

November 12, 2002

TO: Honorable Board of Supervisors

FROM: John S. Root, General Manager

RE: 2003 Proposed Budget - San Mateo County
Exposition and Fair Association

Recommendation: Approve a resolution accepting the 2003 budget of the San Mateo County Exposition and Fair Association.

Background and Highlights: The Expo Center Board and staff prepared the budget through their committee process. Expo Center Board approval was then made on October 23rd. We have met with County Manager John Maltbie and Assistant County Manager Paul Scannell to review 2002 and our proposed budget for 2003. After your approval, the budget will be sent to the State Division of Fairs & Expositions for final approval.

2002 Results

Last year at this time we used the term "cautious optimism" in describing the construction of our budget for 2002. That approach proved to be correct.

2002 will conclude with revenues 102% of budget and expenses 102.8% of budget. Projects for 2002 were kept to a minimum. This followed our past practice of undertaking major projects when the funds are there and curtailing them during the leaner times. We are reassured by most shows doing quite well this past year.

The net result of the above gives us a year end reserve of 17.6% vs. the budgeted reserve of 14%.

I want to particularly credit our Controller, Dave Hardison, for his skill and dedication in compiling the data for 2002 and assembling the proposed budget for 2003. Our consistency in budgeting each year is due in big part to Dave's hard work.

As we did last year when we presented our budget to you, I have provided a summary of funds spent for projects, equipment purchases and special repairs from 1987 through 2003. The summary reflects the sources of funds. Expo Center earnings expended total \$4,598,201 State funds totaled \$1,394,990, County funds of \$454,956 and contractors \$280,213.

2003

The proposed budget for 2003 reflects a December 31, 2003 year-end surplus of 15.2%.

Rent and parking fee increases to be instituted in April are incorporated into the budget. This delay in implementation will allow our early in the year shows an opportunity to avoid the increase until 2004. The unpopular utility surcharge will be dropped when the increased fees begin.

In 2002 we held to a very modest line on equipment and improvements. 2003 reflects an increase. The Millennium Flex funds from the Division of Fairs and Expositions in 2002 allowed us to install a fiber optic cable to a number of buildings. Funds for 2003 in that category have been reduced but are still available. We will continue with our information technology upgrades including the installation of a T1 line to Expo Hall and connection to the fiber optic network which we will utilize as well as our renters.

A summary of our project funds is as follows:

	<u>Budget 2002</u>	<u>Budget 2003</u>
Equipment and Improvements	\$30,068	\$163,800
Millennium Flex Funds from F&E	55,000	35,000
F&E Major Maintenance Funds	60,000	50,000

The Bay Meadows development, plans for grade separations, a 1,000' Bay Meadows/Hillsdale train station, the Baby Bullet and satellite waging continue to play a dominant role in our planning though the process seems to be very protracted.

The City of San Mateo's Land Use Transportation Corridor Plan – Phase II Citizens Advisory Committee of which I am a member continues to meet monthly until at least mid 2003. Information received regarding the proposed project and the transportation corridor is shared with Supervisor Hill, John Maltbie and Paul Scannell.

With your assistance a site and facility improvement plan conducted by Sasaki Associates is nearly complete. It will address the configuration of a new Fiesta Hall with meeting facilities. This work will allow incorporating plans as they develop with the Bay Meadows site and the rail corridor. In anticipation of Bay Meadows' closure, plans will be made for including a satellite wagering facility on our site to coincide with the closure of Bay Meadows' satellite facility.

A two year legislative plan has been successfully completed with Governor Davis signing the second of two bills in September. The first bill solidified the San Mateo County Fair's ability to conduct its annual race meet in another county when Bay Meadows closes. The second bill specifies that when Bay Meadows closes if satellite wagering is conducted in San Mateo County it will belong to the San Mateo County Fair. The City of San Mateo will continue to receive racing license fees and satellite earnings will help fund needed improvements on the Expo Center site. This legislation was quite complicated and was successful in big part due to your assistance.