplus (deficit) for the Budweiser Events Center, First National Bank Building, Arenas, Outdoor facilities, and the McKee Building. Also includes are specific repairs and maintenance project (such as roof damage to the expo hall, and building reconstruction of the arena and pavilions).
4. **BY EVENT:** Includes revenues, expenses and surplus (deficit) for a number of events including Draft Horse, Fair, Good Guy Car Show, Mud Run, Rockin Western Rendezvous.

These reports serve to provide the necessary reporting required by The Ranch. On a monthly basis commencing in January, management prepares a report that shows actual revenues and expenses and budgeted revenue and expenses for the balance of the year. These reports are prepared by program and by project, as described above. On a month-to-month basis, management is able to track actual revenue and expenses against budgets. The following figure provides the template of this management reporting tool.



**Table 7 - 12**

The Ranch - 2015 Monthly Financial Report Template																		
Example: Grounds Events as at 06/10/15																		
	YTD	Actual Jan	Actual Feb	Actual Mar	Actual Apr	Actual May	Budget May	Budget Jun	Budget Jul	Budget Aug	Budget Sep	Budget Oct	Budget Nov	Budget Dec	Forecast	Original Budget	Revised Budget	2014 Actuals
<b>Revenues</b>																		
Admission Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rents from Buildings	\$6,920	-	-	-	-	\$6,920	\$3,210	\$14,764	\$10,349	\$2,068	\$20,384	\$11,176	-	-	\$65,660	\$35,000	\$35,000	\$44,003
Grounds/ Parking Lot Rentals	204	-	-	90	(6)	120	-	-	-	-	104	60	-	-	368	500	500	984
Equipment Rentals	220	-	-	-	-	220	949	949	949	949	949	949	-	-	4,963	-	-	5,961
Rentals	-	-	-	-	-	-	-	(50)	-	-	-	-	-	50	-	3,000	3,000	-
Commissions	-	-	-	-	-	-	-	-	-	5,260	-	1,195	3,011	-	9,466	9,000	9,000	5,259
Facility Charges	2,885	-	-	-	-	2,885	-	-	-	-	-	-	-	-	2,885	-	-	973
Other Charges for Services	1,570	-	-	-	-	1,570	-	-	-	-	-	-	-	-	1,570	5,000	5,000	6,023
Management Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,325
Customer Reimbursements	1,823	-	-	-	-	1,823	196	690	11,074	436	6,630	(840)	-	-	19,812	15,000	15,000	37,583
<b>Total</b>	<b>\$13,622</b>	<b>\$0</b>	<b>\$0</b>	<b>\$90</b>	<b>(\$6)</b>	<b>\$13,538</b>	<b>\$4,355</b>	<b>\$16,353</b>	<b>\$22,372</b>	<b>\$8,713</b>	<b>\$28,067</b>	<b>\$12,540</b>	<b>\$3,011</b>	<b>\$50</b>	<b>\$104,724</b>	<b>\$67,500</b>	<b>\$67,500</b>	<b>\$102,111</b>
<b>Expenses</b>																		
Temporary Labor	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security Services	\$451	-	-	-	-	\$451	\$477	\$1,646	\$622	-	\$767	\$1,360	-	-	\$4,846	\$1,000	\$1,000	\$4,872
Trash/ Haz Waste Removal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Event Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	672
Equipment Rentals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,561
Portable Restroom Rental	-	-	-	-	-	-	11	14	202	108	99	160	16	-	599	350	350	-
Resale-Merchandise	48	-	-	-	-	48	479	600	8,639	4,645	4,249	6,839	682	-	25,702	15,000	15,000	36,681
Operating Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$499</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$499</b>	<b>\$967</b>	<b>\$2,260</b>	<b>\$9,463</b>	<b>\$4,753</b>	<b>\$5,115</b>	<b>\$8,359</b>	<b>\$698</b>	<b>\$0</b>	<b>\$31,147</b>	<b>\$16,350</b>	<b>\$16,350</b>	<b>\$46,786</b>

Source: The Ranch - Larimer County





## OBSERVATIONS

Each of the facilities included within the peer set were developed in response to a community's desire to generate significant benefits for local and regional economies, to produce an annual Fair, and to stimulate year-round utilization and tourism, all while leveraging the strengths of their respective marketplaces. Although there is variation in the size, orientation, and role that each of these facilities play in their communities, most are firmly grounded in their mission to encourage agricultural education and advancement, and demonstrate how a fair operation can evolve into a year-round exhibition, equine/livestock and consumer show destination with the right facilities, leadership and support.

In summarizing the preceding benchmarking analysis, we make the following observations with respect to management:

- **MISSION:** The CSFA, CSFG and CSF do not have clearly codified mission statements. This is an abnormality among the peer set, all of which has clearly defined mission statements, varied in their specificity, but all relevant to the function of the organizations and facilities.
- **GOALS:** As previously noted, there are no specific, codified goals for the CSFA, CSFG and CSF. Examples included for the Will Rogers Memorial Center and Oregon State Fair and Expo Center show significant variation in the types of goals that facilities of this nature seek to achieve. An appropriate mix of near-, medium- and long-term goals will help to guide strategies for facility enhancements and overall operational success.
- **STRATEGIES:** Once the CSFA has clearly defined missions and goals for both the Fair and the Fairgrounds, as is the intention of the newly appointed General Manager, the next step will be to develop strategies to achieve these goals and support the overall mission. Based upon our observations of the peer facilities, as well as our understanding of opportunities and constraints at the CSFG, we recommend the following strategies as a starting point for the CSFA:
  - Embark on a 12-24 month period where the focus of the facility is to reposition itself to enhance its relevance in the industry
  - Create a branding campaign that separates the State Fair event from the facility, yet, that jointly draw upon the strengths of the annual event and the physical facilities.
  - Set booking targets for the next three years that include securing 2-4 national or international shows.
  - Reinvest in the staff by empowering them to a part of this turn round strategy. Implement a culture that focuses on top-rated customer service, facility cleanliness, and a business model that is fiscally responsible.

- Perform an event audit that ranks the current annual events by profitable, break-even and no-profit. Profitable and break-even are obvious, however, the no-profit events can be broken down further and tested against those events that do not drive a profit but need to stay (such as community events, 4H, or others) because they fulfill the mission of the facility in being a community asset. The other type of no-profit events are simply events that cause the facility to lose money. Such events do not fulfill the mission and should be phased out of the event schedule or at least limited to a small number.
  - Prioritize a booking policy that utilizes the top 6 performing facilities and put resources towards steering events to these. Take the facilities that do not fit into this category off-line until the demand is created to put them back online.
  - Consider hiring a management consultant to work as a peer-group support for the current administration.
  - Consider hiring a food service consultant to assess the current and future food service needs, consolidate the multiple food service contracts and prepare the facility to contract all of the food service to a third-party management firm that would invest capital into the facility.
- **STAFF AND STRUCTURE:** The CSFG has the third lowest number of permanent staff in the peer set. Further, there are discrepancies with respect to the allocation of staff by department, with the CSFA falling below the peer set average with respect to the number of staff in sales and marketing, finance, and food and beverage services.
  - **RESOURCES:** The CSFG has a comparable mix of facilities to the peer set, however many of its facilities are older and have not received the necessary maintenance and enhancements to keep them competitive. The amount of funding received by the CSFG is the lowest among the peer set, excluding those facilities that are self-sufficient, and is the only facility that does not have a dedicated portion of tax or revenues as a permanent funding source.

Additionally, we make the following observations with respect to performance:

- **DEMAND:** Outside of the annual Fair, the CSFG recorded the lowest number of events but the highest number of utilization days across the peer set.
- **RENTAL RATES:** The rental rates at the CSFG are the lowest in the peer set. In part, this may reflect the relative age of the facilities, although as discussed in Section 4 of this report, rental rates at the CSFG have not been increased since 2002.
- **REVENUE AND EXPENSES:** It is not uncommon for fairgrounds to incur an operating deficit, as is the case at the CSFG. Where the CSFG does lag the peer set is with respect to non-Fair building



rental revenues, accounting for just 9 percent of total revenues. This is considered a direct reflection of relative low rental rates at the CSFG.



**SECTION VIII**  
SURVEY RESULTS

## SURVEY RESULTS

In order to gauge overall perspective of the CSFG and assist in substantiating the attributes that will continue to make the venue most appealing to current and potential users, Johnson Consulting conducted a survey of members of the meetings and event planning industry. Survey recipients included current and prior users of CSFG. This section presents a summary of feedback provided to Johnson Consulting.

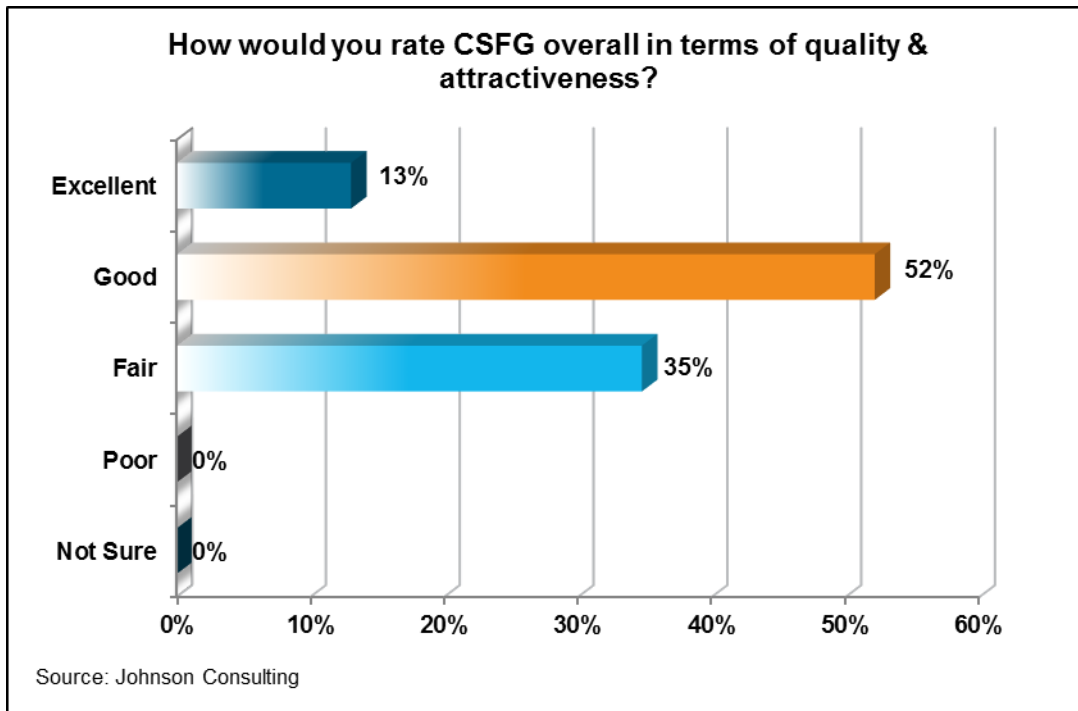
### USERS SURVEY

Our survey instrument was developed utilizing a web-based program and was distributed electronically. The survey sent to each recipient was identical. The survey remained ‘active’ for a period of three weeks, during which time recipients were sent survey reminders. We achieved a response rate of 30 percent. Industry standards dictate that a 10 percent response rate is generally outstanding for this type of analysis. As such, our sample size is considered to be statistically sound.

### QUALITY AND ATTRACTIVENESS

The following figure provides a breakdown of the ratings assigned to the CSFG, by survey respondents, when asked to rate the Fairgrounds in terms of quality and attractiveness, from an event organizer’s perspective.

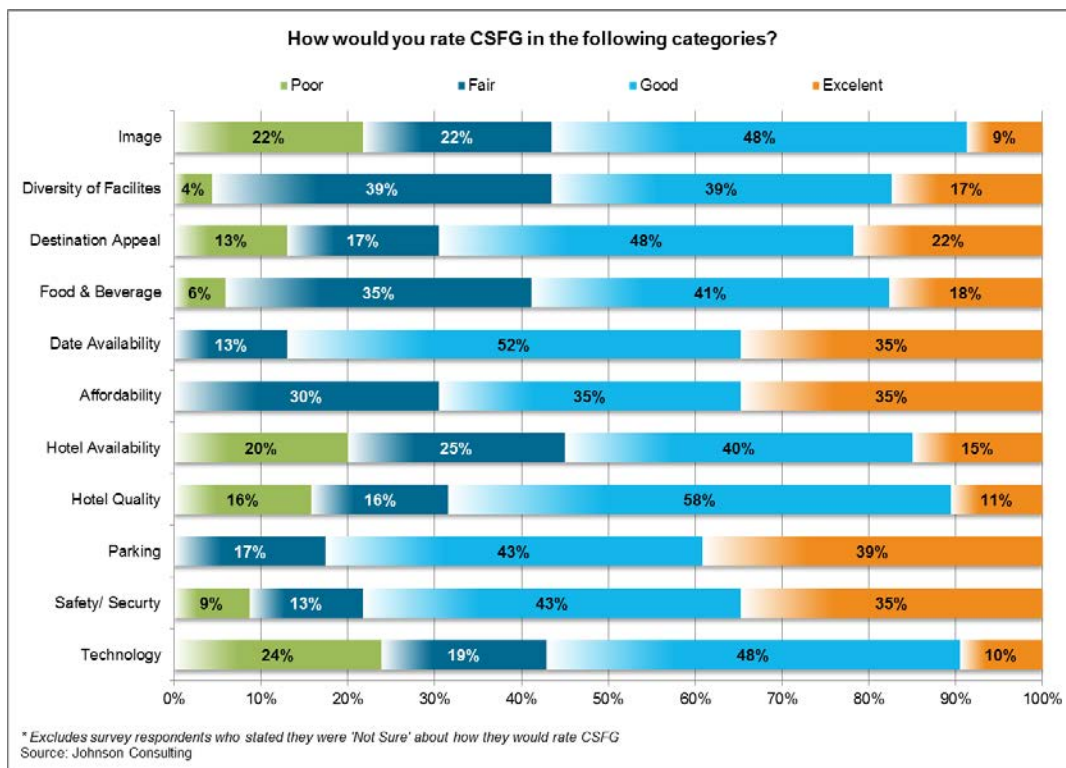
Figure 8 - 1



As shown, the majority of survey respondents (52 percent) rate the CSFG as ‘Good’, followed by 35 percent of respondents who rate the Fairgrounds as ‘Fair’ in terms of attractiveness from an event planner’s perspective. The remaining 13 percent of respondent’s rate the CSFG as ‘Excellent’.

The following figure provides a breakdown of specific measures of CSFG’s quality and attractiveness. It is noted that the results shown exclude respondents who stated that they were ‘Not Sure’ about specific measures.

Figure 8 - 2



The following observations were made with regard to specific elements of CSFG’s quality and attractiveness:

- IMAGE:** The highest proportion of respondents (48 percent) consider the CSFG’s image to be ‘Good’, with the equal proportions of respondents (22 percent) identifying CSFG’s image as either ‘Fair’ or ‘Poor’. The remaining 9 percent stated that the CSFG has an ‘Excellent’ image.
- DIVERISTY OF FACILTIES:** Equal proportions of respondents (39 percent) consider the diversity of facility offerings at the CSFG to be ‘Good’ or ‘Fair’. The next highest proportion of respondents (17 percent) consider the diversity of facilities to be ‘Excellent’, while the remaining 4 percent stated that the diversity of facilities is ‘Poor’.

- **DESTINATION APPEAL:** The highest proportion of respondents (39 percent) consider the CSFG and the broader Pueblo area to be ‘Good’ with respect to its appeal as a destination for events, with equal proportions (22 percent) of respondents stating that it is either ‘Fair’ or ‘Excellent’.
- **QUALITY OF FOOD AND BEVERAGE:** The predominant response was ‘Good’ (41 percent), followed by ‘Fair’ (35 percent). A further 18 percent of respondents consider the quality of the CSFG food and beverage offerings to be ‘Excellent’.
- **DATE AVAILABILITY:** The majority of respondents (52 percent) stated that date availability for event space at the CSFG is ‘Good’, with a further 35 percent of respondents stating that the availability is ‘Excellent’. This indicates that 87 percent of survey respondents consider the availability of dates for events at the CSFG to be ‘Good’ or better.
- **AFFORDABILITY:** Equal proportions of respondents (35 percent) consider the affordability of utilizing CSFG for events to be ‘Excellent’ or ‘Good’, indicating that 70 percent of respondents rated the Fairgrounds as ‘Good’ or better with respect affordability. The remaining 30 percent of respondents consider affordability to be ‘Fair’.
- **HOTEL ROOM AVAILABILITY:** The predominant response (40 percent) was ‘Good’, followed by ‘Fair’ (25 percent), then ‘Poor’ (20 percent), and then ‘Excellent’ (15 percent).
- **QUALITY OF HOTEL INVENTORY:** The majority of respondents (58 percent) consider the quality of the proximate hotel inventory to be ‘Good’. Equal proportions of respondents (16 percent) stated that the quality is either ‘Fair’ or ‘Poor’, with the remaining 11 percent of respondents indicating that hotel room quality is ‘Excellent’.
- **PARKING:** The predominant response was ‘Good’ (43 percent), followed by ‘Excellent’ (39 percent). The remaining 17 percent of respondents stated that the availability of parking at the CSFG is ‘Poor’. Overall, 83 percent consider the availability of parking to be ‘Good’ or better.
- **SAFETY/ SECURITY:** The predominant response was ‘Good’ (43 percent), followed by ‘Excellent’ (35 percent). Overall, more than three-quarters of respondents (78 percent) consider safety and security at the CSFG to be ‘Good’ or better.
- **TECHNOLOGY:** The predominant response was ‘Good’ (48 percent), followed by ‘Poor’ (24 percent). A further 19 percent of respondents stated that technology at the CSFG was ‘Fair’, while the remaining 10 percent consider it to be ‘Excellent’.

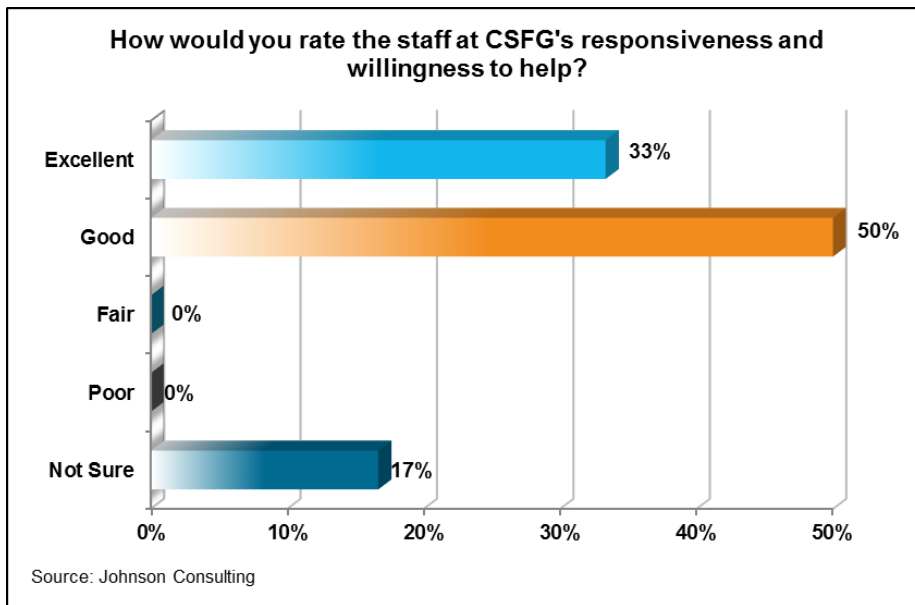
Overall, the CSFG was rated as ‘Good’ across the majority of measures of quality and attractiveness. The Fairgrounds rated most highly with respect to affordability, parking and safety and security. In contrast, the Fairgrounds ranked poorly with respect to the diversity of facilities and the quality of food and beverage offerings.

### STAFF AND BOOKING SYSTEM

Survey respondents were asked for their opinion of whether the CSFG’s has adequate staff to assist before and during their events. More than two-thirds of respondents (65 percent) consider the CSFG’s to have adequate staff, while 13 percent do not, and the remaining 22 percent are unsure about the adequacy of the number of staff.

The following figure provides a breakdown of responses when survey respondents were asked to rate the responsiveness of CSFG’s and their willingness to provide assistance before and during events.

Figure 8 - 3

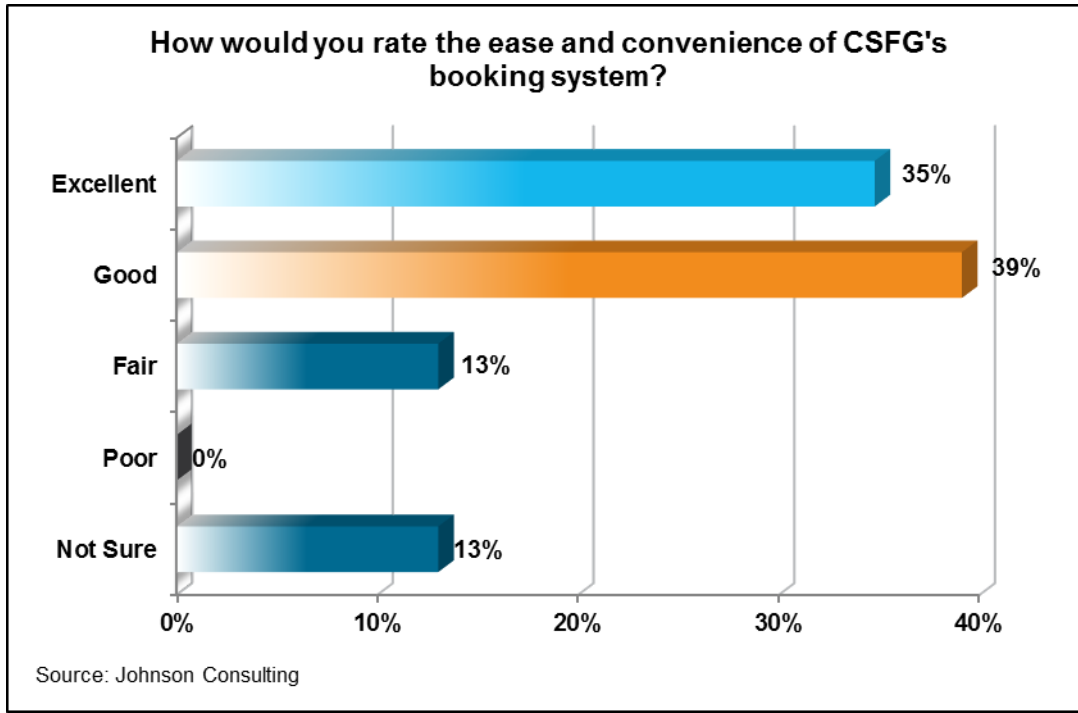


As shown, 50 percent of respondents rate the staff’s responsiveness and willingness to provide assistance as ‘Good’, with an additional 33 percent of respondents stating that the staff are ‘Excellent’. The remaining 17 percent of respondents were unsure about the staff’s responsiveness and willingness to provide assistance. Overall, 83 percent of respondents rate the staff as ‘Good’ or better.

The following figure shows responses when survey respondents were asked to rate the ease and convenience of the CSFG’s booking system.



Figure 8 - 4

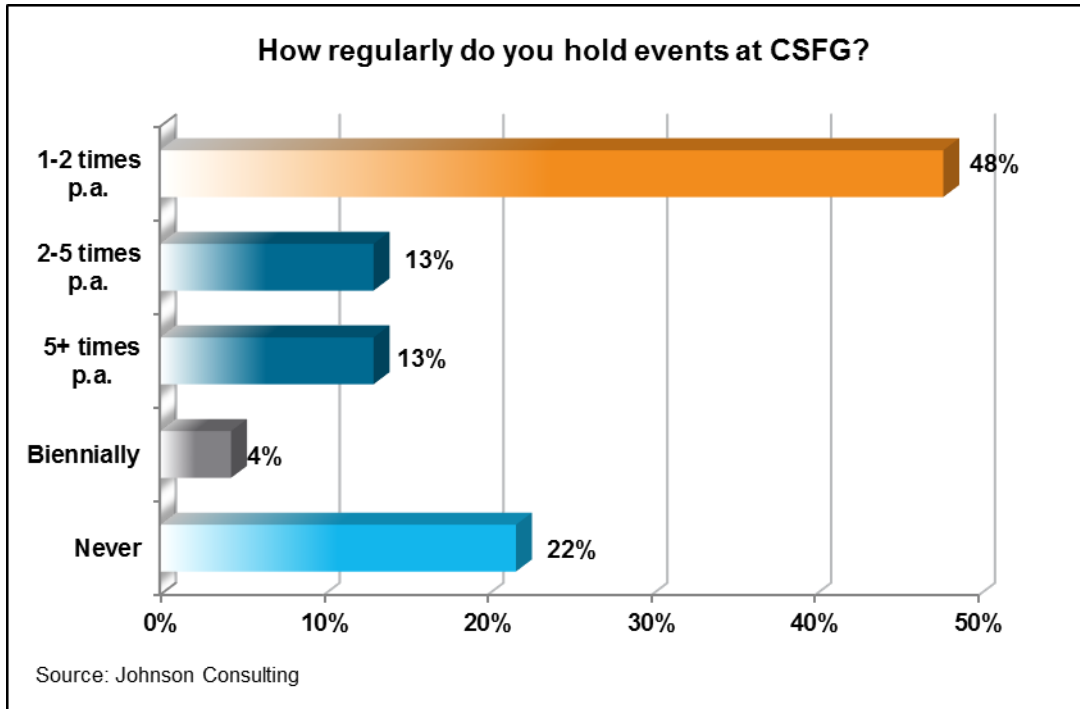


As shown, the highest proportion of respondents (39 percent) consider the CSFG’s booking system to be ‘Good’ with respect to ease and convenience, followed closely by respondents who stated that it ‘Excellent’ (35 percent). Equal proportions of respondents (13 percent) consider it to be ‘Fair’ or were unsure of the ease and convenience of the CSFG’s booking system. Overall, close to three-quarters of survey respondents (74 percent) consider the CSFG’s booking system to be ‘Good’ or better with respect to ease and convenience.

**CSFG UTILIZATION**

The following figure indicates the frequency with which survey respondents utilize the CSFG.

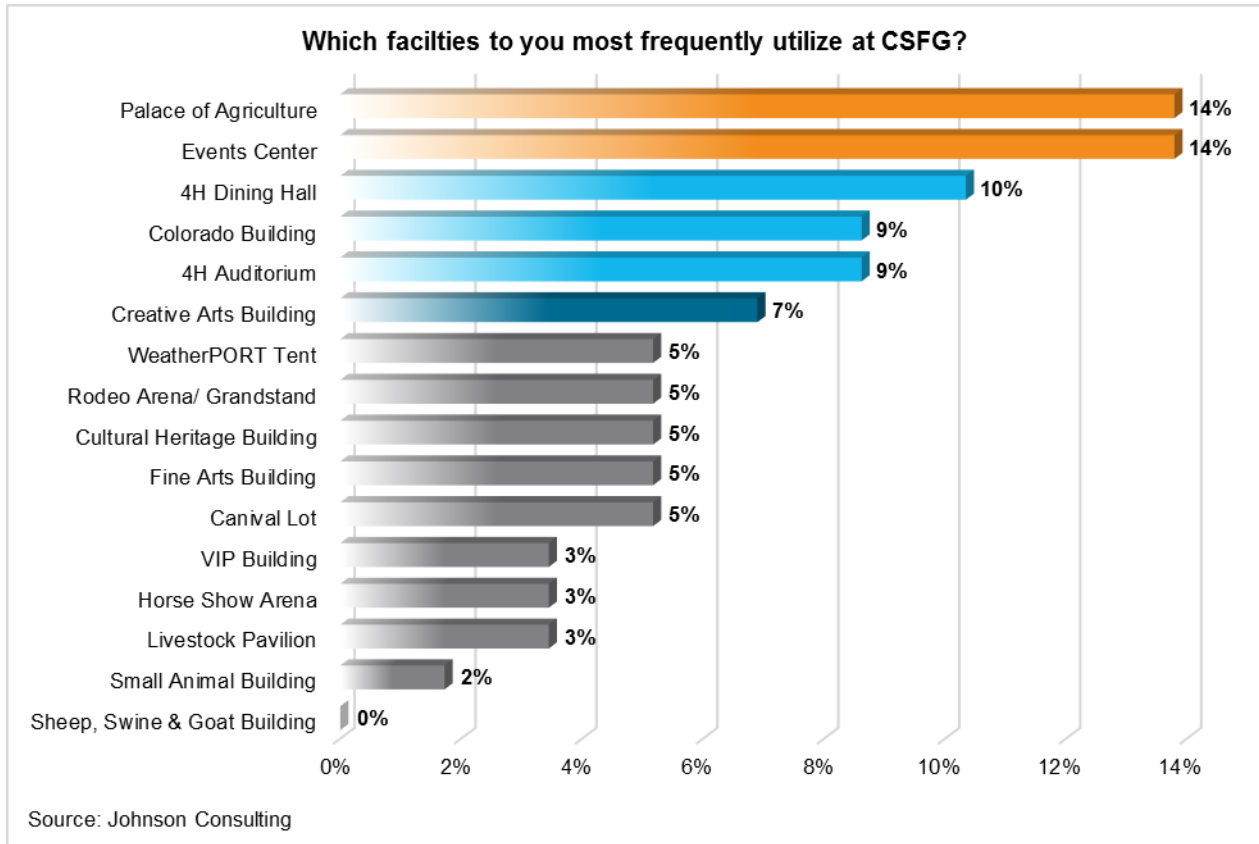
Figure 8 - 5



As shown, the greatest proportion of respondents (48 percent) utilize the CSFG between 1 and 2 times per annum. Equal proportions of respondents (13 percent) either utilize the Fairgrounds 3-5 times per annum or hold 5 or more events at the Fairgrounds annually. The remaining 12 percent of respondents no longer utilize the Fairgrounds.

The following figure provides a breakdown of the facilities at the CSFG that survey respondents most frequently utilize. Respondents were asked to select as many facilities they utilize.

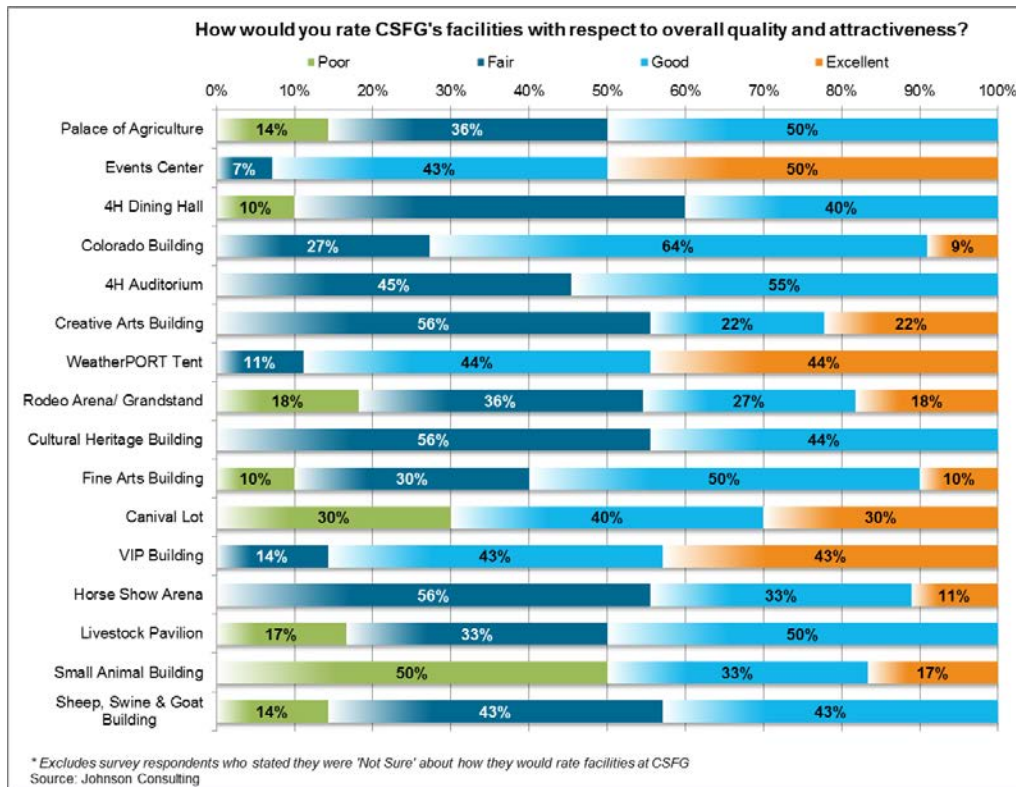
Figure 8 - 6



As shown, the facilities that are most utilized by survey respondents are the Palace of Agriculture and the Events Center (14 percent of respondents), followed by the 4H Dining Room (10 percent), the Colorado Building and the 4H Auditorium (both 9 percent). A further 7 percent of respondents frequently utilize the Creative Arts Building.

The following figure provides a breakdown of the the perceived quality and attractiveness of each of the facilities listed above. It is noted that the results shown exclude respondents who stated that they were ‘Not Sure’ about specific measures.

Figure 8 - 7



As shown, the facilities that were rated most highly by survey respondents, with respect to quality and attractiveness from a show organizer’s perspective, were the Southwest Motors Event Center and the WeatherPort Tent, followed by the VIP Building. The facilities that rated most poorly were the 4H Dining Hall, Creative Arts Building, Horse Show Arena, Small Animal Building, and Sheep, Swine and Goat Building. The facilities that received the most varied responses were the Rodeo Arena/ Grandstand, which was rated by 36 percent of respondents as ‘Fair’, 27 percent as ‘Good’ and equal proportions (18 percent) as either ‘Poor’ or ‘Excellent’, along with the Carnival Lot, which was rated by 40 percent of respondents as ‘Good’ and equal proportions (30 percent) as either ‘Poor’ or ‘Excellent’.

**ALTERNATIVE VENUES**

Survey recipients were asked to select from a list other venues that they have utilized for their events. The venues identified included:

- **THE RANCH EVENTS COMPLEX (LARIMER COUNTY FAIRGROUND) – LOVELAND, CO:** All survey respondents who had utilized this venue rated it as ‘Excellent’ from an event organizer’s perspective.
- **NATIONAL WESTERN COMPLEX – DENVER, CO:** Survey respondents were divided equally in their rating of this venue as either ‘Good’ or ‘Excellent’.

- **FLORIDA STATE FAIRGROUNDS – TAMPA, FL:** All survey respondents who had utilized this venue rated it as ‘Fair’ from an event organizer’s perspective
- **CAL EXPO – SACRAMENTO, CA:** All survey respondents who had utilized this venue rated it as ‘Fair’ from an event organizer’s perspective
- **OKLAHOMA STATE FAIR PARK – OKLAHOMA CITY, OK:** All survey respondents who had utilized this venue rated it as ‘Excellent’ or ‘Good’ from an event organizer’s perspective
- **WILL ROGERS MEMORIAL CENTER – FORT WORTH, TX:** All survey respondents who had utilized this venue rated it as ‘Excellent’ from an event organizer’s perspective.
- **TENNESSEE STATE FAIRGROUNDS – NASHVILLE, TN:** All survey respondents who had utilized this venue rated it as ‘Good’ from an event organizer’s perspective.

Survey respondents also identified familiarity with the following venues:

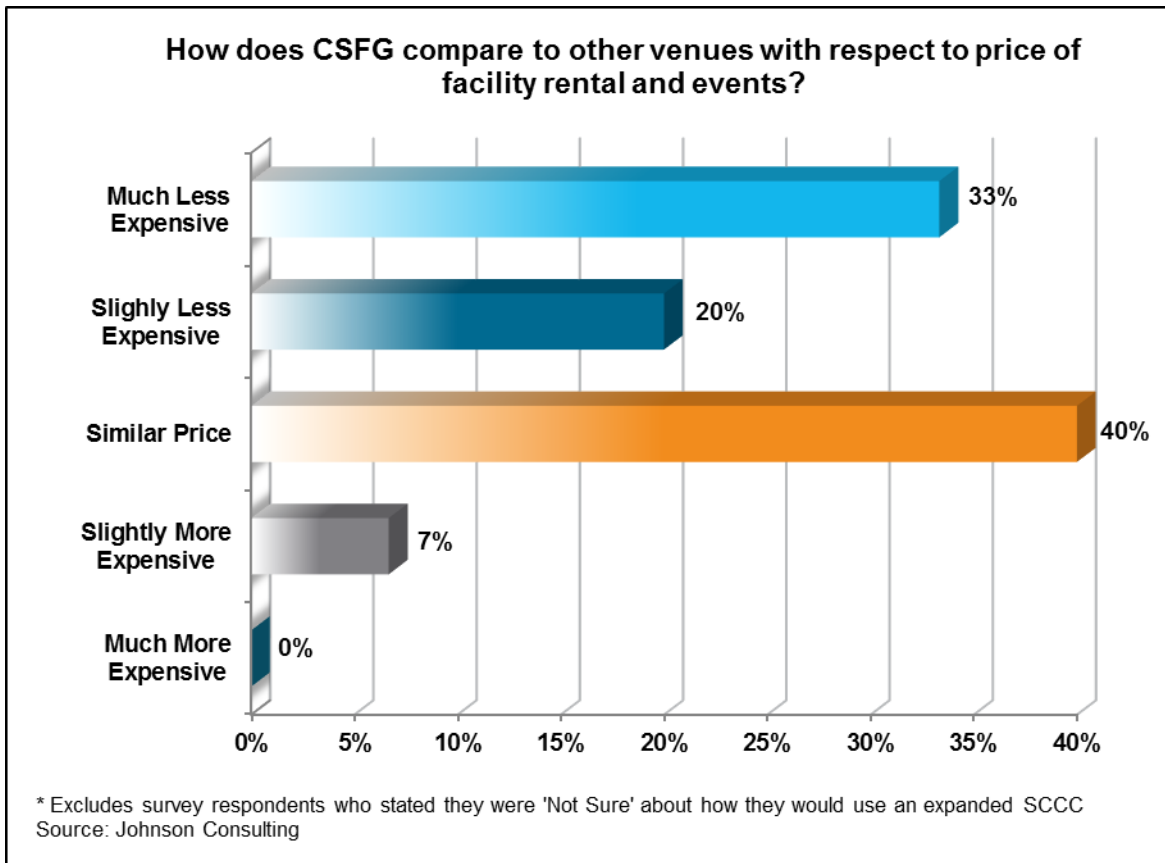
- **WESTWORLD – SCOTTSDALE, AZ:** All survey respondents who are familiar with this venue rated it as ‘Excellent’ from an event organizer’s perspective.
- **OKLAHOMA STATE FAIR PARK – OKLAHOMA CITY, OK:** All survey respondents who are familiar with this venue rated it as ‘Excellent’ from an event organizer’s perspective.
- **EXPO SQUARE – TULSA, OK:** All survey respondents who are familiar with this venue rated it as ‘Excellent’ from an event organizer’s perspective.

The vast majority of respondents (82 percent) stated that their event(s) does not rotate location.

## PRICING

Survey recipients were asked how the CSFG compares to other venues with respect to the price of facility rentals and hosting events. The following figure provides a breakdown of survey responses, excluding those respondents who stated that they were unsure about the relative pricing of the CSFG.

Figure 8 - 8



As shown, the predominant response (40 percent) was that the CSFG is similarly priced compared to other venues, followed closely by survey respondents much less expensive than other venue that they utilize, and/or consider, for their events (33 percent). The next highest proportion of survey respondents (20 percent) consider the CSFG to be slightly less expensive than other venues.

#### ADDITIONAL COMMENTS

At the conclusion of the survey, respondents were invited to offer any additional feedback deemed appropriate (note: this was an open ended question). Key issues raised by multiple respondents are summarized as follows:

- Staff is very helpful and accommodating.
- Facilities need upgrading. Overall, the interior and exterior of all buildings, along with the grounds, need to be improved to make them more attractive to prospective users. Cleanliness and age of bathroom facilities needs to be addressed.
- Many survey respondents have a desire to keep their event local.

- If new facilities are added, pricing would be a concern to many potential users.
- The diversity of facilities allows the Fairgrounds to accommodate small to large events, year-round. The CSFG are well located to attract a variety of events.
- Improved upkeep of buildings and enhanced aesthetics would entice a number of current users to hold more events at the CSFG.

## SUMMARY

The general consensus among survey respondents is that the CSFG is an asset to the local and regional communities, but that facilities are dated and in need of upgrades and repairs. The Fairgrounds generally ranked 'Fair' to 'Good' in terms of attractiveness from an event organizer's perspective, with its best attributes being affordability, parking, and safety and security, while facility and food and beverage offerings were viewed as key issues for the Fairgrounds. The staff is viewed positively, particularly with respect to their willingness and ability to provide assistance to event organizers.



**SECTION IX**  
RECOMMENDATIONS AND PROJECTIONS





## RECOMMENDATIONS AND PROJECTIONS

The most relevant information for the State is ensuring that the CSFG is responsibly operated. As noted in this report, the CSFG has a physical plant as large as other State Fair operations, but Pueblo is a smaller market, so intuitively, the complex will have more operational difficulties than other fairgrounds. Further, there is a lot of deferred maintenance and this needs to be addressed by a capital improvement plan, or higher ongoing maintenance expenses (or both). Based up the analysis and assessment of historical financial information, suggested operational improvements and our demand projections for non-fair events at the Fairgrounds, Johnson Consulting has developed projections over a 5-year period based upon 2 alternative scenarios:

- **SCENARIO 1:** Do nothing.
- **SCENARIO 2:** Make a number of immediate, and phased, improvements to management and specific facilities at the Fairgrounds. Our assumptions are explained in greater detail below.

To start with, the following table summarizes our alternate presentation of the CSFA's financial statements, removing non-cash depreciation from the operating expenses and adding a cash line item for Reserve for Replacement.

**Table 9 - 1**

<b>Colorado State Fair Authority - Operating Statement of Revenue and Expenses (FY 2015)</b>		
	<b>State Audited Financial Statement</b>	<b>Alternate Presentation</b>
Operating Revenues	\$7,164,708	\$7,164,708
Operating Expenses*	10,855,588	10,030,906
<b>Total Operating Income (Loss)</b>	<b>(\$3,690,880)</b>	<b>(\$2,866,198)</b>
Non-Operating Revenues (Expenses)	\$2,380,716	\$2,380,716
<b>Gain (Loss) Before Capital Contributions</b>	<b>(\$1,310,164)</b>	<b>(\$485,482)</b>
Capital Contributions	679,326	679,326
<b>Net Change in Position</b>	<b>(\$630,838)</b>	<b>\$193,844</b>
<b>Cash Reserve for Replacement**</b>	<b>1,000,000</b>	<b>1,000,000</b>

\* Johnson Consulting's figures exclude depreciation from operating expenses

\*\* New line item

Source: CSFA, Johnson Consulting

As discussed in preceding sections of this report, it is our considered opinion that the FY 2015 cash deficit incurred by the CSFA was (\$485,482), which is a substantial reported improvement over the report deficit of (\$1.3) million. This is important to the operations, as the reputation of the CSFA is affected by reporting a



larger deficit that is not in fact accurate. The following projections utilize this smaller deficit as the FY 2015 baseline.

### SCENARIO 1: DO NOTHING

The following table shows operating projections over the next 5 years assuming that no improvements are made to management or facilities at the Fairgrounds.



Table 9 - 2

Colorado State Fair Authority - Scenario 1: "Do Nothing" Pro Forma Operating Statement of Revenue and Expenses (\$ 000, Inflated)						
	2015 (Actual)	2016	2017	2018	2019	2020
<b>Operating Revenues</b>						
Commercial Space/ Concessions	\$1,184	\$1,213	\$1,244	\$1,275	\$1,307	\$1,339
Gate Admissions	1,783	1,828	1,873	1,920	1,968	2,017
Box Office Sales	981	1,006	1,031	1,057	1,083	1,110
Private Sponsorships	1,654	1,695	1,737	1,781	1,825	1,871
Exhibitor Fees	797	817	838	859	880	902
Building Rentals	645	661	610	591	570	547
Miscellaneous Revenues	120	123	126	130	133	136
<b>Total Operating Revenues</b>	<b>\$7,165</b>	<b>\$7,344</b>	<b>\$7,460</b>	<b>\$7,611</b>	<b>\$7,766</b>	<b>\$7,924</b>
<b>Operating Expenses</b>						
Personel Service and Benefits	\$2,894	\$2,966	\$3,040	\$3,116	\$3,194	\$3,274
Entertainment and Attractions	2,167	2,221	2,277	2,333	2,392	2,452
Advertising and Promotions	1,346	1,380	1,414	1,449	1,486	1,523
Prizes and Awards	895	918	941	964	988	1,013
Repairs and Maintenance	432	664	681	698	715	733
Utilities	1,055	1,081	1,108	1,136	1,164	1,193
Supplies and Materials	420	430	441	452	463	475
Contractual Services	81	83	85	88	90	92
Other Purchased Services	150	154	158	162	166	170
Other Operating Expenses	354	363	372	382	391	401
Building, Vehicle and Equipment Rental	192	197	202	207	212	218
Travel	44	45	46	48	49	50
<b>Total Operating Expenses</b>	<b>\$10,031</b>	<b>\$10,503</b>	<b>\$10,766</b>	<b>\$11,035</b>	<b>\$11,311</b>	<b>\$11,593</b>
<b>Total Operating Income (Loss)</b>	<b>(\$2,866)</b>	<b>(\$3,159)</b>	<b>(\$3,306)</b>	<b>(\$3,423)</b>	<b>(\$3,545)</b>	<b>(\$3,670)</b>
<b>Non-Operating Revenues (Expenses)</b>						
Unclaimed Property Fund Interest Income	\$1,122	\$1,150	\$1,179	\$1,208	\$1,238	\$1,269
Department of Agriculture Contribution	500	513	525	538	552	566
Local Government Grants	256	262	269	275	282	289
General Fund Appropriation and Governor's Office Contribution	550	564	578	592	607	622
Interest Expense	(47)	(48)	(49)	(51)	(52)	(53)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>\$2,381</b>	<b>\$2,440</b>	<b>\$2,501</b>	<b>\$2,564</b>	<b>\$2,628</b>	<b>\$2,694</b>
<b>Gain (Loss) Before State Capital Contributions</b>	<b>(\$485)</b>	<b>(\$719)</b>	<b>(\$805)</b>	<b>(\$860)</b>	<b>(\$917)</b>	<b>(\$976)</b>
<b>Capital Contributions</b>						
State Controlled Maintenance	\$90	\$90	\$90	\$90	\$90	\$90
Department of Agriculture	\$446	446	446	446	446	446
Foundation	\$143	143	143	143	143	143
<b>Total Capital Contributions</b>	<b>\$679</b>	<b>\$679</b>	<b>\$679</b>	<b>\$679</b>	<b>\$679</b>	<b>\$679</b>
<b>Gain (Loss) Before Reserve and Depreciation</b>	<b>\$194</b>	<b>(\$40)</b>	<b>(\$126)</b>	<b>(\$180)</b>	<b>(\$237)</b>	<b>(\$297)</b>
<b>Cash Reserve for Replacement</b>	<b>\$0</b>	<b>1,000</b>	<b>1,051</b>	<b>1,131</b>	<b>1,249</b>	<b>1,413</b>
Depreciation	(\$825)	(\$845)	(\$866)	(\$888)	(\$910)	(\$933)

Source: CSFA, Johnson Consulting

Under this scenario, Johnson Consulting makes the following assumptions:



- **BUILDING RENTALS:** There will be a contraction in revenues associated with Building Rentals, reflecting further deterioration of these facilities and minimal marketing outside of the Fair. A negative shift in building rentals will place the facility further and further away from having any relevance in the Pueblo marketplace.
- **REPAIRS AND MAINTENANCE:** Expenses related to Repairs and Maintenance have been increased by 50 percent to better reflect the age of facilities at the Fairgrounds and to better align CSFA's expenditures on this line item with peer facilities.
- **CAPITAL CONTRIBUTIONS:** There is an historical "Moral or Contractual Obligation" to provide funding support to the Fairgrounds, based on the social and agricultural promotion role of the CSFA. In the interest of remaining conservative, we have held capital contributions steady at FY 2015 amounts. Normally one would inflate these with a Cost of Construction escalation.
- **CASH RESERVES FOR REPLACEMENT:** We have added a new line item reflecting cash reserves for replacement. Based upon peer facilities, we recommend that the amount allocated to reserves be approximately \$1.0 million.

As shown, under a "do nothing" scenario the total operating deficit will increase from (\$2.9) million in FY 2015 to (\$3.3) million in FY 2016 and to (\$3.6) million in FY 2020. When non-operating revenues are accounted for, the loss increases from (\$485,000) in FY 2015 to (\$719,000) in FY 2016 and (\$976,000) in FY 2020, not including a true cash reserve for replacement.

## SCENARIO 2: RECOMMENDED IMPROVEMENTS

Based upon the preceding analysis, our projections under Scenario 2 assume that there are improvements to management information systems, increased quality of service, additional staff are retained, including those in marketing and direct sales functions, and a number of new events are attracted to the Fairgrounds, reflecting operational and focused physical improvements. The following table shows operating projections over the next 5 years assuming that improvements are made to management or facilities at the Fairgrounds.



Table 9 - 3

Colorado State Fair Authority - Scenario 2: Improved Management Information + Increased Events + Additional Staff Pro Forma Operating Statement of Revenue and Expenses (\$ 000, Inflated)						
	2015 (Actual)	2016	2017	2018	2019	2020
<b>Operating Revenues</b>						
Commercial Space/ Concessions	\$1,184	\$1,395	\$1,430	\$1,466	\$1,503	\$1,581
Gate Admissions	1,783	1,828	1,873	1,920	1,968	2,017
Box Office Sales	981	1,006	1,031	1,057	1,083	1,110
Private Sponsorships	1,654	1,695	1,737	1,781	1,825	1,871
Exhibitor Fees	797	817	838	859	880	902
Building Rentals	645	\$661	\$746	\$903	\$1,068	\$1,168
Less Cost to Host Event	0	(136)	(157)	(195)	(236)	(264)
Miscellaneous Revenues	120	123	126	130	133	136
<b>Total Operating Revenues</b>	<b>\$7,165</b>	<b>\$7,390</b>	<b>\$7,625</b>	<b>\$7,921</b>	<b>\$8,225</b>	<b>\$8,521</b>
<b>Operating Expenses</b>						
Personel Service and Benefits	\$2,894	\$3,274	\$3,355	\$3,439	\$3,525	\$3,613
Entertainment and Attractions	2,167	2,221	2,277	2,333	2,392	2,452
Advertising and Promotions	1,346	1,380	1,414	1,449	1,486	1,523
Prizes and Awards	895	918	941	964	988	1,013
Repairs and Maintenance	432	664	681	698	715	733
Utilities	1,055	1,081	1,108	1,136	1,164	1,193
Supplies and Materials	420	430	441	452	463	475
Contractual Services	81	83	85	88	90	92
Other Purchased Services	150	154	158	162	166	170
Other Operating Expenses	354	363	372	382	391	401
Building, Vehicle and Equipment Rental	192	197	202	207	212	218
Travel	44	45	46	48	49	50
<b>Total Operating Expenses</b>	<b>\$10,031</b>	<b>\$10,811</b>	<b>\$11,081</b>	<b>\$11,358</b>	<b>\$11,642</b>	<b>\$11,933</b>
<b>Total Operating Income (Loss)</b>	<b>(\$2,866)</b>	<b>(\$3,420)</b>	<b>(\$3,456)</b>	<b>(\$3,437)</b>	<b>(\$3,417)</b>	<b>(\$3,412)</b>
<b>Non-Operating Revenues (Expenses)</b>						
Unclaimed Property Fund Interest Income	\$1,122	\$1,150	\$1,179	\$1,208	\$1,238	\$1,269
Department of Agriculture Contribution	500	513	525	538	552	566
Local Government Grants	256	262	269	275	282	289
General Fund Appropriation and Governor's Office Contribution	550	564	578	592	607	622
Interest Expense	(47)	(48)	(49)	(51)	(52)	(53)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>\$2,381</b>	<b>\$2,440</b>	<b>\$2,501</b>	<b>\$2,564</b>	<b>\$2,628</b>	<b>\$2,694</b>
<b>Gain (Loss) Before State Capital Contributions</b>	<b>(\$485)</b>	<b>(\$980)</b>	<b>(\$954)</b>	<b>(\$873)</b>	<b>(\$789)</b>	<b>(\$718)</b>
<b>Capital Contributions</b>						
State Controlled Maintenance	\$90	\$90	\$90	\$90	\$90	\$90
Department of Agriculture	\$446	\$446	\$446	\$446	\$446	\$446
Foundation	\$143	\$143	\$143	\$143	\$143	\$143
<b>Total Capital Contributions</b>	<b>\$679</b>	<b>\$679</b>	<b>\$679</b>	<b>\$679</b>	<b>\$679</b>	<b>\$679</b>
<b>Change in Net Position Before Reserve and Depreciation</b>	<b>\$194</b>	<b>(\$301)</b>	<b>(\$275)</b>	<b>(\$194)</b>	<b>(\$110)</b>	<b>(\$39)</b>
<b>Cash Reserve for Replacement</b>	<b>\$0</b>	<b>1,000</b>	<b>1,051</b>	<b>1,131</b>	<b>1,249</b>	<b>1,413</b>
Depreciation	(\$825)	(\$845)	(\$866)	(\$888)	(\$910)	(\$933)

Source: CSFA, Johnson Consulting

Under this scenario, Johnson Consulting makes the following assumptions:

- **FOOD SERVICES:** Reflected in the Commercial Space/ Concessions line item, we assume a re-organization of the food services offerings to allow some profit to be made. After 3 to 5 years of



stabilizing event demand, the CSFA may want to consider a third party management contractor for food services. The contract could be structure so that the contractor participates in a cash infusion to purchase new equipment for certain buildings at the Fairgrounds.

- **BUILDING RENTALS:** With the increase in dedicated marketing and sales staff, and improvements to prioritized facilities, we expect to see an additional 10 performances at the Events Center, 1-2 more grounds-based events, and 1-2 more equestrian events. We do not anticipate the market to respond immediately to operational and physical improvements and so have assumed conservative growth in Building Rental revenues over the next 2-3 years. In the interest of remaining conservative, we have allowed for a 20 percent cost associated with hosting events.

An additional strategy may be to focus on building rentals and bookings at the top four to five performing facilities at the Fairgrounds. This will maintain a strong focus on booking these more expensive venue. Once demand at these facilities grows, expanding or adding additional facilities may be warranted.

- **STAFF:** 3 additional swing labor to keep up with buildings and grounds, 2 additional staff to support finance and management information areas, and 2 additional staff in marketing and direct sales functions. It is assumed that these additional staffing functions are added during FY 2016.
- **REPAIRS AND MAINTENANCE:** Expenses related to Repairs and Maintenance have been increased by 50 percent to better reflect the age of facilities at the Fairgrounds and to better align CSFA's expenditures on this line item with peer facilities.
- **CASH RESERVES FOR REPLACEMENT:** We have added a new line item reflecting cash reserves for replacement. Based upon peer facilities, we recommend that the amount allocated to reserves be approximately \$1.0 million, and inflating this amount.

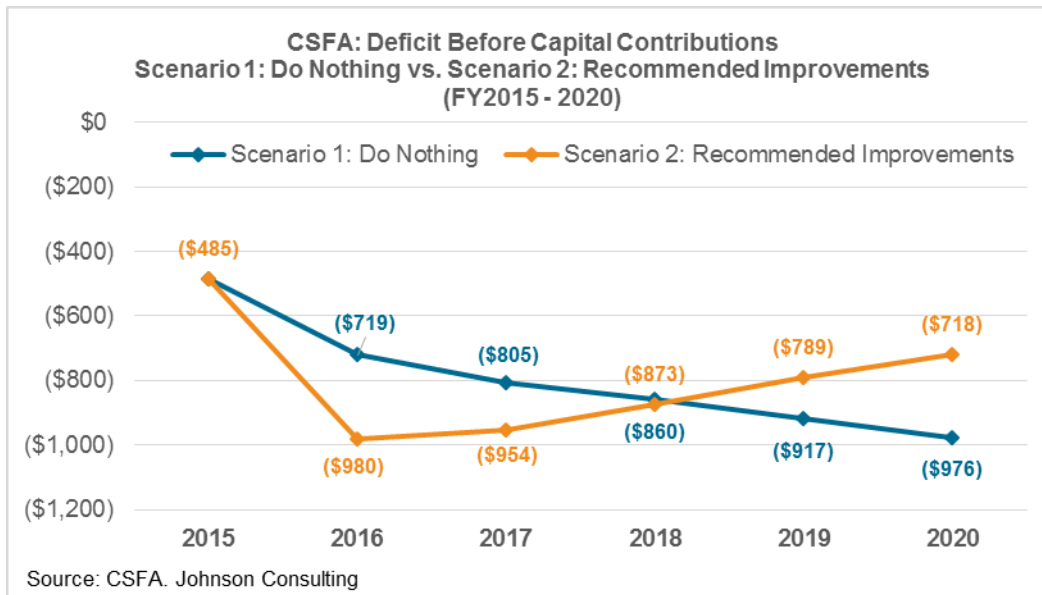
As shown, under an improvement scenario the total operating deficit will increase from (\$2.9) million in FY 2015 to (\$3.4) million in FY 2016, predominantly reflecting the addition of a correct number of staff members and the increase in Repairs and Maintenance expenses. By 2020, this deficit will have remained relatively stable at (\$3.4) million. When non-operating revenues are accounted for, the overall loss increases from (\$485,000) in FY 2015 to (\$980,000) in FY 2016 before improving substantially to (\$718,000) in FY 2020.

## COMPARISON OF ALTERNATE SCENARIOS

The following figure provides a comparison of the deficit before capital contributions under Scenario 1: “Do Nothing” versus Scenario 2: “Recommended Improvements”. As shown, the deficit will continue to grow under Scenario 1, while under Scenario 2, we project material improvements in the CSFA's deficit.



Figure 9 - 1



## FUNDING STRATEGY

The CSFG is an important asset and historical facility that should be cherished and responsibly maintained. The state and its citizens are fortunate to have this facility where they can continue to celebrate the states Western heritage. However due to historic nature of these buildings, the maintenance and upkeep required to keep these buildings compliant with their historic nature comes at a higher cost than a normal building.

As discussed in the benchmarking analysis presented earlier in this report, we make the following observations with regards to dedicated funding sources available to the CSFA and the Fairgrounds:

- DEDICATED FUNDING SOURCES:** Among the facilities that receive funding, the CSFG is the only one that does not have a dedicated funding source. The Ranch has a dedicated allocation of sales tax revenues, the Oklahoma State Fair Park and Will Rogers Memorial Center both receive an allocation of hotel/ motel tax revenues, and the Oregon State Fair and Expo Center has a set allocation of unobligated lottery proceeds.
- ANNUAL FUNDING:** The \$1.3 million in funding allocated to the CSFG in FY 2015 was the lowest among the peer set, and fell well short of the operating deficit incurred. Funding ranged from \$1.53 million for the Oregon State Fair and Expo Center, to \$2.3 million for The Ranch, \$6.0 million for the Oklahoma State Fair Park, and up to 10.1 million in fund expenditures associated with operations at the Will Rogers Memorial Center. Additionally, as discussed in Section 3 of this report, contributions to the CSFG in FY 2015 totaled \$1.3 million, exceeding the previous peak of close to \$1.1 million in FY 2012, reflecting new funds allocated from the General Fund in FY 2015.



Notwithstanding this, local government contributions have steadily declined since the FY 2012 peak, contracting at an average annual rate of (24.4) percent between FY 2012 and 2014.

The CSFG has a comparable mix of facilities to the peer set, however many of its facilities are older and have not received the necessary maintenance and enhancements to keep them competitive. The amount of funding received by the CSFG is the lowest among the peer set, excluding those facilities that are self-sufficient, and is the only facility that does not have a dedicated portion of tax or revenues as a permanent funding source.

It is not reasonable for the normal operations at the CSFG to produce enough revenue to support keeping these historic buildings even in fair to average condition. Therefore it would be our recommendation to identify a dedicated funding source outside of the fairgrounds operations that will annually appropriate funds to maintain these historic assets. A small local option sales tax could go a long way in providing dedicated resources to the CSFG.

## CONCLUSION

In our judgment the above financial picture is a fair representation of future operations. The recommended improvements will continue to enhance the economic contribution of the CSFG to the community and the State. There is a lot of work to be done and the management team is excited about the opportunities for improvement. Stewardship by the State is critical. It should help remedy the deferred maintenance of the complex and consider other capital improvements in the longer term. By empowering the management team to improve operations, through continued capital investment in the complex and providing financial support, this complex will continue to provide value for generations to come.